



INTERIM REPORT Q2 2019

SECOND QUARTER SUMMARY

- Net sales SEK 32.4 million (28.0)
- Operating result for the period before depreciations, EBITDA, SEK -10.1 million (-3.8)
- Net result for the period SEK -10.8 million (-4.5)
- Earnings per share, EPS, SEK -0.59 (-0.40)
- Order intake SEK 34.9 million (31.2)
- Orderbook SEK 51.4 million (40.8)
- Cash flow from operating activities of SEK -0.8 million (-2.5)

FIRST HALF YEAR SUMMARY

- Net sales SEK 59.8 million (56.3)
- Operating result for the period before depreciations, EBITDA, SEK -18.0 million (-4.9)
- Net result for the period SEK -19.4 million (-7.3)
- Earnings per share, EPS, SEK -1.30 (-0.65)
- Order intake SEK 60.0 million (63.2)
- Orderbook SEK 51.4 million (40.8)
- Cash flow from operating activities of SEK -4.5 million (0.8)

SIGNIFICANT EVENTS DURING SECOND QUARTER

- The company's shares were listed on First North Premier June 18.
- In connection with the listing of the shares, the numbers of shares were increased by 1.673.470 shares to 24.146.552 which increased equity with SEK 76.5 million after deductions of costs related to the listing process.
- Dividend on earnings for 2018 of SEK 0.18 per share, a total of SEK 2.0 million, was paid out to shareholders in June.
- A warrant incentive program for staff were implemented May 2019. The warrant incentive program 2019/2024 has a total number of 1.429.922 warrants where each warrant entitles the warrant holder to, in April 2024, subscribe for one new share in the company at a subscription price of SEK 66.50.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- At extraordinary shareholders meeting it was decided to appoint Denis Gestin, David Ballard and Gösta Johannesson as new members of the board

KEY FIGURES

	Q2	Q2 Jan - June	Jan - June	RTM*	FY	
	2019	2018	2019	2018	2018	
Order intake, SEKm	34,9	31,2	60,0	63,2	171,1	174,3
Order book, SEKm	51,4	40,8	51,4	40,8	51,4	50,1
Net sales, SEKm	32,4	28,0	59,8	56,3	160,6	157,0
Sales, SEKm	33,2	31,6	62,4	61,3	166,8	165,8
Gross margin, %	81,9%	84,3%	83,3%	84,3%	80,9%	81,2%
Operating result before depreciations, EBITDA, SEKm	-10,1	-3,8	-18,0	-4,9	7,7	20,8
EBITDA-margin, %	-31,2%	-13,5%	-30,0%	-8,7%	4,6%	13,2%
Result before tax, EBT, SEKm	-13,6	-4,5	-25,2	-7,0	-4,4	13,8
Result for the period, EBT, SEKm	-10,8	-4,5	-19,4	-7,3	8,0	20,1
Earnings per share, SEK	-0,59	-0,40	-1,30	-0,65	1,15	1,80
Cash-flow from operations, SEKm	-0,8	-2,5	-4,5	0,8	10,8	16,0
Cash at end of period	84,9	9,3	84,9	9,3	84,9	17,8
Capital Employed (CE), SEKm	62,8	42,1	97,2	43,4	93,3	57,7
Equity/Asset ratio, %	62,0%	45,0%	62,0%	45,0%	52,1%	51,0%

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



CEO COMMENTS

First half year in line with our previous communications

Net sales for the first half year increased to SEK 59.8 million (56.3) which is equivalent to a growth of 6,2%.

We are confirming our short to medium term (next 3-5 years) financial target of a revenue growth of 30-40% per annum compounded, as stated in our first quarter interim report. For the current financial year, we are anticipating a revenue growth at the low end of this 30-40 % range.

As described further in this report we are managing a large span of opportunities where some of these might move into 2020. Our progress with Siemens Healthineers and Philips Healthcare is very positive and ahead of our expectation however actual ramp up for this business might be subject to a slight delay.

We have continued our investment for growth and during the first half of the year we increased the number of full-time equivalent staff members from 77 to 97 people.

Improved sales during second quarter

During the second quarter we performed stronger compared to both first quarter and same quarter last year and we experienced strong sales from the Health Systems segment around the globe, where we enlisted 10 new hospital clients.

Since the beginning of the year, the Medical Device Industry segment has experienced a slower start than expected, with several significant projects just now reaching a decision point. It is worth noting that we received two significant orders from Bard, totalling around USD 1 million. For the remainder of the year we are expecting a large number of projects to close with the aim to reach our overall target.

Our Strategic Alliances segment is demonstrating growth according to plan, with sales stronger than last year and promising advances in collaborations with Siemens Healthineers, Philips Healthcare and Laerdal. Both Siemens Healthineers and Philips Healthcare have reached a point where all agreements and structure to initiate sales on global level are completed and their respective sales organization now can resell the Mentice solutions (Philips Healthcare as of September and Siemens Healthineers as of October).

Overview per sales segment

Medical Device Industry

We continue to improve our position in the market with respect to new products and our key medical device clients. With many new treatment techniques, and innovative new technologies driving the expansion for endovascular treatments and these new techniques, the demand for Mentice solutions is increasing.

In the cardiology sector, among others, advances in structural heart treatment are currently one of the key drivers for change. In this field, the use of ultrasound imaging not only adds to the overall imaging content and provision of information (which is what makes this technology so efficient) but also reduces the radiation exposure for both patients and healthcare staff.

Mentice offers unique ultrasound solutions, both as stand-alone solutions for echocardiographer training and fully integrated solutions in a simulated procedure protocol that combines x-ray and ultrasound. These solutions are attracting significant market interest, and we believe they will lead to increased opportunities.

Mentice solutions for ultrasound are unique, where we offer both stand-alone and realistic training for

echocardiographers as well as fully integrated full-procedure simulations, where the unique combination of x-ray and ultrasound allows the dynamic simulation of medical devices.

In addition, the ability to rehearse a procedure using a simulator of the actual patient's anatomy is attracting a lot of attention – particularly for heart valves. Mentice, has in collaboration with a structural heart manufacturer, performed 3 rehearsal cases since the spring with very positive outcomes. These are among the most complicated endovascular procedures and offer significant healthcare opportunities and improved quality of life for a large proportion of our population.

In the Neurovascular arena, Mentice solutions are used by the majority of the largest medical device corporations, and we continue to expand our boundaries, improving the values and usability for simulation. The opportunities presented in the area of Acute Ischemic Stroke are clearly among the most obvious, and probably represents one of today's greatest opportunities for improving healthcare and saving people's lives. Mentice provides solutions for structured training using objective assessment, as well as the solution we developed together with Laerdal, in order to radically reduce time to procedure, and this is attracting a great deal of attention from societies, national health services, health providers and experts in the field.

Health Systems and Teaching Entities

During the second quarter, Mentice generated 10 new hospital clients, including: Cleveland VA Hospital (USA), Ohio State University (USA), University of Arizona, Phoenix Simulation Center (USA), University of Utah Medical School (USA), Washington University in St. Louis (USA), and Klinikum Chemnitz (Germany). We also added a new distributor in the Middle East – Leader HealthCare – to our network of distributors.

It's reassuring for our future that we are continually adding new clients in significant numbers, and that our market position gives us significant credibility in all parts of the world.

Strategic Alliances

Mentice Strategic Alliances collaborations have gathered pace, including the successful completion of commercial engagements and joint public marketing activities with Philips Healthcare, Siemens Healthineers and Laerdal. Below is a list of specific activities for the period:

- In May 2019, Mentice and Siemens Healthineers performed the world's first live virtual patient case in a fully integrated angio-suite at the EuroPCR, Paris conference.
- In June, Mentice and Siemens Healthineers announced their collaboration via a Global Press release (excluding USA, due to a later introduction in this region) and by means of live public events and collaborative activities.
- Furthermore, Mentice performed two additional VIST® Virtual Patient installations in the Philips Azurion angio-suite, in the UK and Germany respectively, during the second quarter of 2019.
- Broad-based activities with Siemens Healthineers, including the plan to co-display at TCT (the USA's largest interventional cardiology congress) in September 2019.
- The value of Mentice and Laerdal's joint patient safety-focused solution was confirmed by Norwegian research, which provided evidence for improved patient and healthcare system outcomes for acute ischemic strokes.
- Mentice and Laerdal's joint solutions have continued to increase our joint global market presence, with activities in EMEA, North America and the Asia-Pacific regions.

The move to subscription-based licenses for the hospital market

As previously communicated, Mentice is transitioning to subscription-based pricing for its software solutions, and, on August 1, 2019, Mentice announced the immediate introduction of subscription-based pricing for its hospital market. Previously, Mentice had implemented the same structure for pricing for its collaborations with Siemens Healthineers and Philips Healthcare. With this new structure, Mentice is also introducing a structure for annual updates of all training modules, providing significant value added to clients.

Mentice is also moving rapidly to a cloud-based environment, where clients are offered access to a broader set of information and values, such as access to global training materials, interaction with the Mentice client community, user-registration, and the ability to benchmark performance. This is a first and significant step in Mentice intention to transition its entire range of software solutions to subscription-based pricing. Furthermore, the basis of this structure is for the simulation platforms to be provided as a capital expenditure solution, allowing clients to acquire and own their core solution, including basic functionality such as angiography training modalities and radiation-safety training.

Establishing India as a new growth market

Mentice is continuously observing emerging markets, and, during the last couple of years, we have invested indirectly in India; however, we are now establishing a structure with personnel directly controlled by Mentice and a distinct plan for investment in specific areas of the Indian market. Mentice already has a strong position via the global medical device industry, as a large amount of these vendors use Mentice systems to assist their expansion in India.

We consider India to be one of the world's top opportunity markets, and Mentice is establishing a structure in order to develop a similar position to of markets such as Europe, USA, Japan or China.

Update on our product vision and development opportunities

In this report we have already mentioned several areas of development we believe will significantly improve value for all our clients, medical device as well as healthcare clients, and positively impact the company's future over the next couple of years. In order to be able to execute on all these different opportunities, our focus is currently on creating a structure within our Product and R&D organizations that will enable rapid development and roll out of performance solutions within the key growth areas mentioned below:

- **Benchmarking** – The ability to provide objective feedback directly from the simulation session is a core component of the Mentice offering, as example this s tracking every action by a physician such as moving, rotating or torqueing a clinical device while the system, in real time measures all interactions between operator, device and patients' anatomy. We plan to leverage the value of this technology in every endovascular procedure where proficiency of the operator or the ability to follow a certain process impacts outcome. In our engagement with both medical device manufacturers and health systems, these capabilities will further allow our clients to compare results and skillsets among healthcare providers as well as health systems.
- **Data Analytics** – Our ambition is to provide assessment and accreditation services for clients where such data analysis in combination with actual clinical data can offer significant added value. The ability to track and monitor data is an important factor in establishing a more effective structure around initial acquisition of skills, maintenance of skills and continuous practice within healthcare.
- **Preoperative Planning**– Mentice has provided solutions for preoperative planning over the last decade, but the recent development of complex new treatments and imaging techniques will necessitate a whole new level of functionality and accuracy. As an example, the introduction of advanced endovascular procedures for heart valve repair and replacement demands simultaneous real-time rendering of highly realistic x-ray and ultrasound images, while at the same time dynamically simulating the movement of the different parts of the heart and their physical interaction with a large number of clinical devices. Mentice has over the last 18 months worked towards these new market requirements and we are now close to be able to start

providing experienced physicians with a productive environment for advanced procedure planning on a broader scale.

- Rapid segmentation – The access to quality 3D models is a prerequisite for Preoperative Planning. The time required to create such models greatly impacts the usability of planning solutions. This is especially true for acute procedures, where the ability to instantly create a simulation model is an absolute requirement. Mentice has invested significant time in this technology area and we are now prototyping early solutions to go directly from imaging data into the Mentice simulation environment. This technology also holds the potential to eventually have much broader applications than just for simulation such as diagnostics and the market opportunity here is significant.
- Robotics and expert guidance– Mentice has clearly communicated its ambition to move into the area of expert guidance (compare aerospace) as well as creating guide systems for robotics within the endovascular arena. These applications will be built on our existing core solutions but complemented with new and patent protected Mentice technology as well as innovation originating from our Machine Learning and Artificial Intelligence research programs.

Gothenburg August 29, 2019

Göran Malmberg

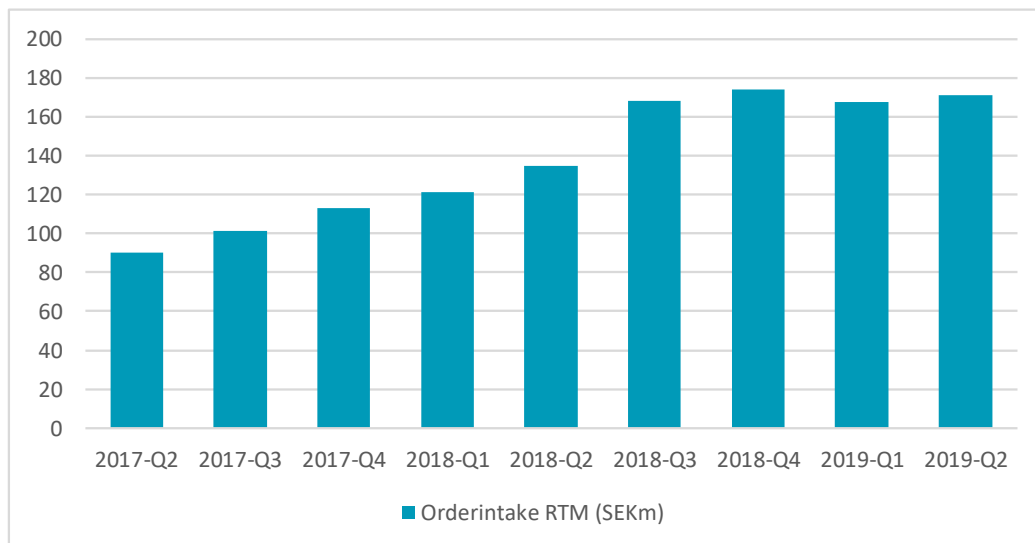
Group CEO & President

All press releases can be found on the website mentice.com

FINANCIAL PERFORMANCE SECOND QUARTER 2019

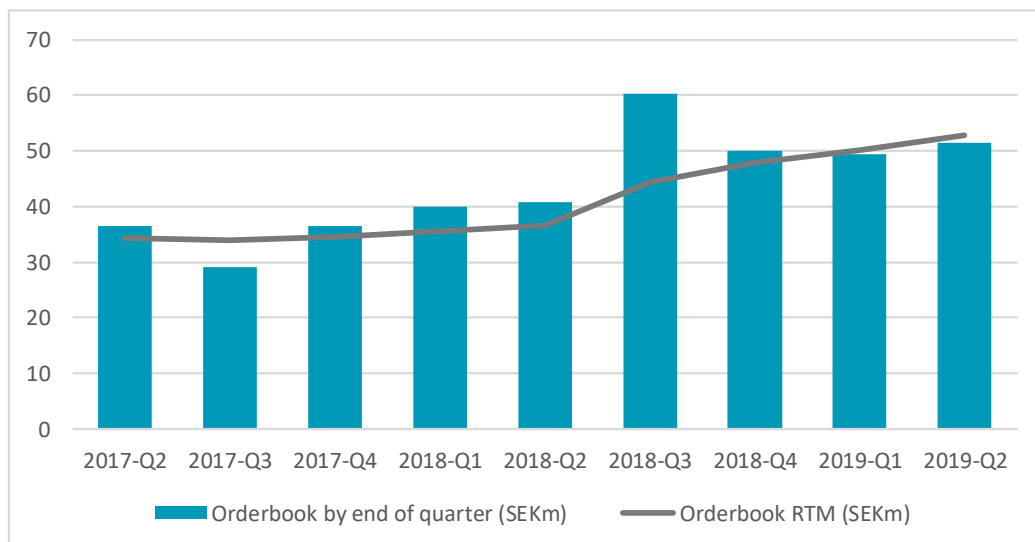
ORDER INTAKE

Order intake for the second quarter were SEK 34.9 million (31.2).



ORDERBOOK

The orderbook at the end of the quarter was valued at SEK 51.4 million (40.8). The orderbook represents orders received but not yet delivered. It is estimated that 65% of the orderbook will be delivered during the year.



SEASONAL VARIATIONS

There is a seasonal pattern to Mentice business, where the fourth quarter is invariably the strongest in terms of order intake and sales. This is partly because many of our customers usually have annual budgets for the calendar year that needs to be spend or lost combined with difficulties to predict customers' acceptance, launch plans and decision processes.

NET SALES

Net sales for the second quarter amounted to SEK 32.4 million (28.0). Out of the net sales for the second quarter, SEK 17.9 million (19.8) came from the Medical Device Industry segment, SEK 12.3 million (8.2) from Academic and University hospitals and SEK 2.1 million (0) from Healthcare systems. Geographically, net sales from EMEA was SEK 11.7 million (12.5), corresponding to

36% of total net sales. Net sales increased in APAC to SEK 9.7 million (3.3), which accounted for 30% of total net sales. In the Americas, net sales were SEK 10.9 million (12.1), corresponding to 34% of total net sales.

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

NET SALES PER SEGMENT TSEK	Jan-Jun 2019	Jan-Jun 2018	FY 2018
Medical Device Industry	39,216	39,140	105,723
Academic and university hospitals	18,152	17,126	43,269
Healthcare systems	2,467	0	8,056
Total	59,835	56,266	157,048

NET SALES PER PRODUCT TSEK	Jan-Jun 2019	Jan-Jun 2018	FY 2018
System sales	18,996	17,965	55,755
Software licenses	17,062	18,995	51,442
Support & Service contracts	23,777	19,306	49,851
Total	59,835	56,266	157,048

NET SALES PER GEOGRAPHIC MARKET TSEK	Jan-Jun 2019	Jan-Jun 2018	FY 2018
EMEA	23,780	20,930	52,626
APAC	15,385	9,138	41,315
Americas	20,670	26,198	63,107
Total	59,835	56,266	157,048

OTHER INCOME

Other income was SEK 0.9 million (3.7) by the end of the quarter which is related to exchange rate variances in assets and liabilities in foreign currencies.

GROSS MARGIN

Gross margin remained at a high level, at 81.9% for the second quarter, compared to 84.0% for the same period the previous year. Gross margin is mainly affected by the mix of the products sold.

GROSS PROFIT, OPERATING RESULT AND OPERATING MARGIN (EBITDA)

Gross profit was SEK 26.5 million (23.3). Operating result before depreciation, EBITDA, was SEK -10.1 million (-3.8). This corresponds to an operating margin of -31.2% (-13.5) for the second quarter. The lower result is explained by increased costs for consultants and recruitment of new employees for future growth.

OTHER EXTERNAL COSTS

Other external costs totalled to SEK 12.0 million (12.2) during the second quarter.

PERSONNEL COSTS AND EMPLOYEES

Personnel costs during the second quarter were SEK 25.4 million (18.7).

The increase compared to previous year is due to the recruitment of employees mainly in development but also in marketing and sales which is the result of investments in the organisation in order to establish the personnel support for future growth. During the second quarter total numbers of recruitments were 8 (2) in total whereof 4 (0) within development, 2 (1) within sales and 2 (1) within other departments. End of period staff totalled to 97 (77). The average number of

employees for the group for the second quarter was 79 (70), of which 34 (26) in the US subsidiary. The gender distribution in the group were 60 (56) men and 19 (14) women.

CAPITALIZED EXPENSES FOR DEVELOPMENT COSTS

Capitalized expenses for development costs during the second quarter totalled to SEK 2.5 million (2.9) and are mainly attributable to a number of ongoing software projects.

NET FINANCIAL ITEMS

Net financial items for the first quarter totalled to SEK -0.9 million (-0.3). The net financial items for the quarter included SEK 0.4 million of interest expense on lease liabilities, in accordance with IFRS 16.

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

Income before tax was SEK -13.6 million (-4.5). Tax on result for the period was SEK 2.8 million (0). Net loss for the period was SEK -10.8 million (-4.5). Earnings per share was SEK -0.59 (-0.40).

CASH FLOW

Cash flow from operating activities was SEK -0.8 million (-2.5). The increase of SEK 1.7 million was attributable to decrease in current receivables and increase in current liabilities.

CASH AND FINANCIAL POSITION

Cash at the end of the period, excluding available line of credit, increased to SEK 84.9 million (9.3). The Group's total assets amounted to SEK 205.4 million (84.8). The implementation of IFRS 16 has affected total assets by SEK 19.82 million. Accounts receivable increased during the period to SEK 29.0 million (18.0) Inventories amounted to SEK 4.4 million (7.8). Current liabilities were SEK 64.5 million (46.6). This increase is attributable to accrued expenses and prepaid income and mostly relates to services and consultancy work that have been invoiced but not recognised in revenue. The carrying amounts of financial assets and liabilities are considered to correspond essentially to fair value.

INVESTMENTS

Investments during the second quarter totalled SEK 3.6 million (2.9). Of the investments, SEK 2.5 million (2.9) refers to the capitalization of development costs. IFRS 16 lease assets were recognised for the first time as non-current assets and totalled SEK 19.3 million. The group had no significant obligations relating to investments as at 30 June 2019.

PARENT COMPANY

The parent company is an operating company. Net sales for the parent company amounted to SEK 24.8 million (20.5). The result for the period corresponds largely to the sales within EMEA and APAC, the development department and the head office in Sweden. The result for the period was SEK -11.2 million (-6.5).

SHARE CAPITAL

The total number of shares as of 30 June 2019 was 24,146,552 and the share capital was SEK 1.2 million. All shares are ordinary shares with equal voting rights. The shares have a quota value of 0.05 SEK.

DISPUTES

The group has no current disputes.

TRANSACTIONS WITH RELATED PARTIES

The company implemented a warrant incentive programme for all employees in May 2019.

SUSTAINABILITY

Mentice 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 are a big and costly social problem. See detailed sustainability information in the 2018 annual report on page 4.

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 Hospital 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 risk also arises when translating foreign net assets and earnings into Swedish kronor. Mentice overall goal is to avoid as far as possible 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 20 on page 35 of the annual report for 2018.

THE SHARES AND OWNERSHIP

Mentice AB (publ.) shares are traded on Nasdaq First North Premier since June 18, 2019 under MNTC. According to Euroclear's official register of shareholders, Mentice had a total of 1.108 shareholders by June 30, 2019. The company's certified advisors are FNCA.

OTHER INFORMATION

The interim report provides a true and fair view of the group's business, financial position and performance. In the event of any discrepancies between the English and Swedish versions of the report, the Swedish version shall prevail.

AUDITOR REVIEW

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

FINANCIAL REPORTS

Interim reports and other financial reports are available at the website mentice.com

Following reports will be published:

Interim report Jan – Sept 2019 will be presented on November 25, 2019 at 8:30

Year-end report for Jan – Dec 2019 will be presented on February 27, 2020 at 8:30

CONSOLIDATED INCOME STATEMENT

TSEK	Q2 2019	Q2 Jan- 2018	June 2019	Jan-June 2018	FY 2018
Net sales	32,354	27,967	59,835	56,255	157,048
Other income	856	3,671	2,522	5,073	8,737
Sales	33,210	31,638	62,357	61,328	165,785
Cost of goods sold	-5,866	-4,483	-10,019	-8,818	-29,454
Other external costs	-12,026	-12,205	-22,903	-22,098	-40,819
Personnel costs	-25,398	-18,714	-47,412	-35,290	-74,730
Depreciation of tangible and intangible assets	-2,620	-1,078	-5,525	-2,115	-4,654
Operating income, EBIT	-12,700	-4,842	-23,502	-6,993	16,128
Financial income	245	295	251	460	511
Financial expenses	-1 162	0	-1 963	-441	-809
Write down financial receivable	0	0	0	0	-1,995
Income before tax, EBT	-13,617	-4,547	-25,214	-6,974	13,835
Tax on result for the period	2,783	47	5 838	-319	6,313
Net result for the period	-10,834	-4,500	-19,376	-7,293	20,148
Profit/Loss attributable to:					
Shareholders parent company	-10,834	-4,500	-19,376	-7,293	20,148
Non-controlling interest	0	0	0	0	0
Net result for the period	-10,834	-4,500	-19,376	-7,293	20,148
Earnings per share basic, SEK	-0,59	-0,40	-1,30	-0,65	1,80

CONSOLIDATED INCOME STATEMENT AND TOTAL RESULT

TSEK	Q2 2019	Q2 Jan- 2018	June 2019	Jan-June 2018	FY 2018
Net result for the period	-10,834	-4,500	-19,376	-7,293	20,148
<i>Other total result for the period</i>					
The period translation reserve	566	2 033	1 219	2 171	-1,041
Other total result for the period	-10,268	-2,467	-18,157	-5,122	19,107
Profit/Loss attributable to:					
Shareholders parent company	-10,268	-2,467	-18,157	-5,122	19,107
Non-controlling interest	0	0	0	0	0
Total net result for the period	-10,268	-2,467	-18,157	-5,122	19,107

CONSOLIDATED BALANCE SHEET

TSEK	June 2019	June 2018	FY 2018
Assets			
Intangible fixed assets	37,124	30,607	33,400
Tangible fixed assets	5,718	5,778	6,540
Right-of-use asset	19,262	0	0
Deferred tax asset	15,923	2,310	9,569
Total fixed assets	78,027	38,695	49,509
Inventories	4,420	7,785	4,955
Current tax receivable	3,662	2,167	2,581
Accounts Receivable	29,034	18,019	42,333
Prepaid costs and accrued income	4,841	6,011	13,268
Other current receivables	480	2,812	119
Cash and cash equivalents	84,886	9,323	17,821
Total current assets	127,323	46,117	81,077
Total assets	205,350	84,812	130,586
Equity			
Share Capital	1,207	1,120	1,120
Additional paid in capital	93,097	12,032	12,032
Other capital including net result for the year	33,414	25,015	53,587
Total equity attributable to parent company shareholders	127,718	38,167	66,739
Minority share in total equity	0	0	0
Total Equity	127,718	38,167	66,739
Liabilities			
Accrued tax liabilities	167	0	166
Long term leasing liabilities	12,941	0	0
Total long term liabilities	13,108	0	166
Accounts Payable	11,224	3,633	11,439
Current tax liability	223	0	280
Other liabilities	1,524	2,143	1,358
Current leasing liability	5,055	0	0
Accrued expenses and deferred income	46,498	40,869	50,604
Total current liabilities	64,524	46,645	63,681
Total liabilities	77,632	46,645	63,847
Total equity and liabilities	205,350	84,812	130,586

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TSEK	Share Capital	Additional paid in capital	Trans- lation reserv	Other capital incl. Net result	Total	Minority share	Total Equity
Opening balance Equity 2019-01-01	1,120	12,032	-1,295	54,882	66,739	0	66,739
Stock option program		4,673			4,673	0	4,673
New issuance of shares	87	76,392			163,392	0	76,479
Dividend				-2,016	-2,016	0	-2,016
Net result for the period				-19,376	-19,376	0	-19,376
Other total result for the period			1,219		1,219	0	1,219
Closing balance Equity 2019-06-30	1,207	93,097	-642	33,490	127,718	0	127,718

CONSOLIDATED STATEMENT OF CASH FLOW

TSEK	Q2 2019	Q2 Jan- 2018	June 2019	Jan-June 2018	FY 2018
Operating activities					
Result before tax	-13,617	-4,547	-25,214	-6,974	13,835
Adjustment for non-cash items	2,444	-387	5,175	247	4,692
Tax paid	-1,620	679	-1,205	399	-2,120
Total	-12,793	-4,255	-21,244	-6,328	16,407
Increase (-)/Decrease (+) inventories	1,344	-844	-68	-326	1,705
Increase (-)/Decrease (+) current assets	7,964	4,490	21,397	7,871	-18,321
Increase (+)/Decrease (-) current liabilities	2,720	-1,847	-4,556	-454	16,214
Cash-flow from operations	-765	-2,456	-4,471	763	16,005
Investing activities					
Investments in tangible assets	-239	-1,022	-355	-1,022	-2,534
Investments in intangible assets	-2,447	-2,905	-3,972	-5,496	-9,858
Cash-flow from investment activities	-2,686	-3,927	-4,327	-6,518	-12,392
Financial activities					
Proceeds from issue of share options	4,673	0	4,673	0	0
Proceeds from issue of share capital	82,000	0	82,000	0	0
Payment of transaction costs	-6,440	0	-6,440	0	0
Payment of finance leasing liabilities	-1,259	0	-2,507	0	0
Dividend paid to parent company's shareholders	-2,016	0	-2,016	0	-958
Cash-flow from financing activities	76,958	0	75,710	0	-958
Cash-flow for the period	73,507	-6,383	66,912	-5,755	2,655
Opening cash balance	11,386	15,613	17,821	14,712	14,712
Exchange rate differences on financial items	-7	93	153	366	454
Closing cash balance	84,886	9,323	84,886	9,323	17,821

PARENT COMPANY INCOME STATEMENT

TSEK	Q2 2019	Q2 Jan- 2018	June 2019	Jan-June 2018	FY 2018
Net sales	24,820	20,539	47,968	39,175	112,437
Capitalized expenses for development	2,446	0,976	3,972	3,567	9,858
Other income	850	3,672	2,523	5,073	8,737
Sales	28,116	25,187	54,463	47,815	131,032
Cost of sold goods	-4,062	-6,173	-8,052	-9,934	-24,490
Other external costs	-23,465	-15,289	-44,838	-23,984	-45,554
Personnel expenses	-13,344	-9,899	-25,912	-21,334	-45,316
Depreciations on intangible and tangible assets	-868	-696	-2 053	-1 380	-2,978
Other operating expenses	0	0	0	0	-1,268
Operating profit	-13,623	-6,870	-26,392	-8,817	11,426
Other interest income and similar profit/loss items	0	314	251	765	1,352
Interest expenses and similar profit/loss items	-895	0	-1,504	-922	-1,143
Result after financial items	-14,267	-6,556	-27,645	-8,974	11,635
Untaxed reserves	0	0	0	0	-775
Tax on result for the period	3,048	14	6 011	-399	-2,100
Net result for the period	-11,219	-6,542	-21,634	-9,373	8,760

PARENT COMPANY BALANCE SHEET

TSEK	June 2019	June 2018	Dec 2018
Intangible assets	39,198	30,607	35,799
Tangible assets	1,108	1,117	1,037
Shares in group companies	41,178	22,167	41,178
Receivables group companies	664	3,481	3,982
Deferred tax receivable	6,397	2,087	386
Total financial fixed assets	48,239	27,735	45,546
Inventories	3,084	4,374	3,453
Accounts Receivable	16,103	8,372	28,582
Receivables group companies	20,147	30,186	19,011
Current tax receivables	4	2	2,582
Other receivables	217	93	120
Prepaid expenses and accrued income	5,062	5,443	6,400
Cash and cash equivalents	76,404	4,196	12,667
Total current assets	124,679	54,831	72,815
Total assets	213,224	114,290	155,197
<i>Restricted equity</i>			
Shareholders equity	1,207	1,120	1,120
Capitalization of development cost	22,018	9,280	18,541
<i>Non-restricted equity</i>			
Premium reserve	88,424	12,032	12,032
Balanced result	43,197	44,517	35,256
Profit/loss for the period	-21,634	-9,373	8,760
Total Equity	133,212	57,576	75,709
Untaxed reserves	775	0	775
Liabilities group companies	34,020	24,530	27,126
Total long-term liabilities	34,795	24,530	27,126
Accounts Payable	11,207	2,577	11,179
Other current liabilities	848	1 706	1,101
Accrued expenses and prepaid income	33,162	27,901	39,307
Total current liabilities	45,217	32,184	51,587
Total Equity and Liabilities	213,224	114,290	155,197

NOTES

COMPARATIVE FIGURES

The comparative figures for IFRS 16 have been implemented as of 1 January 2019 and affect comparisons of our financial performance. IFRS 16 discounts the value of the right to future use of lease assets and this value is recognised as an asset on the balance sheet, with the corresponding lease commitment as a liability. The recognised lease assets are written down over the term of the agreement and the liability is reduced through ongoing payment for the commitment. The effects of discounting have been recognised as an interest expense. The balance sheet, income statement and cash flow of Mentice have been affected by IFRS 16 as described below per June 30, 2019:

TSEK	Incl. IFRS 16	IFRS 16 effect	Excl. IFRS 16
Group consolidated balance sheet			
Fixed assets	78,027	19,338	58,689
Long-term liabilities	13,108	12,941	167
Current liabilities	64,524	5,055	59,469
<hr/>			
TSEK	Incl. IFRS 16	IFRS 16 effekt	Excl. IFRS 16
Total result			
Operating result before depreciations (EBITDA)	-10,080	2,700	-12,780
Depreciations of tangible and intangible assets	-2,620	-2,680	60
Operating result (EBIT)	-12,700	20	-12,720
Net financial items	-917	-371	-546
Result before tax	-13,617	-351	-13,266
<hr/>			
TSEK	Incl. IFRS 16	IFRS 16 effect	Excl. IFRS 16
Cash Flow statement			
Adjustment for non-cash items	1,198	20	1,178
Net financial items	0	-371	371
Cash-flow from operations	1,198	-351	1,549

ACCOUNTING POLICIES

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 2018, with the addition of the application of the new IFRS standard for IFRS 16.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2019

IFRS 16 Leases was issued in 2016 to replace IAS 17 Leases and has been implemented in 2019. Mentice has chosen the modified retrospective approach as the method of initial application of the new reporting standard. This means that the cumulative impact of the implementation affects the accounts

on initial application of the accounting policy. Comparative information is not adjusted. The implementation of IFRS 16 affects the comparison of the figures for 2019 with those of the previous year.

When calculating the IFRS 16 value of rights of use and associated commitments, we have excluded leases with a lease term of less than 12 months and leases with a total value of less than SEK 50,000. In order to calculate the value of the right of use and the lease liability, the incremental borrowing rate has been based on the category of lease, the term of the lease and the region. For more information about the accounting policies applied, see Mentice annual report.

SEGMENTS

Mentice business is divided into three segments, which reflect the group's operations, financial management and management structure. These three segments are Medical Device Industry, Academic and University hospitals, and Healthcare systems.

NET SALES PER SEGMENT

TSEK	Medical Device Industry		Academic & University hospitals		Healthcare systems		Total	
	Jan-Jun 2019	Jan-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Jun 2019	Jan-Jun 2018
Geographic markets								
EMEA	16,352	13,090	6,222	7,840	1 206	0	23,780	20,930
APAC	7,748	7,957	7,637	1,181	0	0	15,385	9,138
Americas	15,116	18,093	4,293	8,105	1,261	0	20,670	26,198
Total	39,216	39,140	18,152	17,126	2,467	0	59,835	56,266
Time for revenue recognition								
Goods and services that are accounted for at a given time	26,067	27,948	16,856	14,997	2 097	0	45,020	42,945
Goods and services that are accounted for over time	13,149	11,192	1,296	2,129	370	0	14,815	13,321
Total net sales from customer contracts	39,216	39,140	18,152	17,126	2 467	0	59,835	56,266

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

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 June 30, 2019, the total actual value of forward contracts was SEK 0 (0) million SEK.

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 operations expose it 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.

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 for an individual quarter as Mentice historically has had a strong fourth quarter.

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

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

Gross profit margin – Gross profit as a part of net sales.

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 and this is intended to make comparison easier with other companies in the same industry.

EBITDA rolling 12 months – Mentice has had recurring growth phases and it is important to view performance over time and not solely for 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 on a rapidly growing market. In order to capitalise on its market opportunities, the company will prioritise growth, both organic and through acquisitions. The Annual General Meeting decided to issue a dividend of SEK 0.18 per share, equivalent to SEK 2.0 million for the 2018 financial year.

ABOUT MENTICE

BUSINESS IDEA

Mentice business idea is to assist in the aim 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 are a major problem for society that come at a large cost and are the third most common cause of death in the USA, 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 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 to take economic, social and environmental responsibility.

PURPOSE

Mentice **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 **vision** is to make medical simulation so realistic, effective and easy to use that Mentice simulators will be routinely used by physicians as a natural part of their quest for excellence.

MISSION

Mentice **mission** is to continuously innovate and develop products that make the simulation experience go beyond realism and offer the most effective and stimulating solutions. To closely engage with medical societies, communities and industries to help create the best possible training environment.