

Interim report April – June 2020

SyntheticMR AB (publ)

Q1

Q2

Q3

Q4



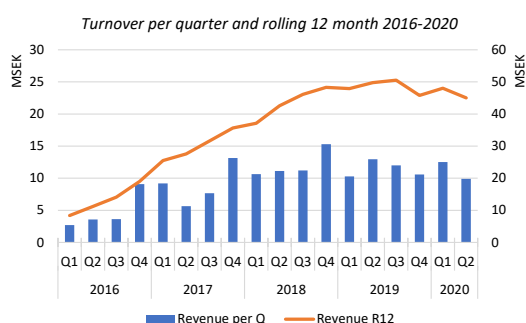
Second quarter in brief

Comparative figures in Q2 are the Parent Company's since the Group was formed 1st of July 2019.

- Net sales amounted to 9.9 million SEK (12.9), which means a sales growth of -23 percent.
- Operating profit amounted to -3.0 million SEK (3.2).
- Profit for the period amounted to -3.0 million SEK (2.5).
- Earnings per share amounted to -0.77 SEK (0.61).
- Sales for rolling 12 months amounted to SEK 45.0 million (49.7).

First half year in brief

- Net sales for the first half year amounted to 22.4 million SEK (23.2), which means a sales growth of -3 percent.
- Operating profit amounted to -2.2 million SEK (6.1).
- Profit for the period amounted to -2.2 million SEK (4.7).
- Earnings per share amounted to -0.57 SEK (1.16).



Significant events during the second quarter

Agreement with Philips Healthcare USA to include SyMRI in their product catalog. First order related to the agreement from ProScan Imaging was received in the quarter.

Sales to GE Healthcare decreased during the quarter due to changed priorities and postponed projects for some end customers as a result of the pandemic. There is no information that planned projects have been canceled.

Significant events during the first half year

Sales of SyMRI increased by more than 100 percent compared to the same period last year.

Significant events after the second quarter

SyntheticMR has received regulatory approval for SyMRI in Brazil.

Key ratios

	2020 Apr-Jun (The Group)	2019 Apr-Jun (Parent Company)	2020 Jan-Jun (The Group)	2019 Jan-Jun (Parent Company)	2019 Jan-Dec (Parent Company)
Net sales, TSEK	9,902	12,942	22,424	23,216	45,803
Sales growth, %	-23	16	-3	7	-5
Operating profit, TSEK	-2,973	3,232	-2,160	6,118	4,917
Operating margin, %	-30	25	-10	26	11
Net profit for the period, TSEK	-2,982	2,477	-2,197	4,702	3,729
Profit/loss per share before/after dilution, SEK	-0.77	0.61	-0.57	1.16	0.94

CEO comments

SyMRI sales continue to increase

The increase in number of sold SyMRI licenses continued in the second quarter and sales growth in the first half year is well above 100% compared to the same period last year. The increased sales of SyMRI has given us a stronger product mix compared to previous periods.

Sales to GE Healthcare of the customized product they market as MAGiC were negatively impacted by effects related to the pandemic. The situation gives, not surprisingly, consequences such as changed priorities and postponed projects for some end customers. Positive in this context is that we have no example of planned projects being canceled.

As informed during the period, Philips Healthcare USA has now included SyMRI in its product catalog. After a long process, it is very gratifying that this important partner now prioritizes putting more focus on offering our solutions to their customers. This contributes significantly to our strategy of increasing resources to market and sell SyMRI. We saw the first results of the developed collaboration during the same quarter through an order from ProScan Imaging. This time-limited license order was the first from an end customer consisting of 25 independent clinics in seven different states of the United States.

The increases sales of SyMRI and the collaboration agreement with Philips Healthcare are concrete results of the investments we have made in our own sales resources in priority markets.



"The increased sales of SyMRI and the collaboration agreement with Philips Healthcare are tangible results of the investments we have made in our own sales resources in priority markets."

Sales during the second quarter amounted to SEK 9.9 million (12.9), which is a decrease of 23 percent compared to the corresponding period last year. The decrease is attributable to the lower sales to GE Healthcare.

The operating profit amounted to SEK -3.0 million (3.2) in the second quarter, which corresponds to a margin of -30 percent (25). In addition to the lower sales mentioned above, the lower result is also due to the increased investment in own sales resources, primarily in the USA. We feel secure with the investment in the market organization. We continue to ensure that in the event of any negative market signals, our costs are largely scalable and thus can be reduced quickly.

Strengthened collaboration for continued growth and product development

In addition to the agreement with Philips Healthcare, the processes continue successfully with existing and new partners. For example, our relationship with GE Healthcare is further developed around how sales of existing products will grow. The discussions with new partners now focus mainly on commercialization.

Collaboration with our partners is also important in the highly prioritized work to develop our product portfolio. Several joint development projects around the next generation of SyMRI are proceeding as expected. Our 3D technology-based product will significantly improve the output of an MRI examination, which will provide major benefits for the healthcare providers' management of various disease states. Another very interesting project is the development of the product we sell today to also include examination of the musculoskeletal system, including, for example, knee and spine. As with the product's currently approved brain examination, a large proportion of all MRI examinations are done in this area. A broader approval increases the sales potential of SyMRI significantly. In order to improve our product development plan, we frequently consult our clinical advisors. This is a newly formed group and consists of several renowned specialists from reputable hospitals and universities.

The right conditions for growth

I am confident that we are implementing the right strategies, and the positive feedback from the market strengthens me in this conviction. The feedback from our customers and partners testifies to the strength of our unique product offerings and that we are taking the right initiative to develop our product portfolio. The new payment model that builds a customer base for recurring sales of SyMRI over time is introduced efficiently. The external situation has had a slightly limiting effect on our operations so far. Even so we have succeeded in increasing the number of completed and started business processes during the quarter in a satisfactory way in all our priority markets. Over time, we will increase sales growth by implementing a commercially sustainable plan by a very competent and professional organization.



Ulrik Harrysson
CEO SyntheticMR AB

Financial information

Second quarter, April-June 2020

Net sales for the second quarter decreased by -23 percent compared to the same period last year and amounted to 9,902 thousand SEK (12,942). The negative sales growth is due to lower sales to GE Healthcare.

Other income for the quarter includes reimbursement of 0.15 million SEK from Vinnova for the project that is conducted with Elekta, Inovia AL and Linköping University. Furthermore, changes in the exchange rate against the dollar and the euro had a negative effect of -1.3 million SEK.

Operating expenses in the second quarter have increased compared with the same period last year and amounted to -12,358 thousand SEK (-10,765). The costs are mainly attributable to increased investments in own sales resources.

Operating profit for the quarter was -2,973 thousand SEK (3,232), corresponding to an operating margin of -30 percent (25). Tax on profit for the 3 months amounted to 0 thousand SEK (-754). Total profit after tax amounted to -3 130 thousand SEK (2,477), which resulted in earnings per share of -0.77 SEK (0.61).

In the second quarter, cash flow from operating activities amounted to -2,211 thousand SEK (1,279).

First half year, Jan-June 2020

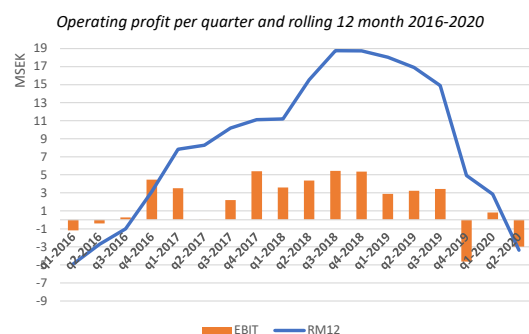
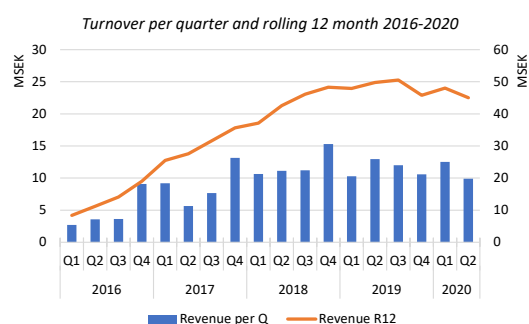
Net sales for the first half year 2020 amounted to 22,424 thousand SEK (23,216), which corresponds to a decrease of -3 percent (7). The negative sales growth is due to lower sales to GE Healthcare. Sales of SyMRI have increased by more than 100 percent compared to the same period last year.

The costs for the first half year amounted to -26,158 thousand SEK compared to -19,581 thousand SEK last year. The costs are mainly attributable to increased investments in own sales resources.

Furthermore, the Group has more employees and at the end of the quarter there were 23 employees, compared with 18 persons at the same time last year.

Operating profit amounted to -2,160 thousand SEK (6,118), which corresponds to an operating margin of -10 percent (26). Tax on earnings amounted to -2 thousand SEK (-1,415). Total profit after tax for the first half year amounted to -2,294 thousand SEK (4,702). This resulted in earnings per share of -0.57 SEK (1.16).

Cash flow from operating activities amounted to -4,436 thousand SEK (9,222). As of June 30, 2020, the Group's cash and cash equivalents amounted to 27,442 thousand SEK (33,661).



Currency effects

The Group 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 SEK.

The Group 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 1,003 thousand SEK (792). The corresponding figure for the first half year is 2,280 thousand SEK (1,591). Investments in intangible assets relates to capitalized development costs and patents.

Financial position

The Group's total assets amounted to 52,665 thousand SEK (55,946) at June 30, 2020 and the equity/assets ratio was 78.8 percent (79.9). For the same quarter, current receivables amounted to 14,433 thousand SEK (14,499). Accounts receivable amounted to 5,939 thousand SEK (12,973).

Shareholders' equity at the end of the period amounted to 41,495 thousand SEK (44,702). The Group has no interest-bearing liabilities.

Related party transactions

During the second quarter, transactions with related parties amounts to 416 thousand SEK. Corresponding amount for first half year is 1,076 thousand SEK. The amount refers to consulting fees to board member Marcel Warntjes in his role as responsible for innovation and as senior adviser to the Group's management. Otherwise, no significant transactions with related parties during the current period or the comparative period has occurred.

Risks and uncertainties

Through its operations, SyntheticMR's operations and results are affected by several 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 2019 and relates to financial and operational risks. No other significant risks and uncertainties than those described in the 2019 annual report have been identified in 2020.

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

Parent Company

SyntheticMR AB (publ) is the Parent Company of the SyntheticMR Group. The operations of the Parent Company are essentially in line with the operations of the Group, so the comments to the Group to a large extent also apply to the Parent Company.

The Parent Company has not been affected by the changes in IFRS 16, but continues to report leasing costs as operating leasing costs. The application of IFRS 16 has largely entailed a reclassification of the leasing cost from "Other external cost" to "Depreciation" and "Interest cost".

Share data and ownership

Share capital at 30 June 2020 amounted to 896,897 SEK and the number of shares to 4,040,078. All shares have equal rights to the Group's assets and profits. One share entitles to one vote. The Group's shares were listed on October 18, 2013 at Spotlight Stock Market.

Consolidated income statement and statement of comprehensive income

TSEK	2 nd quarter		First half year		Full year
	2020 <i>(The Group)</i>	2019 <i>(Parent Company)</i>	2020 <i>(The Group)</i>	2019 <i>(Parent Company)</i>	2019 <i>(The Group)</i>
Operating income					
Net sales	9,902	12,942	22,424	23,216	45,803
Own work capitalized	621	674	1,341	1,278	2,578
Other income	-1,138	381	233	1,206	941
Total income	9,385	13,997	23,998	25,700	49,322
Operating expenses					
Other external expenses	-4,300	-4,289	-10,653	-7,393	-16,809
Employee benefit costs	-7,081	-5,757	-13,536	-10,748	-24,184
Depreciation of tangible and intangible assets	-977	-719	-1,969	-1,441	-3,412
Operating profit	-2,973	3,232	-2,160	6,118	4,917
Result from financial items					
Financial income	-	-	-	-	2
Financial expense	-9	-1	-35	-1	-18
Net financial income/expense	-9	-1	-35	-1	-16
Profit before tax	-2,982	3,231	-2,195	6,117	4,901
Tax on net profit for the period	0	-754	-2	-1,415	-1,172
Net profit for the period	-2,982	2,477	-2,197	4,702	3,729
Statement of comprehensive income					
Other comprehensive income	-148	-	-97	-	61
Total profit for the year	-3,130	2,477	-2,294	4,702	3,790
Earnings per share before dilution	-0.77	0.61	-0.57	1.16	0.94
Earnings per share after dilution	-0.77	0.61	-0.57	1.16	0.94

Consolidated balance sheet

ASSETS			
TSEK	2020-06-30 <i>(The Group)</i>	2019-06-30 <i>(Parent Company)</i>	2019-12-31 <i>(The Group)</i>
Fixed assets			
Capitalized development expenditure	7,968	6,840	7,254
Patent	1,005	946	889
Equipment, fixtures and fittings	178	-	200
Access rights assets	1,639	-	1,305
Total fixed assets	10,790	7,786	9,648
Current assets			
Accounts receivable	5,939	12,973	10,184
Other receivable	2,589	409	460
Prepaid expenses and accrued income	5,905	1,117	1,400
Cash and cash equivalents	27,442	33,661	34,747
Total current assets	41,875	48,160	46,791
TOTAL ASSETS	52,665	55,946	56,439
EQUITY AND LIABILITIES			
Equity			
Share capital	897	897	897
Other contributed capital	17,762	17,762	17,762
Reserves	-97	-	61
Balanced earnings including profit	22,933	26,043	25,069
Equity attributable to the Parent Company	41,495	44,702	43,789
Total shareholders' equity	41,495	44,702	43,789
Long-term liabilities			
Long-term lease dept	684	-	324
Total long-term liabilities	684	-	324
Short-term liabilities			
Short-term lease dept	968	-	988
Accounts payables	1,905	1,895	1,765
Tax liabilities	8	3,004	335
Other liabilities	1,350	1,961	1,200
Accrued expenses and prepaid income	6,255	4,384	8,038
Total short-term liabilities	10,486	11,244	12,326
TOTAL EQUITY AND LIABILITIES	52,665	55,946	56,439

Consolidated statement of cash flow

TSEK	2 nd quarter		First half year		Full year
	2020 <i>(The Group)</i>	2019 <i>(Parent Company)</i>	2020 <i>(The Group)</i>	2019 <i>(Parent Company)</i>	2019 <i>(The Group)</i>
Operating activities					
Operating profit	-2,973	3,232	-2,160	6,119	4,917
Adjustments for non-cash items					
Depreciation of tangible and intangible assets	977	719	1,969	1,441	3,412
Interest received	-	-	-	-	2
Paid interest	-9	-1	-35	-2	-18
Income tax paid	-534	-93	-2,962	-177	-1,540
Cash flow from operating activities before changes in working capital	-2,539	3,857	-3,188	7,381	6,773
Changes in accounts receivable	4,664	-2,554	4,245	1,939	4,728
Changes in other receivable	-4,336	207	-6,633	88	-425
Changes in accounts payable	-420	-525	140	-45	-175
Changes in other payable	420	294	1,000	-141	1,867
Cash flow from operating activities	-2,211	1,279	-4,436	9,222	12,768
Investing activities					
Investment in intangible assets	-1,003	-792	-2,280	-1,591	-3,624
Investment in tangible assets	-	-	-	-	-
Cash flow from investing activities	-1,003	-792	-2,280	-1,591	-3,624
Financing activities					
Paid dividends	-	-6,060	-	-6,060	-6,060
Amortization	-246	-	-492	-	-488
Unconditional shareholders contribution	-	-	-	-	-
Amortization of loans	-	-	-	-	-
Cash flow from financing activities	-246	-6,060	-492	-6,060	-6,548
Cash flow for the period	-3,460	-5,573	-7,208	1,571	2,596
Cash, opening balance	31,050	39,234	34,747	32,090	32,090
Liquid assets of the translation difference	-148	-	-97	-	61
Cash, closing balance	27,442	33,661	27,442	33,661	34,747

Consolidated statement of changes in equity

	Share capital	Other contributed capital	Translation reserve	Balanced profits incl. profit of the year	Total equity
<i>TSEK (Parent Company)</i>					
Opening balance January 1, 2019	897	17,762	-	27,400	46,059
Profit for the period				4,702	4,702
Other comprehensive income for the period				-	-
Total profit for the period				4,702	4,702
Transaction with the Group's owner - dividend				-6,060	-6,060
Closing balance June 30, 2019	897	17,762	-	26,043	44,702
<i>(The Group)</i>					
Opening balance January 1, 2020	897	17,762	61	25,069	43,789
Profit for the period				-2,197	-2,197
Other comprehensive income for the period			-97		-97
Total profit for the period			-97	-2,197	-2,294
Transaction with the Group's owner – dividend				-	-
Closing balance June 30, 2020	897	17,762	-36	22,872	41,495

Consolidated key figures

	2 nd quarter		First half year		Full year
	2020 <i>(The Group)</i>	2019 <i>(Parent Company)</i>	2020 <i>(The Group)</i>	2019 <i>(Parent Company)</i>	2019 <i>(The Group)</i>
Net sales, TSEK	9,902	12,942	22,424	23,216	45,803
Sales growth, %	-23	16	-3	7	-5
Operating profit, TSEK	-2,973	3,232	-2,160	6,118	4,917
Operating margin, %	-30	25	-10	26	11
Net profit for the period, TSEK	-2,982	2,477	-2,197	4,702	3,729
Cash flow from operating activities, TSEK	-2,211	1,279	-4,436	9,222	12,768
Shareholders equity, TSEK	41,495	44,702	41,495	44,702	43,789
Total assets, TSEK	52,665	55,946	52,665	55,946	56,439
Equity/assets ratio, %	78.8	79.9	78.8	79.9	77.6
Return on equity, %	7	29	7	29	8
Number of employees	23	18	23	18	20
Number of shares before/after dilution	4,040,078	4,040,078	4,040,078	4,040,078	4,040,078
Average number 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	-0.77	0.61	-0.57	1.16	0.94
Cash flow per share from operating activities	-0.55	0.32	-0.79	2.28	3.16
Equity per share before/after dilution	10.27	11.06	10.27	11.06	10.84
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.

Parent Company income statement and statement of comprehensive income

	2 nd quarter		First half year		Full year
	2020 <i>(Parent Company)</i>	2019 <i>(Parent Company)</i>	2020 <i>(Parent Company)</i>	2019 <i>(Parent Company)</i>	2019 <i>(Parent company)</i>
Operating income					
Net sales	7,434	12,942	18,305	23,216	45,803
Own work capitalized	621	674	1,342	1,278	2,578
Other income	-1,138	381	233	1,206	1,233
Total income	6,917	13,997	19,880	25,700	49,614
Operating expenses					
Other external expenses	-5,996	-4,289	-14,005	-7,393	-19,647
Employee benefit costs	-4,510	-5,757	-9,380	-10,748	-22,174
Depreciation of tangible and intangible assets	-728	-719	-1,471	-1,441	-2,917
Operating profit	-4,315	3,232	-4,976	6,118	4,876
Result from financial items					
Financial income	-	-	-	-	20
Financial expense	-1	-1	-16	-1	-3
Net financial income/expense	-1	-1	-16	-1	17
Net profit for the period from continuing operations	-4,316	3,231	-4,993	6,117	4,893
Tax on net profit for the period	0	-754	0	-1,415	-1,172
Net profit for the period	-4,316	2,477	-4,993	4,702	3,721
Other comprehensive income	-	-	-	-	-
Comprehensive income for the period	-4,316	2,477	-4,993	4,702	3,721
Earnings per share before dilution	-1.07	0.61	-1.24	1.16	0.92
Earnings per share after dilution	-1.07	0.61	-1.24	1.16	0.92

Parent Company balance sheet

ASSETS			
TSEK	2020-06-30	2019-06-30	2019-12-31
	<i>(Parent Company)</i>	<i>(Parent Company)</i>	<i>(Parent Company)</i>
Fixed assets			
Capitalized development expenditure	7,968	6,840	7,254
Patent	1,005	946	889
Equipment, fixtures and fittings	178	-	200
Total fixed assets	9,151	7,786	8,343
Current assets			
Accounts receivable	5,660	12,973	9,737
Other receivables	2,590	409	460
Receivables from Group companies	2,459	-	2,451
Prepaid expenses and accrued income	2,478	1,117	1,400
Cash and bank balances	26,427	33,661	34,015
Total current assets	39,614	48,160	48,063
TOTAL ASSETS	48,765	55,946	56,406
EQUITY AND LIABILITIES			
Restricted equity			
Share capital	897	897	897
Fund for development expenditures	6,231	5,670	5,996
Unrestricted equity			
Other paid-in capital	17,762	17,762	17,762
Retained earnings	18,830	15,671	15,344
Profit for the year	-4,993	4,702	3,721
Total shareholders' equity	38,727	44,702	43,720
Current liabilities			
Accounts payable	1,774	1,895	1,649
Tax liabilities	8	3,004	1,685
Other liabilities	2,977	1,961	3,306
Accrued expenses and prepaid income	5,279	4,384	6,046
Total current liabilities	10,038	11,244	12,686
TOTAL EQUITY AND LIABILITIES	48,765	55,946	56,406

Accounting policies

This interim report for the Group has been prepared in accordance with IAS 34 Interim Reporting and the applicable provisions of the Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with RFR 2, accounting for legal entities, and Chapter 9 of the Annual Accounts Act, Interim Report. For the parent company, the same accounting principles and calculation bases have been applied as in the most recent annual report. Since subsidiaries were formed in the US, SyntheticMR AB is the parent company of a Group, which is why consolidated accounts are prepared. The Group cannot apply the exceptions and additions from IFRS made by the Parent Company through RFR 2. Otherwise, the Group's principles are in line with those described in the Parent Company's Annual Report for 2018. As of the date the consolidated financial statements have been prepared, IFRS 16 Leasing have also been applied. However, just as before, the Parent Company reports all leasing agreements as operational.

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

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

When preparing the interim report, it is required that Group management make assessments and estimates and make assumptions that affect SyntheticMR's results and position and other information provided. The Group evaluates these on an ongoing basis based on historical experience as well as expectations of future events that are considered reasonable under prevailing conditions. The estimates for accounting purposes that result from these will, by definition, rarely correspond to the actual result.

New standards, amendments and interpretations applied by the Group as of 1 January 2019

IFRS 16

IFRS 16 was introduced for fiscal years beginning January 1, 2019 or later. During the first half of 2019, SyntheticMR applied the exemption in RFR 2, which meant that all leases were reported as operating leases in a legal entity. From the third quarter, the company is part of a group and thus the exception may not be applied.

For SyntheticMR, IFRS 16 means that the balance sheet total is increased by accounting for rights of use and leasing liabilities. Leasing fees that have been recognized as an expense in operating profit under RFR 2 are replaced by depreciation of the rights to use assets and interest on the lease debt, which is reported as a financial expense. The lease fee is divided between amortization of the lease debt and interest expense. In the statement of cashflow, leasing fees are reported partly as amortization and partly as interest payment.

The Group applies IFRS 16 from July 1, 2019 and used the simplified transition method, which means that comparative information in previous periods has not been recalculated. SyntheticMR has chosen to apply the relief rules regarding leases where the underlying asset has a low value and for leases shorter than 12 months. These leases will not be included in the amounts reported in the statement of financial position and their leasing fees are expensed.

SyntheticMR's leasing portfolio consists of 3 agreements and includes lease agreements for premises and vehicles. SyntheticMR has assessed the leasing period for the leasing agreements and then considered any extension and or termination options in accordance with the provisions of IFRS 16. In the event that it is reasonably certain that the option will be exercised, this has been taken into account in determining the leasing period.

At the transition to IFRS 16, all remaining leasing fees attributable to operating leases have been calculated at present value with the marginal loan interest rate.

The rights of use are presented in the line of rights of use assets in the consolidated balance sheet and the lease debt is presented in the line of long-term financial liabilities as well as short-term financial liabilities. The effects of the report on financial position on transition to IFRS 16 are described below.

The following table illustrates the differences between operating leasing commitments as of 2019-06-30 and the leasing liability in accordance with IFRS 16 reported as of 2019-07-01.

Transitional effect as of July 1, 2019	SEK
Assets	
Access rights access	1,800
Prepaid costs	(0)
Liabilities	
Leasing liabilities	1,800
- of which long-term liabilities	981
- of which current liabilities	819

Reconciliation of operational lease commitments

Commitments for operating leases 2019-06-30	2,319
Lease agreements for which the following relief rules are applied	
- Short Term Lease Agreement	(275)
- Leasing agreement of low value	(209)
Commitment after discounting with the Group's marginal loan interest rate 2.3%	1,801
Other adjustments	-1
Reported lease debt as of July 1, 2019	1,800

Segment reporting

An operating segment is part of the Group that conducts operations from which it can generate revenue and incur costs and for which standalone financial information is available. An operating segment's earnings are further followed up by SyntheticMR's highest executive decision-maker, which is identified by the Group as the CEO. Group management has determined the segments based on the information processed by the President and used as a basis for allocating resources and evaluating results. In this internal reporting, the Group's forms a segment.

Disaggregation of revenue

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

	2 nd quarter		First half year		Full year
	2020 <i>(The Group)</i>	2019 <i>(Parent company)</i>	2020 <i>(The Group)</i>	2019 <i>(Parent company)</i>	2019 <i>(The Group)</i>
TSEK					
<u>Geographical markets</u>					
Sweden	183	568	732	1,317	1,726
Other	9,719	12,374	21,692	21,899	44,077
Total	9,902	12,942	22,424	23,216	45,803
<u>Major service lines</u>					
Licenses	9,550	12,600	21,729	22,569	44,356
Service and Support	352	342	695	647	1,447
Total	9,902	12,942	22,424	23,216	45,803
<u>Timing of revenue recognition</u>					
Licenses transferred at a point in time	9,550	12,600	21,729	22,569	44,356
Services transferred over time	352	342	695	647	1,447
Total	9,902	12,942	22,424	23,216	45,803

Financial instruments

The Group holds the following financial assets and liabilities.

	2 nd quarter		Full year
	2020 <i>(The Group)</i>	2019 <i>(Parent company)</i>	2019 <i>(The Group)</i>
TSEK			
Financial assets at amortized cost			
Accounts receivables	5,939	12,973	10,184
Cash and cash equivalents	27,442	33,661	34,747
Total	33,381	46,634	44,931
Financial liabilities at amortized cost			
Accounts payable	1,905	1,895	1,765
Total	1,905	1,895	1,765

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 MRI 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 22 employees, were 18 of them are employed by the parent company based in Linköping, and 5 by the subsidiary in the USA.

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 MRI 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 MRI 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 MRI manufacturers.

SyntheticMR has a license agreement with GE Healthcare since 2014, one of the market leading MRI 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 MRI 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.

SyntheticMR's 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.

SyMRI

SyntheticMR's software SyMRI delivers a number of contrast images, segmentation of biomarkers and quantitative data with a single MRI sequence. With SyMRI, the examination time can be significantly shortened, while the clinician is given more information when making a diagnosis. Through shorter MRI examinations, reduced care queues and more reliable diagnoses, SyMRI can contribute to a more efficient workflow and increased benefit for the patient.

A new way of doing MRI examinations

In an ordinary MRI examination, a number of sequences with different settings are run, each sequence generating a static contrast image that illuminates tissue types in different ways. The more pictures the doctor wants to take, the more sequences are run serially, which can lead to long examination times and inconvenient examinations for the patient.

The radiologist then analyzes the contrast images with the naked eye to detect anomalies or pathologies. Measuring volumes is time-consuming and requires a great deal of skill and experience. Because the images are static, the radiologist must also determine in advance which contrast images to run, and if they need further contrasts, the patient must be recalled for another examination. SyMRI has a fundamentally different method for taking pictures. Instead of taking static contrast images, SyMRI's unique sequence measures actual tissue properties in the brain. Afterwards, the software recreates a number of contrast images synthetically, as well as calculates volumes and segments of tissue types. This additional information can contribute to a faster and more reliable diagnosis.

Adjustable contrasts

Because the contrast images in SyMRI are synthetically recreated from quantitative data, the user can also adjust the contrast after the examination when the patient has left.

This reduces the risk of having to recall the patient if a contrast is missing and allows the doctor to fine-tune the images afterwards. Being able to adjust the images is particularly useful in pediatrics, as it is difficult to know in advance which contrast is best to use on a brain that is still developing.

Segmentation of biomarkers

SyMRI segments and calculates volumes for white tissue (WM), gray tissue (GM) and cerebrospinal fluid (CSF), which provides objective decision support to diagnostic clinics.

SyMRI also contains segmentation and volume calculations of myelin. Myelin is a substance that forms an insulating layer around axons in the brain, making nerve signals move faster. It is especially important to be able to measure myelin in pediatrics, where measured values in addition to normal can be linked to a number of diseases such as Sturge-Weber syndrome, ADHD and autism, and in neurodegenerative disorders such as dementia and multiple sclerosis.

The software also calculates Brain Parenchymal Fraction (BPF), which is used to monitor brain atrophy, i.e. the disappearance of brain tissue that occurs in connection with neurodegenerative diseases such as multiple sclerosis. The doctor can also mark out and calculate volumes in, for example, tumors or lesions.

Deeper analysis with parametric maps

SyMRI also includes advanced parametric maps showing relaxation values for brain tissues. In some product packages, these can be exported to other formats for further analysis and used in advanced research in neurology and neuroradiology.

More information - faster workflow

With a single sequence of 6 minutes, SyMRI measures absolute tissues in the brain and creates adjustable contrast images, segmentation and volume measurements. This can shorten the examination time in the scanner, reduce hospital costs, shorten the care queues and at the same time provide more information to the doctor who can make a more reliable diagnosis.

Product packages

SyMRI is available in various product packages. Through partnerships, SyMRI is compatible with MRI scanners from the three globally leading manufacturers GE Healthcare, Philips Healthcare and Siemens Healthineers.

SyMRI IMAGE generates several adjustable contrast images from a single sequence that takes about 6 minutes. This package is specially designed to speed up the workflow and enable examinations of more patients every day.

In addition to contrast images, **SyMRI NEURO** also includes segmentation, volume calculation of brain tissue and quantitative parametric maps, which provides the doctor with more information and objective decision support when diagnosing.

MAGiC is a customized version of SyMRI IMAGE which is marketed by GE Healthcare under license agreements.

Review

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

Annual general meeting

AGM was held at SyntheticMRs office on May 5th, 2020, at 18:00 Storgatan 11, Linköping

Dividend resolved by AGM

At the AGM on May 5th, a dividend of 1.50 SEK per share was resolved. The dividend corresponds to a transfer to the shareholders with a total of 6.1 million SEK in October 2020.

Financial Calendar

Interim report Jan-Sep – November 12th, 2020
Year-end report Jan-Dec – February 18th, 2021

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 14th, 2020.

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 Group's position and results and describes significant risks and uncertainties faced by the Group.

Stockholm July 14th 2020
SyntheticMR AB (publ)

Board of directors