Year-end report 2019

Midsummer AB (Publ) Nasdaq First North Stockholm, MIDS

Notable events October–December 2019

16 October 2019 Midsummer opened a world-leading research and development facility for solar energy

Sweden's first astronaut Christer Fuglesang opened Midsummer's new state-of-the-art solar energy technology research and development facility in Järfälla, Sweden, which houses a new production line for integrated solar roofs.

21 November 2019 Midsummer Solar Roofs produce more power

By increasing the radius of the rounded solar cells from 90 mm to 100 mm, they now produce 6 per cent more power per surface unit. This equates to an installed power of 100 W per square meter on Midsummer Solar Roofs' integrated solar roof.

4 December 2019 New machine order from a European customer

Midsummer received a new order for two DUO systems from a European customer. The order value was within the standard range of USD 7–10 million..

17 December 2019 Institutions and Chairman of the Board acquired shares from Midsummer's founders

LF Fonder, Nordea Fonder, Skandia Fonder, Fårö Capital, Gullspång Invest, Invus Invest and the Chairman of the Board, Jan Lombach, bought a total of 1,925,000 shares.

19 December 2019 The first installation of Midsummer's solar panel Wave

These are solar panels that are almost invisible and perfectly follow the curved shape of roof tiles. They were installed on a terraced house in Järfälla in December. The solar panels were manufactured at Midsummer's production facility at its headquarters in Järfälla, which was opened in October.

Notable events after the end of the period

None

Summary of the KPIs for the Group for October–December 2019

SEK	Jan–Dec 2019	Oct–Dec 2019
Net sales	184,466,724	28,836,957
EBITDA	9,011,842	-4,054,103
Operating profit	-23,096,419	-16,014,821
Profit before tax	-35,449,128	-21,083,683
Profit after tax	-40,291,841	-21,083,683
Operating margin	-12.52%	-55.54%
EBITDA margin	4.89%	-14.06%
Equity/assets ratio	28.50%	28.50%
Cash flow for the period	57,662,445	-29,138,717
Earnings per share		
- before dilution	-1.30	-0.68
- after dilution	-1.30	-0.68

The Group was founded on 27 December 2018, which explains why there are no comparable figures for 2018.

Definition and description of the key performance indicators.

The company presents certain financial indicators in this year-end report that are not defined in accordance with IFRS. It is the company's belief that these indicators provide valuable supplementary information to investors and the company's management team as they enable the evaluation of the company's performance.

EBITDA

Operating profit before depreciation, amortization and impairment.

EBITDA is a measure that the Group believes is relevant for investors who want to understand earnings generation before investments in non-current assets.

Operating margin

Operating profit / Net sales

Operating margin is a measure that aims to show profitability from operating activities.

EBITDA margin

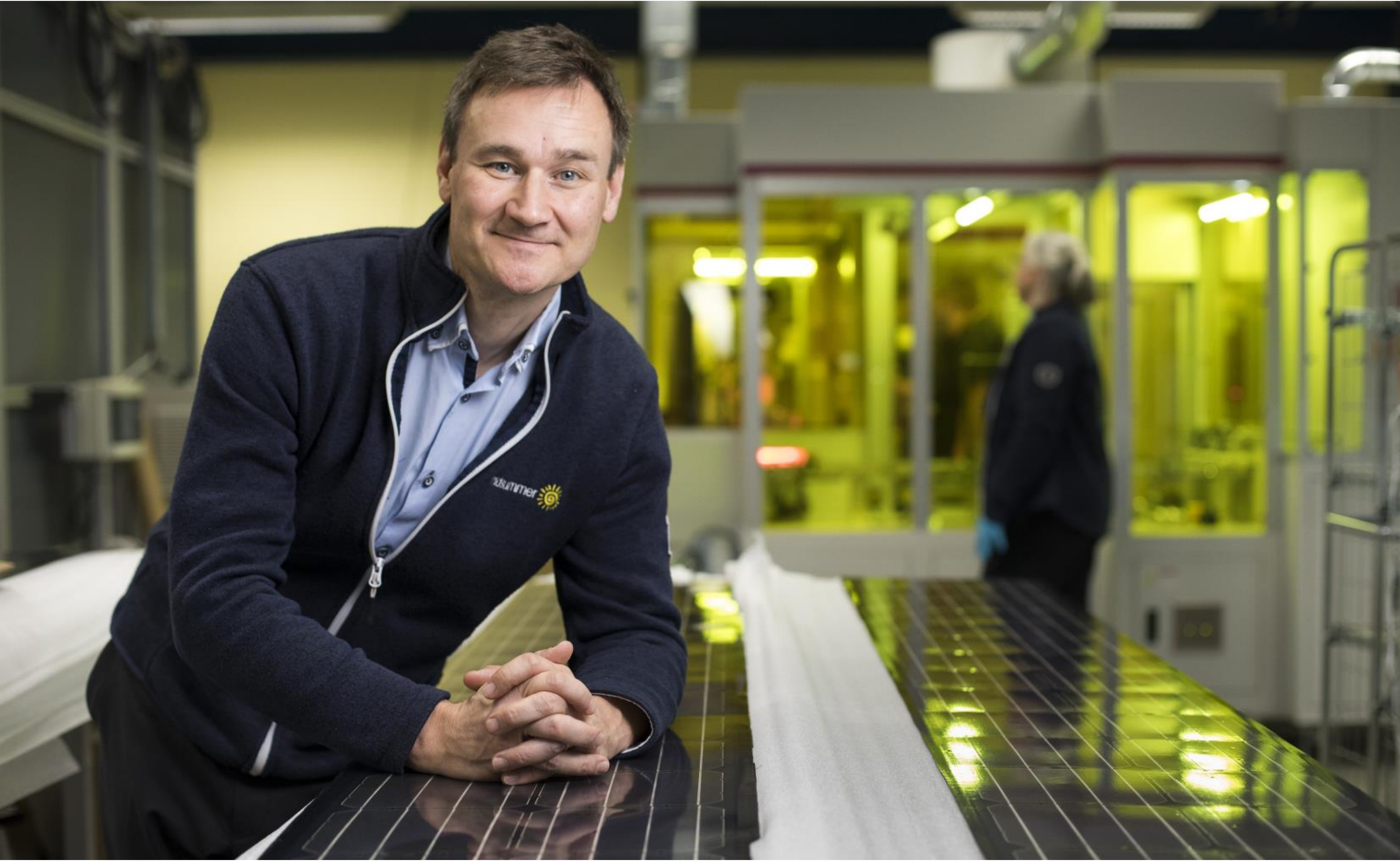
EBITDA / Net sales

EBITDA margin is a measure that the Group believes is relevant for an investor who wants to understand earnings generation in relation to sales before investments in non-current assets.

Equity/assets ratio

Equity in relation to the balance sheet total

The equity/assets ratio is a key performance indicator that shows the proportion of the assets that are financed with equity and is an indication of the company's long-term solvency.



Statement from the CEO

We held a successful event with the Swedish astronaut Christer Fuglesang as our VIP guest. He opened not only our fourth quarter, but also our new research and production facility for solar panels in Järfälla. We've also ramped up production to meet the strong demand for Midsummer's solar panels, which has come as a pleasant surprise. As we increase the number of shifts on site in Järfälla, it's becoming clear that we need to add more production capacity in Europe.

This is why it felt so good to announce our first deal based on our green bond in December. A European customer purchased two DUO systems that are expected to supply Midsummer with solar panels from the start of 2021. A small percentage of our machine sales were recognized as revenue in Q4 2019, but most will be recognized in 2020.

Production in Sweden and Europe is the way forward

Ever since we launched our green bond, Midsummer has been planning to purchase a proportion of our machinery customers' production to supplement our own production in Järfälla, if the need arises. At the beginning of January, I visited several machinery customers in China, who confirmed that they could start supplying solar panels to us to help us meet our immediate needs. These deliveries, which had been planned for early February, have been temporarily delayed as a result of the new coronavirus.

Midsummer identified some time ago that developing production in Sweden and Europe was the natural and sustainable way forward for the entire market. Although the delay I mentioned earlier will affect us in only a very marginal way, the general effects of the coronavirus actually strengthen our belief in the route we are taking.

Conspicuously invisible solar panels

Since the start of 2020 we've seen an exponential increase in the interest shown in our solar cell solutions, which combine both functional and aesthetic elements. This is reflected, for example, in the increasing number of inquiries sent to our website midsummersolarroofs.se and a higher level of exposure in several national and international media. Our sales organization is working flat out and will be expanded very soon to meet this increase in interest. We saw more wonderful evidence of this at eCar Expo Stockholm in early February, where our stand was filled with a wide range of interested visitors from the moment we opened until the moment we closed. Our curved Midsummer Wave solar panel generated the highest amount of interest. These panels are integrated onto standard roof tiles and are virtually invisible.

As well as expanding our sales organization, we're also planning to build up an organization of certified installers who can help our own installers. All of these measures will help us make life easier for our solar panel customers and continue to establish Midsummer as the clear choice for anyone who wants to have solar panels that are exclusively beautiful, climate-smart, sustainable and easy to install.

Sven Lindström, CEO, Midsummer AB

Development of earnings and position for the full year 2019 and Q4 2019

Sales and earnings

Net sales for the Group for 2019 were TSEK 184,467 (TSEK 28,837 for Q4, 2019).

Midsummer changed its accounting policies from K3 to IFRS for the Q2 report. This means that the revenue recognition principle differs substantially from previous financial statements. Revenue is measured based on the consideration specified in the contract with the customer. The Group recognizes revenue when control over goods or services transfers to the customer. The moment that control is transferred can be a point in time or a period of time, depending on how the contracts are worded. In 2019 the company changed its contracts, which means that revenue can now be recognized over time in some instances. Note 5 describes this change in more detail, with information about how previous annual statements have been adjusted to IFRS and RFR 2.

Revenues from Group contributions were TSEK 2,823 (TSEK 53 for Q4, 2019), of which TSEK 1,999 (TSEK 575 for Q4, 2019) is from EU projects and TSEK 823 (TSEK 53 for Q4, 2019) is from Swedish government research projects.

Operating profit for the Group for 2019 was TSEK -23,096 (TSEK -16,015 for Q4, 2019), and profit before tax ended at TSEK -35,449 (TSEK -21,084 for Q4, 2019). The loss in the fourth quarter was due to lower revenues from machinery sales compared with the previous year, while costs have increased, relating to the start of production at Midsummer's new production line for solar panels. The weakening of the dollar in the fourth quarter also had an impact on the earnings of TSEK -5,482 during the quarter as the value of the contract assets in SEK fell by this amount.

Midsummer has decided to use the completed contract method as its revenue recognition principle in RFR2 for the parent company. This means that revenues are recognized at the time when the work on the DUO machines are basically completed. For 2019 this resulted in the parent company reporting an operating profit of TSEK -55,957 (TSEK 12,159 for the corresponding period in 2018); the corresponding figure for the fourth quarter of 2019 was TSEK -3,152 (TSEK 4,543 for the corresponding period in 2018).

The reason for the parent company's weak results is that the majority of revenues are from contract completions, and in the first three quarters of 2019 no such completions took place. In the fourth quarter there were some completions, but because of costs relating to the start of production at Midsummer's new production line for solar panels, it was not enough to achieve positive earnings for the quarter.

Cash flow and financing

On 12 April 2019 Midsummer issued its first green bond. This green bond worth MSEK 200 has a maturity of four years with a variable interest rate of STIBOR 3M+ 8.5% and was issued under a framework of MSEK 500.

The green bond was listed on Nasdaq Stockholm Sustainable Bond List on 22 August 2019. Cash flow was TSEK -29,139 in the fourth quarter. Cash flow was TSEK +57,662 for the full year 2019.

Inventories in the Group fell during the year from TSEK 70,418 to TSEK 23,732, while contract assets increased from TSEK 4,778 to TSEK 115,145. The main reason for this is that machinery in progress, which was previously part of inventories, has been recognized as revenue and new contracts have been reworded so that revenue recognition can be applied over time, which has had an impact on contract assets.

Investments

Significant investments were made in Midsummer's machinery in 2019. The rate of investment increased in the final quarter as we continued to invest in expanding our production capacity of flexible solar panels, primarily for our new products Midsummer Wave and Midsummer Slim which were released in 2019, but also for new products which we are planning to release in 2020.

Total investments in property, plant and equipment in 2019 accounted for TSEK 31,294 (of which TSEK 18,381 in Q4 2019).

This information also applies to the parent company.

Significant risks and uncertainties

Midsummer operates in a global market that has several companies offering various technologies. Midsummer has a competitive product, but there is a risk that the market will prefer technologies from Midsummer's competitors. In addition, the customers' investment decisions are affected by market factors, such as the general economic climate, trade tariffs and subsidies. In the short term, this could result in a delay in orders, which would have a negative impact on Midsummer.

At the moment, the spread of the coronavirus has affected our opportunities to have solar panels supplied from our contractors in China in the short term. However, our assessment is that this will only affect us for a short time and only to a minor extent. In 2019 we supplied all our solar panels for our Swedish solar cell installations from our plant in Järfälla.

Midsummer's market is characterized by constant technological development. Companies often carry out this kind of development in secret, making it difficult to predict what kinds of products could be launched. Although this is a large and global market, new, revolutionary products could delay Midsummer's customers' orders, which would have a negative impact on Midsummer.

Our new product Midsummer Wave, which we launched in the market in the fourth quarter, is currently a completely unique product without any similar competitors. Our unique technology for flexible solar cells on stainless steel makes this product possible. However, it is possible that over time our competitors will try to create something similar so that they could also launch onto unique markets, such as listed buildings and buildings where aesthetic value is highly valued.

This information also applies to the parent company.

Transactions with associates.

In 2019 the Group completed two machines from an order that came in from Sunflare Inc. in December 2018. Sunflare is owned by Liang Gao, who is also a board member of Midsummer.

This also applies to the parent company.

Ownership structure as at 31 December 2019

Liang Gao	6,305,450	20.40%
Philip Gao	6,305,400	20.40%
Infologix (BVI) Ltd.	2,947,053	9.54%
Jan Lombach, privately and via companies	1,763,990	5.71%
Skandia fonder	1,343,609	4.35%
Länsförsäkringar fonder	1,136,364	3.68%
Sven Lindström	1,037,345	3.36%
Alf Linder	963,900	3.12%
Nordea Småbolag Norden	778,179	2.52%
Eric Jaremalm	662,732	2.14%
Blue AB	429,000	1.39%
Alex Witt	319,600	1.03%
Other shareholders (4,991)	6,909,578	22.36%
Total number of shares	**30,902,200**	100.00%

Consolidated statement of income and other comprehensive income, summary

SEK	Note	Jan–Dec 2019	Oct–Dec 2019
Continuing operations			
Net sales	3	184,466,724	28,836,957
Other operating income		2,822,590	52,818
Own work capitalized		13,845,986	3,833,370
		201,135,300	**32,723,145**
Raw materials and consumables		-107,153,342	-13,596,516
Other external expenses		-18,627,417	-6,495,243
Staff expenses		-65,904,395	-16,263,696
Depreciation/amortization and impairment of property, plant and equipment and intangible assets		-32,108,261	-11,960,717
Other operating expenses		-438,303	-421,794
Operating profit		**-23,096,419**	**-16,014,821**
Financial income		1,322,178	-588,497
Financial expenses		-13,674,887	-4,480,364
Net financial items		**-12,352,709**	**-5,068,861**
Profit before tax		**-35,449,128**	**-21,083,682**
Tax		-4,842,713	-
Profit for the period		**-40,291,841**	**-21,083,682**
Other comprehensive income			
Other comprehensive income for the period		-	-
Comprehensive income for the period		-40,291,841	-21,083,682
Profit for the period attributable to:			
Earnings per share			
- before dilution (SEK)		-1.30	-0.68
- after dilution (SEK)		-1.30	-0.68
Number of outstanding shares at end of reporting period			
- before dilution		30,902,200	30,902,200
- after dilution		30,902,200	30,902,200
Average number of outstanding shares			
- before dilution		30,902,200	30,902,200
- after dilution		30,902,200	30,902,200

Consolidated statement of financial position, summary

SEK	Note	31 Dec 2019	31 Dec 2018
Assets			
Intangible assets		31,434,111	31,229,460
Property, plant and equipment		35,904,153	13,256,066
Right-of-use assets		25,203,873	24,103,071
Deferred tax assets		-	4,842,713
Non-current receivables		40,000	40,000
Total non-current assets		**92,582,137**	**73,471,310**
Inventories		23,732,372	70,418,568
Tax assets		1,649,885	177,323
Accounts receivable		6,464,039	7,837,892
Contract assets		115,145,233	4,778,145
Prepaid expenses and accrued income		977,248	409,257
Other receivables		89,966	1,562,501
Cash and cash equivalents		111,015,273	53,078,543
Total current assets		**259,074,016**	**138,262,229**
Total assets		**351,656,153**	**211,733,538**
Equity			
Share capital		1,236,088	1,236,088
Other paid-in capital		157,237,914	157,237,914
Retained earnings including profit or loss for the period		-58,202,704	-17,910,863
Equity attributable to owners of parent		100,271,298	140,563,139
Non-controlling interests		-	-
Total equity		**100,271,298**	**140,563,139**
Liabilities			
Non-current interest-bearing liabilities		213,774,497	20,291,097
Other provisions		1,484,375	1,921,875
Total non-current liabilities		**215,258,872**	**22,212,972**
Current interest-bearing liabilities		8,154,117	14,725,657
Trade payables		16,248,829	8,733,506
Contract liabilities		6,445	19,422,975
Other liabilities		2,153,735	1,868,833
Accrued expenses and deferred income		9,562,857	4,206,456
Total current liabilities		**36,125,983**	**48,957,427**
Total liabilities		**251,384,854**	**71,170,399**
Total equity and liabilities		**351,656,152**	**211,733,538**

Consolidated statement of changes in equity, summary

Equity attributable to owners of parent

SEK	Share capital	Other paid-in capital	Retained earnings incl. profit/loss for the period	Total	Non-controlling interests	Total equity
Opening equity 27 Dec 2018	1,236,088	157,237,914	-17,910,863	140,563,139	-	140,563,139
Profit for the period	-	-	-	-	-	-
Closing equity 31 Dec 2018	1,236,088	157,237,914	-17,910,863	140,563,139	-	140,563,139
Opening equity 1 Jan 2019	1,236,088	157,237,914	-17,910,863	140,563,139	-	140,563,139
Comprehensive income for the period						
Profit for the period			-40,291,841	-40,291,841	-	-40,291,841
Other comprehensive income for the period			-	-	-	-
Comprehensive income for the period			**-40,291,841**	**-40,291,841**	**-**	**-40,291,841**
Closing equity 31 Dec 2019	**1,236,088**	**157,237,914**	**-58,202,704**	**100,271,298**	**-**	**100,271,298**

Consolidated statement of cash flows, summary

SEK	Note	Jan–Dec 2019	Oct–Dec 2019
Operating activities			
Profit before tax		-35,449,128	-21,166,084
Adjustment for items not included in cash flow		31,375,722	12,538,280
Income tax paid		-287,979	-85,386
Increase (-)/Decrease (+) in inventories		46,686,196	-3,778,155
Increase (-)/Decrease (+) in operating receivables		-109,388,885	-2,083,995
Increase (+)/Decrease (-) in operating liabilities		-5,813,734	9,471,703
Cash flow from operating activities		**-72,877,807**	**-5,103,638**
Investing activities			
Acquisition of property, plant and equipment		-31,293,545	-18,381,293
Acquisition of intangible assets		-13,894,761	-3,851,137
Cash flow from investing activities		**-45,188,306**	**-22,232,430**
Financing activities			
Loans raised		200,000,000	-
Repayment of loans		-24,271,442	-1,802,649
Cash flow from financing activities		**175,728,558**	**-1,802,649**
Cash flow for the period		**57,662,445**	**-29,138,717**
Cash and cash equivalents at start of period		53,078,543	140,220,112
Exchange difference in cash and cash equivalents		274,285	-66,122
Cash and cash equivalents at end of period		**111,015,273**	**111,015,273**

Parent company income statement, summary

SEK	Note	Jan–Dec 2019	Jan–Dec 2018	Oct–Dec 2019	Oct–Dec 2018
Net sales		90,262,275	178,365,985	53,456,228	69,597,673
Change in goods in progress, finished goods and work in progress		16,091,898	21,394,560	1,070,628	-15,770,906
Own work capitalized		13,845,986	21,645,364	3,833,370	5,412,083
Other operating income		2,822,590	4,023,285	52,818	1,180,512
		123,022,749	**225,429,195**	**58,413,044**	**60,419,363**
Raw materials and consumables		-60,467,147	-114,836,923	-27,715,007	-28,917,869
Other external expenses		-29,834,686	-30,148,486	-8,381,557	-8,025,729
Staff expenses		-65,904,395	-51,051,330	-16,263,696	-12,196,615
Depreciation/amortization and impairment of property, plant and equipment and intangible assets		-22,335,568	-16,050,660	-8,783,203	-5,891,252
Other operating expenses		-438,303	-1,182,957	-421,794	-844,548
Operating profit		**-55,957,350**	**12,158,839**	**-3,152,214**	**4,543,350**
Profit from financial items					
Interest income and similar profit/loss items		1,344,767	3,570,628	-858,372	1,030,825
Interest expense and similar profit/loss items		-13,439,829	-1,325,900	-4,389,514	-301,710
Profit after financial items		**-68,052,412**	**14,403,567**	**-8,400,100**	**5,272,464**
Profit before tax		**-68,052,412**	**14,403,567**	**-8,400,100**	**5,272,464**
Tax		-6,725,773	4,643,727	0	-291,346
Profit for the period		**-74,778,185**	**19,047,294**	**-8,400,100**	**4,981,118**

Statement of income and comprehensive income for the parent company, summary

SEK	Note	Jan–Dec 2019	Jan–Dec 2018	Oct–Dec 2019	Oct–Dec 2018
Profit for the period		-74,778,185	19,047,294	-8,400,100	4,981,118
Other comprehensive income		-	-	-	-
Comprehensive income for the period		**-74,778,185**	**19,047,294**	**-8,400,100**	**4,981,118**

Balance sheet for the parent company, summary

SEK	Note	31 Dec 2019	31 Dec 2018
Assets			
Non-current assets			
Intangible assets		31,434,111	31,229,460
Property, plant and equipment		35,904,153	13,256,066
Financial assets			
- Interests in subsidiaries		50,000	50,000
- Other non-current receivables		40,000	40,000
- Deferred tax assets		-	6,725,774
Total financial assets		**90,000**	**6,815,774**
Total non-current assets		**67,428,264**	**51,301,300**
Current assets			
Inventories, etc.		86,510,466	70,418,568
Current receivables			
- Accounts receivable		6,464,039	7,837,892
- Contract assets		33,912,023	4,778,145
- Tax assets		291,128	177,323
- Other receivables		1,448,723	1,562,501
- Prepaid expenses and accrued income		1,750,555	1,110,563
Total current receivables		**43,866,468**	**15,466,424**
Cash and bank balances		110,965,273	53,078,543
Total current assets		**241,342,207**	**138,963,535**
Total assets		**308,770,471**	**190,264,834**

Balance sheet for the parent company, summary, continues on next page.

cont. Balance sheet for the parent company, summary

SEK	Note	31 Dec 2019	31 Dec 2018
Equity and liabilities			
Equity			
Restricted equity			
- Share capital		1,236,088	1,236,088
- Fund for development expenses		32,759,870	28,716,630
Non-restricted equity			
- Statutory reserve		157,237,914	157,237,914
- Profit brought forward		-58,171,559	-73,175,612
- Profit for the year		-74,778,185	19,047,293
Total equity		**58,284,128**	**133,062,313**
Provisions			
- Other provisions		1,484,375	1,921,875
Total provisions		**1,484,375**	**1,921,875**
Non-current liabilities			
- Bonds		200,000,000	-
- Liabilities to credit institutions		-	2,130,984
- Other non-current liabilities		7,756,129	15,895,564
Total non-current liabilities		**207,756,129**	**18,026,548**
Current liabilities			
- Advances from customers		13,151,862	19,422,975
- Trade payables		16,248,829	8,705,426
- Other liabilities		2,282,291	1,896,913
- Accrued expenses and deferred income		9,562,857	7,228,784
Total current liabilities		**41,245,839**	**37,254,098**
Total equity and liabilities		**308,770,471**	**190,264,834**

Note 1 Accounting policies

This consolidated year-end report in summary was prepared in accordance with IAS 34, Interim Financial Reporting, and applicable provisions in the Swedish Annual Accounts Act. The year-end report for the parent company has been prepared in accordance with Chapter 9, Interim Financial Reporting, of the Swedish Annual Accounts Act. The following accounting policies and measurement criteria have been applied for the Group and the parent company.

In addition to the financial statements and their accompanying notes, further information in accordance with IAS 34.16A can be found in other sections of the year-end report.

Statement of compliance

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

The parent company applies the same accounting

policies as the Group except in cases specified in the section "Parent company's accounting policies".

Measurement bases applied in preparing the financial statements

Assets and liabilities are recognized at historic cost.

Functional currency and reporting currency

The parent company's functional currency is the Swedish krona, which is also the reporting currency for the parent company and the Group. This means that the financial statements are presented in Swedish krona.

Assessments and estimates in the financial statements

The preparation of financial statements in conformity with IFRS requires company management to make assessments, estimates and assumptions that affect the application of the accounting policies and the carrying amounts of assets, liabilities, income and expenses. Actual outcomes may diverge from these estimates and

assessments.

These estimates and assumptions are reviewed regularly. Changes in estimates are recognized in the period in which the change is made if the change only affects that period; or the period in which the change is made and future periods if the change affects both current and future periods.

Assessments made by company management when applying IFRS that have a significant effect on the financial statements and estimates that may lead to significant adjustments to the following year's financial statements are described in more detail in note 2.

Significant accounting policies applied

The following accounting policies have been applied consistently to all periods that are presented in the consolidated financial statements, except for those described below. The consolidated accounting policies have also been applied consistently by the Group's companies.

New IFRS that have not yet been applied

A number of new revised IFRS will only come into effect in the coming financial year and have not been applied in advance in the preparation of these financial statements. New and amended IFRS with future application are not expected to have any material impact on the company's financial statements.

Classification, etc.

Non-current assets consist for the most part of amounts that are expected to be recovered or paid more than twelve months after the balance sheet date; while current assets consist for the most part of amounts that are expected to be recovered or paid within twelve months of the balance sheet date. Non-current liabilities consist for the most part of amounts for which Midsummer AB has, at the end of the reporting period, an unconditional right to choose to pay later than twelve months after the end of the reporting period. If Midsummer AB does not have this right at the end of the reporting period – or holds liabilities for trading or if a liability is expected to be settled within the normal business cycle – the liability amount is recognized as a current liability.

Operating segment reporting

An operating segment is a part of the Group that engages in business operations from which it may generate income and incur expenses and for which independent financial information is available. An operating segment's earnings are also monitored by the

company's chief operating decision-maker to assess its performance and to allocate resources to the operating segment. See note 3 for a further description of the classification and presentation of operating segments.

Consolidation principles and business combinations

Subsidiaries

Subsidiaries are companies that operate under the control of Midsummer AB. Control exists if Midsummer AB has influence over the object of investment, is exposed to or has rights to variable returns from its involvement, and can use its influence over the investment to affect returns. In assessing whether control exists, potential voting shares and whether de facto control exists are taken into account.

Subsidiaries are recognized in accordance with the acquisition method. This method means that an acquisition of a subsidiary is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis determines the fair value on the date of acquisition of acquired identifiable assets and assumed liabilities and any non-controlling interests. Transaction expenses that are incurred are recognized directly in profit for the year, except for transaction expenses that are attributable to the issue of equity instruments or debt instruments.

In the case of business combinations where the transferred consideration, any non-controlling interests and the fair value of previously owned participating interest (in the case of acquisitions in steps) exceed the fair value of the assets acquired and liabilities assumed that are recognized separately, the difference is recognized as goodwill. When the difference is negative, so-called low-cost acquisition, this is recognized directly in profit for the year.

The consideration transferred for the acquisition does not include payments related to the settlement of pre-existing business relationships.

This kind of settlement is normally recognized in profit and loss.

Contingent considerations are recognized at their acquisition-date fair value. If the contingent consideration is classified as an equity instrument, no revaluation is performed and the adjustment is made to equity. Other contingent considerations are revalued for each financial statement and the difference is recognized in profit for the year.

If the acquisition does not pertain to 100% of the subsidiary, it is

deemed a non-controlling interest. There are two methods for recognizing non-controlling interests. These two methods are to recognize the non-controlling interest's

share of the proportional net assets or to recognize the non-controlling interest at fair value, meaning that the non-controlling interest is part of goodwill. The choice is made on a case by case basis between which of these two methods is used for recognizing non-controlling interests.

For acquisitions in steps, goodwill is determined on the date on which controlling influence is reached. Previous holdings are measured at fair value and the change in value is recognized in profit for the year.

The remaining holdings are measured at their fair value and the change in value is recognized in profit for the year when the disposal leads to the end of the controlling influence.

Transactions eliminated in consolidation

Intra-group receivables and liabilities, income or expenses, and unrealized gains or losses arising from intra-group transactions between Group companies are eliminated entirely when preparing the consolidated financial statements.

Foreign currency

Transactions in foreign currency

Transactions in foreign currency are translated to the functional currency using the exchange rate prevailing on the transaction date. The functional currency is the currency of the primary economic environments in which the companies conduct their operations. Monetary assets and liabilities in foreign currency are translated to the functional currency at the exchange rate prevailing on the balance-sheet date. Exchange-rate differences that arise during the translations

are recognized in profit for the year. Non-monetary assets and liabilities recognized at historical cost are translated at the exchange rate prevailing on the transaction date. Non-monetary assets and liabilities recognized at fair value are translated to the functional currency at the rate in effect on the date of measurement at fair value.

Revenue

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in the contract with the customer. The Group recognizes revenue when control over goods or services transfers to the customer. Assessments are required to determine the time when control is transferred, i.e. a point in time or a period of time.

For the Process performance obligation, control is considered to have been transferred to the customer at a point in time, which is when the customer gains access to the process and can benefit from it; for example, it can start to negotiate with relevant suppliers for intermediate goods for machinery, etc. For the Machinery for Solar Cell Production performance obligation, control is considered to have been transferred to the customer at a point in time, which is considered to be when the equipment is delivered and accepted by the customer, expect for contracts where Midsummer AB is entitled to expenses paid plus a reasonable profit margin if the customer were to terminate the contract for reasons other than the company's negligence to perform what it had promised. In such cases, control is transferred over a period of time depending on the stage of completion, which is based on the book costs in relation to the total project costs that have been calculated.

Payment for the Process and Machinery for Solar Cell Production performance obligations is made at specific milestones, with final invoices being sent when the Machinery for Solar Panel Production is installed and accepted by the customer. Uninvoiced amounts are recognized as contract assets, while amounts invoiced in advance are recognized as contract liabilities. Invoices are normally due within 30–60 days.

For subsequent service and process support, control is considered to transfer continually to the customer. Invoicing takes place every month and invoices are normally due within 30–60 days.

For solar cells, control is considered to transfer to the customer at the time of delivery from the factory and invoicing is carried out in conjunction with this. Invoices are normally due within 30 days.

Government grants

Government grants are recognized in the statement of financial position as deferred income when there is reasonable assurance that the grant will be received and the Group will comply with the terms associated with the grant. Grants are accrued systematically in profit for the year in the same way and over the same periods as the costs which the grants are intended to compensate. Government grants related to assets are recognized as a reduction in the asset's carrying amount in the statement of financial position.

Leases

When a contract is entered into, the Group assesses whether the contract is, or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lessee

The Group recognizes a right-of-use asset and a leasing liability on the date of the lease. The right-of-use is initially valued at cost, which consists of the original value of the leasing liability with addition for lease payments paid at or before the start date plus any initial direct expenses. The right-of-use asset is subsequently written off on a straight-line basis from the start date to the earliest of the end of the asset's

useful life and the end of the lease term.

The leasing liability is initially valued at the present value of the future lease payments that have not been paid at the start date. The lease payments are discounted by the implicit interest on the lease. If this interest rate cannot be easily determined, the Group's marginal borrowing rate is used.

The leasing liability is valued at amortized cost using the effective interest method. The leasing liability is revalued if the future lease payments change as a result of, among other things, changes to an index or rate. When the leasing liability is revalued in this way, a corresponding adjustment is made to the carrying value of the right-of-use asset.

Short leases or leases of low value

The Group has chosen not to recognize right-of-use assets and leasing liabilities for leases that are shorter than twelve months or that have underlying assets of a low value. Lease payments for these leases are recognized as a cost on a straight-line basis over the lease term.

Financial income and expense

The Group' financial income and expense include:

- interest income
- interest expense
- exchange rate gains/losses on financial assets and financial liabilities.

Interest income and interest expense are recognized using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the carrying gross amount of the financial asset, or
- the amortized cost of the financial liability.

Taxes

Income tax consists of current tax and deferred tax. Income tax is recognized in profit for the year except when the underlying transaction is recognized in other comprehensive income or equity, in which case the associated tax effect is recognized in other comprehensive income or equity.

Current tax is tax to be paid or received for the current year, applying the tax rates enacted or substantively enacted on the balance sheet date. Current tax also includes an adjustment of current tax attributable to prior periods.

Deferred tax is calculated according to the balance sheet method, based on temporary differences arising between the carrying amount of assets and liabilities and their value for tax purposes. Temporary differences are not taken into consideration in consolidated goodwill, nor for differences that arise on initial recognition of assets and liabilities that are not business combinations and which on the date of transaction do not affect either recognized or taxable profit. Temporary differences attributable to interests in subsidiaries and associates that are not expected to be reversed in the foreseeable future are not taken into consideration either. The measurement of deferred tax is based on how the amount of the underlying assets or liabilities is expected to be realized or settled. Deferred tax is calculated by applying the tax rates and tax regulations enacted or substantively enacted on the balance sheet date.

Deferred tax assets relating to deductible temporary differences and loss carryforwards are only recognized to the extent that it is probable they will be utilized. The value of deferred tax assets is reduced when it is no longer deemed probable that they can be utilized.

Financial instruments

Recognition and initial measurement

Accounts receivable and debt instruments issued are recognized when they are issued. Other financial assets and financial liabilities are recognized when the Group becomes a party to the contractual terms of the instrument.

Upon initial recognition a financial asset (except for accounts receivable that do not have a significant financing component) or financial liability is measured at fair value. In the case of financial instruments not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue are included. Receivables without a significant financing component are measured at the transaction price.

Classification and subsequent measurement

Financial assets

Upon initial recognition a financial asset is classified as measured: at amortized cost; at fair value through other comprehensive income – debt instrument investment; at fair value through other comprehensive income – equity investment; or at fair value through profit or loss. All financial assets are recognized at amortized cost. This is because they are held within the framework of a business model aimed at receiving the contractual cash flows at the same time that cash flows from the assets consist solely of payments of principal and interest.

Financial liabilities – Classification, subsequent measurement, and gains and losses

Financial liabilities are classified as measured at amortized cost or at fair value through the income statement. The Group’s liabilities for earnouts attributable to business combinations are recognized at fair value through the income statement. All other financial liabilities are recognized at amortized cost.

Derecognition in the statement of financial position

Financial assets

The Group derecognizes a financial asset from the statement of financial position when the contractual rights to the cash flows from the financial asset expire or if it transfers the right to receive the contractual cash flows via a transaction that entails the transfer

of all substantial risks and benefits of ownership; or where the Group does not transfer or retain all substantial risks and benefits of ownership and it does not retain control of the financial asset.

The Group enters into transactions in which it transfers assets recognized in the statement of financial position, but retains all substantial risks and benefits of ownership associated with the transferred assets. In these instances, the transferred assets are not derecognized from the accounts.

Financial liabilities

A financial liability is derecognized from the statement of financial position when the obligations in accordance with the contract are fulfilled, canceled or cease. The Group also derecognizes a financial liability when the contractual terms and conditions are modified and the cash flows from the modified liability are substantially different. In this case, a new financial liability is recognized at fair value

based on the modified terms and conditions.

When a financial liability is derecognized, the difference between the carrying amount that has been removed and the payment that has been made is recognized in earnings (including non-monetary assets that have been transferred or liabilities that have been assumed).

Property, plant and equipment

Owned assets

Property, plant and equipment are recognized at cost in the Group less accumulated depreciation and any impairment. Cost includes the purchase price and costs directly attributable to

the asset to put it in place in working order for use in accordance with the intended purpose of the acquisition. Borrowing costs that are directly attributable to the purchase, design or production of assets that require a significant amount of time to prepare for their intended use or sale are included in the cost. The accounting policies for impairment are described below.

The carrying amount of property, plant and equipment is derecognized from the statement of financial position upon disposal or sale, or when no future financial benefits are

expected to be derived from the use or disposal/sale of the asset. Gains or losses that arise upon the sale or disposal of an asset are defined as the difference between the selling price and the carrying amount of the asset, less direct selling expenses. Gains and losses are recognized as other operating income/expense.

Additional expenditures

Additional expenditures are added to the cost only to the extent that it is probable that the future financial benefits associated with the asset will accrue to the company and the cost can be calculated in a reliable manner. All other additional expenditures are recognized as an expense in the period in which they arise.

Depreciation principles

Assets are depreciated on a straight-line basis over their estimated period of use. Leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. The Group applies component depreciation, which means that depreciation is based on the estimated useful life of individual components.

Estimated useful lives:

plant and machinery	5–10 years
equipment, tools and installations	5 years
leasehold improvements	20 years

Depreciation methods, residual values and useful lives are re-assessed at the end of each year.

Intangible assets

Research and development

Expenditures on research aimed at gaining new scientific or technical knowledge are expensed as they are incurred.

Expenditures on development, where research findings or other knowledge are applied to produce new or improved products or processes, are recognized as an asset in the statement of financial position, provided that the product or process is technically and commercially feasible and the company has sufficient resources to complete development and then use or sell the intangible asset. The carrying amount includes all directly attributable expenditures; for example, benefits to employees, registration of a legal right, amortization of patents and licenses, and borrowing costs in accordance with IAS 23. Other development expenses are expensed in profit for the year as they are incurred. In the statement of financial position, development expenses are recognized at cost less accumulated amortization and any impairment.

Other intangible assets

Other intangible assets acquired by the Group comprise patents and are recognized at cost, less accumulated amortization and any impairment losses.

Additional expenditures

Additional expenditures for capitalized intangible assets are recognized as an asset in the statement of financial position only to the extent that they increase the future financial benefits of the specific asset to which they are attributable. All other expenditures are expensed as they are incurred.

Borrowing costs

Borrowing costs that are attributable to the production of a qualifying asset are capitalized as a part of the cost of the qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. Firstly, borrowing costs that have arisen on loans that are specific to the qualifying asset are capitalized. Secondly, borrowing costs that have arisen on general loans that are not specific to any qualifying asset are capitalized. The capitalization of borrowing costs for the Group primarily comprise capitalized development expenditure.

Amortization principles

Amortization is recognized in the profit for the year on a straight-line basis over the estimated useful life of intangible assets, unless such useful lives are indefinable. The useful life is re-assessed on an annual basis. Intangible assets with definable useful lives are amortized from the date on which they are available for use. Estimated useful lives:

- patents 10 years
- capitalized development expenditure 5 years

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated by applying the weighted average price method and includes expenditures arising during the acquisition of the inventory assets and transportation thereof to their current location and state. For finished goods and work in progress, cost includes an appropriate share of indirect costs based on normal capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

Impairments

The Group's recognized assets are assessed on each balance sheet date to determine whether there is any indication of impairment. IAS 36 is applied for the impairment of assets other than financial assets, which are recognized in accordance with IAS 39, inventories and deferred tax assets. For the exceptions stated above, the carrying amount is assessed according to the relevant standard.

Impairment of property, plant and equipment, and intangible assets

If impairment is indicated, the recoverable amount of the asset is calculated. If it is not possible to ascertain essentially independent cash flows for an individual asset and its fair value less selling expenses cannot be used, the assets are grouped at the lowest level at which it is possible to identify essentially independent cash flows (i.e. cash-generating units) when testing for impairment.

An impairment loss is recognized when the carrying amount of an asset or cash-generating unit (group of units) exceeds its recoverable amount. Impairment losses are expensed in profit for the year. Once impairment has been identified for a cash-generating unit (group of units), the impairment loss is initially allocated to goodwill, after which other assets in the unit (group of units) are proportionally impaired.

The recoverable amount is the higher of fair value less selling expenses or value-in-use. When calculating value-in-use, future cash flows are discounted using a discounting factor that reflects risk-free interest and the risks associated with the specific asset.

Reversal of impairment

An impairment of assets included in the scope of IAS 36 is reversed if there is an indication that the impairment no longer exists and there has been a change in the assumptions underlying the calculation of the recoverable value. However, impairment of goodwill is never reversed. Impairment is reversed only to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that would have been recognized, less amortization if appropriate, if no impairment had been recognized.

Impairment of financial assets

Midsummer recognizes loss reserves for expected credit losses on financial assets measured at amortized cost. The loss reserve for accounts receivable and contract assets is measured at an amount corresponding to expected credit losses for the remaining term.

The impairment of accounts receivable and contract assets is determined based on historical experience of customer losses on similar receivables. Credit losses are measured as the present value of losses in the cash flows (i.e. the difference between the cash flows according to the contract and the cash flow that the Group expects to receive).

The loss reserve reduces the asset's value in the statement of financial position.

Presentation of reserves for expected credit losses in the statement of financial position

Loss reserves for financial assets measured at amortized cost are recognized as a decrease in the gross value of the assets.

Loss reserves for debt instruments measured at fair value via comprehensive total income are impaired in the profit and loss and recognized in other comprehensive income.

Write-off

The gross value of a financial asset is written off when the Group no longer has any feasible expectations of recovering part of or the entirety of a financial asset. With respect to individual customers, the Group adopts a policy of writing off the gross carrying amount when the financial asset is expired by 180 days based on the historical experience of recovering similar assets. For corporate customers, the Group makes individual assessments of the time and value of the write-off, based on whether or not there is a feasible expectation of recovery. The Group does not expect any significant recovery of the amounts written off. However, financial assets that are written off may still be subject to enforcement action in order to comply with the Group's procedures for the recovery of amounts owed.

Earnings per share

The calculation of earnings per share before dilution is based on the profit for the year in the Group that is attributable to the parent company shareholders and on the weighted average number of shares outstanding during the year.

Employee benefits

Short-term benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related services are provided.

Defined-contribution pension plans

Pension plans classified as defined-contribution plans are those where the company's obligation is limited to the contributions that the company has undertaken to pay. In such cases, the size of the employee's pension is dependent on the contributions paid by the company to the plan or to an insurance company and the return on capital yielded by the contributions. Consequently, it is the employee who bears the actuarial risk (that the pension payment will be lower than expected) and the investment risk (that the invested assets will be insufficient to provide the expected payments). The company's obligations with regard to payments to defined-contribution plans are expensed in profit or loss for the year as they are earned by the employee's performance of services for the company during a period.

Termination benefits

Benefits associated with the termination of employment are expensed at the earlier of the date that the company can no longer withdraw the offer to the employee or the date that the company recognizes restructuring costs. Benefits that are expected to be settled after 12 months are recognized at their present value. Benefits that are not expected to be completely settled within 12 months are recognized in accordance with long-term benefits.

Provisions

A provision differs from other liabilities because there is uncertainty about the date of payment or the amount required to settle the provision. A provision is recognized in the statement of financial position when there is a present legal or informal obligation as a result of a past event, and it is probable that an outflow of financial resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are made at the amount which is the best estimate of the expenditure required to settle the present obligation on the balance sheet date. Where the effect of payment timing is important, provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and, if appropriate, the risks specific to the liability.

Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical data on warranties and a weighing of possible outcomes in relation to the probability of these outcomes occurring.

Parent company's accounting policies

The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 *Accounting for Legal Entities*. The Swedish Financial Reporting Board's recommendations for listed companies are also applied. RFR 2 states that in the annual report for the legal entity, the parent company must apply all IFRS and interpretations

adopted by the EU as far as possible within the framework of the Swedish Annual Accounts Act, Pension Obligations Vesting Act and considering the relationship between accounting and taxation. The recommendation states the exceptions from and additions to IFRS that must be made.

Differences between Group and parent company accounting policies

The differences between Group and parent company accounting policies are detailed below. The specified accounting policies for the parent company have been applied consistently to all periods presented in the parent company's financial statements.

Classification and presentation

An income statement and a statement of income and comprehensive income are presented for the parent company, whereas for the Group these two reports comprise *one* statement of income and comprehensive income. In addition, the parent company uses the terms balance sheet and cash flow statement for the reports that in the Group are called statement of financial position and statement of cash flows respectively. The income statement and balance sheet for the parent company are presented in accordance with the Swedish Annual Accounts Act, while the statement of income and comprehensive income, the statement of changes in equity and the cash flow statement are based on IAS *1 Presentation of financial statements* and IAS 7 *Statement of cash flows.* The most significant differences from the consolidated statements that are apparent in the parent company's income statement and balance sheet relate primarily to recognition of financial income and expense, current assets, equity, and the fact that provisions are recognized under a separate heading in the balance sheet.

Subsidiaries

Shares in subsidiaries are recognized in the parent company using the cost method. This means that transaction costs are included in the carrying amount of interests in subsidiaries, associates and jointly controlled entities. In the consolidated financial statements, transaction expenses that are attributable to subsidiaries are recognized directly in profit and loss when they arise.

Revenue

Works contracts

For the parent company works contracts are recognized at a fixed price when the contract has been completed. Work in progress for works contracts is recognized at the lower of cost and the net realizable value on the balance sheet date.

Financial instruments and hedge accounting

The parent company has elected not to apply IFRS 9 for financial instruments. However, parts of the principles of IFRS 9 are still applicable, such as impairment losses, recognition/derecognition, criteria for application of hedge accounting and the effective interest method

for interest income and interest expense.

In the parent company, financial non-current assets are measured at cost less any impairment losses, and financial current assets in accordance with the lowest value principle. For financial assets recognized at amortized cost, the impairment rules of IFRS 9 apply.

Operating segment reporting

The parent company does not report segments broken down in the same way and to the same extent as the Group, but instead discloses the breakdown of net sales to the parent company's various business streams.

Leased assets

As a lessee, lease payments are expensed for all leases on a straight-line basis over the term of the lease and are therefore not recognized as a right-of-use and leasing liabilities in the balance sheet.

Borrowing costs

Borrowing costs in the parent company are charged against earnings in the period to which they are attributable. No borrowing costs are capitalized on assets.

Note 2 Estimates and assessments

The company management and the Board have discussed the development, choice and information regarding the Group's important accounting policies and estimates, as well as the applications of these policies and estimates.

Listed below are some important accounting assessments and estimates.

Leases

The Group has leases for both vehicles and premises. When ascertaining the size of leasing liabilities and leasing assets, assessments are required to determine whether it is reasonably certain that the Group will use the extension options. When assessing whether it is reasonably certain that extension options will be used for the premises, the Group has taken into consideration its future growth, and based on this, it has determined how long it could use the current premises. As a result, the Group has determined that it is not reasonably certain that the Group will use its extension options. However, this is something that may change in the future and would then affect the size of the leasing liability and leasing asset.

Revenue recognition

Revenue is measured based on the consideration specified in the contract with the customer. The Group recognizes revenue when control over goods or services transfers to the customer. Assessments are required to determine the time when control is transferred, i.e. a point in time or a period of time. In the contracts that the Group entered into up to and including 2018, the Group has made the assessment that the contracts do not meet the requirements for meeting performance obligations over time, but at a specific time. In the renegotiated contracts that were entered into with the customer in 2019, the assessment was made that the contracts do meet the requirements and that revenues will be recognized over time in the future and not at a point in time.

Note 3 Operating segments and income allocation

The Group's business is divided into operating segments based on the parts of the business monitored by the company's chief operating decision-maker. This is known as a management approach. The Group's internal reporting is structured so as to allow Group management to follow up on the operations in their entirety. Based on this internal reporting the Group has identified that the Group only has one segment.

Revenue streams

The Group generates revenue primarily from the sale of machinery for solar panel production, the process for solar panel production, and the service of machinery and solar panels. Currently the Group receives its revenue almost exclusively from the sale of machinery for solar panel production and the process for solar panel production, which is why only revenue from these is presented for the operating segment that the Group presents.

Breakdown of revenue from contracts with customers

The breakdown of revenue from contracts with customers into major product and service areas is summarized below. The table also includes a reconciliation between the breakdown of income and the Group's operating segment.

Operating segment

	Machinery for solar cell production and process for solar cell production		Other		Total	
Product/service area	**Jan–Dec 2019**	**Oct–Dec 2019**	**Jan–Dec 2019**	**Oct–Dec 2019**	**Jan–Dec 2019**	**Oct–Dec 2019**
Machinery for solar cell production	114,685,417	-4,138,300	-	-	114,685,417	-4,138,300
Process for solar cell production	47,549,100	25,135,779	-	-	47,549,100	25,135,779
Other	16,565,658	4,946,473	5,666,549	2,893,005	22,232,207	7,839,478
Total	178,800,175	25,943,952	5,666,549	2,893,005	184,466,724	28,836,957

Comment: The negative earnings for the machinery for solar panel production segment in Q4 were due to an exchange rate loss for the contract assets. The weakening of the dollar in the fourth quarter had an impact on the results of TSEK -5,482 during the quarter for this segment as the value of the contract assets in SEK fell by this amount.

Geographic areas

SEK	Jan–Dec 2019	Oct–Dec 2019
Sweden	2,743,780	1,283,484
China/Hong Kong	153,737,216	269,884
EU	27,842,645	27,283,171
Other	143,083	418
Total	**184,466,724**	**28,836,957**

Revenue from external customers refers to individual countries using the country where the customer is based.

The Group's non-current assets are located entirely in Sweden.

Information about larger customers

The highest proportion of sales in China goes through Midsummer's distributor in Hong Kong, United Goal Development Ltd.

Note 4 Fair value of financial instruments

The carrying amount of all financial assets and liabilities represent a reasonable approximation of fair value.

Note 5 Explanations of the transition to IFRS

This consolidated financial report is the second to have been prepared in conformity with IFRS, as stipulated in note 1.

The accounting policies set out in note 1 have been applied when preparing the parent company's financial statements for the 2019 financial year and the comparison year 2018, as well as for the parent company's opening balance and the Group's opening balance on 27 December 2018. When preparing the parent company's opening balance, the amounts recognized in accordance with previous accounting policies have been adjusted in accordance with RFR 2. Explanations of how the transition from previous accounting policies to RFR 2 has affected the parent company's financial position, financial earnings and cash flows are shown in the following tables and accompanying explanations.

When preparing the Group's opening balance sheet, the amounts recognized in accordance with previous accounting policies have been adjusted in accordance with IFRS. Explanations of how the transition from previous accounting policies to IFRS has affected the Group's financial position are shown in the following tables and accompanying explanations. Nothing has happened in the Group from the time that the Group was formed on 27 December 2018 and 31 December 2018, which is why the balance sheet as at 31 December 2018 is the same as the opening balance as at 27 December 2018. This is why no consolidated income statement or cash flow statement are presented for 2018.

IFRS 15

In accordance with previous accounting policies, revenue for machinery for solar cell production was recognized using the percentage of completion method. The transition to IFRS has resulted in revenues being recognized instead when control of the machinery is transferred to the customer, which is either at a point in time, which is considered to be when the equipment is delivered and accepted by the customer, or over time if Midsummer is entitled to expenses paid plus a reasonable profit margin if the customer were to terminate the contract for reasons other than the company's negligence to perform what it had promised. Assessments are required to determine the time when control is transferred, i.e. a point in time or a period of time.

IFRS 16

In the past the Group classified leases as operating or financial leases based on whether the lease transferred the significant risks and benefits that an ownership of the underlying asset brings to the Group. Operating leases were not recognized as an asset and liability in the balance sheet and a leasing/rental payment was recognized on a straight-line basis over the lease term of the contracts. In accordance with IFRS 16 the Group recognizes the right-of-use assets and leasing liabilities for most leases, i.e. leases are included in the balance sheet, including leases that had previously been classified as operating leases, and depreciation and interest expense are recognized in earnings. Exceptions have been made for the contracts mentioned below that have leases that are twelve months or less, or that have underlying assets of a low value (value of the underlying asset < TSEK 50). The parent company does not apply IFRS 16, in accordance with the exception in RFR 2, resulting in a difference between K3 and IFRS. This is because the parent company recognized machinery leased in accordance with financial leases in K3 as a non-current asset with a depreciation period of 5 years and a leasing liability for future lease payments, while the parent company does not recognize a right-of-use or leasing liability in the balance sheet for these leases in accordance with the exception in RFR 2.

IAS 36

The book values for assets were reviewed at the time of the transition to IFRS in accordance with the regulations in IFRS. During this review, the use of intangible assets started to be tested to see if there was an indication of impairment. No such indication was found and no impairment has been made.

Effects on the income statement, balance sheet (consolidated statement of financial position) and equity

The following overviews show the aforementioned effects on the income statement, balance sheet (consolidated statement of financial position) and equity if IFRS had been applied in 2018.

Consolidated statement of financial position, 31 December 2018

SEK	According to previous policies	Effect of IFRS 15	Effect of IFRS 16	Effect of IAS 36	According to IFRS
Assets					
Intangible assets	31,229,460				31,229,460
Property, plant and equipment	29,281,386		-16,025,320		13,256,066
Right-of-use assets	-		24,103,071		24,103,071
Non-current receivables	40,000				40,000
Deferred tax assets	-	4,842,713			4,842,713
Total non-current assets	**60,550,846**	**4,842,713**	**8,077,751**	**–**	**73,471,310**
Inventories	9,613,881	60,804,687			70,418,568
Tax assets	177,323				177,323
Accounts receivable	7,837,892				7,837,892
Contract assets	74,801,529	-70,023,384			4,778,145
Prepaid expenses and accrued income	1,110,563		-701,306		409,257
Other receivables	1,562,501				1,562,501
Cash and cash equivalents	53,078,543				53,078,543
Total current assets	148,182,232	-9,218,697	-701,306	–	138,262,229
Total assets	**208,733,078**	**-4,375,984**	**7,376,445**	**–**	**211,733,538**
Equity					
Share capital	1,236,088				1,236,088
Other paid-in capital	157,237,914				157,237,914
Retained earnings incl. profit/loss for the year	4,601,492	-22,512,356			-17,910,864
Equity attributable to					
owners of parent	163,075,494	-22,512,356	–	–	140,563,138
Non-controlling interests					–
Total equity	**163,075,494**	**-22,512,356**	**–**	**–**	**140,563,138**
Liabilities					
Deferred tax liabilities	1,286,605	-1,286,605			–
Non-current interest-bearing liabilities	15,895,563		4,395,534		20,291,097
Other provisions	1,921,875				1,921,875
Total non-current liabilities	**19,104,043**	**-1,286,605**	**4,395,534**	**–**	**22,212,972**
Current interest-bearing liabilities	11,744,746		2,980,911		14,725,657
Trade payables	8,733,506				8,733,506
Contract liabilities	-	19,422,975			19,422,975
Other liabilities	1,868,833				1,868,833
Accrued expenses and deferred income	4,206,456				4,206,456
Total current liabilities	26,553,541	19,422,975	2,980,911	–	48,957,427
Total liabilities	**45,657,584**	**18,136,370**	**7,376,445**	**–**	**71,170,399**
Total equity and liabilities	**208,733,078**	**-4,375,985**	**7,376,445**	**–**	**211,733,538**

Balance sheet for the parent company, 1 January 2018

SEK	According to previous policies	Effect of IFRS 15	Effect of IFRS 16	Effect of IAS 36	According to IFRS
Assets					
Intangible assets	22,022,897				22,022,897
Property, plant and equipment	27,668,926		-21,367,093		6,301,833
Financial assets	40,000	939,159	1,142,888		2,122,047
Total non-current assets	**49,731,823**	**939,159**	**-20,224,205**	**–**	**30,446,777**
Inventories	11,497,646	39,410,127			50,907,773
Tax assets	67,193				67,193
Accounts receivable	3,665,037				3,665,037
Receivables from customers for contract work/Contract assets	335,217	-335,217			–
Prepaid expenses and accrued income	412,731		987,817		1,400,548
Other receivables	1,621,943				1,621,943
Cash and bank balances	28,729,272				28,729,272
Total current assets	**46,329,039**	**39,074,910**	**987,817**	**–**	**86,391,766**
Total assets	**96,060,862**	**40,014,069**	**-19,236,388**	**-**	**116,838,543**
Equity	494,544				494,544
Share capital	15,895,728				15,895,728
Fund for development expenses	57,449,914				57,449,914
Statutory reserve	-62,065,566	530,250			-61,535,316
Retained earnings	23,108,289	-8,682,548	-4,052,056		10,373,685
Profit for the year					
Equity attributable to owners of parent	34,882,909	-8,152,298	-4,052,056	–	22,678,555
Non-controlling interests					–
Total equity	**34,882,909**	**-8,152,298**	**-4,052,056**	**-**	**22,678,555**
Liabilities					
Deferred tax liabilities	1,360,207	-1,360,207			–
Other provisions	207,379				207,379
Total provisions	1,567,586	-1,360,207	–	–	207,379
Other liabilities to credit institutions	–				–
Other non-current liabilities	35,527,331		-8,607,761		26,919,570
Total non-current liabilities	35,527,331	-	-8,607,761	-	26,919,570
Liabilities to credit institutions	6,576,571		-6,576,571		–
Liabilities to customers for contract work/Contract liabilities	6,859,868	49,526,574			56,386,442
Trade payables	7,116,754				7,116,754
Other current liabilities	1,153,159				1,153,159
Accrued expenses and deferred income	2,376,684				2,376,684
Total current liabilities	**24,083,036**	**49,526,574**	**-6,576,571**	**-**	**67,033,039**
Total liabilities	61,177,953	48,166,367	-15,184,332	-	94,159,988
Total equity and liabilities	**96,060,862**	**40,014,069**	**-19,236,388**	**-**	**116,838,543**

Income statement for the parent company, 1 January–31 December 2018

SEK	According to previous policies	Effect of IFRS 15	Effect of IFRS 16	Effect of IAS 36	According to IFRS
Net sales	218,156,095	-39,790,110			178,365,985
Change in goods in progress, finished goods and work in progress		21,394,560			21,394,560
Own work capitalized	21,645,364				21,645,364
Other operating income	4,023,285				4,023,285
	243,824,744	**-18,395,550**	**–**	**–**	**225,429,194**
Operating expenses					
Raw materials and consumables	-114,836,923				-114,836,923
Other external expenses	-19,611,770		-10,536,717		-30,148,486
Staff expenses	-51,051,330				-51,051,330
Depreciation/amortization and impairment of property, plant and equipment and intangible assets	-21,392,433		5,341,773		-16,050,660
Other operating expenses	-1,182,957				-1,182,957
Operating profit	**35,749,331**	**-18,395,550**	**-5,194,944**	**–**	**12,158,838**
Profit from financial items					
Interest income and similar profit/loss items	2,359,105	205,542	1,006,001		3,570,648
Interest expense and similar profit/loss items	-1,325,920				-1,325,920
Profit after financial items	36,782,516	-18,190,008	-4,188,943	–	14,403,566
Profit before tax	36,782,516	-18,190,008	-4,188,943	–	14,403,566
Tax on profit for the year	73,602	3,829,952	740,173	–	4,643,727
Profit for the year from continuing operations	36,856,118	-14,360,056	-3,448,770	–	19,047,293
Profit for the year	36,856,118	-14,360,056	-3,448,770	–	19,047,293
Earnings per share					
before dilution (SEK)	1.37	-0.53	-0.13	–	0.71
after dilution (SEK)	1.37	-0.53	-0.13	–	0.71

Statement of income and comprehensive income for the parent company, 1 January–31 December 2018

SEK	According to previous policies	Effect of RFR 2 IFRS15	Effect of RFR 2 IFRS 16	Effect of RFR 2 IAS 36	According to RFR 2
Profit for the year	36,856,120	-14,360,057	-3,448,769	–	19,047,294
Other comprehensive income for the year	–	–	–	–	–
Comprehensive income for the year	**36,856,120**	**-14,360,057**	**-3,448,769**	**–**	**19,047,294**

Balance sheet for the parent company, 31 December 2018

SEK	According to previous policies	Effect of IFRS 15	Effect of IFRS 16	Effect of IAS 36	According to IFRS
Assets					
Intangible assets	31,229,460				31,229,460
Property, plant and equipment	29,281,386		-16,025,320		13,256,066
Financial assets	90,000	4,842,713	1,883,061		6,815,774
Total non-current assets	**60,600,846**	**4,842,713**	**-14,142,259**	**-**	**51,301,300**
Inventories	9,613,881	60,804,687			70,418,568
Tax assets	177,323				177,323
Accounts receivable	7,837,892				7,837,892
Receivables from customers for contract work/Contract assets	74,801,529	-70,023,384			4,778,145
Prepaid expenses and accrued income	1,110,563				1,110,563
Other receivables	1,562,501				1,562,501
Cash and bank balances	53,078,543				53,078,543
Total current assets	**148,182,232**	**-9,218,697**	**-**	**-**	**138,963,535**
Total assets	**208,783,078**	**-4,375,984**	**-14,142,259**	**-**	**190,264,833**
Equity					
Share capital	1,236,088				1,236,088
Fund for development expenses	28,716,630				28,716,630
Statutory reserve	157,237,914				157,237,914
Retained earnings	-60,971,258	-8,152,298	-4,052,056		-73,175,612
Profit for the year	36,856,120	-14,360,058	-3,448,769		19,047,293
Equity attributable to owners of parent	163,075,494	-22,512,356	-7,500,825	-	133,062,313
Non-controlling interests					–
Total equity	**163,075,494**	**-22,512,356**	**-7,500,825**	**-**	**133,062,313**
Liabilities					
Deferred tax liabilities	1,286,605	-1,286,605			–
Other provisions	1,921,875				1,921,875
Total provisions	**3,208,480**	**-1,286,605**	**-**	**-**	**1,921,875**
Other liabilities to credit institutions	–				–
Other non-current liabilities	15,895,563				15,895,563
Total non-current liabilities	**15,895,563**	**-**	**-**	**-**	**15,895,563**
Liabilities to credit institutions	11,744,746		-9,613,762		2,130,984
Liabilities to customers for contract work/Contract liabilities	–	19,422,975			19,422,975
Trade payables	8,733,506				8,733,506
Other current liabilities	1,868,833				1,868,833
Accrued expenses and deferred income	4,256,456		2,972,329		7,228,785
Total current liabilities	**26,603,541**	**19,422,975**	**-6,641,434**	**–**	**39,385,082**
Total liabilities	**45,707,584**	**18,136,370**	**-6,641,434**	**-**	**57,202,520**
Total equity and liabilities	**208,783,078**	**-4,375,986**	**-14,142,259**	**-**	**190,264,833**

Income statement for the parent company, 1 October 2018–31 December 2018

SEK	According to previous policies	Effect of IFRS 15	Effect of IFRS 16	Effect of IAS 36	According to IFRS
Net sales	53,021,183	16,576,490	0	0	69,597,673
Change in goods in progress, finished goods and work in progress	0	-15,770,905	0	0	-15,770,905
Own work capitalized	5,412,083	0	0	0	5,412,083
Other operating income	1,180,512	0	0	0	1,180,512
	59,613,778	**805,586**	**-**	**-**	**60,419,364**
Operating expenses					
Raw materials and consumables	-28,917,869	0	0	0	-28,917,869
Other external expenses	-5,391,551	0	-2,634,179	0	-8,025,729
Staff expenses	-12,196,615	0	0	0	-12,196,615
Depreciation/amortization and impairment of property, plant and equipment and intangible assets	-7,226,695	0	1,335,443	0	-5,591,252
Other operating expenses	-844,548	0	0	0	-1,144,548
Operating profit	**5,036,500**	**805,586**	**-1,298,736**	**-**	**4,543,351**
Profit from financial items					
Interest income and similar profit/loss items	-328,761	372,078	987,528	0	1,030,845
Interest expense and similar profit/loss items	-301,731	0	0	0	-301,731
Profit after financial items	**4,406,008**	**1,177,664**	**-311,208**	**-**	**5,272,465**
Profit before tax	**4,406,008**	**1,177,664**	**-311,208**	**-**	**5,272,465**
Tax on profit for the year	271,787	-252,020	-311,114	-	-291,346
Profit for the period	**4,677,795**	**925,644**	**-622,322**	**-**	**4,981,119**
Earnings per share					
before dilution (SEK)	0.15	0.03	-0.02	-	0.16
after dilution (SEK)	0.15	0.03	-0.02	-	0.16

Statement of income and comprehensive income for the parent company, 1 October 2018–31 December 2018

SEK	According to previous policies	Effect of RFR 2 IFRS15	Effect of RFR 2 IFRS 16	Effect of RFR 2 IAS 36	According to RFR 2
Profit for the year	4,677,795	925,644	-622,322	–	4,981,119
Other comprehensive income for the year	–	–	–	–	–
Comprehensive income for the year	**4,677,795**	**925,644**	**-622,322**	**-**	**4,981,119**

Future reporting calendar

Annual report is published – 15 April 2020

Interim report Q1, 2020 – 15 May 2020

Annual General Meeting 2020 – 4 June 2020

Interim report Q2, 2020 – 14 August 2020

Interim report Q3, 2020 – 17 November 2020

Year-end report 2020 – 15 February 2021

Attestation

The Board of Directors and the CEO give their assurance that the year-end report provides a true and fair
overview of the Group's and parent company's operations, position and earnings, and describes
the significant risks and uncertainties that the parent company and the companies in
the Group face.

Signatures/issuance of the report

Stockholm, 19 February 2020

Jan Lombach
Chairman of the Board

Eva Kristensson
Board Member

Liang Gao
Board Member

Philip Gao
Board Member

Sven Lindström
CEO/Board Member

Review

This report has not been reviewed by the company's auditors.