

Interim report January – March 2019

SyntheticMR AB (publ)

Q1

Q2

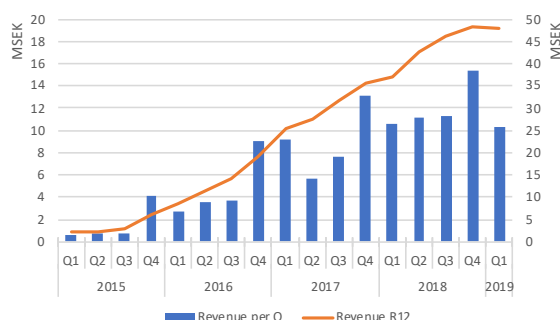
Q3

Q4



First quarter in brief

- Net sales amounted to SEK 10.3 million (10.6)
- Operating profit amounted to SEK 2.9 million (3.6)
- Adjusted operating profit after non-recurring effects due to the change of CEO amounted to SEK 3.2 million
- Profit for the period amounted to SEK 2.2 million (2.8)
- Earnings per share amounted to SEK 0.55 (0.69)
- Sales for rolling 12 months amounted to SEK 47.9 million (37.1)



Turnover per quarter and rolling 12 month 2015-2019

Significant events during the first quarter

The board of SyntheticMR AB has appointed Ulrik Harrysson as the new CEO of SyntheticMR AB.

SyntheticMR has sold the first licenses of MAGiC AW to GE Healthcare. These licenses give the clinicians the same functionality in "reading room" as they have had at the MR scanner.

Significant events after the first quarter

SyntheticMR has submitted an FDA application to get SyMRI cleared on the U.S. market together with MRI systems from Siemens.

As previously communicated, SyntheticMR's CEO Stefan Tell leaves his post. The last day of employment is set for April 30, 2019. The company's current CFO Fredrik Jeppsson takes over as acting CEO until the newly recruited CEO Ulrik Harrysson begins July 1st, 2019.

Key ratios

	2019 Jan-March	2018 Jan-March	2018 Jan-Dec
Net sales, TSEK	10,274	10,643	48,304
Sales growth, %	-3	16	36
Operating profit, TSEK	2,887	3,581	18,737
Operating margin, %	28	34	39
Net profit for the period, TSEK	2,226	2,768	14,653
Profit/loss per share before/after dilution, SEK	0.55	0.69	3.63

CEO comments

Sales during the first quarter is in parity with the corresponding period last year. Sales amounted to SEK 10.3 million (SEK 10.6 million). The negative sales growth during the first quarter is due to quarterly variations in MAGiC sales through GE Healthcare. Cash flow for the first quarter amounted to SEK 7.1 million (4.0), which demonstrates continued strong cash conversion rate, proof of a successful business model and strategy.

In our collaboration with GE Healthcare, we notice an increased interest in broadening their offerings based on our product, an acknowledgment of a strong partnership. As previously communicated, during the period we have made initial sales of MAGiC for the reading room, a positive development to increase the clinical benefit.

The development of cooperation with our other partners remains positive, although it is currently not yet seen to any great extent in our sales figures. I can state that we have taken decisive steps during the period to get SyMRI in the Philips product catalog, but we are not represented there yet which is a prerequisite for increased volumes. Regarding the cooperation with Siemens, we have submitted our application to the FDA after the end of the period in order to have SyMRI cleared together with Siemens MRI scanners in the US market.

Future growth will mainly be based on our partnerships. As a complement, we are now investing in our own local presence in the U.S. This is to strengthen cooperation with our partners' sales and marketing organizations, and with critical hospitals in this important market.

SyntheticMR operates in the global market and the position is strong through our partnerships. We build an installed base of scanners that are compatible with our manufacturer-independent quantification. In our scalable business model, this gives the opportunity to expand our product offerings. In this context, we are well positioned through our ongoing projects that are in different stages of maturity.

I am now leaving the company as CEO after seven fantastic years. During these years, we have developed SyntheticMR from a start-up to a growth company that today has agreements with the largest operators in the MRI market. We have in recent years invested in business development together with Siemens and Philips. SyntheticMR is well positioned for continued growth. I wish Ulrik Harrysson and the whole team good luck on the continued journey!



Stefan Tell
CEO SyntheticMR AB

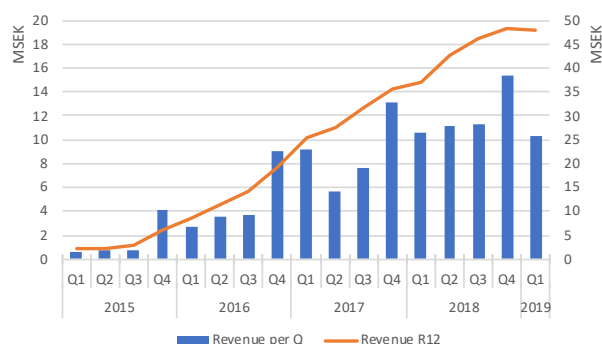
Financial information

Revenues

Net sales for the first quarter decreased by -3% and amounted to SEK 10,274 thousand (10,643). The negative sales growth depends on the quarterly variation regarding MAGiC sales via GE Healthcare. Furthermore, we see a certain delay in sales through our other channels.

Other operating revenues includes reimbursement of SEK 0.4 million from Vinnova for the project that is conducted with Elekta, Inovia AL and Linköping University.

Changes in the exchange rate against the dollar and the euro have had positive effect of SEK 0.4 million.

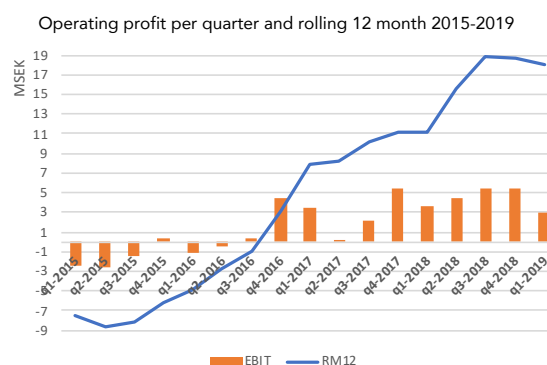


Turnover per quarter and rolling 12 month 2015-2019

Operating profit

Operating expenses in the first quarter have increased compared with the same period last year and amounted to SEK -8,815 thousand (-7,635). The increases are due to more employees. At the end of the quarter, the company had 19 employees compared to 16 the same period last year. Recruitment has mainly taken place within the market and the sales organization. The period has also been charged with non-recurring costs of SEK 0.3 million relating to expenses attribute to future CEO changes.

Operating profit for the quarter was SEK 2,887 thousand (3,581), corresponding to an operating margin of 28% (34). Operating profit for rolling 12 months amounted to SEK 18,042 thousand (11,196).



Currency effects

The company is impacted by the US dollar and the euro's trends against the Swedish krona, since invoicing is mainly denominated in USD and EUR, while most of the costs are in Swedish kronor.

The company does not use hedging instruments in terms of futures or options to hedge currency risks, which means that exchange rate effects have an impact on the income statement.

Capitalization of development costs

Investments in intangible fixed assets for the first quarter amounted to SEK 798 thousand (680). Investments in intangible assets relate to capitalized development costs and patents.

Profit/loss for the period and earnings per share

Tax on profit for three months amounted to SEK -660 thousand (-781).

Profit after tax for the first quarter amounted to SEK 2,226 thousand (2,768). This resulted in earnings per share of SEK 0.55 (0.69).

Cash flow and liquidity

In the first quarter, cash flow was SEK 7,942 thousand (4,652). The increase is due to changes in accounts receivable. As of March 31, 2019, the company's cash assets amounted to SEK 39,234 thousand (20,961).

Financial position

The company's total assets amounted to SEK 58,895 thousand (41,755) at March 31, 2019 and the equity/assets ratio was 82.0% (81.8). For the same quarter, current receivables totaled SEK 11,948 thousand (10,916). The receivables mainly comprised accounts receivables.

Shareholders' equity at the end of the period amounted to SEK 48,285 thousand (34,175). The company has no interest-bearing liabilities.

Employees and organization

At the end of the quarter, the number of employees in the company was 19 (16). The average number of employees for the quarter was 17 (14).

Related party transactions

During the first quarter, transactions with related parties with totally SEK 595 thousand. The amount refers to consulting fees to Board member Marcel Warntjes in his role as responsible for innovation and as

senior adviser to the company's management. Otherwise, no significant transactions with related parties during the current period or the comparative period has been.

Risks and uncertainties

Through its operations, SyntheticMR's operations and results are affected by a number of external and internal factors. A continuous process is ongoing to identify all possible risks and assess how to handle the respective risks.

The most relevant risks and uncertainties are described in the annual report for 2018 and relate to financial and operational risks. No other significant risks and uncertainties than those described in the 2018 annual report have been identified in 2019.

The company has, like most other MedTech companies, an uneven order flow over the year and the variation in individual quarters may be high.

Share data and ownership

Share capital at 31 March 2019 amounted to SEK 896,897.316 and the number of shares to 4,040,078. All shares have equal rights to the company's assets and profits. One share entitles to one vote.

The company's shares were listed on October 18, 2013 at Spotlight Stock Market.

Income Statement and Statement of Comprehensive Income

	1 st quarter		Full year
SEK thousand	2019	2018	2018
Operating income			
Net sales	10,274	10,643	48,304
Own work capitalized	604	573	2,430
Other income	824	-	827
Total income	11,702	11,216	51,561
Operating expenses			
Other external expenses	-3,104	-2,743	-11,753
Employee benefit costs	-4,990	-3,907	-18,214
Depreciation of tangible and intangible assets	-721	-719	-2,857
Other expenses	-	-266	-
Operating profit	2,887	3,581	18,737
Result from financial items			
Financial income	0	0	0
Financial expense	-1	-32	-32
Net financial income/expense	-1		
Net profit for the period from continuing operations	2,886	3,549	18,705
Tax on net profit for the period	-660	-781	-4,052
Net profit for the period	2,226	2,768	14,653
Statement of Comprehensive Income			
Net profit for the period	2,226	2,768	14,653
Other comprehensive income	-	-	-
Comprehensive income for the year	2,226	2,768	14,653
Earnings per share before dilution	0.55	0.69	3.63
Earnings per share after dilution	0.55	0.69	3.63

Balance sheet

ASSETS			
SEK thousand	2019-03-31	2018-03-31	2018-12-31
FIXED ASSETS			
Intangible fixed assets			
Capitalized development expenditure	6,720	6,640	6,620
Patent	993	892	1,015
Total intangible fixed assets	7,713	7,532	7,635
Tangible fixed assets			
Equipment, fixtures and fittings	0	15	2
Total tangible fixed assets	0	15	2
Financial fixed assets			
Deferred tax assets	0	2,331	0
Total financial fixed assets	0	2,331	0
TOTAL FIXED ASSETS	7,713	9,878	7,637
CURRENT ASSETS			
Other receivables			
Accounts receivable	10,419	10,255	14,912
Other receivables	217	3	523
Prepaid expenses and accrued income	1,312	658	912
Total other receivables	11,948	10,916	16,347
Cash and bank balances	39,234	20,961	32,090
TOTAL CURRENT ASSETS	51,182	31,877	48,437
TOTAL ASSETS	58,895	41,755	56,074
EQUITY AND LIABILITIES			
Restricted equity			
Share capital	897	897	897
Fund for development expenditures	5,418	4,393	5,218
Unrestricted equity			
Other paid-in capital	17 762	17 762	17 762
Retained earnings	21,982	8,355	7,529
Profit of the year	2,226	2,768	14,653
TOTAL SHAREHOLDERS' EQUITY	48,285	34,175	46,059
Current liabilities			
Accounts payable	2,420	1,568	1,941
Tax liabilities	2,111	311	1,627
Other liabilities	750	703	843
Accrued expenses and prepaid income	5,328	4,998	5,604
Total current liabilities	10,609	7,580	10,015
TOTAL EQUITY AND LIABILITIES	58,895	41,755	56,074

Statement of cash flow

	1 st quarter	Full year	
SEK thousand	2019	2018	2018
Operating activities			
Operating profit	2,887	3,581	18,737
Adjustments for non-cash items			
Depreciation of tangible and intangible assets	722	719	2,857
Paid interest	-1	-32	-32
Income tax paid	-84	-62	-220
Cash flow from operating activities before changes in working capital	3,524	4,206	21,342
Changes in accounts receivable	4,493	430	-4,227
Changes in other receivable	-119	2	-201
Changes in accounts payable	480	34	407
Changes in other receivable	-436	-20	686
Cash flow from operating activities	7,942	4,652	18,007
Investing activities			
Investment in intangible assets	-798	-680	-2,906
Investment in intangible assets	-798	-680	-2,906
Cash flow for the period	7,144	3,972	15,101
Cash, opening balance	32,090	16,989	16,989
Cash, closing balance	39,234	20,961	32,090

Statement of changes in equity

Tkr	Restricted equity		Unrestricted equity			Total equity
	Share capital	Fund for capitalized costs	Other contributed capital	Retained earnings	Net profit	
Opening balance January 1, 2018	897	4,101	17,762	285	8,361	31,406
Allocation according to AGM resolution				8,361	-8,361	
Allocation fund for development expenditures		574		-574		
Reversal of depreciation		-282		282		
Comprehensive income for the year					2,768	2,768
Closing balance March 31, 2018	897	4,393	17,762	8,354	2,768	34,175
Adjusted opening equity January 1, 2019	897	5,218	17,762	7,529	14,653	46,059
Allocation according to AGM resolution				14,653	-14,653	
Allocation fund for development expenditures		604		-604		
Reversal of depreciation		-404		404		
Comprehensive income for the period					2,226	2,226
Closing balance March 31, 2019	897	5,418	17,762	21,982	2,226	48,285
Opening balance January 1, 2018	897	4,101	17,762	285	8,361	31,406
Allocation according to AGM resolution				8,361	-8,361	
Allocation fund for development expenditures		2,430		-2,430		
Reversal of depreciation		-1,313		1,313		
Comprehensive income for the year					14,653	14,653
Closing balance December 31, 2018	897	5,218	17,762	7,529	14,653	46,059

Key figures

	2019 Jan-March	2018 Jan-March	2018 Jan-Dec
Net sales, TSEK	10,274	10,643	48,304
Sales growth, %	-3	16	36
Operating profit, TSEK	2,887	3,581	18,737
Operating margin, %	28	34	39
Net profit for the period, TSEK	2,226	2,768	14,653
Cash flow from operating activities, TSEK	7,942	4,652	18,007
Shareholders equity, TSEK	48,285	34,175	46,059
Total assets, TSEK	58,895	41,755	56,074
Equity/assets ratio, %	82.0	81.8	82.1
Return on equity, %	34	25	37
Number of employees	17	16	17
No. of shares before/after dilution	4,040,078	4,040,078	4,040,078
Average No. of shares before/after dilution	4,040,078	4,040,078	4,040,078
Per share data, SEK			
Profit/loss per share before/after dilution	0.55	0.69	3.63
Cash flow per share from operating activities	1.97	1.15	4.46
Equity per share before/after dilution	11.95	8.46	11.40
Dividend per share	-	-	1.50

Sales growth - The change in net sales compared with the year-earlier period expressed as a percentage.

Operating margin, % - Operating profit/loss expressed as a percentage of net sales.

Equity/assets ratio, % - Equity expressed as a percentage of total assets.

Return on equity, % - Profit/loss for the period as a percentage of average equity. Average equity is calculated as the sum of equity at the end of the period plus equity at the end of the year-earlier period, divided by two.

Number of employees - Average number of employees during the period.

Profit/loss per share - Profit/loss for the period as a percentage of average number of shares.

Cash flow per share from operating activities - Cash flow from operating activities as a percentage of average number of shares during the period

Equity per share - Equity divided by number of shares at the end of the period.

Accounting policies

This interim report has been prepared in accordance with IAS 34, taking into account the exceptions to and additions to IFRS as specified in RFR 2 and the Annual Accounts Act.

Swedish legislation allows International Financial Reporting Standards (IFRS) as adopted by the EU to be applied at Group level. SyntheticMR AB (publ) does not prepare consolidated financial statements but instead applies the Swedish Financial Reporting Board's recommendation, RFR 2, Accounting for Legal Entities. The main rule of the recommendation means that SyntheticMR shall apply IFRS as far as possible within the framework of the Annual Accounts Act and with regard to the relationship between accounting and taxation.

In addition to financial data as defined in IFRS, specific key ratios, so-called alternative key ratios are presented to reflect the results of the underlying business and increase the comparability between different periods. These alternative key ratios do not replace financial data as defined in IFRS.

Disclosures in accordance with IAS 34. 16A appear in addition to the financial statements, also in other parts of the interim report.

When preparing financial reports consistent with IFRS, the use of some important estimates and assumptions for accounting purposes is required. The company evaluates these on a continuous basis based on historical experience and expectations of

future events that are considered reasonable under prevailing conditions. The estimates for accounting purposes resulting from this will, by definition, rarely correspond to the actual result.

The same accounting principles and calculations bases have been applied as in the latest annual report 2018, unless otherwise stated below.

IFRS16 Leasing

As of January 1, 2019, IFRS16 Leases replaced existing IFRS related to the recognition of leasing agreements. The standard removes the division of leasing agreements into operating or financial leasing for the lessee, which is required in IAS 17 and instead introduces a common model for reporting all leases. The standard has not had any effect on the financial reports as the company applies the relief rule according to RFR 2.

Segment reporting

A reportable segment is a part of the company that operates from which it can generate revenues and incur costs and for which there is independent financial information available. The operating profit of a business segment is further monitored by the company's highest executive decision maker, which is identified by the company as the CEO. The management has determined the segments based on the information being dealt with by the CEO and used as a basis for allocating resources and evaluating results. In this internal reporting, the company as a whole is a segment.

Disaggregation of revenue

The company has a customer whose turnover exceeds 10 percent of the company's total net sales.

SEK thousand	1 st quarter		Full year
	2019	2018	2018
<u>Geographical markets</u>			
Sweden	749	45	577
Other	9,525	10,598	47,726
Total	10,274	10,643	48,304
<u>Major service lines</u>			
Licenses	9,969	10,328	47,002
Service and Support	305	315	1,302
Total	10,274	10,643	48,304
<u>Timing of revenue recognition</u>			
Licenses transferred at a point in time	9,969	10,328	47,002
Services transferred over time	305	315	1,302
Total	10,274	10,643	48,304

Financial instruments

The company holds the following financial assets and liabilities.

	1 st quarter		Full year
	2019	2018	2018
Financial assets at amortized cost			
Accounts receivables	10,419	10,255	14,912
Other financial assets	217	3	523
Cash and bank balances	39,234	20,961	32,090
Total	49,870	31,219	47,525

	1 st quarter		Full year
	2019	2018	2018
Financial liabilities at amortized cost			
Accounts payable	2,420	1,568	1,941
Total	2,420	1,568	1,941

SyntheticMR in brief

SyntheticMR develops innovative software solutions for Magnetic Resonance Imaging (MRI) that supports shorter exam times and delivers more information to the clinician. SyntheticMR's unique technology measures the absolute properties of the brain and delivers adjustable contrast images, automatic biomarker segmentation and quantitative data in a single MR scan. SyntheticMR's product SyMRI is sold through partner agreements with Siemens and Philips. A client-specific version is sold by GE Healthcare. The company was founded by Dr Marcel Warntjes in 2007 based on innovations developed at Center for Medical Image Science and Visualization (CMIV) in Linköping, Sweden. SyntheticMR has 19 employees and is based in Linköping.

Vision and strategy

SyntheticMR's vision is to create a paradigm shift in MRI and lead the transition towards quantitative MRI. SyMRI offers clinicians objective decision support, which supports a faster and more reliable diagnosis. Meanwhile the more efficient workflow can contribute to shorter waiting times and less time spent in the MR scanner, which improves the patient experience. That way the productivity and patient satisfaction are increased at the customers' clinics, which in turn generates long-term profitability to SyntheticMR and its shareholders.

SyntheticMR has key competences within MR imaging and software development based on the latest research within the subject area. This is done in close collaboration with selected clinics and hospitals to ensure that the products correspond to market needs and requirements.

Sales strategy

SyntheticMR's strategy is to reach a broad, global market through partner collaboration with leading MR manufacturers. SyntheticMR has a license agreement with GE Healthcare since 2014, one of the market leading MR manufacturers, which gives GE Healthcare the right to sell an integrated, customer specific version of SyMRI directly to their customers. SyntheticMR also has cooperation and co-marketing agreements with Philips since 2015 and Siemens since 2016, which makes SyMRI compatible with their MR scanners. SyMRI is also sold as a plug-in to Sectra's PACS and since second quarter 2018 also offered through the Siemens Healthineers Digital Ecosystem, syngo.via Open Apps.

SyntheticMRs products are primarily sold by retailers through our partners, but SyntheticMR also has close collaboration with several internationally recognized reference sites that conduct research within radiology and neurology.

Review

This report has not been reviewed by SyntheticMR's auditors.

Annual general meeting

AGM will be held at SyntheticMRs office on April 29th, 2019, at 18:00 Storgatan 11, Linköping

Financial Calendar

Interim report Q2 – July 17th, 2019

Interim report Q4 – November 12th, 2019

Year-end report Jan-Dec – February 27, 2020

For further information

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This is a translation of the Swedish version of the report. When in doubt, the Swedish wording prevails.

This information is information that SyntheticMR AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, on April 29th, 2019.

The Board of Directors and the Managing Director ensure that this report has been prepared in accordance with generally accepted accounting principles and gives a true and fair view of the company's position and results and describes significant risks and uncertainties faced by the company.

Stockholm April 29th 2019

SyntheticMR AB (publ)

Board of directors