

# Year-end Report

## January–December 2019

A hand holding a gold microchip in front of a city skyline. The microchip is a square, gold-colored component with a grid of small, silver-colored solder balls around its perimeter. The city skyline in the background features several tall, modern skyscrapers under a hazy sky. The text "We make your connections." is overlaid in white on the image.

We make your connections.

**SIVERSIMA**

# Year-end Report January–December 2019



## Fourth quarter 2019

- Revenues amounted to SEK 25 362 thousand (20 425), an increase of 24 percent
- Profit before depreciations and amortizations (EBITDA) amounted to SEK -19 877 thousand (-16 050)
- Result amounted to SEK -22 784 thousand (-16 904)
- Earnings per share amounted to SEK -0,17 (-0,14)
- Equity per share amounted to SEK 2,19 (2,30)

## January–December 2019

- Revenues amounted to SEK 96 355 (71 485) thousand, an increase of 35 percent
- Result before depreciations and amortizations (EBITDA) amounted to SEK -48 322 thousand (-52 589)
- Result amounted to SEK -75 661 thousand (-71 880)
- Earnings per share amounted to SEK -0,60 (-0,63)
- Equity per share amounted to SEK 2,19 (2,30)

## Significant events during the fourth quarter:

- On October 21, NXP and Siverts IMA AB announced a collaboration to deliver a first-class solution for 5G-NR applications

- On November 14, Siverts IMA AB 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.
- Siverts IMA AB has signed an agreement with its partner Blu Wireless Technology Ltd (Blu Wireless) for the delivery of radio modules for unlicensed mmWave 5G wireless communication markets such as FWA (Fixed Wireless Access) and track-to-train. First deployments of Blu Wireless' track-to-train solution are planned during the first quarter of 2020.

## Significant events following the period:

- Siverts IMA Group's business area "Fiber" has changed name to "Photonics", to reflect strong demand and rising opportunities in new market verticals.
- On January 30, Wireless announced 4 new design wins with Tier 3 customers.
- On February 13, Wireless announced that they have signed an agreement with Cambium Networks, a leading global provider of wireless networking solutions, to provide 5G radio frequency chipsets for Cambium's roll-out of 5G wireless broadband.

## Key figures

SEK thousand	2019 Oct–Dec	2018 Oct-Dec	2019 Jan–Dec	2018 Jan-Dec
Revenue	25 362	20 425	96 355	71 485
EBITDA	-19 877	-16 050	-48 322	-52 589
Profit for the period	-22 784	-16 904	-75 661	-71 880
Earnings per share before and after dilution, SEK	-0,17	-0,14	-0,60	-0,63
Equity per share, SEK	2,19	2,30	2,19	2,30

A web-based presentation of the Interim Report will be held at 10:00am Friday, February 14, 2020.  
Register for the webinar via: <https://attendee.gotowebinar.com/register/6783414301890551051>

# CEO Statement



## A quarter of hard work and many customer meetings



Sales in the fourth quarter increased by about 24 percent compared to last year. However, during the quarter we had a delivery delay on parts of an order to our Fortune 100 customer of approximately SEK 5 million that will be delivered in early 2020. In total, we have received orders worth SEK 50 million from this customer since October 2018.

The transition from accounting standard K3 can appear to make the comparative figures difficult to interpret. For clarifications, I therefore refer to Appendix 1 of this report, where changes between the accounting standards are clarified.

By zooming out and looking at the company's growth over the past four years, I believe we get an interesting picture of our journey so far. Since 2016, net sales have increased from SEK 18 million to SEK 96 million in 2019. For the full year 2019, sales growth was 35 percent. The most important step in 2019 was to move from offering promising technology solutions to being part of customers' functioning products. We have previously announced that we have sold more than 35 test systems for 5G, and as of now, we have sixteen design-in agreements. When these go into volume production it will make material impact on our sales.

The capital we raised in the new share issue in June has been used, among other things, to strengthen our sales

organization within 5G / Wireless to handle the great interest from new customers. As a result, in November we could announce an important supply agreement with our partner and subsequent customer, Blu Wireless. The agreement is for equipment to a track-to-train solution for high-speed trains to be delivered in the first quarter of 2020. In January, we could also announce four new design-wins as a result of our intensified efforts.

An important driver of sales growth within 5G is our strong partner network, and during the quarter, we entered into a new significant partnership with NXP, one of the world's largest communications solutions enterprises. Among other things, NXP is very strong in licensed 5G, with products that integrate excellently with our chips. The fact that large global companies choose to cooperate with us is a strong confirmation of the high technical level we hold and the outstanding quality we deliver.

During the past year, CST Global has had strong demand not only in the traditional optical fiber market but also from new and significant vertical markets in optical sensing. As a result, in January we announced that we have renamed our business area Fiber to Photonics. Among other things, optical sensors are used in biometrics, safety, metrology and LiDAR, which for example is used in driverless cars. We are really looking forward to telling you more about this in the future. In these new verticals, we have many interesting potential customers who want to work with us.

My optimism about the future remains very strong. The positive development in the market for old and new verticals within 5G and Photonics will continue to deliver good growth and, not least, the positive development we see with our Fortune-100 customer, means that I have good hope for 2020. Most of it indicates that 2020 will be the year 5G and Photonics get a wider spread and our customers' customers start demanding larger volumes. Our very competitive products and our strong global network make us well equipped to take advantage of the strong demand in the market and I look forward to 2020 with excitement.

**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 business areas Wireless and Photonics. Sivers IMA Holding and Wireless have headquarters in Kista, Sweden, with a local office in Gothenburg, Sweden. Photonic's headquarters and factory are located in Glasgow, Scotland.

This report relates to the Group's operations during the period January 1, 2019 to December 31, 2019.

Sivers IMA Group is an international supplier of advanced 5G systems to data- and telecommunication networks and optical products to optical fiber networks, sensors and optical wireless communication (Li-Fi).

Sivers IMA Group enables a better connected and safer world by delivering the best solutions in terms of sensors and data- and wireless networks.

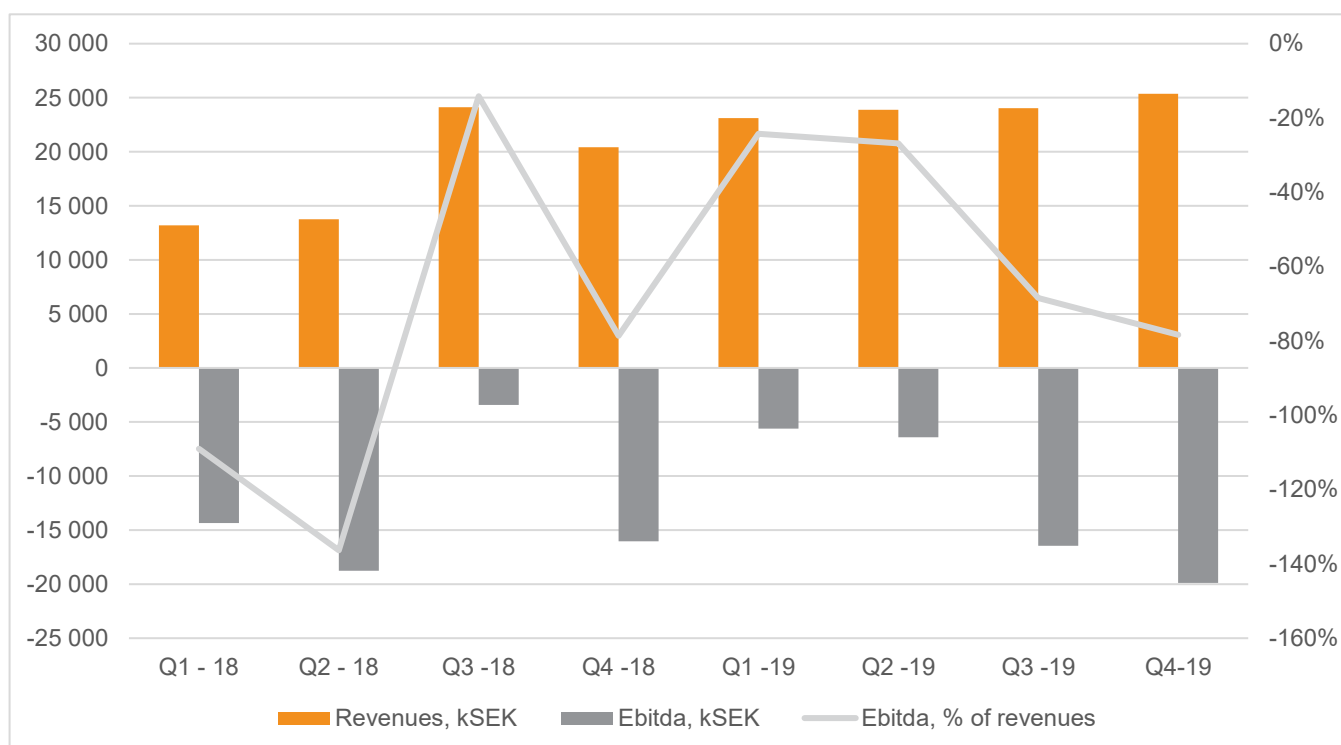
## Wireless

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

## Photonics

The business area Photonics develops and manufactures semiconductor based optical products to optical fiber networks, sensors and optical wireless communications (Li-Fi). Important markets for optical chips are fiber to the home and data centers. Optical sensors are used within biometrics, safety, metrology and LIDAR to driverless cars. 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.

## Net sales and EBITDA\*



## Net sales and EBITDA

### Fourth quarter

During the fourth quarter, revenues amounted to SEK 25 362 thousand (20 425), an increase of 24 percent compared with the same quarter last year. The increase in revenue comes from Photonics, where revenue growth amounted to SEK 11 679 thousand. For Wireless, revenues decreased with SEK 6 743 thousand compared to the same period prior year. The main part of the revenue decrease for Wireless is related to strong sales during the fourth quarter 2018 of old, so called End-of-life products.

EBITDA amounted to SEK -19 877 thousand (-16 050), a decrease of SEK -3 827 thousand. The EBITDA result is, to great extent, affected by less capitalization of development expenses during 2019. For Q4 2019 SEK 6 475 thousand was capitalized and for Q4 2018 SEK 15 526 thousand was capitalized, which had a negative comparative effect of SEK 9 051 thousand on EBITDA.

Compared to 2018, the group has less revenue from research grants (which are recognized within other operating income), by approximately SEK 4 million during the fourth quarter. This is a strategic decision to focus more on developing customer and core products that lead to long-term profitability.

### January - December

During the period January – December, revenues amounted to SEK 96 355 thousand (71 485), an increase of 35 percent. Wireless revenues increased by 32% while Photonics increased by 36%. The increase was mainly driven by Photonics, where NRE revenues increased with SEK 12 361 thousand compared to 2018. Hardware sales have increased within both business areas with SEK 12 284 thousand in total.

EBITDA amounted to SEK -48 322 thousand (-52 589), an improvement of SEK 4 267 thousand. The improvement is mainly due to revenue growth, but also improved raw material expenses as a result of less write-downs of inventories compared to prior year.

For the full year 2019 compared to 2018, other external expenses increased with SEK 17 303 thousand. This increase is, among other things, related to declined VAT deductions (for year 2017 and 2018) during the third quarter of SEK 3 717 million, and increased license- and consultancy costs. The increase in consultancy costs is due 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 main market listing.

## Depreciation

### Fourth quarter

Profit for the fourth quarter was burdened with SEK -8 774 thousand (-4 810) in depreciation and write-downs, an increase of SEK -3 964 thousand. The increase compared to the same period last year is mainly due to the completion of the development project of the group's chip for licensed and unlicensed 5G. As the project is completed, depreciation have commenced.

### January - December

Earnings during the period January – December were charged with SEK -29 702 thousand (-17 257) in depreciations and write-downs, of which SEK-6 841 thousand (-5 452) refers to the depreciation of equipment, tools and installations, SEK -18 101 thousand (-7 606) refers to amortizations and write-downs on previous years' balanced expenditure for development work and SEK -4 760 thousand (-4 199) refers to the depreciation of rights of use assets in leasing contracts.

The increase in depreciation and write-downs in January-December compared to the same period last year is mainly explained by the fact that the group started to amortize completed development project, but also the fact that a write down of SEK 3,7 million for radar products within Wireless was recognized in Q3. The write-down 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.

## 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 VAT for the financial year 2017, 2018 and 2019, since management fees had not been invoiced to the subsidiaries. Sivers IMA Holding AB appealed parts of the decisions for 2017 and 2018 and the full decision for 2019. The tax agency ruled to, during the fourth quarter, in line with the appeal for 2019, give back the right to make VAT deductions to Sivers IMA Holding. The denied 2019 VAT deductions amounted to SEK 502 thousand. However, for 2017 and 2018, previous ruling remained.

The Group receives tax credits for research and development expenses in Scotland. During the fourth quarter 2019, SEK 7 285 thousand was recognized as tax income for expected R&D tax credits for the full year 2019.

## Liquidity, Cash Flow and Financing

On December 31, 2019, the group's cash and cash equivalents amounted to SEK 52 228 thousand (42 410). As of December 31, 2019, the Group had an approved overdraft credit of SEK 2,500 thousand (2,500), of which SEK 0 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 gave

the Group SEK 6.46 million in cash for the new issue of shares.

The group has entered into sale and lease-back contracts during 2019. Hence, the group has hire purchase liabilities that are amortized on a linear basis during the contract period.

During the period January to December, cash flow from operating activities amounted to SEK -42 446 thousand (-23 626).

The negative cash flow from changes in working capital of SEK -7 706 thousand is mainly explained by the fact that the group had a large balance of unpaid vendor invoiced in the balance sheet at 2018-12-31, that were paid during 2019. 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 approximately SEK 11 million before consultancy costs, which amounted to SEK 2,2 million. The cash flow from the tax credit is recognized as paid tax in the cash flow analysis.

Sivers IMA Holding AB has a convertible debt in the balance sheet that relates to a convertible bond which was issued to the groups partner Ampleon on December 22, 2017. The term for these convertible bonds is 3 years. As there is a contractual right for Ampleon to claim repayment within a year if they do not choose to convert the liability into shares, the liability has been reclassified from long term to short term.

Sivers IMA Group is in a development phase and lacks the sufficient earnings capacity to cover the business's costs through sales revenue alone. The group has made a detailed analysis of the liquidity needs for the next 12 months and the board's assessment is that the group will meet this requirement.

## Investments

Sivers IMA Group's total investments during the period January – December amounted to SEK 52 076 thousand (64 591) and refers intangible assets for capitalized development expenditure with SEK 43 287 thousand (49 154) and acquisition of tangible fixed assets with SEK 8 789 thousand (15 437). The investment in balanced expenditure on development work is attributable to the development of new generations of products.

## Equity

As of 31 December 2019, The Group's equity amounted to SEK 288 533 thousand (273 502). The share capital amounted to SEK 65 824 228.

## Parent company

The parent company's revenues increased during the fourth quarter 2019 from SEK 1 to 4 606 thousand and also from

January to December from 1 to 8 993 thousand. This is because in 2019 the company began to charge its subsidiaries management fees.

The parent company's increase in other external expenses for the period January – December compared with the same periods last year, is mainly due to expensed VAT during Q3 (which is described under Taxes) and increased costs for consultants.

The parent company provided Sivers IMA AB with a shareholder contribution of SEK 35 million during the fourth quarter. The parent company has written this shareholders contribution down to 0, and the impairment expense is recognized under financial expenses.

## Shares

On December 31, 2019, Sivers IMA's share capital was divided into 131 648 456 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 254900UBKKNY2EJ588J53.

## Employees

As of December 31, 2019, the Sivers IMA Group, excluding consultants, had 99 (108) employees.

## Ownership structure

As of December 31, 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 2,300 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.

## Name change of segment

The board of Sivers IMA Holding decided during Q1, 2020, that the Fiber segment (which consist of the subsidiary CST Global Ltd) shall change its name to Photonics. The purpose is to reflect strong demand and rising opportunities in new market verticals. Hence, the segment will be referred to its new name in this and upcoming reports.

## Upcoming reports

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

April 24, 2020	Annual report 2019
May 19, 2020	Annual General Meeting 2019
May 19, 2020	Interim report Q1 2020
August 21, 2020	Interim report Q2 2020
November 13, 2020	Interim report Q3 2020

For more information, please contact:

Anders Storm, CEO

Tel nr: +46 (0) 702-62 63 90

e-post: [anders.storm@siversima.com](mailto:anders.storm@siversima.com)

This quarterly report has not been submitted for review by the company's auditor.

Sivers IMA Holding (publ)

Kista, February 14, 2020

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.  
Telephone: +46 (0) 8 463 80 00  
E-mail: [certifiedadviser@penser.se](mailto:certifiedadviser@penser.se)

Sivers IMA Holding AB (publ)  
Reg. nr. 556383-9348

Investor relations [ir@siversima.com](mailto:ir@siversima.com)  
Telefon +46 (0) 8 703 68 00

Sivers IMA Holding AB  
Box 1274  
164 29 Kista



# Consolidated statements of income in summary



	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Revenue	25 362	20 425	96 355	71 485
Other operating income	1 063	4 706	10 259	16 755
Capitalized work on own account	6 475	15 526	33 627	33 171
Raw materials and consumables	-9 297	-19 928	-39 997	-44 593
Other external expenses	-21 080	-13 448	-69 899	-52 596
Personnel costs	-22 399	-23 332	-78 667	-76 810
Depreciation and write-downs of property, plant and equipment and intangible assets	-8 774	-4 810	-29 702	-17 257
<b>OPERATING INCOME</b>	<b>-28 650</b>	<b>-20 861</b>	<b>-78 024</b>	<b>-69 845</b>
Profit from financial items				
Financial income	-	-	-	-
Financial expenses	-1 418	-2 380	-8 990	-9 651
Profit before tax	-30 069	-23 241	-87 014	-79 497
Income tax	7 285	6 337	11 353	7 617
<b>PROFIT FOR THE PERIOD</b>	<b>-22 784</b>	<b>-16 904</b>	<b>-75 661</b>	<b>-71 880</b>
Attributable to Parent company shareholders	-22 784	-16 904	-75 661	-71 880
Earnings per share (SEK) Before & after dilution	-0,17	-0,14	-0,60	-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	718	-1 038	4 559	1 560
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-22 066</b>	<b>-17 942</b>	<b>-71 102</b>	<b>-70 320</b>
Attributable to Parent company shareholders	-22 066	-17 942	-71 102	-70 320



# Consolidated statements of financial position in summary



Group (SEK thousand)	2019-12-31	2018-12-31
<b>ASSETS</b>		
Intangible assets		
Goodwill	134 812	134 812
Other intangible assets	131 548	104 034
Tangible fixed assets	57 739	44 594
<b>Total Fixed Assets</b>	<b>324 099</b>	<b>283 440</b>
Current assets		
Inventories	9 836	14 263
Account receivable	19 084	22 237
Other receivables	12 172	10 386
Prepaid expenses & accrued income	6 850	7 013
Cash & cash equivalents	52 228	42 410
<b>Total current assets</b>	<b>100 170</b>	<b>96 309</b>
<b>TOTAL ASSETS</b>	<b>424 268</b>	<b>379 749</b>

Group (SEK thousand)	2019-12-31	2018-12-31
<b>EQUITY AND LIABILITES</b>		
Equity	288 533	273 502
Long-term liabilities		
Convertible debt	-	34 626
Deferred tax	168	210
Provisions	4 797	3 411
Leasing liabilities	11 301	2 943
Other long-term liabilities	11 825	9 747
<b>Total long-term liabilities</b>	<b>28 091</b>	<b>50 937</b>
Current liabilities		
Convertible debt	39 538	-
Accounts payable-trade	13 902	20 948
Leasing liabilities	3 811	3 212
Other liabilities	31 153	13 195
Accrued expenses and deferred income	19 241	17 954
<b>Total current liabilities</b>	<b>107 645</b>	<b>55 310</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>424 268</b>	<b>379 749</b>

## Consolidated statements of changes in equity in summary

	2019-12-31	2018-12-31
At the beginning of the year	273 502	194 178
Result for the period	-75 661	-71 880
Other comprehensive income	4 559	1 560
Rights issue	77 846	145 785
Issue for redemption of warrants	6 458	-
Issue for redemption of personnel options	175	-
Share-based payments	1 654	3 499
Payment warrants	-	360
At the end of the period	288 533	273 502

# Consolidated statements of cash flow in summary



Group (SEK thousand)	2019-01-01 – 2019-12-31	2018-01-01 – 2018-12-31
Operating activities		
Operating profit	-78 024	-69 846
Adjustments for non-cash items	36 289	31 475
Paid interest	-3 713	-1 332
Paid tax	10 708	7 667
Cash flow from operating activities prior to changes in operating capital	-34 739	-32 036
Cash flow from changes in operating capital		
Increase(-)/decrease(+) of inventories	2 163	-10 418
Increase(-)/decrease(+) of operating receivables	3 201	531
Increase(+)/decrease(-) of operating liabilities	-13 070	18 297
Cash flow from operating activities	-42 446	-23 626
Investment activities		
Acquisition of tangible fixed assets	-8 789	-15 437
Acquisition of other intangible fixed assets	-43 287	-49 154
Sale of fixed assets	97	-
Cash flow from investment activities	-51 979	-64 591
Financing activities		
Borrowings	20 000	-
Payment from warrants	-	360
Issue costs	-3 882	-4 997
Rights issue	88 360	69 800
New hire purchase loans	5 703	7 905
Amortization of lease debt and hire purchase loans	-6 423	-4 475
Cash flow from financing activities	103 758	68 593
Cash flow for the period	9 333	-19 624
Cash and cash equivalents at the beginning of the year	42 410	61 920
Exchange rate difference in cash equivalents	486	114
Liquid resources at the end of the period	52 228	42 410

# Parent company statements of income in summary



Parent company (SEK thousand)	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Revenue	4 606	1	8 993	1
Other external expenses	-1 576	-1 477	-11 232	-5 434
Personnel costs	-2 257	-2 400	-10 024	-5 459
Operating income	773	-3 877	-12 263	-10 892
Profit from financial items				
Financial income	1 605	641	6 857	2 186
Financial expenses	-35 814	-14 308	-43 269	-28 863
Profit before tax	-33 436	-17 544	-48 674	-37 569
Income tax	-	-	-	-
Profit for the period	-33 436	-17 544	-48 674	-37 569

## Parent company statements of comprehensive income in summary

Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-33 436	-17 544	-48 674	-37 569

# Parent company statements of financial position in summary



Parent company (SEK thousand)	2019-12-31	2018-12-31
<b>ASSETS</b>		
Financial assets		
Shares in Group companies	226 839	226 839
Long-term receivables Group companies	171 440	32 812
<b>Total financial fixed assets</b>	<b>398 279</b>	<b>259 651</b>
Current assets		
Receivables from Group companies	10 020	88 673
Other receivables	14	281
Prepaid expenses and accrued income	285	189
Cash and cash equivalents	44 389	39 114
<b>Total current assets</b>	<b>54 708</b>	<b>128 257</b>
<b>TOTAL ASSETS</b>	<b>452 987</b>	<b>387 907</b>

Parent company (SEK thousand)	2019-12-31	2018-12-31
<b>EQUITY AND LIABILITIES</b>		
Equity	381 209	343 751
Long-term liabilities		
Convertible debt	-	34 626
Provisions	4 797	3 411
Other long-term liabilities	-	4 043
<b>Total long-term liabilities</b>	<b>4 797</b>	<b>42 081</b>
Current liabilities		
Convertible debt	39 538	-
Accounts payable	681	378
Other liabilities	25 397	301
Accrued expenses and deferred income	1 366	1 397
<b>Total short-term liabilities</b>	<b>66 982</b>	<b>2 076</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>452 987</b>	<b>387 907</b>

# 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.

## Note 2 – Revenue from contracts with customers and segment reporting

The products (chips, modules, evaluation packages, semiconductor products, etc.) that Siverts 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 Photonics has a larger proportion of contracts where performance obligations are met over time.

In both Wireless and Photonics, there are so-called "Non Recurrent Engineering" (NRE) contracts. Such contracts relate to development projects, where Siverts 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 Siverts 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.

Revenue streams	Oct-Dec 2019			Oct-Dec 2018		
	Wireless	Photonics	Total	Wireless	Photonics	Total
Hardware	4 099	7 251	11 350	10 094	5 592	15 686
NRE/Development projects	-	13 054	13 054	1 705	3 034	4 739
Support & Other	958	-	958	-	-	-
<b>Total</b>	<b>5 056</b>	<b>20 305</b>	<b>25 362</b>	<b>11 799</b>	<b>8 626</b>	<b>20 425</b>
<b>Recognition</b>						
Point in time	4 099	1 240	5 338	10 094	1 591	11 685
Over time	958	19 066	20 023	1 705	7 035	8 740
<b>Total</b>	<b>5 056</b>	<b>20 305</b>	<b>25 362</b>	<b>11 799</b>	<b>8 626</b>	<b>20 425</b>
<b>Geographic market</b>						
North America	-	17 215	17 215	231	6 635	6 866
Europe	4 665	1 755	6 420	8 274	1 850	10 124
Asia	392	1 335	1 727	3 294	141	3 435
<b>Total</b>	<b>5 056</b>	<b>20 305</b>	<b>25 362</b>	<b>11 799</b>	<b>8 626</b>	<b>20 425</b>

Revenue streams	Jan-Dec 2019			Jan-Dec 2018		
	Wireless	Photonics	Total	Wireless	Photonics	Total
Hardware	21 848	27 337	49 185	16 029	20 872	36 901
NRE/Development projects	1 733	44 090	45 823	1 705	31 729	33 433
Support & Other	1 347	0	1 347	1 150	-	1 150
<b>Total</b>	<b>24 928</b>	<b>71 427</b>	<b>96 355</b>	<b>18 884</b>	<b>52 601</b>	<b>71 485</b>
<b>Recognition</b>						
Point in time	21 848	5 047	26 895	16 029	6 274	22 303
Over time	3 079	66 380	69 460	2 855	46 327	49 182
<b>Total</b>	<b>24 928</b>	<b>71 427</b>	<b>96 355</b>	<b>18 884</b>	<b>52 601</b>	<b>71 485</b>

Geographic market	Jan-Dec 2019			Jan-Dec 2018		
	Wireless	Photonics	Total	Wireless	Photonics	Total
North America	6 216	56 941	63 156	1 764	37 429	39 194
Europe	15 824	9 674	25 499	13 239	9 183	22 422
Asia	2 888	4 812	7 700	3 880	5 989	9 869
Total	24 928	71 427	96 355	18 884	52 601	71 485

EBITDA – earnings per segment	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Wireless	-14 192	6 001	-13 483	-10 569
Photonics	-6 348	-18 248	-22 610	-31 199
Group common costs*	664	-3 804	-12 229	-10 822
Total	-19 877	-16 050	-48 322	-52 589

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

## Wireless

Revenues for the fourth quarter 2019 amounted to SEK 5 056 thousand (11 799), a decrease of SEK 6 743 thousand. EBITDA amounted to SEK -14 192 thousand (6 001), a deterioration of SEK 20 193 thousand. The revenue reduction mainly consisted of hardware sales.

In the IFRS conversion that was performed during Q3 2019, approximately SEK 4 million of revenues were postponed from earlier quarters 2018 and 2017 to Q4 2018, which explains more revenues in the comparative numbers than had been presented under K3 (refer to Q3 report for a description of the IFRS conversion). This revenue was related to a few, unique contracts, where the recognition was postponed because they did not meet the requirements in IFRS 15 for separable performance obligations.

The change in EBITDA compared to the same period prior year is to great extent related to the decrease in revenue. The parent company has, during 2019, started to charge its subsidiaries management fees, which increased expenses with approximately SEK 3 million compared to prior year. Additionally, less capitalization of development expenses, increased consultancy- and license costs and increased expenses for personnel (for new recruits) had a negative impact on EBITDA.

For the period January to December, revenues amounted to SEK 24 928 thousand (18 884), an increase of SEK 6 044 thousand. The increase is mainly related to hardware sales of the segments licensed and unlicensed 5G chip, but also revenues from product groups that were terminated during the year. EBITDA amounted to SEK -13 483 thousand (-10 569), a deterioration of SEK 2 914 thousand. EBITDA for the full year was positively impacted by the increased revenue, while the increased expenses, including consultancy costs and the parent company's management expenses, had a negative impact.

## Photonics

Revenues for the fourth quarter amounted to SEK 20 305 thousand (8 626), an increase of SEK 11 679 thousand. The main part of the increase is related to increased sales to the Fortune-100 customer.

EBITDA amounted to SEK -6 348 thousand (-18 248), an improvement of SEK 11 900 thousand. The improvement is mainly related to increased revenue and decreased raw material costs (due to the fact that there were write-downs of inventories in the numbers from prior year). Also, during Q4 2019, less development expenses were capitalized compared to the same quarter last year, which had a negative impact on EBITDA.

For the period January – December, revenues amounted to SEK 71 427 thousand (52 601). EBITDA amounted to SEK -22 610 thousand (-31 199). The revenue increase is related to increased sales volumes, including sales to the Fortune-100 customer that was signed during the fourth quarter 2018, while the EBITDA improvement for the full year is related to increased revenues and decreased raw material costs.

## 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, other current liabilities and accrued expenses. 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.

## Note 4 – Correction of error

During the process of adapting the Group's annual report to IFRS during Q4, it was noted that hire purchase liabilities for sale- & lease back transactions were incorrectly classified as only short-term. Hence, corrections of comparative numbers with a split of long- and short-term liabilities were made. The adjustment has no income statement effect. The Group also changed its principles for



classifications in the cash flow analysis in relation to this. The transactions are now included in the financing activities. For the comparative period 2018-12-31, SEK 5 704 thousand was reclassified from other short-term liabilities to other long-term liabilities. In the cash flow

analysis, SEK 7 196 thousand for the comparative year 2018 was reclassified from operating to financing activities (whereof SEK 7 905 thousand relates to new loans and SEK -709 thousand amortization of loans) .

## Key figures

Group (SEK thousand)	2019-01-01 – 2019-12-31	2018-01-01 – 2018-12-31
<b>PROFITABILITY</b>		
Revenue growth* (%)	35%	9%
EBITDA (KSEK)	-48 322	-52 589
<b>CAPITAL STRUCTURE</b>		
Equity (thousand SEK)	288 533	273 502
Balance sheet total (thousand SEK)	424 268	379 749
Capital employed (thousand SEK)	375 322	314 283
Interest-bearing net debt (thousand SEK)	34 561	5 416
Capital turnover rate* (times)	0,2	0,2
Solvency (%)	68%	72%
Leverage (%)	30%	17%
<b>CASH FLOW AND LIQUIDITY</b>		
Cash flow before investments (thousand SEK)	-42 446	-23 626
Cash flow after investments (thousand SEK)	-94 426	-88 217
Cash and cash equivalents (thousand SEK)	52 228	42 410
<b>INVESTMENTS</b>		
Acquisition of tangible fixed assets (thousand SEK)	-8 789	-15 437
Acquisition of intangible fixed assets	-43 287	-49 154
Sale of tangible fixed assets	97	-
<b>PERSONNEL</b>		
Average number of employees	97	100
Turnover per employee	993	715
Total number of employees	99	108
<b>DATA PER SHARE</b>		
Number of shares**	131 648 456	119 038 795
Average number of shares before dilution**	125 850 961	113 286 729
Earnings per share before and after dilution	-0,60	-0,63
Equity per share (SEK)	2,19	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



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## PROFITABILITY

Revenue growth (%)	Percentage change in revenue compared with the previous period
EBITDA	Profit before financial items, tax and depreciation and write-downs

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## 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

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## 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

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## 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

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## 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

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# Appendix 1 – Effects of applying IFRS



## Reconciliation of previous accounting principles and IFRS

Bridges between K3 and IFRS for the comparative numbers 2018 included in the Q4 report are presented below. We refer to the Q3 report 2019 that was published on November 15, 2019, for all bridges, a description of the transition to IFRS and accounting principles,

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

Group (SEK thousand)	According to previous principles	Reference	IFRS adjustments and correction of error	IFRS
<b>ASSETS</b>				
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
<b>Total Fixed Assets</b>	<b>245 410</b>		<b>38 030</b>	<b>283 440</b>
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
<b>Total current assets</b>	<b>96 988</b>		<b>-679</b>	<b>96 309</b>
<b>TOTAL ASSETS</b>	<b>342 398</b>		<b>37 351</b>	<b>379 749</b>

Group (SEK thousand)	According to previous principles	Reference	IFRS adjustments and correction of error	IFRS
<b>EQUITY AND LIABILITIES</b>				
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	-	2C	2 943	2 943
Other long-term liabilities	-	4B, 6	9 747	9 747
<b>Total long-term liabilities</b>	<b>41 349</b>		<b>9 588</b>	<b>50 937</b>
Current liabilities				
Accounts payable	20 948			20 948
Leasing liabilities	-	2C	3 212	3 212
Other debts	18 899	6	-5 704	13 195
Accrued expenses and deferred income	16 023	3C	1 931	17 954
<b>Total short-term liabilities</b>	<b>55 870</b>		<b>-560</b>	<b>55 310</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>342 398</b>		<b>37 351</b>	<b>379 749</b>

## Consolidated statements of income in summary October – December 2018

	According to previous principles	Reference	IFRS adjustments	IFRS
Revenue	16 834	3A	3 591	20 425
Other operating income	4 706			4 706
Activated work for own account	15 526			15 526
Raw materials and consumables	-20 331	3B	403	-19 928
Other external expenses	-14 632	2D	1 184	-13 448
Personnel costs	-23 332			-23 332
Depreciation and write-downs of property, plant and equipment and intangible assets	-11 673	1B, 2D	6 863	-4 810
<b>OPERATING INCOME</b>	<b>-32 902</b>		<b>12 041</b>	<b>-20 861</b>
Profit from financial items				
Financial income	-			-
Financial expenses	-3 582	2D,4C	1 202	-2 380
Profit before tax	-36 484		13 243	-23 241
Income tax	6 337			6 337
<b>PROFIT FOR THE PERIOD</b>	<b>-30 147</b>		<b>13 243</b>	<b>-16 904</b>

## 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	-1 038	-1 038
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-30 147</b>		<b>12 205</b>	<b>-17 942</b>

## 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
<b>OPERATING INCOME</b>	<b>-102 229</b>		<b>32 384</b>	<b>-69 845</b>
Profit from financial items				
Financial income	-			-
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
<b>PROFIT FOR THE PERIOD</b>	<b>-102 971</b>		<b>31 091</b>	<b>-71 880</b>

## 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
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-102 971</b>		<b>32 651</b>	<b>-70 320</b>

## References

- 1B: Restatement of goodwill amortization related to the reverse acquisition of CST Global; Oct-Dec = 8 009, 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; Oct-Dec: Depreciations = -1 146, Interest = -79, Jan-Dec = Depreciations = -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 of goods sold to be part of revenue adjustments in accordance with IFRS 15.
- 3C: Accounting of contract liabilities associated with IFRS 15 income adjustment (3A).
- 3D: Equity effect from revenue 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: Recognition of embedded derivatives from 4A. Periodic revaluation of the derivative. 2018-12-31: 4 043
- 4C: Profit effect from revaluation of embedded derivative in convertible (4B) and periodically reversing the convertible in line with the effective interest method (4A); Oct-Dec = 1 280, Jan-Dec = - 942
- 5: Exchange rate differences when translating foreign operations.
- 6: Correction of inaccurate classification of contracts (adjustment of long-term part to long-term liabilities). See description in note 4" Correction of error"

