mentice

ANNUAL REPORT 2019

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SELECTED EVENTS IN 2019

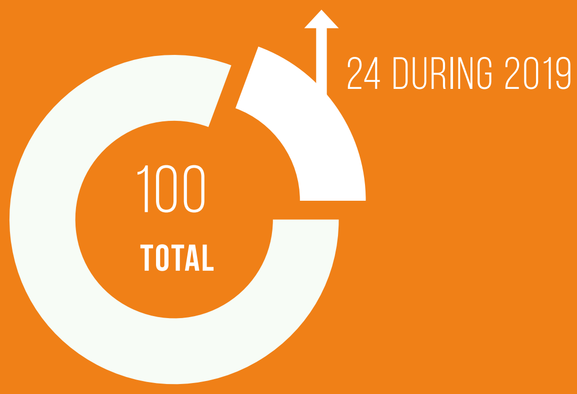
- **Mentice was listed on Nasdaq** First North Premier Growth Market with June 18 as the first day of trading.

- **On August 1, 2019, Mentice** announced that the company will introduce subscription-based services for its software solutions in its Healthcare Systems segment. Mentice has already implemented this pricing structure in its Strategic Alliances with Siemens Healthineers and Philips Healthcare. Within this new structure, Mentice will deliver annual updates for all its training modules, thus adding significant value for its customers.

- **At an extraordinary shareholders' meeting** held on August 28, 2019, it was decided to elect Denis Gestin, David Ballard and Gösta Johannesson as additional board members in Mentice AB. These board members will add substantial competences to the board: Denis Gestin brings long experience from leading positions in the medical technology products industry, David Ballard adds over 35 years of experience as former President of the International Society for Quality in Healthcare and leader of quality and patient safety for several of the largest healthcare systems in the United States, and Gösta Johannesson brings a broad experience from Swedish listed companies in technology and life science.

- **In the fourth quarter, Mentice** continued to see strong performance in its healthcare systems segment. This included a long-term engagement with German Society of Radiology (Deutsche Gesellschaft für Interventionelle Radiologie in der Deutschen Gesellschaft für Radiologie, DeGIR), covering Mentice systems during a multi-year agreement with a total order value of 4.6 MSEK. DeGIR will use Mentice equipment for training and eventually certification of junior and practicing interventional radiologists.

THE YEAR IN BRIEF

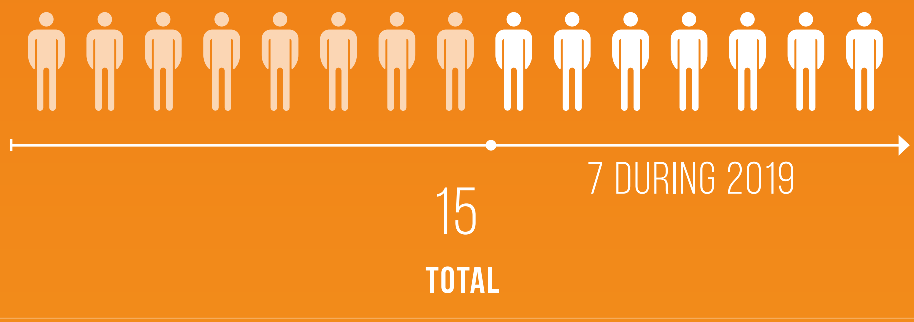


NUMBER OF EMPLOYEES AT THE END OF 2019

"Several patent applications filed (in 3 of 22 patent families)

"Reseller agreements in place with strategic partners Siemens Healthineers and Philips Healthcare

MEMBERS IN THE CLINICAL ADVISORY GROUP AT THE END OF 2019



- **IPO and listing on Nasdaq** First North Premier Growth Market on June 18, 2019
- **Continued strengthening of the organization** from 76 to 100 employees
- **Entered into reseller agreements with** strategic partners Siemens Healthineers and Philips Healthcare, allowing them to resell Mentice solutions
- **Significant addition of development resources,** including a dedicated group focusing on the healthcare provider market
- **Strengthened clinical advisory group from** 8 to 15 individuals
- **Applications submitted for several patents** within 3 of 22 patent families
- **Multiple examples of patient planning** for heart valve endovascular procedures where use of Mentice solutions resulted in radically reduced procedure times
- **Launch of the first Stroke** module with validated objective assessment
- **A Mentice legal entity in** Beijing, China was established
- **Launch of the VIST® One** TEE for advanced ultrasound, combining realism and ultimate flexibility
- **Coronary Essentials module released with** a multitude of heart-related patient conditions
- **Process to become ISO9001 certified** initiated

CONTINUED PROGRESS IN KEY AREAS

CONTINUED STRUCTURAL EXPANSION

Mentice was able to further strengthen its organization in 2019 towards its aim of establishing the relevant critical mass (number of employees as well as global reach) for a global market leader. This included strengthening our marketing department and adding substantial resources in product development and product planning.

STRONG PROGRESS WITH STRATEGIC PARTNERS

In 2019, Mentice established a strong foundation with its strategic partners Siemens Healthineers, Philips Healthcare and Laerdal. This led to a sales increase and strong interest from customers in this segment towards the end of 2019.

ENCOURAGING SALES GROWTH IN HEALTHCARE SYSTEMS

While the Medical Device Industry sales underperformed in 2019 due to many orders being postponed to 2020, the Healthcare Systems segment delivered strong sales growth. This is encouraging as the Healthcare Systems segment is considered to become a crucial segment in the future as the need for solutions in the clinical sector is significant.

PROGRESS IN STANDARD PRODUCT AND PHASE III PRODUCT DEVELOPMENT

By leveraging its added product development resources in the latter part of 2019, Mentice now has several product launches scheduled in 2020. The company was also able to progress in its development of products for enhanced clinical planning (VIST® CaseIt), enabling the possibility to plan and practice on patient specific cases before the procedure is performed on the patient.

MULTI-YEAR OVERVIEW

The Group's Financial Development in brief		2019	2018	2017	2016	2015
Net Sales	TSEK	149,370	157,048	108,966	92,811	84,066
Profit/loss after Financial Items	TSEK	-26,235	13,835	5,328	4,402	1,898
Total Assets	TSEK	187,140	130,586	93,819	59,004	52,630
Average Number of Employees		82	69	52	45	46
Operating Margin	%	-16.4	10.3	6.0	4.3	3.3

The Parent Company's Financial Development in brief		2019	2018	2017	2016	2015
Net Sales	TSEK	117,375	112,437	84,048	74,638	67,293
Profit/loss after Financial Items	TSEK	-33,917	11,635	-3,868	2,408	3,360
Total Assets	TSEK	210,008	155,197	126,302	104,631	102,200
Average Number of Employees		46	40	37	33	35
Operating Margin	%	-28.2	10.2	-3.1	2.1	2.7

Operating margin is defined as operating profit/loss in relation to net sales.

In the multi-year overview, the years 2019, 2018 and 2017 have been reported in accordance with IFRS while the other years have been reported in accordance with the accounting principles of K3.

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

MENTICE CORPORATE VISION STATEMENT

A WORD FROM CEO GÖRAN MALMBERG

IPO, CORNER STONE INVESTORS AND MARKETS TRUST IN OUR FUTURE

The efforts connected with the Mentice IPO in June of 2019 was major and obviously an important event and a milestone for Mentice. It's unclear how much the attention devoted to the successful IPO launch impacted the focus on our business, but the positive side of becoming a public company greatly outweighed the resource cost of launching the IPO in my opinion. The line-up of long-term and strategic cornerstone investors have been a key point in establishing a foundation for our longer-term outlook. I think the ability to have investors like Bure, Handelsbanken, AP4, TIN Fonder and Berenberg Bank as cornerstone investors has clearly helped establishing a trust level for Mentice.

The value generated from becoming a public company is clearly visible in our relationship with global and large clients, our ability to draw talent to Mentice and just generally in the credibility we have on the market.

MARKET POSITION

Mentice core value and mission is to to provide solutions, broadly and beyond just simulation to remove the proficiency barriers in healthcare. We see that we are strengthening our position in the endovascular market where our main competitors tend to have a broader focus preventing them from utilizing a specific endovascular focus. Furthermore, the combination of our credibility in the market, our technology platform, broad scope of procedures and know-how increases the barrier of entry. Our effort to increase the size of our organization has also greatly helped as it had given us an increased ability to act on opportunities in the market. The hospital market is still mainly educational oriented, and, even if this market has increased in a good way in 2019, our target is clearly with continuous practice for physicians and teams relating to patient care performance improvements. In the healthcare systems market we have a very strong position, with clients clearly valuing our technology as well as the level of support and know-how we provide for the segment. We see that the new developments, for example with patient specific simulation, are creating a lot of interest.

BUILDING AN ORGANIZATION FOR THE FUTURE

One of our main objectives over the last 5-7 years has been to strategically build the Mentice organization in order to act as a leader and enable the global outreach needed for a market leader. We are still not quite where I want to be, but our structural growth in 2019 has clearly improved our abilities to act in a more strategic way. We have a much more structured marketing organization, allowing us among other things to act in a more professional way when it comes to external activities such as congresses and social media. Furthermore, we are building a more structured go-to-market organization. The sales organization is of course a critical part of our growth, and it is also a priority to improve our footprint in the market. A main part of our investment in staff has been focused on our development department, where we now have a separate program management function as well as a much clearer division between custom, standard and core development.

FOCUS ON SUBSCRIPTION MODEL AND STANDARD PRODUCTS

In 2019, we migrated our healthcare business from a perpetual business model to a subscription and annual fee-based structure. We believe it was timely to make this transition in 2019, and we also see the need for a more operational expense related business model for the continuous practice in the healthcare systems market. With this transition we also see a requirement for us to provide much more frequent updates for our different solutions to keep clients engaged. With the growth of the organization, we are now able to dedicate resources for our standard development, i.e. the solutions that become available to our healthcare clients. After having implemented this new approach in 2019, we are already seeing the effects with our pipeline for new products in 2020 being significantly larger than previous years.

STRATEGIC ALLIANCES

As previously communicated, we are very pleased with the development of our relations with our three strategic alliance partners. In 2019, we established a strong foundation in our collaboration with both Siemens Healthineers, Philips Healthcare and Laerdal. With the imaging partners, Siemens and Philips, we have seen the sales increase in the

"We see that we are strengthening our position in the endovascular market where our main competitors tend to have a broader focus preventing them from utilizing a specific endovascular focus.

end of the year together with a large interest in our solutions both from these partners and even more importantly from their clients. Our relationships with these three partners are unique since, so far, our competitors neither have the relationship nor the technology to compete. Additionally, our dialogue with Corindus, now a part of Siemens Healthineers, has been approved and we see Corindus and Siemens using our solutions both for their go-to-market environment and for training of their clients.

DISAPPOINTING OUTCOME OF 2019

Needless to say, we are not pleased with the financial outcome of 2019. However, from a strategic perspective 2019 has been a very important year for Mentice, and we are now much better positioned for the future. The lack of performance in 2019 as stated has been related to general delays of decisions, but I would also attribute this to our defocus related to the IPO. Going into to 2020,the situation around Covid-19 furthermore emphasize uncertainty in the global market.

THE WAY FORWARD

I believe that Mentice is very well positioned for the future, both in the near and long term. Our development of new solutions across our portfolio is clearly attractive to the market. With the resources added in, we are able to move faster with very capable vertical solutions compared to our competitors. Our approach for both acquisition and management of skills, as well as patient-specific solutions, are clearly moving us from being seen as an educational tool for junior specialists to a set of solutions relevant for everyone in this space.

THE DEVELOPMENT OF EACH SEGMENT

For our medical device segment, we see a need to continue to expand our solution beyond just marketing launches and training where we see a strong level of interest from our larger clients. It is clear that our solutions provide so many more opportunities above providing an educational experience at a congress and it's becoming clearer that high-fidelity simulation provides unique capabilities to objectively train and assess physicians in a way that is not possible with any other set of solutions. This will allow professionals to practice until he or she get confident safely away from patients. This data could be managed with a personal scorecard keeping track of such data. Furthermore, the ability to plan and asses on a patient specific anatomy provide unique abilities to rehearse before a procedure to reduce risk for patients but also radically reduce procedure times and use of equipment, thus substantially reducing costs.

For our two segments relating to sales to hospitals, teaching entities and healthcare systems, we see a continued increasing interest to use simulation for training of attending physicians and also in creating possibilities for training in or close to the working environment. We see introduction of new procedures and treatment modalities requiring substantial training for residents, experienced physicians and other clinical staff. We also see a strong trend in all regions towards structured training as well as accreditation/certification using simulation.

For the Strategic Alliances segment, we see a great interest both from these partners but more importantly from their clients. The ability to convert a cathlab to the most realistic training environment in matter of minutes clearly is an attractive proposition to these clients. Prior solutions in separate hospital training and skill centers do not generally present a realistic ability for training for several reasons but mostly from a logistic standpoint. With the solution in or close to the cathlab, physicians and teams can use the down time between to procedures to train which is very attractive.

Gothenburg in April 2020,

Göran Malmberg CEO, Mentice AB (publ)

MEDICAL ERRORS – A GLOBAL CHALLENGE OF GREAT MAGNITUDE

Medical errors is a large issue in the healthcare sector. A study published in 2016 estimated medical errors to cause over 250,000 deaths per year in the USA. The study analysed data from 2013, and medical errors were estimated to be the third most common cause of death in the USA[1)]. The situation is not considerably different in the rest of the developed world.

SIGNIFICANT POTENTIAL FOR IMPROVEMENT

Reducing this number provide healthcare providers, insurers and society with an opportunity to improve patient outcome and reduce the pain of patients while at the same time lowering their costs. The enhanced priority of patient safety has emphasized the training of healthcare professionals, such as doctors, nurses, and other practitioners as one key factor. The training is increasingly performed on simulators, where skills can be practiced, and errors made without risking the safety of the patients.

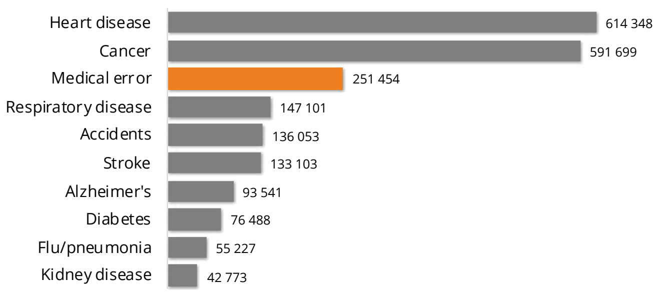
Medical experts in the United States urged the government to act on these numbers by providing funding, but medical error still seem to pass under the radar as a major cause of death on a public level. While cancer and heart diseases receive a lot of attention in media, medical error is often excluded from the list, and researchers and doctors stressing the issue are currently fighting an uphill battle.

LARGE VARIATIONS IN OPERATORS' SKILLSET IS A WELL-KNOWN PROBLEM

Research studies have identified large discrepancies in the consistency of practitioner quality. Patients are rarely aware of the risks of receiving treatment from a less experienced practitioner and consequently facing a higher risk of procedure complications.

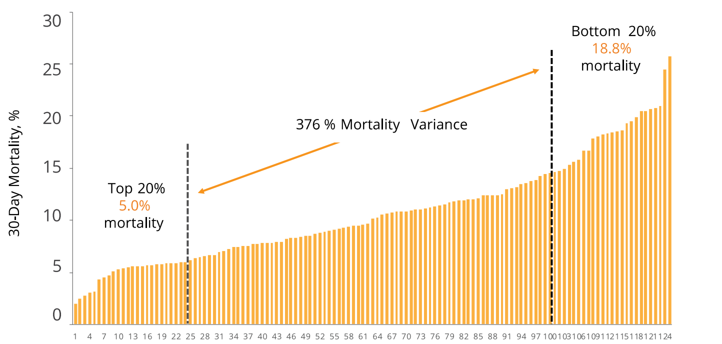
Below is an example illustrating the large variance in clinical quality among practitioners and the importance of the practitioner experience are presented. The study shows that over half of the advanced procedures were performed by physicians with insufficient skillsets and experience.[2]

Causes of deaths in the United States, 2013



1) National Center for Health Statistics, Johns Hopkins Medicine, National Center for Biotechnology Information, 2016.

Variance in mortality rates (reports from hospitals in Illinois, USA)



2) Mentice's Healthcare Partners, Based on 125 reports from hospitals in Illinois, US.

USING MEDICAL SIMULATIONS TO IMPROVE CLINICAL OUTCOME

Simulation-based education reduces the risk of clinical errors in the healthcare sector as the training is conducted on the simulator instead of the patient. Additionally, it does not expose physicians or patients to radiation.

A SCIENTIFICALLY PROVEN TRAINING METHOD

Simulation systems offer an interactive training environment where qualified feedback is provided real-time. This has been scientifically proven to be more efficient than the traditional options.[1)] A study performed in 2010 tested clinicians' skill-level on an objective simulation-based system and found that experience is highly correlated with the ability to handle the system.[2)] Additionally, the study found that simulation-based training not only serves as a tool to accelerate the learning curve, it also more effectively reinforces the skillset, which enables practitioners to maintain theirlinical performance even after the skill peak has been reached.

Moreover, simulation-based training increases access to training as procedures are customizable, efficient, and assisted by the immediate feedback system. In a simulated environment setting, you can design a training curriculum where you are able to expose trainees to the exact same environment and challenges as in a real case. This can also be repeated for as many times as one likes, which keeps the training effective and structured. The related projected benefits include reduced clinical error rates, an ability to radically reduce the learning curve, and an overall lower cost of training. It also has the benefit of including the required training into a comprehensive structure which can be objectively monitored and assessed.

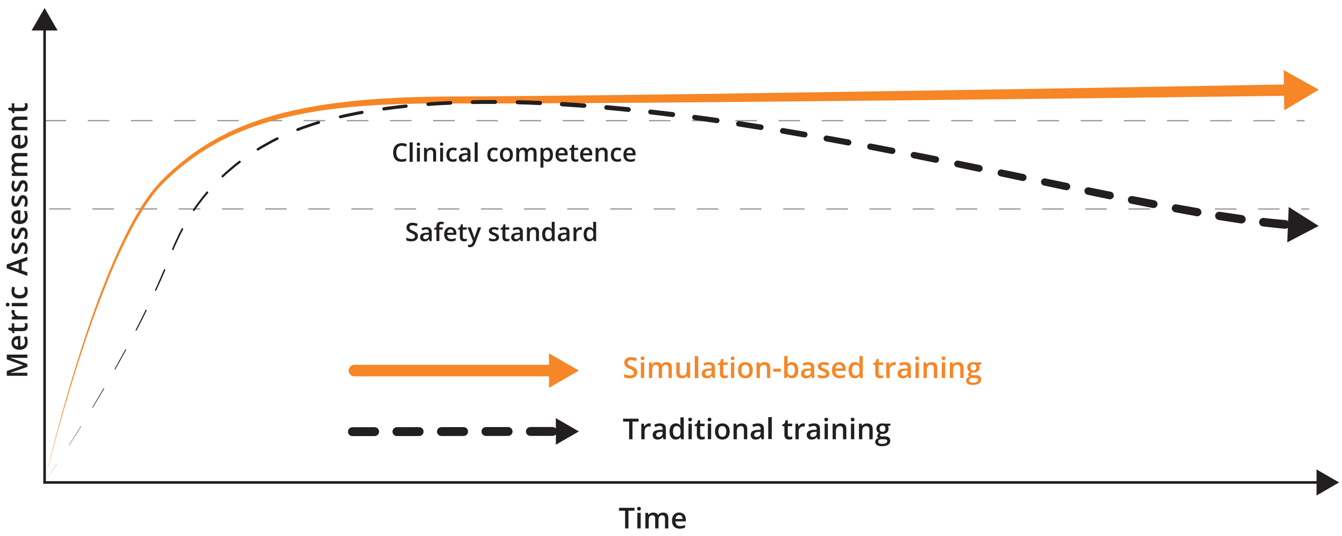
MENTICE'S SIMULATIONS – PERFECTING ENDOVASCULAR SURGICAL SKILLS

Mentice offers high-technology solutions for simulation to the medical sector with focus on the fast-growing market for endovascular procedures. Mentice's simulators are used to educate, train, and improve practitioners' skills in different types of interventions, when introducing new procedural techniques, new clinical instruments or new teams. In essence, the company offers "flight simulations" for physicians and clinical staff to provide practitioners with experiences as realistic as possible. By developing and offering these innovative training and quality improvement tools, Mentice believes that the company's solutions can be leveraged to improve practitioners' clinical skills as well as to reduce the risk of unnecessary mistakes, ultimately leading to better and safer care for the patients.

1) Dong Y, Suri HS, Cook DA, et al. Simulation-based objective assessment discerns clinical proficiency in central line placement: a construct validation. CHEST Journal, the Official Publication of the American College of Chest Physicians. 2010;137 (5):1050 – 1056.

2) Anthony G. Gallagher, Gerald C. O'Sullivan, Fundamentals of Surgical Simulation: Principles and Practice.

THE SKILL AQUISITION CURVE OF CLINICAL COMPETENCE



TREATMENT RANGE AND BENEFITS OF ENDOVASCULAR PROCEDURES

Mentice specializes in simulating endovascular interventional procedures, an increasingly common method that can be used instead of traditional open surgery for the treatment of cardiovascular diseases and other common diseases related to the cardiovascular system.

MINIMALLY INVASIVE PROCEDURE WITH A BROAD TREATMENT RANGE

Diseases treated by endovascular solutions include cardiovascular, neurovascular and peripheral vascular diseases, cancer, respiratory diseases, and diabetes. The procedure is done using clinical instruments such as catheters, wires, or balloons which are inserted via, for example, the groin, the arm or the wrist. Relevant clinical instruments are with the help of the catheter steered through the blood vessels to the area of treatment, e.g. a clogged vessel. wide range of different diagnostic or treatment modalities can then be delivered directly to the affected region of the body, As a result of the small surgical procedures, the patients can often be discharged after one or a few days after the procedure, whereas the corresponding open surgery can keep the patient at the hospital for several weeks, usually to a much higher cost plus time for rehabilitation.

IMAGE-GUIDED ENDOVASCULAR PROCEDURES

Image-guided endovascular procedures allow physicians to navigate clinical instruments through the vascular tree using imaging (e.g., X-ray ultrasound, MRI) technology. The clinical instruments are visible on the display as they have been provided with specific markers, but the organs and vessels are only visible when contrast medium are introduced through the catheter. Image-guided endovascular procedures can best be practiced in a high-fidelity virtual environment that realistically reflects a real clinical environment. Real clinical instruments introduced in a haptic simulation unit provides real-time feedback to the operator at the same time as a fully realistic X-ray image is presented on the screen in real-time.

MENTICE'S BUSINESS OPERATIONS AND REVENUE STREAMS

Mentice's business model is to sell simulation solutions that educate, train, and improve practitioners' skills. A fundamental prerequisite for Mentice's business model is that an initial sale of the Company's simulation system takes place. The initial system sales form the basis of the offer and provide a number of different opportunities for Mentice to expand its revenue streams. When the base system is sold, the business model transitions to rely on the Company's ability to maintain and refine its customer relations. Strong customer relations and a thorough insight into customer needs are necessary elements to enable additional sales through the up-selling of products and services.

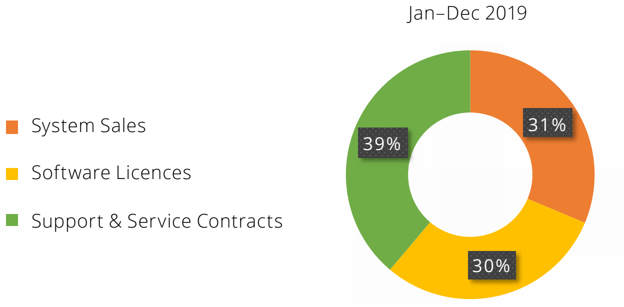
SALES OF SIMULATION SYSTEMS AND PLATFORMS

The typical sale to a Medical Device Industry customer starts with a client requesting Mentice to perform a custom development of a system to include the clients' specific device and training scenario, often in conjunction with a product launch. The availability of a customer-specific solution then drives the sales of systems and software modules. Sales to healthcare providers are generally not customized, so the systems can be sold in its standardized form. These clients often acquire one or many simulators and modules, which need both installation and training services. Sales attributable to the company's basic system, i.e. the simulator unit, constitutes only one third of total sales. The remaining part is attributable to aftermarket transactions through the sale of modules and procedures, as well as service and support.

UP-SELLING AND RECURRING REVENUE (SOFTWARE)

When simulators, modules, and procedures are updated, an up-selling opportunity is made available. Simulators are typically updated every 3-5 years, whereas new procedures are introduced 1-3 times annually.

Further, recurring revenue is recognized as modules are sold as perpetual yearly licenses ranging between USD 15,000-28,500. Going forward, Mentice will focus on the subscription model for modules and procedures to achieve more even revenue streams over the year along with a larger proportion of recurring revenues. The subscription model has so far been implemented in the Teaching Entitites segment and in Strategic Alliances, and it will gradually be introduced for the whole Healthcare Systems segment and the Medical Device Industry segment.



SERVICE AND SUPPORT CONTRACTS

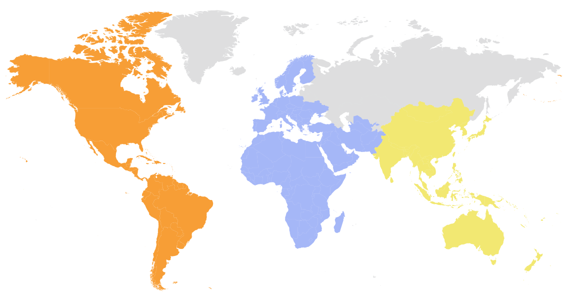
While relationships with clients are established when the system is sold, a lot of the Company's client relationships are enhanced during the implementation and training process; services which are provided by Mentice post-sale. All new sales include a 12-month warranty and full support contract. From year two and onward, clients are encouraged to sign up for support contracts protecting the investment on a going concern.

ESTABLISHED OPERATIONS IN ALL MAJOR MARKETS

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-Dec 2019
EMEA	44,739
APAC	52,116
Americas	52,515
Total	**149,370**



POWERFUL AND VERSATILE ENDOVASCULAR SIMULATORS

Mentice's simulation platforms are divided into three groups: VIST G-Series™, VIST One™ and SimMan Vascular™. Below follows a brief presentation of the six most important products within these groups.

VIST® G5

The Mentice VIST® G5 is a portable high-fidelity endovascular simulator enabling hands-on procedural training for clinicians and medical professionals. The latest generation of Mentice endovascular simulators, the VIST® G5 has a modern design and stacks of technical improvements, bringing ease-of-use and simulation realism to the next level. The modules include a wide variety of training scenarios to challenge the learner's technical skills, clinical decision-making abilities, and procedural proficiency across a range of medical specialties.

VIST®-LAB WITH VIST® G5

VIST®-Lab is Mentice's stationary simulation solution, combining realism, ergonomics and ultimate flexibility. VIST®-Lab is the optimal solution where realistic work flow and team training are provided. VIST®-Lab mimics the cath lab environment providing a full body mannequin, a 4K-UHD screen (fluoro, cine and vitals) and an HD touch screen (controls).

In combination with one or two VIST® G5 systems, the VIST®-Lab provides the ultimate flexibility allowing the system to be used either in a stationary setup, or, when required be converted into one (or even two) fully functional portable VIST® G5 systems.

In addition VIST®-Lab supports treatment through left and right femoral, radial and subclavian approaches and is possible to use in combination with the VIST® One TEE for enhanced team training.

VIST® VIRTUAL PATIENT

Seamlessly integrates with world-leading angiography systems. Offers a safe, immersive, and radiation-free simulation environment based on real-life patient images.

Increase proficiency & improve efficiency
Turns the angio-lab into a procedure and medical device skill center to be used during idle time. It enables getting up to speed with a new X-ray system and its latest features, exploring new techniques and procedures, or refining processes to improve outcomes. The VIST® Virtual Patient offers a safe, immersive, and radiation-free simulation environment based on real-life patient images.

VIST® ONE TEE

VIST® One TEE is Mentice's portable ultrasound simulation solution, combining realism and ultimate flexibility. VIST® One TEE is the optimal solution to acquire fundamental echocardiography skills through self learning and under expert guidance.

Echocardiography is an essential part of novel and highly complex interventional procedures such as structural heart and electrophysiology interventions. VIST® One TEE is designed to meet this increasing need for training with a cost effective and lightweight solution for interventional cardiologists, echocardiographers and industry field staff.

Based on real patients' anatomies, the solution offers the most sophisticated real-time ultrasound simulation in the market. Users can practice hands-on under expert guidance and test their TEE skills both in obtaining and interpreting views.

RADIATION SAFETY TRAINER

The Mentice Radiation Safety Trainer is a portable endovascular simulator combining hands-on training of radiation safety with basic angiography and intervention skills.

The Radiation Safety Trainer is a high-fidelity simulator platform providing hands-on radiation safety and endovascular training. The system is highly portable and consists of a haptic device, a dedicated control box and an external screen.

A large variety of peripheral and coronary angiography as well as coronary intervention cases provide training on catheter and wire manipulation skills as well as basic intervention skills. Creating dose awareness and learning to work according to ALARA (As Low As Reasonably Achievable) principles is achieved by live dose readings and dynamic heatmap visualizations for patient and operator doses.

SIMMAN® VASCULAR

SimMan® Vascular is developed by Mentice and Laerdal Medical, and is sold through Laerdal. It is the world's first first integrated emergency patient and endovascular procedure simulator that allows for comprehensive team training. It offers dual endovascular entry ports and full LLEAP integration supported by VIST-G5™ technology.

SOFTWARE SOLUTIONS FOR A WIDE RANGE OF PROCEDURES

Mentice offers a wide and growing range of procedural training modules to be used on its simulation devices. Presently, there are 42 procedures and over 520 virtual patient cases available, as well as solutions for creation of patient specific training cases. These Mentice solutions are widely recognized for their functionality, stability and clinical realism on a level above remaining competitors on the market.

These software modules and patient cases allow medical professionals to practice multiple complex procedures across a wide range of specialties. Some procedures are device-specific, and some are standardized, meaning that they can be used on all Mentice simulation devices. Mentice's training module solutions represent the world's most comprehensive collection of endovascular procedures. The company's procedural software covers Neurovascular (brain), Cardiovascular (heart), and Peripheral Vascular (lower core) training modules, with support for over 45 endovascular procedures to date. Many of these procedures are used to treat patients suffering from some of the world's most common and deadliest diseases, such as heart attacks, stroke, diabetes and cancer.

TRAINING MODULES AND PROCEDURES

A procedural training module is a software solution enabled by a Mentice simulation device. Different software modules and cases allow medical professionals to practice multiple complex procedures across a wide range of specialties. The main specialties that Mentice caters to are interventional cardiology, cardiac rythm management, electrophysiology, interventional radiology, interventional neuroradiology and vascular surgery, practiced by hundreds of thousands specialist physicians globally.

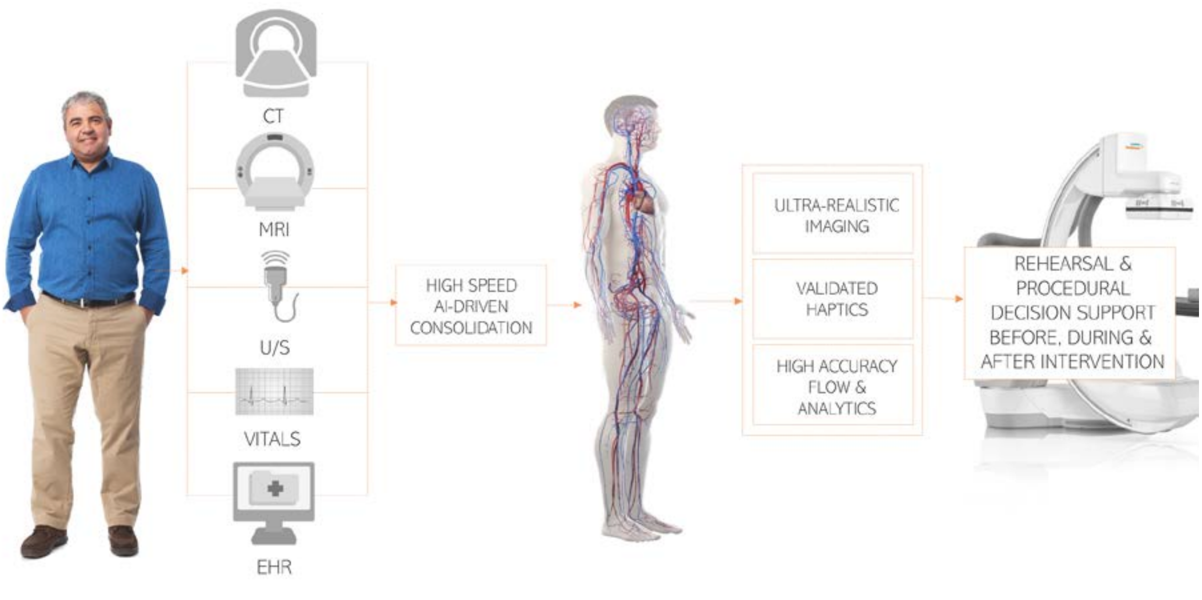
Up until today, training modules for these specialties exist within the following procedural areas: Neuro, Coronary, Electrophysiology, Structural heart, Cardiac Rythm Management, Embolotherapy, Aortic, Trauma and Peripheral. Each area contains a number of procedures normally performed by the same physicians and include much of what they will encounter on a daily basis in real life, anything from routine cases to very rare anatomies and challenging, unexpected complications that need to be mitigated.

MENTICE VASCULAR TWIN™

The concept around Mentice Vascular Twin™ is an ongoing development of a solution that will allow users to explore, test, and validate clinical procedures on a fully realistic, virtual replica of the real patient. This concept will further help Mentice clients improve their return of investment in the Mentice family of products. The intention is to maximize safety, quality, and outcome, while reducing the harm and cost of care for the actual patient to a greater extent than any of Mentice's previous solutions. Mentice Vascular Twin™ is particularly helpful as a tool to perform a dry-run of a procedure that is about to be performed the same or the next day. This makes it possible to use as a tool for physicians and their clinical staff to discuss strategy and choice of clinical instruments before the treatment is actually performed. This patient-specific simulation creates an environment where the clinical team can have an interactive dialogue to prepare and customize a procedure to best fit the specific patient. The solution can also be used to import real patients to the simulator after the real case has been completed, for debriefing and education purposes. As an effect, this is expected to significantly accelerate the growth of the Mentice patient case library.

VIST® CASE-IT is the first commercially available product in this category. It allows creation of Mentice simulation cases from existing patient anatomies with only a few clicks.

The resulting case can be used for sharing and teaching after the actual procedure has been done, allowing peers and students to re-enact the experience and practice various treatment approaches. Ultimately, it can be used as a warmup or rehearsal before an actual procedure. At present, VIST Case-It is available for Neurovascular and Aortic procedures.



PATIENT CASES

A patient case is a specific patient anatomy including a description of the patient's disease state, fundamental vital parameters and 3D anatomy imaging data, which can be obtained from CT scans, MRI, ultrasound or a combination.

The patient case also typically includes information about which methods are recommended to treat the patient, which ones are not, and what complications may potentially occur.

Mentice possesses a library of over 520 virtual patient cases that can be practiced on by the user. The size of the virtual patient library is rapidly expanding with the uptake of more patient imaging techniques within healthcare, and as Mentice continues to improve and streamline its technology for creation of new simulation cases.

GLOBAL CUSTOMER BASE IN THREE KEY SEGMENTS

Mentice is dividing its commercial operations in three customers segments: *teaching entities, healthcare systems* and *medical device industry.* By addressing different segments, the company can combine diversified global growth potential with limited customer-specific risks.

TEACHING ENTITIES

Teaching entities are primarily using Mentice's products in two areas: for educating, training and accrediting medical students and surgeons, and in their academic research. The segment is currently dominated by academic institutions and university hospitals in Europe and the US, and the addressable market in just these two regions is estimated to around 1,000 simulation laboratories. Going forward, opportunities in additional regions is expected to grow the adressable market substantially.

FROM BASIC TRAINING TO MASTERING LIFE-THREATENING SITUATIONS

For medical students and personnel undergoing additional training programs, performing different types of procedures under controlled yet realistic conditions is key when learning the practical skills needed. Simulators and software from Mentice, making it possible to run basic modules as well as advanced patient scenarios with added complications repeatedly, have a strong and natural fit in this environment as a complement to using less sophisticated simulations, animal models or patients under supervision.

RAISING THE BAR IN MEDICAL EXCELLENCE

Also for experienced physicians, it is of vital importance to keep your practical skills fresh and updated over time by continuously performing procedures. Published studies show that the training volume of the physician is a significant factor when it comes to the probability of patient complications. There are also substantial differences in complication rate based on the rated skill of the physician. By using Mentice's systems for training and accreditation, a teaching entities can make sure that their physicians are always performing at their best and that their patients are exposed to minimal complication risk.

MARKET CURRENTLY DOMINATED BY EUROPE AND THE UNITED STATES

Mentice predicts that the addressable market in the teaching entities segment consists of approximately 1,000 simulation laboratories, of which around half are located in the US. The company's customer list includes well-respected institutions such as MD Anderson in Houston, USA, Imperial College in London, the UK, and Karolinska Institutet in Stockholm, Sweden among many others. Mentice is currently approaching 400 clients in the global hospital market.

INTERVIEW WITH TEACHING ENTITIES KEY OPINION LEADER

Prof. Claus Zimmer (Z) is Director of Department of Neuroradiology and **Dr. Kornelia Kreiser (K)** is Consultant Interventional Neuroradiology at Techincal University of Münich. They have first-hand experience from using a Mentice simulator in their resident training with strong positive results.

Why did you invest in a simulator and what benefits have you seen since?

Z: The simulators are becoming closer and closer to the reality. In five years, I believe each department will have a simulator like this. There will be cost reduction, I'm sure, and I can imagine that you could save catheter or material you use, especially at the beginning of your time as an interventional neuroradiologist.

Has this also had a benefit to clinical outcomes?

K: Residents, they learn where to put the table, they know which button they should press. And moreover, they know every step of the procedure. So, when we start with the first real patients, we just see that they feel more comfortable. And that's what we see every day, but we have also done a study on just that and when we looked at residents who learned angiography before we owned the simulator and afterwards, comparing contrast use, x-ray time, and the total duration of the procedure, we saw quite a big difference. The residents that trained on the simulator performed much better, used less contrast, and needed less time for the procedure.

How do you use simulation as part of your training programs?

K: When we bought the simulator six years ago, we started to create student courses. Neuroradiology is popular at the moment, we have a lot of applications and we know that students love these courses, because from the time it opens to choose it online, two minutes later it's booked out. Always.

K: The way that it works is that we always start by doing 20 different simulated cases. At first, of course, an experienced interventionalist accompanies you when you start to practice. Shows you how to handle the catheters, shows you how to setup the whole simulator, but relatively quickly you can work on your own. We have said that every third simulation should be under supervision, and the rest are run by the students residents on their own.

What is the simulator adding to the course?

K: You discuss how you can improve and what you should do better next time, in a relaxed setting where there is no time pressure or risk to the patient. And even after the initial 20 cases, we often come back to the simulator to train on special situations. To import and train on a real case, which we did the day before, because it had a strange anatomy for example.

Briefly describe what patient-specific simulation (Case-it) is?

K: Case-It is a possibility to implement real patients' data to the simulator. It's really helpful and necessary to have a big library of cases. To create our own cases is important because the Mentice training library consists of maybe 20 or 30 cases, and but in real life there are just, nearly every patient has a different anatomy, and so you need the additional cases for a comprehensive training.

What are the benefits of patient-specific simulation?

K: It's a huge advantage because you save much more time and x-ray dose. You can try everything you want. You are free to try several configurations of the wires, and you can find the one in the end, which is perfect. By training cases pre-interventional, we can try several catheters and materials out, and select the ones which fit the individual patient. And in the real procedure, that translates to spending much less time. We would definitely save a lot of money by not throwing away several expensive catheters, coils, stents.

With the Mentice Virtual Patient Link, you can use the simulator directly in the operating room and connected to the real equipment. What are the advantages of this?

Z: Yes, we wanted to be able to perform the training in a very realistic surrounding, and therefore we need the direct connection between simulation and our angiography suite. Now we have the advantage that you can use the real control panel. This will connect it to the simulation so we can move the c-arm and then the c-arm is integrated into the simulation.

K: Before the residents get to do an angiography[1)] in a real patient, they have to practice with the simulator. But the angiography suite is the real setting, where you have to know how to use the table, the control panel, and how the c-arms move. So this creates a more realistic training environment where you can also practice how things work in the real angiosuite, as well as team communication. You also use real catheters so you get to know the feeling, how everything works, well before operating on a real patient.

Z: We can now do simulation during the time slots we have between the procedures. We always have time slots where we don't use our equipment, and within these time slots we can use simulation. We can fix it very fast, within minutes. If you can train within the normal environment without having radiation, I think this is very important.

1) Angiography relates to the technique to examine a blood vessel under x-ray after introduction of a contrast medium.

GLOBAL CUSTOMER BASE IN THREE KEY SEGMENTS, CONT.

HEALTHCARE SYSTEMS

Mentice's segment for healthcare systems is much broader and larger than the teaching entities segment, as it includes all healthcare entities outside of academic and university hospital settings. While still being the smallest Mentice segment when it comes to total sales volume, the company saw strong quarterly growth in 2019 and expect it to become the largest segment and the major growth driver for Mentice over time.

AN OBVIOUS PARTNER FOR LARGE HEALTHCARE ENTITIES

Aiming to become an obvious partner for large public and private healthcare entities is a natural progression for Mentice as the company is moving from training settings to also assist medical professionals when evaluating and planning for actual procedures. Additionally, Mentice is investing substantially in R&D project for robotic and AI-based guidance during the procedures.

AIMING FOR A MUCH MORE EFFICIENT HEALTHCARE SYSTEM

With simulators and software from Mentice, healthcare professionals are able to get a better understanding of every patient case and how to perform an optimal procedure. This is done by offering advanced imaging functions as well as training modules that are being loaded with patient-specific data. The physician can perform the upcoming procedure multiple times in the simulator to prepare and minimize the risk of errors when it is performed on the actual patient.

In addition to the obvious medical benefit for the patient when complications are avoided, Mentice's products could prove to be important tools when aiming for a much more efficient and less costly healthcare system. Intensive care, reoperations and hospitalisation following surgery complications are some of the most labour intensive and costly parts of today's healthcare systems. If these measures can be reduced by minimizing surgical errors, hospital resource use per person can be reduced on a regional, national and global scale. As our global population age, this is a growing issue that needs to be addressed all over the world.

CATH LAB INTEGRATION IS LEADING THE WAY

Mentice has identified integration of its products into cath labs, used for imaging, monitoring and treatment of heart-related medical conditions, as an optimal path into the healthcare segment. In 2018, the global instalment base was approximately 40,000 cath labs. Around 3,600 cath labs were installed or replaced the same year, and in these cases Mentice systems could have been integrated and sold as a part of the full solution.

To gain traction in the cath lab segment, Mentice is collaborating with three leading cath lab providers: Siemens Healthineers, Philips Healthcare and Laerdal. In 2020, virtually every potential customer of an Artis Icono from Siemens or an Azurion from Philips will be presented with the added benefits of including an integrated Mentice VIST system. You can read more about these strategic partnerships on page 23.

INTERVIEW WITH HEALTHCARE SYSTEMS KEY OPINION LEADER

Magnus Settergren is an Associate Professor and Senior Consultant Interventional Cardiologist at Karolinska University Hospital. He has seen positive indicative results from using Mentice's simulator to prepare for procedures the next day.

What was your original reason for using simulation?

"The original reason for me was to use the simulation in more advanced structural heart interventions to make the procedures quicker and safer."

Can you briefly describe how you have worked with the Mentice solution?

"We have been using the Mentice solution in the specific setting of performing the Cardioband procedure in tricuspid and mitral interventions, so what we have done is to import patient-specific data into the simulator and then the day before the intervention we have practiced on that dataset in the simulator.

In this way, we have been able to identify specific parts of the intervention which are more difficult, and we can then go back and look at how to speed up those parts of the procedure. One thing that I think has been particularly useful is for the echo operators to be able to identify where they might run into problems with getting the correct image quality."

Have you seen some other benefits since starting to use this technology?

"Yeah, I think it's also good for the team to come together. This is something you should maybe always do for difficult procedures to kind of have a rehearsal of the actual procedure. But it's an added benefit that you come together and spend an hour or two to go through the case and really plan how to do it. We should probably do that more often."

In your opinion, has the simulation also benefited the patient outcome? How?

"This is difficult to say because we have not yet done as many cases as we would need. To compare the benefits to the patient you need to have a randomized study basically.

But I know for a fact that after having done the simulation, even though we were a beginner center we did one of the fastest cases for the Cardioband procedure that had been done so far in the world. So, I personally believe there is definitely a benefit, even if it's maybe a little too early to be completely sure. "

How important do you think the patient-specific importation is?

"I think especially for the imaging we used a lot of the knowledge that we gained from the patient-specific data in the actual case later. For the very first cases of the training, you could have a generic case of course, where you just train on performing the actual intervention, but once you have passed that initial learning curve I definitely think patient-specific data adds to the safety and speed of the procedure the next day. But I think also then it needs to be done the day before, it cannot be done a week earlier or something like that. It needs to be really in conjunction with the actual case."

What do you think will be the next big leap in the field of simulation and how will it be used in 3 years from now?

"I would say prediction, prediction would be fantastic. Take the Mitraclip for example. Right now there are many different sizes of the clip, so you will have a long clip, you will have a short clip, you will have a wide clip that is short and a wide clip that is long. So then, again, we have a lot of different possibilities to treat. But with this also comes complexity, so if we could simulate what will happen for a specific pathology if I put two long clips in, or one long and one wide, yeah, you can imagine. And if you then could simulate the reduction in mitral regurgitation, you could simulate the gradient and so on, the next day we know exactly what to do!

This is not true for only mitral and tricuspid regurgitation, but also for other structural heart interventions like LAA[1)] occlusion for example. If you know beforehand that this is the LAA device size you're going to use, that this is the perfect size, then you don't need to change and take a bigger or a smaller size. And that would be very good because that's when complications happen."

1) LAA - left atrial appendage.

GLOBAL CUSTOMER BASE IN THREE KEY SEGMENTS, CONT.

MEDICAL DEVICE INDUSTRY

The Medical Device Industry segment consists of global providers of products where Mentice's adaptable simulation solutions can be integrated to fit specific patient needs. The segment includes solutions for training, sales and marketing, research and clinical evaluation. This is currently Mentice's largest segment with 64 percent of the company's total global net sales in 2019. Mentice's overall expansion strategy in this segment is to expand laterally to additional relevant divisions of the company's existing customers.

PROVEN AND ULTRAPORTABLE SOLUTIONS

In sales and marketing, Mentice's simulators, software and services are utilised to promote new medical device products and then to educate/train interventionalists on how to use them. Being able to practice several times before using new products on patients is a key factor to minimize the risk of complications during the crucial evaluation and implementation phase.

Mentice has recently met the increased demand for ultraportable solutions that can be used directly by the medical technology manufacturers' sales staff in the field by developing a number of portable solutions based on the VIST™ Mini technology. The company estimate that these systems can be sold in 4–6 times larger volumes than the VIST™ G5 as they can be used by sales personnel who normally make up for 10–20 percent of the customers total number of employees compared to only 3–5 percent in marketing and training.

MARKET-LEADING, MULTINATIONAL COMPANIES

A majority of Mentice's customers in medical device products and the medical device industry are companies with a multinational outreach. They are often 50-100 times the size of Mentice. For these companies, a structured training process is of great importance when conducting product launches as their central aim is to drive large-scale adaptation of their products without compromising on quality and safety.

Some examples of market-leading companies that have been loyal to Mentice for many years are Abbott Vascular, Boston Scientific Corporation, Edwards Life Sciences, Johnson & Johnson and Terumo just to name a few of them.

RESEARCH AND DEVELOPMENT USE

Research and development use cases represent valuable applications of the company's technology, and some regulatory departments, such as the FDA, already recommend the use of simulation in their guidelines for evaluation of medical equipment during development and clinical testing. Typically, R&D represent between 10–15 percent of the budget of the company's customers while clinical trials, quality and regulatory issues make up for around 5–10 percent.

STRATEGIC ALLIANCES

INTEGRATING MENTICE'S SOLUTIONS IN LEADING CATH LAB SYSTEMS

By integrating Mentice VIST in cath labs from the leading suppliers Siemens Healthineers, Philips Healthcare and Laerdal, the company has found a natural platform for global growth in the heart visualization, monitoring and treatment segment. This is also a key part in the company's strategy to establish itself in the healthcare systems segments as described on page 20. Going forward, Mentice expects to be able to add more strategic partners with a strong global outreach in the healthcare segment, facilitating further growth.

IMPROVING CATH LAB CAPABILITIES WITH ADDED IMAGING AND TRAINING TOOLS

Based on its efficient technology for creating simulation modules from patient data, Mentice is able to provide cath lab users with superior visualization of the patient's heart and circulatory system. This facilitates diagnosis as well as deciding on the optimal treatment procedure. The physician is then able to simulate this procedure so that the complication risk is minimized when performing it on the actual patient.

CLOSER COLLABORATION WITH COORDINATED MARKETING ACTIVITIES

In 2019, Mentice was able to deepen its relationship with all three strategic partners with focus on a closer marketing and sales collaboration as well as integration of Mentice VIST in new cath lab systems.

The sales and marketing ramp-up in 2019 included co-participation at selected event, such as the TCT congress in USA in September with Siemens Healthineers. At this congress, Mentice was featured in Siemens' booth with a live procedure performed by a senior physician and Mentice's ultrasound solutions were used by Siemens in the training village.

Another example was the RSNA congress in Chicago in early December, where Mentice's solutions were on display in both Philips Healthcare's and Siemens Healthineers' booth. RSNA is one of the world's largest medical congresses with a focus on radiology.

Mentice's collaboration with Laerdal is continuing, with more and more clients identifying the importance of performing team-related training from A to Z, including the procedural steps of the process. In 2019 Laerdal and Mentice engaged in many projects involving acute clinical procedures such as stroke, heart infarcts and vascular trauma. The combined Laerdal and Mentice solution is still the only of its kind in the market.

STRONG MOMENTUM CONTINUING INTO 2020

Mentice saw a strong sales growth in this segment in 2019, and this trend continues in the beginning of 2020 as deliveries of the new Siemens Artis Icono cath lab started. The company expects virtually every prospective client of a Philips Azurion or a Siemens Artis Icono to be introduced to the benefits of integrating a Mentice system as a part of their purchase. With Laerdal, there is a great interest in connection with acute scenarios where the approach for acute ischemic stroke is the most prevalent.

With a new subscription-based pricing model for its training modules in place in the strategic partnership segment, Mentice will be able to combine initial hardware sales with a strong cash flow over time. This will be done while delivering outstanding customer value through annual updates of all modules.

ENTERING PHASE III

TRANSFORMING MENTICE FROM A SIMULATION COMPANY TO A PROVIDER OF SOLUTIONS FOR ENHANCED CLINICAL PERFORMANCE

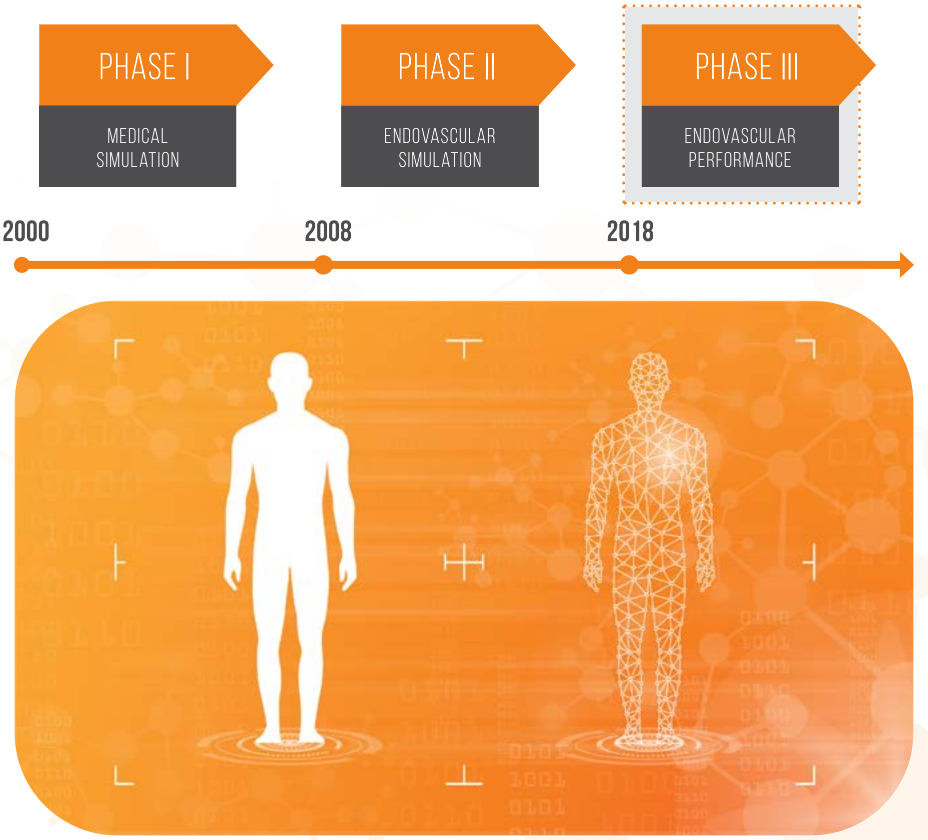
Since the foundation of the company, Mentice has driven innovation to climb up the medical simulation staircase. After focusing on the endovascular field, Mentice is now targeting the next evolutionary stage, phase III. The company's goal with phase III is to offer high-level decision support to doctors by offering planning or preparation of a procedure on a virtual replica with the same anatomy as the patient that is about to be treated.

MENTICE AT THE FOREFRONT OF THE NEXT GENERATION OF MEDICAL SIMULATION

The company's aim for its next development phase is to be able to offer a higher level of decision-making abilities for medical professionals by offering tools such as preoperative planning and preparation in a realistic simulation of the actual patient's anatomy.

By introducing phase III, Mentice transitions from a simulation-focused company towards a company that offers solutions to improve performance within the endovascular field. The Company believe that phase III will revolutionize the way clinicians acquire, practice, and maintain skills.

Mentice strongly believes that new technologies such as artificial intelligence, machine learning, and Big Data will revolutionize the healthcare sector, the same way they revolutionize many other areas. Mentice works towards remaining a leader in its field when it comes to using new technologies in endovascular treatment. The Company strives to develop new applications that generate great value for the Company's clients. For example, the Company works with techniques that include support for Augmented and Virtual Reality as well as mobile and cloud-based services.



PHASE III PRODUCT OUTLOOK

LEVERAGING ROBOTICS, AI, AND MACHINE LEARNING TO REACH NEW SEGMENTS

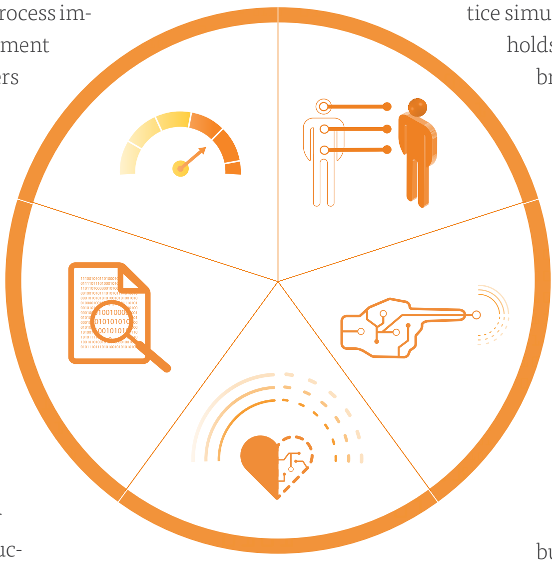
There are several areas of development which Mentice believe will significantly improve value for all of its clients, medical device as well as healthcare clients, and positively impact the company's future over the next couple of years. In order to be able to execute on all these different opportunities, Mentice's focus is currently on creating a structure within its Product and R&D organizations that will enable rapid development.

BENCHMARKING

The ability to provide objective feedback directly from the simulation session is a core component of Mentice's offering, as an example tracking every action by a physician such as moving, rotating or torqueing a clinical device while the system measures all interactions between operator, device and patients' anatomy in real time. Mentice plans 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 the company's engagement with both medical device manufacturers and health systems, these capabilities will further allow clients to compare results and skillsets among healthcare providers as well as health systems.

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.



DATA ANALYTICS

Mentice's 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.

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 the company's existing core solutions but complemented with new and patent protected Mentice technology as well as innovation originating from the company's Machine Learning and Artificial Intelligence research programs.

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.

INTELLECTUAL PROPERTY RIGHTS AND OTHER FORMS OF PROTECTION

Mentice holds 47 individual patents protecting both system and software in 22 different patent families. Most patents last for more than 10 years. Some of the patents at hand are presented below.

MEDICAL PROCEDURE SIMULATION-BASED RADIATION ESTIMATION AND PROTECTION

A general system for estimating radiation exposure during an X-ray guided medical procedure, i.e. including any endovascular intervention.

SIMULATION DEVICE FOR TRACKING AT LEAST TWO INSTRUMENTS

A medical procedure simulation system that allows for two or more simultaneous parallel instruments.

INTERVENTIONAL SIMULATOR SYSTEM PATENTS

Three patents that protect a specific hardware implementation as well as a general interventional procedure system that simulates the handling of various expanding instruments.

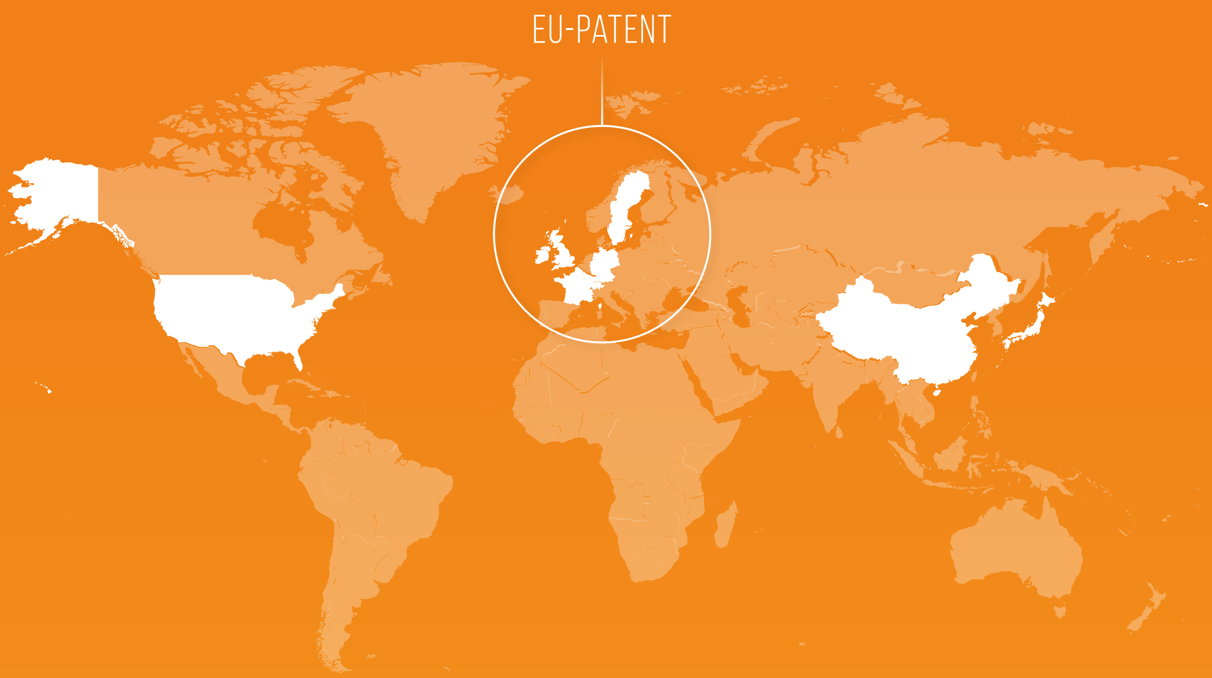
DISTRIBUTIVE PROCESSING SIMULATION METHOD AND SYSTEM FOR TRAINING HEALTHCARE

A model for training and educating healthcare teams.

PENDING PATENT APPLICATIONS

In addition to its granted patents, Mentice has several pending patent applications, such as a method for catheter selection, objective and systematic assessment of skills, and syringe simulator system.

SUMMARY OF MENTICE'S PATENT PORTFOLIO



United States	12 Reg./3 Pending	2021–2034	Germany	5 Reg.	2022–2025
European Patent	6 Reg./1 Pending	2022–2026	Switzerland	7 Reg.	2020–2025
China	4 Reg./1 Pending	2025	United Kingdom	3 Reg.	2022–2025
Japan	3 Reg./1 Pending	2022–2034	France	3 Reg.	2022–2025
Sweden	3 Reg.	2022	PCT	1 Reg./1 Pending	2034

SUSTAINABILITY

As a leader in the field of endovascular simulators and solutions used to prevents treatment errors, Mentice has a natural and strong commitment to uphold high sustainability standards with a special focus on social responsibility and human rights. In 2020, Mentice will be increasing its activities when it comes to encourage its providers to further improve themselves in all relevant sustainability areas and make sure that they are living up to the agreed policies.

ENVIRONMENT

Mentice environmental work is carried out within the frame of our business operations and sphere of influence, where the environmental work shall contribute to a sustainable society, creating continuous improvement, prevent pollution and achieve sustainable profitability and a positive brand.

We encourage and support initiatives taken by our suppliers to promote sustainability and follow up in order to ensure compliance with our environmental demands.

Mentice takes the environmental issues seriously and strive to reduce emissions to air, ground and water. Mentice also strive to minimize the use of resources in production and work for continuous environmental improvements. Mentice expect the supplier to do the same.

Mentice expect the supplier to follow the national laws and regulations of the country in which the supplier operates. In addition to national environmental laws and regulations the supplier shall comply with Mentice environmental requirements.

Mentice environmental requirements applies for all suppliers and factories involved in all processes in the production chain of Mentice products. Mentice supplier is responsible to inform and control that the subcontractors follow the requirements.

SOCIAL RESPONSIBILITY

Mentice works today with the future in mind. We do not only take responsibility for our products, through our long-term CSR (Corporate Social Responsibility) work we also act to bring about good working conditions, a sustainable environment, good ethics and uphold human rights.

Mentice therefore commits to:
The Rights of Labour, including representation, working hours and conditions; occupational safety, comparative and equitable rates of pay and terms of employment and respect for diversity.

The Rule of Law in business practices, including corporate governance; accountancy standards; transparency and avoidance of conflicts of interest; respect for contract; free competition; condemnation of business malpractice, malfeasance, bribery and monopolistic behaviour; respect for, and protection of, trade secrets, confidential data and R&D content; a responsible approach to intellectual and intangible property rights in generation, use and protection at law.

Mentice works actively to improve the situation in healthcare where high workloads and outdated working methods are often a cause of burnout and insufficient quality of the delivered healthcare. We are convinced that a better structure for training and continuous improvement, including an open dialogue on improvement, will radically improve the working environment as well as quality and results.

As an example of Mentice's social commitment, we have entered into a collaboration with RAD-AID (www.rad-aid.org) where we provide the organization with simulation equipment and training so that RAD-AID can offer competence development to the world's resource-exposed areas. RAD-aid is a non-profit organization with operations in over 30 countries and with over 10,000 volunteers in 100 countries.

A Nonprofit Public Service
RAD-AID.org
Radiology serving the world

MENTICE'S CODE OF CONDUCT

Mentice is committed to act with uncompromising ethics and integrity at all times and in all situations. It will help us to earn and keep the trust and confidence of all of our stakeholders, including our employees, customers, suppliers, investors and the communities in which we all live and work.

Mentice Code of Conduct enables us to uphold the highest ethical standards in all situations, and across all the Mentice's locations. Mentice Code of Conduct provides direction as we navigate challenges in our work. It also helps us to make the best decisions when clear and easy answers may not be readily available. Mentice Code of Conduct sets the framework for what Mentice demands of management, staff, advisors and suppliers. A guide to working for and with Mentice, to enable each and every individual who with initiative and commitment contributes to the success of Mentice, whether working directly for us or recruited to work on our behalf, to exercise the responsibility they have received.

PERSONNEL

Mentice is a knowledge-intensive company where the employees are the single most important asset for the company's growth and profitability. In order to support this, Mentice will extend its work and support on employees' competence development as well as their well-being.

MENTICE PROVIDES A SAFE WORK ENVIRONMENT FOR ALL ITS EMPLOYEES

- The health and safety of our employees is Mentice highest priority.
- We invest in the facilities, tools, equipment, processes, and people to provide a safe work environment for our employees.
- We adopt and enforce safe work practices and comply with all health and safety laws and regulations and Company policies to ensure that protective measures are effective and that we maintain a safe work environment.

Mentice is a global company Mentice with operations on 5 continents. It is therefore obvious for us to work for diversity and equality. We believe that part of Mentice's success depends on the culture, experience and approach that characterizes the organization and the company strives continuously to maintain an environment free from discrimination.

In its role as an employer, Mentice strives for consensus of equality and diversity for our entire business. We also try to promote a Swedish view of human values and ethics and what works for a better world. We also work actively to increase the number of women among our employees in typically male positions.

HUMAN RIGHTS

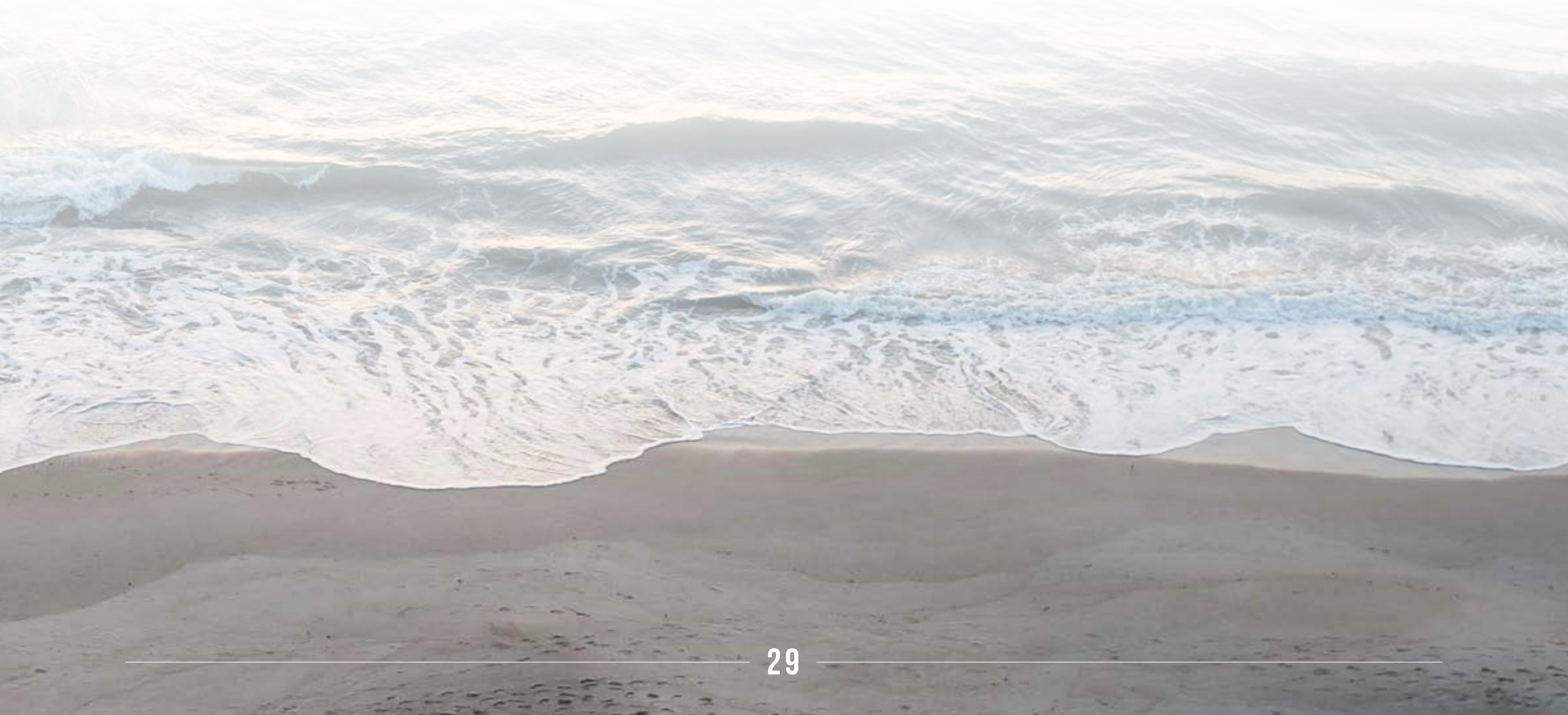
Mentice's operations comply with local regulations as well as national and international ethics rules. Mentice strives to have a positive impact on the countries in which we operate, and we follow the OECD's Transfer Pricing guidelines, which work for a fair allocation of the company's taxes between the countries in which it operates.

MENTICE COMPLIES WITH LAWS GOVERNING INTERNATIONAL TRADE

- As an importer, we comply with the laws and regulations of the countries in which we deliver goods, including customs regulations, classification and valuation.
- As an exporter, we comply with the laws of the countries from which we ship our finished products, components or technology as well as the export laws regardless of the shipping country.
- We do not do business with embargoed or sanctioned countries or individuals.

ANTI-CORRUPTION

Mentice believes that honesty, integrity and fair play are important company assets in business. Mentice therefore, do not permit the staff to ask for any advantage, including gifts, money or rebate, in business dealings.



MARKET OVERVIEW

THE GLOBAL SIMULATION MARKET

The total global medical simulation industry is predicted to grow with a compounded annual growth rate (CAGR) of 15 percent between 2017 and 2022, surpassing USD 2.5 billion per year at the end of this period.[1] Mentice's addressable market is however smaller. The company assesses that approximately 2,000 endovascular simulation systems have been installed, of which more than half are Mentice's systems. However, the company presumes that the addressable market is larger and will grow rapidly. This assessment is backed by the trend that procedures that are now performed with open surgery are expected to be performed by endovascular interventions in the future. Additionally, the company predicts that the healthcare sector will act to resolve the current flaws within patient safety and treatment quality.

MENTICE'S TOTAL ADDRESSABLE MARKET

The total addressable market for the company is expected to grow to USD 1.75 billion per year in the next 5 years. This market comprises not only simulation-based tools, but all performance enhancing solutions that can be used during endovascular procedures. It also includes an expansion outside the endovascular segment as well as the market for 3D segmentation. Based on the company's market assessment, the adressable market is divided as follows: Medical Device Industry: 0.5 billion USD, Teaching Entities: 0.1 billion USD, Healthcare Systems: 0.8 billion USD and 3D Segmentation: 0.3 billion USD. Se page 24 for information on how Mentice is establishing the company on this larger market (also referred to as Phase III).

THE ENDOVASCULAR SIMULATION MARKET

The endovascular simulation market that is addressed by Mentice can be broken out in three main segments: Medical Device Industry, Teaching Entities and Healthcare Systems.In addition, the 3D segmentation market constitutes additional market potential for the company.

MEDICAL DEVICE INDUSTRY

This segment comprises global manufacturers of medical devices where Mentice's customizable simulation solutions can be integrated to fit the required patient need.

- Solutions for medical technology manufacturers' sales departments (which normally also include training managers).
- Solutions for sales departments.
- Solutions for research and development, clinical trials, and quality assurance departments.
- Services in the form of customization and maintenance to the above revenue sources.

TEACHING ENTITITES

Teaching institutes use Mentice's simulation solutions for training of personnel to ensure high quality procedures. The company assesses the current market to exceed 1,000 simulation labs, about half of which are located in the US.[2]

HEALTHCARE SYSTEMS

Healthcare Systems is Mentice's largest addressable market segment. In 2018, 40,000 cath labs had been installed worldwide[3], and almost 4,000 are sold annually. The company's solutions can be integrated in the cath labs. Mentice's assesses that its partners Siemens Healthineers' and Philips Healthcare's cath labs represent over 50 percent of the global market. The company believe that eventually, every endovascular treatment facility should have access to a Mentice system for training, warm-up, mission rehearsal and debrief.

3D SEGMENTATION

An important step in creating a simulated endovascular procedure is to convert computer tomography data (sets of 2D images) of a patient into a virtual patient's 3D anatomy. The traditional way of doing so is to perform a manual 3D segmentation process to obtain the blood vessel tree, a process which is relatively slow. Mentice is developing and offering an alternative methods to go straight from computer tomography data to simulation and obtain the segmented data simultaneously in a more automated way. This opens new markets outside of simulation, such as medical image processing. In 2017, the total market for medical imaging analysis software was USD 2.6 billion[4], while the company assesses the addressable market for its specific target group should amount to USD 260–455 million.

BARRIERS TO ENTRY

Medical simulation is characterized by high barriers to entry due to the required level of technological expertise, necessary validation, and industry acceptance coupled with deep understanding of how to link clinical data for a procedure/treatment to relevant simulation solutions. However, Mentice believes that it has successfully entered the market by checking off the boxes necessary to become a market leader. Important factors include medical validation, technology, leverageable IP, and a strong and loyal established customer base.

1) Marketsandmarkets – Healthcare/Medical Simulation Market worth 2,575.4 Million USD by 2022, 2018.

2) The company's assessment based on that SSIH specifies that there are 490 simulation centers in the US (May 2019), and that the Bristol Medical Simulation Center indicates that there are about 300 simulation centers in Europe.

3) The company's assessment based on tindustry knowledge and dialogues with customers, and suppliers. The figure of 3,600 cath labs replaced or newly installed is from the report "IHS MARKIT ® Interventional X-ray Equipment Report, 2018".

4) Grand View Research, Medical Image Analysis Software Market by Type (Standalone), Images (2D, 3D, 4D), Modality (CT, MRI, PET, Ultra-sound), Application (Orthopedic, Dental, Oncology, Nephrology), End User (Hospital, Diagnostic Centre, Research) – Global Forecasts to 2022, 2017.

"The total global medical simulation industry is predicted to grow with a compounded annual growth rate (CAGR) of 15 percent between 2017 and 2022 surpassing USD 2.5 billion per year at the end of this period.

15%

FOCUS AREAS IN 2020

GLOBAL SALES

With a set of measures focused on improving net global sales in place at year-end, focusing on getting back to the company's 30-40% average annual revenue growth during short to medium term (next 3–5 years) is a key priority for Mentice when the uncertainty due to the Covid-19 pandemic is reduced. Mentice will however not be able to provide any guidance for 2020 at the current high level of uncertainty. Se page 38 for more information on how the Covid-19 situation is affecting Mentice's business operations.

STRATEGIC PARTNERSHIPS

With closer system integration and increased collaborative marketing and sales activities aimed at potential cath lab customers showing positive signs in late 2019, Mentice is aiming to further strenghten its succesful collaborations in this area in 2020.

STRUCTURAL GROWTH TOWARDS CRITICAL MASS

Mentice will continue to strengthen its organisation in 2020. Reaching a critical mass (number of employees as well as global reach) is of great importance as Mentice strives to consolidate its position as a global leader in endovascular simulations while also expanding within next-generation segments.

BROAD SUBSCRIPTION MODEL ROLL-OUT

In 2020, Mentice will roll out its implementation of a subscription-based model to additional customer groups. This is expected to create stronger and more predictable cashflows over time, with less dependence on seasonal investment patterns.

NEW PRODUCT LAUNCHES

As a part of implementing its subscription-based model, Mentice will need to deliver more frequent standard product updates. With additional product development resources added in 2019, the company is ready for this and has several product launches scheduled in 2020.

CONTINUE TO DEVELOP SOLUTIONS FOR ENHANCED CLINICAL PERFORMANCE (PHASE III)

With VIST® Case-It, Mentice is moving into phase III in its long-term strategy, which is to transform the company into a provider of solutions for enhanced clinical performance. The development of new solutions in this crucial area will continue in 2020.

FINANCIAL TARGETS, SHORT TO MEDIUM TERM

NET SALES GROWTH

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

PROFITABILITY

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

ADDITIONAL TARGET: LISTING ON NASDAQ STOCKHOLM

Mentice has a future listing at Nasdaq Stockholm's main market as a stated goal. Currently, Mentice is listed at Nasdaq First North Premium Growth Market.

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

MENTICE CORPORATE MISSION STATEMENT

THE MENTICE SHARE

GENERAL SHARE INFORMATION

According to company's articles of association, the share capital shall be no less than SEK 500,000 and no more than SEK 2,000,000 and the number of shares shall be no less than 20,000,000 and no more than 80,000,000. The registered share capital at December 31, 2019 is SEK 1,200,000 divided between 24,146,552 shares, each with a quota value of SEK 0.05. At December 31, 2019, the company had 1 483 shareholders according to Euroclear's offical register of shareholders. The company's shares have been issued in accordance with Swedish law, are of the same class, have been fully paid and are freely transferable. The company's shares are denominated in SEK. The shares are not subject to any offer made due to mandatory bid, redemption rights or redemption obligation. There have been no public takeover bids for the company's shares.

LISTING ON NASDAQ FIRST NORTH PREMIER

Mentice AB's (publ) share is listed on First North Premier Growth Market under the short name MNTC with ISIN code SE0012673291. Mentice's ICB category is Subsector 9500. FNCA Sweden AB is the company' Certified Advisor.

DIVIDEND POLICY

As the company operates on a market with high growth, the company considers that there will be a great need for reinvesting profits in the business. Any future dividends and their size will be determined on the basis of the company's financial position, organic growth, acquisition opportunities, and cash flow.

INCENTIVE PROGRAMS

At the Annual General Meeting held on 17 April 2019, it was resolved to implement an incentive program based on warrants for the employees in the company group and certain of the Group's consultants through a directed issue of not more than 1,429,922 warrants and to approve that such warrants are transferred from the company. With deviation from the shareholders' preferential rights, all 1,429,922 warrants have been subscribed for by the company's employees, certain of the Group's consultants, or by the company directly at a subscription price corresponding to the market value calculated by independent valuation with the Black & Scholes valuation model. The aim of the incentive program and the reason for the deviation from the shareholders' preferential rights was to establish an incentive for the company's employees and consultants in the company's group who to a high degree contribute to the company's development.

Each vested warrant entitles the holder to subscribe for one new share in the company against a cash payment at a subscription price of SEK 66.50 per share. The subscription price and the number of shares that each warrant confers right to subscribe for, is subject to customary recalculation provisions in connection with a new share issue etc. The warrants may be exercised during the period 1 April 2024 and 30 April 2024, and if all warrants are exercised for subscription of new shares, the company's share capital will be increased by SEK 71,496.10, and the number of shares will increase with 1,429,922.

DATA PER SHARE

	2019	2018
Earnings per Share, SEK 1)	-1.05	1.80
Equity per Share, SEK 2)	5.20	5.96
Cashflow from Operating Activities per Share, SEK 1)	-1.94	1.43
Share Price at the End of the Period, SEK	73.50	n/a
Number of Shares at the End of the Period	24,146,552	11,201,057
Number of Shares, Weighted Average during the Year	19,553,679	11,201,057

1) Earnings and cash flow per share are based on the weighted average number of shares during the period.
2) Equity per share is based on the total number of issued shares on balance sheet day.

SHARE PRICE DEVELOPMENT IN 2019

LARGEST SHAREHOLDERS

The Company's 10 Largest Shareholders at the End of 2019 (Source: Euroclear 2019-12-31):

Name	Number of Shares Held	Shareholding in %
Karin Howell -Bidermann	8,690,980	36.0 %
Bure Equity AB (publ)	2,448,000	10.1 %
Fjärde AP fonden	1,147,095	4.8 %
Priveq Investment Fund III KB	779,827	3.2 %
Core Ny Teknik	712,847	3.0 %
Göran Malmberg	692,516	2.9 %
Priveq Investment Fund III AB	416,232	1.7 %
Vindeggen AS	196,020	0.8 %
IKC Fonder AB	152,000	0.6 %
Andra AP Fonden	90,000	0.4 %
10 Largest Shareholders Total	15,325,517	63.5 %
Others	8,821,035	36.5 %
Total	24,146,552	100 %

BOARD OF DIRECTORS' REPORT

The Board of Directors and CEO hereby submit the following annual accounts and consolidated accounts.

BUSINESS OPERATIONS

Mentice AB, based in Gothenburg, Sweden, develops, sells and markets products and services in the field of medical simulation, focusing particularly on image-guided catheter-based technology for vascular intervention such as cardiology, neurology, vascular surgery and radiology.

Mentice AB is the parent company of the group (Mentice) and all information in the report relates to the group unless otherwise stated.

Mentice's products enable simulation of endovascular practice in a simple, realistic and efficient way, offering the possibility to conduct realistic training in a safe environment without risking the safety of patients. There is a rapid development of new treatment methods in the healthcare sector, especially regarding non-invasive methods, and the need for physicians and other staff to safely acquire and maintain their knowledge is central to controlling costs and quality in the healthcare sector.

The purpose of Mentice's solutions is to reduce the risk of mistakes in the healthcare sector as well as the suffering for patients, improve cost-effectiveness and generally offer opportunities for the healthcare sector to better utilize its resources.

Mentice is proud to be the global market leader in this area.

DEVELOPMENT OF THE COMPANY'S OPERATIONS, EARNINGS AND FINANCIAL POSITION

ASSETS AND WORKING CAPITAL

The Groups total assets amounted to SEK 187.1 million (130.6). The implementation of IFRS 16 has affected total assets by SEK 15.4 million. Tangible assets increase to SEK 7.9 million (6.5) while intangible assets decreased to SEK 31.7 million (33.4) Accounts receivable decreased to SEK 37.4 million (42.3) and cash balance per December 31, 2019 was SEK 48.0 million (17.8). Working capital per December 31, 2019 was SEK 63.9 million (17.2)

EQUITY

The Groups equity per December 31, 2019 was SEK 124.8 million (66.7). The result for the year decreased equity by SEK 19.2 million. Equity was increased by SEK 4.7 million related to the incentive program in 2019 and by SEK 74.0 million as result of new issuance of shares. The solidity was 66.7% (51.1) per December 31, 2019.

OWNERSHIP STRUCTURE

Since June 18, 2019 Mentice AB's share is listed at First North Premier Growth Market, Stockholm.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Mentice AB is listed at Nasdaq First North Premier Growth Market with June 18 as the first day of trading.

On August 1, Mentice announced that the company will introduce software subscriptions for the hospital market with a subscription-based pricing. Mentice has previously implemented the same pricing structure for their collaborations with Siemens Healthineers and Philips Healthcare. Together with this new structure, Mentice also introduces a structure for annual updates of all training modules, which is very valuable to the customers.

At the extraordinary general meeting on August 28, Denis Gestin, David Ballard and Gösta Johannesson were elected as new board members of Mentice AB.

In the fourth quarter, Mentice continued to see strong performance in its healthcare systems segment. This included a long-term engagement with German Society of Radiology (Deutsche Gesellschaft für Interventionelle Radiologie in der Deutschen Gesellschaft für Radiologie, DeGIR), covering Mentice systems during a multi-year agreement with a total order value of 4.6 MSEK. DeGIR will use Mentice equipment for training and eventually certification of junior and practicing interventional radiologists.

RESEARCH AND DEVELOPMENT AND ACTIVITIES

Mentice develops both the software- and hardware components of the company's systems at the development sites in Gothenburg, Sweden and Denver, Colorado, USA. The majority of the company's development efforts are targeting software improvements and project management of internal and external projects. Development is done for both internal products, but also customer specific projects, where Mentice offers customized simulation solutions to meet specific customer request.

PRODUCTION

Mentice endovascular simulator systems consist of Mentice's own simulator, combined with standard hardware such as laptops and monitors. The production of Mentice's simulators is outsourced to contract manufacturer while standard items can be purchased from multiple sources. Also, Mentice lets suppliers handle parts of the customization and modification process, where the software and hardware are combined to match each specific sales order. The production of the standardized simulator is currently handled by Montex AB.

Montex AB is responsible for assembling, testing, and delivering complete simulation systems to Mentice. Montex AB manufactures the simulator based on detailed product instructions and production solutions developed by Mentice. In order to follow Mentice's assembly instructions, Montex AB coordinates and manages material purchases and work flow with sub-suppliers. The production and each respective responsibility are covered by contracts.

FUTURE DEVELOPMENT AND OUTLOOK

Mentice has a positive view on the company's potential to continue its succesful development and thereby return to the communicated goals for growth and profitability (30–40% average annual net sales growth in the short to medium term (next 3-5 years) and 30% EBITDA marginal in the short to medium term (next 3-5 years)).

A selection of important areas/factors that the company expects to contribute to this development follows below:

Strategic alliances
In 2019, Mentice deepened its collaborations with the company's three strategic partners Siemens Healthineers, Philips Healthcare och Laerdal. By extending the integration the integration with their systems (including cath labs) and conducting joint marketing and sales activities, there is a potential for Mentice to continue to broaden its customer base in this area in the following years.

Implementation of a subsriction-based business model
By changing from perpetual licenses to an annual cost structure for an even larger share of its customer base, Mentice expects to achieve more stable cashflows with lower impact from seasonal variations. As this business model also includes implementing annual updates of the company's software modules, the customers can also be offered a greater value than before.

Launch of new products
In 2019, Mentice has increased the company's available resources in product development, and this means that the company will have a substantially stronger product launch schedule in 2020 and thereafter. This is true for annual updates of standard products in line with the new subscription-based model as well as for the launch of completely new modules.

Patient-specific simulation for prediction and higher precision when performing procedures
Mentice sees a potential in developing and offering solutions in higher-level decision support as the next phase in the company's development. This includes the usage of patient-specific simulation before, during and after a procedure to achieve improved efficiency, precision and thereby improved treatment results and lower cost of care.The first commercially available product in this area (VIST® CASE-IT) was launched in 2019. The product enables the creation of simulation cases from existing patient anatomies with just a few clicks.

INFORMATION ABOUT RISKS AND UNCERTAINTIES

The major part of the group's current sales is based on sales to clients in the medical device industry where the use of Mentice's simulators are mainly related to marketing and training in relation to launches and safe implementation of new medical devices.

Mentice sees the largest potential for growth in the Healthcare Systems segment, where Mentice currently has a smaller percentage of its total sales compared to the medical device industry. Substantial growth in this segment is reliant on mandates and regulatory change.

Mentice is an active opinion leader in these issues and our goal is to show that increased use of simulation leads to improved quality and safety in the healthcare.

In order to continue to drive growth, Mentice must constantly demonstrate that the use of simulation leads to increased safety for patients as well as healthcare personnel and, of course, reduced time to market for new products and to improved quality.

Our aging population and new innovative treatment methods for patients of all ages are a driving force for improvement which also drives the use of Mentice's products and solutions. Changes in the care reimbursement structure, where care providers' remuneration is based on quality and results, rather than volume, is another incentive for the use of Mentice's products. New proposals and stricter regulations for introducing new products and technologies are also likely to increase the need for training and certification, which is in line with Mentice's strategy.

The company's operations are exposed to risks as a result of the products being marketed in different countries. Thus, future earnings may be affected by a number of factors, including tax or financial regulations affecting the company as well as changes in a country's political or economic conditions. In addition, the general demand for medical devices is affected by a variety of macroeconomic factors and trends, such as inflation, deflation, recession, trade barriers, import or export license requirements, currency fluctuations and changes in the purchasing power for those paying for healthcare.

Mentice is dependent on qualified personnel in various positions. The ability to retain current personnel as well as the ability to recruit new employees are crucial to the company's future development. If key personnel leave the company or if Mentice is unable to recruit qualified staff, this could adversely affect the company's operations, earnings and financial position.

Mentice's sales are exclusively in the currencies EUR and USD and the company's expenses related to the business operations are mainly in the currencies SEK and USD. As a result, Mentice may be exposed to risks related to currency fluctuations. Fluctuations in these currencies can adversely affect the company's earnings and financial position.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Mentice AB uses forward exchange contracts to manage currency risk. The forward exchange contracts are used for commercial hedging of risks in connection with receivables

BOARD OF DIRECTOR'S REPORT, CONT.

from customers and are placed in accordance with the company's foreign exchange policy, in connection with orders. All management of forward contracts is made by the parent company. Other future cash flows are not hedged.

Mentice's operations are of such nature that the company is exposed to credit risk when selling to customers. In connection to sales to new customers or customers who are considered to have higher risk exposure, only advances or letters of credit are used.

Financial risks and risk management are further described in Note 21.

SUSTAINABILITY INFORMATION

Mentice is a global company with operations on 5 of the world's 6 continents. It is therefore obvious for us to work for diversity and equality, which can be seen by the fact that we have more than 20 nationalities employed in the group.

Mentice's operations comply with local regulations as well as national and international ethics rules.

Mentice strives to have a positive impact on the countries in which we operate, and we follow the OECD's Transfer Pricing guidelines, which work for a fair allocation of the company's taxes between the countries in which it operates.

We believe that part of Mentice's success depends on the culture, experience and approach that characterizes the organization and the company strives continuously to maintain an environment free from discrimination.

In its role as an employer, Mentice strives for consensus of equality and diversity for our entire business. We also try to promote a Swedish view of human values and ethics and what works for a better world. We also work actively to increase the number of women among our employees in typically male positions.

Mentice works actively to improve the situation in healthcare where high workloads and outdated working methods are often a cause of burnout and insufficient quality of the delivered healthcare. We are convinced that a better structure for training and continuous improvement, including an open dialogue on improvement, will radically improve the working environment as well as quality and results.

THE EFFECT OF COVID-19 ON MENTICE'S BUSINESS OPERATIONS

As stated in the company's year-end report, Mentice did not experience any noticeable effects on its business operations from the Covid-19 pandemic in the beginning of 2020. However, during the end of the first quarter the company started to notice a significant change in the behaviour of the market due to the Covid-19 situation. The immediate consequences were the travel bans and complete shut-down of market activities involving gathering of individuals. The short-term effect of this is that Mentice has been able to significantly reduce its costs related to travels and events. The company is instead using all available measures to replace meetings in person with virtual meetings and presentations over internet. Furthermore, the company is offering its clients to complementary add technology to their Mentice system to allow for remote solutions enabling remote support, and more importantly the ability for customers to continue engage with clients using their Mentice simulation solution.

There have so far been no noticeable effects on the company's product development pace, with a strong product launch schedule for 2020 still in place. Furthermore, Mentice do not see any negative impact on its ability to manufacture and deliver simulation hardware.

The Covid-19 situation will have an effect on the company's sales figures. Mentice's Teaching Entities segment is the one segment facing delays, while the Medical Device Industry segment and Strategic Alliances still have not seen a significant change in attitude. Generally, with the temporary pause of elective procedures in the world there is a significant pent-up demand for training for both postgraduates and attendings, since no one is getting actual clinical experience in the traditional on-the-job fashion. This should be a good argument for increased use of simulation as a supplement for lack of clinical experience.

It is obvious that the Covid-19 situation will impact Mentice in the short term, and most likely also have an impact on the company's overall performance for the year. However, considering how rapidly things are changing it is currently impossible to forecast the actual impact. As investments in solutions from Mentice are long-term commitments, which are expected to deliver substantial value and benefits to the customer over time, the company is convinced that this is a temporary effect that will vanish when the global situation normalizes. Furthermore, a phase of stronger order demand is expected when this happens, as customers will be keen to catch up on their investment plans.

FOREIGN BRANCHES

Mentice AB is the group's parent company with functions within sales, marketing, development, production and finance. Mentice AB also includes sales and service units for the Europe and Asia markets. Mentice AB has a branch in Germany.

SUBSIDIARIES

Mentice Inc: Subsidiary in the USA. Sales and service covering the market Americas. Since December 2017, Mentice is also engaged in development, support and training in Denver, Colorado, USA.

Mentice SA: Subsidiary in Switzerland. The company has no operations and is in the process of being liquidated.

Mentice K.K: Subsidiary in Japan. Sales and service covering the markets Japan and south-east Asia.

Mentice International Trading (Beijing) Co., Ltd: Subsidiary in China. Sales and service covering the market China.

MULTI-YEAR OVERVIEW

The Group's Financial Development in brief		2019	2018	2017	2016	2015
Net Sales	TSEK	149,370	157,048	108,966	92,811	84,066
Profit/loss after Financial Items	TSEK	-26,235	13,835	5,328	4,402	1,898
Total Assets	TSEK	187,140	130,586	93,819	59,004	52,630
Average Number of Employees		82	69	52	45	46
Operating Margin	%	-16.4	10.3	6.0	4.3	3.3

Operating margin is defined as operating profit/loss in relation to net sales.

In the multi-year overview, the years 2019, 2018 and 2017 have been reported in accordance with IFRS while the other years have been reported in accordance with the accounting principles of K3.

The Parent Company's Financial Development in brief		2019	2018	2017	2016	2015
Net Sales	TSEK	117,375	112,437	84,048	74,638	67,293
Profit/loss after Financial Items	TSEK	-33,917	11,635	-3,868	2,408	3,360
Total Assets	TSEK	210,008	155,197	126,302	104,631	102,200
Average Number of Employees		46	40	37	33	35
Operating Margin	%	-28.2	10.2	-3.1	2.1	2.7

PROPOSED APPROPRIATION OF RETAINED EARNINGS

At the disposal of the Annual General Meeting in TSEK:

Share Premium Reserve	91,231
Retained Earnings	32,647
Profit/loss for the Year	-25,846
Total	98,032

The Board proposes that the retained earnings are to be appropriated as follows:

Dividend	0
Carried forward	98,032
Total	98,032

The company's earnings and financial position in general are disclosed in the subsequent financial reports and accompanying financial statements.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE IN MENTICE

Mentice is a Swedish public limited liability company. Prior to the listing on Nasdaq First North Premier Growth Market, the Company's corporate governance was based on Swedish law and internal rules and instructions. With the listing on Nasdaq First North Premier Growth Market, the Company is complying with Nasdaq First North's Rule Book for Issuers and apply the Swedish Corporate Governance Code (the "Code"). The Code applies to all Swedish companies with shares listed on a regulated market in Sweden. Nasdaq First North Premier is not a regulated market, however, application of the Code is a formal listing requirement imposed by the exchange.

GENERAL MEETING

According to the Swedish Companies Act (2005:551), the general meeting is the Company's highest decision making body. At the general meeting, the shareholders exercise their voting rights in key issues, such as changes to the articles of association, the election of the board of directors and auditors, adoption of the income statement and balance sheet, discharge from liability of the board of directors and the CEO, the appropriation of profit or loss.

The Annual General Meeting must be held within six months from the end of the financial year. In addition to the Annual General Meeting, extraordinary general meetings may be convened. According to the articles of association, notices convening the general meetings are to be published in the Swedish National Gazette (Post- och Inrikes Tidningar) and by making the notice available on the Company's website. Information regarding the notice shall at the same time be advertised in Dagens Industri.

To attend and vote at the general meeting, either in person or through a proxy, shareholders must be registered in the share register kept by Euroclear Sweden AB five business days prior to the meeting and also register their participation to the Company no later than on the date specified in the notice convening the meeting. This date cannot be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and not fall earlier than the fifth business day prior to the meeting.

Shareholders who wish to have a specific matter brought before the general meeting must submit a written request to the Company's board of directors. Such request must normally have been received by the board of directors no later than seven weeks before the general meeting.

NOMINATION COMMITTEE

According to the Code, the Company shall have a nomination committee, the duties of which shall include the preparation and drafting of proposals regarding the election of members of the board of directors, the chairman of the board of directors, the chairman of the general meeting and auditors. The nomination committee shall also propose fees for board members and the auditor, and, if applicable, procedural matters for the next nomination committee. At the Annual General Meeting held on 17 April 2019, it was resolved to adopt instructions and rules of procedure for the nomination committee according to which the nomination committee shall consist of the chairman of the board of directors and three ordinary members representing the three largest shareholders per the end of the third quarter each year.

THE BOARD OF DIRECTORS

After the general meeting, the board of directors is the highest decision-making body of the Company. According to the Swedish Companies Act, the board of directors is responsible for the organization and management of the Company's affairs, which means that the board of directors is responsible for, among other things, establishing targets and strategies, securing procedures and systems for monitoring of set targets, continuously assessing the Company's financial position and evaluating the operational management. Furthermore, the board of directors is responsible for ensuring that proper information is given to the Company's shareholders, that the Company complies with laws and regulations and that the Company develops and implements internal policies and ethical guidelines. Moreover, the board of directors is responsible for ensuring that annual reports and interim reports are prepared in a timely matter. The board of directors also appoints the Company's CEO.

The members of the board of directors are elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting. According to the Company's articles of association, the board of directors shall consist of no less than three and no more than ten board members without any deputy board members. Currently, the board of directors consists of four ordinary board members elected by the general meeting, who are presented in the section "Board of directors, senior executives and auditors".

According to the Code, the chairman of the board of directors is to be elected by the general meeting. The role of the chairman is to lead the board of directors' work and to ensure that the work is carried out efficiently, and that the board of directors fulfils its obligations.

The board of directors adheres to written rules of procedure which are revised annually and adopted at the constituent board meeting. The rules of procedure regulate, among other things, the practice of the board of directors, tasks, decision-making within the Company, the board of directors' meeting agenda, the chairman's duties and allocation of responsibilities between the board of directors and the CEO. Instruction for financial reporting and instructions for the CEO are also adopted in connection with the constituent board meeting. The board of directors' work is also carried out based on an annual briefing plan which fulfils the board of directors' need for information. The chairman and the CEO maintain, alongside the board meetings, an ongoing dialogue on the management of the Company.

The board of directors meets according to a pre-determined annual schedule and in addition to the constituent board meeting, at least six ordinary board meetings shall be held between each Annual General Meeting. In addition to these meetings, extra meetings can be arranged for processing matters which cannot be referred to any of the ordinary meetings.

The board of directors has not established a remuneration committee, for the reason that the board considers it more appropriate that the board as a whole fulfills the assignments incumbent on the remuneration committee. In accordance with the Code, the board shall prepare matters regarding remuneration and other terms of employment for the CEO and other senior executives. The board shall also monitor and evaluate ongoing and completed programs for variable remuneration to the Company's management and to monitor and evaluate the implementation of the guidelines for remuneration to senior executives which the Annual General Meeting has adopted.

THE CEO AND OTHER SENIOR EXECUTIVES

The role of the CEO is subordinate to the board of directors and the CEO's main task is to carry out the Company's ongoing management and the daily activities of the Company. The rules of procedure of the board of directors and the instructions for the CEO stipulate which matters the board of directors shall resolve upon, and which matters that fall within the CEO's area of responsibility. Furthermore, the CEO is responsible for preparing reports and necessary information for decision-making prior to board meetings and presents the material at board meetings.

Mentice has a management team consisting of ten people which in addition to the CEO is comprised of the Company's Chief Financial Officer, Chief Technical Officer, VP of Products, VP of Global Operations, Executive VP of Sales, VP of Global Marketing, VP of Hospital Sales, VP of Strategic Alliance and VP of Human Resources.

The CEO and the senior executives are presented in the section "Board of directors, senior executives and auditors".

REMUNERATION TO THE BOARD OF DIRECTORS

REMUNERATION TO THE BOARD OF DIRECTORS

Fees to board members elected by the general meeting are resolved by the Annual General Meeting. At the general meeting held on 17 April 2019, it was resolved that a total fee of SEK 200 thousand was to be paid to the board members allocated as below: SEK 100 thousand were to be paid to Bengt Sjöholm and Johann Koss, respectively. At an extraordinary general meeting held on August 28, 2019 it was resolved that a total fee of SEK 530 thousand was to be paid to the new board members allocated as below: fee of SEK 360 thousand to Denis Gestin and SEK 170 thousand to Gösta Johannesson, and no board fee to David Ballard.

CORPORATE GOVERNANCE, CONT.

GUIDELINES FOR REMUNERATION TO THE CEO AND OTHER SENIOR EXECUTIVES

At the Annual General Meeting held on 17 April 2019, guidelines for remuneration to the CEO and other senior executives were adopted with the following main content. In summary, the main principle is that remuneration and other employment conditions for members of the senior management shall be based on market terms and competitive in order to ensure that the Group can attract and retain competent members of the senior management at a reasonable cost for the Company. The total remuneration for the senior management shall consist of a fixed salary, variable remuneration, pension and other benefits. In order to avoid that the senior management is encouraged to take inappropriate risks, there shall be a fundamental balance between fixed and variable remuneration. Variable remuneration shall be paid in cash and based on the result in relation to performance goals within the respective area of responsibility and be in line with the shareholders' interests. Variable remuneration shall correspond to a maximum of 50 percent of the fixed annual salary for the CEO and a maximum of 50 percent of the fixed annual salary for other members of the Group's senior management, without members of the senior management within sales management, meaning employee whose primary function is sales. Variable remuneration shall as a main principle not entitle to pension, unless otherwise agreed upon.

Other benefits such as a company car, additional health insurance and medical benefits shall be limited in value in relation to other remuneration and shall be paid only in so far as it is considered to be in accordance with the market for other members of senior managements holding corresponding positions on the employment market where the member in question is operating. Senior executives are offered the opportunity to participate in the long-term incentive program, which was decided at the Annual General Meeting held on 17 April 2019. Under the incentive program, senior executives will have the opportunity to subscribe for and be allotted warrants against payment in cash corresponding to the warrants' market value. The board of directors shall each year consider whether to propose that the Annual General Meeting adopts a share-based incentive program. Proposed incentive programs shall contribute to a long-term value growth.

Upon termination by the Company, the notice period shall be no longer than 12 months for all members of the senior management, with a right to redundancy payment after the expiration of the notice period corresponding to not more than 100 percent of the fixed salary for a maximum of 12 months, meaning that the fixed salary and redundancy payment shall together not exceed 24 months' fixed salary. Any right to redundancy payment shall, as a main rule, decrease in situations where remuneration is received from another employer.

Upon notice given by a member of the senior management, the notice period shall generally be 6 months for the CEO and 3–6 months for other members of the senior management.

In so far as board members elected by the shareholders' meeting are performing work that stretches beyond the tasks of the board of directors, it shall be possible to pay them for such work. Such remuneration shall be market based and shall be approved by the board of directors.

The guidelines are applicable on agreements entered into after the shareholders' meeting's decision, and as far as changes are made to existing agreements, thereafter. The board of directors shall be entitled to deviate from the guidelines in individual cases if there are special reasons therefore.

EMPLOYMENT AGREEMENTS FOR THE CEO AND OTHER SENIOR EXECUTIVES

The Company's CEO is entitled to pension benefits in accordance with ITP 1. The mutual notice period for the CEO is twelve months, and the CEO is entitled to severance pay equal to twelve times his fixed monthly base salary, including eventual variable remuneration and pension benefits. Furthermore, the CEO's employment agreement contains provisions concerning intellectual property for the benefit of the Company, as well as customary undertakings regarding confidentiality, non-competition and non-solicitation following termination of the employment.

The employment agreements for the other senior executives stipulate notice periods of between one to six months in case of termination by the employee and between zero to six months in case of termination by the Company. Aditionally, the employment agreements include provisions concerning intellectual property for the benefit of the Company, as well as customary undertakings regarding confidentiality, non-competition and non-solicitation following termination of the employment. Senior executives are also entitled to individual pension contributions.

EXTERNAL AUDIT

The Company's auditor is appointed by the Annual General Meeting for the period until the end of the next Annual General Meeting. The auditor examines the annual report and accounts as well as the management performed by the board of directors and the CEO. Following each financial year, the auditor shall submit an audit report to the Annual General Meeting. The Company's auditor reports its observations from the audit and its assessment of the Company's internal control to the board of directors.

At the Annual General Meeting held on 17 April 2019, KPMG AB was elected as the Company's auditor with Fredrik Waern as the principally responsible auditor. At the Annual General Meeting, it was also resolved that the fees to the auditor should be paid in accordance with normal charging standards and approved invoice. The total fee paid to the company's auditors for the financial year 2019 amounted to SEK 746 thousand of which SEK 500 thousand regarded the audit assignment, and SEK 246 thousand regarded other assignments.

INTERNAL CONTROL

The overall purpose of the internal control is to ensure that the Company's strategies and objectives can be implemented within the business and to ensure that the financial reporting has been prepared in accordance with applicable laws, accounting standards and other requirements imposed on listed companies. The board of director's responsibility for the internal control is governed by the Swedish Companies Act, the Swedish Annual Reports Act and the Code. In the rules of procedure for the board of directors, the instruction for the CEO and the instruction for financial reporting, all of which have been adopted by the board of directors, the allocation of the roles and responsibilities have been stated in order to contribute to an effective management of the Company's risks. The board of directors also has the task to monitor the Company's financial position, to monitor the effectiveness of the Company's internal control and risk management, to be informed about the audit of the annual report and consolidated financial statements, and to review and monitor the auditor's impartiality and independence. In addition to the above mentioned controls, the Company also continuously carries out quality controls of its suppliers and its partners in order to ensure that they meet the requirements set out by the Company.

Continuous risk assessments are carried out in connection with strategic planning, forecasting work and specific risk sessions in order to identify, quantify and relate to how identified risks can be managed and, if possible, be limited. The presentation of the identified risks shall, as a minimum, be submitted to the board of directors once per year.

MANAGEMENT TEAM

GÖRAN MALMBERG

GROUP CEO & PRESIDENT

Education: Master of Science in Mechanical Engineering from Linköping Technical University, Sweden.

Joined Mentice: 2008

Professional background: CEO/President for Mentice since 2008. Over 25 years of experience from international management, sales and marketing of high tech products for various industries such as manufacturing, automotive, industrial products.

Holdings: 710,670 shares and 357,480 warrants held directly and indirectly through company.

MATAR DAKHIL

EXECUTIVE VP OF SALES

Education: MSc Mechanical Engineering (RWTH Aachen, Germany), Executive MBA Hult Business School (London, UK)

Joined Mentice: 2005

Professional background: Matar has over 20 years of experience within the medical device industry, 10 of which in the area of interventional cardiology. Before joining Mentice, Matar held various business development, senior sales and marketing positions in Europe (Berlin) and throughout Asia Pacific (including Penang, Malaysia, Tokyo, Japan and Shanghai, PR China).

Holdings: 147,833 shares and 43,330 warrants.

HENRIK STORM

CHIEF TECHNICAL OFFICER

Education: Master of Science in Electrical Engineering and Licentiate Degree in Applied Mathematics from Chalmers University of Technology.

Joined Mentice: 2014

Professional background: More than 15 years of experience in many fields of technology development and management , ranging from software (including video compression, image processing, biometric matching algorithms) to hardware (silicon development and manufacturing, PCB design, electronic packaging and testing, mobile device integrations).

Holdings: 40,848 shares and 43,330 warrants.

EDWARD FALT

VP OF PRODUCT

Education: M.Sc Engineering Physics at Chalmers University of Technology.

Joined Mentice: 2008

Professional background: Edward has been with Mentice since 2008 and has been part of the management team since 2016. Since 2019, Edward has been responsible for product management globally. Prior to Mentice, Edward worked as an engineer, consultant and programmer in the pharmaceutical industry, and has also worked at the Swedish Defense Agency's research institute.

Holdings: 20,000 shares and 43,330 warrants.

BENJAMIN SPEICH

VP OF GLOBAL OPERATIONS

Education: Associates Degree Computer Networking Services, ITT Technical Institute.

Joined Mentice: 2008

Professional background: Ben joined as service engineer and has been on the management team since 2015. Prior to joining Mentice, Benjamin was enlisted in the United States Air National Guard for 8 years as a C130 Turbprop Specialist.

Holdings: 0 shares and 0 warrants.

ELISABET LUND

CHIEF FINANCIAL OFFICER

Education: Bachelor Degree in Finance and Business Administration, University of Gothenburg

Joined Mentice: 2012

Professional background: Elisabet joined as CFO and has been part of the management team since 2012. Prior to joining Mentice, Elisabet held the position of CFO of Neoventa Medical – a provider of fetal monitoring solutions.

Holdings: 5,000 shares and 25,000 warrants.

THANOS KARRAS

VP OF GLOBAL MARKETING

Education: Thanos received his MBA from the Kellogg Graduate School of Management and holds a Master of Engineering degree in Computer Science from the University of Florida.

Joined Mentice: 2019

Professional background: Thanos joined Mentice early January and brings exceptional healthcare industry experience with over 20 years background from the medical arena with senior positions both from GE Imaging, Siemens Healthcare and most recently from Sectra.

Holdings: 0 shares and 20,000 warrants.

MARTIN HARRIS

VP STRATEGIC ALLIANCES

Education: NVQ 3/ BTEC 3 in Business Administration from DDI Business School, Chester, UK.

Joined Mentice: 2006-2013, 2015

Professional background: Heading the Strategic Alliances division since 2017. Previous background focused in the areas of Sales, IT and Teaching.

Holdings: 2,000 shares and 34,483 warrants.

KJELL ASSERLIND

VP GLOBAL HEALTHCARE SYSTEMS

Education: Mechanical Engineering degree, Diploma in Higher Marketing and Basic Economics from Gothenburg University, Sweden.

Joined Mentice: 2014

Professional background: 20+ years in international IT high-tech sales, marketing and management with companies like, Financial Technologies, Nasdaq OMX, Xdin, Silicon Graphics and Sun Microsystems.

Holdings: 0 shares and 43,330 warrants.

MARIA THILMANN

VP OF HUMAN RESOURCES

Education: Master of Human Resources from Gothenburg University, Sweden.

Joined Mentice: 2019

Professional background: 20 years of experience from management in Human Resources within different segments and countries.

Holdings: 464 shares and 2,000 warrants.

BOARD OF DIRECTORS

LAWRENCE D. HOWELL

CHAIRMAN

Lonnie Howell has held multiple executive positions in the banking and investment sector since the late 1970s, most recently as Chief Executive Officer of EFG International, a listed bank holding company. Between 1995-1997, Lawrence was CEO of the predecessor, EFG Bank, and Chief Executive Officer of EFG Bank Zurich 1997-2005. Lawrence worked for Coutts & Co. International Private Banking 1989-1995. Between 1986-1989, Lawrence spent three years at Citibank Switzerland as VP in charge of Swiss Ultra High Net Worth clients.

Holdings: 8,690,980 shares held by spouse Karin Howell Bidermann.

Independent: Independent in relation to the company and its management, but not in relation to major shareholders.

MAGNUS HARDMEIER

Magnus Hardmeier is the Executive Chairman of Priveq Investment, a leading Swedish private equity investor, and an investor in Mentice AB since 2005. He has accumulated more than 30 years of venture capital and private equity business experience. Prior to joining Priveq Investment in 1987, Magnus worked in the financial department at Wallenius and spent three years with the Swedish venture capital company Företagskapital. Magnus has been actively involved in a number of different business sectors, with a particular focus on medical technology and high-tech product companies.

Holdings: -

Independent: Independent in relation to the company and its management, but not in relation to major shareholders, as a representative for Priveq Investment, the company's second largest shareholders.

BENGT SJÖHOLM

Bengt Sjöholm has long experience from the Medtech industry, essentially within the pharmaceutical and hospital sectors. Bengt held leading positions in the Getinge Group, being a part of the group management for more than 10 years. He was also CEO of Tylö group, a company within the wellness business and Movement Medical AB, an orthopedic hospital, now a part of the Capio group. Bengt is currently involved in creating a new concept for hospital management, Hälsostaden.

Holdings: 15,000 shares held indirectly through company.

Independent: Independent in relation to the company and its management, and in relation to major shareholders.

JOHANN KOSS

Johann Koss is an internationally recognized social entrepreneur. He founded Right To Play in 2000, an influential international non-government organization. Currently, Right To Play operates in more than 20 countries reaching over one million children each week, and has of 2014 had an annual budget of $48 million. Johann has received a number of awards for his philanthropic service and leadership. Before founding Right To Play, Johann was an Olympic speed skater, in 1994 he won three gold medals in the Lillehammer Olympic Games.

Holdings: -

Independent: Independent in relation to the company and its management, and in relation to major shareholders.

DAVID J. BALLARD

David is a global healthcare executive with demonstrated abilities for improving healthcare value and organizational financial performance while providing international thought leadership. Prior to joining Mentice, David was Consultant and founding Head of the Mayo Section of Health Services Evaluation, Professor of Medicine and Epidemiology at Emory University and Senior VP and Chief Quality Officer of Baylor Scott and White Health, the largest health care system in Texas. He currently serves as an Executive Advisor for AlertMD, a health care analytics and artificial intelligence company with a mission to increase customer loyalty and efficiency across health care systems and is a member of the UNC Chancellor's Global Leadership Council.

Holdings: 33,928 shares and 238,320 warrants.

Independent: Independent in relation to the company and its management, and in relation to major shareholders.

DENIS GESTIN

Denis Gestin has over 30 years of experience in the management and commercial development of medical technologies companies. He began his career at Ela Medical Inc. (Livanova), and later joined St. Jude Medical where he most recently was President of the International Division (OUS) and was instrumental in the development of the company from $600 million to close to $6 billion. He then became Senior VP of Global Commercial Integration after the merger with Abbott Laboratories. Denis serves as Chairman of the board in Holistick Medical, France, for Endo Tools Therapeutics and is board member of CathVision.

Holdings: -

Independent: Independent in relation to the company and its management, and in relation to major shareholders.

GÖSTA JOHANNESSON

Gösta Johannesson, is Senior Advisor at Bure Equity. Gösta has been working with investments more than 20 years. Prior to Bure, Gösta was a Partner at Provider Partners between 2000-2013 were he negotiated and completed several M&A deals and financing rounds. He has also held several senior positions at Öhman Fondkommission and Handelsbanken Markets. He is currently chairman of the board of XVIVO Perfusion, deputy chairman of Interflora and Axiell Group, board member of Yubico, Scandinova and others.

Holdings: 10,000 shares held indirectly through company.

Independent: Independent in relation to the company and its management, but not in relation to one major shareholders.

FINANCIAL STATEMENTS

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GROUP – CONSOLIDATED INCOME STATEMENT

TSEK	Note	Jan–Dec 2019	Jan–Dec 2018
Net Sales	2, 3	149,370	157,048
Other Income	4	3,333	8,737
		152,703	**165,785**
Cost of Goods Sold		-22,520	-29,454
Other External Costs	6, 22	-50,830	-40,819
Personnel Costs	5	-92,266	-74,730
Depreciation of Tangible and Intangible Assets		-11,562	-4,654
Operating Income (EBIT)		**-24 475**	**16 128**
Financial Income		196	511
Finance Expenses		-1,956	-809
Write-down of Financial Receivables		0	-1 995
Net Financial Items	7	**-1,760**	**-2,293**
Net Result before Tax		**-26,235**	**13,835**
Tax	8	5 635	6 313
Net Result for the Year		**-20,600**	**20,148**
Net Result for the Year		**-20,600**	**20,148**
Net Result for the Year attributable to:			
Shareholders Parent Company		-20,600	20,148
Non-controlling Interest		0	0
Net Result for the Year		**-20,600**	**20,148**
Earnings per Share	9		
Basic (SEK)		-1.05	1.80
Diluted (SEK)		-1.05	1.80

GROUP – CONSOLIDATED INCOME STATEMENT AND TOTAL RESULT

TSEK	Note	Jan–Dec 2019	Jan–Dec 2018
Net Result for the Year		-20,600	20,148
Other Total Result for the Year			
Items that have been or may be Reclassified to Net Result for the Year	17		
Recalculation Differences for the Year from Recalculation of International Business Operations		1,356	-1,041
		1,356	-1,041
Other Total Result for the Year		**1,356**	**-1,041**
Total Result for the Year		**-19,244**	**19,107**
Net Result for the Year attributable to:			
Shareholders Parent Company		-19,244	19,107
Non-controlling Interest		0	0
Total Result for the Period		**-19,244**	**19,107**

GROUP – CONSOLIDATED BALANCE SHEET

TSEK	Note	Dec 2019	Dec 2018
Assets			
Intangible Fixed Assets	10	31,735	33,400
Tangible Fixed Assets	11	7,892	6,540
Rights-of-use Assets	12	16,581	0
Deferred Tax Assets	8	15,815	9,569
Total Non-current Assets		**72,023**	**49,509**
Inventories	14	9,316	4,955
Current Tax Receivable	8	2,800	2,581
Accounts Receivable		37,382	42,333
Prepaid Costs and Accrued Income	15	17,451	13,268
Other Receivables		127	119
Cash and Cash Equivalents	16	48,041	17,821
Total Current Assets		**115,117**	**81,077**
Total Assets		**187,140**	**130,586**
Equity	17		
Share Capital		1,207	1,120
Other Paid in Capital		91,231	12,032
Other Capital Including Net Result for the Year		32,327	53,587
Total Equity Attributable to Parent Company Shareholders		**124,765**	**66,739**
Minority Share in Total Equity		**0**	**0**
Total Equity		**124,765**	**66,739**
Liabilities	8		
Accrued Tax Liabilites		0	166
Long-term Leasing Liabilities		10,393	0
Total Long-term Liabilities		**10,393**	**166**
Accounts Payable		7,109	11,439
Tax Liabilities	8	395	280
Other Liabilities		1,626	1,358
Current leasing Liability		5,055	0
Accrued Expenses and Deferred Income	19	37,797	50,604
Total Current Liabilities		**51,982**	**63,681**
Total Liabilities		**62,375**	**63,847**
Total Equity and Liabilities		**187,140**	**130,586**

For more information on pledged assets and contingent liabilities , see note 23.

GROUP – CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TSEK	Equity Attributable to Parent Company Shareholders						
	Share Capital	Other Paid in Capital	Translation Reserve	Other Capital incl. Net Result	Total	Minority Share	Total Equity
Opening Balance Equity 2018-01-01	1,120	12,032	-254	35,743	48,641	0	48,641
Other Total Result for the Year							
Net Result for the Year				20,148	20,148	0	20,148
Other Total Result for the Year			-1,041		-1,041		-1,041
Total Result for the Year	**–**	**–**	**-1,041**	**20,148**	**19,107**	**0**	**19,107**
Transactions with Group Owners							
Contributions from and Distributions to Owners							
Dividend				-1,009	-1,009		-1,009
Total Contributions from and Distributions to Owners	–	–	–	-1,009	-1,009	0	-1,009
Total Transactions with Group Owners	**–**	**–**	**–**	**-1,009**	**-1,009**	**0**	**-1,009**
Closing Balance Equity 2018-12-31	**1,120**	**12,032**	**-1,295**	**54,882**	**66,739**	**0**	**66,739**
Opening Balance Equity 2019-01-01	1,120	12,032	-1,295	54,882	66,739	0	66,739
Total Result for the Year							
Net Result for the Year				-20,600	-20,600	0	-20,600
Other Total Result for the Year			1,356		1,356		1,356
Total Result for the Year	**–**	**–**	**1,356**	**-20,600**	**-19,244**	**0**	**-19,244**
Transactions with Group Owners							
Contributions from and Distributions to Owners							
Stock Option Program		4,673			4,673		4,673
New Issuance of Shares	87	82,832			82,919		82,919
Issuing Costs		-8,306			-8,306		-8,306
Dividend				-2,016	-2,016		-2,016
Total Contributions from and Distributions to Owners	**87**	**79,199**	**–**	**-2,016**	**77,270**	**0**	**77,270**
Total Transactions with Group Owners	**87**	**79,199**	**–**	**-2,016**	**77,270**	**0**	**77,270**
Closing Balance Equity 2019-12-31	**1,207**	**91,231**	**61**	**32,266**	**124,765**	**0**	**124,765**

See also note 17.

GROUP – CONSOLIDATED STATEMENT OF CASH FLOW

TSEK	Note	Jan–Dec 2019	Jan–Dec 2018
	27		
Operating Activities			
Result before Tax		-26,235	13,835
Adjustments for Non-cash Items		10,789	4,692
Tax Paid		-544	-2,120
		-15,990	**16,407**
Increase(-)/Decrease(+) Inventories		-5,959	1,705
Increase(-)/decrease(+) Current Assets		2,174	-18,321
Increase(+)/decrease(-) in Current Liabilities		-17,507	16,214
Cash-flow from Operations		**-37,282**	**16,005**
Investming Activities			
Investments in Tangible Assets		-3,819	-2,534
Capitalised Development Costs		-152	-9,858
Cash-flow from Investment Activities		**-3,971**	**-12,392**
Financial Activities			
Share Options Payed for by Employees		4,673	–
New Issuance of Shares		82,000	–
Issuing Costs		-8,306	–
Amortization of Lease Liability		-5,055	–
Dividend Paid to Parent Company Shareholders		-2,016	-958
Cash-flow from Financing Activities		**71,296**	**-958**
Cash flow for the Year		30,043	2,655
Opening Cash Balance		17,821	14,712
Exchange Rate Differences in Cash and Cash Equivalents		177	454
Closing Cash Balance		**48,041**	**17,821**

PARENT COMPANY – INCOME STATEMENT

TSEK	Note	Jan–Dec 2019	Jan–Dec 2018
Net Sales	2, 3	117,375	112,437
Capitalised Expense for Development		9,715	9,858
Other Income	4	3,333	8,737
		130,423	131,032
Goods for Sale		-17,999	-42,179
Other External Costs	6, 22	-85,897	-27,865
Personnel Expenses	5	-55,260	-45,316
Depreciations on Tangible and Intangible Assets		-4,339	-2,978
Other Operating Expenses		–	-1,268
Operating Result		**-33,072**	**11,426**
Other Interest Income and similar Profit/Loss Items		166	1,352
Interest Expenses and similar Profit/Loss Items		-1,011	-1,143
Result after Financial Items	7	**-33,917**	**11,635**
Untaxed Reserves		775	-775
Result before Tax		**-33,142**	**10,860**
Tax	8	7,296	-2,100
Result for the Year		-25,846	8,760

Other Total Result corresponds to Result for the Year as there are no items to present in Other Total Result.

PARENT COMPANY – BALANCE SHEET

TSEK	Note	Dec 2019	Dec 2018
Assets			
Non-Current Assets			
Intangible Assets	10	33,609	35,799
Tangible Assets	11	1,563	1,037
Financial Fixed Assets			
Shares in Group Companies	25	41,656	41,178
Receivables Group Companies	13	838	3,982
Deferred Tax Receivable	8	7,682	386
Total Financial Fixed Assets		*50,176*	*45,546*
Current Assets			
Inventories	14	4,782	3,453
Current Receivables			
Accounts Receivable		29,712	28,582
Receivables Group Companies		31,636	19,011
Current Tax Assets		2,800	2,582
Other Receivables		31	120
Prepaid Expenses and Accrued Income	15	13,547	6,400
Total Current Receivables		77,726	56,695
Cash and Cash Equivalents	16	42,152	12,667
Total Current Assets		**124,660**	**72,815**
Total Assets		**210,008**	**155,197**

TSEK	Note	Dec 2019	Dec 2018
Equity and Liabilities			
Equity	17		
Restricted Equity			
Shareholders Equity		1,207	1,120
Capitalization of Development Cost		27,894	18,541
Non-restricted Equity			
Premium Reserve		91,231	12,032
Balanced Result		32,647	35,256
Profit/Loss for the Year		-25,846	8,760
Total Equity		**127,133**	**75,709**
Untaxed Reserves	26	**0**	**775**
Long-term Liabilities			
Liabilities Group Companies	18	46,297	27,126
Total Long-term Liabilities		*46,297*	*27,126*
Current Liabilities			
Accounts Payable		6,535	11,179
Other Liabilities		988	1,101
Accrued Expenses and Prepaid Income	19	29,055	39,307
Total Current Liabilities		*36,578*	*51,587*
Total Equity and Liabilities		**210,008**	**155,197**

For information on pledged assets and contingent liabilities, see note 23.

PARENT COMPANY – STATEMENT OF CHANGES IN EQUITY

	Restricted Equity		Non-restricted Equity			
TSEK	Share Capital	Fund for Development Costs	Share Premium Reserve	Retained Earnings	Net Result for the Year	Total Equity
Opening Balance Equity 2018-01-01	1,120	8,683	12,032	46,199	-74	67,960
Total Result for the Year						
Net Result for the Year		9,858		-9,859	8,760	8,759
Total Result for the Year	**–**	**9,858**	**–**	**-9,859**	**8,760**	**8,759**
Dividend				-1,009		-1,009
Closing Balance Equity 2018-12-31	**1,120**	**18,541**	**12,032**	**35,331**	**8,686**	**75,710**
Opening Balance Equity 2019-01-01	1,120	18,541	12,032	35,331	8,686	75,710
Stock Option Program			4,673			4,673
New Issuance of Shares	87		82,831			82,918
Issuing Costs			-8,306			-8,306
	1,207	**18,541**	**91,230**	**35,331**	**8,686**	**154,995**
Total Result for the year						
Net Result for the Year		9,353		-9,353	-25,846	-25,846
Total Result for the Year	**–**	**9,353**	**–**	**-9,353**	**-25,846**	**-25,846**
Dividend				-2,016		-2,016
Closing Balance Equity 2019-12-31	**1,207**	**27,894**	**91,230**	**23,962**	**-17,160**	**127,133**

PARENT COMPANY – CASH FLOW STATEMENT

TSEK	Note	Jan–Dec 2019	Jan–Dec 2018
	27		
Operating Activities			
Net Result after Financial Items		-33,917	11,635
Adjustments for Non-cash Items		6,340	1,338
Tax Paid		-218	-2,015
		-27,795	10,958
Increase(-)/Decrease(+) Inventories		-1,998	-1,542
Increase(-)/Decrease(+) Current Assets		389	-19,021
Increase(+)Ddecrease(-) Current Liabilities		-15,895	11,045
Cash-flow from Operations		**-45,299**	**1,440**
Investing Activities			
Investments in Tangible Assets		-934	-107
Investments in Intangible Assets		–	-3,554
Capitalised Development Costs		-152	-9,858
Investment in Financial Assets		-478	
Cash-flow from Investment Activities		**-1,564**	**-13,519**
Financial Activities			
Loans to Group Companies		–	7,829
Changes in Loans from Group Companies		–	4,620
Share Options Payed for by Employees		4,673	–
New Issuance of Shares		82,000	–
Issuing Costs		-8,306	–
Dividend		-2,016	-958
Cash-flow from Financial Activities		**76,351**	**11,491**
Cash-flow for the Year		29,488	-587
Opening Cash Balance		12,667	12,800
Exchange Rate Differences in Cash and Cash Equivalents		-3	454
Closing Cash Balance		**42,152**	**12,667**

NOTES TO THE FINANCIAL REPORTS

NOTE 1 • Accounting Policies

Compliance with standards and legislation
The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. Furthermore, the Swedish Council for Financial Reporting's (Rådet för finansiell rapportering) recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied.

The parent company applies the same accounting principles as the group except in the cases listed below under the section "Parent Company's accounting principles".

The annual report and the consolidated accounts have been approved for issue by the Board of Directors and the CEO on April 27 2020. The group's report on profit/loss and other comprehensive income and the statement of financial position and the parent company's income statement and balance sheet are subject to approval at the Annual General Meeting on May 27 2020.

Measurement bases applied during the preparation of the financial statements
Assets and liabilities are recognised at the historical acquisition cost apart from derivative instruments, which are measured at fair value.

Functional currency and reporting currency
The Parent Company's functional currency is the Swedish Krona (SEK), which is also the official reporting currency for the Parent Company and the Group. This means that the financial statements are presented in Swedish Krona (SEK). All amounts are rounded off to the nearest thousand, unless otherwise stated.

Assessments and estimates in the financial statements
Preparing financial statements pursuant to IFRS requires the company management to make estimates and assessments as well as make assumptions that influence the application of the accounting principles and the recognised amounts for assets, liabilities, income and costs. The real outcome may differ from these estimates and assessments.

The estimates and assessments are reviewed regularly. Changes in estimates are recognised in the period that the change is made, if the change only affects this period, or in the period that the change is made and future periods, if the change affects both the current period and future periods.

Assessments by the company's management that has a substantial impact on the financial statements and estimates that could require substantial adjustments in the financial statement for the following year are described below.

Assessment of possible depreciation of balanced expenses for product development
There were no indications of a need for depreciation per December 31, 2019. Projects activated in the balance sheet can with reasonable certainty be expected to generate economic benefits in the foreseeable future. Assets are written off in a linear manner during the estimated usage period.

Assessment of possible depreciation of goodwill and patents
When calculating the recoupment value of cashflow generating units for the assessment of a possible need for depreciation of goodwill and patents, several assumptions of future conditions and estimates have been made.

Essential accounting principles applied
The accounting principles given below, with the exceptions that are described in more detail, have been consistently applied for all periods as presented in the Group's financial statements. Furthermore, the Group's accounting principles have been consistently applied by the Group's companies.

Amended accounting principles

IFRS 16 Leasing Agreements
The Group will apply IFRS 16 *Leasing Agreements* with effect from 1 January 2019. IFRS 16 introduces a single lessee accounting model. A lessee recognises a right-to-use asset that represents a right to use the underlying asset and a lease liability that represents an obligation to pay lease payments. There are exemptions for short-term leases and leasing of assets with a low value.

IFRS 16 *Leasing Agreements* superseded existing IFRS related to recognition of leases, such as IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC 15 *Operating Leases – Incentives* as well as SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*.

Leases where the Group is lessee
The Group will recognise new assets and liabilities for operative leases concerning office facilities. The costs for these leases will change, because the Group will report depreciation for right-to-use assets and interest expenses for lease liabilities.

IFRS 16 Leasing Agreements is a new standard for leases. For lessees, the classification into operational and financial leases according to IAS 17 disappears and is replaced with a model where assets and liabilities for all leases have to be recognised on the balance sheet. There are exemptions for recognition on the balance sheet for low-value leases and for leases with a lease term of 12 months or less. In the income statement, depreciations have to be recognised separate from interest costs attributable to the leasing liability. Based on a completed analysis, IFRS 16 will have significant effects on the Group's financial position as all leased assets, including leases for premises, are reported as assets and liabilities in the balance sheet.

IFRS 16 has been applied for the Group for the financial year beginning January 1, 2019. In the parent company, all leases will be reported as operating leases.
Other future changes are deemed, in the present situation, not to have any material effect on the financial statements.

Classification etc.
Fixed assets, in all essentials, comprise amounts that are expected to be recouped or paid later than twelve months after

the balance sheet date, while current assets, in all essentials, comprise amounts that are expected to be recouped or paid within twelve months from the balance sheet date.

Operating segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn income and for which discrete financial information is available. An operating segment is followed up further by the company's chief operating decision maker in order to evaluate revenue as well as to be able to allocate resources to the operating segment. See note 3 for further description of the division and presentation of operating segments.

Principles of consolidation and business combinations

Subsidiaries

Subsidiaries are companies that are controlled by Mentice AB. Control exists if Mentice AB controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether there is control, potential shares with voting rights as well as if de facto control exists are taken into consideration.

Subsidiaries are recognised according to the acquisition method. This method means that the acquisition of a subsidiary is considered as a transaction, whereby the Group indirectly acquires the subsidiary's assets and takes over its liabilities. In the acquisition analysis, the fair value is established on the acquisition date of acquired identifiable assets and assumed liabilities as well as any holdings without controlling influence. Transaction expenses that occur are recognised directly in profit/loss for the year.

Transactions eliminated at consolidation

Intra-Group receivables and liabilities, revenue and expenses and unrealised gains or losses that arise from transactions between Group companies are eliminated in their entirety when preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment requirement.

Foreign currency

Transactions in foreign currency

Foreign currency transactions are translated into the functional currency at the exchange rate prevailing on the date of the transaction. Functional currency is the currency of the primary economic environments in which the companies operate. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rate applicable on the balance sheet date. Exchange rate differences that arise in translation are recognised in profit/loss for the year. Non-monetary transactions and liabilities are recognised at historic acquisition value translated to the exchange rate at the time of the transaction. Non-monetary assets and liabilities that are recognised at fair value are translated to the functional currency at the exchange rate prevailing at the time for fair value measurement.

At the balance sheet date, the fair value of outstanding forward exchange contracts was 25 TSEK, which is recognised as an expense in the income statement. Hedge accounting is not applied.

Foreign operations' financial statements

Assets and liabilities in foreign operations are translated from the foreign entity's functional currency to the Group's reporting currency, Swedish Krona (SEK), at the exchange rate prevailing on the balance sheet date. Revenue and expenses from a foreign operation are translated into SEK using an average exchange rate that represents an approximation of the exchange rates available on the relevant transaction date. Translation differences that occur when translating the financial statements of foreign operations are recognised in other comprehensive income and accumulated in a separate component in shareholders' equity, called translation reserve.

Revenue

Performance obligation and revenue accounting principles

Revenue is measured based on the payment that is specified in the agreement with the customer. The Group recognises the revenue when the control of a product or service has been transferred to the customer.

Information about the character and time for fulfilling the performance obligations in agreements with customers, including essential payment terms and associated revenue accounting principles are summarised below.

Revenue from sales of simulators and software
Revenue from system sales, i.e. simulators and software licenses, are recognised as revenue on delivery, when the control has passed to the buyer.

Revenue from sales of services
Revenue from service and support agreements are recognised over the period that they run, normally one year.

Revenue from consultancy assignments
Revenue from customised consultancy assignments, which run over time, are recognised as revenue based on the real accrued time.

Leases (comparative year 2018)

Operating leases

Costs concerning operating leases are recognised in profit or loss for the year on a straight-line basis. Any benefits received in connection with the signing of a lease are recognised in profit or loss for the year as a reduction in the lease payments on a straight-line basis over the term of the lease. Variable charges are written-off in the periods that they are incurred.

There are no financial leases.

Financial income and costs

The Group's financial income and costs include:

- interest income
- interest expenses
- exchange rate gains/losses on financial assets or financial liabilities

Taxes
Income taxes comprise current tax and deferred tax. Income taxes are recognised in profit or loss for the year except where the underlying transaction is recognised in other comprehensive income or in shareholders' equity, whereby the associated tax effect is recognised in other comprehensive income or shareholders' equity.

Current tax is tax that is to be paid or recovered in respect of the current year, applying tax rates determined or in practise at the balance-sheet date. Current tax also includes adjustments to the current tax, attributable to previous periods.

Deferred tax assets pertaining to deductible temporary differences and unused tax losses are only recognised to the extent that it is probable that they will be utilised. The value of deferred tax assets is reduced when it is no longer judged probable that they will be utilised.

Any additional income tax that arises when paying out dividends is recognised at the same time as when the dividend is recognised as a liability.

Tangible fixed assets
Tangible fixed assets are recognised in the Group at acquisition value after deductions for accumulated depreciation and any impairment. The acquisition value includes the purchase price as well as expenses directly attributable to putting the asset into place and condition to be used as intended according to the purpose of the acquisition. Borrowing expenses that are directly attributable to purchase, design or production of assets that take a substantial period of time to get ready for intended use or sale are included in the assets' cost of acquisition. Accounting principles for impairments are set out below.

Depreciation principles
Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Leased assets are also depreciated over the estimated useful life or, if it is shorter, over the leasing period. The Group applies component depreciation, which means that the components' estimated useful life form the basis for the depreciation.

Estimated useful lives:
– equipment, tools and installations 5 years

Intangible assets

Research and development
Expenses for development, where research results or other knowledge are applied to attain new or improved products or processes, are recognised as an asset in the statement of financial position, if the product or the process is technically and commercially usable and the company has sufficient resources to complete the development and, thereafter, use or sell the intangible asset. The recognised value includes all directly attributable expenses; e.g. for materials and service, payments to employees, registration of a legal right, depreciation of payments and licenses, borrowing expenses pursuant to IAS 23. Other expenses for development are recognised in profit or loss for the year as cost when they are incurred. In the statement of financial position, recognised development expenses are entered at acquisition value minus accumulated depreciations and any impairments.

Other intangible assets
Other intangible assets that are acquired by the Group comprise patents and goodwill and are recognised at acquisition value minus accumulated write-offs and depreciation (see below). The patents and goodwill are tested quarterly for any impairment requirement.

Depreciation principles
Depreciations are recognised in profit or loss for the year on a straight-line basis over the intangible assets' estimated useful lives, unless such useful lives are indefinite.

The estimated useful lives are:

- patents 10-20 years
- capitalized development costs 5 years

Assessment of an asset's residual value and useful life is performed annually.

Inventory
Inventories are measured at the lower of the acquisition cost and net sales value. The acquisition cost for inventories is estimated by applying the first in, first out method (FIFO) and it includes expenses that are incurred during acquisition of stock assets and their transport to their current location and condition. The risk of obsolescence is also considered here.

Financial instruments
Financial instruments that are recognised on the balance sheet include, on the asset side, cash, accounts receivable and other receivables. On the liability side, there are accounts payable, lease liabilities and other liabilities.

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the instrument's contractual terms. Accounts receivable are recognised in the balance sheet when the invoice has been sent. Accounts payable are expensed when the invoice has been received. A financial asset is derecognised from the balance sheet when the rights in the agreement have been realised or have lapsed. A financial liability is derecognised from the balance sheet when the contractual obligation has been fulfilled.

At the time of each statement, the Group evaluates whether there is any objective evidence that a financial asset needs to be impaired.

Receivables and liabilities in foreign currency are measured at the exchange rate on the balance sheet date. Exchange rate difference on operating receivables and operating liabilities are included in the operating income while exchange rate differences on financial receivables and liabilities are recognised among the financial items.

Earnings per share
The calculation of earnings per share is based on the profit/loss for the year in the Group attributable to the parent company's shareholders and the weighted average number of shares outstanding during the year.

THE PARENT COMPANY'S ACCOUNTING PRINCIPLES

The parent company has prepared its annual report in accordance with the Swedish Annual Accounts Act (1995: 1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. Statements issued by the Swedish Financial Reporting Board regarding listed companies are also applied. RFR 2 regulate that within the annual report for the legal entity, the parent company must apply all IFRS and statements adopted by the EU as far as possible within the framework of the Annual Accounts Act, the Insurance Act and with regard taken to the relationship between accounting and taxation. The recommendation specifies which exceptions and additions to IFRS that should be made.

Differences between the Group's and the parent company's accounting principles
The differences between the Group's and the parent company's accounting principles are outlined below. The accounting principles set out below for the parent company have been applied consistently to all periods presented in the parent company's financial reports.

Leases
The parent company does not apply IFRS 16 in accordance with the exception found in RFR 2. As a lessee, the parent company recognises leasing fees as a cost on a straight-line basis over the lease period, and thus rights of use and leasing liabilities are not recognised in the balance sheet.

Classification and presentation
The income statement and balance sheet are presented for the parent company according to the structure in the Swedish Annual Accounts Act, the statement of changes in equity and the cash flow statement are based on the IAS 1 Presentation of Financial Statements and the IAS 7 Statement of Cash Flows. The differences compared to the Group's financial reports that are reflected in the parent company's income statement and balance sheet, are mainly accounted for by equity.

Subsidiaries
Participations in subsidiaries and joint arrangements are recognised in the parent company according to the acquisition value method. This means that acquisition costs are included in the reported value of the holding in subsidiaries.

Tax
Appropriations including deferred tax liabilities are recognised in the parent company In the consolidated financial statements however, appropriations are divided into deferred tax liabilities and equity. In the income statement for the parent company, no division is made, in a comparable way, of part of the appropriations to deferred tax expense.

Governmental grants
Governmental grants related to assets are included in the consolidated balance sheet as a pre-paid income and is booked as a reduction of the assets carrying amount.

The parent company has received 2 governmental grants. The first grant, that was received in 2017, amounted to 5,000 TSEK and was tied to the development of a future product in endovascular precedures.

The second grant, that was received in 2017, amounted to 4,563 TSEK and was tied to the development of SimMan Vascular simulator. Both projects were completed in 2019.

NOTE 2 • Revenue

Contract Balances
Information on contract assets and contract liabilities relating from customer contracts is outlined below.

Group

TSEK	Note	31 Dec 2019	31 Dec 2018
Agreement Assets	15	12,696	8,628
Agreement Liabilities	19	25,254	38,874

Parent company

TSEK	Note	31 Dec 2019	31 Dec 2018
Agreement Assets	15	8,141	2,731
Agreement Liabilities	19	19,123	30,647

Contract assets primarily relate to the group's right to compensation for work executed but not invoiced at the balance sheet date and mainly refers to consultancy work.

Contract liabilities primarily relate to advances in payment received from the customer, which mainly relate to consultancy work and service commitments.

Reported contract liabilities at the end of the period will mainly be reported as revenue in 2020.

In 2019, the Group had no sales in Sweden and no individual customer accounted for 10% or more of total net sales during the year.

Revenue Streams

The Group's distribution of income from agreements with customers in major geographical markets, product groups and segments is summarised below.

Medical Device Industry
Sales of simulators, software and services where the product is used for training and marketing in order to safely launch and implement new medical device products.

Teaching Entities
Sales of simulators, software as well as services to academia, hospitals and institutions that provide education of hospital personnel and doctors.

Healthcare Systems
Sales of simulators, software and service to organisations providing care, where our solutions actively work to increase the efficiency and reduce the risk of harm to patients.

NOTE 2 • Revenue, cont.

Group

TSEK	Segments							
	Medical Device Industry		Teaching Entities		Healthcare Systems		Total	
	Jan-Dec 2019	Jan-Dec 2018	Jan-Dec 2019	Jan-Dec 2018	Jan-Dec 2019	Jan-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Geographical Market								
EMEA	30,477	33,982	12,720	14,859	1,542	3,785	44,739	52,627
APAC	21,897	23,521	19,407	17,794	10,812	–	52,116	41,315
Americas	42,737	48,220	8,493	10,616	1,285	4,271	52,515	63,107
Total	**95,111**	**105,723**	**40,620**	**43,269**	**13,639**	**8,056**	**149,370**	**157,048**
Product Group								
Sales of Systems	30,995	32,126	16,113	20,814	5,411	3,196	52,519	56,136
Software Licenses	15,996	30,173	19,911	18,167	6,686	3,949	42,593	52,289
Support and Service Contracts	48,120	43,424	4,596	4,288	1,542	911	54,258	48,623
Total	**95,111**	**105,723**	**40,620**	**43,269**	**13,639**	**8,056**	**149,370**	**157,048**

NOTE 3 • Operating Segments

The Group's operations are divided into operating segments based on which parts of the operations are followed up by the company's chief operating decision makers. In the Group's internal reporting, the entity's operating segments Medical Device Industry, Teaching Entities and Healthcare Systems are used.

Each operating segment has a sales manager responsible for the day-to-day business operations, and the Groups internal reporting is built so that the Group's management team can follow up on performance and results of each segment.

NOTE 4 • Other Income

Group

TSEK	2019	2018
Exchange Rate Profits on Receivables/Liabilities of an Operating Character	3,333	7,469
Other	–	1,268
Total	**3,333**	**8,737**

Parent Company

TSEK	2019	2018
Exchange Rate Profits on Receivables/Liabilities of an Operating Character	3,333	7,469
Other	–	1,268
Total	**3,333**	**8,737**

NOTE 5 • Employees, Personnel Costs and Remuneration to Senior Executives

Costs for remuneration to employees

TSEK	2019	2018
Group		
Salaries and other Remuneration	67,685	51,213
Pension Costs	4,732	3,370
Social Security Payments	13,000	11,582
	85,417	**66,165**

Average Number of Employees

TSEK	2019	whereof Men	2018	whereof Men
Parent Company				
Sweden	45	76%	39	72%
Germany	1	100%	1	100%
Total Parent Company	**46**	**76%**	**40**	**73%**
Subsidiaries				
Mentice Inc, USA	33	82%	26	88%
Mentice KK, Japan	3	100%	3	100%
Total Subsidiary	**36**	**83%**	**29**	**93%**
Total Group	**82**	**79%**	**69**	**81%**

The average number of employees is defined as the average of four (4) measurement points over the year.

Gender Distribution in the Corporate Management

TSEK	2019-12-31 Share of women	2018-12-31 Share of women
Parent Company		
The Board	0%	0%
Other Senior Executives	20%	20%
Group		
The Board	0%	0%
Other Senior Executives	20%	20%

NOTE 5 • Employees, Personnel Costs and Remuneration to Senior Executives, cont.

Salaries and Other Remunerations Distributed Between Senior Executives and Other Employees as well as Social Security Costs in the Parent Company

Parent Company

TSEK	2019		
	Senior Executives (4 persons)	Other Employees	Total
Salaries and other Remunerations	6,951	30,813	37,764
(whereof Variable Remuneration)	(735)	(247)	(982)
Parent Company Total	**6,951**	**30,813**	**37,764**
(whereof Variable Remuneration)	(735)	(247)	(982)
	,	,	,
Social Security Expenses	1,518	11,963	13,481
(whereof Pension Costs)	(934)	(2,338)	(3,272)

TSEK	2018		
	Senior Executives (4 persons)	Other Employees	Total
Salaries and other Remunerations	4,984	29,032	34,016
(whereof Variable Remuneration and Similar)	(697)	(–)	(697)
Parent Company Total	**4,984**	**29,032**	**34,016**
(whereof Variable Remuneration and Similar)	(697)	(–)	(697)
	,	,	,
Social Security Expenses	2,222	9,894	12,116
(whereof Pension Costs)	(746)	(2,037)	(2,783)

Salaries and other Remuneration to the Board and the Chief Executive Officer

Group

TSEK	Styrelse / VD		Other Employees		Summa	
	2019	2018	2019	2018	2019	2018
Parent Company	1,102	572	36,662	33,444	37,764	34,016
- whereof Variable Remuneration	(–)	(–)	(982)	(767)	982	(767)
Subsidiaries	5,461	4,367	38,469	29,566	43,930	33,933
- whereof Variable Remuneration	(1,600)	(760)	(621)	(14)	2,221	(774)
Total	**6,563**	**4,939**	**75,131**	**63,010**	**81,694**	**67,949**
- whereof Variable Remuneration	(1,600)	(760)	(1,603)	(781)	(3,203)	(1,541)

NOTE 5 • Employees, Personnel Costs and Remuneration to Senior Executives, cont.

THE BOARD

During the year, 730 TSEK (200) in Board fees has been payed out. Gösta Johannesson received 170 TSEK (-), Denis Gestin 360 TSEK (-), Johann Koss 100 TSEK (100) and Bengt Sjöholm 100 TSEK (100). There was no fee payed out to the Chairman of the Board Lawrence D Howell and the Board member Magnus Hardmeier.

CHIEF EXECUTIVE OFFICER

Chief executive officer Göran Malmberg has received remuneration of 5,833 TSEK (4,739) in total during the financial year, of which 1,600 TSEK (760) in variable remuneration. The CEO was located in the United States during 2019, and he has therefore received salary from the US subsidiary. Premium-based pension has been paid out from the parent company.

NOTE 5 • Employees, Personnel Costs and Remuneration to Senior Executives, cont.

Incentive Program

A warrant incentive program for employees was implemented in May 2019. The warrants program 2019/2024 consists of 1,429,922 warrant rights where each warrant entitles the holder to subscribe for one new share at a price of 66.50 SEK in April 2024. A premium har been payed that corresponds to the market value of the warrant calculated using the Black & Scholes formula. As the market value has been payed, the program has no effect on the company's result for the period or its financial situation. A description of the incentive program is found on page 34.

	Number of Subscription Warrants
Outstanding at the Beginning of the Period	1,429,922
Granted During the Period	-1,075,112
Forfeited During the Period	–
Exercised During the Period	–
Expired During the Period	–
Outstanding at the End of the Period	354,810
Exercisable at the End of the Period	–

NOTE 6 • Fees and Remuneration to the Auditors

TSEK	2019	2018
Group		
KPMG		
Auditing	500	281
Other Commissions	246	83
Michael Richter Inc		
Auditing	347	112
Other Commissions	–	81
Parent Company		
KPMG		
Auditing	500	281
Other Commissions	246	83

Audit assignments refer to statutory audit of the annual report, the consolidated financial statements, the accounting records as well as the administration of the board of directors and the chief executive officer as well as review and other audits conducted according to agreement or contract. This includes other tasks that are up to the company's auditors to perform as well as advice and other assistance as a result of observations made during the audit or the implementation of such other duties.

NOTE 7 • Net Financial Items

Group

TSEK	2019	2018
Interest Income and Similar Profit/Loss Items		
Interest Income	*36*	*2*
Exchange Rate Gains	76	509
Other Financial Income	84	–
Total	**196**	**511**

Interest Costs and Similar Profit/Loss items		
Interest Costs	-94	-45
Interest Costs IFRS16	-700	–
Capital Loss Disposal of Fixed Assets	-161	-6
Exchange Rate Losses	-756	-758
Other Financial Expenses	-246	–
Total	**-1,957**	**-809**

Parent Company

TSEK	2019	2018
Interest Income and Similar Profit/Loss Items		
Interest Income	*90*	*896*
Exchange Rate Gains	76	456
Total	**166**	**1,352**
whereof Subsidiaries	90	868
whereof Others	76	484

Interest Costs and Similar Profit/Loss Items		
Interest Costs	-89	-385
Exchange Rate Losses	-881	-758
Other Financial Expenses	-41	–
Total	**-1,011**	**-1,143**
whereof Subsidiaries	-1,011	-1,143
whereof Others	–	–

NOTE 8 • Taxes

Recognised in the income statement and other comprehensive income/income statement

Group

TSEK	2019	2018
Current Tax Expense (-) Tax Revenue (+)		
Tax Expense for the Year	-778	-265
	-778	**-265**
Deferred Tax Expense (-) Tax Revenue (+)		
Deferred Tax Attributable to Temporary Differences	-325	438
Deferred Tax Revenue in Capitalized Tax Value of Loss Carry-forwards during the Year		
Loss Carry-forwards	6,738	8,240
Deferred Tax Expenses as a Consequence of Previously Capitalized	–	-2,100
	6,413	**6,578**
Total Recognised Tax Expense in the Group	**5,635**	**6,313**

The parent company has a total tax deficit of 37,394 TSEK.
Accrued tax assets have been recognised at 7,682 TSEK as financial asset in the parent company.
Deferred tax is recognised at the level that the deficit is deemed to be utilisable during the following year.

Parent Company

TSEK	2019	2018
Current Tax Expense (-) Tax Revenue (+)		
Tax Expense for the Year	–	–
Adjustment of Tax Attributable to Previous Years	–	–
	–	–
Deferred Tax Expense (-) Tax Revenue(+)		
Deferred Tax Revenue in Capitalized Tax Value of Loss Carry-forwards during the year		
Loss Carry-forwards	7,296	-2,100
	7,296	-2,100
Total Recognised Tax Expense in the Parent Company	**7,296**	**-2,100**

NOTE 8 • Taxes, cont.

Reconciliation of Effective Tax

Group

TSEK		2019		2018
Profit/Loss Before Tax		-26,235		13,835
Tax According to Parent Company's Applicable Tax Rate	21.4%	5,614	22.0%	-3,044
Effect of Other Tax Rates for Foreign Subsidiaries	0.6%	150	-3.6%	492
Non-deductible Expenses	-2.9%	-761	5.6%	-781
Utilisation of Previously Unrecognised Tax Losses	2.4%	632	-69.7%	9,646
Effective Tax Recognised	**21.5%**	**5,635**	**-45.6%**	**6,313**

Parent Company

TSEK		2019		2018
Profit/Loss Before Tax		-33,142		10,860
Tax According to Parent Company's Applicable Tax Rate	21.4%	7,092	22.0%	-2,389
Non-deductible Expenses	-9.4%	-2,479	17.5%	-2,421
Tax Exempt Income	8.0%	2,093	-16.0%	2,207
Utilisation of Previously Unrecognised Tax Losses	2.2%	590	-3.6%	503
Effective Tax Recognised	**27.8%**	**7,296**	**15.2%**	**-2,100**

NOTE 8 • Taxes, cont.

Change in Deferred Tax in Temporary Differences and Loss Carry-forwards

Group

TSEK	Balance as of 1 Jan 2019	Recognised in Profit/Loss for the Year	Recognised in other Comprehensive Income	Recognised in Changes in Equity	Acquisition/ Divestment of Business	Balance as of 31 Dec 2019
Tangible/Intangible Assets	-166	186				20
Other Receivables	419	-419				–
Deferred Income	644	-92				552
Capitalization of Loss Carry-forwards	8,505	6,738				15,243
	9,402	**6,413**	**–**	**–**	**–**	**15,815**

Group

TSEK	Balance as of 1 Jan 2019	Recognised in Profit/Loss for the Year	Recognised in other Comprehensive Income	Recognised in Changes in Equity	Acquisition/ Divestment of Business	Balance as of 31 Dec 2019
Intangible Assets		-166				-166
Other Receivables		419				419
Deferred Income	459	185				644
Capitalization of Loss Carry-forwards	2,100	6,405				8,505
	2,559	**6,843**	**–**	**–**	**–**	**9,402**

Parent Company

TSEK	Balance as of 1 Jan 2019	Recognised in the Income Statement	Recognised in Other Comprehensive Income	Recognised in Changes in Equity	Balance as of 31 Dec 2019
Other	386				386
Capitalization of Loss Carry-forwards	–	7,296			7,296
	386	**7,296**	**–**	**–**	**7,682**

Parent Company

TSEK	Balance as of 1 Jan 2019	Recognised in the Income Statement	Recognised in Other Comprehensive Income	Recognised in Changes in Equity	Balance as of 31 Dec 2019
Deferred Income	386				386
Capitalization of Loss Carry-forwards	2,100	-2,100			–
	2,486	**-2,100**	**–**	**–**	**386**

CHANGED TAX RATES

Effective from 1 January 2019, the tax rate in Sweden is 21.4 percent for companies with financial year that starts in 1 January 2019 or later.

The tax rate is reduced to 20.6 percent for financial years that start 1 January 2021 or later.

NOTE 9 • Earnings per Share

TSEK	Basic	
	2019	2018
Earnings per Share	-1.05	1.80

TSEK	After dilution	
	2019	2018
Earnings per Share	-1.05	1.80

Earnings per Share
Profit/Loss for the Year Attributable to the Parent Company's Ordinary Shareholders

TSEK	2019
Profit/Loss for the Year Attributable to the Parent Company's Shareholders	-20,600
Profit/Loss Attributable to the Parent Company's Ordinary Shareholders	**-20,600**

	2018
Profit/Loss for the Year Attributable to the Parent Company's Shareholders	20,148
Profit/Loss Attributable to the Parent Company's Ordinary Shareholders	**20,148**

Weighted Average Number of Ordinary Shares

Thousand of Shares	2019	2018
Weighted Average Number of Ordinary Shares during the Year, Basic	19,553,679	11,201,057
Weighted Average Number of Ordinary Shares during the Year, After Dilution	19,553,679	11,201,057

NOTE 10 • Intangible Assets

Group

TSEK	Internally Developed Intangible Assets	Acquired Intangible Assets	Acquired Intangible Assets	Total
	Development Expenses	Patents	Goodwill	
Accumulated Acquisition Value				
Opening Balance 2018-01-01	17,215	13,446		30,661
Internally Developed Assets	9,858			9,858
Revaluations		-125		-125
Closing Balance 2018-12-31	**27,073**	**13,321**		**40,394**
Opening Balance 2019-01-01	27,073	13,321		40,394
Internally Developed Assets	9,415			9,415
Other Investments			919	919
Received Contributions	-9,263			-9,263
Reclassifications		524		524
Closing Balance 2019-12-31	**27,225**	**13,845**	**919**	**41,989**
Accumulated Depreciation and Impairment				
Opening Balance 2018-01-01	-4,375	–		-4,375
Depreciation for the Year	-1,275	-1,344		-2,619
Closing Balance 2018-12-31	**-5,650**	**-1,344**		**-6,994**
Opening Balance 2019-01-01	-5,650	-1,344		-6,994
Depreciation for the Year	-1,377	-1,745		-3,122
Write Down for the Year			-138	-138
Closing Balance 2019-12-31	**-7,027**	**-3,089**	**-138**	**-10,254**
Carrying Amount				
As of 2018-01-01	12,840	13,446	–	26,286
As of 2018-12-31	**21,423**	**11,977**	**–**	**33,400**
As of 2019-01-01	21,423	11,977	–	33,400
As of 2019-12-31	**20,198**	**10,756**	**781**	**31,735**

NOTE 10 • Intangible Assets, cont.

Parent Company

TSEK	Internally Developed Intangible Assets	Acquired Intangible Assets	Acquired Intangible Assets	Total
	Development expenses	Patents	Goodwill	
Accumulated Acquisition Value				
Opening Balance 2018-01-01	17,215	12,166		29,381
Acquisitions		3,554		3,554
Internally Developed Assets	9,858			9,858
Closing Balance 2018-12-31	**27,073**	**15,720**		**42,793**
Opening Balance 2019-01-01	27,073	15,720	–	42,793
Internally Developed Assets	9,415			9,415
Other Investments			919	919
Received Contributions	-9,263			-9,263
Closing Balance 2019-12-31	**27,225**	**15,720**	**919**	**43,864**
Accumulated Depreciation				
Opening Balance 2018-01-01	-4,375	–	–	-4,375
Depreciation for the Year	-1,344	-1,344		-2,688
Closing Balance 2018-12-31	**-5,650**	**-1,344**		**-6,994**
Opening Balance 2019-01-01	-5,650	-1,344	–	-6,994
Acquisitions				–
Depreciation for the Year	-1,377	-1,745	–	-2,619
Write Down for the Year			-138	–
Closing Balance 2019-12-31	**-7,027**	**-3,089**	**-138**	**-6,994**
Carrying Amount				
As of 2018-01-01	12,840	12,166	–	25,006
As of 2018-12-31	**21,423**	**14,376**	**–**	**35,799**
As of 2019-01-01	21,423	14,376	–	35,799
As of 2019-12-31	**20,198**	**12,631**	**781**	**33,609**

NOTE 11 • Tangible Assets

Group

TSEK	Inventories	Totalt
Acquisition Value		
Opening Balance, January 1, 2018	13,104	13,104
Purchases	2,534	2,534
Reclassifications to Tangible Assets	690	690
Disposals	-70	-70
Closing Balance, December 31, 2018	**16,258**	**16,258**
Opening Balance, January 1, 2019	16,258	16,258
Purchases	3,056	3,056
Reclassifications to Tangible Assets	934	934
Disposals	-3,172	-3,172
Closing Balance, December 31, 2019	**17,076**	**17,076**
Depreciation		
Opening Balance, January 1, 2018	-7,789	-7,789
Depreciation for the Year	-2,035	-2,035
Disposals	2	2
Exchange Rate Differences	104	104
Closing Balance, December 31, 2018	**-9,718**	**-9,718**
Opening Balance, January 1, 2019	-9,718	-9,718
Depreciation for the Year	-2,671	-2,671
Disposals	3,005	3,005
Exchange Rate Differences	200	200
Closing Balance, December 31, 2019	**-9,184**	**-9,184**
Carrying Amount		
As of 2018-01-01	5,315	5,315
As of 2018-12-31	6,540	6,540
As of 2019-01-01	6,540	6,540
As of 2019-12-31	**7,892**	**7,892**

NOTE 11 • Tangible Assets, cont.

Parent Company

TSEK	Inventories	Totalt
Acquisition Value		
Opening Balance, January 1, 2018	3,954	3,954
Purchases	107	107
Reclassifications to Tangible Assets	345	345
Disposals	-70	-70
Closing Balance, December 31, 2018	**4,336**	**4,336**
Opening Balance, January 1, 2019	4,336	4,336
Reclassifications to Tangible Assets	934	934
Closing Balance, December 31, 2019	**5,270**	**5,270**
Depreciation		
Opening Balance, January 1, 2018	-2,940	-2,940
Depreciation for the Year	-359	-359
Closing Balance, December 31, 2018	**-3,299**	**-3,299**
Opening Balance, January 1, 2019	-3,299	-3,299
Depreciation for the Year	-408	-408
Closing Balance, December 31, 2019	**-3,707**	**-3,707**
Carrying Amount		
As of 2018-01-01	1,014	1,014
As of 2018-12-31	1,037	1,037
As of 2019-01-01	1,037	1,037
As of 2019-12-31	**1,563**	**1,563**

NOTE 12 • Rights-of-use Assets

Group

TSEK	Rights-of-use Asset	Total
Acquisition Value		
Per January 1, 2019	21,942	21,942
Closing Balance, December 31, 2019	**21,942**	**21,942**
Depreciation		
Opening Balance, January 1, 2019	–	–
Depreciation for the Year	-5,361	-5,361
Closing Balance, December 31, 2019	**-5,361**	**-5,361**
Carrying Amount		
As of 2019-01-01	21,942	21,942
As of 2019-12-31	**16,581**	**16,581**

NOTE 13 • Receivables from Group Companies

Parent Company

TSEK	2019-12-31	2018-12-31
Accumulated Acquisition Value		
At the Beginning of the Year	3,982	11,811
Settlement Receivables	-3,314	-8,908
Exchange Difference	170	1,079
Closing Balance, 2019-12-31	**838**	**3,982**
Carrying Amount	**838**	**3,982**

NOTE 14 • Inventories

Group

TSEK	2019-12-31	2018-12-31
Finished Products and Goods for Resale	9,316	4,955
	9,316	**4,955**

The Group’s cost of goods sold includes impairment of inventories of 1,635 (725) TSEK.

Parent Company

TSEK	2019-12-31	2018-12-31
Finished Products and Goods for Resale	4,782	3,453
	4,782	**3,453**

NOTE 15 • Prepaid Expenses and Accrued Income

TSEK	2019-12-31	2018-12-31
The Group		
Rent	1,167	923
Leases	9	35
Insurance	209	549
Accrued Income	12,696	8,628
Additional Prepaid Expenses	3,370	3,133
	17,451	**13,268**
Parent Company		
Rent	1,167	923
Leases	9	8
Insurance	200	531
Accrued Income	8,141	2,731
Additional Prepaid Expenses	4,030	2,207
	13,547	**6,400**

NOTE 16 • Cash and Cash Equivalents

Group

TSEK	2019-12-31	2018-12-31
The following components are included in cash and cash equivalents:		
Cash and Bank Balances	48,041	17,821
Total According to Statement of Financial Position	**48,041**	**17,821**
Bank Overdrafts that can be Cancelled Immediately	0	0
Total According to Cash Flow Statement	**48,041**	**17,821**

Parent Company

TSEK	2019-12-31	2018-12-31
The following components are included in cash and cash equivalents:		
Cash and Bank Balances	42,152	12,667
Total According to Statement of Financial Position	**42,152**	**12,667**
Bank Overdrafts That can be Cancelled Immediately	0	0
Total According to Cash Flow Statement	**42,152**	**12,667**

NOTE 17 • Equity

SHARE CAPITAL

There is only one type of share, all shares have the same rights.

On December 31, 2019, the registered share capital encompassed 24,146,552 ordinary shares.

Holders of ordinary shares are entitled to dividends that are established after the event and the shareholding gives the right to vote at general meetings with one vote per share.

OTHER CAPITAL CONTRIBUTIONS

Refers to shareholders' equity that is contributed when subscribing for issues of new shares.

RETAINED EARNINGS AND PROFIT/LOSS FOR THE YEAR

Retained earnings and profit/loss for the year comprise restricted equity and non-restricted equity.

RESTRICTED EQUITY

Restricted equity comprises, apart from share capital, fund for self-generated development expenses.

The fund is reduced in step with the activated expenses being written off or impaired.

NON-RESTRICTED EQUITY

Non-restricted equity comprises the previous year's retained earnings as well as reserves. Reserves encompass all exchange rate differences that arise during translation of financial statements from foreign entities that have prepared their financial statements in a currency other than the currency in which the Group's financial statements are presented.

Share Classes

Thousand of Shares	2019	2018
Ordinary Shares		
Issued as of January 1	*11,201*	*11,201*
Rights Issue	12,946	–
Issued as of December 31	**24,147**	**11,201**
Dividend		
After the closing date, the Board has decided that no dividend will be paid		

TSEK	2019	2018
Dividends	–	*2,016*
	–	**2,016**
Recognised Dividend per Share (SEK)	–	**0.18**

NOTE 18 • Non-current Liabilities

Parent Company

TSEK	2019	2018
Non-current Liabilities		
Liabilities to Group Companies	46,297	27,126
	46,297	**27,126**

Refers to liabilities to subsidiaries in Switzerland and the US that are due within 5 years.

NOTE 19 • Accrued Expenses and Deferred Income

TSEK	2019-12-31	2018-12-31
Group		
Deferred Service Revenue	12,360	16,142
Deferred Income	12,893	22,732
Accrued Holiday Pay	4,619	3,380
Accrued Social Security Charges	2,962	2,649
Other	4,962	5,701
	37,797	**50,604**
Parent Company		
Deferred Service Revenue	8,355	10,002
Deferred Income	10,768	20,644
Accrued Holiday Pay	3,961	2,976
Accrued Social Security Charges	2,962	2,432
Other	3,009	3,253
	29,055	**39,307**

NOTE 20 • Measurement of Financial Assets and Liabilities at Fair Value as well as Categorisation

FAIR VALUE

In the table, financial assets and liabilities respectively that are measured at fair value via the profit/loss (measured according to the fair value option and holdings for the purposes of trade).

Assets and liabilities measured at fair value via the profit/loss are classified, pursuant to IFRS 13, which means that the fair values have to be classified according to a hierarchy that reflects the significance of the input data that is used according to the following levels:

- Level 1 – Quoted prices (unadjusted) on active markets.
- Level 2 – Input data other than the quoted prices included in level 1 that, either directly or indirectly, are observable.
- Level 3– Input data that is not based on observable market data.

Classification and Fair Value, and Measurement Hierarchy Level

Group

2018	Carrying Amount				Fair Value			
TSEK	Obligatory Measured at Fair Value via Profit/Loss	Financial Assets Measured at Amortised Acquisition Cost	Other Liabilities	Total	Level 1	Level 2	Level 3	Total
Financial Assets that are not Measured at Fair Value								
Accounts Receivable		42,333		42,333			42,333	42,333
Other Current Receivables		119		119			119	119
Cash and Cash Equivalents		17,821		17,821			17,821	17,821
	–	60,273	–	**60,273**	–	–	60,273	**60,273**
Financial Liabilities that are not Measured at Fair Value								
Accounts Payable			11,439	11,439			11,439	11,439
Other Current Liabilities	66	1,292		1,358		66	1,292	1,358
	66	1,292	11,439	**12,797**	–	66	12,731	**12,797**

Group

2019	Carrying Amount				Fair Value			
TSEK	Obligatory Measured at Fair Value via Profit/Loss	Financial Assets Measured at Amortised Acquisition Cost	Other Liabilities	Total	Level 1	Level 2	Level 3	Total
Financial Assets that are not Measured at Fair Value								
Accounts Receivable		37,382		37,382			37,382	37,382
Other Current Receivables		127		127			127	127
Cash and Cash Equivalents		48,041		48,041			48,041	48,041
	–	85,550	–	**85,550**	–	–	85,550	**85,550**
Financial Liabilities that are not Measured at Fair Value								
Accounts Payable			7,109	7,109			7,109	7,109
Other Current Liabilities	25	1,601		1,626	–	25	1,601	1,626
	25	1,601	7,109	**8,735**	–	25	8,710	**8,735**

NOTE 20 • Measurement of Financial Assets and Liabilities at Fair Value as well as Categorisation, cont.

Parent Company

2018 TSEK	Carrying Amount				Fair Value			
	Obligatory Measured at Fair Value via Profit/Loss	Financial Assets Measured at Amortised Acquisition Cost	Other Liabilities	Total	Level 1	Level 2	Level 3	Total
Receivables from Group Companies		19,011		19,011			19,011	19,011
Accounts Receivable		28,582		28,582			28,582	28,582
Other Current Receivables		120		120			120	120
Cash and Cash Equivalents		12,667		12,667			12,667	12,667
	–	60,380	–	**60,380**	–	–	60,380	**60,380**
Liabilities to Group Companies			27,126	27,126			27,126	27,126
Accounts Payable			11,179	11,179			11,179	11,179
Other Current Liabilities	66	–	1,035	1,101		66	1,035	1,101
	66	–	39,340	**39,406**	–	66	39,340	**39,406**

Parent company

2019 TSEK	Carrying Amount				Fair Value			
	Obligatory Measured at Fair Value via Profit/Loss	Financial Assets Measured at Amortised Acquisition Cost	Other Liabilities	Total	Level 1	Level 2	Level 3	Total
Receivables from Group Companies		31,636		31,636			31,636	31,636
Accounts Receivable		29,712		29,712			29,712	29,712
Other Current Receivables		31		31			31	31
Cash and Cash Equivalents		42,152		42,152			42,152	42,152
	–	103,531	–	**103,531**	–	–	103,531	**103,531**
Liabilities to Group Companies			46,297	46,297			46,297	46,297
Accounts Payable			6,535	6,535			6,535	6,535
Other Current Liabilities	25		963	988		25	963	988
	25	–	53,795	**53,820**	–	25	53,795	**53,820**

NOTE 21 • Financial Risk and Risk Management

Maturity Structure Financial Liabilities – Undiscounted Cash Flows

Group

2019 TSEK	Nominal Amount Original Currency	Currency	Nominal Amount Original Currency	Total	< 1 month
Accounts Payable	7,109	SEK	7,109	7,109	7,109
Total	7,109		7,109	**7,109**	7,109

2018 TSEK	Nominal Amount Original Currency	Currency	Nominal Amount Original Currency	Total	<,1,month
Accounts Payable	11,439	SEK	11,439	11,439	11,439
Total	11,439		11,439	**11,439**	11,439

Parent Company

2019 TSEK	Nominal Amount Original Currency	Currency	Nominal Amount Original Currency	Total	< 1 month
Accounts Payable	6,535	SEK	6,535	6,535	6,535
Total	6,535		6,535	**6,535**	6,535

2018 TSEK	Nominal Amount Original Currency	Currency	Nominal Amount Original Currency	Total	<,1,month
Accounts Payable	11,179	SEK	11,179	11,179	11,179
Total	11,179		11,179	**11,179**	11,179

NOTE 21 • Financial Risk and Risk Management, cont.

Through its operations, the Group is exposed to various kinds of financial risks.

- Market risk
- Currency risk
- Credit risk

MARKET RISK

Market risk is the risk that the fair value of, or future cash flow from, a financial instrument varies due to changes in market prices. Market risks are divided into three types by IFRS, currency risk, interest rate risk and other price risks. The market risks that primarily affect the Group consist of currency risks.

CURRENCY RISK

Currency risk is the risk that the value of assets and liabilities varies due to changes in exchange rates.

Exchange risk is divided into translation exposure and transaction exposure. Translation exposure refers to the exposure of net assets for foreign subsidiaries. Transaction exposure refers to risks associated to purchases and sales in foreign currency.

The Group's external sales are made exclusively in the currencies EUR and USD.

In the parent company, 80 % of the external sales are made in EUR, and the majority of costs are in SEK.

SENSITITVITY ANALYSIS

To manage the currency risk, the Group's goal is to minimise the effect of short-term fluctuations on the Group's result.

The Group's currency management policy is to all of the time hedge 60 percent of the total order value in EUR current.

The Group uses futures to hedge its currency risk, where the majority of contracts are due within 3 months of the balance sheet date. Long-lasting currency exchange rate changes will however have an impact on the consolidated result.

A general increase in value of 5 percent for SEK versus USD is estimated to have a negative impact of 6 MSEK on the Groups operating result before tax for the financial year 2019.

CREDIT RISKS IN ACCOUNTS RECEIVABLE

The Group's credit risk exposure is mainly affected by each customer's separate characteristics. However, the management take into consideration that factors that could affect the credit risk in the customer base, including the risk for failure associated with the industry and the country where the customers are active. Information about the concentration of revenues is included in note 3.

More than 75 percent of the Group's customers have done business with the Group for more than four years and none of these customers' balances have been impaired or considered to be less creditworthy as of the balance sheet date. When monitoring customers' credit risk, customers are grouped according to their credit properties, their geographical locations, industry, trading history with the Group and the existence of any previous financial difficulties.

The Group has not reported any customer loss reserves or customer losses.

NOTE 22 • Leasing Agreements

LEASING AGREEMENTS WHERE THE COMPANY IS LESSEE

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. When discounting the liability, the marginal interest rate has been determined based on what the Group would have paid in interest for a loan financing with the corresponding period and collateral.

The Group's leasing agreements are the following:

TSEK	Duration
Göteborg, Sverige	**March 31, 2022**
Chicago, USA	**June 30, 2025**
Denver, USA	**December 31, 2021**

TSEK	2019
The Group	
Right-of-use Assets	21,942
Write-offs during the Year	-5,361
Closing Balance, 2019-12-31	**16,581**

Leasing Liabilities Included in the Group - Consolidated Balance Sheet

TSEK	2019
Group	
Short-term	5,055
Long-term	10,393
Closing Balance, 2019-12-31	**15,448**

Amounts Included in the Result

TSEK	2019
Group	
Write-offs of Right-of-use Asset	-5,361
Interest on Leasing Liabilities	-700
Tax	-20
	-6,081

NOTE 22 • Leasing Agreements, cont.

Mentice's cash flow has been affected by IFRS 16 according to the following per December 31, 2019

TSEK	2019		
Cash Flow Analysis	**Incl. IFRS 16**	**IFRS 16 effect**	**Excl. IFRS 16**
Non-cash Items	10,789	608	10,181
Financial Items	-1,760	-700	-1,060
Cash Flow from Operating Activities	3,458	-92	3,550

Duration Analysis of Leasing Agreements, Presenting the Undiscounted Leasing Fees to be Paid after the Balance Day

TSEK	2019
Group	
Within One Year	5,628
Between One and Two Years	5,849
Between Two and Three Years	2,407
Between Three and Four Years	1,647
Longer than Four Years	2,658
Total Undiscounted Leasing Fees	**18,189**

TSEK	2019
Parent Company	
Within One Year	3,044
Between One and Two Years	2,205
Between Two and Three Years	8,001
Between Three and Four Years	–
Longer than Four Years	–
Total Undiscounted Leasing Fees	**13,250**

NOTE 23 • Pledged Assets, Contingent Liabilities and Contingent Assets

Group

TSEK	2019-12-31	2018-12-31
Pledged Assets		
In the form of Assets Pledged for Own Liabilities and Reserves		
Corporate Mortgage	11,500	7,500
Contingent Liabilities	–	–
	11,500	**7,500**
Total Pledged Assets	**11,500**	**7,500**

Parent company

TSEK	2019-12-31	2018-12-31
Pledged Assets		
Corporate Mortgage	11,500	7,500
Contingent Liabilities	–	–
	11,500	**7,500**
Total Pledged Assets	**11,500**	**7,500**

NOTE 24 • Appropriation of Retained Earnings

Proposed Appropriation of Retained Earnings

Retained Earnings Brought Forward According to the Previous Year's Annual Report	56,048
Dividend According to the Previous Year's Appropriation of Retained Earnings	-2,016
Rights Issue	79,199
The Year's Provision to Fund for Development Expenses	-9,353
Profit/Loss for the Year	-25,846
Total	**98,032**
Dividends	–
Carried Forward	98,032
Total	**98,032**

NOTE 25 • Group Companies

Holdings in Subsidiaries

	The Subsidiary's Registered Office , Country	Corporate Identity Number	Ownership, %	
			2019-12-31	2018-12-31
Mentice INC	Chicago, Illinois, US	EIN 36-4355601	100.0%	100.0%
Mentice KK	Tokyo, Japan	0104-01-113133	100.0%	100.0%
Mentice SA	Lausanne, Switzerland	CH-550-100855-0	99.9%	99.9%
Mentice International Trading	Beijing, China	91110105MA01HUNX9Y	100.0%	–

Parent Company

TSEK	2019	2018
Accumulated Aquisition Values		
Opening Balance 2019-01-01	81,676	52,886
Share Holder Contributions	–	28,790
Holdings in New Subsidiary	478	–
Closing Balance, 2019-12-31	**82,154**	**81,676**
Accumulated Depreciation		
Opening Balance 2019-01-01	-40,498	-30,719
Impairments for the Year	–	-9,779
Closing Balance, 2019-12-31	**-40,498**	**-40,498**
Recognised Value 2019-12-31	**41,656**	**41,178**

NOTE 26 • Appropriations

Parent Company

TSEK	2019-12-31	2018-12-31
Accumulated Additional Depreciation		
Patents	-775	775
Total Appropriations	**-775**	**775**

NOTE 27 • Specifications for the Cash Flow Statement

Cash and Cash Equivalents - Group

TSEK	2019-12-31	2018-12-31
The Following Components are Included in Cash and Cash Equivalents:		
Cash and Bank Balances	48,041	17,821
Total According to the Balance Sheet	**48,041**	**17,821**
Bank Overdrafts that can be Cancelled Immediately	–	5,000
Total According to Cash Flow Statement	**–**	**5,000**

Cash and Cash Equivalents - Parent Company

TSEK	2019-12-31	2018-12-31
The Following Components are Included in Cash and Cash Equivalents:		
Cash and Bank Balances	42,152	12,667
Total According to the Balance Sheet	**42,152**	**12,667**
Bank Overdrafts that can be Cancelled Immediately	–	5,000
Total According to the Cash Flow Statement	**–**	**5,000**

Interest Paid and Dividends Obtained

TSEK	2019	2018
Group		
Received Interest	36	2
Interest Paid	-94	-45
Parent Company		
Received Interest	–	–
Interest Paid	-89	-43

Adjustments for Items not Included in the Cash Flow

TSEK	2019	2018
Group		
Depreciation	12,529	4,654
Unrealised Exchange Rate Differences	-1,737	-1,957
Reclassifications	–	1,995
	10,792	**4,692**
Parent Company		
Depreciation	4,339	2,978
Unrealised Exchange Rate Differences	2,001	-1,676
Other	–	37
	6,340	**1,339**

Credit Facilities not Used

TSEK	2019	2018
Group		
Credit Facilities Not Used Amount to	–	5,000
Parent company		
Credit Facilities ot Used Amount to	–	5,000

NOTE 28 • Events after the Closing Date

- The Board proposes that no dividend is to be paid out for the year 2019.
- On January 13, Mentice announced that the company has developed Coronary Essentials, a flexible coronary training solution. The product was showcased at the 20th International Meeting on Simulation in Healthcare (IMSH 2020) in San Diego from January 19 to January 22. The solution offers flexibility to proctors by allowing them to remotely introduce, in real-time, complications and manipulate scenarios using an iPad.
- On March 12, Mentice announced the launch of Coronary Intermediate as the latest software addition to the company's coronary product portfolio. The launch of Coronary Intermediate follows the introduction of Coronary Essentials three months earlier at the 20th International Meeting on Simulation in Healthcare (IMSH 2020) in San Diego from January 19 to January 22. Coronary Intermediate offers proctors and attending physicians the unique ability to remotely, and in real time, introduce complications using a tablet via the Mentice Proctor iOS app.
- After the balance sheet day, a coronavirus outbreak was reported. This is expected to impact negatively on Mentice's sales and result, especially in the Teaching Entities segment where the company has already noticed delays. It is obvious that the Covid-19 situation will impact Mentice in the short term, and most likely also have an impact on the company's overall performance for the year. However, considering how rapidly things are changing it is currently impossible to forecast the actual impact. As investments in solutions from Mentice are long-term commitments, which are expected to deliver substantial value and benefits to the customer over time, the company is convinced that this is a temporary effect that will vanish when the global situation normalizes. Furthermore, a phase of stronger order demand is expected when this happens, as customers will be keen to catch up on their investment plans.
- No other significant events after the balance day have occured that significantly affects the assessment of the financial information in this report.

NOTE 29 • Information about the Parent Company

Mentice AB is a Swedish registered limited company with registered office in Gothenburg. The address of the head office is Odinsgatan 10, Gothenburg, Sweden.

The consolidated financial statements for the period 1 January 2018 – 31 December 2019 consist of the parent company and its subsidiary, jointly called the Group.

CERTIFICATION OF THE BOARD

The Board and the Chief Executive Officer hereby certify that the annual report has been prepared in accordance with good accounting standards in Sweden and that the consolidated accounts have been prepared in accordance with the international accounting standards described in the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

The annual report and the consolidated accounts present a fair view of the parent company and the Group's financial position and result. The Board of Director's Report for the parent company and the Group present a fair view of the development of the parent company's and the Groups' business operations, position and result and describes import risks and factors of uncertainty that the parent company and the companies in the Group are exposed to.

The annual report and the consolidated accounts have, as stated above, been approved for publication of the Board and the Chief Executive Officer on April 27, 2020. The consolidated accounts' consolidated income statement and total result and consolidated balance sheet for the Group and the parent company's result and balance sheet will be subject to a vote on the annual general meeting on May 27, 2020.

Lawrence D Howell
Chairman of the Board

Magnus Hardmeier
Member of the Board

Johann Koss
Member of the Board

Bengt Sjöholm
Member of the Board

Gösta Johannesson
Member of the Board

Denis Gestin
Member of the Board

David Ballard
Member of the Board

Göran Malmberg
Cief Executive Officer

We submitted our Auditor's Report on April 28, 2020.

KPMG AB

Fredrik Waern
Authorised Public Accountant

AUDITOR'S REPORT

To the annual general meeting of Mentice AB, corporate identity number 556556-4241.

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED FINANCIAL STATEMENTS

STATEMENTS

We have audited the annual accounts and consolidated financial statements of Mentice AB (publ) for the financial year 2019.

In our opinion the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and in all material respects fairly present the parent company's financial position as of December 31, 2019 and their financial performance and cash flows for the year in accordance with the Swedish Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and in all material respects fairly present the group's financial position as of December 31 2019 and their financial performance and cash flows for the year in accordance with Financial Reporting Standards (IFRS), as adopted by EU, and the Swedish Annual Accounts Act. The administration report is consistent with the other sections of the annual accounts and the consolidated accounts.

We therefore recommend that the AGM adopt the income statement and balance sheet for the parent company and the consolidated statement of comprehensive income and statement of financial position.

BASIS FOR OUR OPINION

We have conducted the audit in accordance with International Standards on Auditing (ISA) and auditing standards generally accepted in Sweden. Our responsibility according to these standards is described in more detail in the section entitled Auditor's responsibility. We are independent of the parent company and the Group in accordance with professional ethics in Sweden and we have otherwise fulfilled our professional ethical responsibilities under these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our opinions.

RESPONSIBILITIES OF THE BOARD AND THE CHIEF EXECUTIVE OFFICER

The Board and CEO are responsible for ensuring the annual accounts and the consolidated financial statements are prepared and that they give a true and fair view in accordance with the Swedish Annual Accounts Act and, as regards the consolidated accounts, in accordance with IFRS as accepted by EU. The Board and the CEO are also responsible for the internal control they deem necessary for the preparation of annual accounts and consolidated financial statements that do not contain material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board and the CEO are responsible for assessing the ability of the company and the Group to continue operations. They inform, as appropriate, on the conditions that may affect the ability to continue operations and to make a going concern assumption. However, the going concern assumption does not apply if the Board and CEO intend to liquidate the company, cease operations or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITY

Our goal is to achieve a reasonable degree of certainty as to whether the annual accounts and consolidated financial statements as a whole do not contain any material misstatement, whether due to fraud or error, and to submit an audit report that contains our opinions. Reasonable assurance is a high degree of certainty, but there is no guarantee that an audit performed in accordance with ISA and other generally accepted auditing standards in Sweden will always detect a material misstatement, should such be present. Misstatements may occur due to fraud or error, and are considered to be material if they severally or jointly can be reasonably expected to affect the economic decisions that users make on the basis of the annual accounts and the consolidated financial statements.

As part of an audit under ISA, we use professional judgment and maintain a professionally skeptical attitude throughout the audit. We also:

– identify and assess the risks of material misstatement in the annual accounts and consolidated financial statements, whether due to fraud or error; draw up and carry out audit procedures, inter alia on the basis of these risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of failing to detect a material misstatement due to fraud is greater than for a material misstatement due to error, because the fraud may include conduct in collusion, falsification, deliberate omissions, incorrect information or waived internal controls.

– gain an understanding of the part of the company's internal controls that is relevant to our audit in order to draw up audit measures that are appropriate with regard to the circumstances, but not in order to express an opinion on the effectiveness of the internal controls.

– evaluate the suitability of the accounting policies used and the reasonableness of the Board and CEO's assumptions in the annual accounts and their related disclosures.

– draw a conclusion concerning the suitability of the Board and CEO's use of the going concern assumption when preparing the annual accounts and the consolidated financial statements. We also draw a conclusion based on the audit evidence obtained, as to whether there is any material uncertainty factor relating to events or conditions that may cast significant doubt on the company's and the Group's ability to continue operations. If we conclude that there is a significant uncertainty factor, we must use the audit report to draw attention to the information in the annual accounts and consolidated financial statements about the significant uncertainty factor or, if such information is insufficient, modify our opinion on the annual accounts and the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events or circumstances main mean that a company and a group can no longer continue operations.

– evaluate the overall presentation, structure and content of annual accounts and consolidated financial statements, including the information, and whether the annual accounts and consolidated financial statements reflect the underlying transactions and events in a way that gives a true and fair view.

– obtain sufficient and appropriate audit evidence with respect to the financial information for the units or business activities within the group in order to provide an opinion with regard to the consolidated financial statements. We are responsible for the control, supervision and execution of the Group audit. We are solely responsible for our opinion. We have to inform the Board about, inter alia, the date, planned scope and direction of the audit.

We must also inform about significant observations made during the audit, including any significant weaknesses in internal control that we may identify.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINION

In addition to our audit of the annual accounts and the consolidated financial statements, we have also audited the Board and CEO's management of Mentice AB (publ) for the year 2019 and also the proposed appropriation of the profit or loss.

We recommend to the AGM that the profit be allocated in accordance with the proposal in the administration report and that the members of the Board and the Chief Executive Officer be discharged from liability for the financial year.

BASIS FOR OUR OPINION

We have conducted the audit in accordance with auditing standards generally accepted in Sweden. Our responsibility in this regard is described in detail in the section entitled Auditor's responsibility. We are independent of the parent company and the Group in accordance with professional ethics in Sweden and we have otherwise fulfilled our professional ethical responsibilities under these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our opinions.

RESPONSIBILITIES OF THE BOARD AND THE CHIEF EXECUTIVE OFFICER

The Board is responsible for the proposal for the appropriation of the company's profit or loss. Among the things considered in the proposal are an assessment of whether the dividends are justified with regard to the requirements that the company's and Group's business nature, scope and risks place on the size of the parent company's and the group's equity, the need for consolidation, liquidity and general position.

The Board is responsible for the company's organization and the administration of its affairs. This includes ongoing assessment of the company's and the Group's financial situation and ensuring that the company's organization is structured such that bookkeeping, asset management and the company's financial affairs are otherwise monitored in a reliable way.

The CEO takes care of day-to-day administration under the Board's guidelines and instructions and must, among other things, take measures necessary for ensuring that the company's accounting is completed in compliance with legislation and that assets are managed in a satisfactory manner.

AUDITOR'S RESPONSIBILITY

Our goal with regard to the management audit, and therefore our opinion concerning discharge from liability, is to obtain audit evidence that with a reasonable degree of certainty enables us to determine whether any member of the Board or the CEO in any material respect:

– has carried out any act or been guilty of any omission that could give rise to liability for damages against the company, or

– has in some other way acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the articles of association.

Our goal in regard to the proposal for the allocation of the company's profit or loss, and thus our opinion on this, is to assess with a reasonable degree of certainty whether the proposal is in compliance with the Swedish Companies Act.

Reasonable assurance is a high degree of certainty, but no guarantee that an audit performed in accordance with generally accepted auditing standards in Sweden will always detect the actions or omissions that may give rise to liability for damages against the company, or to a proposal for allocation of the company's profit or loss that is not in accordance with the Swedish Companies Act.

As part of an audit under ISA and good auditing practice, we use professional judgment and maintain a professionally skeptical attitude throughout the audit. The management review and the proposed appropriations of the company's profit or loss are based mainly on the audit of the accounts. Any additional procedures are performed according to our professional judgement based on risk and materiality. This means we focus our examination on such measures, areas and conditions as are essential for the operation and where deviations and non-compliance would have special significance for the company's situation. We review and examine decisions, decision support data, actions taken and other conditions that are relevant for our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Gothenburg, April 28, 2020

KPMG AB

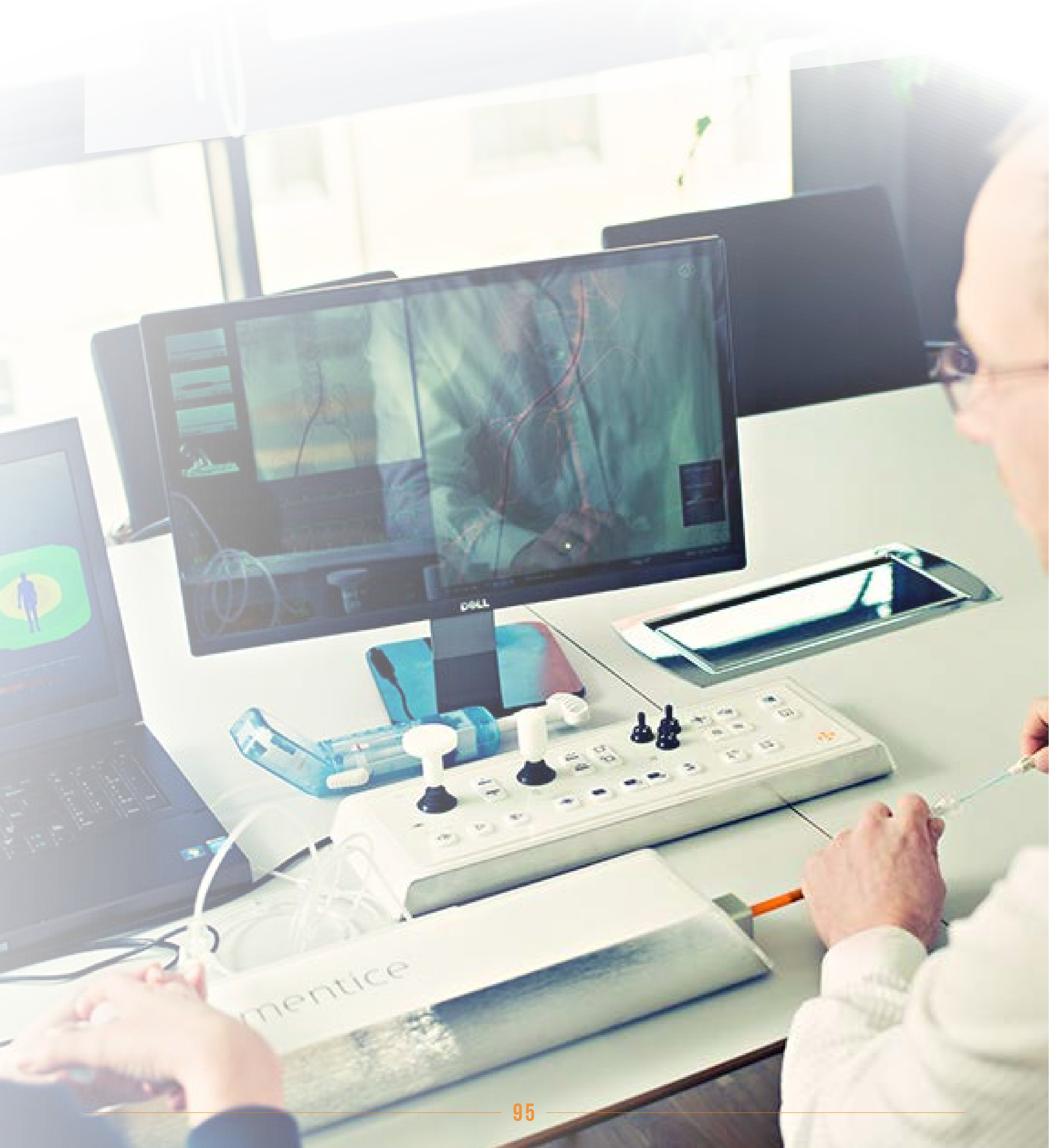
Fredrik Waern

Authorized Public Accountant

FINANCIAL CALENDAR

INTERIM REPORT JAN–MAR 2020 (Q1)	14 MAY 2020 AT 8:30
INTERIM REPORT APR–JUN 2020 (Q2)	13 AUG 2020 AT 8:30
INTERIM REPORT JUL–SEP 2020 (Q3)	12 NOV 2020 AT 8:30

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



MENTICE AB (PUBL) - ANNUAL REPORT JANUARY–DECEMBER 2019