



INTERIM REPORT
JUL—SEP 2020





TWO EXCITING ACQUISITIONS AND STRONG PERFORMANCE IN THE MEDICAL DEVICE INDUSTRY SEGMENT

THIRD QUARTER (JULY–SEPTEMBER 2020)

- Net sales amounted to 33.4 (29.3) MSEK.
- Operating income for the period before depreciations (EBITDA) totalled 4.1 (-6.7) MSEK.
- Net income for the period amounted to -0.3 (-9.0) MSEK.
- Earnings per share (EPS) was -0.01 (-0.37) SEK.
- Order intake amounted to 34.6 (24.4) MSEK.
- Cash flow from operating activities totalled -6.2 (-16.2) MSEK.

FIRST NINE MONTHS OF THE YEAR (JANUARY–SEPTEMBER 2020)

- Net sales for the first nine months of the year amounted to 91.6 (89.1) MSEK.
- Operating income for the first nine months of the year before depreciations (EBITDA) totalled -8.3 (-24.7) MSEK.
- Net income for the first nine months of the year amounted to -16.4 (-28.4) MSEK.
- Earnings per share (EPS) for the first nine months of the year was -0.68 (-1.56) SEK.
- Order intake for the first nine months of the year amounted to 95.5 (84.4) MSEK.
- Cash flow from operating activities for the first nine months of the year totalled 10.6 (-20.6) MSEK.



SIGNIFICANT EVENTS DURING THE THIRD QUARTER

- During the third quarter, Mentice received two large orders. The first of these orders, received early in the quarter from Edwards Lifesciences, was for development and delivery of systems in the tricuspid heart valve application area for a total value of 7 MSEK. The second order, received later in the quarter from BD (former Bard Peripheral Vascular), covered training solutions to multiple BD franchises in the Asia Pacific regions. They will be used in procedural and product education programs related to peripheral vascular therapies, and amounted to SEK 5.5 million in total. The combined total amount for the two orders was 12.5 MSEK.
- In July, Mentice® Live was introduced. Mentice® Live is an eco-system of cloud-based services and products, connecting the VIST® line of simulators to the world and supporting professionals in building endovascular excellence. Mentice® Live will offer complete training experiences, with integration of simulation training, online didactic information, proctored cases as well as assessments.
- In July, the Mentice Right Heart Cath app was launched. It is a mobile solution for an interactive real-time exploration of the right heart catheterization procedure. This is the first commercial app presented by Mentice, allowing users to access high quality content on devices like smartphones and tablets.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

- On October 1, Mentice signed an agreement to acquire the substantial assets of the New York-based medical technology company Vascular Simulations for 5.6 million USD (approx. 48 MSEK), with a possible additional purchase price of up to 0.4 million USD (approx. 3.5 MSEK). Through the acquisition, Mentice will extend its global leadership role in endovascular simulation by offering solutions that support all stages of a medical device's development cycle from initial concept to market-rollout to the safe adoption of a device, technique, and procedure by health systems worldwide. Vascular Simulation generated 2.2 million USD (approx. 20 MSEK) in revenue for 2019. For the first 9 months of 2020, Vascular Simulation has seen a slight decline in income due to the Covid-19 situation with around 1.0 million USD (approx. 9 million SEK) in generated revenue. Through this transaction, Mentice

expects to expand the use of the Vascular Simulations-related solutions by leveraging its global distribution and client network.

- On October 8, Mentice signed an agreement to acquire all assets in the Jacksonville, Florida-based healthcare technology company EQIP for 180,000 USD (approx. 1.6 MSEK) with a possible additional purchase price of up to 70,000 USD (approx. 0.6 MSEK). EQIP develops cloud-based services and data analytics solutions, including the myIRlog™ online service that offers healthcare providers and physicians in the United States an easy and secure method for logging and following up on interventions in the interventional radiology field. The EQIP acquisition, including the myIRlog™ service, is the first for Mentice within the area of web services and data analytics, and will enhance the existing Mentice Live™ cloud platform with capabilities to help establish the link between simulation training and actually performed cases in the clinical practice, eventually leading to comprehensive training and performance programs consisting of both e-learning, hands-on simulation and the first real procedures performed on a patient.
- On October 23, Mentice announced the agreement and an order from Abbott Structural Heart relating to solutions for interventional device training, initially for left atrial appendage treatment. The initial order covers systems and development to be delivered during the fourth quarter of 2020 and in 2021. These systems will be offered under a rental agreement with a two-year term, and the company will accordingly account for revenue under the same period. The order will be accounted for in the order book for the segment Medical Device Industry during the fourth quarter of 2020. The total value for the order amounts to SEK 7.1 million.

This order, together with the order received from Edwards Lifesciences in the second quarter, further establishes Mentice's leadership in the area of advanced high-fidelity virtual reality solutions for skills acquisition and maintenance within the area of structural heart interventions.

- On October 29, Mentice received an order from US-based Stryker Neurovascular for systems and development, covering a broad base of neurovascular therapies, valued at 6.1 MSEK. This order is expected to be delivered during the fourth quarter of 2020.

COMMENTS BY THE CEO

In the third quarter, we were able to deliver overall encouraging financial performance considering the current circumstances, and strong performance from the Medical Device Industry segment with multiple larger orders received during the period. Furthermore, we conducted two exciting acquisitions, which were presented in early October.

After the three first quarters of the year, we are at 91.6 (89.1) MSEK in net sales while our order level increased to 95.5 (84.4) MSEK, which represent an increase in orders of 13% compared to same period last year.

The order intake in the beginning of the fourth quarter is also encouraging, with the recently announced orders from Abbott Structural Heart and Stryker Neurovascular as the most significant ones.

Overall, we are very pleased with the performance during the pandemic considering that we are not able to conduct business in a normal fashion, with most of our meetings performed remotely and virtually.

The acquisitions of the businesses from Vascular Simulations Inc. (VSI) and Equip Inc., presented shortly after the end of the third quarter, expresses our direction and our ambition to take our marketplace to the next level in an exciting way.

The VSI acquisition adds significant components to our competitive matrix, while at the same time complementing what we already do. This can be summarized in the following three points:

1. It adds the capability to perform procedures using actual clinical devices in physical anatomy models, allowing for validation of early stage design variations of medical devices.
2. It further strengthens our customer base in the medical device industry, with a strong medical community support for the realism and relevance of VSI's product solutions.
3. VSI has a very strong key opinion leader support for the combination of replication (VSI) and virtual reality simulation (Mentice), positioning Mentice uniquely enhancing our position in the neurovascular, vascular, and cardiovascular market areas.

We firmly believe that adding this capability to Mentice's offering will change the market perspective within medical device validation in volume, and generally improve the regulatory pathway to allow for faster paths to the treatment of patients. A significant part of this process is still performed



on live animals and patients. By radically changing this process, we believe that we can remove the ethical dilemma of training on live animals, reduce significant cost implications and ultimately improve the safety of patients.

With the Equip transaction, Mentice is taking a leap into the data and data analytics arena. As articulated earlier with the launch of Mentice Live™, we are acknowledging the importance of connected systems, cloud-based access to performance data, benchmarking and ultimately accreditation. The Equip acquisition, being an early stage startup, has with their innovative MyIRlog™ platform demonstrated the value of a structured way for healthcare professionals to store and manage their credentials. The linkage of the real case performance managed by MyIRlog™ with a virtual reality environment opens for significant opportunities to acknowledge, monitor, and drive continuous performance improvement for graduate medical education, as well as for practicing physicians.

We are continuing our aim to identify key additional complements to our business. Our aim is to provide solutions to improve the performance of the stakeholders in this industry, gradually moving us beyond the perception of only being a simulation tool provider for academic training. ▶

“In the third quarter of 2020, we were able to deliver strong performance with 36.4 (24.4) MSEK in orders received, which is an increase of almost 50% compared to the same period last year.

► In the third quarter of 2020, we were able to deliver strong performance with 36.4 (24.4) MSEK in orders received, which is an increase of almost 50% compared to the same period last year. This performance was mainly driven by strong sales in our Medical Device Industry segment. The two competitive wins in the structural heart arena, announced in July and October, perfectly articulate the strength of our technology, and in both these situations we had competition from the main key competitors in our industry. Structural heart, and specifically heart valve related therapies, is the most obvious current growth market related to medical device applications, with three distinct adjacent markets for aortic, mitral, and tricuspid valve repair and replacement. It is encouraging to see our technology providing values over and above our competitors. We expect continued business from this marketplace, both from these announced partnerships and from other players in this market over the next coming years.

For the Healthcare Systems segment, with sales related to the global hospital market, we are seeing continued lower sales compared to last year due to the pandemic situation. We did however notice an improvement during the third quarter, and we are confident that this market will return when we can put the pandemic situation behind us, even though we expect some lag for such a return in markets related to for example healthcare providers in the United States.

In the Strategic Alliances segment, we continue to have a positive dialogue with all three partners related to several key markets. The development with our major strategic alliance partners, and our ability to place a significant amount of Mentice solutions in and close to cathlabs, incorporating us into the clinical practice, is

our most important growth factor for the future. We are continuing to make good progress in discussions with counterparts to achieve this mission. Even though our sales for the full year of 2020 will improve significantly in this segment, the pandemic has delayed purchases from our partners into 2021 and 2022, while also delaying our ramp-up. With this said, these delays are related to capital equipment investment but in no way lost, and hopefully investments will recoup when we pass the pandemic situation.

We remain carefully optimistic for the fourth quarter and for the full year of 2020, while still not providing any specific guidance. This is due to the recent increase in Covid-19 related cases around the world having once again increased the uncertainty in the market, while also further extending the inability for us or anyone to perform a normal state of business. This, however, also implies that cost levels will remain lower for the full year of 2020, hence, lowering the point of break-even for the financial year of 2020.

Overall, we are satisfied with our performance so far during this difficult year. We are also noticing that our performance during the year has significantly improved our position in the market vis-à-vis our competitors, while strengthening the link to our clients. Furthermore, we are pleased with our ability to continue our investments in products and market development during this difficult period, and we are certain that this will have a positive effect on the future development of Mentice.

Gothenburg in November 2020,

Göran Malmberg
CEO, Mentice AB (publ)

KEY FIGURES

	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	RTM*	Full Year 2019
Order intake, MSEK	34.6	24.4	95.5	84.4	150.2	139.1
Order book, MSEK	43.0	47.0	43.0	47.0	43.0	50.1
Net sales, MSEK	33.4	29.3	91.6	89.1	151.8	149.4
Sales, MSEK	35.8	31.6	96.6	93.9	155.3	152.7
Gross margin, %	84.2%	89.2%	82.0%	85.2%	83.0%	84.9%
Operating income before depreciations, EBITDA, MSEK	4.1	-6.7	-8.3	-24.7	3.4	-12.9
EBITDA-margin, %	12.3%	-22.8%	-9.1%	-27.7%	2.2%	-8.6%
Income before tax, EBT, MSEK	0.3	-11.3	-19.1	-36.6	-8.8	-26.2
Income for the period, EBT, MSEK	-0.3	-9.0	-16.4	-28.4	-8.7	-20.6
Earnings per share, SEK	-0.01	-0.37	-0.68	-1.56	-0.17	-1.05
Cash-flow from operations, MSEK	-6.2	-16.2	10.5	-20.6	-6.9	-38.0
Cash at the end of period	35.7	63.1	35.7	63.1	35.7	48.0
Capital employed (CE), MSEK	108.7	62.8	116.6	97.2	113.7	96.1
Equity/asset ratio, %	62.4%	67.3%	62.4%	67.3%	64.5%	67.1%

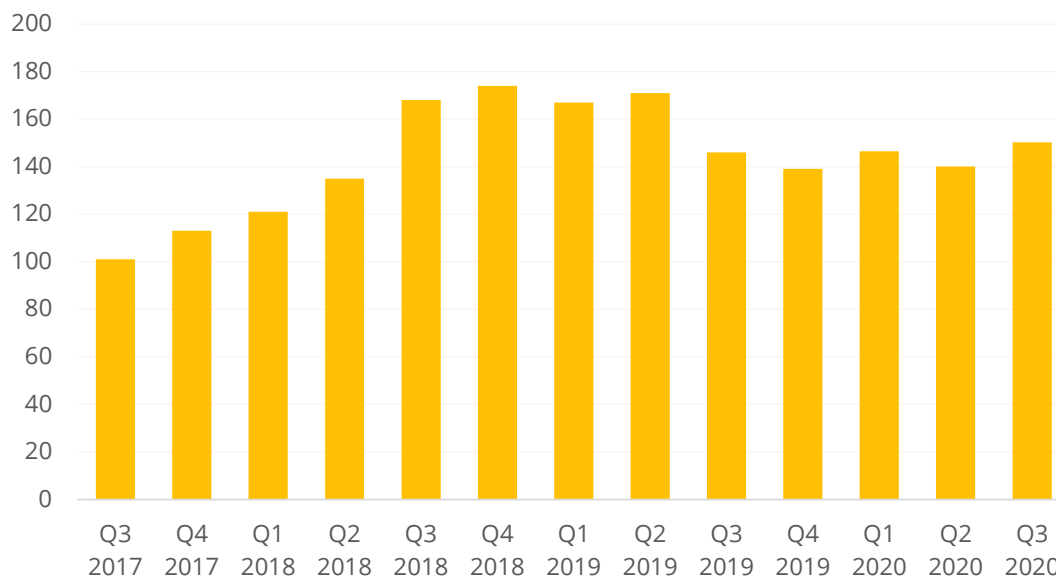
*RTM = Latest twelve months. RTM has not been reviewed by the company's auditors.

FINANCIAL PERFORMANCE

ORDER INTAKE

Order intake for the third quarter was 34.6 (24.4) MSEK.

Below, order intake RTM* is presented.



*RTM = Latest twelve months.

ORDER BOOK

The order book was 43.0 (47.0) MSEK for the third quarter. The order book represents orders received but not yet delivered.

SEASONAL VARIATIONS

There is a seasonal pattern to Mentice business, where the fourth quarter is normally the strongest in terms of order intake and net sales. This is partly due to many customers having annual budgets, with a more conservative spending approach in the first three quarters to have room for unforeseen costs throughout the year. In the fourth quarter, they are able to spend the remaining part of the annual budget on prioritized long-term investments such as solutions from Mentice. This seasonal pattern is however not immediately visible in the order intake graph above as it is showing RTM figures (latest twelve months).

NET SALES

The group's net sales consist of sales from simulators and software, service and support and sales from consultancy assignments.

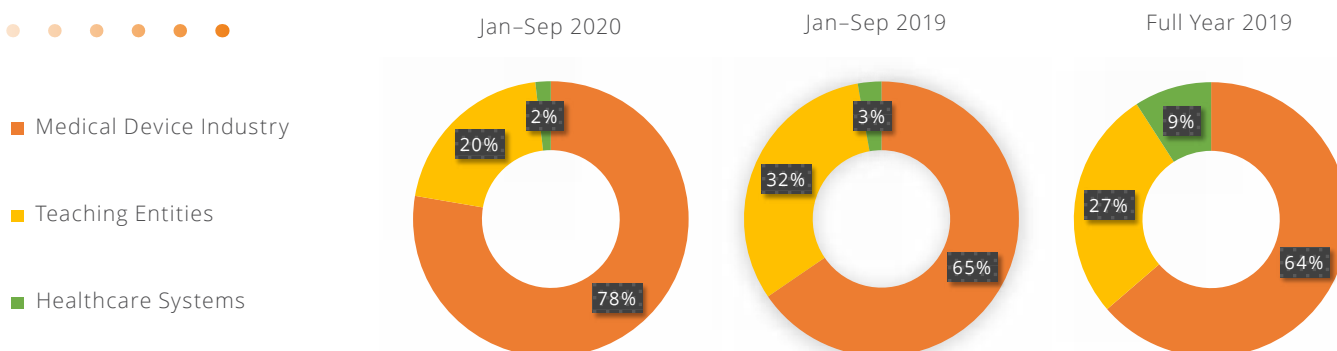
Net sales for the third quarter amounted to 33.4 (29.3) MSEK. Exchange rate variances in net sales amounted to 2.0 (6.5) MSEK.

FINANCIAL PERFORMANCE, CONT.

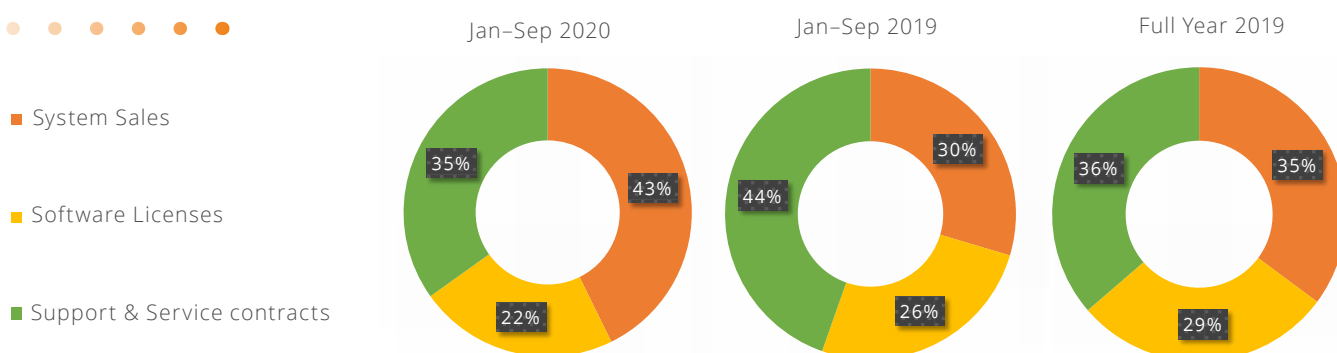
NET SALES, CONT.

Of the net sales for the third quarter, 24.8 (19.1) MSEK came from the Medical Device Industry segment, 8.7 (10.1) MSEK from Teaching Entities and 0 (0) MSEK from Healthcare Systems. Geographically, net sales from EMEA was 6.7 (6.6) MSEK, corresponding to 20 (22)% of total net sales. Net sales increased in APAC to 11.8 (8.8)

MSEK, which accounted for 35 (30)% of total net sales. In the Americas, net sales increased to 14.9 (13.9) MSEK, corresponding to 45 (48)% of total net sales.



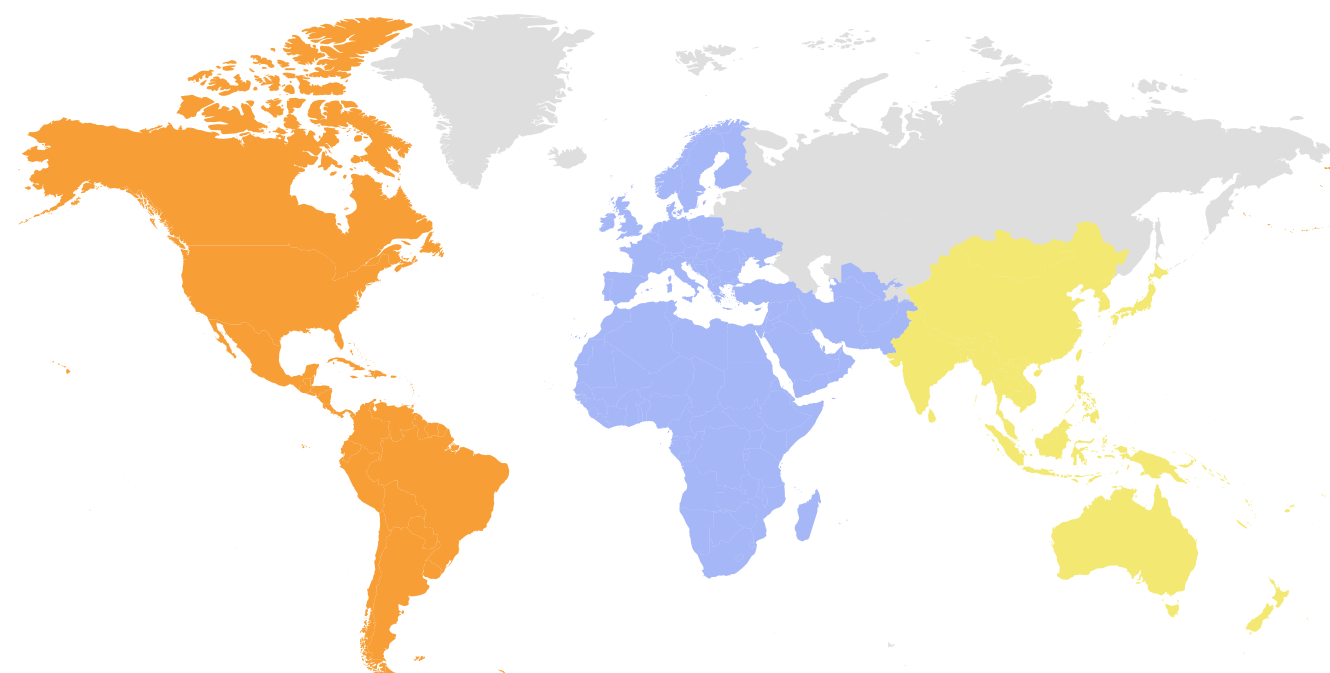
NET SALES PER SEGMENT TSEK	Jan-Sep 2020	Jan-Sep 2019	Full Year 2019
Medical Device Industry	71,135	58,342	95,111
Teaching Entities	18,780	28,321	40,620
Healthcare Systems	1,647	2,467	13,639
Total	91,562	89,130	149,370



NET SALES PER PRODUCT TSEK	Jan-Sept 2020	Jan-Sept 2019	Full Year 2019
System Sales	39,112	26,386	52,519
Software licenses	20,522	22,997	42,593
Support & Service contracts	31,928	39,747	54,259
Total	91,562	89,130	149,370

FINANCIAL PERFORMANCE, CONT.

NET SALES PER GEOGRAPHIC MARKET



Mentice reports sales figures for three geographic markets: EMEA (Europe, Middle East and Africa), APAC (Asia and the Asian Pacific Region) and Americas (North, Central and South America).

NET SALES PER GEOGRAPHIC MARKET TSEK	Jan-Sep 2020	Jan-Sep 2019	Full Year 2019
● EMEA	31,976	30,351	44,739
● APAC	26,145	24,155	52,116
● Americas	33,441	34,624	52,515
Total	91,562	89,130	149,370

OTHER INCOME

Other income was 2.3 (2.3) MSEK for the quarter, which is related to exchange rate variances in assets and liabilities in foreign currencies.

GROSS MARGIN

Gross margin was at 84.2% for the third quarter, compared to 89.2% for the same period the previous year. The gross margin is mainly affected by the mix of the products sold, but it is also affected by exchange rate variances.

GROSS PROFIT, OPERATING INCOME AND OPERATING MARGIN (EBITDA)

Gross profit for the third quarter was 30.5 (28.4) MSEK. Operating income before depreciation, EBITDA, was 4.1 (-6.7) MSEK. This corresponds to an operating margin of 12.3 (-22.8)% for the third quarter.

OTHER EXTERNAL COSTS

Other external costs totalled to -8.1 (-12.2) MSEK during the third quarter which equals a decrease of 34% for the quarter compared to same period last year. Decreases in other external costs were mainly attributable to savings in consultancy fees, travel and marketing activities as an effect of the Covid-19 pandemic.

FINANCIAL PERFORMANCE, CONT.

PERSONNEL COSTS

Personnel costs during the third quarter were -18.3 (-23.0) MSEK. Capitalization of development cost were included in the personnel costs with an amount of 3.0 (1.1) MSEK.

CAPITALIZED EXPENSES FOR DEVELOPMENT COSTS

Capitalized expenses for development costs during the third quarter totalled 5.0 (1.8) MSEK, and are mainly attributable to a number of ongoing software projects.

NET FINANCIAL ITEMS

Net financial items for the third quarter totalled -0.6 (-2.0) MSEK, and are mainly related to exchange rate variances. The net financial items for the quarter included -0.4 (-0.4) MSEK of interest expense on lease liabilities, in accordance with IFRS 16.

INCOME BEFORE TAX, NET INCOME FOR THE PERIOD AND EARNINGS PER SHARE

Tax on income for the period was -0.7 (2.4) MSEK. Net income for the period was -0,3 (-9.0) MSEK. Earnings per share was -0.01 (-0.37) SEK.

CASH FLOW

Cash flow from operating activities for the period was -6.2 (-16.2) MSEK.

CASH AND FINANCIAL POSITION

Cash at the end of the period was 35.7 (63.1) MSEK. The group's total assets amounted to 173.8 (177.0) MSEK. IFRS 16 affected total assets by 12.6 (17.9) MSEK. Accounts receivable increased during the period to 32.8 (26.3) MSEK. Inventories amounted to 5.2 (5.5) MSEK. Current liabilities were 58.8 (46.1) MSEK. The carrying amounts of financial assets and liabilities are considered to correspond essentially to fair value.

INVESTMENTS

Investments during the third quarter totalled 5.7 (3.6) MSEK. IFRS 16 lease assets totalled 12.6 (17.9) MSEK. The group had no significant obligations relating to investments as of September 30, 2020.

PARENT COMPANY

The parent company is an operating company. Net sales for the parent company amounted to 26.8 (19.8) MSEK. The income for the period corresponds largely to the sales within EMEA and APAC, the development department and the head office in Sweden. The income for the period was -6.9 (-11.2) MSEK.

SHARE CAPITAL

The total number of shares as of September 30, 2020 was 24,146,552 and the share capital was 1.2 MSEK. Average number of shares in January-September 2020 amounted to 24,146,552. All shares are ordinary shares with equal voting rights. The shares have a quota value of 0.05 SEK.

FINANCIAL PERFORMANCE, CONT.

DISPUTES

The group has no current disputes.

TRANSACTIONS WITH RELATED PARTIES

No transactions with related parties have been carried out during the period.

SUSTAINABILITY

Mentice's business purpose is to help hospitals to reduce patient deaths and injuries as well as costs resulting from medical errors and inefficiencies. By developing and providing innovative and realistic training tools, doctors' clinical skills can be improved, and the risk of unnecessary mistakes reduced. Medical mistakes is a substantial and costly social problem. See the detailed sustainability information in the 2019 annual report on page 28.

RISKS

Important risks and uncertainties for the group are primarily related to commercial customers and suppliers related to their supply and security in the implementation of new medical equipment and to some extent the regulatory risks relating to the Healthcare Systems segment. The financial risks lie in the global operations that the company operates.

This affects changes in exchange rates and interest rates, as well as liquidity, financing and credit. Currency risks also arises when translating foreign net assets and earnings into Swedish kronor. Mentice's overall goal is to, as far as possible, avoid financial risk-taking, which can arise through changes in exchange rates, interest rates and market prices, as well as liquidity, financing and credit risks. For more information about the company's risks, see Note 21 on page 84 of the annual report for 2019.

THE SHARE AND OWNERSHIP

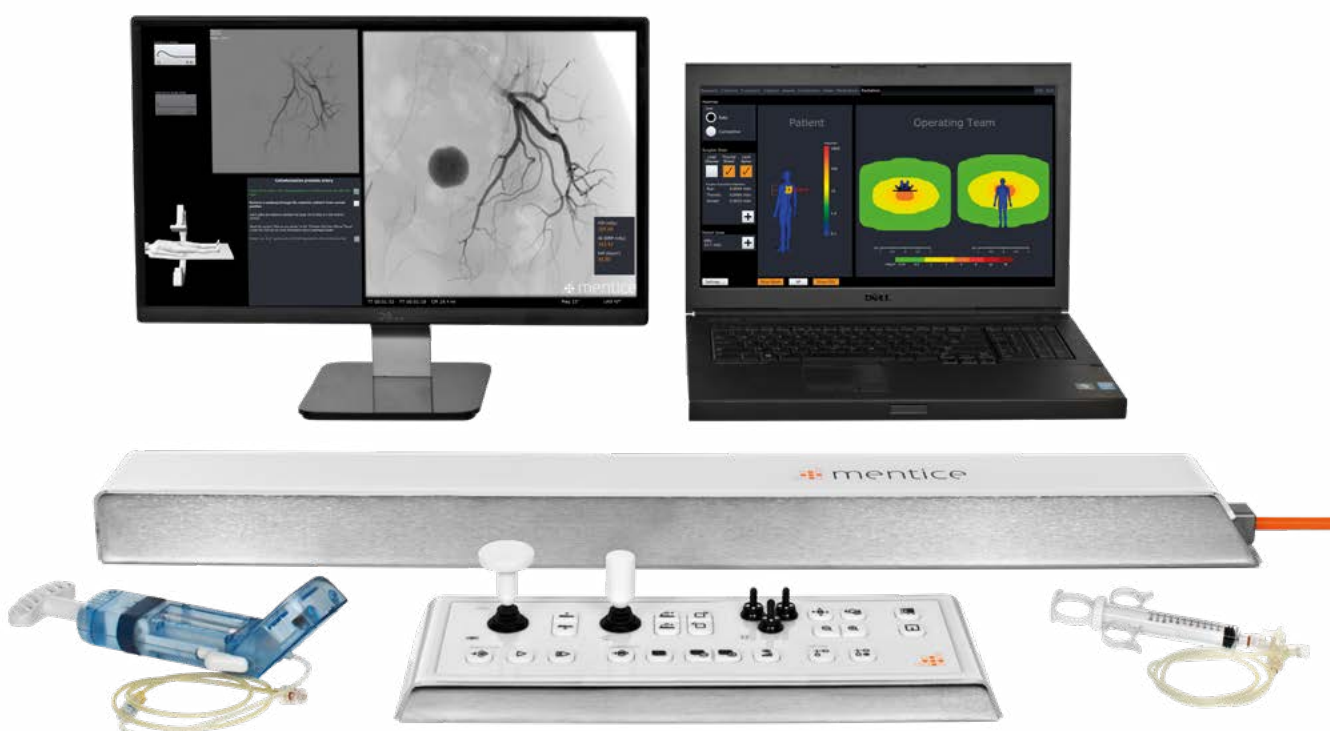
Shares in Mentice AB (publ.) are traded on Nasdaq First North Premier Growth Market since June 18, 2019 under the ticker symbol MNTC. According to Euroclear's official register of shareholders, Mentice had a total of 1,266 shareholders by September 30, 2020. FNCA is the company's certified advisor.

AUDITOR REVIEW

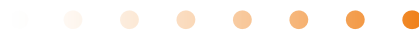
This report has been reviewed by the company's auditors.

FINANCIAL REPORTS

Interim reports and other financial reports are available on the company's website, www.mentice.com.



AFFIRMATION



Mentice AB (publ)'s board of directors and CEO hereby assure that this interim report gives a true and fair view of the group's business, financial position and performance and describes the essential risks and uncertainty factors that the company and the companies which are part of the group are subjected to. In the event of any discrepancies between the English and Swedish versions of the report, the Swedish version shall prevail.

Gothenburg, November 12, 2020

Mentice AB (publ)

Lawrence D. Howell	Chairman of the Board
David Ballard	Board member
Denis Gestin	Board member
Gösta Johannesson	Board member
Johann Koss	Board member
Eola Änggård Runsten	Board member
Göran Malmberg	CEO



GROUP — CONSOLIDATED INCOME STATEMENT

TSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Full Year 2019
Net sales	33,432	29,295	91,562	89,130	149,370
Other income	2,348	2,278	4,998	4,800	3,333
Sales	35,780	31,573	96,560	93,930	152,703
Cost of goods sold	-5,272	-3,153	-16,516	-13,172	-22,520
Other external costs	-8,090	-12,153	-28,420	-35,056	-50,830
Personnel costs	-18,301	-22,955	-59,969	-70,367	-92,266
Depreciation of tangible and intangible assets	-3,162	-2,668	-9,421	-8,193	-11,562
Operating income, EBIT	955	-9,356	-17,766	-32,858	-24,475
Financial income	303	0	308	195	196
Financial expenses	-933	-1,988	-1,683	-3,895	-1,956
Income before tax, EBT	325	-11,344	-19,141	-36,558	-26,235
Tax on income for the period	-665	2,370	2,717	8,208	5,635
Net income for the period	-340	-8,974	-16,424	-28,350	-20,600
Profit/Loss attributable to:					
Shareholders parent company	-340	-8,974	-16,424	-28,350	-20,600
Non-controlling interest	0	0	0	0	0
Net income for the period	-340	-8,974	-16,424	-28,350	-20,600
Earnings per share basic, SEK	-0.01	-0.37	-0.68	-1.56	-1.05

GROUP — CONSOLIDATED INCOME STATEMENT AND TOTAL INCOME

TSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Full Year 2019
Net income for the period	-340	-8,974	-16,424	-28,350	-20,600
<i>Other total income for the period</i>					
The period's translation reserve	-252	1,221	60	2,440	1,356
Other total income for the period	-592	-7,753	-16,364	-25,910	-19,244
Profit/loss attributable to:					
Shareholders parent company	-592	-7,753	-16,364	-25,910	-19,244
Non-controlling interest	0	0	0	0	0
Total net income for the period	-592	-7,753	-16,364	-25,910	-19,244

GROUP — CONSOLIDATED BALANCE SHEET

TSEK	30 Sep 2020	30 Sep 2019	31 Dec 2019
Assets			
Intangible fixed assets	45,699	29,044	31,735
Tangible fixed assets	7,217	6,981	7,892
Right-of-use asset	12,561	17,922	16,581
Deferred tax asset	18,479	18,887	15,815
Total fixed assets	83,956	72,834	72,023
Inventories	5,242	5,503	9,316
Current tax receivable	1,922	249	2,800
Accounts Receivable	32,848	26,286	37,382
Prepaid costs and accrued income	13,639	5,897	17,451
Other current receivables	461	3,114	127
Cash and cash equivalents	35,692	63,114	48,041
Total current assets	89,804	104,163	115,117
Total assets	173,760	176,997	187,140
Equity			
Share capital	1,207	1,207	1,207
Additional paid in capital	91,231	92,178	91,231
Other capital incl. net income for the year	15,963	25,661	32,327
Total equity attributable to parent company shareholders	108,401	119,046	124,765
Minority share in total equity	0	0	0
Total equity	108,401	119,046	124,765
Liabilities			
Accrued tax liabilities	0	167	0
Long-term leasing liabilities	6,555	11,672	10,393
Total long-term liabilities	6,555	11,839	10,393
Accounts payable	5,992	5,950	7,109
Current tax liability	17	331	395
Other liabilities	6,389	1,516	1,626
Current leasing liability	5,055	5,055	5,055
Accrued expenses and deferred income	41,352	33,260	37,797
Total current liabilities	58,804	46,112	51,982
Total liabilities	65,359	57,951	62,375
Total equity and liabilities	173,760	176,997	187,140

GROUP — CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TSEK	Share capital	Additional paid in capital	Translation reserve	Other capital incl. net income	Total	Minority share	Total equity
Opening balance equity 2020-01-01	1,207	91,231	61	32,266	124,765	0	124,765
Net income for the period				-16,424	-16,424	0	-16,424
Other total income for the period			60		60	0	60
Closing balance equity 2020-09-30	1,207	91,231	121	15,842	108,401	0	108,401

CASH FLOW STATEMENT FOR THE GROUP

TSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Full Year 2019
Operating activities					
Income before tax	325	-11,344	-19,141	-36,558	-26,235
Adjustment for non-cash items	345	2,156	5,017	7,331	10,789
Tax paid	-484	542	-484	-663	-544
Total	186	-8,646	-14,608	-29,890	-15,990
Increase (-) / decrease (+) inventories	1,899	-1,260	4,041	-1,328	-5,959
Increase (-) / decrease (+) current assets	-12,008	3,851	12,234	25,248	2,174
Increase (+) / decrease (-) current liabilities	3,681	-10,118	8,812	-14,674	-17,507
Cash-flow from operations	-6,242	-16,173	10,479	-20,644	-37,282
Investing activities					
Investments in tangible assets	-739	-1,840	-2,022	-2,195	-3,819
Investments in intangible assets	-4,966	-1,796	-16,878	-5,768	-152
Cash-flow from investment activities	-5,705	-3,636	-18,900	-7,963	-3,971
Financial activities					
Proceeds from issue of share options	0	0	0	4,673	4,673
Proceeds from issue of share capital	0	0	0	82,000	82,000
Payment of transaction costs	0	-1,008	0	-7,448	-8,306
Payment of finance leasing liabilities	-1,247	-1,269	-3,838	-3,776	-5,055
Dividend paid to parent company's shareholders	0	0	0	-2,016	-2,016
Cash-flow from financing activities	-1,247	-2,277	-3,838	73,433	71,296
Cash-flow for the period	-13,194	-22,086	-12,259	44,826	30,043
Opening cash balance	49,315	84,886	48,041	17,821	17,821
Exchange rate differences on financial items	-429	314	-90	467	177
Closing cash balance	35,692	63,114	35,692	63,114	48,041

INCOME STATEMENT – PARENT COMPANY

TSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Full Year 2019
Net sales	26,837	19,776	72,557	67,744	117,375
Capitalized expenses for development	4,967	1,801	16,879	5,773	9,715
Other income	2,038	2,278	4,688	4,801	3,333
Sales	33,842	23,855	94,124	78,318	130,423
Cost of sold goods	-4,638	-2,211	-14,085	-10,263	-17,999
Other external costs	-22,541	-20,836	-58,136	-65,674	-85,897
Personnel expenses	-13,639	-12,400	-47,154	-38,312	-55,260
Depreciations on intangible and tangible assets	-1,258	-810	-3,591	-2,863	-4,339
Other operating expenses	0	0	0	0	0
Operating income	-8,234	-12,402	-28,842	-38,794	-33,072
Other interest income and similar profit/loss items	0	0	0	194	166
Interest expenses and similar profit/loss items	-74	-1,823	-576	-3,270	-1,011
Income after financial items	-8,308	-14,225	-29,418	-41,870	-33,917
Untaxed reserves	0	0	0	0	775
Tax on income for the period	1,391	3,055	5,442	9,066	7,296
Net income for the period	-6,917	-11,170	-23,976	-32,804	-25,846

BALANCE SHEET – PARENT COMPANY

TSEK	30 Sep 2020	30 Sep 2019	31 Dec 2019
Intangible assets	47,272	31,018	33,609
Tangible assets	1,280	1,011	1,563
Shares in group companies	41,656	41,178	41,656
Receivables group companies	491	505	838
Deferred tax receivable	13,123	9,452	7,682
Total financial fixed assets	55,270	51,135	50,176
Inventories	3,892	4,192	4,782
Accounts receivable	23,551	15,841	29,712
Receivables group companies	0	24,486	31,636
Current tax receivables	1,223	3,139	2,800
Other receivables	1,054	0	31
Prepaid expenses and accrued income	11,203	5,641	13,547
Cash and cash equivalents	33,114	59,370	42,152
Total current assets	74,037	112,669	124,660
Total assets	177,859	195,833	210,008
<i>Restricted equity</i>			
Shareholders equity	1,207	1,207	1,207
Capitalization of development cost	43,004	23,693	27,894
<i>Non-restricted equity</i>			
Premium reserve	91,231	87,504	91,231
Balanced income	-8,348	41,520	32,647
Profit/loss for the period	-23,976	-32,804	-25,846
Total equity	103,118	121,120	127,133
Untaxed reserves	0	775	0
Liabilities group companies	40,020	45,159	46,297
Total long-term liabilities	40,020	45,934	46,297
Accounts payable	5,442	5,948	6,535
Other current liabilities	1,158	836	988
Accrued expenses and prepaid income	28,121	21,995	29,055
Total current liabilities	34,721	28,779	36,578
Total equity and liabilities	177,859	195,833	210,008

NOTES

ACCOUNTING PRINCIPLES

Mentice applies International Financial Reporting Standards (IFRS) as adopted by the EU. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act.

The parent company's interim report has been prepared in accordance with the Swedish Annual Accounts Act and RFR 2, Accounting for Legal Entities, issued by the Swedish Financial Reporting Board.

The accounting policies applied correspond to those of the previous financial year, as described in the annual report for 2019.

SEGMENTS

Mentice's business is divided into three segments, which reflect the group's operations, financial management and management structure. These three segments are Medical Device Industry, Teaching Entities and Healthcare Systems.

NET SALES PER SEGMENT AND GEOGRAPHIC MARKET

	Medical Device Industry		Teaching Entities		Healthcare Systems		Total	
TSEK	Jan-Sep 2020	Jan-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Sep 2020	Jan-Sep 2019
Geographic markets								
EMEA	23,822	20,421	6,507	8,724	1,647	1,206	31,976	30,351
APAC	15,749	11,304	10,396	12,851	0	0	26,145	24,155
Americas	31,564	26,617	1,877	6,746	0	1,261	33,441	34,624
Total	71,135	58,342	18,780	28,321	1,647	2,467	91,562	89,130
Time for revenue recognition								
Goods and services that are accounted for at a given time	49,120	32,619	12,880	24,075	1,647	2,097	63,647	58,791
Goods and services that are accounted for over time	22,015	25,723	5,900	4,246	0	370	27,915	30,339
Total net sales from customer contracts	71,135	58,342	18,780	28,321	1,647	2,467	91,562	89,130

The group's sales come from the EMEA, APAC and Americas regions.

NOTES, CONT.

BASES OF VALUATION APPLIED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

Assets and liabilities are recognised at historical cost with the exception of currency derivatives, which are measured at fair value. As per September 30, 2020, the total actual value of forward contracts was 0 (0) MSEK.

ASSESSMENTS AND ESTIMATES IN THE FINANCIAL STATEMENTS

Preparation of the financial statements in compliance with IFRS requires the company's management to make assessments, estimates and assumptions that affect the application of the accounting policies and the carrying amounts of assets, liabilities, income and expenses.

Actual outcomes may deviate from these estimates and assessments. Assumptions are reviewed on a regular basis. Changes to estimates are recognised in the period when the change is made if the change affects only that period, or in the period when the change is made and future periods if the change affects both the current period and future periods.

ADJUSTMENTS, ROUNDING

Some of the financial information provided in this report has been rounded, which may affect the totals in the tables.

FINANCIAL INSTRUMENTS, CURRENCY EXPOSURE AND RISK MANAGEMENT

Mentice uses forward exchange contracts to manage currency risk. Forward exchange contracts are used to hedge risk in connection with accounts receivable and are placed at the time of ordering. Other future cash flows are not hedged. Mentice's operations expose the company to credit risk when selling to customers. Only advance payments or letters of credit are accepted for sales to new customers or to customers which are deemed to represent a high-risk exposure.

ABOUT THE PARENT COMPANY

Mentice AB (publ.), company registration number 556556-4241, is a Swedish public company with its registered office in Gothenburg, Sweden.

ALTERNATIVE KEY PERFORMANCE INDICATORS

Alternative key performance indicators are financial measurements that cannot be directly discerned or derived from financial statements. These financial measurements are intended to help the company management and investors to analyse the group's performance. Investors should view these alternative key performance indicators as a complement to the financial statements prepared in accordance with IFRS.

NOTES, CONT.

DEFINITION OF KEY PERFORMANCE INDICATORS REPORTED

Order intake – The value of orders received during the period.

Order book – Amount of not yet delivered products and services.

Order intake rolling 12 months – Mentice has had recurring growth phases, and it is important to view performance over time and not solely during an individual quarter as Mentice historically has reported strong figures for the fourth quarter.

Sales rolling 12 months – Mentice has had recurring growth phases, and it is important to view performance over time and not solely during an individual quarter as Mentice historically has reported strong figures for the fourth quarter.

Gross profit – Net sales with deduction for cost of goods sold. This indicator shows profitability before fixed costs.

Gross profit margin – Gross profit as a part of net sales. This indicator shows operating profitability before fixed costs and other variable costs.

EBITDA – Mentice uses the key performance indicator EBITDA to demonstrate the earning power of the business from operating activities without taking into account the capital structure and tax situation. This is intended to make comparison with other companies in the same industry easier.

EBITDA rolling 12 months – Mentice has had recurring growth phases and it is important to view performance over time and not solely during an individual quarter.

Capital employed (CE) – Mentice reports capital employed, in other words the assets financed by banks and shareholders.

Equity ratio – Equity divided by total assets.

FINANCIAL TARGETS, SHORT TO MEDIUM TERM



REVENUE GROWTH

30–40% average annual revenue growth during short to medium term (next 3–5 years).

PROFITABILITY

30% EBITDA margin within short to medium term (3–5 years).

DIVIDEND POLICY

Mentice is a company with business operations in a rapidly growing market. In order to capitalise on its market opportunities, the company will prioritise growth, both organic and through acquisitions. The board of directors propose no dividend to be paid for 2020.

ABOUT MENTICE

BUSINESS OPERATIONS

Mentice is a company that offers high-technology solutions for simulation to the medical sector, with a focus on the fast-growing market for endovascular procedures. Mentice's simulators are used to educate, train, and improve the practitioners' skills in different types of interventions and when introducing new clinical instruments. The company offers "flight simulations" for physicians and clinical teams to provide practitioners with experiences as realistic as possible. Headquartered in Gothenburg, Sweden, Mentice has a strong global presence with companies established in the United States, Japan, China, and Switzerland.

BUSINESS IDEA

Mentice's business idea is to assist in aiming to reduce deaths, injuries and costs resulting from medical errors and inefficiencies, and ultimately to reduce risk of harm to patients. By developing and providing innovative and realistic training tools, the company will help to improve the clinical skills of doctors and reduce the risk of needless errors. Medical errors is a major problem for societies associated with large cost. It is the third most common cause of death in the United States behind heart disease and cancer. Close integration with health service and the rest of the medical device industry is vital in order to promote innovative solutions that enhance the simulation experience. Sustainability, social and

environmental issues are a core element of Mentice's code of conduct and its operations. Mentice has a strong focus on the continuing innovation of the products it offers, and on taking simulation to new heights in order to offer the best possible solutions for customers at hospitals, clinics, universities and in research groups as well as in the medical device industry. The company has clear ambitions and principles guiding its conducts when it comes to economic, social and environmental responsibility.

PURPOSE

Mentice's purpose is to reduce deaths, injuries and costs resulting from medical errors and inefficiencies by developing innovative and inspirational tools for the improvement of clinical skills.

VISION

Mentice's vision is to lead endovascular care to the highest standards of patient safety and performance.

MISSION

Mentice's mission is to improve operational efficiency and patient outcomes by introducing innovative solutions that eliminate proficiency barriers.

OUR RESULTS ARE GLOBAL

PROUD TO BE TRUSTED BY ORGANIZATIONS WORLDWIDE

20+

Years of experience in pioneering interventional simulation.

140+

Scientific papers reinforcing the value of simulation skills acquisition, retention and assessment.

49+

Medical simulation patents across more than 30 different training procedures.

>50%

Global market share in endovascular simulation solutions.

FINANCIAL CALENDAR

2020 YEAR-END REPORT

FEBRUARY 4 2021 AT 8:30

INTERIM REPORT JAN-MAR 2021 (Q1)

APRIL 28 2021 AT 8:30

INTERIM REPORT APR-JUN 2021 (Q2)

JULY 22 2021 AT 8:30

INTERIM REPORT JUL-SEP 2021 (Q3)

OCTOBER 28 2021 AT 8:30

Mentice's interim reports and annual reports are available on www.mentice.com.



