



## *Full-year growth, Q3 and Q4 profitable*

YEAR END REPORT, 1 January – 31 December 2020

### **Serstech Group**

#### **Fourth quarter 2020**

Net sales: KSEK 5 954 (3 824, +56%)

Profit for the period: KSEK 1 095 (-6 131)

Earnings per share SEK 0.02 (-0.09)

Earnings per average number of shares:  
SEK 0.02 (-0.09)

### **Serstech Group**

#### **Period 1 January – 31 December 2020**

Net sales: KSEK 20 488 (18 742, +9%)

Profit for the period: KSEK -6 730 (-15 682)

Earnings per share SEK -0.09 (-0.23)

Earnings per average number of shares:  
SEK -0.10 (-0.24)

## MESSAGE FROM THE CEO



The last quarter of the year was the second consecutive quarter with both positive cashflow and a positive result. The net sales in Q4 were 56% higher than in the same period in 2019. The full year recorded a growth of 9%, which is a strong number, given that we lost an entire quarter due to the standstill caused by the Corona pandemic. We see a continued strong demand and we remain convinced that our solutions match the needs of our customers well.

Just before the end of the quarter, we received an order of 8.7 MSEK from our OEM partner Anton Paar, which has been marketing a version of our instrument since late 2018. Most of this order will be delivered and invoiced in Q1 2021.

Anton Paar is a highly skilled organization, with more than a hundred salespeople, and securing such a big order in only two years bodes well for the future. In general, we can see that our partners take a few years to become successful and since almost all our partners have been added during and after the second half of 2018, we expect sales to continue to grow as the partners gain traction in their respective markets.

### THE PARTNER NETWORK

By the end of 2020 we had 82 sales partners around the world and we continuously work with them to activate, support and train them. Due to the long sales cycles, it is sometimes a challenge to motivate a partner to focus on the long-term Serstech business, rather than the short-term that will generate results either the current or the following year. We can now see that the relentless work we have done over the last three years has been successful. The number of successful partners and the number of countries we have delivered to are shown below. As can be easily seen, the growth is accelerating.

*“We expect sales to continue to grow as the partners gain traction in their respective markets.”*

— Stefan Sandor, Serstech CEO.

YEAR	NO. PARTNERS WINNING TENDERS	DELIVERED TO NO. OF COUNTRIES
2018	4	6
2019	7	8
2020	21	20

Almost three quarters of our partners have not generated any sales yet, but most of these are actively pursuing leads and working with potential customers to generate business in 2021 and the coming years. Those who are not sufficiently performing are continuously being replaced or supplemented with more active partners. The work with the partner network will never be finished and we will always be evaluating, replacing and adding partners to the network. We have a systematic, detailed approach to partner assessment and evaluation, and we consider our well-established partner network to be one of our core assets.

>> **IMPORTANT STEPS FORWARD IN THE EU AND US MARKETS**

In the fourth quarter, we had four significant orders from the European market, which show that we are starting to be successful also in this very conservative market. The security industry is conservative in general, and no one wants to be the first customer of a new product or a new player, such as Serstech. Our competitors have been the preferred suppliers for many years in EU and the US, mostly due to an unwillingness among the customers to switch to something new. This is one of the reasons why we have been the most successful in South-East Asia so far, where brand-name recognition has been less of a deciding factor. The orders we recently have received in Europe reduce the threshold for consideration of our products, since the otherwise secretive security customers are quite open to each other with recommendations and insights. The EU and US markets are together around two thirds of the world market, so it has long been a priority to break into these regions. During the second half of 2020, our partners also received relatively small, first orders from important reference customers in the US, among them one of the more well-known intelligence organizations.

Since Q4, we have a local salesperson in the US and this has allowed us to significantly speed up progress there and in addition, having a local person who is less restricted in travel during the pandemic is a significant advantage. We also added local salespeople in South America, South-East Asia and China in 2020. As we see quick ROI on these local salespeople, we will continue to increase our local presence in other important markets.

**THE CORONA EFFECT**

Throughout the year, both Serstech and our partners have been adversely affected by the Corona pandemic. More than half of our partners have been severely limited in their freedom to operate and physical demo meetings have been all but impossible. Since narcotics are partially local, virtually no customer would buy a Raman instrument before seeing it perform with their own samples. Without the physical demo meetings, which are almost always an important milestone in tender processes, a lot of sales opportunities have been postponed or even canceled in 2020. We expect most of these to come back in 2021 or 2022, but the limitations have had a significant impact on our sales numbers in 2020. It is hard to predict the effect on 2021 sales, but we expect slightly shorter sales cycles on average the coming year, since the need for identification of narcotics is rising rather fast and global procurement volumes have been lower than normal in 2020.

Since the pandemic limited the time spent traveling to customers in 2020, we have taken the opportunity to consolidate the company, review and refine processes, reduce cost significantly and to prepare, research and plan an exciting product development roadmap. Our team is smaller now than it was at the beginning of the year, but it is also much more efficient and it will not be rebuilt in the same way as it was. Even though we lost a full quarter of sales in 2020, I think we will look back at this period and see that the longer-term effects of the pandemic are predominantly positive for Serstech.

*“Having a local sales person who is less restricted in travel during the pandemic is a significant advantage.”*

— Stefan Sandor, Serstech CEO.

**SERSTECH**  
Simplicity. Speed. Precision.  
Small enough to fit in your pocket. Big enough to redefine Raman.

**SARS-CoV-2 PREVENTING pandemics**  
SPECIAL EXPLOSIVE SUPPLEMENT

**INTERVIEW**  
David Oliver talks to Stefan Sandor, CEO of Serstech AB

**Raman Empire**

**INTERVIEW**  
What are the challenges of your products in the market?

**INTERVIEW**  
Can you explain the products?

Serstech increased its visibility online and in print media during 2020 with both free and paid content.



## >> CUSTOMER-DRIVEN INNOVATION

One of the strengths of Serstech is that we are agile and adaptable, as opposed to our much larger competitors, which over the last ten years have been rather unchallenged by something unlike themselves. Serstech Arx is one prime example of our adaptability and the product solves many of the problems and challenges we have observed in the field or have had reported to us. To better serve the market and increase the value of our offering, we are now introducing two additional industry-firsts – five-year warranty and an option to rent our solutions.

The five-year warranty provides a large value to the customers, since the upgrade cycle is typically seven or eight years long, and the more of this period that is covered the better. In addition, we offer warranty extensions, which will allow the warranty to cover whatever upgrade cycle the customer has. We have several times experienced end-users with broken instruments that have not been repaired, due to poor service, high repair cost and short warranty periods provided by our competitors. By buying from Serstech, the customer will not experience this problem again.

total revenue per instrument delivered and will provide recurring revenue for Serstech and our partners. We expect to reach new parts of the market, previously not addressable, with the rental program, since the main obstacle for buying today is the high initial investment. The rental option will be available to customers by February 22, 2021.



### SERSTECH RENTAL

Serstech Rental solves multiple problems our potential customers experience today. Since the procurement process is long and complicated and investment budgets are often tight, many potential customers need to wait one or several years before they can improve their operational efficiency with a Raman device. With rental, they can get an instrument within weeks and often without going through the public tender process. By renting, they can use their discretionary or operational budget rather than the more inaccessible investment budget. Lower risk, higher value, shorter lead times and far greater flexibility will make this industry-first rental program interesting for both current customer groups and those that today are unable to afford the rather large investments modern technology requires.

Serstech Rental will offer three options – flexible, 36 months or 60 months rental plans. The rental program will increase the

### OUTLOOK FOR 2021 AND BEYOND

When we started the commercial phase of Serstech in 2018, we had practically no metrics available and limited knowledge of the market, the customers or the competitors. Today, we have an array of metrics available and have gained deep insights into customer and market behavior and we collect data at a granular level every month from our partner network. We often know about tenders well before they are published and can therefore together with our partners influence the important technical requirements in the tenders. With the introduction of Arx, with its unique set of features, we now have an opportunity to lock out the competition from the tenders, something we have never had in the past.

After spending 2018 and 2019 on getting the fundamentals in place, we had high hopes and forecast for 2020, but the pandemic put a dent in our high-growth trajectory, and we could only report a modest growth. The fundamentals remain in place and the result and growth in Q3 and Q4 show that we are back on track and well positioned for the future, despite the pandemic. Our sales pipeline is larger today than it was before Covid-19 at the beginning of 2020 and we are confident that we will continue to increase our market share and deliver results above our goals.

Stefan Sandor, CEO

## STRENGTHENING THE TEAM

Serstech in 2020 hired additional salespeople to increase our local presence and to allow customer visits also during the travel restrictions caused by the pandemic. In total, Serstech now has six full-time salespeople working with our global partner network.



**Shane Chan**  
Sales Director, Greater China



**Elisabeth Koplár**  
Sales Director, North America

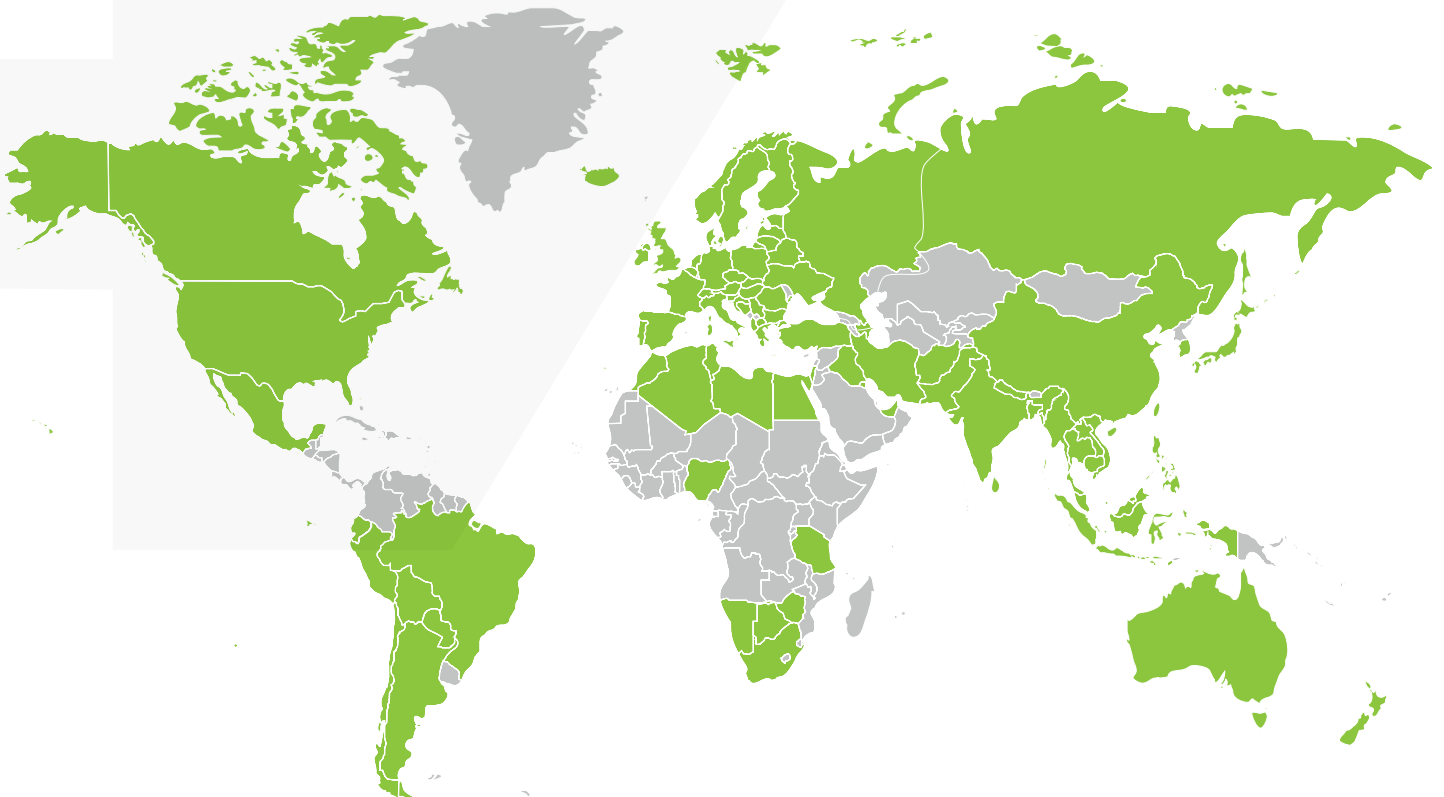


**Gustavo Caneda**  
Sales Director, Latin America

*“Our new team members are experienced in sales and the security industry and a great addition. Having regional salespersons will allow us to have representation at even more end-customer product demonstrations and support the partners in managing the many local tenders world wide.”*

— Johan Raneke, Serstech Chief Sales Officer.

## GLOBAL PARTNER REACH



## SIGNIFICANT EVENTS DURING THE PERIOD

In early January, the rights issue was fully registered, increasing the number of shares to 71 243 673. All shares belong to the same series and have the same voting and profit rights in the company.

Early January 2020, Serstech secured proven competence in Romania by starting a Romanian subsidiary called Serstech Development s.r.l. The new company employed a team of consultants that had been working with Serstech for the majority of 2019. The new company is fully owned by Serstech and the tasks performed will be mainly software development. The move is expected to both secure necessary development resources and to reduce the average cost per employee over time.

*‘The conservative European market has been hard to enter for Serstech as a newcomer, but this is now the fourth order in just a few months’*

— Stefan Sandor, Serstech CEO.

In early March, Serstech received a 2MSEK order from a South-East Asian narcotics police organization. Buyers in the security industry typically want to remain anonymous. The narcotics police community however communicate openly between departments and organizations and the order represents an important door opener for Serstech in the region.

On March 23, Serstech announced the initiation of a costcutting program to reduce the impact of the changing market conditions following the Covid-19 outbreak. However, due to the rights issue at the beginning of the year, Serstech had strong financials and limited debt at the time and decided to follow through with the planned development of new products. All essential functions to allow for this remained intact.

On March 31, Serstech announced having reduced staff by six people.

The annual general meeting (AGM) was held on April 27. The Members of the Board and the Chief Executive Officer (CEO) were granted discharge for their management duties in 2019. The members of the board were all re-elected. Per-Arne Petersson of Deloitte, was not eligible for re-election as the company auditor, due to the limitations of the rotation principle. Cecilia Andrén Dorselius of PWC was elected new auditor.

On the 5th of May, Serstech announced two new instruments – Serstech Arx and Serstech Arx+. The instruments are additions to the existing Raman instrument portfolio and represent significant steps forward for quick and precise identification of chemical substances. With the addition of the two new instruments, Serstech can now address both the

highend and the cost-conscious segments of the handheld Raman market. Serstech Arx is intended for the security market and is faster, more precise and has several new features compared to the Serstech 100 Indicator, which will remain in the portfolio as the more affordable option. Serstech Arx+ is intended for the pharmaceutical production market and complies with the US FDA regulations for instruments in a pharmaceutical environment. Serstech Arx+ includes a barcode scanner and other features that improves the efficiency of the QA process of pharmaceutical producers. Both instruments contain several industry-first features, including Serstech’s patented autofocus solution. Autofocus improves the signal quality from the sample and removes the need for any lens adaptors, which makes it easier to use with protective gloves. On the 7th of May, Serstech received a patent approval for its SERS solution, which is used in combination with any of Serstech’s Raman instruments. SERS is an acronym for Surface Enhanced Raman Spectroscopy and is based on the signal amplification caused by resonance in nanocoated silicon surfaces. In practical applications, this means that very small amounts of narcotics and other chemical substances can be identified, even at ppm (parts per million) concentration levels. Serstech’s solution has been able to identify traces of pesticide pollution in rivers and very low concentrations of heroin, a substance that most Raman systems are challenged to identify even in pure form. Serstech’s SERS solution has been on the market since September 2019 and the response from partners and end-customers has been positive. The main application is currently in narcotics identification and especially impure street samples with lower concentrations.

On the 19th of May, Serstech announced entering into an agreement with Svensk Kapitalmarknadsgranskning AB (SKMG), where SKMG is to act as new Certified Advisor to Serstech as of the 1st of June 2020.

On the 14th of August, Serstech announced being part of a consortium of public and private organizations, with funding granted from the European Commission. The project aims to develop technologies, based on Raman and SERS (Surface Enhanced Raman Spectroscopy), to detect and identify chemical warfare agents and toxic industrial compounds in liquid and gas form. Serstech is to supply modified Raman devices as part of the project. Serstech has received the first payment of approximately 2 MSEK and will receive an additional 2 MSEK at a later stage in the project lifetime. The consortium includes several European universities and the Swedish Defence Research Agency (FOI).

On the 24th of August, Serstech received a 5.3 MSEK order from its Asian partner DKSH. The end-customer is a national narcotics police organization in South-East Asia. The order consists of the Serstech 100 Indicator and the ChemDash software and the products were delivered and invoiced in Q3.



>> On December 18, Serstech received an 8.7 MSEK order from German partner Anton Paar Optotech. The order was for instruments and software to be delivered and invoiced in Q1 2021. The order is the largest received in the last three years and the largest ever in Europe.

*DKSH has been a Serstech sales partner since early 2019 and has more than 100 years of experience in the Asian markets. Getting such an order so quickly is a testament to their skills and deep understanding of their market'*

— Stefan Sandor, Serstech CEO.

## SIGNIFICANT EVENTS AFTER THE PERIOD

On February 22, Serstech announced that it will offer customers the option to rent complete solutions for chemical identification. The solutions include instruments, substance libraries, software and accessories and allow police, border control and other customer groups to quickly increase their capabilities and efficiency.

The additional values a rental solution provides are flexibility, reduced risk, no upfront investment and a much faster way to get access to modern technology. Before Serstech Rental, it could take years from when a customer became interested in Raman until they had the instruments deployed in the field. With the much quicker and far less complex rental option, the same customer will have access to state-of-the-art Raman solutions within weeks.

More information about Serstech Rental is available here: <https://serstech.com/rental>

*The main obstacle for customers who want to buy a Raman device today is the size of the initial investment. In addition, customers need to spend considerable effort on the complex and time-consuming public tender process. By introducing this industry-first rental program, we solve both these problems for our customers.'*

— Stefan Sandor, Serstech CEO.

## PERSONNEL

On December 31, 2020, Serstech Group had 20 (17) employees.

	TOTAL	Men	Women
Lund, Sweden	11	8	3
Cluj, Romania	9	8	1
Group	20	16	4

## OUR FINANCIAL GOALS

In late 2019, the board announced a five-year revenue growth target of at least 50% per year on average. The EBITDA results target is set to be at least 25% by the end of the five-year period and the expectation is that the results will be lower at the beginning of the period and improving over time.



## ACCOUNTING PRINCIPLES

The report has been prepared in accordance with BFNAR 2012: 1 Annual Report and Consolidated Financial Statements, K3. The company's assets and liabilities are stated at cost or nominal value, respectively, unless otherwise stated. This is a consolidated report that refers to the Serstech Group, which consists of Serstech AB and its subsidiaries Serstech Förvaltning AB and Serstech Development SRL. This report has not been subject to review by the company's auditor.

## LISTING

The shares have been traded since September 29, 2016 on Nasdaq OMX First North Growth Market under the shortname SERT and with ISIN code SE0005365095. As of December 30, 2020, the company had approximately 3100 shareholders.

# FINANCIAL COMMENTS SERSTECH GROUP FOURTH QUARTER

## SALES AND RESULTS

The net sales in the fourth quarter KSEK 5 954 (3 824) showed an increase of 56% compared to the fourth quarter last year. The larger European order announced at the end of the year is not part of the fourth quarter since the delivery and invoicing will take place in the first quarter. However, defining for the net sales of the fourth quarter was that we saw an increased diversity in partners bringing in the business.

In the fourth quarter Serstech reported EU grants of 300 KSEK and government grants related to the Covid19 pandemic of 2,4MSEK which is reported as other operating income.

The overall expenses increased compared to the third quarter despite a further 10% decrease in payroll expenses. The increase in expenses were mostly in direct relation to development and more specifically expert consultancy related, the increased development expenses are also reflected in the increase of capitalized work for own account.

Compared to the fourth quarter of 2019, the company showed both higher revenue and lower expenses, which led to an EBIT of KSEK 1 144 (-6 053) and reported net earnings of KSEK 1 095 (-6 131), both of which positive for the second consecutive quarter. Earnings per share (Serstech AB) amounted to SEK 0.02 per share (-0.09). Earnings per average number of shares, due to the new share issue, amounted to 0.02 (-0.09).

## DEPRECIATION AND AMORTIZATION

The result has been adjusted by KSEK 1 682 (2 505) for depreciation, of which KSEK 89 (71) refers to depreciation of equipment, tools and installations, whereas KSEK 1 593 (2 434) refers to depreciation of previous years' capitalized patents and development costs.

## INVESTMENTS

Serstech's total investments amounted to KSEK 3 396 (2155) and relate fully to intangible fixed assets, such as capitalized expenditure for development work.

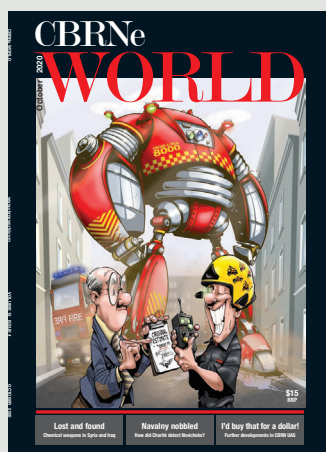
## LIQUIDITY AND FINANCING

At the end of the quarter, the group had KSEK 11 396 (15 159) in cash and cash equivalents and KSEK 1 000 in unutilized overdraft credit. The cashflow in the fourth quarter was positive for the second consecutive quarter at KSEK 996 (11 839). In the cashflow for the fourth quarter there are in total 750KSEK in grants, which are related to the Covid-19 pandemic. At the end of the quarter Serstech had long-term interestbearing liabilities of KSEK 1 219 (1 194) and short term interestbearing liabilities of KSEK 1 600 (1 950). Total liabilities to credit institutions, however, remains constant since the Q2 report. Repayment on interest bearing liabilities was paused during 2020 due to the Covid-19 pandemic.

## EQUITY, SHARE CAPITAL AND NUMBER OF SHARES

As of December 31, 2020, the equity of Serstech Group amounted to KSEK 43 872 (51 077) and the equity ratio amounted to 78 percent (83). The share capital was on December 31 divided into 71 243 673 shares with a quota value of SEK 0.11. All shares belong to the same series and have the same voting and profit rights in the company.

Amounts in KSEK	2020-10-01 2020-12-31	2019-10-01 2019-12-31
<b>REVENUE</b>		
Net sales	5 954	3 824
Capitalized work for own account	3 397	2 155
Other operating income	2 769	45
<b>Total revenue</b>	<b>12 120</b>	<b>6 024</b>
<b>EXPENSES</b>		
Raw materials and consumables	-3 101	-2 985
Other external costs	-2 586	-2 959
Payroll expenses	-3 175	-3 537
Depreciation of tangible and intangible assets	-1 682	-2 505
Exchange gains and losses, net	-431	-91
<b>Total Expenses</b>	<b>-10 975</b>	<b>-12 077</b>
<b>EBIT</b>	<b>1 144</b>	<b>-6 053</b>
Interest and similar, net	-46	-78
<b>EBT</b>	<b>1 098</b>	<b>-6 131</b>
Taxes	-3	0
<b>Net Earnings</b>	<b>1 095</b>	<b>-6 131</b>



**Simplicity. Speed. Precision.**  
Small enough to fit in your pocket. Become an expert in seconds.

**Simplicity redefined**  
With Serstech Arx in hand, any operative becomes an expert at chemical identification. Quick Scan™ gives an accurate result within seconds with a single press of a button. Serstech Arx is next-generation Raman.

**Find out in seconds**  
Serstech Arx has been designed together with police and first responder teams to solve the real problems operative face in the field. Determine what's in front of you in seconds, without complexity. Narcotics, explosives, TICs, pharmaceuticals, chemical warfare agents.

**Patented precision**  
The industry first and patented artificial functionality determines packaging material and thickness to ensure optimal accuracy and removal of interference. Designed, developed and manufactured in Sweden.

Try it yourself  
[www.serstech.com/demo](http://www.serstech.com/demo)

Contact Us  
To learn more about Serstech, please visit [www.serstech.com](http://www.serstech.com)

Serstech is a Swedish company listed on Nasdaq First North. Serstech has over 20 years of experience from Raman based forensic technology and ESDS technology.

Full-page ads in global industry publications reach all our targets groups in the security industry.



# FINANCIAL COMMENTS SERSTECH GROUP FULL YEAR

## SALES AND RESULTS

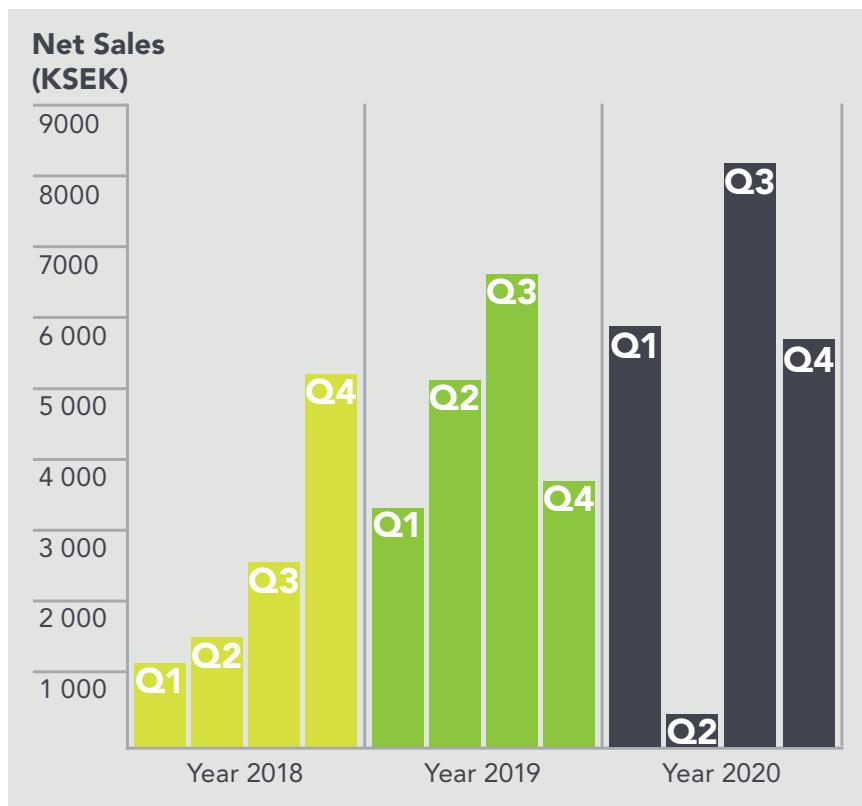
The year 2020 has been a turbulent year which provided plenty of unique challenges. Serstech started the year in a promising way with a growth of 85% in the first quarter, then Covid-19 became a pandemic and uncertainty and hesitation stopped all activity in the market. After some time, the business was eventually resumed and led to a solid third quarter with a 25% growth. The fourth quarter was a little slower, but still showing a healthy growth of 56% compared to the same period in 2019.

The net sales for the full year grew by 9% to KSEK 20 488 (18 742) which is actually a healthy growth number, given that the company "lost" an entire quarter due to the standstill caused by the Covid-19 pandemic. Serstech was also fortunate to secure an EU grant for an EU-funded research project and government grants related to the Covid-19. These grants make up 0.5MSEK and 4.4MSEK respectively out of the 4.9MSEK in other operating income.

The expenses increased by approximately 6.3 MSEK compared to last year, however for the second half of 2020, the expenses were overall 1MSEK lower than in the same period in 2019 after a cost cutting programme was initiated in March which came into effect in the second half of the year. The increase in expenses overall is predominantly related to development, which becomes clear as the capitalized work for own account increases by 8.6 MSEK over the same period. The increase in expenses for the full year is a result of the decision in 2019 (before Covid-19) to hire staff and consultants to reach development and sales targets faster.

The EBIT for the full year was KSEK -6 536 (-15 487) and the reported net earnings KSEK -6 730 (-15 682), both considerably better than the full year of 2019. Earnings per share (Serstech AB) amounted to SEK -0.09 per share (-0.23). Earnings per average number of shares, due to the new share issue, amounted to -0.10 (-0.24).

>>



>> **DEPRECIATION AND AMORTIZATION**

The result has been adjusted by KSEK 8 788 (9 912) for depreciation, of which KSEK 351 (301) refers to depreciation of equipment, tools and installations, whereas KSEK 8 437 (9 611) refers to depreciation of previous year’s capitalized patents and development costs.

**INVESTMENTS**

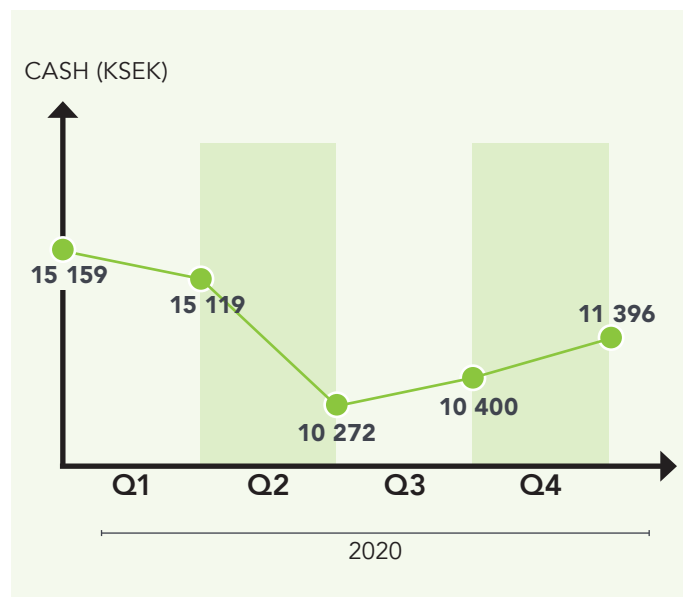
Serstech’s total investments amounted to KSEK 14 306 (5 455) and relate to intangible fixed assets of KSEK 14 054 (5 455) such as capitalized expenditure for development work and tangible fixed assets of KSEK 252 (0) such as machines, tools and installations.

**LIQUIDITY AND FINANCING**

At the end of the period, the group had KSEK 11 396 (15 159) in cash and banks and KSEK 1 000 in unutilized overdraft credit. The cashflow for the full year was -3 763 (9 705).

The cash injection of netto 23.4MSEK from the rights issue in December/January is contributing to the cashflow of 2020 by 7.3MSEK and helped the company to a neutral cashflow in the first quarter. Serstech started the second quarter with a cost basis focused on accelerating growth while at the same time experiencing a total stand still due to Covid-19 which consequently led to a negative cashflow in the second quarter. In the third quarter the sales situation improved while the cost cutting programme started to have effect on the cost basis, the combination led to a positive cashflow. The fourth quarter was similar to the third and became the second consecutive quarter of positive cashflow.

In the cashflow for the full year, there is the 2 MSEK in EU funding as per pressrelease of 14th of August, as well as 2.6MSEK in grants related to the Covid-19 pandemic. At the end of the period Serstech had long-term interestbearing liabilities of KSEK 1 219 (1 194) and short term interestbearing liabilities of KSEK 1 600 (1 950). Total liabilities to credit institutions, however, remains constant since the Q3 report. Repayment on interest bearing liabilities was paused during 2020 due to the Covid-19 pandemic.



**EQUITY, SHARE CAPITAL AND NUMBER OF SHARES**

As of December 31, 2020, the equity of Serstech Group amounted to KSEK 43 872 (51 077) and the equity ratio amounted to 78 percent (83). The share capital was on December 31 divided into 71 243 673 shares with a quota value of SEK 0.11. All shares belong to the same series and have the same voting and profit rights in the company.



# SERSTECH GROUP

## INCOME STATEMENT

Amounts in KSEK	2020-10-01 2020-12-31	2019-10-01 2019-12-31	2020-01-01 2020-12-31	2019-01-01 2019-12-31
<b>REVENUE</b>				
Net sales	5 954	3 824	20 488	18 742
Capitalized work for own account	3 397	2 155	14 054	5 455
Other operating income	2 769	45	4 959	45
<b>Total revenue</b>	<b>12 120</b>	<b>6 024</b>	<b>39 501</b>	<b>24 242</b>
<b>EXPENSES</b>				
Raw materials and consumables	-3 101	-2 985	-8 181	-8 140
Other external costs	-2 586	-2 959	-13 293	-9 137
Payroll expenses	-3 175	-3 537	-15 415	-12 607
Depreciation of tangible and intangible assets	-1 682	-2 505	-8 788	-9 912
Exchange gains and losses, net	-431	-91	-360	67
<b>Total expenses</b>	<b>-10 975</b>	<b>-12 077</b>	<b>-46 037</b>	<b>-39 729</b>
<b>EBIT</b>	<b>1 144</b>	<b>-6 053</b>	<b>-6 536</b>	<b>-15 487</b>
Interest and similar, net	-46	-78	-190	-195
<b>EBT</b>	<b>1 098</b>	<b>-6 131</b>	<b>-6 726</b>	<b>-15 682</b>
Taxes	-3	0	-4	0
<b>Net Earnings</b>	<b>1 095</b>	<b>-6 131</b>	<b>-6 730</b>	<b>-15 682</b>



# SERSTECH GROUP

## BALANCE SHEET — ASSETS

Amounts in KSEK	2020-12-31	2019-12-31
<b>Intangible assets</b>		
Intangible assets	35 305	29 688
<b>Total intangible assets</b>	<b>35 305</b>	<b>29 688</b>
<b>Tangible assets</b>		
Equipment, tools, fixtures and fittings	377	470
<b>Total tangible assets</b>	<b>377</b>	<b>470</b>
<b>Financial assets</b>		
Deferred tax assets	20	0
<b>Total financial assets</b>	<b>20</b>	<b>0</b>
<b>Total fixed assets</b>	<b>35 702</b>	<b>30 158</b>
<b>Current assets</b>		
<b>Inventories</b>		
Inventories	2 195	3 024
<b>Total Inventories</b>	<b>2 195</b>	<b>3 024</b>
<b>Current receivables</b>		
Accounts receivable - trade	3 618	2 947
Other receivables	1 271	10 278
Prepaid expenses and accrued income	2 067	301
<b>Total Current receivables</b>	<b>6 956</b>	<b>13 526</b>
Cash and bank balances	11 396	15 159
<b>Total current assets</b>	<b>20 548</b>	<b>31 709</b>
<b>TOTAL ASSETS</b>	<b>56 249</b>	<b>61 867</b>

## SERSTECH GROUP BALANCE SHEET — EQUITY AND LIABILITIES

Amounts in KSEK	2020-12-31	2019-12-31
<b>Equity</b>		
Equity	43 872	51 077
<b>Total equity</b>	<b>43 872</b>	<b>51 077</b>
Provisions	122	139
<b>Total provision</b>	<b>122</b>	<b>139</b>
<b>Non-current liabilities</b>		
Liabilities to credit institutions	1 219	1 194
<b>Total non-current liabilities</b>	<b>1 219</b>	<b>1 194</b>
<b>Current liabilities</b>		
Liabilities to credit institutions	1 600	1 950
Work in progress on behalf of others	306	0
Accounts payable	3 985	4 929
Current tax liabilities	202	0
Other current liabilities	402	428
Accrued expenses and deferred income	4 541	2 150
<b>Total current liabilities</b>	<b>11 036</b>	<b>9 457</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>56 249</b>	<b>61 867</b>

## CHANGE IN EQUITY SERSTECH GROUP

Amounts in KSEK	2020-10-01 2020-12-31	2019-10-01 2019-12-31	2020-01-01 2020-12-31	2019-01-01 2019-12-31
<b>Equity brought forward</b>	<b>42 790</b>	<b>33 458</b>	<b>51 077</b>	<b>42 309</b>
Warrants issue*	0	0	0	699
Rights issue	0	17 286	7 650	17 286
Issue costs	0	-1 185	-339	-1 185
New share issue in progress	0	7 650	-7 650	7 650
Translation difference on consolidation	-13	0	-135	0
Profit for the period	1 095	-6 131	-6 730	-15 682
<b>Amount at end of period</b>	<b>43 872</b>	<b>51 077</b>	<b>43 872</b>	<b>51 077</b>

\* The warranty programme from summer 2019 has been reclassified and moved from liability to equity with limited effect on previously reported figures.

# SERSTECH GROUP CASH FLOW ANALYSIS

Amounts in KSEK	2020-10-01 2020-12-31	2019-10-01 2019-12-31	2020-01-01 2020-12-31	2019-01-01 2019-12-31
<b>OPERATING ACTIVITIES</b>				
Operating profit	1 144	-6 053	-6 536	-15 487
Adjustment for items not included in cash flow	-90	2 386	6 887	9 793
Interest paid	-46	-78	-190	-195
<b>CASHFLOW FROM OPERATING ACTIVITIES BEFORE CHANGES TO WORKING CAPITAL</b>	<b>1 008</b>	<b>-3 745</b>	<b>161</b>	<b>-5 889</b>
<b>CASHFLOW FROM CHANGES IN OPERATING PROFIT</b>				
increase (-)/decrease (+) inventory	-1 735	-1 149	829	-2 073
increase (-)/decrease (+) account receivables	1 460	-1 080	-671	75
increase (-)/decrease (+) other short-term receivables	91	-7 653	1 310	-6 192
increase (+)/decrease (-) account payables	2 842	3 176	-944	2 391
increase (+)/decrease (-) other short-term liabilities	726	1 081	2 873	1 098
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>	<b>4 392</b>	<b>-9 370</b>	<b>3 558</b>	<b>-10 590</b>
<b>INVESTMENT ACTIVITIES</b>				
Acquisition of property, plant and equipment	0	0	-252	-16
Sale of property, plant and equipment	0	0	0	16
Acquisition of intangible fixed assets	-3 396	-2 155	-14 054	-5 455
Acquisition of subsidiaries	0	0	0	0
<b>CASHFLOW FROM INVESTMENT ACTIVITIES</b>	<b>-3 396</b>	<b>-2 155</b>	<b>-14 306</b>	<b>-5 455</b>
<b>FINANCING ACTIVITIES</b>				
Loans	0	-387	-326	1 300
Warrant issue	0	0	0	699
Share issue costs paid	0	-1 185	-339	-1 185
Rights issue	0	24 936	7 650	24 936
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>	<b>0</b>	<b>23 364</b>	<b>6 985</b>	<b>25 750</b>
<b>CASHFLOW FOR THIS PERIOD</b>	<b>996</b>	<b>11 839</b>	<b>-3 763</b>	<b>9 705</b>
Cash and cash equivalents at beginning of period	10 400	3 321	15 159	5 454
Cash and cash equivalents at end of period	11 396	15 159	11 396	15 159



# SERSTECH GROUP

## KEY FIGURES

Amounts in SEK	2020-10-01 2020-12-31	2019-10-01 2019-12-31	2020-01-01 2020-12-31	2019-01-01 2019-12-31
<b>PROFITABILITY AND RETURN</b>				
Revenue growth (%)	56%	-25%	9%	77%
Operating margin (%)	19%	neg	neg	neg
Profit margin (%)	18%	neg	neg	neg
Return on equity (%)	2%	neg	neg	neg
<b>CAPITAL STRUCTURE</b>				
Equity (KSEK)	43 872	51 077	43 872	51 077
Balance sheet (KSEK)	56 249	61 867	56 249	61 867
Capital employed (KSEK)	46 691	54 221	46 691	54 221
Interest-bearing net debt (KSEK)	-8 577	-12 015	-8 577	-12 015
Capital turnover rate (times)	0,11	0,07	0,35	0,34
Equity ratio (%)	78%	83%	78%	83%
Gearing ratio (%)	6%	6%	6%	6%
Interest coverage	24,87	neg	neg	neg
<b>CASH FLOW AND LIQUIDITY</b>				
Cash flow before investments (KSEK)	4 392	-9 370	3 558	-10 590
Cash flow after investments (KSEK)	996	-11 525	-10 748	-16 045
Liquid funds (KSEK)	11 396	15 159	11 396	15 159
<b>INVESTMENTS</b>				
Acquisition of property, plant and equipment (KSEK)	0	0	-252	-16
Sale of property, plant and equipment (KSEK)	0	0	0	16
Acquisition of intangible fixed assets (KSEK)	-3 396	-2 155	-14 054	-5 455
Sales of property, plant and equipment (KSEK)	0	0	0	0
Acquisition of subsidiaries (KSEK)	0	0	0	0
Acquisition of shares and holdings (KSEK)	0	0	0	0
<b>PERSONNEL</b>				
Average number of employees	20	15	24	15
Revenue per employee (KSEK)	606	402	1 646	1 616
Number of employees	20	17	20	17
<b>DATA PER SHARE</b>				
Number of shares	71 243 673	69 058 067	71 243 673	69 058 067
Earnings per share	0,02	-0,09	-0,09	-0,23
Equity per share (SEK)	0,62	0,74	0,62	0,74
Average number of shares	71 243 673	69 058 067	70 150 870	66 588 687
Earnings per average number of shares	0,02	-0,09	-0,10	-0,24

# SERSTECH AB, PARENT COMPANY

## INCOME STATEMENT

Amounts in KSEK	2020-10-01 2020-12-31	2019-10-01 2019-12-31	2020-01-01 2020-12-31	2019-01-01 2019-12-31
<b>REVENUE</b>				
Net sales	5 854	3 824	20 388	18 742
Capitalized work for own account	3 497	2 155	14 154	5 455
Other operating income	2 765	45	4 949	45
<b>Total revenue</b>	<b>12 116</b>	<b>6 024</b>	<b>39 491</b>	<b>24 242</b>
<b>EXPENSES</b>				
Raw materials and consumables	-3 101	-2 985	-8 181	-8 140
Other external costs	-3 527	-2 959	-15 351	-9 137
Payroll expenses	-2 594	-3 537	-13 588	-12 607
Depreciation of tangible and intangible assets	-1 682	-2 505	-8 782	-9 912
Exchange gains and losses, net	-426	-91	-339	67
<b>Total expenses</b>	<b>-11 330</b>	<b>-12 077</b>	<b>-46 241</b>	<b>-39 729</b>
<b>EBIT</b>	<b>786</b>	<b>-6 053</b>	<b>-6 750</b>	<b>-15 487</b>
Interest and similar, net	-46	-78	-190	-195
<b>EBT</b>	<b>740</b>	<b>-6 131</b>	<b>-6 940</b>	<b>-15 682</b>
Taxes	0	0	0	0
<b>Net Earnings</b>	<b>740</b>	<b>-6 131</b>	<b>-6 940</b>	<b>-15 682</b>

# SERSTECH AB, PARENT COMPANY

## BALANCE SHEET — ASSETS

	2020-12-31	2019-12-31
<b>Amounts in KSEK</b>		
<b>Intangible assets</b>		
Intangible assets	35 405	29 688
<b>Total intangible assets</b>	<b>35 405</b>	<b>29 688</b>
<b>Tangible assets</b>		
Equipment, tools, fixtures and fittings	377	470
<b>Total tangible assets</b>	<b>377</b>	<b>470</b>
<b>Financial assets</b>		
Shares in subsidiaries	143	50
<b>Total financial assets</b>	<b>143</b>	<b>50</b>
<b>Total fixed assets</b>	<b>35 925</b>	<b>30 208</b>
<b>Current assets</b>		
Inventories etc.		
Inventories	2 195	3 024
<b>Total</b>	<b>2 195</b>	<b>3 024</b>
<b>Current receivables</b>		
Accounts receivable - trade	3 499	2 947
Other receivables from Group companies	29	29
Current tax assets	0	0
Other receivables	1 271	10 278
Prepaid expenses and accrued income	2 067	301
<b>Total Current receivables</b>	<b>6 866</b>	<b>13 555</b>
Cash and bank balances	11 307	15 080
<b>Total current assets</b>	<b>20 368</b>	<b>31 659</b>
<b>TOTAL ASSETS</b>	<b>56 293</b>	<b>61 867</b>



# SERSTECH AB, PARENT COMPANY

## BALANCE SHEET — EQUITY AND LIABILITIES

Amounts in KSEK	2020-12-31	2019-12-31
<b>Equity</b>		
Equity	43 798	51 077
<b>Total equity</b>	<b>43 798</b>	<b>51 077</b>
Provisions	122	139
<b>Non-current liabilities</b>		
Liabilities to credit institutions	1 219	1 194
<b>Total non-current liabilities</b>	<b>1 219</b>	<b>1 194</b>
<b>Current liabilities</b>		
Liabilities to credit institutions	1 600	1 950
Work in progress on behalf of others	306	0
Accounts payable	3 985	4 929
Liabilities to Group companies	353	0
Current tax liabilities	91	0
Other current liabilities	278	428
Accrued expenses and deferred income	4 541	2 150
<b>Total current liabilities</b>	<b>11 154</b>	<b>9 457</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>56 293</b>	<b>61 867</b>

## SERSTECH AB, PARENT COMPANY — CHANGE IN EQUITY

Amounts in KSEK	2020-10-01 2020-12-31	2019-10-01 2019-12-31	2020-01-01 2020-12-31	2019-01-01 2019-12-31
Equity brought forward	43 059	33 458	51 077	42 309
Warrants issue*	0	0	0	699
Rights issue	0	17 286	7 650	17 286
Issue costs	0	-1 185	-339	-1 185
New share issue in progress	0	7 650	-7 650	7 650
Profit for the period	740	-6 131	-6 940	-15 682
<b>Amount at end of period</b>	<b>43 798</b>	<b>51 077</b>	<b>43 798</b>	<b>51 077</b>

\* The warranty programme from summer 2019 has been reclassified and moved from liability to equity with limited effect on previously reported figures.

# SERSTECH AB, PARENT COMPANY

## CASH FLOW ANALYSIS

Amounts in KSEK	2020-10-01 2020-12-31	2019-10-01 2019-12-31	2020-01-01 2020-12-31	2019-01-01 2019-12-31
<b>OPERATING ACTIVITIES</b>				
Operating profit	786	-6 053	-6 750	-15 486
Adjustment for items not included in cash flow	-54	2 386	7046	9 797
Interest paid	-46	-78	-190	-195
<b>CASHFLOW FROM OPERATING ACTIVITIES BEFORE CHANGES TO WORKING CAPITAL</b>	<b>686</b>	<b>-3 745</b>	<b>106</b>	<b>-5 884</b>
<b>CASHFLOW FROM CHANGES IN OPERATING PROFIT</b>				
increase (-)/decrease (+) inventory	-1 735	-1 149	829	-2 073
increase (-)/decrease (+) account receivables	1 578	-1 280	-552	75
increase (-)/decrease (+) other short-term receivables	188	-6 284	1 310	-6 192
increase (+)/decrease (-) account payables	2 843	3 176	-944	2 391
increase (+)/decrease (-) other short-term liabilities	1 036	1 081	2 991	1 768
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>	<b>4 596</b>	<b>-8 201</b>	<b>3 740</b>	<b>-9 915</b>
<b>INVESTMENT ACTIVITIES</b>				
Acquisition of property, plant and equipment	0	0	-252	-16
Sale of property, plant and equipment	0	0	0	12
Acquisition of intangible fixed assets	-3 496	-2 155	-14 154	-5 455
Acquisition of subsidiaries	-93	0	-93	-50
<b>CASHFLOW FROM INVESTMENT ACTIVITIES</b>	<b>-3 589</b>	<b>-2 155</b>	<b>-14 499</b>	<b>-5 509</b>
<b>FINANCING ACTIVITIES</b>				
Loans	0	-387	-325	1 300
Warrant issue	0	0	0	699
Share issue costs paid	0	-1 185	-339	-1 185
Rights issue	0	24 237	7 650	24 237
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>	<b>0</b>	<b>22 665</b>	<b>6 986</b>	<b>25 051</b>
<b>CASHFLOW FOR THIS PERIOD</b>	<b>1 007</b>	<b>12 309</b>	<b>-3 773</b>	<b>9 627</b>
Cash and cash equivalents at beginning of period	10 301	2 772	15 080	5 454
Cash and cash equivalents at end of period	11 307	15 080	11 307	15 080

# DEFINITIONS

## PROFITABILITY AND RETURN

Revenue growth (%)	Change in revenue as a percentage of previous period revenue
Operating margin (%)	Operating profit as a percentage of turnover
Profit margin (%)	Profit for the period as a percentage of turnover
Return on equity (%)	Profit for the period as a percentage of average equity

## CAPITAL STRUCTURE

Equity (KSEK)	Equity at the end of the period
Balance sheet (KSEK)	Total assets or total liabilities and equity
Capital employed (KSEK)	Balance sheet total less non-interest-bearing liabilities, including deferred tax
Interest-bearing net debt (KSEK)	Net interest-bearing provisions and liabilities less financial assets including liquid assets
Capital turnover rate (times)	Capital turnover rate (times)
Equity ratio (%)	Net sales for the year divided by average balance sheet total
Gearing ratio (%)	Equity as a percentage of total assets
Interest coverage	Interest-bearing liabilities divided by equity
	Profit after financial items plus financial expenses divided by financial expenses

## CASH FLOW AND LIQUIDITY

Liquid funds (KSEK)	Bank balances and cash
Cash flow before investments (KSEK)	Profit before financial items plus items that do not affect cash flow less change in working capital
Cash flow after investments (KSEK)	Profit after financial items plus items that do not affect cash flow less changes in working capital and investments

## PERSONNEL

Average number of employees	Average number of employees during the period
Revenue per employee (KSEK)	Turnover divided by the average number of employees
Number of employees	Number of employees at the end of the period

## DATA PER SHARE

Number of shares	Number of outstanding shares at the end of the period
Earnings per share (SEK)	Profit for the period divided by the number of shares
Equity per share (SEK)	Equity divided by the number of shares

### **Future reports**

The company will provide continuing financial information according to the following schedule:

#### **2021-04-30**

Quarterly report (Jan-Mar)

#### **2021-04-30**

Annual shareholders meeting

#### **2021-07-26**

Half Year report (Jan-Jun)

#### **2021-11-09**

Quarterly report (Jan-Sep)

#### **2022-02-24**

Year-end report (Jan-Dec)

## **FOR FURTHER INFORMATION, PLEASE CONTACT:**

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## **ABOUT SERSTECH**

Serstech delivers solutions for chemical identification and has customers across the world, mainly in the safety and security industry. Typical customers are customs, police authorities, security organizations and first responders. The solutions and technology are however not limited to security applications and potentially any industry using chemicals of some kind could be addressed by Serstech's solution. Serstech is traded at Nasdaq First North Growth Market and more information about the company can be found at [www.serstech.com](http://www.serstech.com)