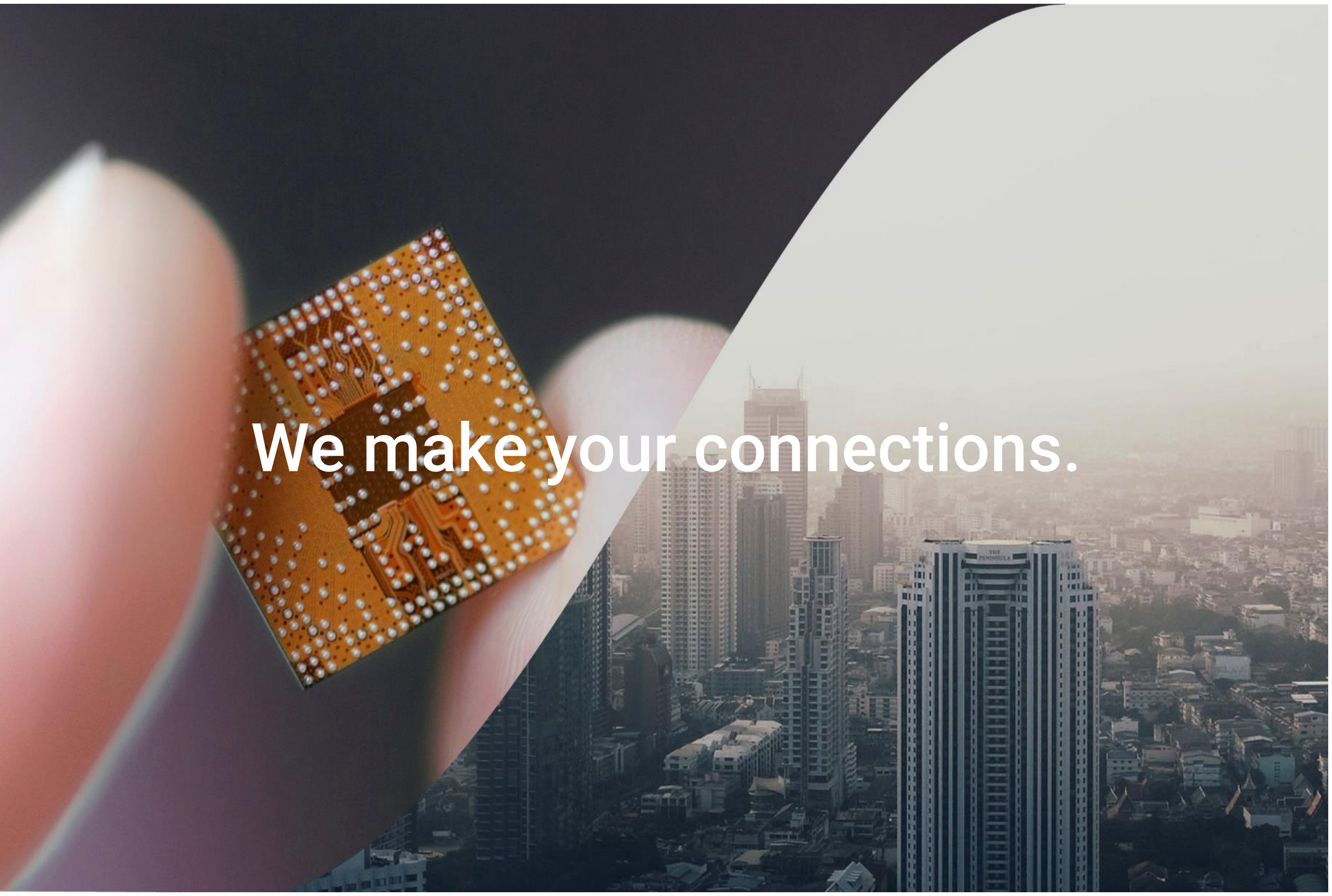
Interim Report
January–September 2019



SIVERSIMA

Interim Report January–September 2019

Third quarter 2019

- Revenues amounted to SEK 24,023 thousand (24,124), a decrease of 0.4 percent
- Profit before depreciation and amortization (EBITDA) amounted to SEK -16,443 thousand (-3,415)
- Result amounted to SEK -24,349 thousand (-12,487)
- Earnings per share amounted to SEK -0.19 (-0.11)
- Equity per share amounted to SEK 2.35 (2.20)

January – September 2019

- Revenues amounted to SEK 70,993 thousand (51,060), an increase of 39 percent
- Earnings before depreciation and amortization (EBITDA) amounted to SEK -28,445 thousand (-36,538)
- Result amounted to SEK -52,877 thousand (-54,976)
- Earnings per share amounted to SEK -0.43 (-0.49)
- Equity per share amounted to SEK 2.35 (2.20)

Significant events during the period January – September:

- CST Global Ltd received a follow-up order of SEK 20 million from an existing American Fortune 100 customer.
- CST Global Ltd received a new order worth SEK 7.3 million from an existing US-based Fortune 100 customer.
- Sivers IMA AB received an order of SEK 1.3 million from its Chinese dealer Matrix Electronic Co Ltd. The order aims to provide products and development support to Matrix and their end customers. The order paves the way for future Chinese volume installations to the Chinese markets for high-speed transport and wireless networks.
- On September 13, 1,305,000 warrants were exercised at a price of SEK 4.90 per share, based on the 2016 options program. This corresponds to a redemption rate in the option program of 100 percent. Through redemption, Sivers IMA will receive SEK 6.46 million.

Significant events following the period:

- On October 21, NXP and Sivers IMA AB announced a collaboration to deliver a first-class solution for 5G-NR applications
- On November 14, Sivers IMA announced its RFIC is fully compatible with IDT's newest RWM6051 RapidWave millimeter wave modem to be used in 5G Customer Premise Equipment (CPE) for fixed wireless networks.

This report, for the third quarter of 2019, is the Group's first financial report prepared in accordance with IFRS. The effects of translation to IFRS for the comparative periods in 2018 are presented in Appendix 1. The Group's full accounting principles are presented in Appendix 2.

Key figures

SEK thousand	2019 Jul–Sept	2018 Jul–Sept	2019 Jan–Sept	2018 Jan–Sept	2018 Jan-Dec
Revenue	24,023	24,124	70,993	51,060	71,485
EBITDA	-16,443	-3,415	-28,445	-36,538	-52,589
Profit for the period	-24,349	-12,487	-52,877	-54,976	-71,880
Earnings per share before and after dilution, SEK	-0.19	-0.11	-0.43	-0.49	-0.63
Equity per share, SEK	2.35	2.20	2.35	2.20	2.30

A web-based presentation of the Interim Report will be held at 10:00am Friday, November 15, 2019.
Register for the webinar via: https://attendee.gotowebinar.com/register/1629585486275052812

CEO Statement

Third quarter – we are building for the future

The third quarter of 2019 was characterized by exciting major follow-up orders, new design wins and intensive work on ramping up the supply chain for the volume orders we expect within 5G.

We do not yet have volume production with any of the ten design-wins within wireless and therefore growth over the quarters can vary until we reach volume production.

All in all, we did not see any growth for the quarter compared to prior year. In addition, for our fiber business area, the comparative figures from last year were strong as we greatly increased the capacity of our factory in Scotland and welcomed a number of new customers.

When it comes to earnings, the quarter was burdened with a number of one-off costs totaling just over SEK 10 million. This includes a write-down of inventory within the fiber business area and a write-down of capitalization of completed Radar products within wireless. We continue our work with tight cost control and managed lower staff costs compared to the previous year. This was done without compromising quality or development investments.

There is significant interest in our products and during the third quarter our intensive sales and customer support work continued to secure new contracts. Our efforts have yielded results, both within wireless and fiber.

Our breakthrough agreement of SEK 1.3 million from our Chinese dealer Matrix Electronic in unlicensed 5G in China is particularly important. The order aims to provide products and development support to Matrix and their end customers.

The order, which includes RF products and design-in support, paves the way for future Chinese volume installations to the Chinese markets for high-speed transport and wireless networks. We have hopes that this order will generate significant revenue for us in the coming years and it is also a very important reference project for our gigabit broadband solutions that include our leading 5G chip and antennas.

In the fiber business area CST Global, I particularly want to highlight the large follow-up order that was signed in July for SEK 20 million from our American Fortune 100 customer. In August, we also received a follow-up order of SEK 7.3 million from the same customer. These orders show that we are doing the right things and can offer even very large companies absolutely top quality in high-tech optical semiconductors.

We have previously announced that we have sold more than twenty test systems for 5G. Since July 1, we have sold another 12, whereof 1 were sold to one of the largest telecom companies (so called Tier 1). An additional 5 systems have been delivered through partners, where an additional Tier 1 telecom company is included. Hence, we have now sold a total of 35 evaluation systems in six months. One of these have led to a directly signed design-win and one customer have through our partner reach a sharp test phase, for us within a new vertical - defense.

The demand for our evaluation kits gives us hope for more business within wireless. In addition, it is encouraging that behind each individual design win is not only an end customer but in many cases, a design win can in fact apply to several end customers. A good example is our design win with our partner Fujikura where our technology is up to date for use in no less than five applications from different customers to Fujikura.

After the quarter, we entered into a partnership with NXP, one of the worlds largest companies within communication solutions. We now have a very strong network of partners.

The numerous excellent orders we announced during the quarter show the potential of our business and as we are involved in many exciting customer projects that I am looking forward to with anticipation.

Anders Storm, CEO of Sivers IMA Group

Group summary

Sivers IMA in brief

Sivers IMA Holding AB (publ) is the parent company of a Group that comprises of the wholly-owned subsidiaries Sivers IMA AB, CST Global Ltd and Trebax AB. Operations are mainly conducted through the two companies Sivers IMA AB and CST Global Ltd. Sivers IMA has its headquarters in Kista, Sweden, with a local office in Gothenburg, Sweden. CST Global's headquarters and factory are located in Glasgow, Scotland. This report relates to the Group's operations during the period January 1, 2019 to September 30, 2019.

Sivers IMA Group is an international supplier of millimeter-wave for 5G and optical semiconductors. The Group develops, manufactures and sells chips, components, modules and subsystems. These chips make it possible to send information both wirelessly and via fiber to provide increased capacity in data and telecommunication networks. Sivers IMA Group enables a better connected and safer world by delivering the best solutions in terms of sensors, fiber and wireless networks.

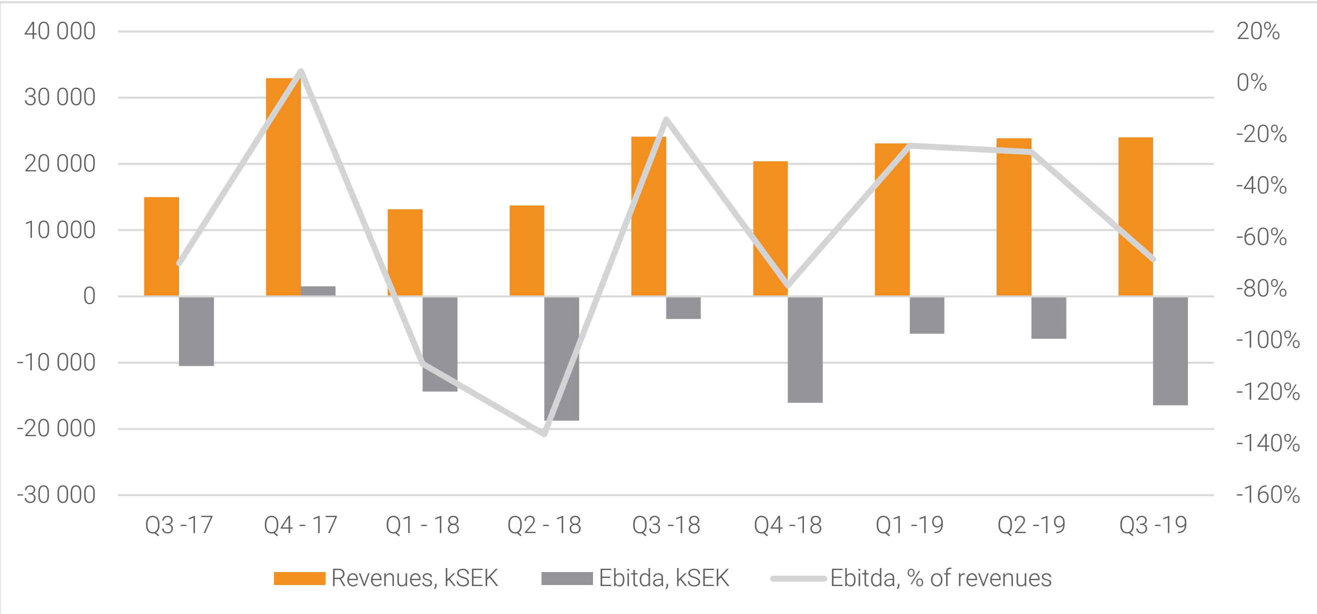
Wireless

Sivers IMA develops, manufactures and sells chips, components, modules and subsystems based on advanced technology for 5G millimeter-wave networks. Millimeter-wave is a key technology in the 5G networks that are now being built, and the core of the wireless solutions Sivers IMA offers. Sivers IMA delivers mainly to system manufacturers, who then in turn deliver to telecom operators. Deliveries are made directly or via partners.

Fiber

CST Global Ltd designs, manufactures and supplies semiconductor lasers and other semiconductors based optical products. The largest field of application is optical communication in fiber networks. The company currently has expertise in all material combinations and manufacturing processes that are used for the commercial manufacture of semiconductor chips for optoelectronic purposes. The main focus is fiber products for the home, data centers, sensors and other applications.

Net sales and EBITDA*



* The 2017 quarters are presented in accordance with K3

Net sales EBITDA

Third quarter

During the third quarter, revenues amounted to SEK 24,023 thousand (24,124), a decrease of 0.4 percent compared with the same quarter last year. The net change consists of a revenue increase within Wireless by SEK 861 thousand and a decrease in Fiber by SEK 961 thousand.

EBITDA amounted to SEK -16,443 thousand (-3,415), which is a decrease of -13,028. The deteriorating EBITDA result during the quarter is mainly explained by the following factors:

- As a result of a decision from the Swedish Tax Agency, the parent company was denied deduction for input VAT for the financial years 2019, 2018 and 2017 (see more information under "Taxes"). This has burdened other external costs by SEK 4.3 million during the quarter.
- The Group has reduced revenues from research grants (which are recognized in other operating income) by approximately SEK 2.8 million, which is a strategic decision to focus more on developing customer and core products that lead to long-term profitability.
- A write-down of inventories of approximately SEK 3 million was made within fiber in Q3. The depreciation was related to previously stocked products that, during functional tests, were not deemed to meet the quality requirements and obsolete goods, recognized as part of raw materials and necessities.
- In addition, during the third quarter of 2019, the Group had increased consultancy costs (approximately SEK 2.5 million in increase) compared to the same period last year. The increase relates to hired staff in ongoing operations, consultancy costs to prepare the application for tax credit in Scotland for R&D investments made, and costs for preparations for future listing changes.

January – September

During the period January – September, revenues amounted to SEK 70,993 thousand (51,060), an increase of 39 percent. The increase was mainly driven by hardware sales in the wireless business, which increased by SEK 11,815 thousand, but the fiber segment also contributed to an increase in hardware sales of SEK 4,804 thousand.

EBITDA amounted to SEK -28,445 thousand (-36,538), an improvement of SEK 8,093 thousand. The improvement is mainly a result of growth in sales, but also cost control in the Group.

Depreciations

Third quarter

Profit for the third quarter was burdened with SEK -8,551 thousand (-4,259) in depreciation and write-downs, an increase of -4,292. The increase compared to the same period last year is mainly due to a write-down of approximately SEK 3.7 million in the wireless segment. The depreciation refers to the remaining radar products in Sivers IMA that were strategically decided to be terminated during the third quarter in order to focus resources on 5G projects.

January – September

Earnings during the period January – September were charged with SEK -20,929 thousand (-12,446) in depreciation and write-downs, of which SEK -5,303 thousand (-4,401) relates to the depreciation of equipment, tools and installations, SEK -8,168 thousand (-4,993) refers to depreciation and write-downs on previous years' balanced expenditure for development work and SEK -3,752 thousand (-3,052) refers to the depreciation of rights of use assets in leasing contracts. During the third quarter of 2019, a write-down of capitalized expenditure for development work was also recognized at SEK thousand -3,706.

The increase in depreciation and write-downs in January-September compared with the same period last year is partly explained by the write-downs mentioned above and partly by the fact that the depreciation within Fiber has increased as a result of the investments in development and equipment made during the year and previous years.

Taxes

During the third quarter of 2019, Sivers IMA Holding received a decision from the Swedish Tax Agency that it was not allowed deductions for input VAT for the financial year 2017, 2018 and 2019. The reason, as stated by the tax agency, is lack of invoicing of management fees to the subsidiaries. Without this invoicing, Sivers IMA Holding AB is classified as a passive holding company and the tax agency thereby claim that the criterions for deductions are not fulfilled. The amount, including tax surcharges, amounted to SEK 4.3 million and was recognized under other external costs during the third quarter. Sivers IMA Holding AB has appealed parts of the decisions for 2017 and 2018. For 2019, the decision has been fully appealed as the company is now collecting management fees from its subsidiaries and is thereby assessed to meet the requirements of an active holding company and should be able to receive deductions for input VAT.

The Group receives tax credits for research and development expenses in Scotland. The outcome for the year's claim exceeded expectations, of which a positive tax income of SEK 4,036 thousand was recognized during the third quarter as a result.

Liquidity, Cash Flow and Financing

On September 30, 2019, the Group's cash and cash equivalents amounted to SEK 73,296 thousand (42,410). As of September 30, 2019, the Group had an approved overdraft credit of SEK 2,500 thousand (2,500), of which SEK 2,388 thousand (60) was utilized at the end of the period.

In June 2019, a new share issue was carried out, which provided the company with SEK 82 million before deduction for issue costs. On September 13, 2019, warrants were exercised based on the 2016 options program. This brought the Group SEK 6.46 million in cash for the new issue of shares.

During the period January to September, cash flow from operating activities was SEK -33,268 thousand (-16,173).

The negative cash flow from changes in working capital is due to the fact that, as of September 30, 2019, the Group had a large proportion of prepaid expenses for equipment, which had not yet been put into operation. In addition, the Group has terminated an agreement for invoice financing, which generated a negative cash flow during the quarter.

During the third quarter of 2019, the Group received payment in the form of tax credits for research and development, which generated a positive cash flow of SEK 10,616 thousand.

The Group uses short derivatives to hedge currency risk in future sales. The derivatives are not hedged and the changes in value are therefore recognized directly in the income statement.

Investments

Sivers IMA Group's total investments during the period January – September amounted to SEK 38,229 thousand (43,149) and refers to intangible assets for capitalized development expenditure with SEK 34,593 thousand (28,719) and acquisition of tangible fixed assets with SEK 3,636 thousand (14,430). The investment in balanced expenditure on development work is attributable to the development of new generations of products.

Equity

As of September 30, 2019, The Group’s equity amounted to SEK 309,818 thousand (273,502). The share capital amounted to SEK 65,804,228.

Parent company

The parent company's revenues increased during the third quarter of 2019 and also from January to September from 0 to 4,387. This is because in 2019 the company began to charge its subsidiaries management fees.

The parent company's increase in other external costs for the third quarter of 2019, but also for the entire period January - September 2019 compared with the same periods last year, is mainly due to expensed VAT (which is described under Taxes) and increased costs for consultants.

Shares

On September 30, 2019, Sivers IMA's share capital was divided into 131,608,456 shares with a quota value of SEK 0.50. All shares are the same series and have equal rights to vote and profits in the company. The stock has traded since November 30, 2017 at Nasdaq First North Growth Market under the short name SIVE and with ISIN code SE0003917798 and LEI code 254900UBKNY2EJ588J53.

Employees

As of September 30, 2019, the Sivers IMA Group, excluding consultants, had 95 (108) employees.

Ownership structure

As of September 30, 2019, Sivers IMA Holding AB (publ) had four owners, each of which directly and indirectly held shares corresponding to five percent or more of the voting and equity interest in the company. In total, Sivers IMA had approximately 2,200 shareholders.

Prospects for the accounting year 2019

The board of Sivers IMA deems that correct measures have been taken in the company to ensure a strong product family. Progress in sales and product development has been made during the period and investments are continuing. The board still elects not to forecast.

Risks and uncertainties

Sivers IMA Group’s operations, financial position and results can be affected by a number of risks and uncertainties. These risks are described in the Group’s Annual Report for 2018. No new significant risks have been identified since the Annual Report was published.

IFRS conversion

This quarterly report for the third quarter of 2019 is the Group's first financial report prepared in accordance with IFRS. All comparative figures presented have been converted to IFRS unless otherwise stated. The effects of conversion to IFRS for the comparative periods (income statement) July-September 2018, January-September 2018, January-December 2018, (balance sheet) 30 September 2018, 31 December 2018 and the transition date 2018-01-01 are presented in bridges between K3 and IFRS in Appendix 1 on pages 18-25.

The most significant effect of the conversion is the reversal of goodwill amortization, as goodwill is not amortized under IFRS. In addition, a number of differences were identified in the accounting of leasing agreements, principles for revenue recognition and accounting of convertible debt instruments. Details of these adjustments can be found in the bridges in Appendix 1. The Group's new, complete accounting principles are presented in Appendix 2.

Some adjustments have also been made to the presentation format for the financial reports. Capitalized work on the company’s own account is no longer presented as part of revenue, but is rather recognized on a separate line that is placed after other operating income. Financial items have been allocated to financial income and financial expenses. Translation differences of foreign subsidiaries are recognized in accordance with IFRS under “Other comprehensive income” instead of own row in equity.

Upcoming reports

Sivers IMA Holding provides recurring financial information according to the following schedule:

February 14, 2020	Year-end 2019
April 2020	Annual Report 2019
May 19, 2020	Annual General Meeting

For more information, please contact:
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This quarterly report has not been submitted for review by the company's auditor.

Sivers IMA Holding (publ)
Kista, November 15, 2019

The board

This is SIVERS IMA

Sivers IMA Group is an international supplier of millimeter-wave for 5G and optical semiconductors. The Group develops, manufactures and sells chips, components, modules and subsystems. These chips make it possible to send information both wirelessly and via fiber to provide increased capacity in data and telecommunication networks.

The parent company Sivers IMA Holding AB (publ) is listed on Nasdaq First North Growth Market under the stock symbol SIVE.

Erik Penser Bank is appointed as Sivers IMA Holding AB's Certified Advisor on Nasdaq First North.
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Consolidated statements of income in summary

	2019 Jul–Sept	2018 Jul-Sept	2019 Jan–Sept	2018 Jan–Sept	2018 Jan-Dec
Revenue	24,023	24,124	70,993	51,060	71,485
Other operating income	2,311	3,761	9,196	12,049	16,755
Capitalized work on own account	6,491	5,645	27,152	17,645	33,171
Raw materials and consumables	-12,303	-8,747	-30,700	-24,665	-44,593
Other external expenses	-20,654	-10,871	-48,819	-39,148	-52,596
Personnel costs	-16,312	-17,327	-56,268	-53,478	-76,810
Depreciation and write-downs of property, plant and equipment and intangible assets	-8,551	-4,259	-20,929	-12,446	-17,257
OPERATING INCOME	**-24,993**	**-7,674**	**-49,374**	**-48,985**	**-69,845**
Profit from financial items					
Financial income	0	0	72	360	0
Financial expenses	-3,404	-4,766	-7,644	-7,631	-9,651
Profit before tax	**-28,396**	**-12,440**	**-56,945**	**-56,256**	**-79,497**
Income tax	4,047	-47	4,068	1,280	7,617
PROFIT FOR THE PERIOD	**-24,349**	**-12,487**	**-52,877**	**-54,976**	**-71,880**
Attributable to					
Parent company shareholders	-24,349	-12,487	-52,877	-54,976	-71,880
Earnings per share (SEK)					
Before & after dilution	**-0.19**	**-0.11**	**-0.43**	**-0.49**	**-0.63**

Consolidated statements of comprehensive income in summary

Other comprehensive income					
Items to be reclassified to profit and loss					
Exchange rate differences from translation of foreign operations	1,535	-554	3,841	2,598	1,560
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-22,814	-13,042	-49,036	-52,378	-70,320
Attributable to					
Parent company shareholders	-22,814	-13,042	-49,036	-52,378	-70,320

Consolidated statements of financial position in summary

Group (SEK thousand)	2019-09-30	2018-09-30	2018-12-31
ASSETS			
Intangible assets			
Goodwill	134,812	134,812	134,812
Other intangible assets	128,720	86,158	104,034
Tangible fixed assets	54,639	45,735	44,594
Total Fixed Assets	**318,171**	**266,705**	**283,440**
Current assets			
Inventories	11,009	26,531	14,263
Account receivable	27,246	22,623	22,237
Other receivables	3,903	3,172	10,386
Prepaid expenses & accrued income	12,159	8,507	7,013
Cash & cash equivalents	**73,296**	**23,511**	**42,410**
Total current assets	**127,614**	**84,344**	**96,309**
TOTAL ASSETS	**445,785**	**351,049**	**379,749**

Group (SEK thousand)	2019-09-30	2018-09-30	2018-12-31
EQUITY AND LIABILITES			
Equity	309,818	247,471	273,502
Long-term liabilities			
Convertible debt	40,746	33,318	34,626
Deferred tax	179	221	210
Provisions	3,505	2,201	3,411
Leasing liabilities	13,103	3,678	2,943
Other long-term liabilities	2,808	5,711	4,043
Total long-term liabilities	**60,340**	**45,129**	**45,234**
Current liabilities			
Accounts payable-trade	12,670	12,921	20,948
Leasing liabilities	3,042	3,551	3,212
Other liabilities	38,337	21,879	18,899
Accrued expenses and deferred income	21,577	20,098	17,954
Total current liabilities	**75,627**	**58,449**	**61,013**
TOTAL EQUITY AND LIABILITIES	**445,785**	**351,049**	**379,749**

Consolidated statements of changes in equity in summary

	2019-09-30	2018-09-30	2018-12-31
At the beginning of the year	273,502	194,178	194,178
Result for the period	-52,877	-54,976	-71,880
Other comprehensive income	3,841	2,598	1,560
Rights issue	**77,846**	**104,556**	**145,785**
Issue for redemption of warrants	**6,458**	**-**	**-**
Share-based payments	**1,048**	**755**	**3,499**
Payment warrants	**0**	**360**	**360**
At the end of the period	**309,818**	**247,471**	**273,502**

Consolidated statements of cash flow in summary

Group (SEK thousand)	2019-01-01 – 2019-09-30	2018-01-01 – 2018-09-30	2018-01-01 – 2018-12-31
Operating activities			
Operating profit	-49,374	-48,985	-69,846
Adjustments for non-cash items	21,897	20,650	31,475
Paid interest	-3,304	-583	-1,332
Paid tax	**10,616**	**0**	**7,667**
Cash flow from operating activities prior to changes in operating capital	-20,165	-28,917	-32,036
Cash flow from changes in operating capital			
Increase(-)/decrease(+) of inventories	3,885	-10,405	-10,418
Increase(-)/decrease(+) of operating receivables	-9,224	5,909	531
Increase(+)/decrease(-) of operating liabilities	-7,764	17,240	25,493
Cash flow from operating activities	**-33,268**	**-16,173**	**-16,430**
Investment activities		0	0
Acquisition of tangible fixed assets	-3,636	-14,430	-15,437
Acquisition of other intangible fixed assets	-34,593	-28,719	-49,154
Sale of fixed assets	97	0	0
Cash flow from investment activities	**-38,132**	**-43,149**	**-64,591**
Financing activities			
Borrowings	20,000	0	0
Payment from warrants	0	0	360
Issue costs	-3,882	-2,827	-4,997
Rights issue	88,186	26,400	69,800
Amortization of lease debt	-2,697	-2,661	-3,766
Cash flow from financing operations	**101,607**	**20,912**	**61,397**
Cash flow for the period	30,207	-38,409	-19,624
Cash and cash equivalents at the beginning of the year	42,410	61,920	61,920
Exchange rate difference in cash equivalents	679	0	114
Liquid resources at the end of the period	**73,296**	**23,511**	**42,410**

Parent company statements of income in summary

(SEK thousand)	2019 Jul-Sept	2018 Jul-Sept	2019 Jan–Sept	2018 Jan–Sept	2018 Jan-Dec
Revenue	4,387	0	4,387	0	1
Other external expenses	-6,845	88	-9,656	-3,957	-5,434
Personnel costs	-2,372	-1,947	-7,766	-3,059	-5,459
Operating income	**-4,831**	**-1,858**	**-13,036**	**-7,015**	**-10,892**
Profit from financial items					
Financial income	2,605	872	5,253	1,545	2,186
Financial expenses	-2,961	-535	-7,455	-14,555	-28,863
Profit before tax	**-5,187**	**-1,522**	**-15,238**	**-20,025**	**-37,569**
Income tax	0	0	0	0	0
Profit for the period	**-5,187**	**-1,522**	**-15,238**	**-20,025**	**-37,569**

Parent company statements of comprehensive income in summary

Other comprehensive income	0	0	0	0	0
Total comprehensive income for the period	**-5,187**	**-1,522**	**-15,238**	**-20,025**	**-37,569**

Parent company statements of financial position in summary

(SEK thousand)	2019-09-30	2018-09-30	2018-12-31
ASSETS			
Financial assets			
Shares in Group companies	226,839	226,839	226,839
Long-term receivables Group companies	174,762	28,700	32,812
Total financial fixed assets	**401,601**	**255,539**	**259,651**
Current assets			
Receivables from Group companies	11,285	77,917	88,673
Other receivables	628	0	281
Prepaid expenses and accrued income	283	1,847	189
Cash and cash equivalents	70,417	20,877	39,114
Total current assets	**82,613**	**100,641**	**128,257**
TOTAL ASSETS	484,214	356,180	387,907

(SEK thousand)	2019-09-30	2018-09-30	2018-12-31
EQUITY AND LIABILITIES			
Equity	413,865	315,459	343,751
Long-term liabilities			
Convertible debt	40,746	33,318	34,626
Provisions	3,505	0	3,411
Other long-term liabilities	2,808	5,711	4,043
Total long-term liabilities	**47,058**	**39,029**	**42,081**
Current liabilities			
Accounts payable	1,082	371	378
Other liabilities	20,979	146	301
Accrued expenses and deferred income	1,230	1,175	1,397
Total short-term liabilities	**23,291**	**1,692**	**2,076**
TOTAL EQUITY AND LIABILITIES	**484,214**	**356,180**	**387,907**

Notes

Note 1 – Accounting principles

The Interim Report has been prepared in accordance with IAS 34 and the applicable regulations of the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Swedish Annual Accounts Act. The parent company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR2. This is the Group's first financial report prepared in accordance with IFRS. All comparative figures presented have been converted to IFRS unless otherwise stated. Full accounting and valuation principles can be found in Appendix 2, as this is the Group's first IFRS report.

Note 2 – Revenue from contracts with customers and segment reporting

The products (chips, modules, evaluation packages, semiconductor products, etc.) that Sivers IMA Group manufactures and sells to customers are hardware. Hardware sales are reported either at a point in time or over time. In the wireless business area, performance obligations are normally fulfilled at a specific point in time, while fiber has a larger proportion of contracts where performance obligations are met over time.

In both wireless and fiber, there are so-called "Non Recurrent Engineering" (NRE) contracts. Such contracts relate to development projects, where Sivers IMA companies, for example, adapt technology in hardware products to match customer need or to develop a new product. Customized products developed through NRE contracts can later be sold in volumes within the category "hardware". Revenue for NRE contracts is recognized over time.

In the wireless business area, support is also sold for the company's hardware, to facilitate the customer's adaptation of the technology to their products. Support agreements can, for example, be made to design Sivers IMA's products into the customer's, where the customer in turn sells their product to an end customer. Revenue from support contracts is reported over time.

		Jul-Sept 2019			Jul-Sept 2018	
Revenue streams	**Wireless**	**Fiber**	**Total**	**Wireless**	**Fiber**	**Total**
Hardware	4,143	7,059	11,202	2,305	5,115	7,420
NRE/Development projects	0	12,648	12,648	0	15,554	15,554
Support & Other	173	0	173	1,150	0	1,150
Total	**4,316**	**19,707**	**24,023**	**3,455**	**20,668**	**24,124**
Recognition						
Point in time	4,143	1,793	5,936	2,305	979	3,284
Over time	173	17,914	18,087	1,150	19,689	20,839
Total	**4,316**	**19,707**	**24,023**	**3,455**	**20,668**	**24,124**
Geographic market						
North America	929	15,118	16,047	76	16,294	16,370
Europe	1,608	2,101	3,708	2,969	2,580	5,550
Asia	1,779	2,489	4,268	410	1,794	2,204
Total	**4,316**	**19,707**	**24,023**	**3,455**	**20,668**	**24,124**

Revenue streams	Jan-Sept 2019 Wireless	Fiber	Total	Jan-Sept 2018 Wireless	Fiber	Total
Hardware	17,750	20,085	37,835	5,935	15,281	21,215
NRE/Development projects	1,733	31,037	32,769	0	28,695	28,695
Support & Other	389	0	389	1,150	0	1,150
Total	**19,871**	**51,122**	**70,993**	**7,085**	**43,975**	**51,060**
Recognition						
Point in time	17,750	3,807	21,557	5,935	4,684	10,618
Over time	2,122	47,315	49,436	1,150	39,292	40,442
Total	**19,871**	**51,122**	**70,993**	**7,085**	**43,975**	**51,060**
Geographic market						
North America	6,216	39,726	45,942	1,534	30,794	32,328
Europe	11,159	7,920	19,079	4,965	7,333	12,298
Asia	2,496	3,477	5,973	586	5,849	6,435
Total	**19,871**	**51,122**	**70,993**	**7,085**	**43,975**	**51,060**

EBITDA – earnings per segment	Jul-Sept 2019	Jul-Sept 2018	Jan-Sept 2019	Jan-Sept 2018
Wireless	-3,494	-1,717	709	-16,570
Fiber	-8,226	160	-16,261	-12,952
Group common costs*	-4,723	-1,857	-12,893	-7,016
Total	**-16,443**	**-3,415**	**-28,445**	**-36,538**

*Group common costs refer to costs in the parent company that are not allocated to the segments for internal follow-up purposes

Wireless

Revenues for the third quarter of 2019 amounted to SEK 4,316 thousand (3,455), an increase of SEK 861 thousand. EBITDA amounted to SEK -3,494 thousand (-1,717), a decrease of -1,777. The change compared with the same period last year is largely due to increased costs for management at Group level, allocated to the segment.

For the period January to September 2019, revenue amounted to SEK 19,871 thousand (7,085), which is an increase of 12,786. The increase is partly driven by hardware sales of the segment's licensed and unlicensed 5G chip, but also revenue from product groups that were terminated during the year. EBITDA amounted to SEK 709 thousand (-16,570), which is an improvement of SEK 17,279 thousand. This improvement is mainly a result of increased sales volumes.

Fiber

Revenues for the third quarter of 2019 amounted to SEK 19,707 thousand (20,668), which is a decrease of SEK 961 thousand. Revenue from NRE projects decreased by SEK -2,906 thousand, which is partly dampened by the increase in hardware sales of SEK 1,944 thousand. EBITDA amounted to -8,226 (160), a decrease of -8,386. This deterioration is due to reduced revenue from research grants and a write-down of inventories.

For the period January – September 2019, revenues amounted to 51,122 (43,975). The SEK 7,147 thousand increase is a result of increased sales volumes, for example to the Fortune 100 customer, which was signed in the fourth quarter of 2018. EBITDA amounted to -16,261 (-12,952). The decline compared to the same period last year was mainly due to lower revenues from research grants, but also to the write-down of inventories recognized in the third quarter.

Note 3 – Financial instruments

In the consolidated statements of financial position, there are receivables and liabilities within the business that will be held until maturity. These consist of accounts receivable, other current receivables, contract assets, cash and cash equivalents, accounts payable, contractual debts, other current and interim debts. These are reported at amortized cost, which is also considered to be fair value. The credit risk for the receivables has been assessed as low.

Sivers IMA Group has short-term derivatives and embedded derivatives. These are recognized at fair value through profit and loss.

In the consolidated statements of financial position, there is also a convertible debt that is recognized at amortized cost. For this, the fair value is not expected to differ materially from the carrying amount.

Key figures

Group (SEK)	2019-01-01 – 2019-09-30	2018-01-01 – 2018-09-30	2018-01-01 – 2018-12-31
PROFITABILITY			
Revenue growth* (%)	39%	57%	9%
EBITDA	-28,445	-36,538	-52,589
CAPITAL STRUCTURE			
Equity (thousand SEK)	309,818	247,471	273,502
Balance sheet total (thousand SEK)	445,785	351,049	379,749
Capital employed (thousand SEK)	386,908	288,017	314,283
Interest-bearing net debt (thousand SEK)	3,794	17,036	-1,629
Capital turnover rate* (times)	0.2	0.1	0.2
Solvency (%)	69%	70%	72%
Leverage (%)	25%	16%	15%
CASH FLOW AND LIQUIDITY			
Cash flow before investments (thousand SEK)	-33,268	-16,173	-16,430
Cash flow after investments (thousand SEK)	-71,400	-59,322	-81,021
Cash and cash equivalents (thousand SEK)	73,296	23,511	42,410
INVESTMENTS			
Acquisition of tangible fixed assets (thousand SEK)	-3,636	-14,430	-15,437
Acquisition of intangible fixed assets	-34,593	-28,719	-49,154
Sale of tangible fixed assets	97		
PERSONNEL			
Average number of employees	97	99	100
Turnover per employee	732	516	715
Total number of employees	95	102	108
DATA PER SHARE			
Number of shares**	131,608,456	112,368,187	119,038,795
Average number of shares before dilution**	123,906,604	111,567,532	113,286,729
Earnings per share before and after dilution	-0.43	-0.49	-0.63
Equity per share (SEK)	2.35	2.20	2.30

*Input for calculations from periods prior to January 1, 2018 has not been converted to IFRS. This affects the key figure for revenue growth.

**The number of shares and the average number of shares, in order to calculate equity per share and earnings per share, have been adjusted retrospectively in 2018 to reflect the fund issues part in new issues during 2019 and 2018.

Definition of performance indicators

PROFITABILITY	
Revenue growth (%)	Percentage change in revenue compared with the previous period
EBITDA	Profit before financial items, tax and depreciation and write-downs
CAPITAL STRUCTURE	
Equity (SEK thousand)	Equity by the end of the period
Balance sheet total (SEK thousand)	Total assets or the sum of liabilities and equity
Capital employed (SEK thousand)	Reduced balance sheet of non-interest-bearing liabilities, including deferred tax
Interest-bearing net debt (SEK thousand)	Net interest-bearing provisions and liabilities minus financial assets including liquid assets
Capital turnover rate (times)	Sales for the year divided by the average balance sheet total
Solvency (%)	Equity as a percentage of total assets
Leverage (%)	Interest-bearing liabilities divided by equity
CASH FLOW AND LIQUIDITY	
Cash flow before investing activities (SEK thousand)	Profit after financial items including items that do not affect cash flow minus change in working capital
Cash flow after investing activities (SEK thousand)	Profit after financial items incl. items that do not affect cash flow minus change in working capital and investments
Cash and cash equivalents (SEK thousand)	Bank balances and cash
PERSONNEL	
Average number of employees	Average number of employees for the period
Turnover per employee	Turnover divided by average number of employees
Total number of employees	Total number of employees, end of period
DATA PER SHARE	
Earnings per share (SEK)	Profit for the period divided by average number of shares
Equity per share (SEK)	Equity divided by total number of shares at the end of the period

Appendix 1 – Effects of applying IFRS

IFRS conversion

From the third quarter of 2019, Sivers IMA Holding AB has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretative statements of the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union (EU). Previously issued financial reports for the Group have been prepared in accordance with BFNAR 2012:1 (K3). The date of transition to IFRS is January 1, 2018. The Group's financial reports from the transition date have been recalculated on a quarterly basis in the conversion process. The transition to IFRS has been implemented in accordance with IFRS 1 ("First time IFRS is applied"). Full accounting principles in accordance with IFRS are presented in Appendix 2 to this interim report.

The main rule in IFRS 1 is that a company applies all standards retroactively when determining the opening balance according to IFRS. This means that the comparative figures for 2018 are recalculated in accordance with IFRS. However, some exceptions to the retroactive application are permitted. The Group has chosen to apply the following:

- The rules in IFRS 3 have been applied on forward looking basis for the acquisition of subsidiaries that were executed from January 1, 2018.

Identified differences

In the conversion process, differences between IFRS and K3 were identified. These differences have been presented as bridges between K3 and IFRS on pages 20-25. Below are descriptions of these differences.

1 – Goodwill

Goodwill is not amortized under IFRS. The depreciation from K3 is therefore reversed in the bridge.

The Group has chosen to apply the voluntary exemption from retrospective application of IFRS 3. Thus, the opening value in K3 at the transition date also constitutes the opening value in accordance with IFRS, reduced for acquisition costs, which were adjusted in the K3 report during 2018.

2- Leasing

Under IFRS 16 ("Leasing agreement"), leasing agreements are recognized in the consolidated statements of financial position as rights of use assets and leasing liabilities. In the K3 report, the Group only had operating leases that were recognized as expenses during the periods to which they were allocated. The identified leasing agreements are reported as a rights of use asset in the consolidated statements of financial position under Tangible fixed assets and as long-term and short-term leasing debt. Ongoing leasing payments are reported as amortization of debt and interest expenses. Assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset.

3 – Revenue

In IFRS 15 ("Revenue from contracts with customers"), revenue is recognized according to a 5-step model, which means that revenue is recognized when control over products and services has transferred to the customer. In the 5-step model, contracts with customers are divided into separable performance obligations, and revenue is recognized when these performance obligations are satisfied. The differences that have been identified within the Sivers IMA Group between IFRS 15 and K3 relate primarily to contracts in hardware sales where several promises (eg hardware, design, etc.) occur. The Group identified a number of contracts where the promises in accordance with IFRS 15 does not meet the criteria for being separate performance obligations, which resulted in a postponement in timing of revenues for these contracts.

4 – Embedded derivatives in convertible debt

In the parent company's consolidated statement of financial position, there is a convertible loan that was recognized in its entirety as a liability at amortized cost in K3. Based on the guidance in IFRS 9 ("Financial Instruments"), an embedded derivative was identified in this liability, as the economic characteristics and risks in the call option were not considered to be closely related to the characteristics of the host contract. The option has been expunged from the convertible and is recognized at fair value through profit and loss. The remaining convertible debt is recognized at amortized cost using the effective interest method. The embedded derivative is recognized as a derivative debt under "other non-current liabilities" in the consolidated statements of financial position and changes in value of the derivative together with the currency effect of the liability are recognized in profit and loss under financial items.

5 - Exchange rate differences when translating foreign operations

In IFRS, translation differences from translation of foreign operations are presented in "other comprehensive income". The translation differences for the period and translation differences on IFRS adjustments are presented under this heading.

Other comments

IFRS 9

In IFRS 9, there is a difference between K3 and IFRS regarding accounting for credit losses. Within IFRS 9, expected credit losses for financial instruments are recognized at the beginning of the contract instead of when there is objective information that full payment will not be received. The Group has established a model for calculating expected credit losses in accordance with IFRS 9, but as no significant differences have occurred, no further provision has been recognized. Historically, the Group has had few credit losses and insures parts of accounts receivable.

In the parent company, however, the conversion to IFRS 9 caused an additional reserve for intra-Group receivables. This transaction has no impact on the Group's earnings and financial position.

Earnings per share

Earnings per share before dilution have been recalculated in accordance with IAS 33 ("Earnings per share"). This means that the key figure is calculated differently from the Group's previous key ratio definition. The main difference is that earnings per share according to IAS 33 are calculated on the basis of an average number of shares for the period.

Deferred taxes

In accordance with the Group's accounting principles, deferred tax liabilities are recognized in principle for all deductible temporary differences to the extent that it is probable that the amounts can be used against future taxable profits. At present, deferred tax assets are recognized at 0 in value. In the conversion bridges, the effect of deferred tax assets has been written down to 0, and for simplification reasons no adjustments for these are recognized in the bridges. No significant deferred tax liabilities have arisen during the conversion periods.

Presentation format of income statement and statement of financial position

In the conversion process, the presentation format of the income statement, statement of financial position and cash flow has also been slightly adjusted.

Activated work for own account is no longer presented as part of revenue, but is recognized on a separate line that is placed after other operating income. Financial items have been allocated to financial income and financial expenses.

Parent company

From the date of transition – January 1, 2018 – the parent company has prepared its accounts in accordance with the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. According to RFR 2, the parent company shall apply all International Financial Reporting Standards, adopted by the EU, to the extent possible within the framework of the Annual Accounts Act.
In the parent company, effects arose from the conversion to IFRS 9 for the convertible loan and expected credit losses. See descriptions above under the heading “IFRS 9” and “4 – Embedded derivatives in convertible debt”.

Effect of IFRS application on the consolidated statements of cash flow

The Group's cash flow has not changed in the conversion to IFRS. However, the IFRS adjustments have had the following effects on the presentation format:

- IFRS 15 has affected profit before tax and contract liability. This involves reclassifying cash flow from operating activities before changes in working capital and cash flow from changes in working capital.
- In the conversion to IFRS 16, cash flows for the payment of leasing fees (which were previously recognized under operations – other costs) have been reclassified to amortization and interest. Amortization of the lease debt is recognized in the financial operations and interest paid in operating activities. Depreciation for rights of use has been reversed in the current operations under “Adjustments for non-cash items”.
- The adjustment of goodwill amortization has increased operating profit and “Adjustments for non-cash-flow items”. Consequently, the transaction had no effect on cash flow.

Reconciliations between previous accounting principles and IFRS

Consolidated statements of financial position in summary 2018-01-01

Group (SEK thousand)	According to previous principles	Reference	IFRS adjustments	IFRS
ASSETS				
Fixed assets				
Goodwill	138,111	1A	-3,299	134,812
Other intangible assets	62,512			62,512
Tangible fixed assets	28,554	2A	8,620	37,174
Total Fixed Assets	**229,177**		**5,321**	**234,498**
Current assets				
inventories	16,126			16,126
Accounts receivable	22,880			22,880
Other receivables	10,734			10,734
Prepayments and accrued income	7,324	2B	-536	6,788
Cash and cash equivalents	**61,920**			**61,920**
Total current assets	**118,984**		**-536**	**118,448**
TOTAL ASSETS	**348,161**		**4,785**	**352,946**

Group (SEK thousand)	According to previous principles	Reference	IFRS adjustments	IFRS
EQUITY AND LIABILITIES				
Equity	196,945	2E,3D	-2,767	194,178
Long-term liabilities				
Convertible debt	32,929	4A	-4,652	28,277
Deferred tax liability	253			253
Provisions	85,203	1A	-3,299	81,904
Leasing liabilities	0	2C	4,635	4,635
Other long-term liabilities	0	4B	4,652	4,652
Total long-term liabilities	**118,385**		**1,336**	**119,721**
Current liabilities				
Accounts payable	11,896			11,896
Leasing liabilities	0	2C	3,445	3,445
Other debts	5,581			5,581
Accrued expenses and deferred income	15,354	3C	2,772	18,126
Total short-term liabilities	**32,831**		**6,217**	**39,048**
TOTAL EQUITY AND LIABILITIES	**348,161**		**4,785**	**352,946**

Consolidated statements of financial position in summary 2018-09-30

Group (SEK thousand)	According to previous principles	Reference	IFRS adjustments	IFRS
ASSETS				
Fixed assets				
Goodwill	111,197	1B	23,615	134,812
Other intangible assets	86,158			86,158
Tangible fixed assets	38,171	2A	7,564	45,735
Total Fixed Assets	**235,526**		**31,179**	**266,705**
Current assets				
Inventories	26,531			26,531
Accounts receivable	22,623			22,623
Other receivables	3,172			3,172
Prepayments and accrued income	9,232	2B	-725	8,507
Cash and cash equivalents	**23,511**			**23,511**
Total current assets	**85,069**		**-725**	**84,344**
TOTAL ASSETS	**320,595**		**30,454**	**351,049**

Group (SEK thousand)	According to previous principles	Reference	IFRS adjustments	IFRS
EQUITY AND LIABILITIES				
Equity	232,399	1C,2E,3D	15,072	247,471
Long-term liabilities				
Convertible debt	36,807	4A	-3,489	33,318
Deferred tax liability	221			221
Provisions	2,201			2,201
Leasing liabilities	0	2C	3,678	3,678
Other long-term liabilities	0	4B	5,711	5,711
Total long-term liabilities	**39,229**		**5,900**	**45,129**
Current liabilities				
Accounts payable	12,921			12,921
Leasing liabilities	0	2C	3,551	3,551
Other debts	21,879			21,879
Accrued expenses and deferred income	14,167	3C	5,931	20,098
Total short-term liabilities	**48,967**		**9,482**	**58,449**
TOTAL EQUITY AND LIABILITIES	**320,595**		**30,454**	**351,049**

Consolidated statements of financial position in summary 2018-12-31

Group (SEK thousand)	According to previous principles	Reference	IFRS adjustments	IFRS
ASSETS				
Fixed assets				
Goodwill	103,188	1B	31,624	134,812
Other intangible assets	104,034			104,034
Tangible fixed assets	38,188	2A	6,406	44,594
Total Fixed Assets	**245,410**		**38,030**	**283,440**
Current assets				
Inventories	14,263			14,263
Accounts receivable	22,237			22,237
Other receivables	10,386			10,386
Prepayments and accrued income	7,692	2B	-679	7,013
Cash and cash equivalents	**42,410**			**42,410**
Total current assets	**96,988**		**-679**	**96,309**
TOTAL ASSETS	**342,398**		**37,351**	**379,749**

Group (SEK thousand)	According to previous principles	Reference	IFRS adjustments	IFRS
EQUITY AND LIABILITIES				
Equity	245,179	1C,2E,3D	28,323	273,502
Long-term liabilities				
Convertible debt	37,728	4A	-3,102	34,626
Deferred tax liability	210			210
Provisions	3,411			3,411
Leasing liabilities	0	2C	2,943	2,943
Other long-term liabilities	0	4B	4,043	4,043
Total long-term liabilities	**41,349**		**3,885**	**45,234**
Current liabilities				
Accounts payable	20,948			20,948
Leasing liabilities	0	2C	3,212	3,212
Other debts	18,899			18,899
Accrued expenses and deferred income	16,023	3C	1,931	17,954
Total short-term liabilities	**55,870**		**5,143**	**61,013**
TOTAL EQUITY AND LIABILITIES	**342,398**		**37,351**	**379,749**

Consolidated statements of income in summary July – September 2018

	According to previous principles	Reference	IFRS adjustments	IFRS
Revenue	25,217	3A	-1,093	24,124
Other operating income	3,761			3,761
Activated work for own account	5,645			5,645
Raw materials and consumables	-8,742	3B	-5	-8,747
Other external expenses	-11,856	2D	985	-10,871
Personnel costs	-17,327			-17,327
Depreciation and write-downs of property, plant and equipment and intangible assets	-11,203	1B, 2D	6,944	-4,259
OPERATING INCOME	**-14,505**		**6,831**	**-7,674**
Profit from financial items				
Financial income	0			0
Financial expenses	-4,724	2D,4C	-42	-4,766
Profit before tax	**-19,229**		**6,789**	**-12,440**
Income tax	-47			-47
PROFIT FOR THE PERIOD	**-19,276**		**6,789**	**-12,487**

Consolidated statements of comprehensive income in summary

	According to previous principles	Reference	IFRS adjustments	IFRS
Other comprehensive income Items to be reclassified to profit and loss				
Exchange rate differences from translation of foreign operations	-	5	-554	-554
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-19,276**		**6,234**	**-13,042**

Consolidated statements of income in summary January – September 2018

	According to previous principles	Reference	IFRS adjustments	IFRS
Revenue	53,001	3A	-1,941	51,060
Other operating income	12,049			12,049
Activated work for own account	17,645			17,645
Raw materials and consumables	-23,454	3B	-1,211	-24,665
Other external expenses	-42,081	2D	2,933	-39,148
Personnel costs	-53,478			-53,478
Depreciation and write-downs of property, plant and equipment and intangible assets	-33,009	1B, 2D	20,563	-12,446
OPERATING INCOME	**-69,327**		**20,342**	**-48,985**
Profit from financial items				
Financial income	360			360
Financial expenses	-5,137	2D,4C	-2,494	-7,631
Profit before tax	**-74,104**		**17,848**	**-56,256**
Income tax	1,280			1,280
PROFIT FOR THE PERIOD	**-72,824**		**17,848**	**-54,976**

Consolidated statements of comprehensive income in summary

	According to previous principles	Reference	IFRS adjustments	IFRS
Other comprehensive income				
Items to be reclassified to profit and loss				
Exchange rate differences from translation of foreign operations	-	5	2,598	2 ,598
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-72,824**		**20,446**	**-52,378**

Consolidated statements of income in summary January – December 2018

	According to previous principles	Reference	IFRS adjustments	IFRS
Revenue	69,835	3A	1,650	71,485
Other operating income	16,755			16,755
Activated work for own account	33,171			33,171
Raw materials and consumables	-43,785	3B	-808	-44,593
Other external expenses	-56,713	2D	4,117	-52,596
Personnel costs	-76,810			-76,810
Depreciation and write-downs of property, plant and equipment and intangible assets	-44,682	1B, 2D	27,425	-17,257
OPERATING INCOME	**-102,229**		**32,384**	**-69,845**
Profit from financial items				
Financial income	0			0
Financial expenses	-8,359	2D,4C	-1,292	-9,651
Profit before tax	**-110,588**		**31,091**	**-79,497**
Income tax	7,617			7,617
PROFIT FOR THE PERIOD	**-102,971**		**31,091**	**-71,880**

Consolidated statements of comprehensive income in summary

	According to previous principles	Reference	IFRS adjustments	IFRS
Other comprehensive income				
Items to be reclassified to profit and loss				
Exchange rate differences from translation of foreign operations	-	5	1,560	1,560
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-102,971**		**32,651**	**-70,320**

References

1A: Reversal of adjustment acquisition costs (2018) regarding goodwill related to the reverse acquisition of CST Global.

1B: Restatement of goodwill amortization related to the reverse acquisition of CST Global; Jul-Sept = 8,009, Jan-Sept = 23,615, Jan-Dec = 31,624.

1C: Equity effect for the reversal of goodwill amortization accumulated.

2A: Recognition of rights of use assets for leases in accordance with IFRS 16.

2B: Adjustment of advance payments related to lease agreements in 2A.

2C: Accounting of long-term and short-term liabilities for leasing agreements in accordance with IFRS 16.

2D: Restatement of leasing costs in accordance with K3 (other external costs) for accounting the depreciation of rights of use assets and interest payments on lease debt in accordance with IFRS 16; Jul-Sept: Depreciation = -1,065, Interest = -90, Jan-Sept = Depreciation = -3,052, Interest = -272, Jan-Dec = Depreciation = -4,199, Interest = -351.

2E: Equity effect from the accounting of rights of use assets and leasing liabilities in the balance sheet accumulated.

3A: Adjustment of revenue due to changed accounting principles in accordance with IFRS 15.

3B: Adjustment of cost sold to be part of revenue adjustments in accordance with IFRS 15.

3C: Accounting of contractual debt associated with IFRS 15 income adjustment (3A).

3D: Equity effect from income adjustments IFRS 15 accumulated.

4A: Separation of embedded derivatives from convertible debt in accordance with IFRS 9. Periodic increase in accordance with the effective interest method.

4B: Accounting of embedded derivatives from 4A. Periodic revaluation of the derivative.

4C: Profit effect from revaluation of embedded derivative in convertible (4B) and periodically reversing the convertible in line with the effective interest method (4A); Jul-Sept = 48, Jan-Sept = -2,222, Jan-Dec = - 942.

5: Exchange rate differences when translating foreign operations.

Appendix 2 – Full accounting principles

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Standards), as adopted by the European Union (EU), and interpretations by IFRS Interpretations Committee (IFRIC). The Group also apply the Swedish annual accounts act (“Årsredovisningslagen”) and RFR 1 “Supplementary Accounting Rules for Groups” issued by the Swedish Financial Reporting Board.

Previously, the Group applied BFNAR 2012:1 (“K3), issued by the Swedish Accounting Board. This is the Group’s first financial report in accordance with IFRS. The date of transition to IFRS is determined be January 1st, 2018. Hence, comparative figures for the financial year of 2018 have been restated to comply with IFRS. The effect of the IFRS transition on the Group’s balance sheet, income statement and cash flow is disclosed in appendix 1.

The financial statements for the parent company have been prepared in accordance with the Swedish annual accounts act and Swedish Financial Reporting board RFR 2 “Supplementary Accounting Rules for Legal entities”. According to RFR 2, the parent company should apply all International Financial Reporting Standards, accepted by EU, to the extent possible within the limits set out in the Swedish annual accounts act. Previously, the parent company applied BFNAR 2012:1 (“K3), issued by the Swedish Accounting Board. The date of transition to IFRS is determined be January 1st, 2018. Hence, comparative figures for the financial year of 2018 have been restated to comply with RFR2. The effect of the IFRS transition on the parent company’s balance sheet, income statement and cash flow is disclosed in appendix 1.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Group has the power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affects its returns.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Business combinations

The acquirer in a business combination is the party who achieve control over the other party. When the legal acquirer is identified as the acquired party, a reverse acquisition has occurred. When the subsidiary CST Global Ltd was acquired in 2017, the acquisition was reversed. This means that Sivers IMA Holding was identified as the acquired party and CST Global Ltd as the acquirer.

Acquisitions of businesses are accounted for using the acquisition method.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill

Goodwill is initially recognized and measured as set out above.

Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Revenue recognition

The Group recognizes revenue from the following major sources:

- Hardware sales
- Development projects (Also referred to as Non Recurrent Engineering “NRE”)
- Support contracts

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer.

Hardware sales

Within the wireless segment, the Group sell chips, components, modules and subsystems based on advanced technology for 5G millimeter-wave networks. Within the fiber segment, the Group sell semiconductor lasers and other semiconductors based optical products.

For some of the hardware products, mainly within the wireless business, revenue is recognized at a point in time. This point in time normally occurs when the control over the goods are transferred to the customer, which is equivalent to the time of delivery (in accordance with the shipment terms for the specific contract). A receivable is recognized by the Group when goods are delivered to the customer, as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. Productions tests are performed before products are sent to the customers.

Revenue is recognized with deductions for estimated volume rebates, and revenue is only recognized to the extent it is very likely that a significant deduction will not occur. Rebates are normally agreed for a predetermined quantity and the deduction amount is calculated based on this quantity. If there is no predetermined quantity, the rebates are estimated based on historical data.

Within the fiber segment, the Group also sell hardware products that are manufactured based on specifications from the customer. Such hardware products can for example be wafers and chips. Revenue from these hardware products is recognized over time, based on the completion. The completion is normally measured with an output method, based on work completed from a work agreement. The completion is normally in line with billing. When that is not the case, a receivable is recognized when completion exceeds billing and liability is recognized when billing exceeds completion.

Development/NRE-projects

Within both wireless and fiber, there are contracts referred to as “NRE”-contracts. Such contracts are development projects where the Group customize the technic in their hardware products to match the customers requirements or to develop a new product. The aim is to sell the customized/new products in volumes when the development project is completed. Should this occur, revenue from the volume sales of the products will end up in the hardware category.

Considerations for NRE contracts are recognized over time, based on completion. The completion is normally measured with an input method based on costs incurred. A contract asset is recognized when sales exceed billing and a contract liability is recognized when billing exceed sales.

Support Contracts

Within the wireless business, customers can subscribe to support contracts for the company’s hardware products. The purpose with these subscriptions is to facilitate the customers adaption of the Group’s technic to their own products. The support contracts can be signed with the intent to design-in the Group’s products into the customers with the aim to have the customer sell the combined product to an end customer. The support contracts have a fixed consideration and revenue is recognized on a linear basis over the service period. The consideration is recognized as a contract liability when the sale occurs and dissolves on a linear basis over the service period.

Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.
The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.
The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within the same line items in the consolidated statement of financial position as they would be classified into if they were owned by the Group.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient.

Foreign currencies

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the exchange rates at the date of transactions, unless exchange rates fluctuate significantly during that period, in which case the average exchange rates for the period are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, all of the exchange differences accumulated in a foreign currency translation reserve in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss under the line item "other income" on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Government grants relating to the acquisition of property, plant and equipment are treated as deferred income and released to profit or loss over the expected useful lives of the assets concerned.

Retirement and termination benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions. Multi-employer benefit plans are recognized as defined contribution plans when there is not enough information to recognize them as defined benefit plans. Currently, the Group only has retirement benefit plans that are recognized as defined contribution plans.

Short-term and other long-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realized based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Equipment, tools and installations	5-7 years
Computers	3 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses.

Amortizations are commenced when the asset is put in use, and the amortization expense is recognized on a straight-line basis over the asset's useful life.

Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognized in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to a financial instrument measured at amortized cost are added or deducted from the value of the instrument on initial recognition. Transaction costs directly attributable to the acquisition of financial instruments at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss.

The Group has accounts receivables, other short-term assets, contract assets and cash that are recognized at amortized cost after deductions for impairments. The Group also has contracts for currency hedges. These contracts are recognized at fair value trough profit and loss (see below under "Derivative financial instruments"). Currently, the Group does not have any financial instruments that are measured at fair value through other comprehensive income.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes lifetime ECL for trade receivables and contract assets, in line with the simplified model. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group considerers a breach of financial covenants by the debtor or information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors to be indications that financial assets are generally not recoverable. Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at fair value through profit or loss.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative

Financial liabilities at fair value through profit or loss are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy).

The Group has currency hedge contract that are recognized at fair value through profit and loss (see below under "Derivative financial instruments").

Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at fair value through profit or loss, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

The group has convertible debt, accounts payable, contract liabilities, accrued expenses and other short term liabilities that are measured at amortized cost.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risks. Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately, since the Group does not apply hedge accounting.

Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated. Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss. An embedded derivative is presented in the same way as a separate derivative.

The Group has a convertible bond that can be converted into shares in the parent company during the contract term. The liability part is measured at amortized cost with the effective interest method and presented under "Convertible debt" in the balance sheet. The embedded derivative (the option to convert) is measured at fair value through profit or loss and presented under "Other long-term liabilities" in the balance sheet.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

Accounting policies – Parent company

The financial statements for the parent company have been prepared in accordance with the annual accounts act and Swedish Financial Reporting board RFR 2 "Supplementary Accounting Rules for Legal entities". According to RFR 2, the parent company should apply all International Financial Reporting Standards, accepted by EU, to the extent possible within the limits set out in the Swedish annual accounts act. The differences between the Group's and the Parent company's accounting policies are described below.

Shared in subsidiaries

Shares in subsidiaries are recognized at historical cost with deductions for impairments.

Revenue recognition

The parent company's revenue consists of management fees from the subsidiaries. These are recognized over time, as the services are performed. Revenue is calculated and allocated to subsidiaries based on the degree they use the parent company's services.

Financial instruments

The parent company has long-term intra-group receivables. The model to estimate impairments for expected credit losses is based on the probability of default measured from the subsidiaries credit ratings, expected loss given default and exposure given default. The model measures a loss allowance for the receivables at an amount equal to a 12-months ECL. If the credit risk on the receivables has increased significantly since initial recognition, lifetime ECL is recognized. The Group has elected to apply the exception for low credit risk, where low credit risk is approximated with an internal credit rating that is determined to be equal to investment grade.