

Interim report April – June 2019

SyntheticMR AB (publ)

Q1

Q2

Q3

Q4

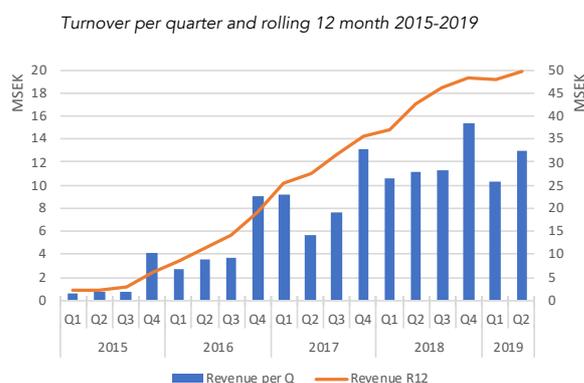


Second quarter in brief

- SyntheticMR had a sales growth of 16 percent in the second quarter compared to the previous year.
- Net sales amounted to SEK 12.9 million (11.1).
- Operating profit amounted to SEK 3.2 million (4.4).
- Profit for the period amounted to SEK 2.5 million (3.2).
- Earnings per share amounted to SEK 0.61 (0.80).
- Sales for rolling 12 months amounted to SEK 49.7 million (42.6).

First half year in brief

- Net sales amounted to SEK 23.2 million (21.8), which means a sales growth of 7 percent.
- Operating profit amounted to SEK 6.2 million (7.9).
- Profit for the period amounted to SEK 4.7 million (6.0).
- Earnings per share amounted to SEK 1.16 (1.48).



Significant events during the second quarter

The Annual General Meeting resolved, in accordance with the submitted proposal, to appoint Yvonne Mårtensson as the new Chairman of the Board.

SyntheticMR has received clearance from the FDA, for the use of SyMRI together with Siemens systems.

SyntheticMR invests in local presence in the US and as part of this, a subsidiary has been registered, SyntheticMR U.S. Inc.

At the end of the quarter, a subsidiary manager was recruited to the newly started company in the U.S. The person takes up his position on August 1, 2019.

Significant events after the second quarter

Ulrik Harrysson has started his position as CEO as of 1 July 2019.

The Board of Directors has decided to postpone the application to change trading list to NASDAQ OMX Stockholm. The company has recently made a CEO change and the resources will be focused on the business operations to further establish the company's products in the global market.

Key ratios

	2019 April-June	2018 April-June	2019 Jan-June	2018 Jan-June	2018 Jan-Dec
Net sales, TSEK	12,942	11,133	23,216	21,777	48,304
Sales growth, %	16	97	7	47	36
Operating profit, TSEK	3,232	4,364	6,118	7,945	18,737
Operating margin, %	25	39	26	36	39
Net profit for the period, TSEK	2,477	3,219	4,702	5,987	14,653
Profit/loss per share before/after dilution, SEK	0.61	0.80	1.16	1.48	3.63

CEO comments

It is with great enthusiasm and a high level of ambition, that I have now started my position as CEO of SyntheticMR. The company possesses a strong expertise that builds on our unique technology and develops, markets and sells innovative solutions that meet customers needs. I see great development opportunities for SyntheticMR. Having pre-existing partnerships with the largest players within MRI, means that conditions are good for continuing to strengthen the company's position in the global market.

I can report that sales during the second quarter amounted to SEK 12.9 million (SEK 11.1 million), which means an increase of 16%. The growth is attributable to a combination of higher sales through all our partners.

Cash flow during the quarter was negative due to the dividend payment of SEK 6.6 million, which was decided at the Annual General Meeting at the end of April. Cash flow from operating activities remains positive, SEK 1.2 million (SEK 4.4 million), and we see continued good cash conversion rate.

The collaboration with GE Healthcare is progressing well, with continuing steps in the right direction. During the quarter we have continued positive discussions about widening our partnership further. This means not only increased customer offerings in the existing MAGiC product, but also the opportunity for GE Healthcare to offer additional solutions. MAGiC aims to simplify and shorten the time of an MRI exam, while at the same time maximizing the productivity of the hospital or clinic. GE Healthcare sees that these offerings fit well with the market conditions that emerge primarily in developing countries but also in larger countries in Asia.

In our collaboration with Philips, we are working intensively on the required actions to get SyMRI into their global product catalog. It will take some time until we are included there, as this requires an updated agreement as well as long lead times in Philips' internal processes. In the meantime, we are actively working on other sales initiatives, which during the period resulted in the sale of SyMRI to one of Europe's largest university hospitals.

In the second quarter, another application was submitted to the FDA regarding the use of SyMRI together with MRI systems from Siemens. The same application was subsequently cleared during the period, which means that SyMRI is now available for clinical use in the US market together with all of our partners.

As previously communicated, we are now accelerating our investments in our own local presence in the US. At the end of the quarter, we have completed the recruitment of the first staff member for our newly started US subsidiary. With the latest approval from the FDA, we now see that it is a good opportunity to increase our local presence and support our partners for increased sales and deployment of SyMRI.

SyntheticMR is a growth company and I see great potential in the company's long-term opportunities for increased profitable sales growth. We are now increasing the pace of strengthening the company's position globally. The establishment in the US, the world's largest healthcare market, is a significant step towards that ambition.

Ulrik Harrysson
CEO SyntheticMR AB

Financial information

Second quarter, April-June 2019

Net sales for the second quarter increased by 16 percent and amounted to SEK 12,942 thousand (11,133). The sales growth is due to increased sales through all of our partners compared to the previous year.

Other operating revenues includes reimbursement of SEK 0.1 million from Vinnova for the project that is conducted with Elekta, Inovia AL and Linköping University. Furthermore, transaction effects of changes in the exchange rate are included by SEK 0.2 million.

Operating expenses in the second quarter have increased compared with the same period last year and amounted to SEK -10,766 thousand (-8,151). The increase is due, among other things, to invested resources in connection with the start-up of the US operations. Furthermore, the company has more employees than the corresponding period last year, as well as increased market costs in connection with participation in exhibitions and conferences.

Operating profit for the quarter was SEK 3,232 thousand (4,364), corresponding to an operating margin of 25% (39). Tax on profit for the 6 months amounted to SEK -754 thousand (-1,145). Profit after tax for the second quarter amounted to SEK 2,477 thousand (3,219), which resulted in earnings per share of SEK 0.61 (1.16).

In the second quarter, cash flow was SEK 1,279 thousand (4,405).

For the first half year, Jan-June 2019

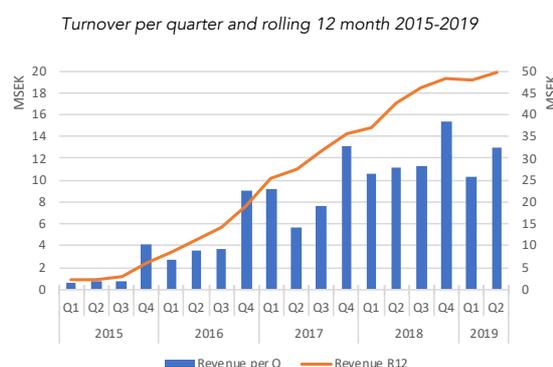
Net sales for the first half year 2019 amounted to SEK 23,216 thousand (21,777), which corresponds to an increase of 7 percent (47). The increase is due to increased sales through several of our partners and to some extent to a positive exchange rate development of the USD.

The costs for the first half year of 2019 amounted to SEK -19,581 thousand compared to SEK -15,521 last year. The increase is attributable to, among other things, the initial costs associated with local establishment in the US. Furthermore, the company has more employees and at the end of the quarter there were 18 employees, compared with 16 persons at the same time last year. The increase is also due to increased market-related expenses in connection with participation at various exhibitions and conferences.

Operating profit amounted to SEK 6,118 thousand (7,945), which corresponds to an operating margin of 26% (36). Tax on earnings amounted to SEK -1,415 thousand (-1,926).

Profit after tax for the first half year amounted to SEK 4,702 thousand (5,987). This resulted in earnings per share of SEK 1.16 (1.48).

Cash flow from operating activities amounted to SEK 7,381 thousand (9,230). As of June 30, 2019, the company's cash assets amounted to SEK 33,661 thousand (24,464).



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.

Capitalization of development costs

Investments in intangible fixed assets for the second quarter amounted to SEK 792 thousand (902). The corresponding figure for the first half year is SEK 1,591 thousand (1,582). Investments in intangible assets relate to capitalized development costs and patents.

Financial position

The company's total assets amounted to SEK 55,946 thousand (43,805) at June 30, 2019 and the equity/assets ratio was 79.9% (85.4). For the same quarter, current receivables totaled SEK 14,499 thousand (10,431). The receivables mainly comprised accounts receivables, SEK 12,973 thousand (9,738).

Shareholders' equity at the end of the period amounted to SEK 44,702 thousand (37,394). The company has no interest-bearing liabilities.

Employees and organization

At the end of the quarter, the number of employees in the company was 18 (16). The average number of employees for the quarter was 18 (15).

Related party transactions

During the second quarter, transactions with related parties amounts to SEK 552 thousand. The total amount for the first 6 months is SEK 1,147 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 30 June 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

SEK thousand	2 nd quarter		First half year		Full year
	2019	2018	2019	2018	2018
Operating income					
Net sales	12,942	11,133	23,216	21,777	48,304
Own work capitalized	674	648	1,278	1,221	2,430
Other income	381	734	1,206	468	827
Total income	13,997	12,515	25,700	23,466	51,561
Operating expenses					
Other external expenses	-4,289	-2,827	-7,393	-5,570	-11,753
Employee benefit costs	-5,757	-4,599	-10,748	-8,506	-18,214
Depreciation of tangible and intangible assets	-719	-725	-1,441	-1,445	-2,857
Other expenses	-	0	0	0	-
Operating profit	3,232	4,364	6,118	7,945	18,737
Result from financial items					
Financial income	0	0	0	0	0
Financial expense	-1	0	-1	-32	-32
Net financial income/expense	-1	0	-1	-32	-32
Net profit for the period from continuing operations	3,231	4,364	6,117	7,913	18,705
Tax on net profit for the period	-754	-1,145	-1,415	-1,926	-4,052
Net profit for the period	2,477	3,219	4,702	5,987	14,653
Statement of Comprehensive Income					
Net profit for the period	2,477	3,219	4,702	5,987	14,653
Other comprehensive income	-	-	-	-	-
Comprehensive income for the year	2,477	3,219	4,702	5,987	14,653
Earnings per share before dilution	0.61	0.80	1.16	1.48	3.63
Earnings per share after dilution	0.61	0.80	1.16	1.48	3.63

Balance sheet

ASSETS				
SEK thousand		2019-06-30	2018-06-30	2018-12-31
FIXED ASSETS				
Intangible fixed assets				
Capitalized development expenditure		6,840	6,726	6,620
Patent		946	988	1,015
Total intangible fixed assets		7,786	7,714	7,635
Tangible fixed assets				
Equipment, fixtures and fittings		0	11	2
Total tangible fixed assets		0	11	2
Financial fixed assets				
Deferred tax assets		0	1,185	0
Total financial fixed assets		0	1,185	0
TOTAL FIXED ASSETS		7,786	8,910	7,637
CURRENT ASSETS				
Other receivables				
Accounts receivable		12,973	9,738	14,912
Other receivables		409	87	523
Prepaid expenses and accrued income		1,117	606	912
Total other receivables		14,499	10,431	16,347
Cash and bank balances		33,661	24,464	32,090
TOTAL CURRENT ASSETS		48,160	34,895	48,437
TOTAL ASSETS		55,946	43,805	56,074
EQUITY AND LIABILITIES				
Restricted equity				
Share capital		897	897	897
Fund for development expenditures		5,670	4,727	5,218
Unrestricted equity				
Other paid-in capital		17,762	17,762	17,762
Retained earnings		15,671	8,020	7,529
Profit of the year		4,702	5,987	14,653
TOTAL SHAREHOLDERS' EQUITY		44,702	37,394	46,059
Current liabilities				
Accounts payable		1,895	1,162	1,941
Tax liabilities		3,004	392	1,627
Other liabilities		1,961	667	843
Accrued expenses and prepaid income		4,384	4,190	5,604
Total current liabilities		11,244	6,411	10,015
TOTAL EQUITY AND LIABILITIES		55,946	43,805	56,074

Statement of cash flow

	2 nd quarter		First half year		Full year
SEK thousand	2019	2018	2019	2018	2018
Operating activities					
Operating profit	3,232	4,364	6,119	7,945	18,737
Adjustments for non-cash items					
Depreciation of tangible and intangible assets	719	725	1,441	1,445	2,857
Paid interest	-1	0	-2	-32	-32
Income tax paid	-93	-64	-177	-128	-220
Cash flow from operating activities before changes in working capital	3,857	5,025	7,381	9,230	21,342
Changes in accounts receivable	-2,554	517	1,939	947	-4,227
Changes in other receivable	207	-57	88	-55	-201
Changes in accounts payable	-525	-406	-45	-372	407
Changes in other receivable	294	-674	-141	-693	686
Cash flow from operating activities	1,279	4,405	9,222	9,057	18,007
Investing activities					
Investment in intangible assets	-792	-902	-1,591	-1,582	-2,906
Cash flow from investing activities	-792	-902	-1,591	-1,582	-2,906
Financing activities					
Paid dividends	-6,060	-	-6,060	-	-
Cash flow from financing activities	-6,060	-	-6,060	-	-
Cash flow for the period	-5,573	3,503	1,571	7,475	15,101
Cash, opening balance	39,234	20,961	30,090	16,989	16,989
Cash, closing balance	33,661	24,464	33,661	24,464	32,090

Statement of changes in equity

TSEK	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		1,221		-1,221		
Reversal of depreciation		-595		595		
Comprehensive income for the year					5,987	5,987
Closing balance June 30, 2018	897	4,727	17,762	8,020	5,987	37,393
Opening balance January 1, 2019	897	5,218	17,762	7,529	14,653	46,059
Allocation according to AGM resolution				14,653	-14,653	
Paid dividend				-6 060		-6 060
Allocation fund for development expenditures		1,278		-1,278		
Reversal of depreciation		-827		827		
Comprehensive income for the period					4,702	4,702
Closing balance June 30, 2019	897	5,670	17,762	15,671	4,702	44,702
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 April-June	2018 April-June	2019 Jan-June	2018 Jan-June	2018 Jan-Dec
Net sales, TSEK	12,942	11,133	23,216	21,777	48,304
Sales growth, %	16	97	7	47	36
Operating profit, TSEK	3,232	4,364	6,118	7,945	18,737
Operating margin, %	25	39	26	36	39
Net profit for the period, TSEK	2,477	3,219	4,702	5,987	14,653
Cash flow from operating activities, TSEK	1,279	4,405	9,222	9,057	18,007
Shareholders equity, TSEK	44,702	37,393	44,702	37,393	46,059
Total assets, TSEK	55,946	43,805	55,946	43,805	56,074
Equity/assets ratio, %	79.9	85.4	79.9	85.4	82.1
Return on equity, %	29	33	29	33	37
Number of employees	18	16	18	16	17
No. of shares before/after dilution	4,040,078	4,040,078	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	4,040,078	4,040,078
Per share data, SEK					
Profit/loss per share before/after dilution	0.61	0.80	1.16	1.48	3.63
Cash flow per share from operating activities	0.32	1.09	2.28	2.24	4.46
Equity per share before/after dilution	11.06	9.26	11.06	9.26	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

SyntheticMR AB applies the International Financial Standards (IFRS) approved by the EU. This interim report has been prepared in accordance with IAS 34, taking into account the exceptions from and additions to IFRS that are stated in RFR 2 and the Annual Accounts Act.

Consolidated financial statements

From the second quarter of 2019, SyntheticMR AB constitutes the parent company of a group when a US wholly owned subsidiary was formed during the quarter. When preparing this financial report, no transactions have taken place in the subsidiary. The assessment is therefore made that the subsidiary is not of material importance and therefore no consolidated financial statements are prepared in accordance with the Annual Accounts Act. 7 §3a. In connection with the preparation of financial statements for the third quarter, the parent company will prepare consolidated financial statements and consolidate the US subsidiary.

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	2 nd quarter		First half year	
	2019	2018	2019	2018
<u>Geographical markets</u>				
Sweden	568	403	1,317	449
Other	12,374	10,730	21,899	21,328
Total	12,942	11,133	23,216	21,777
<u>Major service lines</u>				
Licenses	12,600	10,814	22,569	21,143
Service and Support	342	319	647	634
Total	12,942	11,133	23,216	21,777
<u>Timing of revenue recognition</u>				
Licenses transferred at a point in time	12,600	10,814	22,569	21,143
Services transferred over time	342	319	647	634
Total	12,942	11,133	23,216	21,777

Financial instruments

The company holds the following financial assets and liabilities.

	2 nd quarter		Full year
	2019	2018	2018
Financial assets at amortized cost			
Accounts receivables	12,973	9,738	14,912
Other financial assets	409	87	523
Cash and bank balances	33,661	24,464	32,090
Total	47,043	34,289	47,525
Financial liabilities at amortized cost			
Accounts payable	1,895	1,162	1,941
Total	1,895	1,162	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 18 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 was held at SyntheticMRs office on April 29th, 2019, at 18:00 Storgatan 11, Linköping

Financial Calendar

Interim report Q3 – 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 July 17th, 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 July 17th 2019
SyntheticMR AB (publ)

Board of directors