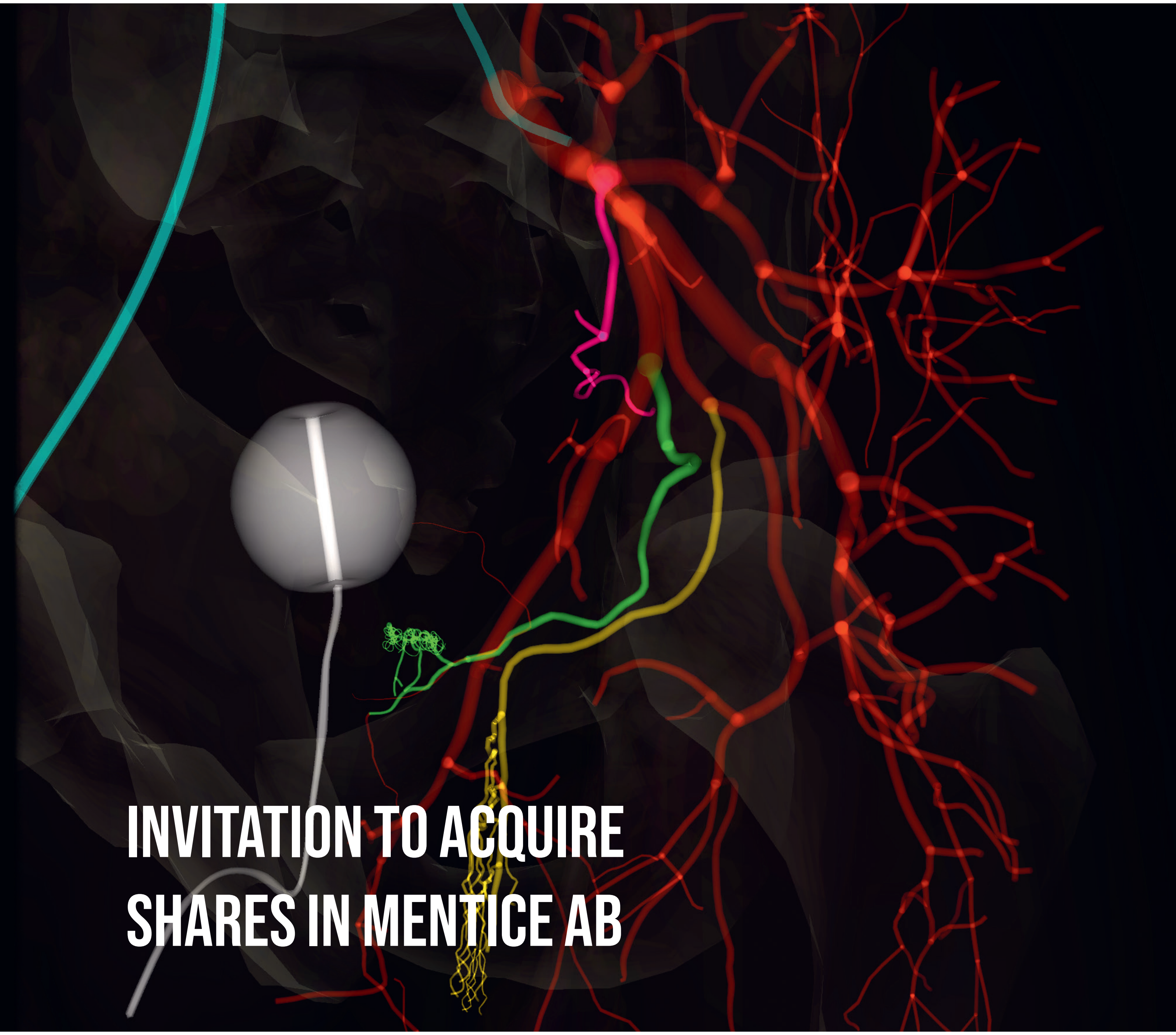
mentice



INVITATION TO ACQUIRE SHARES IN MENTICE AB

SOLE GLOBAL COORDINATOR & SOLE BOOKRUNNER

Pareto
Securities

IMPORTANT INFORMATION TO INVESTORS

This prospectus (the "**Prospectus**") has been prepared in connection with the offering to the public in Sweden as well as to institutional investors in Sweden and abroad to acquire new and existing shares in Mentice AB (publ) (the "**Offering**"). In the Prospectus, "**Mentice**", the "**Company**", or the "**Group**" means, depending of the context, Mentice AB (publ), a subsidiary in the group or the group in which Mentice AB (publ) is the Parent Company. The "**Selling Shareholders**" refers to Priveq Investment Fund III KB, Priveq Investment Fund III AB and a small group of selling shareholders. "**Pareto**" and the "**Sole Global Coordinator**" refers to Pareto Securities AB. For definitions of certain other terms used in this Prospectus, please see the section *Glossary*.

The Offering is not aimed at the general public in any other country than Sweden. Nor is the Offering aimed at persons residing in United States, Australia, Canada, Hong Kong, Japan, New Zealand, Singapore, South Africa, Switzerland or in any other jurisdiction, or to any other persons, whose participation requires additional prospectuses, registration or other measures than those that follow from Swedish law. No measure has been taken, or will be taken, in any jurisdiction other than Sweden, which might permit the shares to be offered to the public, or which might permit possession or dissemination of this Prospectus or any other document relating to the Company, or shares in such a jurisdiction. The Prospectus, the application form and/or other documents connected to the Offering may not be distributed in or into any jurisdiction where the Offering requires measures as described above or would be in conflict with applicable law in that jurisdiction. Application to subscribe for shares that contravene such regulations may be declared invalid. Persons who receive the Prospectus are encouraged by the Company, the Selling Shareholders and the Sole Global Coordinator to obtain information about and to observe such restrictions. Actions incompliant with such restrictions may constitute a crime according to applicable Securities legislation.Neither the Company, the Selling Shareholders nor the Sole Global Coordinator assume legal liability for infringement of such restrictions by any person, whether potential investors or not.

The shares in the Offering have not been reviewed by any federal or state securities commission or regulatory authority in the United States. Nor have the aforementioned authorities confirmed the accuracy of, or assessed the adequacy of the Prospectus. Any claim to the contrary is a criminal offense in the United States. The Offering does not constitute an offer to sell, or solicitation of an offer to buy, Securities in any jurisdiction in which such offer or solicitation would be unlawful. The Securities have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States, except to persons reasonably believed to be QIBs or outside the United States in offshore transactions in reliance on Regulation S. Prospective purchasers are hereby notified that sellers of the Securities may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The Prospectus is provided on a confidential basis solely to allow a potential investor to consider purchase of the specific securities described. The information in the Prospectus has been provided by the Company and other sources identified herein. Distribution of the Prospectus to other persons than those recipients specified by the Sole Global Coordinator or their representatives is prohibited, as it is to persons who may have been hired to inform the recipient about the matter, and any disclosure of the contents without the prior written permission of the Company is prohibited. Any reproduction or distribution of this Prospectus, in its entirety or parts thereof, and all disclosure of the content to other persons is prohibited. The Prospectus is personal to each recipient and does not constitute an offer to any other person or to the general public in any other country than Sweden to subscribe for shares in the Offering.

This Prospectus has been approved and registered by the Swedish Financial Supervisory Authority in accordance with the provisions of Chapter 2, §§ 25 and 26 of the Swedish Financial Instruments Trading Act (1991:980). Neither the approval nor registration implies a guarantee from the Swedish Financial Supervisory Authority that the factual information in the Prospectus is accurate or complete. The Prospectus has been prepared in both a Swedish and an English version. In the event of any inconsistency between different language versions, the Swedish language version shall take precedence.

The Offering and the Prospectus are governed by Swedish law. The courts of Sweden have exclusive jurisdiction to settle any conflict or dispute arising out of or in connection with the Offering or the Prospectus.

Presentation of financial information

Unless otherwise indicated, all financial amounts are expressed in Swedish kronor ("**SEK**"). "**SEK thousand**" means thousands of kronor and "**SEK million**" means millions of kronor. "**USD**" means US dollars, "**USD million**" means millions of dollars and "**USD billion**" means billions of dollars, "**EUR**" means euro and "**EUR million**" means millions of euro. "**YEN**" means Japanese yen. Certain financial information and other information presented in this Prospectus have been rounded off to make information easily accessible to the reader. As a consequence, the figures in certain columns do not tally with the totals stated.

Forward-looking information

The Prospectus contains certain forward-looking information that reflects Mentice's current views of future events and financial and operational performance. Words such as "intends", "anticipates", "expects", "can", "plans", "estimates" and similar expressions regarding indications or forecasts of future developments or trends, and which are not based on historical facts, constitute forward-looking information. Forward-looking information is inherently associated with both known and unknown risks and uncertainties because it is dependent on future events and circumstances. Forward-looking information is not a guarantee of future results or developments and actual results may differ materially from those in the forward-looking information. Factors that could cause Mentice's future results and developments to differ from those in the forward-looking information include, but are not limited to, those described in the section *Risk Factors*. Forward-looking information in the Prospectus is only applicable on the date of issue of the Prospectus. Neither Mentice, the Selling Shareholders nor the Sole Global Coordinator give any commitment to publish updates or revision of any forward-looking statements as a result of new information, future events or similar circumstances other than those required by applicable legislation.

Industry and market information

This Prospectus contains information about the Company's geographic and product markets, market size, market shares, market position and other market-related information pertaining to Mentice's operations and market. Unless otherwise stated, such information is based on the Company's analysis of several different sources, including statistics and information from external industry or market reports, market surveys, publicly available information and commercial publications. The sources which are the basis for Mentice's assessment include information from medical research publications and market data and reports. Other sources are indicated where required. Such information as originates from third parties has been accurately reproduced herein and, and as far as Mentice is aware and can confirm through comparison with other information published by the relevant third party, no information has been omitted in any way which could render the reproduced information inaccurate or misleading. As a rule, industry and market publications state that, while the information in the publication has been obtained from sources deemed reliable, the accuracy and completeness of such information cannot be guaranteed. The Company has not independently verified, and cannot therefore guarantee the accuracy of the market information that is contained in this Prospectus and which has been taken from or derived from these market publications. Neither the Company nor the Sole Global Coordinator assume any responsibility for the accuracy of any industry or market information from third parties which is included in the Prospectus. In their nature, market information and statistics are forward-looking, subject to uncertainty, may be interpreted subjectively, and may therefore not necessarily reflect actual or future market conditions. Such information and statistics are based on market surveys, which in turn are based on selections, subjective interpretations and assessments, including assessments of the types of products and transactions which should be covered by the relevant market, both by those carrying out the surveys and the respondents. As a result, potential investors should be aware of the fact that the financial information, market information, as well as the forecasts and estimates of market information contained in this Prospectus, do not necessarily represent reliable indicators of Mentice's future performance.

The content of the Company's website, the website of any member of the Group and any third-party websites referred to herein do not form any part of the Prospectus.

Stabilisation

In connection with the Offering, the Sole Global Coordinator may carry out transactions with the aim of keeping the market price of the shares at a level higher than what otherwise might have been the case in the market. Such stabilisation transactions may be carried out on Nasdaq First North Premier, the OTC market or otherwise, and may be carried out at any time during the period beginning on the first day when the shares are traded on Nasdaq Stockholm and ending no later than 30 calendar days thereafter. However, the Sole Global Coordinator are under no obligation to carry out stabilisation of any kind, nor is there any guarantee that stabilisation will be carried out. See also the section *Legal considerations and supplementary information – Stabilisation*.

The fact that the Sole Global Coordinator has the opportunity to implement stabilisation measures does not mean that such measures will necessarily be taken. Any such stabilisation measures may also be discontinued at any time. No later than by the end of the seventh trading day after stabilisation transactions have been undertaken, the Sole Global Coordinator shall disclose that stabilisation transactions have been undertaken in accordance with article 5(4) in the Market Abuse Regulation 596/2014. Within one week of the end of the stabilisation period, the Sole Global Coordinator will, through the Company, make public whether or not stabilisation was undertaken, the date at which stabilisation started, the date at which stabilisation last occurred and the price range within which stabilisation was carried out, for each of the dates during which stabilisation transactions were carried out.

Important information regarding Nasdaq First North Premier

Nasdaq First North Premier is an MTF, as defined in EU legislation (as implemented in national law), operated by an exchange within the Nasdaq group. Issuers on Nasdaq First North Premier are not subject to all the same rules as issuers on a regulated main market, as defined in EU legislation (as implemented in national law). Instead they are subject to a less extensive set of rules and regulations adjusted to small growth companies. The risk in investing in an issuer on Nasdaq First North Premier may therefore be higher than investing in an issuer on the main market. All issuers with shares admitted to trading on Nasdaq First North Premier have a Certified Adviser who monitors that the rules are followed.
The Exchange approves the application for admission to trading.

TABLE OF CONTENT

SUMMARY OF THE OFFERING

Offering Price	SEK 49
Application period for the general public	5 June – 13 June 2019
Application period for institutional investors	5 June – 14 June 2019
First day of trading	18 June 2019
Settlement date	19 June 2019

OTHER INFORMATION

Market	Nasdaq First North Premier
Ticker symbol	MNTC
ISIN code	SE0012673291

FINANCIAL CALENDAR

Interim report April–June 2019 (Q2)	29 August 2019
Interim report July–September 2019 (Q3)	14 November 2019
Year-end Report 2019	20 February 2020

SUMMARY

The summary of the Prospectus consists of information requirements set out in “Items”. The items are numbered in the sections A – E (A.1 – E.7).

The summary in the Prospectus contains all the items required in a summary for the relevant type of security and issuer. However, since some items do not apply to all types of prospectuses, there may be gaps in the item numbering.

While it is required that an item be included in the summary of the relevant securities and issuers, it is possible that no relevant information can be given on that item. In that case, the information is replaced with a brief description of the item, along with the comment “Not applicable”.

SECTION A – INTRODUCTION AND WARNINGS

A.1	**Introductions and warnings**	This summary should be considered an introduction to the Prospectus. Investors should base any decision to invest Mentice on an assessment of the Prospectus as a whole. If a claim relating to the information contained in the Prospectus is brought before a court, the investor claimant may, under the national laws of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability may only be imposed on persons who have submitted the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent with other parts of the Prospectus, or if the summary and other parts of the Prospectus are inadequate in providing investors with the key information they require to consider whether or not to invest in Mentice.
A.2	**Consent to use of the Prospectus**	Not applicable. Financial intermediaries are not entitled to use the Prospectus for subsequent trading or final placement of securities.

SECTION B – ISSUER AND GUARANTOR

B.1	**Legal name and trading name**	The Company’s legal name and trading name is Mentice AB and its corporate registration number is 556556-4241.
B.2	**Domicile, legal form and country of incorporation**	Mentice is a Swedish public limited liability company, formed in Sweden and registered in the municipality of Gothenburg. The Company was established in accordance with Swedish law and its organisational structure is governed by the Swedish Companies Act (2005:551).
B.3	**Description of the Company’s operations**	Mentice is a Company that offers high-technology solutions for simulation to the medical sector with focus on the fast-growing market for endovascular procedures. Mentice’s simulators are used to educate, train, and improve the practitioners’ skills in different types of interventions and when introducing new clinical instruments. The Company offers “flight simulations” for physicians and clinical teams to provide practitioners with experiences as realistic as possible. Mentice’s purpose is to reduce deaths, injuries, and costs resulting from medical errors and inefficiencies by developing innovative and inspirational tools for the improvement of clinical skills. By developing and offering innovative and realistic training tools, Mentice believes that practitioners’ clinical skills can be improved, and the risk of unnecessary mistakes can be reduced. After heart diseases and cancer, medical error is the third most common cause of death in the United States.1) Close integration between the medical community and the rest of the medical technology industry is crucial to foster innovative solutions that enhance the simulation experience. Headquartered in Gothenburg, Sweden, Mentice has a strong global presence with companies established in the US, Japan, China, and Switzerland. 1) National Center for Health Statistics, Johns Hopkins Medicine, National Center for Biotechnology Information, 2016.

B.4a	**Description of significant trends in the industry**	**MARKET TRENDS[1]** The Company considers the main trends driving the market for medical simulations to be: **RAPIDLY INCREASING HEALTHCARE COSTS** The growing and aging population have significantly raised the demand for new innovative treatment modalities to cure diseases and improve quality of life. Thus, the global healthcare sector has been given an increasingly prominent role and has contributed to driving more public funding to healthcare. More specifically, it has intensified the focus on high-quality and innovative healthcare solutions, a field in which Mentice's product portfolio can be included. **CONTINUOUS INNOVATION IN NEW TREATMENT MODALITIES** Frequent introductions of new treatment methods and developments of new clinical instruments drive the need for continuous professional competence development in the healthcare sector. New innovative methods provide opportunities for life-changing treatments for patients of all ages and the possibility of carrying out advanced procedures at a high age will further increase the costs for healthcare. The Company views methodical use of innovative solutions specifically developed to improve efficiency and performance as the only way to offset these rising costs. **HEIGHTENED DEMAND FOR IMAGE-GUIDED INTERVENTIONS** Increasing demand for image-guided interventions is projected to fuel the need for medical simulation. Image-guided interventions reduce the risk for infections due to the minimal open wound. It also shortens the average healing time, which results in shorter hospital stays and reduced costs. Medical simulation technologies will play an important role to mitigate the health care sector's rising expenditures while contributing to improving patient safety. **INCREASING FOCUS ON PATIENT SAFETY** Approximately 250,000 Americans are estimated to die every year from medical errors that could have been prevented.[2] These mistakes represent a large cost for the healthcare sector and society. Additionally, experts believe another 250,000 people could have acquired life-long disabilities annually due to insufficient treatment quality. The use of medical simulators to practice new skills or procedures is reducing medical errors, improving patient safety, and thereby reducing health care costs. Although Mentice's solutions solely relate to endovascular procedures, the Company considers itself to be an important piece of the puzzle in the joint effort to reduce complication rates worldwide. **STRENGTHENED CERTIFICATION REQUIREMENTS OF SURGEONS USING SIMULATORS** Medical simulation is in the future expected to be used to obtain an objective "certification" which ensures that physicians are qualified and skilled to perform certain procedures. In 2015, Denmark introduced the world's first mandatory simulation-based training for doctors performing key hole surgery.[3] Except for the Danish initiative, the global regulatory environment has not experienced dramatic changes in this field. The Company expects this to become increasingly regulated over the next decade. 1) Unless otherwise stated, the information in this section is taken from the Healthcare / Medical Simulation Market report from MarketsandMarkets, 2013 2) National Center for Health Statistics, Johns Hopkins Medicine, National Center for Biotechnology Information, 2016. 3) Sim One: VR sim training now required for all OB/GYN residents in Denmark, 2015.
B.5	**Group structure**	The Group includes the parent company Mentice AB (publ), its Swiss subsidiary Mentice S.A (99.9 percent ownership), its Japanese subsidiary Mentice K.K, its U.S. subsidiary Mentice Inc., and the wholly-owned Chinese subsidiary Mentice International Trading (Beijing) Co., Ltd.

B.6 **Notifiable parties, major shareholders, and control of the Company**

As of 29 March 2019, the Company had approximately 50 shareholders. The table below details the ownership structure as of the same date based on information from Euroclear, with the addition of changes known to the Company having occurred during the period until the publication date of the Prospectus.

	Ownership before the Offering (shares and votes)		Ownership after the Offering (shares and votes) assuming that the Over-allotment option is not exercised		Ownership after the Offering (shares and votes) assuming that the Over-allotment option is fully exercised	
Shareholder	**Number**	**Percentage**	**Number**	**Percentage**	**Number**	**Percentage**
Larger shareholders						
Karin Howell-Bidermann[1]	8,904,200[2]	39.6 %	8,904,200[2]	36.9 %	8,904,200[2]	36.9 %
Priveq[3]	7,331,210	32.6 %	2,459,171	10.2 %	1,196,059	5.0 %
EFG Bank Geneva	1,726,856	7.7 %	1,031,996	4.3 %	1,031,996	4.3 %
Medical Simulation Corporation	1,191,074	5.3 %	1,191,074	4.9 %	1,191,074	4.9 %
In total	**19,153,340**	**85.2 %**	**13,586,441**	**56.3 %**	**12,323,329**	**51.0 %**
Board and management other than above						
Göran Malmberg[4]	488,450[2]	2.2 %	488,450[2]	2.0 %	488,450[2]	2.0 %
Johann Koss	–[2]	–	–[2]	–	–[2]	–
Matar Dakhil	142,224	0.6 %	142,224	0.6 %	142,224	0.6 %
Henrik Storm	40,848	0.2 %	40,848	0.2 %	40,848	0.2 %
Edward Fält	20,000	0.1 %	20,000	0.1 %	20,000	0.1 %
Elisabet Lund	5,000	0.0 %	5,000	0.0 %	5,000	0.0 %
In total	**696,522**	**3.1 %**	**696,522**	**2.9 %**	**696,522**	**2.9 %**
Other shareholders	2,623,220	11.7 %	1,442,838	6.0 %	1,442,838	6.0 %
New shareholders	–	–	8,420,571	34.9 %	9,683,863	40.1 %
SUM	**22,473,082**	**100.0 %**	**24,146,552**	**100 %**	**24,146,552**	**100 %**

Note: Based on the assumption that the Offering is fully subscribed.

1) Karin Howell-Bidermann is the spouse of the Company's chairman, Lawrence D. Howell.

2) Karin Howell-Bidermann has entered into a share purchase agreement with Göran Malmberg, Johann Koss and one other individual, regarding the sale of 213,220 shares to each of the buyers, (in total 639,660 shares, corresponding to approximately 3 percent of the total Company's total number of shares and votes before the Offering) by payment through promissory notes. However, the shares remain in the possession of Karin Howell-Bidermann as security for full payment and are in this section attributed to Karin Howell-Bidermann.

3) Refers to Priveq Investment Fund III KB and Priveq Investment Fund III AB.

4) Refers to shares held in his own name as well as by the wholly-owned company GMBA Göran Malmberg Business Alignment AB.

On the date of this Prospectus, there is a shareholders' agreement between Medical Simulation Corporation, Priveq Investment Fund III KB, Priveq Investment Fund III AB, and Karin Howell-Bidermann, which was entered into in connection with the Company's acquisition of a part of Medical Simulation Corporation's business in December 2017. In accordance with a separate agreement between the parties, the shareholders' agreement will terminate in connection with the listing on Nasdaq First North Premier.

B.7 **Selected historical financial information**

In this section, Mentice's selected financial information for the financial year ended on 31 December 2018 and 2017 and for the interim periods 1 January–31 March 2019 and 1 January–31 March 2018. The financial full-year information presented in this section has been obtained from Mentice's complete consolidated financial information for the financial years 2018 and 2017, which has been prepared specifically for the Prospectus and in accordance with the International Financial Reporting Standards ("IFRS") as they have been adopted by the European Union ("EU"). The consolidated financial information for the financial years 2018 and 2017 has been audited by the Company's auditor in accordance with FAR's recommendation RevR 5 – Review of financial information in prospectus. The interim financial information for the periods 1 January–31 March 2019 and comparative period is derived from the Company's interim report for January 1–March 31, 2019, which has prepared in accordance with IAS 34 as adopted by the EU and reviewed by Mentice's independent auditor as stated in their report. Unless expressly stated herein, no financial information in the Prospectus has been audited or reviewed by the Company's auditor.

B.7 | ***Selected historical financial information, cont.***

The Prospectus contains certain key performance measures that have not been defined in accordance with IFRS, the Annual accounts act (1995:1554) and/or the Financial Reporting Board's recommendation RFR 2, Accounting for legal entities. The Company considers these performance measures to be an important complement since they enable a better evaluation of the Company´s economic trends. The Company believes that these alternative performance measures give a better understanding of the Company´s financial development and that such key performance measures contain additional information to the investors to those performance measures already defined by IFRS, the Annual accounts act (1995:1554). Furthermore, the key performance measures are widely used by the management in order to assess the financial development of the Company. These financial key performance measures should not be viewed in isolation or be considered to substitute the key performance measures prepared by IFRS. Furthermore, such key performance measures, as the Company has defined them, shall not be compared to other key performance measures with similar names used by other companies. This is due to the fact that the above-mentioned key performance measures are not always identically defined by other companies.

CONSOLIDATED INCOME STATEMENT

	Unaudited		**Audited**	
SEK Thousand	**Jan-Mar 2019**	**Jan-Mar 2018**	**Jan-Dec 2018**	**Jan-Dec 2017**
Net sales	27,481	28,288	157,048	108,966
Other operating income	1,666	1,402	8,737	2,806
Sales	**29,147**	**29,690**	**165,785**	**111,772**
Cost of goods sold	–4,153	–4,335	–29,454	–19,279
Other external expenses	–10,877	–9,893	–40,819	–29,984
Personnel costs	–22,014	–16,576	–74,730	–53,027
Depreciation of fixed assets	–2,905	–1,037	–4,654	–2,941
Operating income, EBIT	**–10,802**	**–2,151**	**16,128**	**6,541**
Financial income	6	323	511	225
Financial expenses	–801	–599	–809	–1,438
Write down financial receivables	–	–	–1,995	–
Earnings before tax, EBT	**–11,597**	**–2,427**	**13,835**	**5,328**
Tax	3,055	–366	6,313	854
Net income	**–8,542**	**–2,793**	**20,148**	**6,182**
Net income attributable to:				
Parent company's shareholders	–8,542	–2,793	20,148	6,182
Non-controlling interest	0	0	0	0
Net income	**–8,542**	**–2,793**	**20,148**	**6,182**
Earnings per share, SEK	**–0.76**	**–0.25**	**1.80**	**0.58**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited		**Audited**	
TSEK	**Jan-Mar 2019**	**Jan-Mar 2018**	**Jan-Dec 2018**	**Jan-Dec 2017**
Net income	**–8,542**	**–2,793**	**20,148**	**6,182**
Other total income				
Items that have been transferred or can be converted to profit for the period				
Translation differences for the period when translating foreign operations	653	138	–1,041	3,208
Total income for the period	**–7,889**	**–2,655**	**19,107**	**9,390**
Profit for the period attributable to:				
The parent company owner	–7,889	–2,655	19,107	9,390
Non-controlling interest	0	0	0	0
Total income for the period	**–7,889**	**–2,655**	**19,107**	**9,390**

B.7

Selected historical financial information, cont.

CONSOLIDATED BALANCE SHEET

	Unaudited		Audited	
SEK Thousand	**31 Mar 2019**	**31 Mar 2018**	**31 Dec 2018**	**31 Dec 2017**
Assets				
Intangible fixed assets	34,302	28,280	33,400	26,286
Tangible fixed assets	6,408	5,668	6,540	5,315
Right-of-use asset	19,163	–	–	–
Deferred tax assets	12,598	2,196	9,569	2,560
Total fixed assets	**72,471**	**36,144**	**49,509**	**34,161**
Inventory	6,367	6,487	4,955	7,005
Current tax receivable	2,109	–	2,581	567
Accounts receivables	35,381	24,634	42,333	22,868
Prepaid expenses and accrued income	6,229	5,857	13,268	9,577
Other receivables	677	4,087	119	4,929
Cash and cash equivalents	11,386	15,613	17,821	14,712
Total current assets	**62,149**	**56,678**	**81,077**	**59,658**
Total assets	**134,620**	**92,822**	**130,586**	**93,819**
Equity				
Share capital	1,120	1,120	1,120	1,120
Additional paid-in capital	12,032	12,032	12,032	12,032
Translation Reserves	653	131	–1,295	–254
Other capital including net result for the period	45,045	32,697	54,882	35,743
Equity attributable to parent company	**58,850**	**45,980**	**66,739**	**48,641**
Non-controlling interest	0	0	0	0
Total Equity	**58,850**	**45,980**	**66,739**	**48,641**
Liabilities				
Accrued tax liabilities	167	–	166	–
Long-term leasing liabilities	14,200	–	–	–
Total long-term liabilities	**14,367**	**–**	**166**	**–**
Accounts payables	4,508	4,979	11,439	6,320
Current tax liabilities	223	–	280	148
Other liabilities	1,230	1,345	1,358	821
Current leasing liabilities	5,055	–	–	–
Accrued expenses and prepaid income	50,387	40,518	50,604	37,889
Total current liabilities	**61,403**	**46,842**	**63,681**	**45,178**
Total liabilities	**75,770**	**46,842**	**63,847**	**45,178**
Total equity and liabilities	**134,620**	**92,822**	**130,586**	**93,819**

B.7 ***Selected historical financial information, cont.***

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited		Audited	
SEK Thousand	**Jan-Mar 2019**	**Jan-Mar 2018**	**Jan-Dec 2018**	**Jan-Dec 2017**
Operating activities				
Earnings before tax	–11,597	–2,427	13,835	5,328
Adjustments for non-cash items	2,731	634	4,692	3,544
Paid tax	415	–280	–2,120	–1,212
Total	**–8,451**	**–2,073**	**16,407**	**7,660**
Increase (–)/Decrease (+) in inventory	–1,412	518	1,705	–4,190
Increase (–)/Decrease (+) of current receivables	13,433	3,381	–18,321	–4,303
Increase (+)/Decrease (–) of current payables	–7,276	1,393	16,214	16,564
Cash flow from operating activities	**–3,706**	**3,219**	**16,005**	**15,731**
Investing activities				
Acquisition of tangible fixed assets	–116	–	–2,534	–483
Disposal of tangible fixed assets	–	–	–	–
Capitalized R&D expenses	–1,525	–2,591	–9,858	–7,375
Cash flow from investing activities	**–1,641**	**–2,591**	**–12,392**	**–7,858**
Financing activities				
Loan repayment	–1,248	–	–	–
Dividend to parent company's shareholders	–	–	–958	–
Cash flow from financing activities	**–1,248**	**–**	**–958**	**–**
Cash flow for the period	**–6,595**	**628**	**2,655**	**7,873**
Beginning cash balance	17,821	14,712	14,712	7,342
Effect of exchange rate changes on cash	160	273	454	–503
Ending cash balance	**11,386**	**15,613**	**17,821**	**14,712**

SELECTED PERFORMANCE INDICATORS

Below is a summary of selected performance indicators defined according to IFRS as well as Alternative key performance indicators, which are not defined according to IFRS. Guidelines on alternative performance indicators for companies with securities traded on a regulated marketplace within the EU have been issued by the European Securities and Markets Authorities (ESMA). The guidelines aim to make alternative performance measures in financial reports more comprehensible, reliable, and comparable and thus promote their usefulness. According to these guidelines, an alternative performance indicator is a financial measure of historical or future earnings development, financial position, financial result, or cash flows that are not defined or specified in the applicable rules for financial reporting; IFRS, and the Annual Accounts Act (Swe. Årsredovisningslagen). The following table shows selected alternative performance indicators, which have not been defined or specified in accordance with IFRS, unless otherwise specified. Some descriptions of the key figures present the development of operational and financial measures that are not defined according to IFRS. The Company believes that these alternative key figures provide a better understanding of the Company's financial trends and that they are to a large extent used by the Company's management team, investors, equity analysts, and other stakeholders as a complementary measure of the Company's development. Since all companies calculate financial measures differently, these are not always comparable to measures used by other companies. These measures should therefore not be regarded as a compensation for measures defined according to IFRS.

B.7 *Selected historical financial information, cont.*

ALTERNATIVE PERFORMANCE INDICATORS NOT DEFINED ACCORDING TO IFRS

SEK Thousand	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018	Jan-Dec 2017
SALES MEASURES				
Net sales	27,481	28,288	157,048	108,966
Net sales growth, %	*–2.9*	–	*44.1*	–
Orderintake	25,064	31,973	113,100	174,273
Orderbook	49,372	39,965	50,065	36,451
Change in orderbook, %	*23.5*	–	*37.3*	–
PROFITABILITY MEASURES				
Gross profit	23,328	23,953	127,594	89,687
EBITDA	–7,897	–1,114	20,782	9,482
Operating income (EBIT)	–10,802	–2,151	16,128	6,541
MARGIN MEASURES				
Gross margin, %	*84.9*	*84.7*	*81.2*	*82.3*
EBITDA margin, %	*–28.7*	*–3.9*	*13.2*	*8.7*
EBIT margin, %	*–39.3*	*–7.6*	*10.3*	*6.0*
CAPITAL STRUCTURE				
Working capital	–10,640	–5,777	–425	–232
Capital employed	72,422	47,311	57,690	37,902
Net debt[1)]	7,869	–15,613	–17,821	–14,712
Equity to debt ratio	43.7	49.5	51.1	51.8
EMPLOYEES				
Average employees	74	69	69	52

1) Net debt for January–March 2019 of TSEK 19,255 include leasing contracts which are capitalized in accordance with IFRS 16.

DEFINITIONS OF ALTERNATIVE PERFORMANCE INDICATORS

Performance indicator	Definition/calculation	Purpose
Net sales growth	Growth in net sales.	The measure shows the Company's net sales growth
Sales	Net sales including other operating income.	The measure shows the Company's total revenue.
Organic growth	Change in net sales compared with the corresponding period last year.	The measure is used to analyze the part of the increase in net sales that is solely attributable to organic growth.
Acquired growth	Change in net sales attributable to acquisitions.	The measure is used to analyze the part of the increase in net sales that is solely attributable to acquisitions.
Currency effects	Net sales change attributable to currency exchange rate effects compared to the corresponding previous period.	The measure indicates how much the change in net sales is attributable to exchange rate fluctuations.
Gross profit	Net sales minus cost of goods sold.	The measure shows how profitable the Company is before fixed costs.
Gross margin	Gross profit as a percentage of net sales.	The measure is used to measure operating profitability before fixed costs.
EBITDA	Operating profit before depreciation and amortization.	The measure is used as it shows the operating profitability before interest, taxes, depreciation and amortization.
EBITDA margin	EBITDA as a percentage of net sales.	The measure is used to measure operating profitability, disregarding taxes, depreciation and amortization.

B.7 *Selected historical financial information, cont.*

DEFINITIONS OF ALTERNATIVE PERFORMANCE INDICATORS, cont.

Performance indicator	Definition/calculation	Purpose
EBIT margin	Operating profit as a percentage of net sales.	The measure is used to measure operating profitability after depreciation, and impairment losses.
Earnings before tax, EBT	Earnings before tax.	The measure shows the income that is attributable to shareholders before tax.
Net income	Income after tax.	The measure shows the income that is attributable to shareholders after tax.
Net debt	Interest-bearing net liabilities minus cash and cash equivalents.	The measure shows the Company's financial position.
Order intake	Refers to the value of the orders that has been reported during the period.	The measure enables investors to better assess the Company's future sales.
Orderbook	Refers to the value of products and services not yet delivered.	The measure enables investors to better assess the Company's future sales.
Working capital	Working capital includes current assets minus current liabilities.	The measure is used to measure the Company's ability to meet short-term capital requirement.
Return on capital employed (ROCE)	EBIT in relation to average capital employed.	The measure shows the Company's profitability in relation to the capital employed in the business during the year.
Cash flow from operating activities	The cash flow attributable to operating activities.	The measure is used to analyze the Company's cash flow from operating activities.
Capital employed	Refers to the average equity and average interest-bearing debt during the period.	The measure is used to analyze the amount of capital used in the business during the period.
Equity ratio	Equity as a share of total assets.	The measure is used to assess the Company's financial stability.

SIGNIFICANT CHANGES IN MENTICE'S FINANCIAL POSITION BETWEEN JANUARY–DECEMBER 2018 AND JANUARY–DECEMBER 2017

FINANCIAL YEAR 2018 COMPARED TO FINANCIAL YEAR 2017

The Group's net sales increased by SEK 48,082 thousand, or 44 percent, from SEK 108,966 thousand in 2017 to SEK 157,048 thousand in 2018. The net sales consisted of both revenues from sales of products and services rendered. The net sales increase was primarily attributable to continued growth in sold systems during the year, up-selling, and increased revenue from service and support.

SIGNIFICANT EVENTS BETWEEN 1 JANUARY 2019–31 MARCH 2019

During the period, Thanos Karras was hired as VP Global Marketing and Dr. David J. Ballard was hired as Executive VP and Chief Clinical Officer. During the period, the first public announcement is made of the collaboration between Mentice and Siemens Healthineers.

SIGNIFICANT EVENTS AFTER 31 MARCH 2019

- The Annual General Meeting decided to implement a share-based incentive program during 2019.
- The Annual General Meeting decided on a dividend of SEK 0.18 per share for 2018, corresponding to a total of approximately SEK 2.0 million.
- The Annual General Meeting decided on a split of shares from 11,201,057 shares to 22,402,114, which was completed on 2 May 2019.
- The Annual General Meeting decided to change company category from private to public.
- The Board of Directors decide decided to carry out a set-off issue, which means that the number of shares increases by 70,968 and the share capital increases by SEK 3,548.4.
- Dispute with Medical Simulation Corporation has been fully resolved where a settlement agreement has been signed with the counterpart.

Other than the abovementioned events, no significant changes to the Company's financial position or market position have occurred since 31 March 2019.

B.8	**Pro forma financial information**	Not applicable. The Prospectus does not contain any pro forma financial statements.
B.9	**Profit forecast**	Not applicable. The Prospectus does not contain any profit forecast or calculation of expected earnings.
B.10	**Remarks in the audit report**	Not applicable. There are no notes in the auditor's reports for the historical financial information covered by the Prospectus.
B.11	**Working capital**	Not applicable. The Board of Directors estimates that the working capital is sufficient for the Group's operation's needs during the coming twelve-month period. Working capital refers to Mentice's ability to access cash and cash equivalents in order to fulfil its payment obligations before they fall due for payment.

SECTION C – SECURITIES

C.1	**Securities offered**	Shares in Mentice AB (ISIN SE0012673291).
C.2	**Currency**	The shares are denominated in SEK.
C.3	**Shares issued**	As per the date of this Prospectus, the Company's share capital is SEK 1,123,654.1, represented by 22,473,082 shares, each with a quota value of SEK 0.05. The Company has only one class of shares. All shares have been fully paid.
C.4	**Rights associated with the securities**	Each share entitles its holder to one vote at the general meeting and every shareholder is entitled to vote with the full number of shares owned and represented by him or her. If the Company resolves to issue new shares, warrants or convertible bonds by means of a cash issue or offset issue, the shareholders will, as a general rule, have preferential subscription rights in proportion to the number of shares they already own. All shares provide equal rights to the Company's profits and to any surplus in the event of liquidation. Decisions to pay dividends will be made by the general meeting and payment will be arranged by Euroclear Sweden AB. The right to receive dividend payment belongs to the person who is registered as a holder of shares in the share register kept by Euroclear Sweden AB on the dividend record day as determined by the general meeting.
C.5	**Transferability restrictions**	Not applicable. The shares are not subject to any restrictions on their free transferability.
C.6	**Admission for trading on a regulated market**	Not applicable. The shares will not be admitted for trading on a regulated market. Mentice's board has applied for listing of the Company's shares on Nasdaq First North Premier. Nasdaq First North Premier is a multilateral trading facility and does not have the legal status of a regulated market. Subject to approval of the listing application from Nasdaq First North Premier, first day of trading is expected to be on or around 18 June 2019.
C.7	**Dividend policy**	As the Company operates on a market with high growth, the Company considers that there will be a great need for reinvesting profits in the business. Any future dividends and their size will be determined on the basis of the Company's financial position, organic growth, acquisition opportunities, and cash flow.

SECTION D – RISKS

D.1	**Principal risks related to the Company and the industry**	Mentice is subject to a number of risks that are wholly or partially beyond Mentice's control which affects or may affect Mentice's operations, results, financial position and result. The following risk factors, described in no particular order, and without any claim to be comprehensive, are considered to be the principal risks for Mentice's future development: • As Mentice's products are marketed in many countries, the company is exposed to changes in global macroeconomic conditions such as tax impositions or other economical sanctions towards the Company, as well as changes in a country's political or economical environment, which if they are unfavorable, could adversely affect the medical simulation industry and the demand for the Company's products. • Mentice is exposed to market risks related to the willingness to invest among the Company's customers, which can be adversely affected by several factors, including opinion and trends in healthcare. • Mentice is exposed to risks related to development in technology. Delays in the Company's development work or an inability to keep up with the development in technology can lead to reduced or lost competitiveness for the Company. • The Company's interpretation of current legislation for medical device products may be incorrect, and changes in legislation, established practice, or of the Company's products may affect the Company's regulatory conditions. • Mentice is dependent on recruiting and retaining key employees. • Mentice's operations are affected by risks related to guarantee liabilities, product responsibilities, and product quality. • There is a risk that Mentice's competitors develop products that prove to be better than the Company's products, or that competitors are more successful in their sales and marketing efforts. • Insufficient protection of Mentice's intellectual property rights and similar forms of protection, know-how, and business secrets may have a material adverse effect on the Company's business. • Mentice may be subject to legal disputes and processes, which can be costly and time consuming.
D.3	**Principal risks related to securities**	Investments in securities are associated with risks. Such risks may cause the price of the Company's shares to fall significantly, and that investors may lose all or parts of their investment. Principal risks deemed relevant for Mentice's shares, and described in no particular order, are risks related to the following: • Share ownership is inherently associated with a certain amount of risk and since the value of the Company's share can fluctuate due to various reasons, many of which are beyond the control of the Company, there is a risk that investors will not get back the capital invested. • There is a risk that any future dividend payments from Mentice may vary or not occur at all. • Significant sales of shares which are made by major shareholders, as well as a general market expectation that further sales will be carried out, could have a negative effect on the price of the Company's shares. • Potential future share issues may lead to that shareholders have their ownership interests diluted. • There is a risk that acquisition undertakings from the Cornerstone Investors cannot be fulfilled due to the fact that they are subject to certain conditions and are not secured by bank guarantees, pledges, blocked funds or similar arrangements.

SECTION E – THE OFFERING

E.1	**Proceeds and costs relating to the Offering**	The Offering will, if fully subscribed, provide Mentice with SEK 82 million, prior to transaction costs. The Company's expenses for the Offering and the listing on Nasdaq First North Premier are expected to a approximately SEK 5 million.
E.2a	**Reasons for the Offering**	Mentice is a company that offers high-technology solutions for simulation to the medical sector with a focus on the fast-growing market for endovascular procedures. Mentice's simulators are used to educate, train, and improve physicians' skills in various types of procedures and when introduced to new clinical instruments. Mentice was founded in 1999 and has since then developed a wide product portfolio with a majority of the largest medical technology companies as clients. Mentice's simulators have been installed in approximately 400 hospitals and academic institutions around the world and over 1,250 simulation systems have been delivered to hospitals and medical devices manufacturers. In 2012, the Company's CEO, Göran Malmberg, received a clear mandate from the Board to focus on growth, which has resulted in the Company growing strongly and reaching total sales of SEK 166 million for the full year 2018. The company's net sales growth amounted to 44 percent between 2017 and 2018. In 2017, the Company acquired the majority of the assets in Medical Simulation Corporation ("**MSC**"), which strengthened Mentice's presence in the US market. Mentice is developing solutions to a majority of the companies, considered by the Company to be the world's leading medical device companies1). These solutions are then used to educate their clients (physicians) by showing how the solution can be used in a safe and effective environment and minimize/reduce the need for the training on patients in the clinical environment. Mentice's ultimate target is to provide solutions to improve operational efficiency and reduce harm for health systems and healthcare providers where the Company reach this market either through its medical device clients, its strategic collaboration with two of the three largest global suppliers of Catheterization Laboratories ("**Cath Labs**") as well as Mentice's direct approach to the world's health system providers. The underlying market for medical simulation products is expected to show continued high growth. The primary driving forces behind the expected growth of simulation solutions are considered to be the rapid development of new interventional methods and the demands for significant improvements, which entail both patient safety and lowering of total healthcare costs. Priveq Investment2) has been one of the largest owners of Mentice since 2005 and today owns approximately 32.6 percent of the Company. Priveq Investment has since the initial investment been active in developing the Company's operations and establishing structures for continued profitable growth. Priveq Investment currently manages over SEK 5 billion and has for over 30 years successfully created value through long-term investments and active ownership in unlisted growth companies. As part of Priveq Investments' investment strategy, the acquired company is eventually divested. Priveq Investments' two funds owning Mentice have exceeded their investment horizons, and against this background, Priveq Investment together with the Howell Family believe now is the right time to widen the Company's shareholder base. Mentice's Board of Directors and management are of the opinion that the Offering, together with an ownership spread of the Company's shares, will promote the Company's continued growth and development, by broadening the Company's financing options and providing access to Swedish and international capital markets. As a result, more sources of funding will be made available in order to support the Company's continued expansion. An ownership spread of the Company's shares entails increased credibility and public awareness, as well as a quality stamp that the Company deems to be beneficial in customer relations, in order to attract and maintain personnel, and in relation to suppliers. The new share issue in the Offering will, upon full subscription, raise approximately SEK 82 million before deduction of transaction costs, which are expected to amount to SEK 5 million. The net proceeds of approximately SEK 77 million will be used to finance the following activities, stated in priority order: • Approximately 50 percent is intended to be used for technology and product development, including continued development of the Company's core technology, such as the next generation simulation platform, development of patient-specific simulation, and fast-generation of 3D models. • Approximately 25 percent is intended to be used for market development and acquisitions. This part of the proceeds is intended to drive the development of the Healthcare Systems segment and to the continued development of adjacent technologies. In addition, some will be used for increased focus on regulation and validation as well as investigation of smaller acquisitions possibilities. • Approximately 25 percent is intended to be used for general business purposes and to strengthen the Company's financial position and thereby improve its negotiating position towards customers. Mentice's objective is to, based on prevailing market conditions, list Mentice on Nasdaq Stockholm within 12–18 months from Mentice's listing on Nasdaq First North Premier. 2) The Company believes that these actors are industry leaders based on the technology level and width of their product offering as well as their size, in terms of turnover. 3) Priveq has invested in Mentice AB through its two funds Priveq Investment Fund III KB (21.3 percent) and Priveq Investment Fund III AB (11.4 percent).

E.3	**Terms and conditions of the Offering**	**THE OFFERING** The Offering is directed towards the general public in Sweden, as well as for institutional investors in Sweden and internationally. The Offering includes a maximum of 1,673,470 newly issued shares offered by the Company and a maximum of 6,747,281 existing shares offered by Selling Shareholders (excluding the Over-allotment option) corresponding to a maximum of 34.9 percent of the total number of shares in the Company after the Offering. **OFFERING PRICE** The price in the Offering is determined to SEK 49 per share. The Offering price is the same for institutional investors and for the Swedish public. No commission is payable. The Offering price of SEK 49 per share has mainly been determined through a customary book building procedure which took place in April and May of 2019. During this book building procedure, certain institutional investors were offered to indicate interest to subscribe to shares in the Company and to tender for the price level at which they were interested in subscribing for shares in the Company. The result of this book building procedure was that a number of Swedish and international institutional investors, through an agreement with Pareto Securities entered into in May 2019, undertook to, under certain conditions and at the same price as other investors, acquire shares in the Offering corresponding to a total of SEK 265 million. In light of this, the Offering Price is deemed to be based on market demand. In addition to this book building procedure, the Offering Price is to some extent based on discussions between Menitice and Pareto Securities regarding Mentice's long-term business outlook, where certain comparisons with the market price of other medical technology companies listed on regulated markets and alternative marketplaces has been made. **THE OVER-ALLOTMENT OPTION** In order to cover any over-allotment in connection with the Offering, the Company has committed to issue a maximum of 1,263,112 additional shares, corresponding to a maximum of 15 percent of the total number of shares in the Offering (the "**Over-allotment option**"). The Over-allotment option can be exercised in full, or partly, during the 30 calendar days following the first day of trading of the Company's shares on Nasdaq First North Premier. The price of the shares in the Over-allotment option will be the same as the Offering Price. If the Offering is fully subscribed and the Over-allotment option is exercised in full, the Offering will include a maximum of 9,683,863 shares. **APPLICATION PERIOD** The application period for the Swedish public is during the period 5 June–13 June and for institutional investors during the period 5 June–14 June. The company, in consultation with Pareto Securities, reserves the right to extend the application period. Such extension will be published by press release before the end of the application period. **ALLOCATION** Decisions on the allocation of shares are made by the Company's Board of Directors in consultation with Pareto Securities, with the goal of achieving a good institutional ownership base and broad dissemination of the shares among the public to enable regular and liquid trading with the Company's shares on Nasdaq First North Premier. **SETTLEMENT** The planned settlement date is 19 June 2019. **TERMS FOR THE OFFERING'S COMPLETION** The offer is conditional on (i) that it generates at least SEK 82 million before deduction for transaction costs that the Company, (ii) that Pareto Securities enter into agreements on the placement of shares in the Company around the 14 June 2019 (the "**Placing Agreement**"), (iii) that certain conditions in the Placing Agreement are met, (iv) that the Placing Agreement is not terminated, (v) that the interest in the Offer according to Pareto Securities is deemed sufficient for satisfying trading of the share, (vi) that Nasdaq approves the Board's application for listing of the Company's shares on Nasdaq First North Premier (a condition for approval is that the disclosure requirement for the Company's shares is fulfilled no later than the day on which trading begins) and (vii) that no events occur that have such a material adverse effect on the Company that makes the Offering inappropriate to carry out ("**Significant negative events**"). Such significant adverse events may, for example, be of an economic, financial, or political nature and may relate to both significant negative events in Sweden and abroad. When assessing whether the interest is sufficiently large for satisfactory trading of the share, for example, the number of subscribers received, or the aggregated amount subscribed are considered. This assessment is made by Pareto Securities. If the above conditions are not met, the Offering may be cancelled. In such a case, neither delivery of nor payment for shares will be carried out during the Offering. Thus, the offer can be withdrawn up to and including the settlement date on 19 June 2019.

E.4	**Interests and conflicts of interest**	Pareto Securities is Sole Global Coordinator and Sole Bookrunner in the Offering and provides financial advice and other services to the Company in connection with the Offering. Pareto Securities owns no shares in the Company and, in addition to pre-agreed compensation for its services, has no other financial interests in Mentice. The size of the remuneration to Pareto Securities will partly be based on the amount of gross income received from investors, and Pareto Securities therefore has an interest in the Offering as such. In addition, Pareto Securities or related companies may, from time to time, have business relationships with the Company and the Selling Shareholders, including lending activities, or perform services to the Company and Selling Shareholders within the framework of the day-to-day operations. In addition to the interests described above, there are no significant interests, and in particular no significant conflicts of interest, in connection with the Offering.
E.5	**Undertaking not to sell shares (lock-up agreements)**	In connection with the Offering, certain existing shareholders will sign a lock-up undertaking towards the Sole Global Coordinator not to sell or otherwise transfer any of the shares in the Company, or take part in a share capital increase after the day of trading of the Company's shares on Nasdaq First North Premier. The so called lock-up period will end on the date falling 360 days after the first official date of trading of the Company's shares for shareholding board members and senior executives in the Company (including Karin Howell-Bidermann, spouse of the Company's Chairman Lawrence D. Howell. For Priveq Investment Fund III KB and Priveq Investment Fund III AB, the lock-up period will be 270 days. In addition, one shareholder of approximately 5.3 percent of the Company's total number of shares has signed an undertaking with a lock-up period of 360 days, and three shareholders of approximately 3.1 percent of the Company's total number of shares have signed undertakings with a lock-up period of 180 days. Overall, approximately 55.6 percent of the shares in the Company are covered, assuming that the Offering is fully subscribed and that the Over-allotment option is exercised in full, by an undertaking not to sell shares for a certain period after the trading in the Company's shares on Nasdaq First North Premier has commenced. The undertaking contains certain customary exceptions such as: (i) a right and obligation to vote in favour of any and all resolutions adopted prior to the Offering in order to prepare for and effectuate the Offering; (ii) a right to sell Shares in the Offering and/or lend Shares within the scope of the Offering (divestments which, according to a separate agreement, may not exceed the same percentage of shares as the percentage divested by Priveq Investment Fund III AB and Priveq Investment Fund III KB, and amount to a maximum of 50 percent of the total shareholder's holdings), or to the extent agreed with the Sole Global Coordinator (Priveq Investment Fund III KB and Priveq Investment Fund III AB have pursuant to a separate agreement with the Sole Global Coordinator the right to sell 6,135,151 shares within the Offering, assuming the Offering is fully subscribed and that the Over-allotment option is exercised in full, and Lappesand Invest AB, with a lock-up period of 180 days, have pursuant to a separate agreement with the Sole Global Coordinator the right to sell 199,682 shares within the Offering, assuming the Offering is fully subscribed); (iii) accept a general offer made to all shareholders of the Company on terms that treat all shareholders equally, including offers made to all shareholders in the Company in accordance with the Swedish takeover rules on terms which treat all such shareholders alike, or (iv) executing and delivering an irrevocable commitment or undertaking to accept a general offer as referred to in (iii) above; or (v) selling or otherwise disposing of Shares pursuant to any offer by the Company to purchase its own Shares which is made on identical terms to all holders of shares in the Company; (vi) selling any subscription rights or similar rights received in a rights issue or other pre-emptive share offering by the Company; or (vii) transferring Shares to any family member or any family trust (and upon change of trustees of a trust, to the new trustees of such family trust) and by the trustees of such family trusts to the beneficiaries thereof provided that such persons, trusts, trustees or beneficiaries agree in writing to abide by the restrictions to the sale of Shares hereunder; or (viii) transferring Shares to any entity in the same group or to any entity which is otherwise, directly or indirectly, wholly owned by the undersigned, provided that such entity agrees in writing to abide by the restrictions to the sale of Shares hereunder; or (ix) transferring Shares to or by personal representatives of an individual who dies during the lock-up period provided that the transferee agrees in writing to abide by the restrictions on the sale of Shares hereunder; or (x) transferring Shares where a disposal is required by law or by any competent authority or by order of a court of competent jurisdiction; or (xi) transferring Shares to investment saving accounts (ISK) or (endowment) insurance policy (KF), subject to, with respect to (endowment) insurance policy (KF), the restriction that the undersigned may not instruct the insurance company to divest any Shares transferred to such scheme other than as permitted under the lock-up undertaking. The lock-up undertaking does not include shares acquired or subscribed for in the Offering or thereafter, and does not prevent the shareholder from voting in favour of decisions regarding incentive programs or acquisitions in which the Company offers as a purchase price, shares or similar instruments. The transfer restrictions for Priveq Investments Fund III KB and Priveq Investment Fund III AB also exclude dividends to limited partners, shareholders, board members, senior executives, provided that such recipients of shares declare themselves, in writing, to be bound by of the transfer restrictions. In addition, the Sole Global Coordinator may grant exemptions from the undertaking if it is deemed appropriate by the Sole Global Coordinator from case to case for situations where the shares may be offered for sale. After the respective lock-up period has expired, the shareholders affected by the lock-up will be free to sell their shares. For a description of the lock-up arrangements that will be entered into by the Company in relation to the Offer, see under the section "*Legal considerations and supplementary information – Placing Agreement*".

E.6	**Dilution**	The Offer includes 1,673,470 newly issued shares in the Company. If the Offering is fully subscribed, Mentice's share capital will be increased by 83,673.5 SEK, corresponding to a dilution of about 6.9 percent. The Over-allotment option does not result in any additional dilution as it is solely comprised of existing shares.
E.7	**Costs for the investor**	Not applicable. No costs will be imposed on investors in the Offering.

RISK FACTORS

Investment in securities is associated with risk. When considering a possible investment decision, it is important to carefully analyze the risk factors considered to be of significance to the Company and the share's future development. The following describes risk factors considered to be of importance for Mentice, without any specific ranking. This applies for both risks regarding circumstances that are attributable to Mentice and its industry and those of a more general nature, and risks associated with the shares and the Offering. Certain risks relate to factors beyond the Company's control. The following account does not claim to be complete and all risk factors can naturally not be predicted or described in detail, which is why an overall assessment must also include other information in the Prospectus as well as a general assessment. The risks and uncertainty factors below can have a significant negative impact on the Company's operations, financial position and/or earnings. They can also cause the shares of Mentice to decrease in value, which could lead to shareholders in the Company losing all or part of their investment. Additional factors that are not currently known to Mentice, or that are currently not deemed to pose risks, may also negatively impact Mentice.

The Prospectus contains forward-looking statements that may be affected by future events, risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements for a variety of factors, including but not limited to, those described below and elsewhere in the Prospectus.

RISKS RELATED TO THE COMPANY AND THE INDUSTRY

Mentice is exposed to changes in global macroeconomic conditions which, if they are unfavorable, could negatively affect the medical simulation industry and the demand for the Company's products.

As the Company's products are marketed in various countries, the Company's future results may be affected by a number of global variables, such as changes in international political or economical circumstances, which might result in adverse tax impositions or other economical sanctions. In addition, the general demand for the Company's products is affected by various macroeconomic factors and trends, including inflation, deflation, recession, trade barriers, currency fluctuations and changes in the purchasing power of healthcare payers. An economic downturn in the United States, the EU/EEA or other relevant markets, or any other uncertainty regarding the economic development and outlook, could for example put pressure on healthcare payers resulting in a lower willingness to pay for advanced medical simulation equipment. Several initiatives to curb rising health care costs have been or are being implemented in the United States and in the EU/EEA, as well as in other relevant markets, which could affect future sales for medical simulation companies, including Mentice. This could force the Company to reduce its prices, to lower levels than expected, which could affect the Company's future earnings prospects. Any negative development in economic, financial or political conditions such as the above-mentioned could have material adverse effects on the Company's operation, financial position and earnings.

Mentice is exposed to market risks related to the willingness to invest by the Company's customers.

A large portion of the current revenue is based on sales to hospitals, education centers and the health technology industry, whose willingness to invest is affected by a number of variables, such as public opinion and trends within health care. A lower willingness to invest by the Company's customers might hinder the Company from selling its products, which could have material adverse effects on the Company's operations, financial position and earnings.

Mentice is exposed to regulatory risks through sales to the public sector.

Approximately one third of Mentice's revenue is generated through sales to the public sector, for example to hospitals. Sales to the public sector is generally subject to certain regulatory requirements, such as public procurement. In the event Mentice's interpretation of applicable regulation on sales to the public sector is not consistent with the governmental authority's interpretation of the applicable regulation or the applied administrative practice, or if the regulations, interpretations or established practice would change, it could lead to adverse effect on the Company's sales, which could have adverse effects on the Company's operations, financial position and earnings.

Mentice is exposed to risks relating to development in technology.

The market for medical simulations is highly affected by development in technology. Delays in the Company's development activites or an inability to keep up with the technological development, including but not limited to the Company not being able to bear the costs related to such activities, could lead to a loss of competitiveness, which could have material adverse effects on the Company's operations, financial position and earnings.

Mentice is dependent on third-party suppliers of hardware and software development and is therefore exposed to certain risks associated with external supplier.

Mentice contracts third parties, including for manufacturing work and assembly of hardware, as well as consulting companies for hardware and software development. There is a risk that the Company is unable to retain or find suitable third-party suppliers when needed or that it is unable to reach agreements with acceptable terms and conditions, which could have adverse effect on operations. There is a risk that the suppliers do not comply with relevant laws or regulations, which could subject Mentice to sanctions and damage claims. Furthermore, there is a risk that third-party suppliers change their terms, increase their prices or that difficulty in delivery could occur for reasons such as shortage of raw materials, strike, damage or financial difficulties or other circumstances attributable to a supplier. In addition, suppliers may fail to deliver as agreed, which could lead to delays and increased costs or that the Company needs to find alternative sources which in turn can be costly and time-consuming. If any of the above-mentioned risks would materialize, it could have material adverse effects on the Company's operations, financial position and earnings.

Mentice's operations are dependent on the Company maintaining sufficient and secure IT systems and related processes.

The Company is dependent on maintaining a secure and well-functioning IT environment for all aspects of its operations. As the Company contracts third parties for e.g. managing computer servers and certain IT infrastructure, it is also crucial that such third parties are able to safely manage and store data. There is a risk that the Company's IT environment, as well as contracted third-parties' IT environment, can be affected by problems with software, hardware, computer viruses, attacks or physical damages. Such failures and interruptions can lead to delays and increased costs, which could have material adverse effects on the Company's operations, financial position and earnings.

Handling of personal data is costly and time-consuming and if Mentice or its partners are not compliant with applicable personal data and privacy legislation, the Company may be subject to sanctions.

Mentice is subject to regulatory requirements concerning protection, handling and processing of personal data in the jurisdictions where the Company operates, for example in connection with recruitment processes and the Company's relationships with suppliers, customers or employees. Mentice, and its partners, may come to handle and process sensitive personal data, e.g. in connection with planning specific medical procedures, and must consider applicable personal data legislation. If the Company is unable to handle and process such sensitive personal data, for any reason, regulatory authorities may impose administrative sanction fees.

As of 25 May 2018, Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) ("GDPR") will have direct effect in all member states and replace all current national personal data legislation. GDPR entails extensive changes to the EU personal data regulation, with a strengthening of individual rights, stricter requirements on companies handling personal data and stricter sanctions with considerable administrative fines.

As GDPR recently entered into force, it is too early to draw any conclusions as to the long-term effects on the Company's operations, or in which way the legislation will be interpreted och applied by governmental authorities. Furthermore, the Company cannot currently assess eventual requirements to allocate additional financial and personell resources in order to comply with the regulation, or if the Company will be able to assign such resources if and when such need arises. Therefore the Company can neither short-term nor long-term ensure compliance with the requirements of GDPR, which could result in sanctions or fines. If any of the above-mentioned risks would materialise, it could have material adverse effects on the Company's operations, financial position and earnings.

The Company's interpretation of applicable legislation relating to medical devices could be incorrect, and changes in legislation, legal practice or the Company's products could affect the Company's regulatory conditions.

The Company does not consider its operations and current products to be covered by legislation relating to medical devices. If Mentice's interpretation of applicable regulations concerning medical devices does not turn out to be inconsistent with the concerned governmental authorities' interpretation of legislation, their legislative practice, or if such interpretation or practice would change, if the Company changes its product portfolio, including but not limited to introducing personalized simulations for specific medical procedures, the Company's products and operations could become subject to applicable legislation concerning medical devices. Legislation concerning medical devices is extensive and includes provisions regarding manufacturing, marketing and quality assessment. If the Company and its operation would become subject to such regulations, the Company could be required to allocate considerable resources in order to adapt its products and marketing, the Company's sales opportunities could be limited, governmental authorities could impose restrictions upon the Company, or the Company might not obtain necessary authorizations from governmental authorities. There is a risk that the above-mentioned factors could have material adverse effects on the Company's operations, financial position and earnings.

Mentice is dependent on retaining and recruiting key employees.

Mentice's business operations are run as a relatively small organization with a limited number of employees. The Company is therefore dependent on its key employees, in particular its senior management, as well as its ability to recruit and retain qualified personnel when required. If any of the Company's key employees would fall ill or would resign and therefore leave the Company, or if the Company fails to recruit new personnel when needed, the development of its product candidates or other parts of the operations may be delayed, which in turn could have material adverse effects on the Company's operations, financial position and earnings.

Mentice's business operations are subject risks associated with product liability, warranty and quality.

Mentice's business operations are exposed to different liability risks associated with sales of products for medical simulation. Mentice provides contractual warranties to its customers regarding, inter alia, design, material, services and manufacturing. Due to such warranties, the Company could be held liable for damage or loss caused by shortage of any of its products or services. Despite contractual limitations concerning the Company's product liability and warranties, such limitations could prove ineffective. Furthermore, Mentice could be affected by additional product liability or warranty claims, for instance from third parties. Warranty and/or liability claims leading to negative consequences on the Company's operations, financial position and earnings. Furthermore, there is a risk that low product quality may result in a reduced demand for the Company's products. If any of the above risks would materialize, it could have a material adverse effect on the Company's operations, financial position and earnings.

If the Company changes its current product portfolio, including but not limited to introducing personalised simulations for specific medical procedures, the Company could be exposed to additional risks and become subject to certain regulation concerning medical devices. There is also a risk that the Company's customers or other parties, without the Company's prior authorization, use, change or adapt the Company's products in ways that make the Mentice subject to third-party liability claims. Such risks include patients participating in clinical studies, or who come into contact with the Company's products in any other way, suffering side effects. The consequences of such side effects could be delays or discontinuance of further product development and limit or hinder commercial use of the products, thus having adverse effects on the Company's operations, financial position and earnings. Further, the Company could become subject to lawsuits from patients suffering side effects, potentially resulting in liability for damages. Liability claims could have material adverse effects on the Company's operations, financial position and earnings.

There is a risk that Mentice's competitors develop products that prove to be better than the Company's products, or that the competitors are more successful in their sales and marketing efforts.

The medical simulations industry is characterised by global competition, rapid technological development and extensive investment requirements. Mentice is facing potential competition from e.g. large companies, including multi-national companies, other companies active in the healthcare sector as well as universities and other research institutions. The Company currently knows of two companies that are active in the development and sales of products within medical simulations for endovascular and minimally invasive surgery, which the Company considers to be its main competitors. Competing companies may have substantially larger research and development ("**R&D**") organisations or sales and marketing capabilities than the Company and may therefore invest greater financial resources in regulatory measures as well as the sales and marketing of its products. There is therefore a risk that Mentice's competitors can develop, or have in development, alternative products which may prove to be better or cheaper than the Company's product candidates. Competitors may also have greater sales and marketing resources than the Company and may therefore further succeed with the marketing of medical simulation devices, thus achieving greater market acceptance for the product concerned. Such competing products could limit the prospects for Mentice to obtain revenue, which could have material adverse effects on the Company's operations, financial position and earnings.

Insufficient protection of Mentice's intellectual property rights and other similar protection, know-how and trade secrets could adversely affect the Company's business operations.

Protection of intellectual property and other proprietary rights is a key aspect of development of medical simulations and Mentice invests time and financial resources to protect its products from illegal use by third parties. The Company's intellectual property rights are mainly secured through patents, trademarks, copyright and/or contracts. The Company also depends on know-how and trade secrets which are difficult to protect under intellectual property laws. If the products developed by Mentice in the future do not obtain necessary intellectual property rights, or if existing intellectual property rights are lost or curtailed, or if the intellectual property rights that the Company relies upon for protection is inadequate to defend the Company's rights and market position, it could have material adverse effects on the Company's operations, financial position and earnings. Further, Mentice's operations, financial position and earnings could be adversely affected if the Company becomes subject to breach of their intellectual property rights or if its products and know-how cannot be adequately protected.

Ownership rights to intellectual property and know-how generated during manufacturing of products in consultation with the Company's suppliers, partners and customers, is generally to the benefit of Mentice in accordance with applicable legislation and existing agreements. If Mentice henceforth fails to assert its intellectual property rights or if the Company's suppliers and partners do not observe concluded agreements, or such agreements would not be possible to enforce by courts, it could have material adverse effects on the Company's operations, financial position and earnings.

Furthermore, there is a risk that the Company's trade secrets or know-how will otherwise become known in circumstances in which the Company has no practical means of redress, and competitors and other third parties could independently develop similar know-how, which could be damaging to Mentice's business operations.

If the combination of intellectual property rights, trade secrets and other proprietary rights that the Company relies upon for protection is inadequate, its ability to commercialise its products successfully will be harmed, and it may not be able to operate its business profitably. In the event that the Company's intellectual property rights or other proprietary rights are lost or curtailed, or if the Company is otherwise unable to maintain sufficient protection, it could have material adverse effects on the Company's operations, financial position and earnings.

Mentice may be involved in legal disputes and proceedings which can be costly and time-consuming.

Disputes, claims, investigations and legal proceedings could lead to Mentice having to pay damages or cease operations. The Company may, from time to time, become involved in disputes as part of its normal business operations and there is a risk that the Company becomes subject to legal claims concerning e.g. intellectual property, licenses, agreements or labor issues. The Company's success will partially be depending on its ability to conduct its operations without infringing or exploiting third parties intellectual property rights. There is a risk that some of the Company's current or future product candidates may give rise to claims from third parties regarding patent or other intellectual property infringement. Such disputes, claims and legal proceedings can be complex and the outcome difficult to predict, as well as disrupt ordinary business operations and be costly and time-consuming. If the Company would become involve in disputes or legal proceedings, there is a risk that it could have material adverse effects on the Company's operations, financial position and earnings.

Uninsured losses and liability claims may adversely affect the Company.

Claims against the Company which are not covered by any insurance may arise as well as claims exceeding the amount covered. Moreover, even though a claim is fully covered such claim may increase the Company's premiums paid to the insurance company. The Company may in the future enter into new markets or develop new products which will require extended insurance coverage. Such extended coverage may not be possible to obtain on favourable terms, or at all. If the Company is unable to obtain sufficient coverage or faces claims which are outside the coverage, it may have an adverse impact on the Company's business, financial position and earnings in the future.

Mentice may require additional funding if the Company does not generate sufficient revenue.

Development of medical simulations is generally very costly. The Company invests a large part of its financial resources in development activities and the Company expects to invest more resources in future product development. There is a risk that Mentice will not maintain sufficient levels or revenue or positive cash flow in the future in order to finance its operations, in which case the Company will need to seek alternative mean of financing, e.g. from third parties or existing shareholders. There is a risk that the Company cannot raise new capital when needed, or on satisfactory terms, or that the capital raised is not sufficient to finance operations in accordance with established strategies and objectives. In such a case, the Company may be forced to restrict parts of its operations, or ultimately have to close down its operations. Future capital requirements depend on several factors, including costs of development and commercialisation of product candidates, timing and size of potential revenue.

If Mentice does not generate sufficient revenue or is unable to obtain suitable financing, it will affect the Company's ability to sustain its operations, which could have material adverse effects on the Company's operations, financial position and earnings.

Mentice is exposed to currency fluctuations that may negatively affect the Company, its financial position and earnings.

Mentice is headquartered in Sweden and the presentation currency in the Company´s accounting is Swedish crowns (SEK). The Company has costs related to its operations, mainly in SEK and USD. As a result, the Company will be subject to risks related to currency exchange rates in respect of cash flows inside and outside Sweden and the Euro zone. In addition, Mentice is exposed to the translation risk that emerges from the translation of its subsidiary's income statements and balance sheet from USD and YEN to SEK. EUR is the most sensitive currency in regard to the Company's operating profit. Everything else equal, in case the EUR is weakened with 10 percent against SEK, the Company's operating profit would be impacted with minus SEK 8 million for the financial year 2018. Currency fluctuations could cause currency transaction losses or gains which the Company cannot predict and if the currency fluctuations are detrimental to the Company, it could have a material adverse effect on the Company's operations, financial position and earnings.

Mentice's interpretation of applicable tax law and regulations could be incorrect, and legislative changes or tax reassessments could change the Company's tax position.

The tax considerations made by Mentice are based on interpretations of the current tax laws, tax treaties and other tax regulations and the requirements of the relevant tax authorities. There is a risk that tax audits and reviews may result in the Company having additional tax imposed or that deductions are not approved, e.g. due to financing or intra-group transactions. For example, the Company has established a share-based incentive program through an issue of warrants, to establish an incentive for the employees and consultants in the Company's group. In March 2019, prior to the issue proposed by the board of directors and resolved by the general meeting, the board of directors obtained a valuation from an independent third party. Incentive programs often entail an inherent risk from a tax perspective. If the Swedish Tax Agency, or equivalent governmental authority in any other applicable jurisdiction, would consider the warrants having been acquired at a price below market value, for example due to the valuation being flawed or too long time period between the valuation and the acquisition, there is a risk that the difference between the market value and the acquisition price would be considered a benefit to the purchaser subject to taxation, which would also require the Company to pay social security contributions on the same amount. There is also a risk that the Swedish Tax Authority, or equivalent governmental authority in any other applicable jurisdiction, would consider a tax surcharge to be added to such social security contributions. In the event the Company's assessment of applicable tax laws and regulations turns out to be inaccurate, including but not limited to the case where tax regulations in other jurisdictions deviate from Swedish tax regulations, it may lead to an increased future tax burden and/or fines. If any of aforementioned risks would occur, it could have a material adverse effect on the Company's financial position and earnings.

In the event of the Company's interpretation of tax laws, treaties and other tax regulations or their applicability being incorrect, if one or more governmental authorities successfully make adverse tax adjustment with regard to the Company, or if the applicable tax laws, tax treaties, regulations or governmental interpretations thereof or administrative practice in relation thereto change, including with retroactive effect, the Company's past or current tax positions may be reassessed. In the event of tax authorities succeeding with such claims, an increased tax cost could result, including tax charges and interest costs which could have a material adverse effect on the Company's operations, financial position and earnings.

Laws, treaties and other regulations on taxation have historically been subject to frequent changes and future changes could have a significant impact on Mentice's tax burden, as well as a material adverse effect on the Company's operations, financial position and earnings.

There is a risk that Mentice cannot utilize accumulated tax losses in the future, which could mean that the Company's effective income tax will be higher than what would otherwise have been the case.

The accumulated tax losses of Mentice amounted to approximately SEK 49 million as per 31 March 2019, of which SEK 35 million can be accredited to the Company's subsidiary in the United States as per 31 December 2018 (still remaining as of 31 March 2019), whilst SEK 14 million relates to losses from the Swedish parent company for the first quarter of 2019. The tax effects on the accumulated losses have been set up as deferred tax assets in the balance sheet. In the future, the accumulated tax losses could reduce the Company's contingent taxable earnings and reduce the effective tax that arises on the earnings. Tax losses and the use thereof are subject to complicated and extensive restrictions rules. The Company's possibility to, in the future, in whole or in part, utilize the accumulated tax losses will be determined, amongst other factors, by future changes in ownership of the Company. The Company's possibility to, in the future, in whole or in part, utilize the accumulated tax losses might also be affected by the changes in applicable tax law. If the tax losses carried forward cannot be used to reduce the tax on future profits, the Company's income tax will be higher, which could have a material adverse effect on the Company's future operations, financial position and earnings.

RISKS RELATED TO THE COMPANY'S SHARE AND THE OFFERING

Share ownership is inherently associated with a certain amount of risk and since the value of the Company's share can fluctuate due to various reasons, many of which are beyond the control of the Company, there is a risk that investors will not get back the capital invested.

Share ownership is always associated with risk and risk-taking. Since an investment in shares can both rise and fall in value, there is a risk that investors will not get back the capital invested. Both the general development on the stock market and the Company's share price depend on a number of factors, including the development of the Company's business and product portfolio, changes in the Company's earnings and financial position, changes in the market's expectations of future profits and dividends, as well as supply and demand for the Company's shares. The price of the Company's share may also to some extent be affected by factors which may be beyond the Company's control, such as market position and competitors' activities.

Prior to the planned listing on Nasdaq First North Premier, there has been no public market for Mentice's shares. The Company cannot predict the investors' interest in the Company, and there is therefore a risk that an active and liquid market will not develop or, if developed, that it will not be sustained after the completion of the Offering. The price of the Company's shares may from time to time be subject to significant fluctuations in the stock market in general, which may occur regardless of the Company's performance. Conditions associated with the Company's industry, such as regulatory developments and economic and political changes in relevant jurisdictions may also be impacting factors.

Furthermore, the price of the Company's share is affected by monitoring and reporting on the Company by equity and industry analysts. If one or more of these analysts ceases to follow the Company or does not publish periodic reports, the Company may become less visible in the financial markets, which in turn can lead to fluctuations in share price and/or trading volumes.

If any of the aforementioned risks would occur, it may result in a drop in the price of the Company's share.

There is a risk that any future dividend payments from Mentice may vary or not occur at all.

Investors who participate in the Offering will be eligible for future dividends that are decided after the listing on Nasdaq Stockholm. The amount of future dividends that the Company will pay, if any, will depend on a number of factors, such as future earnings, its financial condition, cash flows, working capital requirements, legal and financial constraints and other factors. The Company may also not have sufficient distributable funds and the Company's shareholders may resolve not to pay dividends in the future. Accordingly, a dividend may not be proposed or declared in any given year or at all.

Shareholders with major holdings may have interests and make decisions that go against other shareholders interests.

If the Offering is fully subscribed and the over-allotment option is fully exercised, the Company's three largest shareholders will own approximately 52 percent of the shares and votes in the Company after the Offering. This means that the three largest shareholders will have a significant influence over the Company in the future as well as over most decisions that are subject to a vote at the general meeting. Such decisions include election of the board, issue of additional shares and other securities that may result in a dilution for the existing shareholders as well as decisions on any dividend distribution or sale of all or a significant part of the Company's assets. There is a risk that the Company's largest shareholder's interests may differ or be in conflict with other shareholders interests, and these largest shareholders may exercise their influence over the Company in a way that is not consistent with the interest of other shareholders.

Significant sales of shares which are made by major shareholders, as well as a general market expectation that further sales will be carried out, could have a negative effect on the price of the Company's shares.

Significant sales of shares made by major shareholders, as well as a general market expectation that further sales will be carried out, can adversely affect the price of the Company's share.

Certain major existing shareholders, including board members and senior executives who are shareholders, have undertaken not to sell their respective holdings for a certain period from the first day of trading on Nasdaq First North Premier (the "**Lock-up period**"). The commitment is subject to certain exceptions and does not include shares purchased in the Offering or thereafter. The so called lock-up period will end on the date falling 360 days after the first official date of trading of the Company's shares for shareholding board members and senior executives in the Company (including Karin Howell-Bidermann, spouse of the Company's chairman Lawrence D. Howell. For Priveq Investment Fund III KB and Priveq Investment Fund III AB, the lock-up period will be 270 days. In addition, one shareholder of approximately 5.3 percent of the Company's total number of shares has signed an undertaking with a lock-up period of 360 days, and three shareholders of approximately 3.1 percent of the Company's total number of shares have signed undertakings with a lock-up period of 180 days. Overall, approximately 55.6 percent of the shares in the Company are covered after the Offering, assuming that the Offering is fully subscribed and that the Over-allotment option is exercised in full.

The Sole Global Coordinator can discretely grant exemptions from these undertakings. After the respective Lock-up period has expired, the relevant shareholder is free to sell their shares in the Company. The sale of large amounts of shares by the mentioned shareholders, as well as an expectation of such sales, may cause the price of the Company's shares to decrease.

Utilization of warrants or potential future share issues may lead to that shareholders have their ownership interests diluted.

If the Company decides to raise additional capital, for example through an issue of new shares or other securities, there is a risk that shareholders who cannot participate in such an issue, or choose not to participate, could have their ownership interests diluted. The same applies if an issue is directed to persons other than the Company's shareholder.

Furthermore, the Company has issued warrants for an incentive program. The utilization of such warrants, if and when that occurs, will cause a dilution for other shareholders. If the maximum possible number of warrants is exercised it would correspond to a dilution of approximately 5.6 percent of the total number of shares in the Company after the completion of the Offering, assuming the Offering is fully subscribed.

Acquisition commitments from cornerstone investors are not guaranteed and may therefore not be realized.

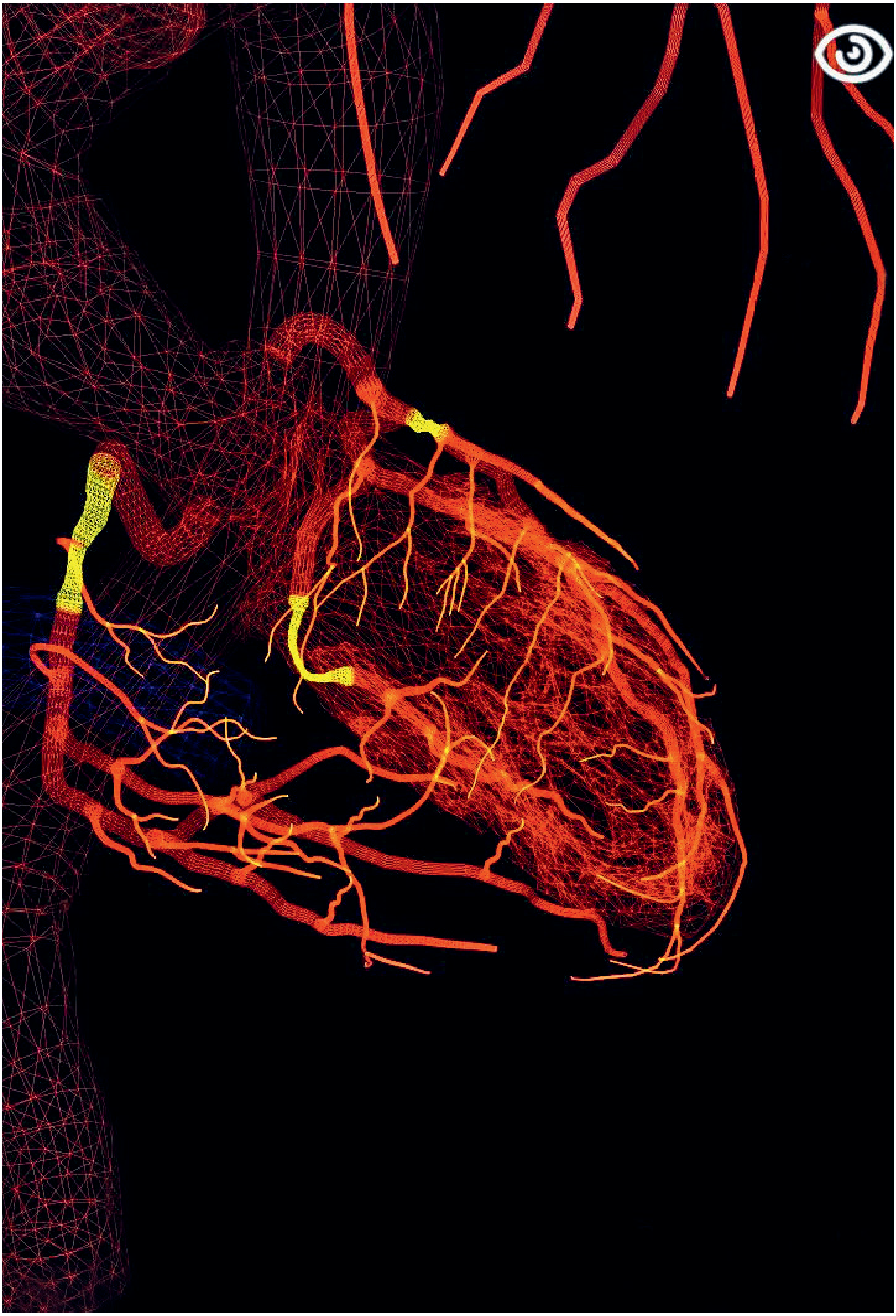
The Cornerstone Investors have, through agreements concluded in May 2019, undertaken to acquire shares in the Offering under the same conditions and other investors. The Cornerstone Investors have undertaken to acquire shares in the Offering for, in total, SEK 265 million, equivalent to approximately 64 percent of the shares in the Offering, or, in total, approximately 56 percent of the shares in the Offering should the Over-allotment Option be exercised in full. However, the acquisition undertakings of the Cornerstone Investors have not been secured by means of bank guarantees, deposited funds, pledging or any similar arrangement. Accordingly, there is a risk that the Cornerstone Investors will not fulfil their undertakings. In addition, the undertakings of the Cornerstone Investors are subject to certain conditions, such as fulfilling the distribution requirement of the Company's shares in connection with the Offering. Should any of these conditions not be met, there is a risk that the Cornerstone Investors will not be bound by their undertakings and may choose not to acquire shares, which could have a significant adverse impact on the completion of the Offering.

Shareholders outside of Sweden may experience that the value of their holdings in Mentice decreases due to currency fluctuations.

The Company's shares will be quoted in SEK. Potential future dividends will be paid in SEK. If the SEK depreciates against foreign currencies, it could result in adverse consequences for the valuation of foreign investors' holdings in the Company as well as possible dividends received in the future. Furthermore, such investors could also incur transaction costs while changing SEK into another currency.

Shareholders outside of Sweden may be subject to limitations that prevent or otherwise makes participation in future rights issues difficult.

If the Company issues new shares in a rights offering the shareholders have, as a general rule, preferential rights to subscribe for new shares in proportion to the number of shares held prior to the issue. Shareholders in certain other jurisdictions than Sweden may however be subject to limitations that prevent them from participating in such rights offerings, or that otherwise makes participation difficult or limited. For example, shareholders in the United States may be prevented from exercising their rights to subscribe for new securities which are not registered under the Securities Act if no exemptions from the registration requirements are applicable. Shareholders in other jurisdictions outside of Sweden may be similarly affected if the subscription rights or the new securities are not registered with the relevant authorities in such jurisdictions. The Company has no obligation to investigate the registration requirements under the Securities Act or similar legislation in jurisdictions other than Sweden, and no obligation to apply for registration of the Company's securities or the sale of the Company's securities in accordance with such legislation outside of Sweden, and doing so in the future may be impractical and costly. The potential restrictions for shareholders in jurisdictions outside of Sweden to participate in rights issues may result in their ownership being diluted and decreased in value.



INVITATION TO ACQUIRE SHARES IN MENTICE AB

In order to support the Company's continued expansion and promote the Company's continued growth and development, the Company's Board of Directors and Selling Shareholders[1] have decided to carry out a new share issue in Mentice and a sale of equitable shares, which are addressed to the public in Sweden[2] and to institutional investors[3] in Sweden and internationally (the "**Offering**") to, among other reasons, broaden the Company's financing alternatives and providing access to Swedish and international capital markets. In conjunction therewith, Mentice's board of directors has also applied for admission to trading of the Company's shares on Nasdaq First North Premier, and subject to Nasdaq Stockholm AB's approval of the application, the first trading day on Nasdaq First North Premier is expected to be 18 June 2019.

Investors are hereby invited, in accordance with the terms and conditions set out in this Prospectus, to acquire a maximum of 8,420,751 shares in Mentice, of which the Selling Shareholders offer a maximum of 6,747,281 existing shares and the Company offers a maximum of 1,673,470 newly issued shares, which will be issued pursuant to the authorization given at the annual general meeting held on April 17, 2019. The price in the Offering is determined to SEK 49 per share. The Offering Price is the same for institutional investors as for the Swedish public. No commission is payable. The Offering price of SEK 49 per share has mainly been determined through a customary book building procedure which took place in April and May of 2019. During this book building procedure, certain institutional investors were offered to indicate interest to subscribe to shares in the Company and to tender for the price level at which they were interested in subscribing for shares in the Company. The result of this book building procedure was that a number of Swedish and international institutional investors, through an agreement with Pareto Securities entered into in May 2019, undertook to, under certain conditions and at the same price as other investors, acquire shares in the Offering corresponding to a total of SEK 265 million. In light of this, the Offering Price is deemed to be based on market demand. See section "*Legal considerations and supplementary information – Acquisition undertakings by the Cornerstone Investors*" for additional information on Cornerstone Investors. In addition to this book building procedure, the Offering Price is to some extent based on discussions between Mentice and Pareto Securities regarding Mentice's long-term business outlook and certain comparisons with the market prices of other medical technology companies listed on regulated markets and alternative marketplaces.

The new share issue is expected to provide Mentice with approximately SEK 82 million after deduction of expenses related to the Offering[4]. The Offering is conditional on raising at least SEK 82 million before deductions for expenses related to the Offering. Assuming a fully subscribed Offering, the number of shares in Mentice will increase by 1,673,470 shares from 22,473,082 to 24,146,552, which corresponds to a dilution of 6.9 percent of the total shares in the Company after the Offering. Mentice will not receive any proceeds from the sale of existing shares.

In order to cover any over-allotment in connection with the Offering, the Company has committed to issue a maximum of 1,263,112 additional shares, corresponding to a maximum of 15 percent of the total number of shares in the Offering (the "**Over-allotment option**"). The Over-allotment option can be exercised in full, or partly, during the 30 calendar days following the first day of trading of the Company's shares on Nasdaq First North Premier. The price of the shares in the Over-allotment option will be the same as the Offering Price. If the Offering is fully subscribed and the Over-allotment option is exercised in full, the Offering will include a total of 9,683,863 shares in Mentice, representing approximately 40.1 percent of the total number of shares in the Company after the Offering.

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1) The Selling Shareholders comprise of Priveq Investment Fund III AB, Priveq Investment Fund III KB and small group of shareholders. All of the Selling Shareholders can be reached via the Company's address: Odinsgatan 10, 411 03 Göteborg, Sweden.

2) The public include private individuals and legal entities in Sweden who subscribe to a maximum of 22,450 shares.

3) Institutional investors include private individuals and legal entities who subscribe to more than 22,451 shares.

4) Mentice's costs for the Offering are estimated to amount to a maximum of SEK 5 million, for more information, see *Legal considerations and supplementary information – Costs related to the Offering*.

Cornerstone Investors, Bure Equity AB, Joh. Berenberg, Gossler & Co. KG (Berenberg)1), The Fourth Swedish National Pension Fund (AP4), Handelsbanken Fonder on behalf of managed funds, and TIN Fonder through the fund Core Ny Teknik2) have committed to, under certain conditions and at the same price as other investors, acquire 5,408,163 shares for a total amount of SEK 265 million. If the Offering is fully subscribed and the Over-allotment option is exercised in full, the commitment corresponds to 55.8 percent of the shares in the Offering and 22.4 percent of the total number of shares in the Company after the Offering.

The total value of the Offering amounts to approximately SEK 413 million and approximately SEK 475 million should the Over-allotment option be fully exercised.

In other respects, reference is made to the full particulars of the Prospectus, which has been prepared by the Board of Directors of Mentice in connection with the application for listing of the Company's shares on Nasdaq First North Premier and the Offering made in connection with the listing.

Gothenburg 4 June 2019

Mentice AB (publ)
The Board of Directors

Selling Shareholders3)

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1) Joh. Berenberg, Gossler & Co. KG (Berenberg) mandated as portfolio manager on behalf of certain investment funds.

2) Core Ny Teknik is a Swedish UCITS fund that invests in innovative companies, primarily in software, health and digital brands. The fund invests primarily in small and medium-sized innovative companies, with a focus on the Nordic region but with up to 30 percent in global companies. The administration has a long-term perspective and a concentrated portfolio of 40–60 holdings.

3) Priveq Investment Fund III KB, Priveq Investment Fund III AB, and a smaller group of shareholders are the Selling Shareholders.

BACKGROUND AND REASONS

Mentice is a company that offers highly technological solutions for simulation to the medical sector with a focus on the fast-growing market for endovascular procedures. Mentice's simulators are used to educate, train, and improve surgeons' skills in various types of procedures and when introduced to new clinical instruments. Mentice was founded in 1999 and has since then developed a wide product portfolio with a majority of the largest medical technology companies as clients. Mentice's simulators have been installed in approximately 400 hospitals and academic institutions around the world and over 1,250 simulation systems have been delivered to hospitals and medical devices manufacturers.

In 2012, the Company's CEO, Göran Malmberg, received a clear mandate from the Board to focus on growth, which has resulted in the Company growing strongly and reaching total sales of SEK 166 million for the full year 2018. The Company's net sales growth amounted to 44 percent between 2017 and 2018.[1] In 2017, the Company acquired the majority of the assets in Medical Simulation Corporation ("**MSC**"), which strengthened Mentice's presence in the US market. Mentice is developing solutions to a majority of the companies, considered by the Company to be the world's leading medical device companies[2]. These solutions are then used to educate their clients (physicians) by showing how the solution can be used in a safe and effective environment and minimize/reduce the need for the training on patients in the clinical environment. Mentice's ultimate target is to provide solutions to improve operational efficiency and reduce harm for health systems and healthcare providers where the Company reach this market either through its medical device clients, its strategic collaboration with two of the three largest global suppliers of Catheterization Laboratories ("**Cath Labs**") as well as Mentice's direct approach to the world's health system providers. The underlying market for medical simulation products is expected to show continued high growth. The primary driving forces behind the expected growth of simulation solutions are considered to be the rapid development of new interventional methods and the demands for significant improvements, which entail both patient safety and lowering of total healthcare costs.

Priveq Investment[3] has been one of the largest owners in Mentice since 2005 and today owns approximately 32.6 percent of the Company. Priveq Investment has since the initial investment been active in developing the Company's operations and establishing structures for continued profitable growth. Priveq Investment currently manages over SEK 5 billion and has for over 30 years successfully created value through long-term investments and active ownership in unlisted growth companies. As part of Priveq Investments' investment strategy, the acquired company is eventually divested. Priveq Investments' two funds owning Mentice have exceeded their investment horizons, and against this background, Priveq Investment together with the Howell Family believe now is the right time to widen the Company's shareholder base.

Mentice's board of directors and management believe the Offering together with a distribution of ownership will further support the Company's continued growth and development. The distribution of the Company's shares is expected increase Mentice's credibility and public awareness, while at the same time providing the Company with a quality stamp, contributing to assurance to all customers and suppliers as well as to attract and maintain personnel.

The new share issue in the Offering will, upon full subscription, raise approximately SEK 82 million before deduction of transaction costs, which are expected to amount to SEK 5 million. The net proceeds of approximately SEK 77 million will be used to finance the following activities, stated in priority order:

- Approximately 50 percent is intended to be used for technology and product development, including continued development of the Company's core technology, such as the next generation simulation platform, development of patient-specific simulation, and fast-generation of 3D models.
- Approximately 25 percent is intended to be used for market development and acquisitions. This part of the proceeds is intended to drive the development of the Healthcare Systems segment and to the continued development of adjacent technologies. In addition, some will be used for increased focus on regulation and validation as well as investigation of smaller acquisitions possibilities.
- Approximately 25 percent is intended to be used for general business purposes and to strengthen the Company's financial position and thereby improve its negotiating position with customers.

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1) See section "*Selected historical financial information – Alternative key figures not defined in accordance with IFRS*" for definitions and explanations, and "*Selected historical financial information – Definitions of alternative performance indicators*" for reconciliation of net sales growth.

2) The company believes that these actors are industry leaders based on the technology level and width of their product offering as well as their size, in terms of turnover.

3) Priveq has invested in Mentice AB through its two funds Priveq Investment Fund III KB (21.3 percent) and Priveq Investment Fund III AB (11.4 percent).

Mentice's objective is to, based on prevailing market conditions, list Mentice on Nasdaq Stockholm within 12–18 months from Mentice's listing on Nasdaq First North Premier.

Gothenburg 4 June 2019
Mentice AB (publ)
The Board of Directors

The Board of Directors of Mentice is responsible for the content of this Prospectus. Hereby it is assured that all reasonable precautions have been taken to ensure that the information in the Prospectus, as far as the Board knows, is consistent with the actual conditions and that nothing is omitted that could affect its meaning. Selling Shareholders confirms the commitment of the terms of the Offering in accordance with what is stated in the sections "Invitation to acquire shares in Mentice AB" (Sw. Inbjudan till förvärv av aktier i Mentice AB) and "Terms and conditions" (Sw. Villkor och anvisningar) in the Swedish language version of the Prospectus.

The Selling Shareholders

MARKET OVERVIEW

The Prospectus contains information about the Company's activities and the markets in which the Company operates. Information on market growth, market size and Mentice's market position relative to competitors listed in this Prospectus relates to Mentice's overall assessment based on both internal and external sources. Unless otherwise stated, the information in this section is based on the Company's analyses and internal market information. The sources which are the basis for Mentice's assessment include information from medical research publications and market data and other reports. Other sources are indicated where required. Although the information has been accurately reproduced and Mentice believes that the stated sources are reliable, Mentice has not independently verified the information, so its accuracy and completeness cannot be guaranteed. However, as far as Mentice is aware and is able to ascertain by means of comparison with other information published by these sources, no information has been omitted in a manner that would make the information reproduced incorrect or misleading. The Sole Global Coordinator does not accept liability for the accuracy of any such information and prospective investors are advised to use such information with caution.

Market and industry information contains estimates regarding future market development and other so-called forward-looking information. Forward-looking information is not a guarantee of future results or developments and actual results may differ materially from those in the forward-looking information. The content of the Company's website, websites of other companies of the Group and any third-party websites referred to herein do not form any part of the Prospectus.

INTRODUCTION

Mentice is, according to the Company's own assessment, the market leader in the advanced endovascular simulation market and conducts operations in Asia, North America, Middle East, North Africa, and Europe. Endovascular simulation is a comprehensive, highly technological field within medical simulation with the purpose to improve quality and safety for patients as well as reduce costs for healthcare providers. Several underlying market drivers have favourably affected the global medical simulation industry over the last few years. Mentice has been able to capitalize on the industry growth while strengthening its position on the medical simulation market by solely focusing on simulation solutions in the fast-growing endovascular field.

In this section, the medical simulation industry's main drivers, current practices, and predicted future trends are presented.

THE GLOBAL SIMULATION MARKET

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

Numerous companies engage in academic and commercial medical simulation worldwide, but there are very few market players in the endovascular simulation field. In the end of 2017, Mentice acquired an essential stake of the assets in the previous competitor, Medical Simulation Corporation. As far as the Company knows, Simbionix, a division of 3Dsystems Inc. whose core business consists of 3D-printer solutions. In addition, CAE Healthcare, a Canadian company that primarily focuses on simulation in the aerospace and defence industry, now also offers solutions for endovascular procedures. CAE Healthcare offers, among

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

2) The figure refers to the amount of installed systems based on the Company's own assessment derived from its industry knowledge and dialogue with clients and suppliers.

others, training solutions such as full-body mannequins and ultrasound instruction, as well as endovascular simulation to some extent. Moreover, there are two additional players in the endovascular simulation market; Germany-based Cathi GmbH and Russia-based Eidos-Medicine LLC, which are companies primarily targeting the academic sector. The so far limited number of competitors reflect the high barriers to enter the industry. In order to roll out a comprehensive solution that is accepted by the market, significant time and resources need to be invested, which makes it difficult for newcomers to enter the market. Additionally, Mentice's rapidly growing customer base is building the future infrastructure for growth as the systems require continuous updates and upgrades. The frequent communication between Mentice and its customers creates strong customer relationships, which complicates potential market entries from companies who wishes to enter Mentice's market.

THE DYNAMICS OF HEALTHCARE

The combination of an aging population and new innovative treatment modalities allow people to enjoy a great quality of life up in very high ages. The aging population is a major contributor to the increased healthcare costs during recent decades. For instance, between 1970 and 2017, the total healthcare costs per person in the US went from USD 355 to USD 10,739, corresponding to a thirty-fold increase. Furthermore, healthcare costs now account for about 17.9 percent of the US gross domestic product.1) Many industry experts reckon that without strong innovation and improvement, the cost of healthcare will radically increase over the next 20–30 years.2) Additionally, the strengthened focus on quality- and safety requirements further intensify the challenges faced by the sector. Traditional training according to the apprenticeship model is both cost-inefficient and implies a high risk as the patients' safety is at stake. These trends have opened the path to a new technology in the industry, namely, simulation-based solutions for training of physicians and other healthcare professionals, especially on complicated clinical procedures. Although Mentice's solutions address only a small part of the overall problem for the healthcare sector, the area of endovascular procedures is an area where physicians' and other clinical personnel's skills have a very large impact on the treatment outcome. Also, endovascular treatments address the most common diseases such as heart attacks, strokes, and arrhythmias.

As an effect of pressures applied from companies in the sector, there is an ongoing process where many healthcare providers transition to performance-based fee structures (as opposed to fee-for-service). This could, for instance, imply that hospitals move from charging for each contact with a healthcare provider, regardless of outcome, to applying a fee structure where fees are instead determined based on the care cycle or procedure/treatment. Thus, the healthcare providers bear responsibility for the clinical outcome. Another example is that healthcare providers receive a certain amount of money per patient within a specific geographical region and then bear the responsibility of providing the necessary healthcare services to that population. As a result of the successful implementation of performance-based fee structures, incentives for healthcare providers to emphasize quality and clinical outcomes become stronger. The Company assesses that the new fee structure will drive demand for simulation-based training and contribute to improving operational efficiency and reduce patient-related injuries.

In the healthcare sector, physicians have historically been trained through the so-called apprenticeship model. The apprenticeship model means that an inexperienced physician (the apprentice) first observes the work of an experienced physician until it is time for the inexperienced physician to perform the procedure under the supervision of the experienced physician. Traditionally, the only alternative to patient training in the clinical environment has been the practice on living animals or cadavers. The high technical complexity and requirements for specific skills of today's procedures, this method is no longer relevant or safe and patients are exposed unnecessary and significant risks.

Both the apprenticeship model and the training on animals are flawed by several factors discussed in the "*Current Practicing Methods*" section. Due to the shortfalls of these methods, the Company considers medical simulation to be one of the most suitable and effective training facilitators available today. As new healthcare technologies with increased complexity and larger clinical teams are introduced, physicians require more intensive training to attain proficiency. Since safety requirements are tighter than ever, practitioners also need to ensure that their current skills are retained, which is enabled by simulation training. The typical learning curve to achieve relevant proficiency amount to at least 25–50 procedures. If training continues to be conducted in the clinical environment of patients, it poses a radically higher safety risk for these patients. Although the number of procedures have been the most relevant measure of skill, the measure includes some deficiencies. Both the relevance of the procedures performed and the duration of the learning process can vary between practitioners. Simulation can compress relevant learning from about 100 real cases into 6–10 simulation cases, supported by the systems' ability to design and customize cases. The development of new techniques and procedures are moving fast, which means that a physician regularly and throughout his/her career needs to learn new methods, techniques, and procedures. Moreover, regular training is required to maintain proficiency, and sometimes, only a few weeks of interruption may require a training exercise to return to relevant level.

For several years, regulatory authorities have gradually tightened the requirements on medical device companies to provide comprehensive strategies to ensure that physicians have sufficient skills when new clinical tools and equipment

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1) Peter-Kaiser Health System Tracker, How has U.S. spending on healthcare changed over time?, 2018.

2) Anders Ekholm et al., Långsiktig Efterfrågan på Välfärdstjänster: hälso- och sjukvård samt äldreomsorg fram till 2050, 2012.

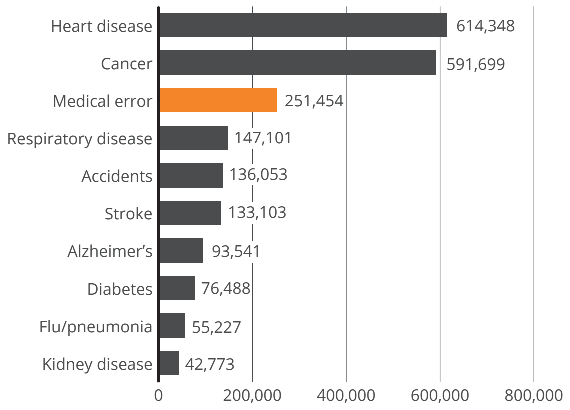
are launched on the market. The market for medical equipment is changing quickly as the focus has switched from technical functions and features to affordability, efficiency, and safety. In addition, the risk of commercial failure of products developed over as long as ten years due to inadequate rollout provides a strong incentive for medical device companies to invest in adequate educational and planning tools.

MEDICAL ERROR IS A LEADING CAUSE OF DEATH WORLDWIDE

Medical error is a large issue in the healthcare sector. A study published in 2016 estimated medical errors to cause over 250,000 deaths per year in the US. The study analysed data from 2013, and medical errors were estimated to be the third most common cause of death in the US.1) Reducing this number provide healthcare providers, insurers, and society with an opportunity to lower their costs. The enhanced priority of patient safety has emphasized the training of healthcare professionals, such as physicians, nurses, and other practitioners. The training is increasingly performed on simulators, where skills can be practiced, and errors made without risking the safety of the patients.

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

Causes of deaths in the United States, 2013



Source: National Center for Health Statistics, John Hopkins Medicine, National Center for Biotechnology Information, 2016.

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

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

Below, two studies illustrating the large variance in clinical quality among practitioners and the importance of the practitioners experience are presented. The first study identifies differences between the high- and low-quality operating surgeons measured in surgical complication, re-admission, re-operation, infection, and mortality rates. The clinical outcome between the two groups was identified as alarmingly large.2) Except for a strong correlation between the number of procedures performed and the outcome, the second study shows that over half of the advanced procedures were performed by physicians with insufficient skillsets and experience.3)

THE IMPORTANCE OF PRACTITIONER SKILL

A study conducted on 20 experienced physicians in Michigan, US, rated each practitioner's technical skills on a scale ranging from 1 to 5 (higher score indicates a more advanced skill).4) A video of one procedure performed by each physician was objectively assessed (without knowing the outcome of the intervention) by at least ten peer surgeons. The assessment determined the rating of several skills that combined made up a clinical scorecard. The clinical scorecard was then compared against the clinical outcome, represented by a number of complication rates, which is presented in the table below. As was expected, the physicians rated as highly skilled on average had lower complication rates than those of lower skill. However, the complication rate range indicated to be very large, as the mortality rate and surgical complication rate of each procedure differed significantly between the best and worst quartile. For instance, the duration, mortality rate, and infection rates varied largely between low and high skilled surgeons as each metric measured had a variance in the 2–5x interval. Conclusively, the skill level of practitioners has an impact on the quality of procedures. The detailed results are outline in the table below.

Complication rates, first and fourth quartile of physicians

	Worst quartile	Best quartile	Difference
Surgical complication rates	11.4%	4.2%	63%
Re-admission rates	6.3%	2.7%	57%
Re-operation rates	3.4%	1.6%	52%
Infection rates	4.6%	1.04%	77%
All complication rates	14.5%	5.2%	64%
Mortality rates	0.26%	0.05%	81%

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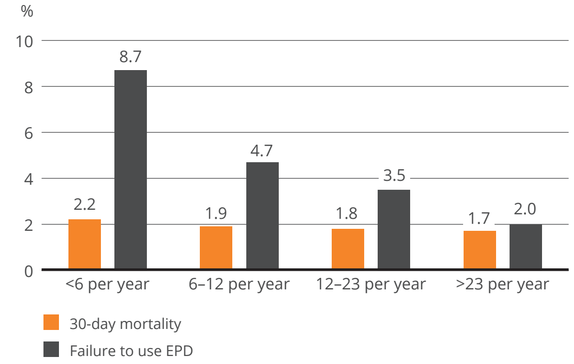
1) National Center for Health Statistics, Johns Hopkins Medicine, National Center for Biotechnology Information, 2016.
2) John D. Birkmeyer et al. Surgical Skill and Complication Rates after Bariatric Surgery, N Engl J Med 2013; 369:1434-1442.
3) Brahmajee K. Nallamothu et al. Operator Experience and Outcomes with Carotid Stenting in Medicare Beneficiaries, JAMA. 2011 Sep 28; 306(12): 1338–1343.
4) John D. Birkmeyer et al. Surgical Skill and Complication Rates after Bariatric Surgery, N Engl J Med 2013; 369:1434-1442.

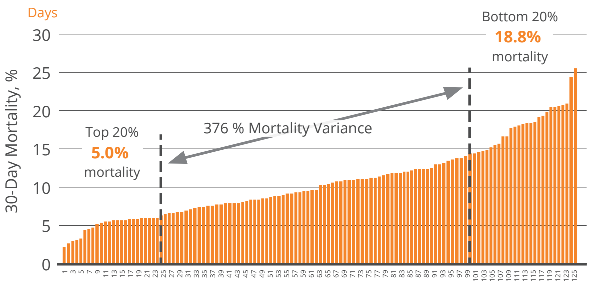
STRONG CORRELATION BETWEEN NUMBERS OF PROCEDURES AND CLINICAL OUTCOME

Another clinical study performed in the United States compared surgeon experience (years and annual procedure volume) with procedure outcome. The study, which included 2,339 operators and 24,701 procedures, identified a strong link between inexperienced surgeons and high complication rates. The operators were assessed on mortality rates of patients treated with carotid artery stenting and their ability to provide the patient with an embolic protection device (EPD). Operators possessing more extensive experience had fewer mortalities and higher success rates of using EPDs. Further, the study concluded that 50 percent of advanced procedures were performed by physicians with insufficient training volumes under their belt.1) The quality of the practitioner's skill set correlates well with amount of procedures performed and can heavily influence the outcome of the procedure. Mentice believes the gap between top and bottom performers, as illustrated in the graph below2), could be reduced using simulation-based training. Mentice can provide low-volume operators and centres with simulators that enhance skillset maintenance and improvement. The simulation systems represent an opportunity for continuous improvement for all practitioners focusing on endovascular procedures.

Experience versus outcome



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



CURRENT PRACTICING METHODS

The prevailing method for training is the apprenticeship model, which has been used for over 100 years. The training is performed in the clinical practice on patients under the supervision of experienced doctors. Other than simulation, the only practice alternatives to the apprenticeship model are the use of 3D-printed anatomies and training on living animals and carcasses. The method of training on animals is banned by many developed countries and has for instance been abandoned by 99 percent of sites in US and Canada as it is impractical, includes anatomy discrepancies, and considered unethical.3) In addition, cadaver training is not relevant for practicing endovascular procedures since it requires a pumping heart and blood pressure.

The apprenticeship method also has drawbacks compared to simulation-based training. The limited amount of training that is offered to learning physicians is mainly performed on human patients. Patient training is inefficient, unethical, risky, costly, and to a large extent unnecessary as new technologies allow many procedures to be practiced in a safe simulated environment.

The inefficiency attribute of the apprenticeship method stems, among other things, mostly from the anatomy diversity between different people. Using the simulator, this issue is solved as the system has access to pull any anatomy, which allows practitioners to limitlessly practice on virtual patients with unusual anatomy composition. The modern methods of treatment require fine motor skills, split vision, communication skills, and crises management, all of which can be trained on virtual patients. Finally, one additional factor discussed is the burn-out of physicians, where many believe simulation can relieve stress and increase job satisfaction.

SIMULATION-BASED TRAINING – AN OPPORTUNITY TO IMPROVE CLINICAL OUTCOME

Simulation-based education reduces the risk of clinical errors in the healthcare sector as the training is conducted on the simulator instead of the patient. Unlike traditional on-the-job training, virtual simulation will not require the use of Cath Labs and it does not expose physicians or patients to radiation. Simulation systems offer an interactive training environment where qualified feedback is provided real-time. This has been scientifically proven to be more efficient than the traditional options.4) Moreover, simulation-based training increases access to training as procedures are customizable, efficient, and assisted by the immediate feedback system. In a simulated environment, you can design a training curriculum where you can expose trainees to the exact same environment and challenges as in a real case that can be repeated for as many times as one likes. This makes training effective and structured. The related projected benefits include reduced clinical error rates, an optimized learning-process, and an overall lower cost of training. It also

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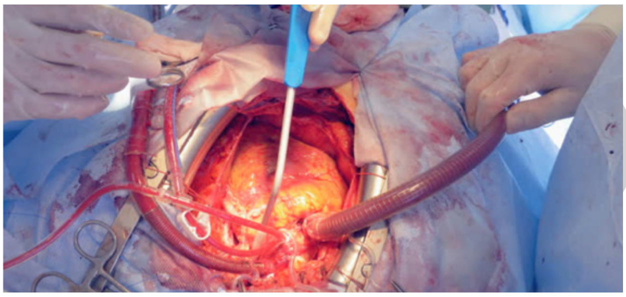
1) Brahmajee K. Nallamothu et al. Operator Experience and Outcomes with Carotid Stenting in Medicare Beneficiaries, JAMA. 2011 Sep 28; 306(12): 1338–1343.
2) Mentis Healthcare Partners, Based on 125 reports from hospitals in Illinois, US.
3) American College of Surgeons' Advanced Trauma Life Support (ATLS) through Reuters 2018.
4) Anthony G. Gallagher, Gerald C. O'Sullivan, Fundamentals of Surgical Simulation: Principles and Practice.



Open surgery.

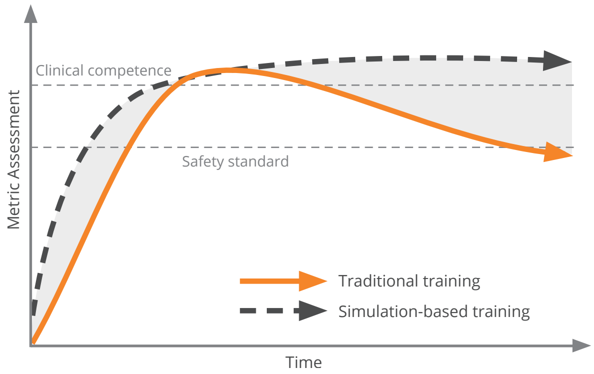
Image guided interventions (IGI).

includes the benefit of compressing required training into a curriculum of procedures.

SIMULATION-BASED TRAINING IMPROVES DOCTORS' SKILLSETS

A study performed in 2010 tested clinicians' skill-level on an objective simulation-based system and found that experience is highly correlated with the ability to handle the system.1) Additionally, the study found that simulation-based training not only serve as a tool to accelerate the learning curve, it also more effectively reinforces the skillset, which enables practitioners to maintain its clinical performance when the skill peak has been reached. The skill acquisition curve illustrates the performance level over the lifetime of a practitioner by comparing traditional learning and simulation-based learning. The orange line represents the natural progression of skill for an individual learning through traditional training and the dotted line represents an accelerated learning that would be expected through simulation-based training. It is important to recognize that skill decay occurs unless reinforcement of skills is maintained by additional experience or realistic simulation.

The skill acquisition curve of clinical competence



INTRODUCTION TO THE ENDOVASCULAR FIELD

Mentice specializes in the endovascular field of medical simulation. An endovascular interventional procedure is an increasingly common procedure that can be used instead of traditional open surgery for the treatment of cardiovascular diseases and other common diseases related to the cardiovascular system. The procedure is done using clinical instruments such as catheters, wires, or balloons which are inserted via, for example, the groin or the wrist. Relevant clinical instruments are with the help of the catheter steered through the blood vessels to the area of treatment, e.g. a clogged vessel. A wide range of different diagnostic or treatment modalities can then be delivered directly to the affected region of the body, without any need for major surgical intervention. As a result of the small surgical procedures, the patients can often be discharged after one, or a few days after the procedure whereas the corresponding open surgery can keep the patient at the hospital for several weeks.

TYPES OF DISEASES TREATED

Non-communicable diseases account for the highest number of deaths each year. Endovascular solutions exist for many of these prolific, high-volume diseases. Diseases treated by endovascular solutions include cardio-vascular diseases, cancer, respiratory diseases, and diabetes. The estimated global death toll of all non-communicable diseases are 41 million people each year.2)

Non-communicable diseases, causes of death per year globally3)

Cardiovascular disease	Cancer	Respiratory disease	Diabetes
17.9 m	9.0 m	3.9 m	1.6 m

IMAGE-GUIDED ENDOVASCULAR PROCEDURES

Image-guided endovascular procedures allow physicians to navigate clinical instruments through the vascular tree using imaging (e.g., X-ray ultrasound, MRI) technology. The clinical instruments are visible on the display as they have

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

2) World Health Organization, 2018.

3) World Health Organization, 2018.

been provided with specific markers, but the organs and vessels are only visible when contrast medium are introduced through the catheter. Image-guided endovascular procedures can easily be practiced in a high-fidelity virtual environment that realistically reflects a real clinical environment. Real clinical instruments introduced in a haptic simulation unit provides real-time feedback to the operator at the same time as a fully realistic X-ray image is presented on the screen in real-time.

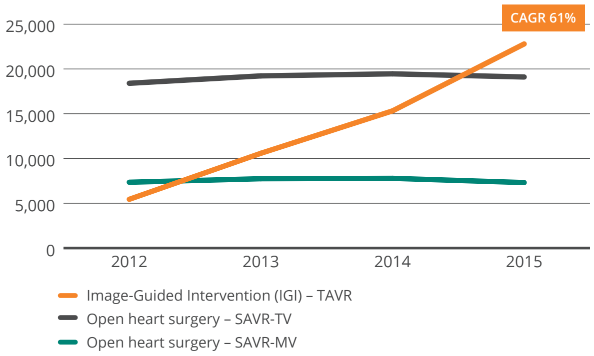
TRADITIONAL OPEN SURGERY VS. IMAGE-GUIDED INTERVENTIONS

Treatments for all the above diseases undergo rapid transition to include minimal invasive techniques. A large subset of minimal invasive procedures, also known as image-guided interventions ("**IGIs**") have increased in user frequency over the last few decades. They are also predicted to be used more frequently in the next 10–15 years. As IGI complexity and variation of use increase, demand for training solutions for such interventions is also likely to continue to increase.

To replace a failing heart valve, a minimal invasive technology called transcatheter aortic valve replacement (TAVR) has been successfully introduced over the past 10–15 years.[1] TAVR inserts a replacement valve through a patient's groin and then threads it to the heart where is implanted in the existing, poorly functioning valve. Previously, this method has only been used on patients that might not be in good enough conditions to survive open-heart surgery. However, two large clinical trials show that TAVR is just as useful on young and healthy patients, which signals that these types of technologies have a promising future in surgical sciences.[2] Since the development within endovascular interventions have come far, the reasons to perform open heart surgery are fewer. According to a report from BCG Research, the global TAVR market is estimated to increase from USD 4 billion to USD 8 billion between 2018 and 2023.[3]

Studies have shown that image-guided interventions are becoming increasingly popular. The following graph illustrates the trend of using image-guided interventions (TAVR) in relation to open-heart surgery (SAVR-TV and SAVR-MV) for aortic valve repair procedures in the US. The orange line in the graph represents the image-guided TAVR approach while the other lines represent SAVR open-heart surgery methods. The data collected from US hospitals between 2012 to 2015 manifests the trend as TAVR adoption rates have gone from 23 to 76 percent over this four-year period.[4] While the number of minimalistic approaches has significantly increased during the period, in-hospital mortality, major bleeding, and vascular complications have decreased.[5] Moreover, the number of centres performing TAVR procedures in the US more than doubled between 2013 and 2018.[6]

Aortic Valve Repair Procedures in the US



IMPORTANCE OF THE ENDOVASCULAR TREATMENT METHOD

Endovascular procedures imply the opening of a minimal wound that, compared to an open wound surgery, has limited infection risk. Endovascular procedures will not only reduce the risk of worsening patients' conditions, it can also severely reduce patients' hospital stays. The process of opening a larger wound to reach the affected body part does not only involve a higher risk of complications, it is also more time-consuming than most IGI procedures. Finally, minimal invasive treatment can treat patients of all ages, including those over 85 that generally are not in good enough physical shape to undergo an extensive open surgery. The main reasons why open surgery is an increasingly less attractive option include: (I) anaesthesia reception, (II) surgery duration, (III) infection risk, and (IV) hospital stay and recovery.

TREATMENT COMPLEXITIES

Endovascular treatment modalities are highly complex processes that require significant practice before they can be used safely. The rapidly transforming techniques call for a continuous access to training opportunities. Most novel techniques and devices are associated with noticeable learning curves even when these procedures are introduced to highly experienced physicians. Typical learning curves are stated to be at least 25–50 procedures and can in some cases amount to around 100 procedures. Generally, this also includes the perception of volume required to statistically observe certain type of anatomies, and even complications. Using high-fidelity simulation, this can be designed and compressed into just a few simulated cases. Furthermore, simulation enables the design of a training structure that performs consistently, and users can repeat procedures limitlessly. Needless to say, this is not possible in the clinical practice where procedures are performed on patients. Even though simulation is unlikely to replace all training in the clinical environment, the Company believes that most of the training no longer has to be made on real patients.

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1) Kolata, Gina, Tens of Thousands of Heart Patients May Not Need Open-Heart Surgery, New York Times, 2019.
2) Michael J. Mack and Martin B. Leon et al., N Engl J Med 2019: Transcatheter Aortic-Valve Replacement with a Balloon-Expandable Valve in Low-Risk Patients.
3) BCC Research, Transcatheter Treatment: Procedures and Heart Valve Market, 2019.
4) John C. Messenger, MD, Trends in United States TAVR Practice, Cardiac Interventions Today, 2018.
5) John C. Messenger, MD, Trends in United States TAVR Practice, Cardiac Interventions Today, 2018.
6) Society of Thoracic Surgeons, 2018.

MARKET TRENDS[1)]

The Company considers the main trends driving the market for medical simulations to be:

RAPIDLY INCREASING HEALTHCARE COSTS

The growing and aging population have significantly raised the demand for new innovative treatment modalities to cure diseases and improve quality of life. Thus, the global healthcare sector has been given an increasingly prominent role and has contributed to driving more public funding to healthcare. More specifically, this trend has intensified the focus on high-quality and innovative healthcare solutions, a field in which Mentice's product portfolio can be included.

CONTINUOUS INNOVATION IN NEW TREATMENT MODALITIES

Frequent launches of new treatment methods and developments of new clinical instruments drive the need for continuous professional competence development in the healthcare sector. New innovative methods provide opportunities for life-changing treatments for patients of all ages and the possibility of carrying out advanced procedures at a high age will further increase the costs for healthcare. The Company views methodical use of innovative solutions specifically developed to improve efficiency and performance as the key to offset these rising costs.

HEIGHTENED DEMAND FOR IMAGE-GUIDED INTERVENTIONS

Increasing demand for image-guided interventions is projected to fuel the need for medical simulation. Image-guided interventions reduce the risk for infections as these interventions, as opposed to open surgery, only need to open a minimal wound. It also shortens the average healing time, which results in shorter hospital stays. Medical simulation technologies will play an important role to mitigate the health care sector's rising expenditures while contributing to improving patient safety.

INCREASING FOCUS ON PATIENT SAFETY

Approximately 250,000 Americans are estimated to die every year from medical errors that could have been prevented.[2)] These mistakes represent a large cost for the healthcare sector and for society. Additionally, experts believe another 250,000 people each year could acquire life-long disabilities due to insufficient treatment quality. The use of medical simulators to practice new skills or procedures is reducing medical errors, improving patient safety, and thereby reducing health care costs. Although Mentice's solutions solely relate to endovascular procedures, the Company considers itself to be an important piece of the puzzle in the joint effort to reduce complication rates worldwide.

STRENGTHENING CERTIFICATION REQUIREMENTS OF DOCTORS USING SIMULATORS

Medical simulation is in the future expected to be used to obtain an objective "certification", which ensures that physicians are qualified and skilled to perform certain procedures. In 2015, Denmark introduced the world's first mandatory simulation-based training for physicians performing key hole surgery.[3)] Except for the Danish initiative, the global regulatory environment has not experienced dramatic changes in this field. The Company expects this to become increasingly regulated over the next decade.

THE ENDOVASCULAR SIMULATION MARKET

The market for medical simulation that is addressed by Mentice can be broken out in three main segments: medical technology products, academia and university hospitals, and health systems. In addition, the 3D segmentation market constitutes additional market potential for the Company. Mentice's current addressable market strictly encompasses the endovascular field.

In addition to these four segments, Mentice's addressable market can be divided into three clearly defined maturity phases: I) *the initial market*, II) *the serviceable available market*, and III) the *total addressable market*.

I) The initial market amounts to approximately USD 40 million and comprises the total current installed base of endovascular simulation systems on the market. The number derives from the total annual sales of product launches to the medical technology industry and simulation solutions sold for training at the hospitals' teaching entities.

II) The serviceable available market refers to the market that can be achieved within a 5-year period and the Company estimates it to amount to about USD 500 million per year. This market includes an expansion within the medical technology industry, where the Company's solutions can be used for a wider range of purposes, for instance to safely support the implementation of new technologies into the healthcare sector. In addition, this phase contains a structure where the Company's solutions can be used to continuously train all clinical staff, both in terms of new technologies and general solutions to increase efficiency and reduce the risk of healthcare-related injuries. This maturity phase also considers an initial effect of the strategic collaborations with Philips Healthcare, Siemens Healthineers, and Laerdal Medical, as well as the launch of the planned software licensing fee structure.

III) The total long-term (>5 years) addressable market is by the Company estimated to be USD 1.75 billion per year. This market comprises not only simulation-based tools, but all performance enhancing solutions that can be

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1) Unless otherwise stated, the information in this section is taken from the Healthcare / Medical Simulation Market report from MarketsandMarkets, 2013.
2) National Center for Health Statistics, Johns Hopkins Medicine, National Center for Biotechnology Information, 2016.
3) Sim One: VR sim training now required for all OB/GYN residents in Denmark, 2015.

used during endovascular procedures. It also includes an expansion outside the endovascular segment as well as the market for 3D segmentation.

Below is a breakdown of Mentice's addressable market in each segment, assuming maturity phase III) has been achieved, including all types of productivity-enhancing solutions in endovascular procedures and 3D segmentation.

MEDICAL TECHNOLOGY PRODUCTS

The medical technology segment comprises global manufacturers of medical devices where Mentice's customizable simulation solutions can be integrated to fit the required patient need. Currently, the Company estimates that 1,400 endovascular simulators have been sold to the medical technology industry.1) The Company's assesses the total addressable market to be over 5,000 high-tech simulator units, accounting for a USD 500 million market on an annual basis. Moreover, the Company sees a great need for advanced solutions based on the demand on Company's VIST™ G5 simulators as well as ultraportable solutions where tablet computers are used in combination with VIST™Mini and Mentice's advanced software. This market includes solutions for marketing, training, sales, research, and clinical evaluation. The Company's strategy is to expand laterally to existing clients' other departments, if found relevant. The market for sales organizations is by the Company regarded as a large expansion opportunity in 5 years.

Below is a break-down of the components that make up the total market for the medical technology industry.

- **Solutions for medical technology manufacturers' sales departments (which normally also include training managers): a total of approximately USD 100 million in the long-term.**

  Mentice currently sells about 100 systems annually to these departments, and the total market consists of around 200 systems.2) However, there is a rapid development among the large clients in terms of their proportionate market budget allocation to this type of equipment. The Company's largest customer in 2018, Edwards Lifesciences, purchased products from Mentice for a value of around SEK 20 million, corresponding to about 0.5 percent of their estimated market budget.3) 4) The Company's other major customers account for around 0.1–0.2 percent. Based on this, the Company estimates that there are good opportunities to grow revenue by a factor of 4–5 times for these customers. Based on these assumptions, the total global market would in the long run correspond to approximately 800–1,000 systems annually, equivalent to nearly USD 100 million.
- **Solutions for sales departments: a total of approximately USD 160 million in the long-term.**

  Mentice has recently met increased demand for ultraportable solutions that can be used directly by the medical technology manufacturers' sales staff in the field. The Company has also developed a number of portable solutions based on the VIST™ Mini technology. The Company estimate that these systems can be sold in 4–6 times larger volumes than the VIST™ G5 as they can be used by sales personnel who normally make up for 10–20 percent of the customers, total number of employees5) compared to only 3–5 percent in marketing and training.6) The compact systems will, however, be sold at a lower price, which the Company estimates to be around USD 30,000. Based on an estimated annual volume of 4,000–6,000 VIST™ Mini systems, the total market in this segment should amount to USD 120–180 in the long-term.
- **Solutions for research and development, clinical trials, and quality assurance departments: a total of approximately USD 70 million in the long-term.**

  Research and development typically represent between 10–15 percent of the budget of the Company's clients7) 8), while clinical trials, quality and regulatory issues make up for around 5–10 percent.9) There are valuable applications of the Company's technology in all of these areas, and some regulatory departments, such as the FDA, already recommend the use of simulation in their guidelines for evaluation of medical equipment during development and clinical testing.10) These departments' budgets added together constitute 1–2 times the clients' typical marketing budgets. Based on the Company's assumption to achieve a long-run penetration corresponding to half of the market, which the Company estimates to be achievable based on the marketing departments, this market amounts to between USD 50–100 million.

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1) The Company's assessment of the number of units is based on the Company's industry knowledge and dialogues with customers and subcontractors.
2) The Company's assessment based on the Company's industry knowledge and dialogues with customers and subcontractors.
3) Information about Edwards Lifesciences derived from Macro Trends, 2019.
4) Gartner, CMO Spend Survey 2016–2017 Shows Marketing Budgets Continue to Climb, 2016.
5) SBI, 100 World's Largest Sales Force, 2016.
6) Deloitte, Medical technology industry workforce and skills review, 2015.
7) Evaluate, Stryker the surprise winner in the medtech spend versus sales stakes, 2018.
8) McKinsey, Finding the sweet spot for allocating innovation resources, 2014.
9) Medical device and diagnostic industry, Quality Spending Increasing in Medtech, 2015.
10) FDA: Human Factors Studies and Related Clinical Study Considerations in Combination Product Design and Development, 2016

- **Services in the form of customization and maintenance to the above revenue sources:**
  The above areas add up to about USD 330 million. To this figure, it can be assumed that approximately 50 percent will be added from support and service, based on historical revenue distribution with 1/3 hardware, 1/3 software, and 1/3 services, which means additional revenues of USD 160–170 million.

In total, adding the four areas together, the future market potential in the Medical Technology Product segment can be estimated to be around USD 500 million.

TEACHING INSTITUTES

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

The global market for simulation of surgery and intervention is estimated to reach just over USD 600 million by 2023.[2] Of this market, the absolute majority consists of endoscopic, laparoscopic, and endovascular simulation. In order to get a rough estimate of how much of the market relates to endovascular procedures, it is possible to look at the volume of the most common interventions in each area to get an indication of the need for training.

- The most common endoscopic procedure is the endoscopy of the colon, about 4 million per year in the United States.[3]
- The most common procedure for laparoscopy is removal of the gallbladder, about 700,000 per year in the United States.[4]
- The most common endovascular procedure is PCI (balloon rupture), about 1 million per year in the United States.[5]

Based on the above figures along with its industry knowledge, the Company estimates the addressable market for Teaching Institutes to amount to about one sixth of the total market for surgical simulators, or USD 100 million per year.

HEALTHCARE SYSTEMS

Healthcare providers represent Mentice's largest addressable market segment. In 2018, 40,000 Cath-Labs had been installed worldwide, following 3,600 newly installed or replaced interventional Cath Labs in 2017.[6] The Company's solutions can be integrated in the Cath Labs. Mentice's partners Siemens Healthineers' and Philips Healthcare's Cath Labs represent over 50 percent of the global market for this type of laboratory.[7] Mentice believe that eventually, every facility of endovascular treatment should have access to Mentice's system for training, warm-up, mission rehearsal, and debrief. According to the Company's assessment, the need for rationalization and efficiency improvement in healthcare systems is great and Mentice's solutions could be an important piece of the puzzle to achieve a more efficient healthcare system.

Currently, almost 4,000 Cath Labs are sold ever year. As the current average sales price for a simulator system is around USD 100,000, the total addressable market for simulator systems (hardware and software) linked to those laboratories is approximately USD 400 million per year. To this figure, about 50 percent in support and service should also be added, based on Mentice's historical revenue distribution (1/3 hardware, 1/3 software, and 1/3 services). In addition, the company believes that there is a greater need for targeted training and services for streamlining health care systems than for the Company's other markets.

In addition, the Company believe that it is possible to offer other specific additional services for patient-specific simulation in this segment. In the US only, around 2,000,000 endovascular procedures are performed every year.[8] The company's estimate is that of these, about 5 percent, or 100,000 interventions, could greatly benefit from patient-specific simulation.[9] Similar services, including estimates of patient-specific implant sizes, already exist today[10] at price of around USD 500 per patient, providing an estimated annual market for patient-specific simulation in the US of about USD 50 million. In the long-term, the Company expects the addressable market to be about 4–5 times larger, or about USD 200 million per year.

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1) The Company's assessment based on information from the SSIH that specifies that there are 490 simulation centers in the US (May 2019), the Bristol Medical Simulation Center indicates that there are about 300 simulation centers around Europe. Based on this information, the Company makes the assessment that there are over 1,000 simulation laboratories globally.

2) Prescient & Strategic Intelligence, Surgical Simulation Market to Reach $608.3 Million by 2023: P&S Intelligence, 2018.

3) National Health Statistics Reports Number 102, February 28, 2017.

4) Duncan CB, Riall TS. Evidence-based current surgical practice: calculous gallbladder disease. *J Gastrointest Surg.* 2012;16(11).

5) Diagnostic and Interventional Cardiology, September 13, 2018.

6) The Company's assessment based on the Company's industry knowledge and dialogues with customers, and suppliers. The figure of 3,600 Cath Labs that is replaced or newly installed stems from the report "IHS MARKIT® Interventional X-ray Equipment Report, 2018".

7) The Company's estimate is based on its industry knowledge, dialogues with customers, and subcontractors in which the Company believes that Siemens Helathineers and Philips Healthcare each sell about 1,000 Cath Labs per year. This figure is then related to the number of Cath Labs that are replaced or newly installed per year.

8) Based on the Company's internal market research, detailed data can be received upon request.

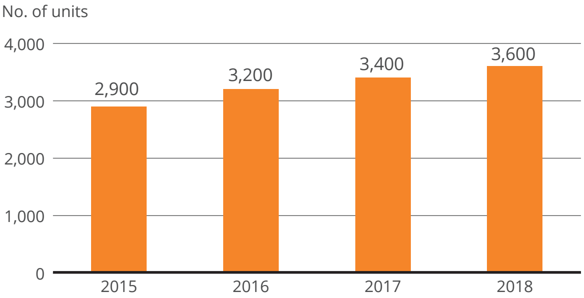
9) Based on the use of the technique of aortic aneurysms, aortic stenosis and intracranial aneurysms alone. Detailed data can be received upon request.

10) For instance, Sim & Cure: www.sim-and-cure.com.

In summary, the Company therefore estimates that the total addressable market within the Healthcare Systems segment to amount to approximately USD 800 million per year, broken down as follows:

- About USD 400 million from hardware and software
- About USD 200 million from services for efficiency-enhancing purposes
- About USD 200 million from patient-specific simulation related to actual procedures

Global Cath Labs sales (no. of units)



Source: IHS Markit Interventional X-ray Equipment Report, 2018.

3D SEGMENTATION

An important step in creating a simulated endovascular procedure is to convert computer tomography data (sets of 2D images) of a patient into a virtual patient's 3D anatomy. The traditional way of doing so is to perform a manual 3D segmentation process to obtain the blood vessel tree, a process which is relatively slow. Alternative methods to go straight from computer tomography data to simulation and obtain the segmented data simultaneously in a more automated way, which is currently being developed by Mentice. This opens new markets outside of simulation, such as medical image processing. In 2017, the total market for medical imaging analysis software was USD 2.6 billion[1)], while the Company assesses the addressable market for standalone software solutions in the endovascular space to be approximately USD 350 million.

The addressable market in 3D segmentation is based on that radiography and computer tomography (and combinations thereof) make up about 50–70 percent of the total market for medical imaging analysis[2)]. In the radiographic part, about 20–25 percent is made up of fluoroscopy[3)], which is the image modality that is linked to the Company's operations in the endovascular area. Under the assumption that a similar proportion of computer tomography is used in Mentice's specialist areas, the Company estimates that the market size for the Company's specific target group should be amount to USD 260–455 million.

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

2) Grand View Research, Medical Image Analysis Software Market by Type (Integrated, Standalone), by Modality (Radiographic, Ultrasound), By End Use, By Application (Orthopedic, Cardiology), And Segment Forecast, 2018–2024, 2018.

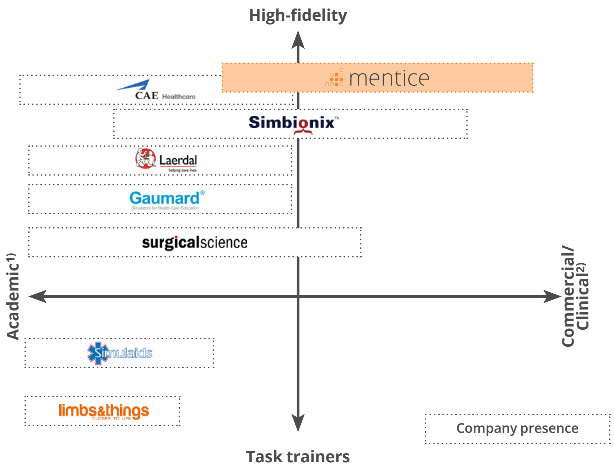
3) X-ray Systems Market Size, Share & Trends Analysis Report By Modality (Radiography, Fluoroscopy, Computed Radiography), By Mobility, By End Use, By Type (Digital, Analog), And Segment Forecasts, 2018–2025.

COMPETITION

A large part of the medical simulation market is focused on the academic part of the market. While Mentice operates in this field, the Company has an established customer base in the commercial field. Customers in the commercial field comprise medical device manufacturers and healthcare providers, which constitute the Company's largest customer segment.

The Company has identified seven representative actors in the medical simulation industry. Three are European and four are North American, but many of these firms have offices on both continents, highlighting the importance of reaching these markets. Among the identified competing firms, Mentice considers itself to belong to the top-tier segment globally in terms of complexity and dependability. Some players in the medical simulation market focus on producing physical objects replicating various human body parts, a segment which cannot be viewed as directly addressable for Mentice. One example is Laerdal Medical, an international supplier of training and treatment equipment that, among other things, develops mannequins for all clinical staff to use for practice. Laerdal Medical is currently both a partner and a customer of Mentice and the Company's simulation solutions are offered as an integrated part of Laerdal Medical's mannequins.

Market positioning overview medical simulation



Source: The Company's assessment based on the Company's industry knowledge and dialogues with customers and suppliers.

1) Referring to education for medical students and post graduates.

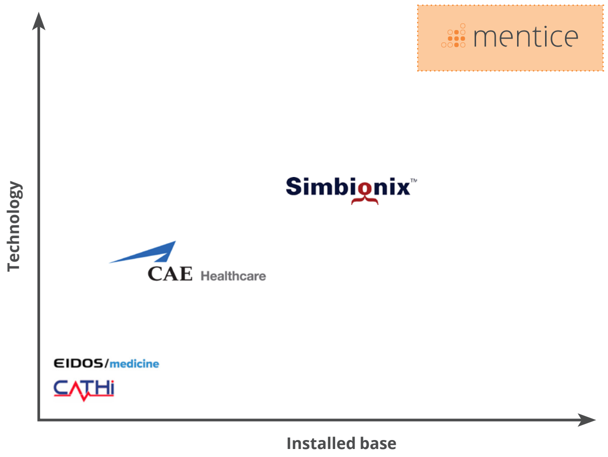
2) Refers to use by practicing healthcare professionals in both the industry and hospitals.

The Company assesses its competition to be limited as the market has high barriers to entry and thus, few actors participate in development and manufacture of medical simulation systems. This is especially true for simulation in the endovascular area, as no other company has solely addressed this field of medical simulation. The amount of time and resources required to offer a comprehensive and attractive solution that will be accepted by the demanding clients is vast. Other than Mentice, only two significant players operate within this segment: CAE Healthcare and Simbionix. As illustrated by the figure on the left, Mentice has a greater installed base of systems as well as a more advanced endovascular simulation technology compared to those two competitors.

In addition to CAE Healthcare and Simbionix, two smaller players operate within the market for endovascular simulation – German Cathi GmbH and Russian Eidos-Medicine LLC. Cathi is considerably smaller than Mentice, while Eidos-Medicine is large company that only has a small department within endovascular simulation. Hence, both companies have small operations within the endovascular segment and sells only a few systems per year. The Company has so far not encountered them in any dialogues with potential customers. In addition to the already mentioned competitors, there are a few smaller research-based companies with links to university hospitals. As far as the Company is aware, none of these companies currently conduct any commercial activities.

Mentice's established customer base is continuously expanding and has over the past few years demonstrated organic growth. The clients' need for continuous updates and upgrades has helped the Company strengthening client relationships as well as its market position in relation to its competitors.

Market positioning overview endovascular market



Source: The Company's assessment based on the Company's industry knowledge and dialogues with customers and suppliers.

BARRIERS TO ENTRY

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

REGULATORY OVERVIEW

As the Company currently operates within the field of training solutions, the Company's operations are not subject to the laws and regulations that typically apply to medical technology products. However, Mentice is actively investigating regulatory requirements as part of the Company's enhanced focus on patient-specific simulation and planning, where simulation of an actual patient's anatomy before the real procedure may have an impact on treatment decisions and procedure outcome. The intended use of such future tools will be to provide decision support and reliance on the doctor's final recommendation. Since the systems are not used in any actual intervention, they should not require high levels of regulatory classification.

Barriers to entry by category

	BARRIER TO ENTRY	mentice
Established market position	High costs and obstacles involved with establishing a significant customer base, distribution force and brand name	Mentice has over 50% market share with top medical device companies & hospitals and an established distribution network covering over 45 countries
Medical Validation	Academic hospitals, centers and insurance companies require proven and validated technology	References from close to 400 teaching institutions and academic centers
Technology	Simulation software is highly complex and requires significant R&D investment as well as technical/scientific expertise	Technology team and clinical advisors are among the most respected in the interventional medicine, medical simulation and engineering fields
Leverageable IP	History of companies that unsuccessfully attempted to enter the surgical simulation market	Established position as a leader in the simulation market; leverage 47 patents to expand product and customer base

Source: The Company's assessment based on the Company's industry knowledge and dialogues with customers and suppliers.

BUSINESS DESCRIPTION

INTRODUCTION

Mentice is a Company that offers high-technology solutions for simulation to the medical sector with focus on the fast-growing market for endovascular procedures. Mentice's simulators are used to educate, train, and improve practitioners' skills in different types of interventions and when introducing new clinical instruments. The Company offers "flight simulations" for physicians and clinical teams to provide practitioners with experiences as realistic as possible. Mentice's purpose is to reduce deaths, injuries, and costs resulting from medical errors and inefficiencies by developing innovative and inspirational tools for the improvement of clinical skills. By developing and offering innovative and realistic training tools, Mentice believes that practitioners' clinical skills can be improved, and the risk of unnecessary mistakes ca be reduced. After heart diseases and cancer, medical error is the third most common cause of death in the United States.1) Close integration between the medical community and industries is crucial to foster innovative solutions that enhance the simulation experience. Headquartered in Gothenburg, Sweden, Mentice has a strong global presence with companies established in the US, Japan, China, and Switzerland.

Mentice's products can be divided into three distinct product groups:

- **VIST™ G-Series:** The company's core product offers an endovascular simulation platform for procedural training across a wide range of procedures.
- **VIST™ One:** Light-weight solutions for training of specific tasks, e.g. use of complex device industry handles. The product is intended to generate high-volume sales.
- **SimMan Vascular:** Immersive training solution effective in practicing clinical pathway, communications, and group training. The product has been developed for Laerdal Medical and is offered as part of their products.

Each of these groups caters to mainly four medical specialities within the cardiovascular area: Intervention Cardiology, Interventional Radiology, Interventional Neuroradiology and Vascular Surgery. The products are also supported by various service solution options to ensure smooth implementation and maintenance.

Mentice currently has three distinct customer segments: Medical Device Industry, Academia and University Hospitals, and Healthcare Systems. The Medical Device Industry segment is characterized by large medical device manufacturers such as Abbott Vascular, Johnson & Johnson, Boston Scientific Corporation, Edwards Lifesciences, and Medtronic. While Medical Technology companies use it primarily for clinician onboarding and training during launches of new products, academic institutions mainly use Mentice's products for medical student training and academic research. The Academic and University Hospitals segment is dominated by academic institutions including MD Anderson in Houston, Imperial College in London, and Karolinska Institutet in Stockholm.

The Healthcare System segment is related to the ongoing industry consolidation within the healthcare sector, where healthcare providers act as a unit and decisions are rather made at system level rather than at individual hospitals. The rationale behind the transition to larger units is to create synergies and being able to consistently offer better quality and care for patients.

In endovascular simulation, which is the specific niche the Company has defined as its market, the Company has reached a strong position and for the full year of 2018, Mentice reported total sales of SEK 166 million and a net income of SEK 20 million.2) In recent years, the company has seen heightened demand for its products, illustrated by sales and EBITDA margin increases every year since 2014. The largest annual growth was seen between 2017 and 2018 when the Company's net sales grew by almost 44 percent. 3) 4)

COMPANY HISTORY

Mentice was founded in Gothenburg, Sweden, in May of 1999. The following year, the Company acquired a British company, which gave access to the products that later became MIST (Minimal Invasive Simulation Trainer) and VIST (Vascular Interventional Simulation Trainer). The first product, Procedicus® VA, was the predecessor of MIST and focused on arthroscopy (key hole surgery in joints). The product received its first order by a Swiss clinic, but it was clear early on that the US would become a key market for the development and sales of this technology. An upgrade of Procedicus® VA, MIST, was launched in 2001 and quickly received orders. The second product that was acquired, VIST, was a prototype for vascular intervention, but it was not yet ready for commercial launch. However, five VIST systems were delivered to an endovascular procedure physician training centre in Brussels, Belgium. In 2001, after a little over two years of operating, Mentice had reached SEK 11 million in sales.

The following years were focused on the development and sales of VIST and MIST systems. During these years, top- and bottom line growth enabled the Company to push its internationalization strategy. In 2004–2005, in conjunction

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

2) The financial figures derive from the Company's audited financial information for the financial year 2018, which can be found in the section "*Historical financial information*".

3) In 2017, the Company acquired Medical Simulation Corporation, which accounted for SEK 10.9 million of sales in 2018. Disregarding the sales derived from the acquisition, the sales growth amounted to approximately 37 percent.

4) See section "*Selected historical financial information – Alternative performance indicators not defined in accordance with IFRS*" for definitions and explanations, and "*Selected historical financial information – Definitions of alternative performance indicators*" for reconciliation of net sales growth.

with the launch of clinical products and new techniques for the management of carotid artery stenting, FDA (Food and Drug Administration, US) observed an increased need for practitioner training. As FDA determined that poor treatment performance exposed patients to major risks, FDA clearly demanded that medical device companies should offer structured training programs in an attempt to reduce risks of incorrect use of the products. The FDA suggested that simulation was a good tool for offering training to physicians. This announcement generated several large American orders for Mentice's systems. In 2005, the entrepreneurship focused private equity company Priveq invested in the Company to become a major shareholder. During the same year, the Company merged with the Swiss medical simulation company Xitact S.A., which after the merger became a wholly-owned subsidiary of Mentice. Xitact S.A. manufactured haptic simulators for minimal invasive procedures that later became Mentice's portable platform. As the simulation technology received generous public traction, competition was intensified, especially in the US. As a response, in 2006 Mentice acquired full control over development and training at the Chicago office and was forming plans to expand the Company's presence in US and enter the Chinese market.

In 2008, Mentice was sued for patent infringement by Immersion Corporate, a company which uses its portfolio of patents to generate licence revenues. The process lasted for two years and proved to be costly for Mentice. Simultaneously, the financial crisis had negative effects on the global healthcare industry, which was already experiencing budgetary pressures. Consequently, Mentice's growth halted and the Company had to slim its operations. During the three-year period 2010–2012, a cost-efficient strategy was implemented targeting key customers within the field of endovascular simulation training. In 2012, Mentice's financial issues had been resolved and was once again ramping up its operations to reach a larger customer base. Mentice also had ownership changes, which was an important step to get mandate from the Board to focus on growth. Mentice formed a new strategy to solely target the field of endovascular simulation as the overall medical simulation field was overwhelmingly large for a relatively small company as Mentice. The focus was placed on processes and structure with a clear ambition to develop products ahead of other competing players.

Other than a minor loss in 2014, Mentice has enjoyed profitable growth since 2012. The growth has been fuelled by current system upgrades and new products launches. The company has continued to focus on simulations of endovascular procedures for training purposes as the area has historically proved to be very successful for Mentice and has shown strong growth.

In 2017, Mentice acquired the majority of the assets of the American company Medical Simulation Corporation, situated in Denver, Colorado, US. Unlike the Company's other international locations, this office includes research and development, support, and training facilities. Mentice's recent internationalization push has been successful as the Company now holds a global market share of over 50 percent in the advanced endovascular simulation market and has in total sold more than 1,250 systems worldwide.1)

THE LIST BELOW INCLUDES MILESTONES IN THE COMPANY'S HISTORY:

1999	Mentice is founded in Gothenburg, Sweden
2001	The Company hits annual revenues of SEK 11 million as over 20 MIST systems have been sold
2005	Following five years of rapid top-line growth, Mentice acquires Swiss medical simulations firm Xitact S.A.
2006	Internationalization continues as Mentice takes full control over the Chicago office and plans for a China expansion are formed to further the Company's international presence
2008	Growth halts by financial crisis. A patent infringement litigation is initiated by a competitor
2010–2012	Following a few rough years, Mentice implements a customer niche and cost-efficient strategy. In 2012, the ownership structure was consolidated as Priveq Investment and the Howell family takes control of the majority of the company
2013	Changes in the American hospital system along with Japanese expansion refuels growth. Two simulation solutions are released: VIST-LAB™ and VIST Case-It™
2014	Leadless Pacing and Vascular Trauma Management Training Module is released. The Japanese company is set up in Tokyo
2015–2016	Several new products are launched as sales and profits grow steadily
2017	Mentice acquires essential assets of American company Medical Simulation Corporation
2018	The Company delivers substantial sales and profitability increases
2019	Mentice establishes an office in Beijing to capitalize on the Chinese market potential. Planned listing on Nasdaq First North Premier

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1) Mentice's market share is estimated based on that the Company has sold over 1,250 simulators in the market, which the Company, based on its industry knowledge, dialogues with customers and subcontractors, considers amounting to about 2,000 simulators.

PURPOSE, VISION, AND MISSION STATEMENT

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

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

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

STRENGTHS AND COMPETITIVE ADVANTAGES

The Mentice management believes the Company has several strengths and competitive advantages, including:

STRONG POSITION IN MARKET FOR ADVANCED ENDOVASCULAR SIMULATION AND TRAINING SOLUTIONS

Mentice considers itself to be the global leader in the field of advanced endovascular training simulation in terms of market share and number of systems delivered.[1] Furthermore, as far as the Company knows, Mentice is the only company that has decided to solely focus on this specific market segment. The Company's global presence is well-represented in the numbers as it has delivered systems to over 45 countries on six continents. Mentice has continuously improved its technological lead, which has been a contributing factor to the market share increase over the past ten years. Currently, the Company delivers around 150 systems per year with the ambition to significantly grow this number.

Mentice's core solution, VIST™, can be summarized as a flight simulator for physicians and clinical teams. It provides a platform for simulating a specific family of medical procedures, i.e. endovascular procedures, by generating highly realistic virtual X-ray and echo visualizations of medical instruments and devices travelling inside a virtual patient, as well as providing haptic feedback to the user.

ATTRACTIVE AND SCALABLE BUSINESS MODEL

Mentice's business model rests on the Company's base system, i.e. the simulator device, which accounted for approximately 36 percent of total net sales in 2018. The base system includes only the most basic procedures and a large part of the Company's earning potential sits in additional services and products with higher margins. The Company has a clear up-selling potential through these additional products and services, including new modules, patient cases, service and support agreements, and license revenue from new procedures, to name a few. Thus, once the initial customer contract is signed, Mentice can benefit from the simulator sale over a long period of time. Customers who want to stay up-to-date with the latest software, train physicians in new patient cases, or sign support agreements are easily serviced through Mentice's organization, which ensures revenue streams for the Company well after the basic system is sold. Mentice will in future focus on annual subscription for modules and procedures, which is expected to contribute to smoothing the quarterly sales distribution. The transition to annual subscription will commence within the Academic and University Hospitals and Healthcare Systems segments before introducing it to the Medical Device Industry segment.

HIGHLY PROFITABLE AND ASSET LIGHT OPERATIONS

Mentice operates in a high-tech industry where the number of competitors have historically been, and is by the Company projected to continue to be, limited. Along with the limited competition, the great customer value-add, as well as the large share of software sales enable Mentice to consistently maintain high gross margins. Since the Company is still relatively small, fixed costs still constitute a relatively large proportion of the Company's sales. As sales increase and the Company reaches a critical mass, fixed costs are reduced as a share of sales, which is expected to contribute to a strongly improved operating margin in the coming years. A continued increased share of software sales is also expected to have a positive impact on driving the margin expansion. In addition, several new systems have been launched on the market, which, according to the Company's assessment, should give long-term positive effects on, for example, aftermarket

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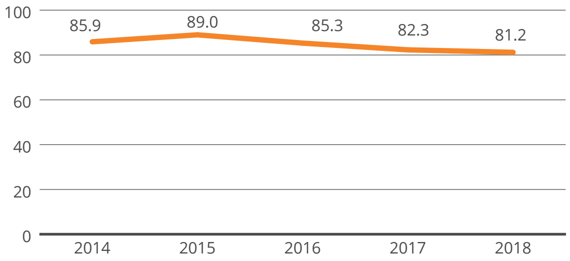
1) The leading position Mentice considers itself to have is based on the industry knowledge the company possesses, dialogues with customers, and comparison with the competing products that exist in the field of advanced endovascular simulation.

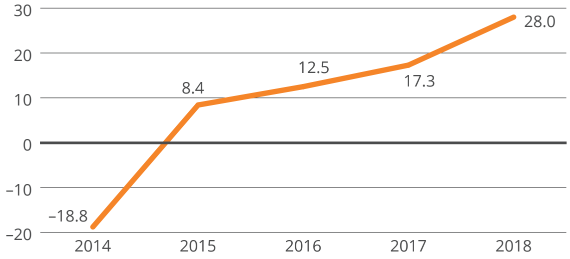
sales and recurring business. The increased offering within Service and Support presents the company with a balanced mix of software and services. Also, the aftermarket offering will enable Mentice to better identify client needs and thus preserve and improve its relations hips with customers.

Since 2014, Mentice has been able to consistently improve its return on capital employed (ROCE). Although the Company has enjoyed healthy growth over a number of years, it has done so without external capital injection. This has been made possible by leveraging current medical technology clients to assist in the development of new techniques and procedures, thereby keeping Mentice's investment need at a low level. The Company's strong EBIT growth along with little capital employed have resulted in a highly profitable business model.

Historical development of Gross Margin, %[1]



Historical development of ROCE, %[2]



VALIDATED IN SCIENTIFIC ARTICLES

Mentice's simulation-based training solutions have caught the eyes of many researching physicians around the world. The Company's product offering has been targeted in numerous academic research studies and the results have shown positive correlation between simulation-based training and physicians' skills. In a recently conducted study on Ischemic Stroke, Mentice's endovascular clinical simulation system-generated objective metrics were validated to measure and assess practitioners' skills. The results of the study showed clear differences in skills between the two test groups, which consisted of experienced interventional neuroradiologists and beginners. Experienced interventional neuroradiologists performed the patient cases 19 percent faster, completed 40 percent more procedural phases, managed to implement 20 percent more steps, and made 42 percent fewer errors than the novice group.[3] Several other studies carried out by researchers published in known journals have presented studies in which Mentice's products have been used. Up to date, more than 140 scientific journals have featured Mentice's products.

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1) Unaudited and non-reviewed financial figures from the Company's internal reporting.

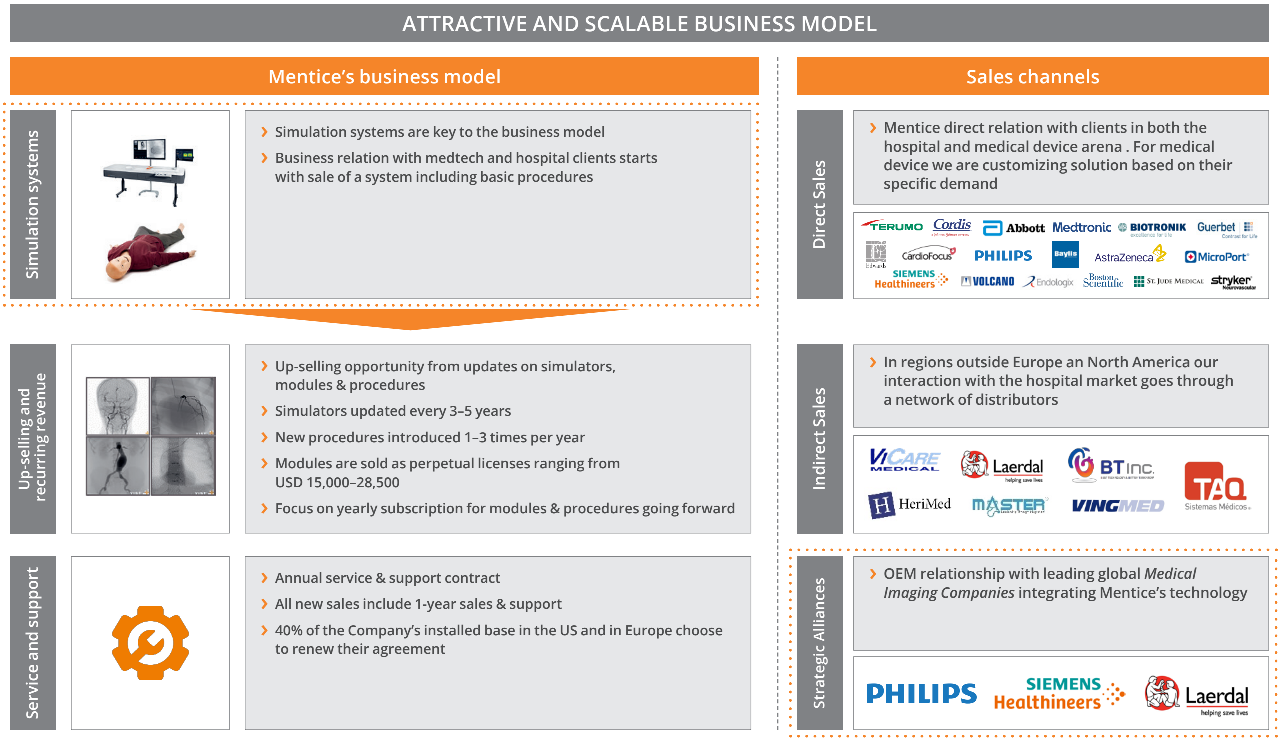
2) Unaudited and non-reviewed financial figures from the Company's internal reporting.

3) Crossley R, Liebig T, Holtmannspoetter M, et al Validation studies of virtual reality simulation performance metrics for mechanical thrombectomy in ischemic stroke Journal of NeuroInterventional Surgery Published Online First: 17 January 2019.

BUSINESS MODEL

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

Business model



ATTRACTIVE AND SCALABLE BUSINESS MODEL

Mentice's business model

Simulation systems

- Simulation systems are key to the business model
- Business relation with medtech and hospital clients starts with sale of a system including basic procedures

Up-selling and recurring revenue

- Up-selling opportunity from updates on simulators, modules & procedures
- Simulators updated every 3–5 years
- New procedures introduced 1–3 times per year
- Modules are sold as perpetual licenses ranging from USD 15,000–28,500
- Focus on yearly subscription for modules & procedures going forward

Service and support

- Annual service & support contract
- All new sales include 1-year sales & support
- 40% of the Company's installed base in the US and in Europe choose to renew their agreement

Sales channels

Direct Sales

- Mentice direct relation with clients in both the hospital and medical device arena . For medical device we are customizing solution based on their specific demand

Indirect Sales

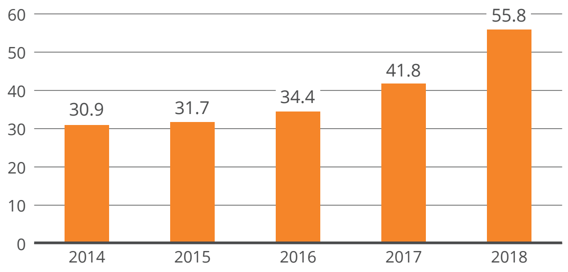
- In regions outside Europe an North America our interaction with the hospital market goes through a network of distributors

Strategic Alliances

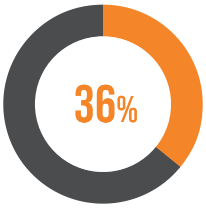
- OEM relationship with leading global *Medical Imaging Companies* integrating Mentice's technology

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

Net sales development – Systems, SEK million



Systems, share of net sales in 2018

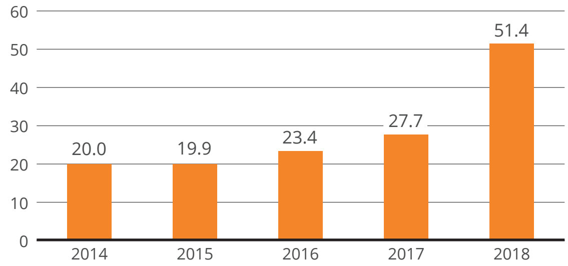


Source: Unaudited and unreviewed financial numbers obtained from the Company's internal reporting system.

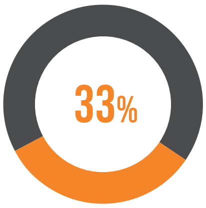
- **Up-selling and recurring revenue (software):** When simulators, modules, and procedures are updated, an up-selling opportunity is made available. Simulators are typically updated every 3–5 year, whereas new procedures are introduced 1–3 times annually. Further, recurring revenue is recognized as modules are sold as perpetual yearly licenses ranging between USD 15,000–28,500.

Going forward, Mentice will focus on the subscription model for modules and procedures to achieve more even revenue streams over the year along with a larger proportion of recurring revenues. Initially, the subscription model will be introduced within the Academic and University Hospitals and Healthcare Systems segments and gradually also for the Medical Device Industry segment.

Net sales development – Software, SEK million



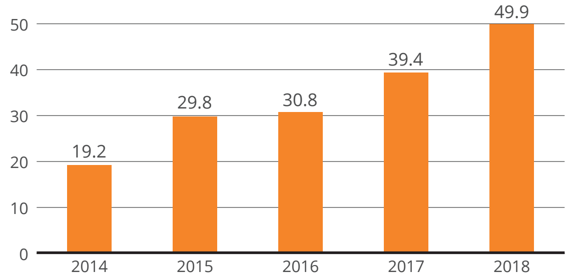
Software, share of net sales in 2018



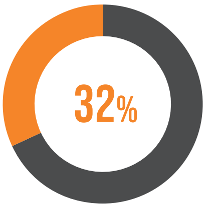
Source: Unaudited and unreviewed financial numbers obtained from the Company's internal reporting system.

- **Service-and support contracts:** While relationships with clients are established when the system is sold, a lot of the Company's client relationships are enhanced during the implementation and training process; services which are provided by Mentice post-sale. All new sales include a 12-month warranty and full support contract, with an option to subscribe for a premium version at a higher rate including on-site support and training. Approximately 40 percent of US and European clients renew their basic service and support contracts.

Net sales development – Service- and support, SEK million



Service- and support, share of net sales in 2018



Source: Unaudited and unreviewed financial numbers obtained from the Company's internal reporting system.

- **OEM strategy with strategic alliances:** The strategic alliances formed with companies such as Laerdal Medical, Philips Healthcare and Siemens Healthineers are slightly different than the other activities in the value chain. In these cases, Mentice's solutions are integrated in a partnering company's products and are then sold through the partner's distribution networks. Thus, Mentice is neither responsible for the integrative implementation nor the final customer transaction. However, Mentice's brand is always presented on the final product and the Company is often responsible for the support and service function of the final product and can thereby capture up-selling opportunities. This is highlighted as a field with great potential in terms of market exposure and sales growth. The revenue attributable to this segment is included in the three previous segments.

CUSTOMER SEGMENTS

Mentice has divided its operations into three customer segments, which consist of the Medical Device Industry, Academic and University Hospitals, and Healthcare Systems.

Medical Device Industry

The Medical Device Industry refers to the sale of simulators, software, and services where the product is used for education and marketing in order to safely launch and implement new medical technology products. In 2018, the Medical Device Industry segment accounted for 67 percent of the Company's net sales.1)

Academic and University Hospitals

Academic and University Hospitals relate to the sale of simulators, software, and services to academies, hospitals, and institutions that offer training for hospital staff and physicians. In 2018, the Academic and University Hospitals segment accounted for 28 percent of the Company's net sales.2)

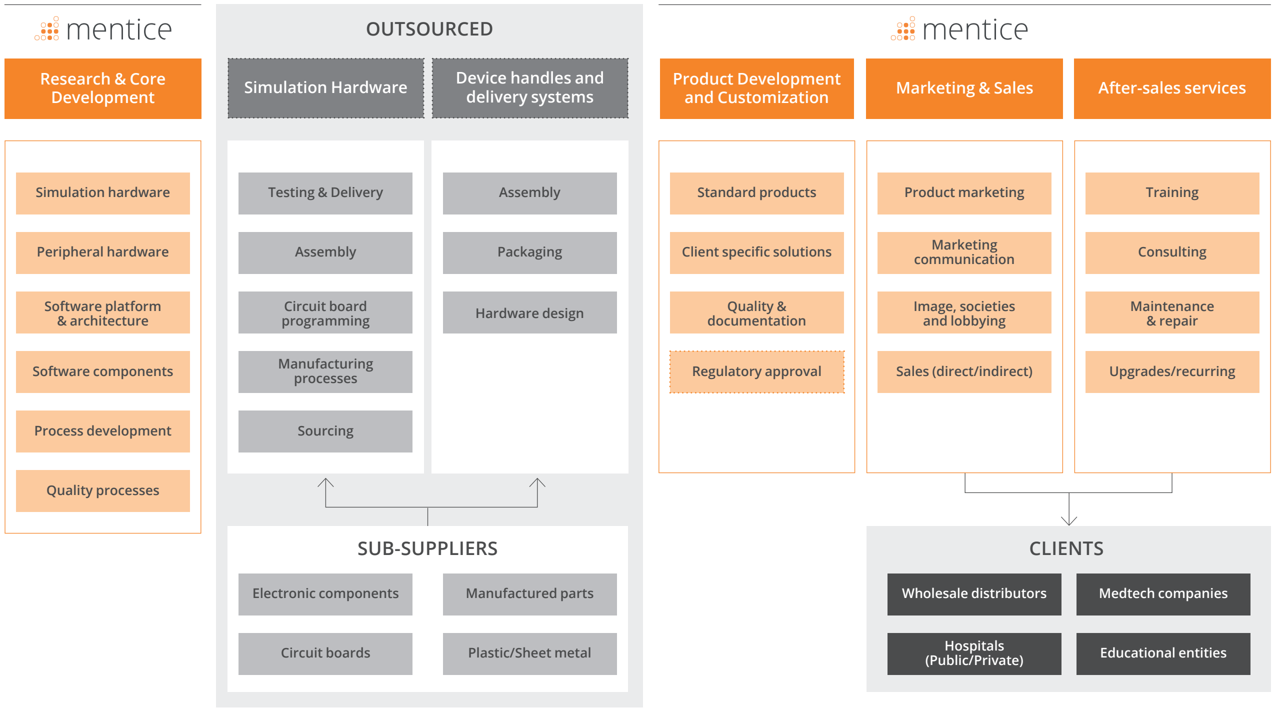
Healthcare Systems

Healthcare Systems refers to the sale of simulators, software, and services to healthcare providers where Mentice's solutions actively assist to increase efficiency and reduce the risk of patient injuries. In 2018, the Healthcare Systems segment accounted for 5 percent of the Company's net sales.3)

VALUE CHAIN POSITIONING

Mentice has optimized its position in the value chain and focuses on the most critical parts of the value chain where the Company's value-add is the highest. Thus, the Company controls the initial research and development phase while hardware assembly, packaging, and design are outsourced. Montex AB, the main supplier, has relationships with several sub-suppliers and the supply chain is highly transparent for Mentice to follow. For more information, see section "*Business description – Development and production*". When the hardware is received from the supplier, Mentice regains control over the product and continue the processing work by developing and customizing the software to best fit its customer's needs. The marketing and sales function is handled by Mentice representatives with the assistance of partners and resellers. Products that are standardized do not require customization and are therefore advertised on an ongoing basis. Once the product is delivered to the client, Mentice offers training, consulting, maintenance, and repair. The Company also continuously works with the client to offer opportunities to upgrade and up-sell newer versions of the product. An overview of the Company's position in the value chain is illustrated in the figure below.

Mentice position in the value chain



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1) The information derives from the Company's audited financial information for full year 2018, which can be obtained in the section "*Historical Financial Information*".
2) The information derives from the Company's audited financial information for full year 2018, which can be obtained in the section "*Historical Financial Information*".
3) The information derives from the Company's audited financial information for full year 2018, which can be obtained in the section "*Historical Financial Information*".

PRODUCT PORTFOLIO

Mentice simulator platforms are broken into three segments: VIST G-Series, VIST One, and SimMan Vascular. Five of the key products within these groups are described in more detail below:

VIST G5™

The VIST G5™ is a simulator and constitutes Mentice basic system. The VIST G5TM is a portable high-fidelity endovascular system enabling hands-on procedural training for clinicians and medical professionals. Launched in 2015, it is the newest generation of the Company's simulators. The basic system includes core coronary and peripheral training cases; a full range of specialty training modules can also be purchased and loaded onto the system.

VIST-LAB™

The VIST-LAB™, launched in 2013, provides a realistic work flow and team training possibilities. It contains the VIST G5™ main unit as its core component and includes all the VIST G5™ software modules. This solution combines realism, ergonomics, and flexibility to enhance the user experience. It mimics the Cath Lab environment with a full body mannequin, X-ray control box, and touch screens.

SIMMAN VASCULAR™

Mentice and Laerdal have developed world's first integrated emergency patient and endovascular procedure simulator that allows for comprehensive team training. It offers dual endovascular entry ports and full LLEAP integration supported by VIST-G5™ technology. The SimMan Vascular™ provides the Company with an opportunity to reach a smaller part of the mannequin simulation market, which the Company estimates to be approximately USD 1.2 billion.[1] Since the launch in 2013, SimMan Vascular™ has been sold in collaboration with Laerdal, who is solely responsible for the distribution process.

VIST ONE HANDLE EDUCATOR™

VIST ONE Handle Educator™ is a fully portable demonstration and training tool that was launched in 2017 and is designed to use for complex procedural instruments. The tool provides step-by-step guidance of how to use a certain medical device over wireless connection to a regular iPad. It includes highly customizable features to cover a wide range of endovascular procedures.

VIST ONE TEE TRAINER™

VIST ONE Tee Trainer™ is the latest addition to the Mentice product portfolio that was introduced to selected clients in Q4 2018 and opened to commercial sale in Q1 2019. It is a portable and flexible ultrasound trainer featured with advanced 2D and 3D TEE ultra-sound. The product was designed to meet the increasing need of effective and light-weight ultra-sound training within the interventional market. The Tee Trainer™ can be used standalone or fully integrated with Mentice VIST G5™ endovascular simulators, depending on the user requirements, and features a realistic Tee probe control handle.

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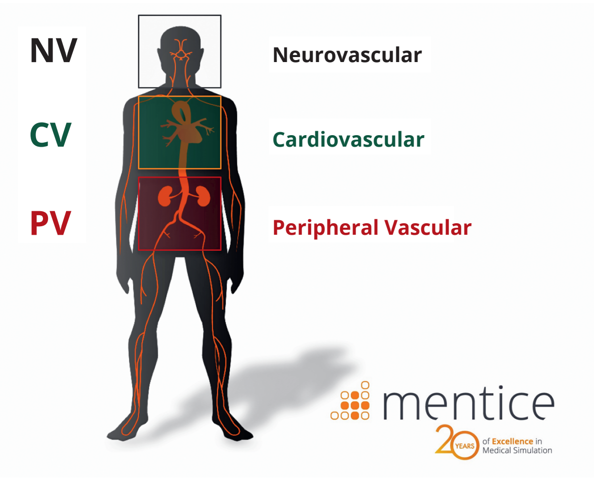
1) ReportBuyer: The global patient simulators market is expected to reach USD 2,373.1 million in 2025 from USD 694.6 million in 2017.

THE MENTICE SOFTWARE

The software offered by the Company is a procedural training module only enabled by Mentice's simulation devices. Software modules and patient cases allow medical professionals to practice multiple complex procedures across a wide range of specialties. 42 procedures and over 520 virtual patient cases are available. Some procedures are device-specific, and some are standardized, meaning that they can be used on all Mentice simulation devices. Mentice's training module solutions represent the world's most comprehensive collection of endovascular procedures. The Company's procedural software cover Neurovascular (brain), Cardiovascular (heart), and Peripheral Vascular (lower core) training modules.

Mentice Software Modules (SW)



TRAINING MODULES AND PROCEDURES

A procedural training module is a software solution enabled by a Mentice simulation device. Different software modules and cases allow medical professionals to practice multiple complex procedures across a wide range of specialties.

PATIENT CASES

A patient case is a specific patient anatomy including a description of the patient's disease state and which method to best treat the patient. Mentice possesses a library of over 520 virtual patient cases that can be practiced on by the user.

Mentice Vascular Twin™

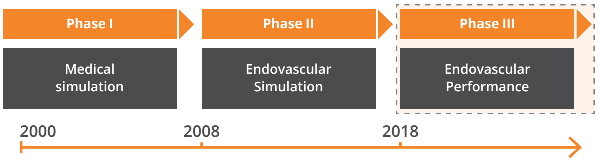
MENTICE VASCULAR TWIN™

Mentice Vascular Twin™ is an ongoing development of a solution that will allow users to explore, test, and validate technical procedure on a fully realistic replica of the real patient. The intention is to maximize safety, quality, and outcome, while reducing the harm and cost of care for the actual patient to a greater extent than any of Mentice's previous solutions. Mentice Vascular Twin™ is particularly helpful as a tool to perform a dry-run of a procedure that is about to be performed the same or the next day. This makes it possible for physicians and their clinical staff to discuss strategy and choice of clinical instruments before the treatment is actually performed. This patient-specific simulation creates an environment where the clinical team can have an interactive dialogue to prepare and customize a procedure to best fit the specific patient.

MENTICE AT THE FOREFRONT TO THE NEXT GENERATION OF MEDICAL SIMULATION

Since the foundation of the Company, Mentice has driven innovation to climb up the medical simulation staircase. After focusing on the endovascular field, Mentice is now targeting the next evolutionary stage, phase III. The Company's goal with phase III is to offer high-level decision support to physicians by offering planning or preparation of a procedure on a realistic replica with the same anatomy as the patient that is about to be treated. By introducing phase III, Mentice transitions from a simulation-focused company towards a company that offers solutions to improve performance within the endovascular field with the intention to become an integrated part of the clinical process. The Company believe that phase III will revolutionize the way clinicians acquire, practice, and maintain skills.

Company evolution



Example of current clients

Example of medical technology clients

TERUMO
Edwards
Cordis
Abbott
Medtronic
CardioFocus
Boston Scientific
PHILIPS
CERENOVUS
Baylis
VOLCANO
MicroPort
BIOTRONIK excellence for life
SIEMENS Healthineers
Guerbet Contrast for Life
GORE
Endologix
BARD
stryker Neurovascular
AstraZeneca

Example of university and hospital clients

KAROLINSKA UNIVERSITY HOSPITAL
筑波大学 University of Tsukuba
TECHNISCHE UNIVERSITÄT MÜNCHEN
Penn
Northwestern University
MAYO CLINIC
Geisinger
Plymouth Hospitals NHS Trust
Rigshospitalet
University of Hartford
KAISER PERMANENTE
JACOBS INSTITUTE
MASSACHUSETTS GENERAL HOSPITAL
UNIVERSITY OF MIAMI
UCC
UNIVERSITÉ PARIS DESCARTES
COLUMBIA UNIVERSITY IN THE CITY OF NEW YORK
Universiteit Leiden
ilumens
Imperial College London

CLIENT BASE AND STRATEGIC PARTNERSHIPS WITH LEADING MEDTECH VENDORS

Mentice has delivered over 1,250 systems to hospitals, universities, and medical technology clients worldwide. The Company's customer base includes two of the of the largest and many of the top 30 medical technology companies globally.[1] Mentice has applied a successful strategy focusing on developing solutions to drive use and adoption of new devices and techniques in the medical device market.

Mentice has implemented its solutions at 400 hospitals and teaching institutions across the world. The Company considers itself to have a strong position in Asia, Europe, and North America, which the Company considers to be key regions. Also, Mentice's successes in Asia is highlighted by China, which has been one of the Company's top performing countries for the last couple of years, and Japan, where over 40 out of approximately 80 of the university hospitals have installed Mentice simulation systems. The hospital (or 'academic institution') industry continues to shift from traditional methods of training to simulation-based training. A diverse set of sales approaches has allowed the Company to gain comprehensive access to the hospitals and academic institution market where Mentice has the necessary infrastructure to accommodate the rapidly increasing demand.

OVERVIEW OF MENTICE'S LARGEST CLIENTS

Mentice's broad customer base consists of clients both in the education system, where the counterparty is usually university hospitals, as well as global manufacturers of medical technology products. In 2018, Mentice had received orders from over 94 different customers of varying sizes, where several are global players with sales exceeding several billion USD a year. Below is a selection of these larger customers, a brief description of each customer, type of customer relationship, how long they have been Mentice customers, and Mentice's accumulated sales to each customer during the last five years.

Some of Mentice's clients

Client description	Yearly turnover	Type of collaboration	First order	Sales to Mentice 2014–18
Abbott Abbott is one of the largest healthcare companies in the US and Abbot Vascular is Abbot's dedicated Vascular division.	$9.4 BN	One of Mentice largest clients with over 75 systems throughout the world. The applications range from Cardiac Rhythm Management, Electrophysiology, Interventional Cardiology and Radiology.	2008	mentice SEK 90m
Edwards American medtech company specializing in artificial heart valves and hemodynamic monitoring.	$3.7 BN	Mentice is engaged with both the aortic and mitral/tricuspid division of Edwards. Mentice's systems are installed in EU, Middle East, Asia, North and South America.	2013	SEK 53m
TERUMO Japanesee medtech company with one focus area being Cardiac & Vascular Business.	$4.7 BN	Terumo is one of Mentice's oldest clients and our systems are today used in the field in almost every part of the world. Terumo owns over 50 Mentice systems.	2005	SEK 36m
Boston Scientific Boston Scientific is an American manufacturer of medical devices used in interventional medical specialties.	$9.8 BN	Boston Scientific has been using Mentice in same parts of the world for more than ten years. During 2014 their Structural Heart division in US transitioned to Mentice which has opened up for large future opportunities.	2014	SEK 10m

Source: The information in the table above relates to annual sales originating from the respective companies' latest available annual report. The information relating to "Sales to Mentice 2014–18" derives from the Company's internal accounting system.

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[1] The company's assessment is based on a comparison of the own customer base with the 30 largest medical technology companies as stated on: www.mpo-mag.com/issues/2018-07-01/view_features/the-2018-top-30-global-medical-device-companies.

PARTNERSHIPS

Mentice's extensive network in the medical technology industry with regard to medical simulation has, and is expected to continue to generate healthy growth opportunities. Siemens Healthineers and Philips Healthcare have partnered up with Mentice to implement the Company's VIST™ system in the sales of their Cath Labs and other similar solutions. Philips Healthcare and Siemens Healthineers combined represent over 50 percent of the global market for this type of system.1) VIST™ has recently been integrated into the Philips, Azurion laboratory via active reference installations in Munich and Stavanger. VIST™ was recently integrated into Siemens, Artis Icono, a similar laboratory, and the Company has the intention to include this integration in the sale of all systems in the future.

In addition to the partnerships with Philips Healthcare and Siemens Healthineers, Mentice has a strategic partnership with Laerdal Medical A/S (Stavanger, Norway). The relationship has been going on for approximately five years and has led to the development of a unique version of Laerdal SimMan3G, which includes Mentice's VIST™ technology. This version of the SimMan is referred to as the SimMan Vascular™. This solution is the world's first integrated solution where a patient simulator and an endovascular simulator cooperates in an integrated fashion to serve as a team-training environment for healthcare teams with the intention to improve clinical processes, communication, and handover.

STRATEGY

Mentice's core strategy is based on the value that the Company's solutions can generate for its customers in all customer segments. Mentice early chose to, as the only simulation company in the world, solely focus on the area of endovascular procedures, which has been key to the Company's success in recent years. For many years, Mentice has argued for the link between the use of the Company's products and the large patient-related value that they generate in relation to its cost. For example, for a healthcare organization, Mentice solutions enables the establishment of a training structure that provides a predictable result and an objective assessment of the individual's competence compared to a benchmark. For a medical technology company, structured training processes are critical too. These companies' ability to use large volumes of a specific product without compromising quality and safety is a key goal for these companies. If these medical devices are offered to a wide group of customers without a well-structured and controlled training process, there is an obvious risk for handling quality deficiencies which, in the long run, can be very costly for the medical technology company. Mentice plays a central role in ensuring that the quality of the procedures maintains a consistently high level, which reduces the risk for Mentice's customers. Mentice strives to be regarded as a company that can help and contribute to the customer's success, both in the healthcare system and the medical technology sector, and does not want to be perceived as a technology supplier or a pure simulation company.

Basic education at academic institutions is an important part of what Mentice's operations, especially to spread knowledge about the Company's products. However, from a commercial perspective, the Academic and University Hospitals segment is insignificant, and the Company does not expect this segment to generate a great deal of the future growth. Instead, Mentice expects that most of the growth will come from collaborations with medical technology companies, other strategic partners, and the major healthcare systems in the world.

The market for image-based intervention (endovascular treatment methods) is growing rapidly and the market opportunities for Mentice are by the Company assessed to be large. To be able to enjoy the market growth in endovascular treatment methods while meeting the financial targets, the Company has designed four main strategic points to follow:

- The Company must maintain a high rate of development and continuously advance the level of ambition for what is possible. This means, among other things, to gradually add new procedures in line with the market's needs and continue to increase the level of reality in the Company's products. Mentice must continue to invest in new areas such as patient-specific simulation and effective tablet and computer solutions to ensure that the Company remains at the forefront in its field.
- Mentice strongly believes that new technologies such as artificial intelligence, machine learning, and Big Data will revolutionize the healthcare sector, the same way they revolutionize many other areas. Mentice works towards remaining a leader2) in its field when it comes to using new technologies in endovascular treatment. The Company strives to develop new applications that generate great value for the Company's clients. For example, the Company works with techniques that include support for Augmented and Virtual Reality.
- The Company's opportunities to develop its channel strategy via partners such as Laerdal, Siemens, and Philips is an important part of the strategy to create a larger base for Mentice's simulators around the world. Such an installed and growing base of simulators enables strong expansion for Mentice's SaaS structure as well as the need for additional services.
- Mentice must grow the organization and at the same time maintain the high quality that has been exhibited over the past 3–5 years of growth. The goal of growing with retained quality applies to all positions in the Company, and Mentice is actively working to streamline the way new staff is introduced to the business in order to quickly

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1) The Company's own estimate of Siemens Healthineers' and Philips Healthcare's sales of systems, based on the Company's industry knowledge, in relation to the 3,600 Cath Labs, which according to the report "IHS Markit Interventional X-ray Equipment Report, 2018" is, replaced or newly installed each year.

2) The leading position Mentice believes has been achieved is related to the Company's installed base of systems, its position in the industry for medical technology products, and sales in the field of advanced endovascular simulation. These claims are based on the Company's industry knowledge and dialogues with clients and suppliers.

get them productive. The growth strategy also includes growing sales by adding salespeople in strategic positions around the world, and focusing on relevant markets that can maximize the Company's further growth.

GROWTH FACTORS

Mentice's current product line, infrastructure, client base, and expertise have placed them in an attractive position ahead of the exciting years to come for the industry. However, in order for Mentice to sustainably capitalize on the growth opportunities in the endovascular simulation field, it needs to perform well in a number of areas. The Company's ability to constantly renew its product line using Big data, machine learning, Augmented and Virtual reality, and robotics will likely be an essential component in Mentice's future growth.

As the need for endovascular simulation solutions heightens, the expertise Mentice can provide is both rare and highly valuable, which can be leveraged against the expanding need for this type of solution in the market. Moreover, its developmental resources at hand within the endovascular space can be used to further improve its product and service offering.

FINANCIAL TARGETS

In the short to medium term, the Company's target for revenue CAGR is 30–40 percent, while the short to medium term EBITDA margin target is set to 30 percent.1) Since Mentice operates in a fast-growing market, the Company will prioritize to reinvest earnings to capitalize on the favourable market characteristics. This will take place through in-house development, new products and services, as well as through M&A activity. Future dividends will materialize after an assessment of the Company's financial position, organic growth opportunities, M&A opportunities, and cash flows.

ORDERBOOK

On 31 March 2019, the Company's orderbook amounted to approximately SEK 49.4 million, which can be compared to SEK 40.0 million at the same date last year.2) Aside from orderbook, Mentice has a pipeline3) that historical has had a solid conversion rate, which has provided the Company with a relatively clear visibility over the coming 12–18 months. The fourth quarter typically represents around 40 percent or more of Mentice's annual sales as clients often tend to use the remainder of their annual budgets during the last quarter. With an increased installed base and an annualized subscription model for SW modules in the future, the seasonality of revenue flow is expected to be successively reduced. The orderbook grew by 32 percent over the past twelve months.

Most of the Company's clients in the medical device and medical technology industry are large corporations, often 100–500 times larger than Mentice's own size. Some of these industry-leading clients4), such as Terumo, John & Johnson, Boston Scientific Corporation, Edwards Lifesciences, and Abbott Vascular to mention a few, have been loyal clients to Mentice for a long time. These large medical technology companies generate recurring revenues for Mentice and the Company considers the need for new technologies and simulation solutions to be highly interesting for these clients. The driving force for these clients is to implement large quantities of new technologies and clinical instrument in hospitals in a safer manner while ensuring a high and consistent quality of care. The majority of Mentice's sales growth is expected to derive from its existing medical technology client base.

SUSTAINABILITY AND CORPORATE GOVERNANCE

Sustainable, social, and environmental issues are a core part of Mentice's code of conduct and operations. Mentice's business rationale is to contribute to reduced deaths, injuries, and social and economic costs resulting from medical errors and inefficiencies in the healthcare sector. The Company has a strong focus on continuous innovation of the products offered to optimize the quality of the solutions available to customers in hospitals, clinics, universities, research groups, and the medical technology industry.

The company has clear ambitions and principles for taking economic, social, and environmental responsibility.

Mentice promotes honesty, fairness, respect, integrity, trust and strives for a better way to behave toward each other and fellow citizens as well as to conserve and protect the environment. These qualities are not solely valuable to individuals: they are fundamental to corporate governance and are key factors behind Mentice's competitiveness. Mentice therefore commits to:

- **The rights of labour**, including representation; working hours and conditions; occupational safety; comparative and equitable rates of pay and terms of employment; respect for diversity.
- **The rule of law in business practices**, including corporate governance; accountancy standards; transparency and avoidance of conflicts of interest; respect for contract; free competition; condemnation of business malpractice, malfeasance, bribery, and monopolistic behaviour; respect for, and protection of, trade secrets, confidential data and R&D content; a responsible approach to intellectual and intangible property rights when it comes to generation, use, and protection of the law.
- **Respect for sustainability and the environment**, including compliance with national and international guidelines and conventions; the safeguarding of human health, animal welfare, natural and human habitats and endangered species; the sustainability of production

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1) The Company defines short to medium term as a 3–5-year period. See the section "*Selected historical financial information – Alternative performance indicators not defined according to IFRS*" for definitions and explanations.

2) See section "*Selected historical financial information – Alternative performance indicators not defined in IFRS*" for definitions and explanations, and "*Selected historical financial information – Definitions of alternative performance indicators*" for reconciliation of the orderbook.

3) Pipeline refers to internally reported interest from clients.

4) The company believes that these actors are industry leaders based on the technology level and width of their product offering as well as their size, in terms of turnover.

methods and the product life-cycle from production to final disposal; diligent care in the sourcing of raw materials and intermediate inputs; reduction in our energy use and carbon footprint; a responsible approach to packaging, transport and distribution, recycling and the disposal of waste.

These commitments follow the context of a healthy global business environment in which Mentice strives to excel and lead.

DEVELOPMENT AND PRODUCTION

DEVELOPMENT ACTIVITIES

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

PRODUCTION

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

Montex AB is responsible for assembling, testing, and delivering complete simulation systems to Mentice. Montex AB manufactures the simulator based on detailed product instructions and production solutions developed by Mentice. In order to follow Mentice's assembly instructions, Montex AB coordinates and manages material purchases and work flow with sub-suppliers. The production and each respective responsibility are covered by contracts. Montex AB is obliged to provide Mentice with the list of sub-suppliers of critical components upon request. Similarly, if Montex AB changes sub-suppliers or in any way change manufacturing components, Montex AB is obliged to notify Mentice.

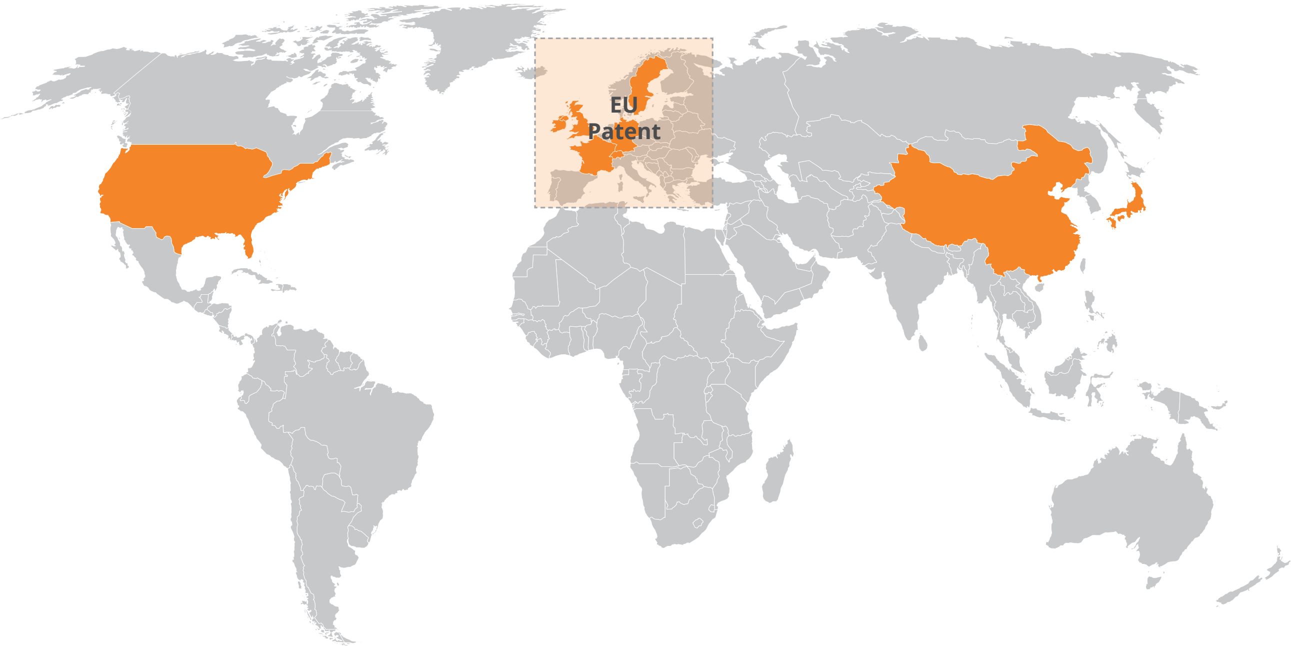
INTELLECTUAL PROPERTY RIGHTS AND OTHER FORMS OF PROTECTION

Mentice holds 47 individual patents protecting both system and software in 22 different patent families. Most patents last for more than ten years. Decisions on whether to apply for a patent or not are based on commercial considerations. Some of the patents at hand are presented below.

- **Medical Procedure Simulation-Based Radiation Estimation and Protection**
  - A general system for estimating radiation exposure during an X-ray guided medical procedure, i.e. including any endovascular intervention.
- **Simulation Device for Tracking at Least Two Instruments**
  - A medical procedure simulation system that allows for tracking two or more parallel instruments simultaneously.
- **Interventional Simulator System patents**
  - Three patents that protect a specific hardware implementation as well as a general interventional procedure system that simulates the handling of various expanding instruments.
- **Distributive Processing Simulation Method and System for Training Healthcare**
  - A model for training and educating healthcare teams.

Lastly, Mentice has several pending patent applications, such as a method for catheter selection, objective and systematic assessment of skills, and syringe simulator system. A summary of Mentice's patent portfolio is outlined below.

Patent summary



	United States	12 Reg. / 3 Pending	2021–2034
	European patent	6 Reg. / 1 Pending	2022–2026
	China	4 Reg. / 1 Pending	2025
	Japan	3 Reg. / 1 Pending	2022–2034
	Sweden	3 Reg.	2022

	Germany	5 Reg.	2022–2025
	Switzerland	7 Reg.	2020–2025
	United Kingdom	3 Reg.	2022–2025
	France	3 Reg.	2022–2025
PCT	PCT	1 Reg. / 1 Pending	2034

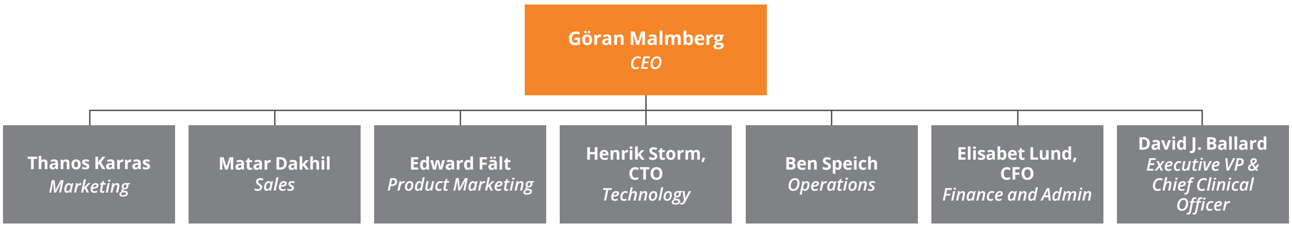
Patent portfolio

Patent (title)	Application (estimated expiry)	Regions	Status
Device for simulating a rod-shaped surgical instrument with force feedback	2000 (2020)	Switzerland	Registered
Device and method for the functional exchange of a virtual instrument	2002 (2022)	Switzerland, Germany, France, Great Britain	Registered
Device for simulating a rod-shaped surgical instrument with force feedback	2001 (2021)	Switzerland	Registered
Device for simulating a rod-shaped surgical instrument with force feedback	2001 (2021)	Switzerland	Registered
Device for generating a feedback signal	2002 (2022)	Switzerland	Registered
Device for simulating a rod-shaped surgical instrument for generating a feedback signal	2002 (2022)	Germany, US	Registered
Interactive medical training system and method	2002 (2028)	US	Registered
Optical device for determining the longitudinal and angular position of a rotationally symmetrical apparatus	2003 (2023)	Switzerland, Germany, France, Great Britain	Registered
Device for determining the longitudinal and angular positions of a rotationally symmetrical apparatus	2005 (2025)	Switzerland, Germany, France, Great Britain, China	Registered
Simulation device for tracking the respective motions of at least two instruments	2007/2006 (2027/2026)	US, China, Japan, Belgium, Switzerland, Germany, France, Great Britain, Italy	Registered
3D visual effect creation system and method	2005 (2026)	US	Registered
Distributive processing simulation method and system for training healthcare teams	2001 (2021)	US	Registered
Distributive processing simulation method and system for training healthcare teams	2004 (2024)	US	Registered
Medical simulation system and method	2005 (2026)	US	Registered
Medical simulation system and method	2009 (2029)	US	Registered
Medical simulation system and method	2008 (2028)	US	Registered
Medical simulation system and method	2018 (n/a)	US	Pending
Systems and methods for routing a vessel line such as a catheter within a vessel	2017 (n/a)	China, EPO, Japan, PCT, US	Pending
Simulation-based radiation estimation and protection for medical procedures	2014 (2034)	PCT, US, Japan	Registered
System and methods for simulation-based radiation estimation and protection for medical procedures	2014 (2034)	US	Registered
System and methods for endovascular fluid injection simulations	2017 (n/a)	PCT, US	Pending

ORGANIZATIONAL OVERVIEW

Mentice's management has extensive experience in areas that are relevant for the activities of the Company, and in particular for the development of medical technology solutions. All activities are led by members of the management team in close interaction with trusted advisors with highly specific expertise in the relevant topics and Mentice consider it a strategically critical strength to be able to engage and collaborate with top-tier experts around the world to obtain the best possible outcome. Currently, Mentice aims to outsource all activities not within their core competences to be able to fully focus on the development and commercialization of endovascular simulation systems and software.

Organizational chart



As of 31 March 2019, Mentice had 74 employees, of which 81 percent were men and 19 percent women. All employees listed in the organizational chart are members of the management group. The table below shows the average number of employees during the financial years 2017 and 2018, as well as 31 March 2018 and 31 March 2019.

	31 Mar 2019	31 Mar 2018	31 Dec 2018	31 Dec 2017
Average number of employees during the period (FTEs)	74	69	69	52
Of whom men	81%	80%	81%	77%

SELECTED HISTORICAL FINANCIAL INFORMATION

In this section, Mentice's selected financial information for the financial year ended on 31 December 2018 and 2017 and for the interim periods 1 January–31 March 2019 and 1 January–31 March 2018. The financial full-year information presented in this section has been obtained from Mentice's complete consolidated financial information for the financial years 2018 and 2017, which has been prepared specifically for the Prospectus and in accordance with the International Financial Reporting Standards ("IFRS") as they have been adopted by the European Union ("EU"). The consolidated financial information for the financial years 2018 and 2017 has been audited by the Company's auditor in accordance with FAR's recommendation RevR 5 – Review of financial information in prospectus. The interim financial information for the periods 1 January–31 March 2019 and comparative period is derived from the Company's interim report for January 1–March 31, 2019, which has prepared in accordance with IAS 34 as adopted by the EU and reviewed by Mentice's independent auditor as stated in their report, which can be found in the section "Historical financial information" in the Prospectus. Unless expressly stated herein, no financial information in the Prospectus has been audited or reviewed by the Company's auditor. This section should be read in conjunction with the sections "Historical financial information", "Operational and financial overview", and "Capitalization, indebtedness and other financial information" which can be found in the Prospectus. For additional information about the accounting principles applied, refer to note 1 ("Accounting principles") in the section "Historical financial information".

The Prospectus contains certain key performance measures that have not been defined in accordance with IFRS, the Annual accounts act (1995:1554) and/or the Financial Reporting Board's recommendation RFR 2, Accounting for legal entities. The Company considers these performance measures to be an important complement since they enable a better evaluation of the Company's economic trends. The Company believes that these alternative performance measures give a better understanding of the Company's financial development and that such key performance measures contain additional information to the investors to those performance measures already defined by IFRS, the Annual accounts act (1995:1554). Furthermore, the key performance measures are widely used by the management in order to assess the financial development of the Company. These financial key performance measures should not be viewed in isolation or be considered to substitute the key performance measures prepared by IFRS. Furthermore, such key performance measures, as the Company has defined them, shall not be compared to other key performance measures with similar names used by other companies. This is due to the fact that the abovementioned key performance measures are not always identically defined by other companies.

CONSOLIDATED INCOME STATEMENT

SEK Thousand	Unaudited Jan-Mar 2019	Unaudited Jan-Mar 2018	Audited Jan-Dec 2018	Audited Jan-Dec 2017
Net sales	27,481	28,288	157,048	108,966
Other operating income	1,666	1,402	8,737	2,806
Sales	**29,147**	**29,690**	**165,785**	**111,772**
Cost of goods sold	–4,153	–4,335	–29,454	–19,279
Other external expenses	–10,877	–9,893	–40,819	–29,984
Personnel costs	–22,014	–16,576	–74,730	–53,027
Depreciation of fixed assets	–2,905	–1,037	–4,654	–2,941
Operating income, EBIT	**–10,802**	**–2,151**	**16,128**	**6,541**
Financial income	6	323	511	225
Financial expenses	–801	–599	–809	–1,438
Write down financial receivables	–	–	–1,995	–
Earnings before tax, EBT	**–11,597**	**–2,427**	**13,835**	**5,328**
Tax	3,055	–366	6,313	854
Net income	**–8,542**	**–2,793**	**20,148**	**6,182**
Net income attributable to:				
Parent company's shareholders	–8,542	–2,793	20,148	6,182
Non-controlling interest	0	0	0	0
Net income	**–8,542**	**–2,793**	**20,148**	**6,182**
Earnings per share, SEK	**–0.76**	**–0.25**	**1.80**	**0.58**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TSEK	Unaudited Jan-Mar 2019	Unaudited Jan-Mar 2018	Audited Jan-Dec 2018	Audited Jan-Dec 2017
Net income	**–8,542**	**–2,793**	**20,148**	**6,182**
Other total income				
Items that have been transferred or can be converted to profit for the period				
Translation differences for the period when translating foreign operations	653	138	–1,041	3,208
Total income for the period	**–7,889**	**–2,655**	**19,107**	**9,390**
Profit for the period attributable to:				
The parent company owner	–7,889	–2,655	19,107	9,390
Non-controlling interest	0	0	0	0
Total income for the period	**–7,889**	**–2,655**	**19,107**	**9,390**

CONSOLIDATED BALANCE SHEET

	Unaudited		Audited	
SEK Thousand	**31 Mar 2019**	**31 Mar 2018**	**31 Dec 2018**	**31 Dec 2017**
Assets				
Intangible fixed assets	34,302	28,280	33,400	26,286
Tangible fixed assets	6,408	5,668	6,540	5,315
Right-of-use asset	19,163	–	–	–
Deferred tax assets	12,598	2,196	9,569	2,560
Total fixed assets	**72,471**	**36,144**	**49,509**	**34,161**
Inventory	6,367	6,487	4,955	7,005
Current tax receivable	2,109	–	2,581	567
Accounts receivables	35,381	24,634	42,333	22,868
Prepaid expenses and accrued income	6,229	5,857	13,268	9,577
Other receivables	677	4,087	119	4,929
Cash and cash equivalents	11,386	15,613	17,821	14,712
Total current assets	**62,149**	**56,678**	**81,077**	**59,658**
Total assets	**134,620**	**92,822**	**130,586**	**93,819**
Equity				
Share capital	1,120	1,120	1,120	1,120
Additional paid-in capital	12,032	12,032	12,032	12,032
Translation reserves	653	131	–1,295	–254
Other capital including net result for the period	45,045	32,697	54,882	35,743
Equity attributable to parent company	**58,850**	**45,980**	**66,739**	**48,641**
Non-controlling interest	0	0	0	0
Total Equity	**58,850**	**45,980**	**66,739**	**48,641**
Liabilities				
Accrued tax liabilities	167	–	166	–
Long-term leasing liabilities	14,200	–	–	–
Total long-term liabilities	**14,367**	**–**	**166**	**–**
Accounts payable	4,508	4,979	11,439	6,320
Current tax liabilities	223	–	280	148
Other liabilities	1,230	1,345	1,358	821
Current leasing liabilities	5,055	–	–	–
Accrued expenses and prepaid income	50,387	40,518	50,604	37,889
Total current liabilities	**61,403**	**46,842**	**63,681**	**45,178**
Total liabilities	**75,770**	**46,842**	**63,847**	**45,178**
Total equity and liabilities	**134,620**	**92,822**	**130,586**	**93,819**

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK Thousand	Unaudited Jan-Mar 2019	Unaudited Jan-Mar 2018	Audited Jan-Dec 2018	Audited Jan-Dec 2017
Operating activities				
Earnings before tax	–11,597	–2,427	13,835	5,328
Adjustments for non-cash items	2,731	634	4,692	3,544
Paid tax	415	–280	–2,120	–1,212
Total	**–8,451**	**–2,073**	**16,407**	**7,660**
Increase (-)/Decrease (+) in inventory	–1,412	518	1,705	–4,190
Increase (-)/Decrease (+) of current receivables	13,433	3,381	–18,321	–4,303
Increase (+)/Decrease (-) of current payables	–7,276	1,393	16,214	16,564
Cash flow from operating activities	**–3,706**	**3,219**	**16,005**	**15,731**
Investing activities				
Acquisition of tangible fixed assets	–116	–	–2,534	–483
Disposal of tangible fixed assets	–	–	–	–
Capitalized R&D expenses	–1,525	–2,591	–9,858	–7,375
Cash flow from investing activities	**–1,641**	**–2,591**	**–12,392**	**–7,858**
Financing activities				
Loan repayment	–1,248	–	–	–
Dividend to parent company's shareholders	–	–	–958	–
Cash flow from financing activities	**–1,248**	**–**	**–958**	**–**
Cash flow for the period	**–6,595**	**628**	**2,655**	**7,873**
Beginning cash balance	17,821	14,712	14,712	7,342
Effect of exchange rate changes on cash	160	273	454	–503
Ending cash balance	**11,386**	**15,613**	**17,821**	**14,712**

SELECTED PERFORMANCE INDICATORS

Below is a summary of selected performance indicators defined according to IFRS as well as Alternative key performance indicators, which are not defined according to IFRS. Guidelines on alternative performance indicators for companies with securities traded on a regulated marketplace within the EU have been issued by the European Securities and Markets Authorities (ESMA). The guidelines aim to make alternative performance measures in financial reports more comprehensible, reliable, and comparable and thus promote their usefulness. According to these guidelines, an alternative performance indicator is a financial measure of historical or future earnings development, financial position, financial result, or cash flows that are not defined or specified in the applicable rules for financial reporting; IFRS, and the Annual Accounts Act (Swe. Årsredovisningslagen). The following table shows selected alternative performance indicators, which have not been defined or specified in accordance with IFRS, unless otherwise specified. Some descriptions of the key figures present the development of operational and financial measures that are not defined according to IFRS. The Company believes that these alternative key figures provide a better understanding of the Company's financial trends and that they are to a large extent used by the Company's management team, investors, equity analysts, and other stakeholders as a complementary measure of the Company's development. Since all companies calculate financial measures differently, these are not always comparable to measures used by other companies. These measures should therefore not be regarded as a compensation for measures defined according to IFRS.

ALTERNATIVE PERFORMANCE INDICATORS NOT DEFINED ACCORDING TO IFRS

SEK Thousand	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018	Jan-Dec 2017
SALES MEASURES				
Net sales	27,481	28,288	157,048	108,966
Net sales growth, %	*–2.9*	–	*44.1*	–
Orderintake	25,064	31,973	113,100	174,273
Orderbook	49,372	39,965	50,065	36,451
Change in orderbook, %	*23.5*	–	*37.3*	–
PROFITABILITY MEASURES				
Gross profit	23,328	23,953	127,594	89,687
EBITDA	–7,897	–1,114	20,782	9,482
Operating income (EBIT)	–10,802	–2,151	16,128	6,541
MARGIN MEASURES				
Gross margin, %	*84.9*	*84.7*	*81.2*	*82.3*
EBITDA margin, %	*–28.7*	*–3.9*	*13.2*	*8.7*
EBIT margin, %	*–39.3*	*–7.6*	*10.3*	*6.0*
CAPITAL STRUCTURE				
Working capital	–10,640	–5,777	–425	–232
Capital employed	*72,422*	*47,311*	*57,690*	*37,902*
Net debt¹⁾	7,869	–15,613	–17,821	–14,712
Equity to debt ratio, %	*43.7*	*49.5*	*51.1*	*51.8*
EMPLOYEES				
Average employees	74	69	69	52

1) Net debt for January–March 2019 of TSEK 19,255 include leasing contracts which are capitalized in accordance with IFRS 16.

DEFINITIONS OF ALTERNATIVE PERFORMANCE INDICATORS

Performance indicator	Definition/calculation	Purpose
Net sales growth	Growth in net sales.	The measure shows the Company's net sales growth.
Sales	The Company's net sales including other operating income.	The measure shows the Company's total revenue.
Organic growth	Change in net sales compared with the corresponding period last year.	The measure is used to analyze the part of the increase in net sales that is solely attributable to organic growth.
Acquired growth	Change in net sales attributable to acquisitions.	The measure is used to analyze the part of the increase in net sales that is solely attributable to acquisitions.
Currency effects	Net sales change attributable to currency exchange rate effects compared to the corresponding previous period.	The measure indicates how much the change in net sales is attributable to exchange rate fluctuations.
Gross profit	Net sales minus cost of goods sold.	The measure shows how profitable the Company is before fixed costs.
Gross margin	Gross profit as a percentage of net sales.	The measure is used to measure operating profitability before fixed costs.
EBITDA	Operating profit before depreciation and amortization.	The measure is used as it shows the business' profitability before interest, taxes, depreciation and amortization.
EBITDA margin	EBITDA as a percentage of net sales.	The measure is used to measure operating profitability, disregarding financing, taxes, depreciation and amortization.
EBIT margin	Operating profit as a percentage of net sales.	The measure is used to measure operating profitability, after, depreciation, and amortization.
Earnings before tax, EBT	Earnings before tax.	The measure shows the income that is attributable to shareholders before tax.
Net income	Income after tax.	The measure shows the income that is attributable to shareholders after tax.
Net debt	Interest-bearing net liabilities minus cash and cash equivalents.	The measure shows the Company's financial position.
Order intake	Refers to the value of the orders that has been reported during the period.	The measure enables investors to better assess the Company's future sales.

Definitions of alternative performance indicators, cont.

Performance indicator	Definition/calculation	Purpose
Orderbook	Refers to products and services not yet delivered.	The measure enables investors to better assess the Company's future sales.
Working capital	Working capital includes current assets minus current liabilities.	The measure is used to measure the Company's ability to meet short-term capital requirement.
Return on capital employed (ROCE)	EBIT in relation to average capital employed.	The measure shows the Company's profitability in relation to the capital employed in the business during the year.
Cash flow from operating activities	The cash flow attributable to operating activities.	The measure is used to analyze the Company's cash flow from operating activities.
Capital employed	Refers to the average equity and average interest-bearing debt during the period.	The measure is used to analyze the amount of capital used in the business during the period.
Equity ratio	Equity as a share of total assets.	The measure is used to assess the Company's financial stability.

RECONCILIATION TABLE FOR ALTERNATVE PERFORMANCE INDICATORS

	Unaudited		Audited	
SEK Thousand	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018	Jan-Dec 2017
PROFITABILITY MEASURES				
Net sales	27,481	28,288	157,048	108,966
Cost of goods sold	–4,153	–4,335	–29,454	–19,279
Gross profit	**23,328**	**23,953**	**127,594**	**89,687**
Operating income (EBIT)	–10,802	–2,151	16,128	6,541
Depreciation of tangible assets	2,905	1,037	4,654	2,941
EBITDA	**–7,897**	**–1,114**	**20,782**	**9,482**
CAPITAL STRUCTURE MEASURES				
Inventory	6,367	6,487	4,955	7,005
Tax receivables	2,109	–	2,581	567
Accounts receivables	35,381	24,634	42,333	22,868
Prepaid expenses and accrued income	6,229	5,857	13,268	9,577
Other receivables	677	4,087	119	4,929
Accounts payables	4,508	4,979	11,439	6,320
Tax liabilities	223	–	280	148
Other liabilities	1,230	1,345	1,358	821
Current leasing liabilities	5,055	–	–	–
Accrued expenses and prepaid income	50,387	40,518	50,604	37,889
Working capital	**–10,640**	**–5,777**	**–425**	**–232**
Interestbearing liabilities	19,255	–	–	–
Cash and cash equivalents	11,386	15,613	17,821	14,712
Net debt	**7,869**	**–15,613**	**–17,821**	**–14,712**
Operating income (EBIT)			16,128	6,541
Interestbearing liabilities			–	–
Equity at the beginning of the period			48,641	27,163
Equity at the end of the period			66,739	48,641
Return on Capital Employed (ROCE)			**28.0%**	**17.3%**
Interestbearing liabilities at beginning of the period	–	–	–	–
Interestbearing liabilities at end of the period	19,255	–	–	–
Total equity at beginning of the period	66,739	48,641	48,641	27,163
Total equity at the end of the period	58,850	45,980	66,739	48,641
Capital employed	**72,422**	**47,311**	**57,690**	**37,902**
Total equity	58,850	45,980	66,739	48,641
Total assets	134,620	92,822	130,586	93,819
Equity to debt ratio	**43.7**	**49.5**	**51.1**	**51.8**

OPERATIONAL AND FINANCIAL REVIEW

The information provided below should be read in conjunction with the sections "Selected financial information" and "Historical financial information". The information below contains forward-looking statements which are subject to various risks and uncertainties. The Company's actual results can differ substantially from those predicted in these forward-looking statements due to various factors including, but not limited to, those described in the section "Important information – Forward-looking information" on the cover of the Prospectus and in the section "Risk factors".

Forward-looking information includes all statements in the Prospectus not referring to historical facts or events, as well as such statements referring to the future and which for example contain phrases like "considers", "estimates", "expect", "awaits", "assesses", "assumes", "anticipates", "can", "will", "should", "shall", "according to estimation", "believes", "may", "plans", "potential", "calculates", "as known" or of similar kind which describes or identifies forward-looking information. Forward-looking statements are based on current estimates and assumptions. Such forward-looking statements are subject to risks, uncertainties and other factors that can entail that the actual results can differ substantially from the results that explicitly or indirectly are the basis for, or are described, the statements, or entail that the expectations that explicitly or indirectly are the basis for, or are described in, the statements are not met or shown to be less advantageous.

Unless otherwise stated, the selected information has been derived from Mentice's complete consolidated financial information as of and for the financial years ended on 31 December 2018 and 2017, which has been prepared specifically for the Prospectus and in accordance with the International Financial Reporting Standards ("IFRS") as they have been adopted by the European Union. The consolidated financial information for the financial years 2018 and 2017 has been audited by the Company's auditor in accordance with FAR's recommendation RevR 5 – Review of financial information in the Prospectus. The interim financial information for the periods January 1–March 31, 2019 and comparative period is derived from the Company's interim report for January 1–March 31, 2019, which has been prepared in accordance with IAS 34 as adopted by the EU and reviewed by Mentice's independent auditor as stated in their report, which is found in the section "Historical financial information" in the Prospectus. Unless expressly stated herein, no financial information in the Prospectus has been audited or reviewed by the Company's auditor. This section should be read in conjunction with the sections "Selected historical financial information", "Historical financial information", and "Capitalization, indebtedness and other financial information" contained in the Prospectus. For further information on applied accounting principles, see Note 1 ("Accounting principles") in the section "Historical financial information. Financial terms that are not defined in the coming sections have the same definitions as defined in the sections "Selected financial information", "Glossary", and "Definitions"

FACTORS AFFECTING OPERATING PROFIT

Mentice's financial results have been affected by, and will be affected by a number of factors, some of which lie beyond that of the Company´s control, currently as well as in the future. This section includes the key factors that Mentice considers have affected the Company´s operating results and financial results under the period covered by the financial information in the prospectus as well as the factors that could continue to do so in the future. Listed below are the factors that Mentice considers having the largest impact on its operating results.

GROSS MARGINS AND SCALABILITY

The Company has for a long time managed to maintain high gross margins on its products for a number of reasons. Mentice provides high-tech solutions for endovascular simulation, a market where competition has so far been limited. The production of the hardware for Mentice 's products is outsourced, while the software, where the greater part of the product's final value is, is developed in-house. As almost all customization takes place inside the software and most of the production for the hardware can be standardized, which helps to keep costs down. Mentice has extensive experience from developing systems in endovascular simulation and believes that the Company has reached a strong position in this market. 1) Given its market-leading position that Mentice consider themselves to have reached, the Company has a strong belief that the high gross margins will maintain. This, in combination with the high demand and economies of scale, means that the Company can sell large volumes and at the same time maintain stable gross margins.

BUSINESS ENVIRONMENT

The market for medical simulation modules has experienced strong growth in recent years. According to a market report from Markets and Markets,2) the trend will continue and thus the Company's addressable market can be expanded. The expected average annual growth rate in medical simulation is about 15 percent and is expected to maintain that growth going forward. In addition, endovascular treatments are increasingly replacing traditional open surgery, which constitutes an underlying trend that should benefit a player such as Mentice who provides simulation solutions in this segment. For more information see the section "*Market overview – The endovascular simulation market*".

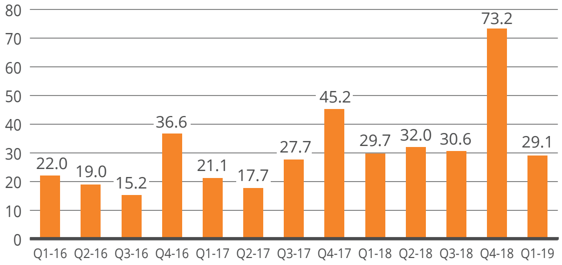
Although there has been a sharp increase in the number of endovascular treatments historically, there is no guarantee that the market in endovascular simulation will continue to develop in favor of Mentice. The Company has a strong patent portfolio, customer base, and research and development resources. The current political climate should not extensively affect the Company's ability to reach customers as Mentice has established operations in key markets along with strong partnerships with leading pharmaceutical companies and educational institutions.

SEASONALITY

The company's revenue distribution is weighted to the fourth quarter, and can represent up to 40 percent of the annual turnover. The reason for this distribution is that customers tend to want to use up their annual budget, which results in a larger share of orders during the last quarter of the year. With an increased installed base and the introduction of an annual subscription model for the Company's software, future revenues are expected to be distributed more evenly over the year.

Parts of Mentice's customer base comprise major medical technology companies. These companies' need for Mentice's products is strongly linked to their own product launches. In the case of a product launch, the need for a new simulation solution emerges in order for their end customers, physicians and other practitioners, to safely learn how to handle and use the product correctly. As a result of the timing of the product launches, sales to major customers can vary greatly over time, where product launches from Mentice's customers are a strong driving factor. Since Mentice works with a large number of clients globally, the Company has managed to spread its risk between these clients.

Sales by quarter (SEK million)3)



PRODUCT DEVELOPMENT AND INNOVATION

Mentice develops both the software and hardware components of its systems at its development sites in Gothenburg, Sweden and Denver, Colorado. The majority of development projects relate to software improvements and project management. Development work is done for both Mentice's own and customer-specific products where the Company develops and manufactures a customized simulation solution. The manufacture of the Company's hardware is outsourced to suppliers while Mentice is responsible for product development. For further information, please see the section "*Development and Production*" in the section "*Business description*".

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1) The strong position Mentice considers itself to have is based on the industry knowledge the company possesses, dialogues with customers, and comparison with the competing products that exist in the field of advanced endovascular simulation. These claims are based on the Company's industry knowledge and dialogues with clients and suppliers.

2) Markets and Markets: Healthcare/Medical Simulation Market 2018.

3) Sales by quarter is based on unaudited financial information from the Company's internal reporting system.

CURRENCY EXPOSURE

The Company has costs related to its operations in foreign currencies, mainly in SEK and USD. Fluctuations between these currencies can affect the Company´s financial position and result positively or negatively. The Group is through translation risk exposed to the conversion of the subsidiary's income statement and balance sheet from USD and YEN to SEK. EUR is the currency exhibiting the highest sensitivity to the Company's operating profit. If the EUR had weakened by 10 percent against SEK, the operating profit would have decreased by SEK 8 million during the fiscal year 2018, all else equal. Mentice uses financial hedging instruments on approximately 60 percent of the Company's orders to handle currency changes in EUR. For further information on currency risks, see the section "*Risk factors*".

ACQUISITION OF MEDICAL SIMULATION CORPORATION (MSC)

In December 2017, Mentice acquired the assets of the US endovascular simulation company Medical Simulation Corporation (MSC), headquartered in Denver, Colorado. Just like Mentice, MSC was a company with the ambition to improve health care by offering simulation of medical tools and clinics-supported training programs. The acquisition of MSC strengthened the Company's competitiveness, especially in the North American market. Before the acquisition, the MSC was one of two direct competitors to Mentice in the market in endovascular simulation.

KEY ITEMS IN THE INCOME STATEMENT

COST OF GOODS SOLD

Cost of goods sold include costs for the system, event, support, and shipping.

PERSONNEL COSTS

Personnel costs consist mainly of salaries and other remuneration, as well as social security contributions and pensions paid to the Company's employees.

OTHER EXTERNAL COSTS

Other external costs include consumables, travel expenses, marketing costs, and consulting costs.

COMMENTS ON THE FINANCIAL DEVELOPMENT

COMPARISON BETWEEN THE PERIOD JANUARY – DECEMBER 2017 AND JANUARY – DECEMBER 2018

The Group's net sales in 2018 compared to 2017

SEK Thousand	Jan-Dec 2017[1]	Organic growth[2]	Acquired growth[2]	Currency effects[2]	Total growth[2]	Jan-Dec 2018[1]
Net sales	108,966	32,077	10,909	5,096	48,082	157,048
% of net sales		29.4%	10.0%	4.7%	44.1%	

1) Figures derived from the Group's audited full-year financial statements.

2) Unaudited figures from the Group's internal reporting system.

NET SALES

The Group's net sales increased by SEK 48,082 thousand, or 44 percent, from SEK 108,966 thousand in 2017 to SEK 157,048 thousand in 2018. Net sales consisted of revenues from sales of products and services rendered. The increase in net sales was mainly attributable to continued growth in sold systems during the year, up-selling, and increased revenue from service and support.

NET SALES BY MARKET

	Audited[1]	
SEK Thousand	Jan-Dec 2018	Jan-Dec 2017
EMEA[2]	52,627	24,635
APAC[3]	41,315	41,025
Americas	63,107	43,306
Total	**157,049**	**108,966**

1) The financial figures stem from the Company's audited financial information for the financial year 2018 and 2017, which can be found in the section "*Historical financial information*".

2) EMEA is an abbreviation for Europe, the Middle East, and Africa.

3) APAC is an abbreviation for Asia and the Pacific.

NET SALES BY CUSTOMER SEGMENT

	Audited[1]	
SEK Thousand	Jan-Dec 2018	Jan-Dec 2017
Medical device industry	105,723	74,733
Academic and university hospitals	43,269	32,038
Healthcare systems	8,056	2,194
Total	**157,048**	**108,965**

1) The financial figures stem from the Company's audited financial information for the financial year 2018 and 2017, which can be found in the section "*Historical financial information*".

NET SALES BY PRODUCT GROUP

	Unaudited[1]	
SEK Thousand	Jan-Dec 2018	Jan-Dec 2017
System	55,755	41,828
Software	51,442	27,745
Support & Service	49,851	39,393
Total	**157,048**	**108,966**

1) Unaudited and unreviewed financial figures from the Company's internal reporting system.

OPERATING PROFIT

The Group's operating profit increased by SEK 9,587 thousand, or 147 percent, from SEK 6,541 thousand in 2017 to SEK 16,128 thousand in 2018. The increased operating profit was mainly attributable to the increased revenue flow from all product groups, segments, and regions.

FINANCIAL INCOME

The Group's financial income increased by SEK 286 thousand, or 127 percent, from SEK 225 thousand in 2017 to SEK 511 thousand in 2018. The Group's financial income largely consisted of exchange rate differences on financial assets and liabilities.

FINANCIAL EXPENSES

The Group's financial expenses decreased by SEK 629 thousand, or 44 percent from SEK –1,438 thousand in 2017 to SEK –809 thousand in 2018. The Group's financial expenses consisted of interest expenses and other financial expenses. During 2018, a SEK 1,995 thousand financial receivable write-off was made related to the asset acquisition of Medical Simulation Corporation (MSC).

PROFIT BEFORE AND AFTER TAX

The Group's profit before tax increased by SEK 8,507 thousand, or 160 percent, from SEK 5,328 thousand in 2017 to SEK 13,835 thousand in 2018. Profit after tax increased by SEK 13,966 thousand from SEK 6,182 thousand in 2017 to SEK 20,148 thousand in 2018.

TAX

The Group's positive tax effect increased by SEK 5,459 thousand, or 639 percent, from SEK 854 thousand in 2017 to SEK 6,313 thousand in 2018. The positive tax effect is attributed to activation of deferred tax assets attributable to previously not capitalized deficit.

CASH FLOW FROM OPERATING ACTIVITIES

The Group's cash flow from operating activities increased by SEK 274 thousand, or 2 percent, from SEK 15,731 thousand in 2017 to SEK 16,005 thousand in 2018. The cash flow from operating activities is mainly explained by the Company's operating profit, which more than doubled compared to the previous year. The fact that the cash flow, despite the large improvement in operating profit, increased by only 2 percent is due to negative cash flows from operating receivables.

CASH FLOW FROM INVESTING ACTIVITIES

The Group's cash outflow from investing activities increased by SEK 4,534 thousand, or 58 percent, from SEK –7,858 thousand in 2017 to SEK –12,392 thousand in 2018. The increase in cash outflow was due to an increase in both acquisition of tangible fixed assets and capitalized development expenses.

CASH FLOW FROM FINANCING ACTIVITIES

The Group's cash outflow from financing activities increased by SEK –958 thousand, from SEK 0 in 2017 to SEK –958 thousand in 2018.

LIQUIDITY AND FINANCIAL POSITION

The Group's equity increased by SEK 18,098 thousand, or 37 percent, from SEK 48,641 thousand in 2017 to SEK 66,739 thousand in 2018. The increase was mainly attributable to the profit for the period. The Group's interest-bearing liabilities increased by SEK 166 thousand, from SEK 0 in 2017 to SEK 166 thousand in 2018. The Group's total liabilities increased by SEK 18,669 thousand, or 41 percent, from SEK 45,178 thousand in 2017 to SEK 63,847 thousand in 2018. The increase was mainly due to increased accounts payable as well as increased accrued expenses and prepaid income. The Group's cash and cash equivalents increased by SEK 3,109 thousand, or 21 percent, from SEK 14,712 thousand in 2017 to SEK 17,821 thousand in 2018.

COMPARISON BETWEEN THE PERIOD JANUARY – MARCH 2019 AND JANUARY – MARCH 2018

The Group's net sales in the first quarter of 2019 compared to the same period in 2018

SEK Thousand	Jan-Dec 2018[1]	Organic growth[2]	Acquired growth[2]	Currency effects[2]	Total growth[2]	Jan-Dec 2019[1]
Net sales	28,288	–2,986	–	2,179	–807	27,481
% of net sales		–10.6%	–	7.7%	–2.9%	

1) Figures derived from the Group's unaudited quarterly report.

2) Unaudited figures from the Group's internal reporting system.

NET SALES

The Group's net sales in the first quarter decreased by SEK 807 thousand, or 3 percent, from SEK 28,288 thousand in 2018 to SEK 27,481 thousand in 2019. Net sales consisted of revenues from sales of products and services rendered, capitalized work for own account. The decrease in net sales was mainly attributable to weaker sales in the customer segment Academic and university hospitals. The table below shows net sales per market, customer segment, and product group.

NET SALES BY MARKET

	Unaudited[1]	
SEK Thousand	**Jan-Mar 2019**	**Jan-Mar 2018**
EMEA[2]	12,042	8,388
APAC[3]	5,667	5,774
Americas	9,772	14,126
Total	**27,481**	**28,288**

1) The financial figures stem from the Company's quarterly report for the period January–March 2019, which can be found in the section *"Historical financial information"*.

2) EMEA is an abbreviation for Europe, the Middle East, and Africa.

3) APAC is an abbreviation for Asia and the Pacific.

NET SALES BY CUSTOMER SEGMENT

	Unaudited[1]	
SEK Thousand	**Jan-Mar 2019**	**Jan-Mar 2018**
Medical device industry	21,289	19,341
Academic and university hospitals	5,807	8,947
Healthcare system	385	–
Total	**27,481**	**28,288**

1) The financial figures stem from the Company's quarterly report for the period January–March 2019, which can be found in the section *"Historical financial information"*.

NET SALES BY PRODUCT GROUP

	Unaudited[1]	
SEK Thousand	**Jan-Mar 2019**	**Jan-Mar 2018**
System	7,702	6,824
Software	9,368	11,618
Support & Service	10,411	9,846
Total	**27,481**	**28,288**

1) The financial figures stem from the Company's quarterly report for the period January–March 2019, which can be found in the section *"Historical financial information"*.

OPERATING PROFIT

The Group's operating profit in the first quarter decreased by SEK 8,651 thousand, or 402 percent, from SEK –2,151 thousand in 2018 to SEK –10,802 thousand in 2019. The increased operating profit was mainly attributable to lower sales along with increased expenses for consultants and employee recruitment.

FINANCIAL INCOME

The Group's financial income in the first quarter decreased by SEK 317 thousand, or –98 percent, from SEK 323 thousand in 2018 to SEK 6 thousand in 2019. The Group's financial income consisted of interest on deposited funds.

FINANCIAL EXPENSES

The Group's financial expenses in the first quarter increased by SEK 202 thousand, or 34 percent from SEK –599 thousand in 2018 to SEK –801 thousand in 2019. The Group's financial expenses mainly consisted of an expense regarding interest on a leasing liability according to IFRS16.

PROFIT BEFORE AND AFTER TAX

The Group's profit before tax in the first quarter decreased by SEK 9,170 thousand, or 378 percent, from SEK –2,427 thousand in 2018 to SEK –11,597 thousand in 2019. The profit after tax decreased by SEK 5,749 thousand, from SEK –2,793 thousand in 2018 to SEK –8,542 thousand in 2019.

TAX

The Group's positive contribution from unutilized tax reserves in the first quarter increased by SEK 3,421 thousand, from SEK –366 thousand in 2018 to SEK 3,055 thousand in 2019. The positive tax effect is attributed to activation of deferred tax assets attributable to previously not capitalized deficit.

CASH FLOW FROM OPERATING ACTIVITIES

The Group's cash flow from operating activities in the first quarter decreased by SEK 6,925 thousand, from SEK 3,219 thousand in 2018 to SEK –3,706 thousand in 2019. The decrease was mainly attributable to lower operating profit and reduced operating liabilities.

CASH FLOW FROM INVESTING ACTIVITIES

The Group's cash outflow from investing activities in the first quarter decreased by SEK 950 thousand, or 37 percent, from SEK –2,591 thousand in 2018 to SEK –1,641 thousand in 2019. The decrease was mainly related to the reduction of capitalized development expenses.

CASH FLOW FROM FINANCING ACTIVITIES

The Group's cash outflow from financing activities in the first quarter increased by SEK 1,248 thousand, from SEK 0 in 2018 to SEK 1,248 thousand. The cash outflow was attributable to loan repayments.

LIQUIDITY AND FINANCIAL POSITION

The Group's equity in the first quarter increased by SEK 12,870 thousand, or 28 percent, from SEK 45,980 thousand on 31 March 2018 to SEK 58,850 thousand on 31 March 2019. The increase was mainly attributable to increased retained earnings. The Group's interest-bearing liabilities increased by SEK 14,200 thousand, from SEK 0 on 31 March 2018 to SEK 14,200 thousand on 31 March 2019.

The Group's total liabilities in the first quarter increased by SEK 28,928 thousand, or 62 percent, from SEK 46,842 thousand on 31 March to SEK 75,770 thousand in 2019. The increase was mainly attributable to increased long-term leasing liabilities as well as increased accrued expenses and prepaid income. The Group's cash and cash equivalents decreased by SEK 4,227 thousand, or 27 percent, from SEK 15,613 thousand on 31 March 2018 to SEK 11,386 thousand on 31 March 2019.

CAPITAL STRUCTURE AND OTHER FINANCIAL INFORMATION

The tables in this section present Mentice's capitalization and indebtedness for the Group as of 31 March 2019. See the section "Shareholder capital and ownership structure" for additional information including Mentice's share capital and shares. The tables in this section should be read together with the sections "Operational and financial overview and "Historical financial information".

EQUITY AND LIABILITIES

As of 31 March 2019, Mentice's equity amounted to SEK 58,850 thousand, compared to SEK 45,980 thousand on 31 March 2018. In the table below, the Company's financial position as of 31 March 2019 is presented.

SEK Thousand	31 Mar 2019
Current interest-bearing liabilities	
Guaranteed	–
Secured	–
Not guaranteed or secured	5,055
Total current interest-bearing liabilities	**5,055**
Non-current interest-bearing liabilities	
Guaranteed	–
Secured	–
Not guaranteed or secured	14,200
Total long-term interest-bearing liabilities	**14,200**
Equity	
Share capital	1,120
Other capital contribution	12,032
Reserves	–642
Retained earnings including income for the period	46,340
Total equity	**58,850**

NET DEBT

In the table below, Mentice's interest-bearing net debt as of 31 March 2019 is presented.

SEK Thousand	31 Mar 2019
(A) Cash at hand	11,386
(B) Cash equivalents	–
(C) Trading securities	–
(D) Total cash and cash equivalents (A) + (B) + (C)	**11,386**
(E) Current financial receivables	–
(F) Current liabilities to banks	–
(G) Current part of long-term liabilities	–
(H) Other current liabilities	5,055
(I) Total current liabilities (F)+(G)+(H)	**5,055**
(J) Net current debt (I)–(E)–(D)	**–6,331**
(K) Long-term bank loans	–
(L) Issued bonds	–
(M) Other long-term liabilities	14,200
(N) Non-current debt (K)+(L)+(M)	**14,200**
(O) Net debt (J)+(N)	**7,869**

RESEARCH AND DEVELOPMENT

Mentice's core business is focused on the development of products for medical simulation. Research and development activities are conducted in several areas as the Company invests in the development of new technologies that can support continued growth, but also in collaboration with others. One such example is the Company's collaboration with Laerdal Medical AS (Norway), where the Company, in a project financed by Eurostar, develops the next generation of integrated patient simulators. In collaboration with universities, in and outside of Sweden, projects in augmented reality and virtual reality, among other technologies, are ran. Mentice also runs a project where machine learning is utilized to streamline and automate the input of anatomies into the Company's simulation directly from computer tomography (CT).

Mentice's research and development expenses in 2017 amounted to approximately SEK 6.0 million. In 2018, research and development expenses amounted to approximately SEK 9.9 million. During the period 1 January to 31 March 2018 and 1 January to 31 March 2019, research and development expenses amounted to approximately SEK 1.5 million and SEK 2.6 million, respectively.

INVESTMENTS

HISTORICAL INVESTMENTS

The table below summarizes Mentice's total investments for the periods covered by the historical financial information. The company's assets primarily consist of intangible assets.

	Unaudited		Audited	
SEK million	**Mar 2019**	**Mar 2018**	**Dec 2018**	**Dec 2017**
Tangible fixed assets	116	–	2,534	483
Intangible fixed assets	1,525	2,591	9,858	7,375
Total	**1,641**	**2,591**	**12,392**	**7,858**

CURRENT AND FUTURE INVESTMENTS

The company has no current or planned future significant investments.

STATEMENT OF WORKING CAPITAL

The Board of Directors of the Company believes that the current working capital is sufficient for the Group's needs during the coming twelve months. Working capital refers to Mentice's ability to access liquid funds in order to fulfil its payment obligations, after which they are due for payment.

SHARE ISSUE

Pursuant to the authorization from the Annual General Meeting held on 17 April 2019, the Mentice Board of Directors decided to issue new shares in connection with the Offering. Through the share issue, Mentice will receive SEK 82 million before transaction fees provided that the Offering is fully subscribed. For further details see section "*Invitation to acquire shares in Mentice AB*".

KEY EVENTS AFTER MARCH 31, 2019

- The Annual General Meeting decided to implement a warrant incentive programme in 2019.
- The Annual General Meeting decided on a dividend on the earnings for 2018 of SEK 0.18 per share, giving a total of SEK 2.0 million.
- The Annual General Meeting decided to split the number of shares from 11,201,057 to 22,402,114 which was registered on May 2, 2019.
- The Annual General Meeting decided to change the Company category from private to public.
- The Board of Directors decided to increase the company share capital by 3,548.4 SEK and issue 70,968 new shares.
- Dispute with Medical Simulation Corporation has been fully resolved where a settlement agreement has been signed with the counterpart.

Except for the events stated above, there have not been any material changes to the company´s financial position or market position since.

BOARD OF DIRECTORS, SENIOR EXECUTIVES AND AUDITORS

BOARD OF DIRECTORS

Mentice's board of directors currently consists of four ordinary members, including the chairman of the board of directors, with no deputy board members, all of whom were appointed by the Annual General Meeting held on 17 April 2019 for the period until the end of the Annual General Meeting to be held in 2020. The table below present the board members, their positions, the year they were elected, their independence in relation to Mentice, senior executives and major shareholders and their holdings in Mentice. According to the Swedish Code of Corporate Governance (sv. *Svensk Kod för bolagsstyrning*), Major shareholders are defined as owners who directly or indirectly control 10 percent or more of the shares or votes in the Company.

			Independent in relation to		
Name	**Position**	**Member since**	**The Company and its senior management**	**Major shareholders in Mentice**	**Holdings in Mentice**[1]
Lawrence D. Howell	Chairman	2011	Yes	No	8,904,200 S[3]
Magnus Hardmeier	Board member	2006	Yes	No	–[2]
Bengt Sjöholm	Board member	2014	Yes	Yes	–
Johann Koss	Board member	2015	Yes	Yes	–[3]

1) Refers to shares ("S") held in their own name as well as by affiliated natural and legal persons.

2) Magnus Hardmeier represents Priveq Investment, the Company's second largest shareholder (Priveq Investment Fund III KB and Priveq Investment Fund III AB).

3) Karin Howell-Bidermann has entered into a share purchase agreement with Göran Malmberg, Johann Koss and one other individual, regarding the sale of shares. However, the shares remain in the possession of Karin Howell-Bidermann as security for full payment and are in this section attributed to Lawrence D. Howell. For more information, see section "*Share Capital and Ownership Structure – Share transfer agreement with the Company's largest shareholder*".

SENIOR EXECUTIVES

The table below presents the senior excecutives, their positions, the year they were introduced to the team of Senior Executives, the year they were employed by the Company and their holdings in Mentice.

Name	**Position**	**Member of the Senior Executives team since**	**Employed in the Company since**	**Holdings in Mentice**[1]
Göran Malmberg	Group Chief Executive Officer	2008	2008	488,450 S and 357,480 W[2]
Elisabet Lund	Chief Financial Officer	2012	2012	5,000 S and 25,000 W
Henrik Storm	Chief Technical Officer	2014	2014	40,848 S and 43,330 W
Edward Fält	Vice President of Products	2016	2008	20,000 S and 43,330 W
Benjamin Speich	Vice President of Global Operations	2019	2008	–
Matar Dakhil	Executive Vice President of Sales	2008	2008	142,224 S and 43,330 W
Thanos Karras	Vice President of Global Marketing	2019	2019	20,000 W
David J. Ballard	Executive Vice President and Chief Clinical Officer	2019	2019	238,320 W

1) Refers to shares ("S") and warrants ("W") held in their own name as well as by affiliated natural and legal persons.

2) Karin Howell-Bidermann has entered into a share purchase agreement with Göran Malmberg, Johann Koss and one other individual, regarding the sale of shares. However, the shares remain in the possession of Karin Howell-Bidermann as security for full payment and are in this section attributed to Lawrence D. Howell. For more information, see section "*Share capital and ownership structure – Share transfer agreement with the Company's largest shareholder*"

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BOARD OF DIRECTORS

LAWRENCE (LONNIE) D. HOWELL

Born 1953. Chairman of the board of directors since 2011.

Professional background: Lawrence Howell has more than 40 years of experience in financial services and during this time he has held multiple executive positions in the banking and investment sector, most recently as Chief Executive Officer of EFG International, a listed bank holding company. From 1995 to 1997, Lawrence was CEO of the predecessor entity, EFG Bank, and Chief Executive Officer of EFG Bank Zurich from 1997 to 2005. Lonnie was also with Coutts & Co. International Private Banking from 1989 until 1995, first as Head of Americas and responsible for clients domiciled in the Americas as well as for the bank's offices in the US, the Bahamas, Bermuda, Cayman Islands and Latin America, and from 1993, as Head of Americas and Asia. From 1986 to 1989, Lawrence spent three years at Citibank in Switzerland as Vice President in charge of Swiss Ultra High Net Worth clients. From 1985 to 1986, he was with McKinsey & Co. in New York consulting on insurance, retail banking and private banking.

Education: Law degree from University of Virginia Law School. Bachelor in History from University of Virginia.
Member of the Virginia State Bar Association (VSBA).

Other ongoing assignments:Chairman of Capital Union Bank Ltd (Bahamas), UCAP Asia (Hong Kong) Limited and UCAP Asset Management Asia PTED Ltd (Singapore). Board member of Union Capital Asset Management (Taiwan) Co., Ltd, and Union Capital Group US. Limited partner of Crozet New Town and Transatlantic Partners. Board director of The Jeffersons Scholars Foundation, board member of The Lawrenceville School and foundation council member of Kids in Motion and BankingOnPeople Development Foundation.

CEO of Holdco LDH LLC, LDH Ventures Inc, UCAP Asset Management (UK) Ltd, UCAP Investment Advisory Co., Ltd, UCAP Securities LLC, UCAP Telos Ltd, and Union Capital Group Holdings Ltd (Bermuda).

Previous assignments completed within the past five years: –

Holdings in Mentice: 8,904,200 shares held by spouse Karin Howell-Bidermann.[1)]

Independent: Independent in relation to the Company and its management, but not in relation to major shareholders, as the spouse of Karin Howell-Bidermann, the Company's single largest shareholder.

MAGNUS HARDMEIER

Born 1959. Member of the board of directors since 2006.

Professional background: Magnus Hardmeier has over 30 years of venture capital and private equity business experience. Magnus also has many years of experience from board assignments and has previously held a board assignment in a listed company. Magnus has been working within the Priveq group since 1987. Prior to joining the Priveq group, Magnus worked in the financial department at Wallenius and spent three years with the Swedish venture capital company Företagskapital. Magnus has experience from a number of different business sectors, with a particular focus on medical technology and high-tech product companies.

Education: Master of Science in Business and Economics from the Stockholm School of Economics.

Other ongoing assignments: Chairman and board member of Priveq Holding V AB, Priveq Investment V (A) AB, Priveq Investment (B) AB, and Veqirp 46 AB. CEO and board member of Priveq Advisory AB, Priveq G.P. III AB, and Priveq Investment Fund III AB. Board member of DP Investment AB, Metenova AB, Metenova Holding AB, Priveq MH I AB, Priveq MH II AB, and Priveq Partners Holding AB. Deputy board member of Danfo Aktiebolag, Danfo Holding Aktiebolag, Danfo International AB, Nordic Room Improvement AB, Nordic Room Improvement Holding AB, Omegapoint Group AB, Omegapoint Holding AB, Scanhold AB, and Scanmast AB.

Previous assignments completed within the past five years: Board member of Avaj International Holding AB, Crem International Holding AB, Lamiflex Holding AB, Omegapoint Holding AB, and Silex Microsystems AB. Deputy board member of Unisport Holding AB and Unisport Scandinavia AB.

Holdings in Mentice: –

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

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1) Karin Howell-Bidermann has entered into a share purchase agreement with Göran Malmberg, Johann Koss and one other individual, regarding the sale of shares. However, the shares remain in the possession of Karin Howell-Bidermann as security for full payment and are in this section attributed to Lawrence D. Howell. For more information, see section *"Share capital and ownership structure – Share transfer agreement with the Company's largest shareholder"*.

BENGT SJÖHOLM

Born 1953. Member of the board of directors since 2014.

Professional background: Bengt Sjöholm has long experience from various management and board assignments, and experience from the Medtech industry, essentially within the pharmaceutical and hospital sectors. Bengt held leading positions in the Getinge Group, being a part of the group management for more than 10 years, where he among other things, was involved in the start-up of Getinge Japan and Getinge Brazil. He was also CEO of Tylö group, a company within the wellness business and Movement Medical AB, an orthopedic hospital, now a part of the Capio group. Bengt is currently involved in creating a new concept for hospital management, Hälsostaden.

Education: Master of Science in Electrical Engineering from Faculty of Engineering (LTH), Lund University.

Other ongoing assignments: Chairman, board member and CEO of BSJ I Halmstad AB. Chairman and board member of Köpingbaden Camping och Utveckling AB. Board member of CELLINK AB, Handelstriangeln AB, and Texor Aktiebolag.

Previous assignments completed within the past five years: Chairman and board member of ART2DENT Sweden AB, CARPONOVUM AB, and Protetiko AB. Board member of Högskolan I Halmstads Investerings AB, Högskolan I Halmstad Utvecklingsaktiebolag, QleanAir Holding AB, QleanAir Scandinavia AB, Sista Versen 32918 AB (merged into Slutklämmen 2117e1 AB), Virtual Trainer Apps Sweden AB, and Virtual Trainer Sweden AB. Deputy board member of Secure Logistics Sweden AB.

Holdings in Mentice: –

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

JOHANN KOSS

Born 1968. Member of the board of directors since 2015.

Professional background: Johann Koss is an internationally recognized social entrepreneur who has been widely acknowledged for his work in promoting the use of sport and play as a tool for positive childhood development. He founded Right To Play in 2000, dedicating himself to growing it into an influential international non-government organization, and a leader within the Sport for Development and Peace movement. Currently, Right To Play operates in more than 20 countries reaching over one million children each week, and had as of 2014 an annual budget of USD 48 million. Right to Play is supported by 650 employees and 16,000 volunteering coaches worldwide.

Johann has received several awards for his philanthropic service and leadership. Most recently, he received the "Order of Canada" from the Governor General in Canada, the order is the cornerstone of the Canadian honours system, recognizes outstanding achievement, dedication to the community and service to the nation.

Education: MBBS from the University of Queensland. MBA from Rotman School of Management at the University of Toronto.

Other ongoing assignments: –

Previous assignments completed within the past five years: Board member of Dream Industrial Real Estate Investment Trust, Dream International Real Estate Investment Trust, Dream Office Real Estate Investment Trust, Gates Ltd, and Secudna Inc. CEO of Waratah.

Holdings in Mentice: –1)

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

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1) Karin Howell-Bidermann has entered into a share purchase agreement with Göran Malmberg, Johann Koss and one other individual, regarding the sale of shares. However, the shares remain in the possession of Karin Howell-Bidermann as security for full payment and are in this section attributed to Lawrence D. Howell. For more information, see section *"Share capital and ownership structure – Share transfer agreement with the Company's largest shareholder"*.

SENIOR EXECUTIVES

GÖRAN MALMBERG

Born 1959. Group Chief Executive Officer & President since 2008.

Professional background: Göran Malmberg has approximately 30 years of experience in senior executive management work in an international environment, sales and marketing of high-tech products in various industries, such as manufacturing, automotive, industrial products, medtech/healthcare. Göran has experience from several board and executive management positions in both Swedish and international companies, such as PTC (Parametric Technology Corporation), Autotrol Technology, Opticore/Autodesk and Programator/Cap Gemini.

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

Other ongoing assignments: Board member of GMBA Göran Malmberg Business Alignment AB.

Previous assignments completed within the past five years: –

Holdings in Mentice: 488,450 shares and 357,480 warrants held directly and indirectly through company.[1]

ELISABET LUND

Born 1968. CFO since 2012.

Professional background: Elisabeth Lund Lund has experience from the financial, human resources and IT fields and has been CFO and a part of the management team for several companies over the past 15 years, such as Neoventa Medical (supplier of solutions for fetal monitoring).

Education: Bachelor Degree in Finance and Administration from the University of Gothenburg.

Other ongoing assignments: –

Previous assignments completed within the past five years: –

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

HENRIK STORM

Born 1972. CTO since 2014.

Professional background: Henrik Storm has over 15 years of experience in technology development and management issues including software and hardware. Henrik has previously worked at Summus, Inc. (Raleigh, North Carolina) in the United States as, among other positions, head of Summus's Swedish development branch. Henrik has held various positions at Fingerprint Cards from 2004 to 2014, including vice president of customer projects with responsibility for building and managing the company's technical customer-specific resources in Sweden, the United States, Japan, Korea, Taiwan, and China.

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

Other ongoing assignments: Deputy board member of Storm Konsult AB.

Previous assignments completed within the past five years: –

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

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1) Karin Howell-Bidermann has entered into a share purchase agreement with Göran Malmberg, Johann Koss and one other individual, regarding the sale of shares. However, the shares remain in the possession of Karin Howell-Bidermann as security for full payment and are in this section attributed to Lawrence D. Howell. For more information, see section *"Share capital and ownership structure – Share transfer agreement with the Company's largest shareholder"*.

EDWARD FÄLT

Born 1977. Vice President of Products since 2019, part of the management team since 2016 and employed by the Company since 2008.

Professional background: Edward is employed by Mentice since 2008, and is since 2016 part of the Company's management team. Edward is Vice President of Products, and responsible for product management globally, since January 2019. Prior to joining Mentice, Edward worked as an engineer, consultant and programmer within the pharmaceutical industry, and has also worked at the Swedish Defence Research Agency.

Education: Master of Scince in Engineering Physics from Chalmers University of Technology.

Other ongoing assignments: –

Previous assignments completed within the past five years: –

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

BENJAMIN SPEICH

Born 1982. Vice President of Global Operations since 2019, employed by the Company since 2008.

Professional background: Prior to joining Mentice, Benjamin was enlisted in the United States Air National Guard for 8 years as a C130 Turbprop Specialist.

Education: Associates Degree Computer Networking Services, ITT Technical Institute, 2008.

Other ongoing assignments: –

Previous assignments completed within the past five years: –

Holdings in Mentice: –

MATAR DAKHIL

Born 1964. Executive Vice President of Sales since 2019.

Professional background: Matar Dakhil has over 20 years of experience within the medical device industry, 10 of which in the area of interventional cardiology. Prior to joining Mentice, Matar held various business development, senior sales and marketing positions in Europe and throughout Asia Pacific. He was responsible for Mentice's Asia Pacific business from 2005 to 2007, based in Singapore, before relocating to Europe in early 2008.

Education: Master of Science in Mechanical Engineering from RWTH Aachen, Germany.
Executive MBA from Hult Business School, London, UK.

Other ongoing assignments: –

Previous assignments completed within the past five years: –

Holdings in Mentice: 142,224 shares and 43,330 warrants.

SENIOR EXECUTIVES, CONT.

THANOS KARRAS

Born 1963. Vice President of Global Marketing since 2019.

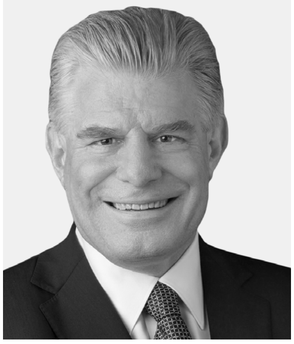
Professional background: Thanos Karras has experience from management of public companies, such as GE Siemens, Technology Solutions Company and Stereotaxis.

Education: Master of Business Administration from Kellogg School of Management.
Bachelor of Engineering in computer science from the University of Florida.
Master of Engineering in computer science from the University of Florida.

Other ongoing assignments: –

Previous assignments completed within the past five years: –

Holdings in Mentice: 20,000 warrants.



DAVID J. BALLARD

Born 1956. Executive Vice President and Chief Clinical Officer since 2019.

Professional background:David J. Ballard is widely recognized as a global researcher within healthcare with extensive experience in issues regarding improvement of healthcare and organizational economic development. David has served as Vice President and Responsible of Quality Manager at the largest health care system in Texas, Baylor Scott & White Health (1999–2018). He has further been listed by Becker's as one of 50 leading experts within the field of patient safety in the years 2015, 2016, 2017 and 2018. David was previously chairman for International Society for Quality in Health Care.

David has written two books on high quality leadership within health care and has received the Shingo Prize.

Education: Bachelor in Economics, Medical Doctor degree, Master of Science in Public Health and PhD in Epidemiology, from the University of North Carolina.

Other ongoing assignments: Member of the advisory committee for Mentice Inc and Robbins Institute for Health Policy and Leadership, Baylor University.

Previous assignments completed within the past five years: Board member of Select Medical-Baylor Scott & White Health Rehabilitation Services Joint Venture and The Heart Hospital Baylor Plano.
Board member of Ascension Gulf Coast Health System Board of Directors. Member of the advisory committee for AHRQ and xG Health.
Board member for Public Health Foundation at the University of North Carolina.

Holdings in Mentice: 238,320 warrants.

OTHER INFORMATION ABOUT THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

Bengt Sjöholm was previously chairman of ART2DENT Sweden AB, whose bankruptcy proceedings was completed in April of 2017. Furthermore, Bengt Sjöholm has sought judicial review by the Supreme Administrative Court of Sweden in relation to an ongoing dispute with the Swedish Tax Agency concerning taxation of benefits. Except from what is stated above, none of the Company's board members or senior executives have during the past five years (i) been convicted of fraud related offenses, (ii) represented a company which has been declared bankrupt, filed for mandatory liquidation or undergone corporate restructuring, (iii) been subject to accusations or sanctions by statutory or regulatory authorities (including recognized professional bodies) or (iv) been disqualified by a court from acting as a member of an issuer's administrative, management or supervisory body or from holding any senior or overarching position in an issuer.

There are no family ties between any board members or senior executives. None of the board members or senior executives have any other conflicts of interest or potential conflicts of interest that could conflict with the Company's interests, their private interests and/or other undertakings. However, as stated above, several board members and senior executives have financial interests in the Company through holdings of shares and/or warrants. Board member Lawrence D. Howell and Magnus Hardmeier have been appointed as a result of an informal agreement between the Company's two largest shareholders, however this agreement will expire in connection with the shares being listed on Nasdaq First North Premier. Except from this, none of the board members or senior executives have been elected or appointed as a result of a special agreement with major shareholders, customers, suppliers or other parties. None of the board members or senior executives have entered into agreements that entitle them to benefits upon termination of their assignment (except for regular severance pay for senior executives and severance packages for the CEO as described under "*Corporate Governance – Remuneration to the senior executives*"). The Company has not set aside or accrued amounts for pensions or similar benefits for board members or senior executives upon termination of employment or assignment.

All board members and senior executives can be reached via the Company's address: Odinsgatan 10, SE-411 03 Gothenburg, Sweden.

AUDITOR

KPMG AB, with address Box 16106, SE-103 23 Stockholm, Sweden, is the Company's auditor since 2012, with Frederik Waern as the auditor-in-charge. Fredrik Waern is an authorized public accountant and member of FAR, the institute for the accounting profession in Sweden. KPMG AB was elected as the Company's auditor on the Annual General Meeting held on 17 April 2019. KPMG AB has been the auditor during the whole period covered by the historical financial information in this Prospectus.

PROSPECTIVE NEW BOARD MEMBER

Bure Equity AB, who has undertaken to acquire shares in the Offering, see section "*Legal considerations and supplementary information – Acquisition undertakings by the Cornerstone Investors*", and who has entered into an agreement on preemptive rights with Priveq Investment Fund III KB and Priveq Investment Fund III AB, see section "*Share capital and ownership – Agreement on preemptive rights*", will be one of the Company's largest shareholders after the Offering, and has announced that they will request that Mentice's Board of Directors issues a notice for an extraordinary general meeting after the listing, to enable Gösta Johannesson, representing Bure Equity AB, to be elected new board member. Gösta Johannesson was born in 1959 and holds an MBA from Uppsala University. He has many years of extensive industrial experience from many different industries where he has been involved in building businesses. Gösta is currently a senior advisor to Bure Equity AB. Other assignments include a chairmanship in Xvivo Perfusion AB and a deputy chairmanship in Interflora AB and Axiell Group. Gösta has no other assignments in the Company and holds no shares or others financial instruments in the Company.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE IN MENTICE

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

GENERAL MEETING

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

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

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

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

NOMINATION COMMITTEE

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

THE BOARD OF DIRECTORS

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

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

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

The board of directors adheres to written rules of procedure which are revised annually and adopted at the constituent board meeting. The rules of procedure regulate, among other things, the practice of the board of directors, tasks, decision-making within the Company, the board of directors' meeting agenda, the chairman's duties and allocation of responsibilities between the board of directors and the CEO. Instruction for financial reporting and instructions for the

CEO are also adopted in connection with the constituent board meeting. The board of directors' work is also carried out based on an annual briefing plan which fulfils the board of directors' need for information. The chairman and the CEO maintain, alongside the board meetings, an ongoing dialogue on the management of the Company.

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

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

THE CEO AND OTHER SENIOR EXECUTIVES

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

Mentice has a management team consisting of eight people which in addition to the CEO is comprised of the Company's Chief Financial Officer, Chief Technical Officer, Vice President of Products, Vice President of Global Operations, Executive Vice President of Sales, Vice President of Global Marketing, and the Company's Executive Vice President and Chief Clinical Officer. The CEO and the senior executives are presented in the section "*Board of directors, senior executives and auditors*".

REMUNERATION TO THE BOARD OF DIRECTORS, CEO AND SENIOR EXECUTIVES

REMUNERATION TO THE BOARD OF DIRECTORS

Fees to board members elected by the general meeting are resolved by the Annual General Meeting. At the general meeting held on 17 April 2019, it was resolved that fees of SEK 100,000 was to be paid to each of the board members who are not employed by the Company.

For the financial year 2018, fees of SEK 75,000 was paid to the board member Bengt Sjöholm and SEK 100,000 to the other members of the board of directors who are deemed independent in relation to the Company's shareholders.

REMUNERATION TO THE CEO AND OTHER SENIOR EXECUTIVES

Remuneration to senior executives consists of basic salary, variable remuneration, pension benefits and other benefits. For the financial year 2018, the CEO and other senior executives received remuneration as set out in the table below. All amounts in SEK thousand.

Name	Salaries and other remuneration	Social security	Pension costs
Göran Malmberg, CEO	4,480	1,170	343
Other senior executives[1]	5,926	1,214	403
Total:	**10,406**	**2,384**	**746**

[1] Four persons in total.

Guidelines for remuneration to the CEO and other senior executives

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

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

Upon termination by the Company, the notice period shall be no longer than 12 months for all members of the senior management, with a right to redundancy payment after the expiration of the notice period corresponding to not more than 100 percent of the fixed salary for a maximum of 12 months, meaning that the fixed salary and redundancy payment shall together not exceed 24 months' fixed salary. Any right to redundancy payment shall, as a main rule, decrease in situations where remuneration is received from another employer. Upon notice given by a member of the senior management, the notice period shall generally be 6 months for the CEO and 3–6 months for other members of the senior management.

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

The guidelines are applicable on agreements entered into after the shareholders' meeting's decision, and as far as changes are made to existing agreements, thereafter. The board of directors shall be entitled to deviate from the guidelines in individual cases if there are special reasons therefore. No agreement covered by the guidelines mentioned above have been concluded or modified since the Annual General Meeting up until the date of this Prospectus.

Employment agreements for the CEO and other senior executives

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

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

EXTERNAL AUDIT

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

At the Annual General Meeting held on 17 April 2019, KPMG AB was elected as the Company's auditor with Fredrik Waern as the principally responsible auditor. At the Annual General Meeting, it was also resolved that the fees to the auditor should be paid in accordance with normal charging standards and approved invoice. The total fee paid to the Company's auditor for the financial year 2018 amounted to SEK 364 thousand, of which SEK 281 thousand regarded the audit assignment, and SEK 83 thousand regarded other assignments. Information about the auditor can be found in the section "*Board of directors, senior executives and auditors*".

INTERNAL CONTROL

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

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

SHARE CAPITAL AND OWNERSHIP STRUCTURE

GENERAL SHARE INFORMATION

According to Company's articles of association, the share capital shall be no less than SEK 500,000 and no more than SEK 2,000,000 and the number of shares shall be no less than 20,000,000 and no more than 80,000,000. The registered share capital of the Company as per the date of the Prospectus is SEK 1,123,654.1 divided between 22,473,082 shares, each with a quota value of SEK 0.05. All shares are of the same class. The Company's shares have been issued in accordance with Swedish law, are of the same class, have been fully paid and are freely transferable. The Company's shares are denominated in SEK. The shares are not subject to any offer made due to mandatory bid, redemption rights or redemption obligation. There have been no public takeover bids for the Company's shares.

CERTAIN RIGHTS ASSOCIATED WITH THE SHARES

The rights associated with the Company's shares, including rights pursuant to the articles of association, may only be amended in accordance with the procedures set out in the Swedish Companies Act.

RIGHT TO PARTICIATE AND VOTE AT GENERAL MEETINGS

To participate in the general meeting, shareholders must be registered in the Company's share register five business days prior to the meeting and also register their participation to the Company no later than the date specified in the notice. Each share entitles its holder to one vote at the general meeting and every shareholder is entitled to vote with the full number of shares owned and represented by him or her.

Preferential rights in connection with new shares etc.

If the Company resolves to issue new shares, warrants or convertible bonds by means of a cash issue or offset issue, the shareholders will, as a general rule, have preferential subscription rights in proportion to the number of shares they already own. In accordance with the provisions of the Swedish Companies Act, it is possible to deviate from shareholders' preferential rights.

RIGHT TO RECEIVE DIVIDEND PAYMENT AND ANY SURPLUS ON LIQUIDATION

All shares provide equal rights to the Company's profits and to any surplus in the event of liquidation. Decisions to pay dividends will be made by the general meeting and payment will be arranged by Euroclear Sweden AB. Dividends may, under the Swedish Companies Act, only be paid with such an amount that there is full coverage for the Company's restricted equity after the dividend and only if the dividend is justifiable in view of (i) the requirements which the nature, scope and risk of the business operations impose on the equity and (ii) the Company's consolidation requirements, liquidity and financial position in general. As a general rule, the shareholders may not decide on dividends exceeding that which the board of directors has proposed or approved.

The right to receive dividend payment belongs to the person who is registered as a holder of shares in the share register kept by Euroclear Sweden AB on the dividend record day as determined by the general meeting. If a shareholder cannot be reached through Euroclear Sweden AB, the shareholder's claim on the Company for the dividend amount will remain in force and will only be limited in time by a ten-year statute of limitations. In the event of statutory limitation, the dividend amount will revert to the Company. Neither the Swedish Companies Act nor the articles of association contain any restrictions on the right to receive dividends for shareholders outside Sweden. Except for any limitations imposed by bank or clearing systems in the relevant jurisdictions, payment to such shareholders shall be made in the same manner as for shareholders resident in Sweden. However, shareholders who have limited tax liability in Sweden will normally be subject to withholding tax, see the section "*Certain tax considerations in Sweden*".

AUTHORISATION

At the Annual General Meeting held on 17 April 2019, it was resolved to authorize the board of directors to, at one or several occasions, during the time up until the next Annual General Meeting, resolve to issue shares and/or issues of warrants, entitling the holders to subscribe for new shares and/or issues of convertibles, entitling the holders to convert the convertibles to new shares. The issue may be made against payment in cash and/or with a provision for non-payment or set-off or any other condition. The authorisation may only be used by the board of directors in order to raise capital and spread the ownership ahead of and/or in connection with a listing of the Company's shares and may not entail a share capital increase of more than 50 percent of the Company's share capital.

NEW SHARE ISSUE IN CONNECTION WITH THE OFFERING

The Offering includes a maximum of 1,673,470 newly issued shares in the Company issued pursuant to the authorization given at the Annual General Meeting held on 17 April 2019 (as well as existing shares to be sold by the Selling Shareholders). Assuming that the Offering is fully subscribed, Mentice will receive proceeds of approximately SEK 82 million before transaction fees, and the Company's share capital will increase with SEK 83,673.5 million, corresponding to a dilution of approximately 6.9 percent. The Over-Allotment option does not entail any dilution as it only covers existing shares.

CENTRAL SECURITIES REGISTER

The Company's articles of association contains a so called CSD provision for electronic registration and the Company's shares are connected to the electronic securities system with Euroclear Sweden AB, (P.O. Box 191, SE-101 23 Stockholm, Sweden) as central securities depository. The shares are registered in the name of the shareholder. No share certificates have been issued for the shares or will be issued for the new shares. The ISIN code for Mentice's shares is SE0012673291.

DIVIDEND POLICY

As the Company operates on a market with high growth, the Company considers that there will be a great need for reinvesting profits in the business. Any future dividends and their size will be determined on the basis of the Company's financial position, organic growth, acquisition opportunities, and cash flow. At the Annual General Meeting held in 2019, it was resolved to distribute dividens amounting to SEK 2,016,190 to the shareholders of Mentice, equivalent to approximately SEK 0.18 per share (calculated before share split), and at the Annual General Meeting held in 2018, it was decided to distribute dividens amounting to SEK 1,009,000, equivalent to approximately SEK 0.09 per share. Apart from the above, no dividends have been distributed during the period of the historical financial information in this Prospectus.

SHARE CAPITAL DEVELOPMENT

As of January 1 2016, the Company's share capital amounted to SEK 1,064,100.4 divided into 10,641,004 shares, each with a quota value of SEK 0.1. The share capital has developed as set out in the table below.

Year	Transaction	Increase of the share capital, SEK	Increase of the total number of shares	Total share capital, SEK	Total number of shares	Quota value, SEK
2018	New share issue by set-off1)	SEK 56,005.3	560,053	SEK 1,120,105.7	11,201,057	SEK 0.1
2019	Share split 1:2	–	11,201,057	SEK 1,120,105.7	22,402,114	SEK 0.05
2019	New share issue by set-off2)	3,548.4	70,968	SEK 1,123,654.1	22,473,082	SEK 0.05
2019	New share issue in connection with the Offering3)	SEK 83,673.5	1,673,470	SEK 1,207,327.6	24,146,552	SEK 0.05

1) The subscription price amounted to approximately SEK 21.6 per share and the set-off regarded a debt to Medical Simulation Corporation ("MSC") which arose in connection to the Company's acquisition of a part of MSC's business in December 2017. This asset acquisition is described further in the section "*Legal considerations and supplementary information*".

2 The subscription price amounted to approximately SEK 12.95 per share and the set-off regarded a debt to Medical Simulation Corporation ("MSC") which arose in connection to the settlement agreement entered into by the Company and MSC in May 2019, which in turn was connected to the Company's acquisition of a part of MSC's business in December 2017. The subscription price was based on the understanding and agreements entered into in connection with the asset purchase in 2017. This settlement agreement is described further in the section "*Legal considerations and supplementary information*".

3 The calculation of the number of new shares in the Offering is based on full subscription.

OWNERSHIP STRUCTURE

As of 29 March 2019, the Company had approximately 50 shareholders. The table below details the ownership structure as of the same date based on information from Euroclear, with the addition of changes known to the Company having occurred during the period until the publication date of the Prospectus.

	Ownership before the Offering (shares and votes)		Ownership after the Offering (shares and votes) assuming that the Over-allotment option is not exercised		Ownership after the Offering (shares and votes) assuming that the Over-allotment option is fully exercised	
Shareholder	**Number**	**Percentage**	**Number**	**Percentage**	**Number**	**Percentage**
Larger shareholders						
Karin Howell-Bidermann[1]	8,904,200[2]	39.6 %	8,904,200[2]	36.9 %	8,904,200[2]	36.9 %
Priveq[3]	7,331,210	32.6 %	2,459,171	10.2 %	1,196,059	5.0 %
EFG Bank Geneva	1,726,856	7.7 %	1,031,996	4.3 %	1,031,996	4.3 %
Medical Simulation Corporation	1,191,074	5.3 %	1,191,074	4.9 %	1,191,074	4.9 %
In total	**19,153,340**	**85.2 %**	**13,586,441**	**56.3 %**	**12,323,329**	**51.0 %**
Board and management other than above						
Göran Malmberg[4]	488,450[2]	2.2 %	488,450[2]	2.0 %	488,450[2]	2.0 %
Johann Koss	–[2]	–	–[2]	–	–[2]	–
Matar Dakhil	142,224	0.6 %	142,224	0.6 %	142,224	0.6 %
Henrik Storm	40,848	0.2 %	40,848	0.2 %	40,848	0.2 %
Edward Fält	20,000	0.1 %	20,000	0.1 %	20,000	0.1 %
Elisabet Lund	5,000	0.0 %	5,000	0.0 %	5,000	0.0 %
In total	**696,522**	**3.1 %**	**696,522**	**2.9 %**	**696,522**	**2.9 %**
Other shareholders	2,623,220	11.7 %	1,442,838	6.0 %	1,442,838	6.0 %
New shareholders	–	–	8,420,751	34.9 %	9,683,863	40.1 %
SUM	**22,473,082**	**100.0 %**	**24,146,552**	**100 %**	**24,146,552**	**100 %**

Note: Based on the assumption that the Offering is fully subscribed.

1) Karin Howell-Bidermann is the spouse of the Company's chairman, Lawrence D. Howell.

2) Karin Howell-Bidermann has entered into a share purchase agreement with Göran Malmberg, Johann Koss and one other individual, regarding the sale of 213,220 shares to each of the buyers, (in total 639,660 shares, corresponding to approximately 3 percent of the total Company's total number of shares and votes before the Offering) by payment through promissory notes. However, the shares remain in the possession of Karin Howell-Bidermann as security for full payment and are in this section attributed to Karin Howell-Bidermann For more information, see section *"Share capital and ownership structure – Share transfer agreement with the Company's largest shareholder"* .

3) Refers to Priveq Investment Fund III KB Priveq Investment Fund III AB.

4) Refers to shares held in his own name as well as by the wholly-owned company GMBA Göran Malmberg Business Alignment AB.

INCENTIVE PROGRAMS

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

The participants has entered into an agreement with the Company that, interalia, gives the Company (or a party designated by the Company) the right but not an obligation to acquire all or some of the participant's warrants in case of termination of employment or, regarding a consultant, in case of termination of the consultant's assignment. The agreement also contains provisions regarding vesting of the warrants, which are fully vested approximately 5 years after the initial allocation of the warrants.

Each vested warrant entitles the holder to subscribe for one new share in the Company against a cash payment at a subscription price of SEK 66.50 per share. The subscription price and the number of shares that each warrant confers right to subscribe for, is subject to customary recalculation provisions in connection with a new share issue etc. The warrants may be exercised during the period 1 April 2024 and 30 April 2024, and if all warrants are exercised for subscription of new shares, the Company's share capital will be increased by SEK 71,496.10, and the number of shares will increase with 1,429,922, which equals a dilution of approximately 5.6 percent of the total number of shares in the Company after the Offering.

SHAREHOLDERS' AGREEMENTS

On the date of this Prospectus, there is a shareholders' agreement between Medical Simulation Corporation, Priveq Investment Fund III KB, Priveq Investment Fund III AB, and Karin Howell-Bidermann, which was entered into in connection with the Company's acquisition of a part of Medical Simulation Corporation's business in December 2017, for further description see section "*Legal considerations and supplementary information*". In accordance with a separate agreement between the parties, the shareholders' agreement will terminate in connection with the listing on Nasdaq First North Premier.

SHARE PURCHASE AGREEMENT WITH THE COMPANY'S LARGEST SHAREHOLDER

The Company's largest shareholder, Karin Howell-Bidermann, has entered into share purchase agreements with the Company's CEO Göran Malmberg, board member Johann Koss and one other individual not active in the Company as per the date of this prospectus, whereby Karin Howell-Bidermann has agreed to sell 213,220 shares (calculated after the split of shares resolved at the Annual General Meeting on 17 April 2019) to each of the buyers, equaling a total of 639,660 shares (corresponding to approximately 2.8 percent of the total number of shares and votes in the Company before the Offering) for consideration by promissory notes. In accordance with the terms of the purchase, and since the promissory notes have not yet been fully settled, the shares have, as per the day of this Prospectus, not been transferred and remain in possession of Karin Howell-Bidermann as security against payment in full.

AGREEMENT REGARDING PRE-EMPTIVE RIGHTS

Bure Equity AB, who has undertaken to acquire shares in the Offering, see section "*Legal considerations and supplementary information – Acquisition undertakings by the Cornerstone Investors*", has also entered into an agreement with Priveq Investment Fund III KB and Priveq Investment Fund III AB whereby Bure Equity is granted a pre-emptive right in relation to all shares held by Priveq Investment Fund III of KB and Priveq Investment Fund III AB after completion of the Offering. The pre-emptive right is valid for an indefinite period of time, starting from the first day of trading.

UNDERTAKING NOT TO SELL SHARES (LOCK-UP AGREEMENTS)

In connection with the Offering, certain existing shareholders will sign a lock-up undertaking towards the Sole Global Coordinator not to sell or otherwise transfer any of the shares in the Company, or take part in a share capital increase after the day of trading of the Company's shares on Nasdaq First North Premier. The so called lock-up period will end on the date falling 360 days after the first official date of trading of the Company's shares for shareholding board members and senior executives in the Company (including Karin Howell-Bidermann, spouse of the Company's chairman Lawrence D. Howell. For Priveq Investment Fund III KB and Priveq Investment Fund III AB, the lock-up period will be 270 days. In addition, one shareholder of approximately

5.3 percent of the Company's total number of shares has signed an undertaking with a lock-up period of 360 days, and three shareholders of approximately 3.1 percent of the Company's total number of shares have signed undertakings with a lock-up period of 180 days. Overall, approximately 55.6 percent of the shares in the Company are covered, assuming that the Offering is fully subscribed and that the Over-allotment option is exercised in full, by an undertaking not to sell shares for a period following the first day of trading of the Company's shares on Nasdaq First North Premier.

The undertaking contains certain customary exceptions such as: (i) a right and obligation to vote in favour of any and all resolutions adopted prior to the Offering in order to prepare for and effectuate the Offering; (ii) a right to sell Shares in the Offering and/or lend Shares within the scope of the Offering (divestments which, according to a separate agreement, may not exceed the same percentage of shares as the percentage divested by Priveq Investment Fund III AB and Priveq Investment Fund III KB, and amount to a maximum of 50 percent of the total shareholder's holdings), or to the extent agreed with the Sole Global Coordinator (Priveq Investment Fund III KB and Priveq Investment Fund III AB have pursuant to a separate agreement with the Sole Global Coordinator the right to sell 6,135,151 shares within the Offering, assuming the Offering is fully subscribed and that the Over-allotment option is exercised in full, and Lappesand Invest AB, with a lock-up period of 180 days, have pursuant to a separate agreement with the Sole Global Coordinator the right to sell 199,682 shares within the Offering, assuming the Offering is fully subscribed); (iii) accept a general offer made to all shareholders of the Company on terms that treat all shareholders equally, including offers made to all shareholders in the Company in accordance with the Swedish takeover rules on terms which treat all such shareholders alike, or (iv) executing and delivering an irrevocable commitment or undertaking to accept a general offer as referred to in (iii) above; or (v) selling or otherwise disposing of Shares pursuant to any offer by the Company to purchase its own Shares which is made on identical terms to all holders of shares in the Company; (vi) selling any subscription rights or similar rights received in a rights issue or other pre-emptive share offering by the Company; or (vii) transferring Shares to any family member or any family trust (and upon change of trustees of a trust, to the new trustees of such family trust) and by the trustees of such family trusts to the beneficiaries thereof provided that such persons, trusts, trustees or beneficiaries agree in writing to abide by the restrictions to the sale of Shares hereunder; or (viii) transferring Shares to any entity in the same group or to any entity which is otherwise, directly or indirectly, wholly owned by the undersigned, provided that such entity agrees in writing to abide by the restrictions to the sale of Shares hereunder; or (ix) transferring Shares to or by personal representatives of an individual who dies during the lock-up period provided that the transferee agrees in writing to abide by the restrictions on the sale of Shares hereunder; or (x) transferring Shares where a disposal is required by law or by any competent authority or by order of a court of competent jurisdiction; or (xi) transferring Shares to investment saving accounts (ISK) or (endowment) insurance policy (KF), subject to, with respect to (endowment) insurance policy (KF), the restriction that the undersigned may not instruct the insurance company to divest any Shares transferred to such scheme other than as permitted under the lock-up undertaking.

The lock-up undertaking does not include shares acquired or subscribed for in the Offering or thereafter, and does not prevent the shareholder from voting in favour of decisions regarding incentive programs or acquisitions in which the Company offers as a purchase price, shares or similar instruments. The transfer restrictions for Priveq Investments Fund III KB and Priveq Investment Fund III AB also exclude dividends to limited partners, shareholders, board members, senior executives, provided that such recipients of shares declare themselves, in writing, to be bound by of the transfer restrictions. In addition, the Sole Global Coordinator may grant exemptions from the undertaking if it is deemed appropriate by the Sole Global Coordinator from case to case for situations where the shares may be offered for sale. After the respective lock-up period has expired, the shareholders affected by the lock-up will be free to sell their shares. For a description of the lock-up arrangements that will be entered into by the Company in relation to the Offering, see under the section "*Legal considerations and supplementary information – Placing Agreement*".

ARTICLES OF ASSOCIATION

Adopted at the Annual General Meeting held on 17 April 2019.

§ 1 NAME

Name of the company is Mentice AB. The company is a public company (publ).

§ 2 REGISTERED OFFICE OF THE BOARD OF DIRECTORS

The Head Office of the company shall be situated in Gothenburg.

§ 3 BUSINESS ACTIVITIES

The Company shall develop, market and sell products and services within medical simulation and other activities related thereto.

§ 4 SHARE CAPITAL

The Share Capital shall in total not be less than SEK 500,000 and not more than SEK 2,000,000.

§ 5 NUMBER OF SHARES

The number of shares shall not be less than 20,000,000 and not more than 80,000,000.

§ 6 BOARD OF DIRECTORS

The Board of Directors shall consist of three to ten members without any deputy members.

§ 7 AUDITORS

The company shall have one or two auditors with or without deputy auditors.

§ 8 NOTICE

Notice of shareholders' meetings shall be given by announcement in the Swedish Official Gazette (Sw. *Post- och Inrikes Tidningar*) and by keeping the notice available at the Company's website. Announcement that notice has been given shall be made in Dagens Industri.

§ 9 ANNUAL GENERAL MEETING

Annual General Meetings shall be held annually within six months after the expiration of the financial year. At the Annual General Meeting the following matters shall be considered:

1. Election of a chairman of the Annual General Meeting
2. Preparation and approval of the list of voters
3. Election of one or two persons to verify the minutes
4. Consideration of whether the Annual General Meeting has been properly convened
5. Approval of the agenda for the meeting
6. Presentation of the annual report and, if applicable, presentation of consolidated report and auditor's report
7. Resolutions
   (a) regarding adoption of the income statement and the balance sheet and, if applicable, the consolidated income statement and the consolidated balance sheet
   (b) regarding allocation of the company's profit or loss according to the adopted balance sheet
   (c) regarding discharge from liability for the members of the Board of Directors and the managing director
8. Determination of fees for the members of the Board of Directors and auditors
9. Election of members of the Board of Directors and appointment of auditors and deputy auditors, if any
10. Other matters relevant to the Annual General Meeting according to the Swedish Companies Act (2005:551) or the Articles of Association.

§ 10 FINANCIAL YEAR

The financial year of the company shall be calendar year.

§ 11 RECORD DAY PROVISION

The company's shares shall be registered in a CSD register pursuant to the Swedish Central Securities Depositories and Financial Instruments Accounts Act (SFS 1998:1479).

LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION

CORPORATE INFORMATION AND LEGAL STRUCTURE

The name of the Company and its trading name is Mentice AB. Its corporate identity number is 556556-4241 and its registered office is in the municipality of Gothenburg, Sweden. The Company is a public limited liability company formed in Sweden and its legal form of business entity is governed by the Swedish Companies Act. The Company was founded on 12 May 1998 and was registered with the Swedish Companies Registration Office on 25 May 1998.

The Company has a local branch in Germany, and is the parent company of the Swiss subsidiary Mentice S.A (previously Xitact S.A.), registered at Rue du Petit-Chêne 38, 1003 Lausanne, Switzerland (99.9 percent ownership), the wholly owned Japanese subsidiary Mentice K.K, registered at 1-10-3-901, Roppongi, Minato-Ku, Tokyo, Japan, the wholly owned U.S subsidiary Mentice Inc., registered at 820 West Jackson Boulevard, Suite 250, Chicago, Illinois 60607, US, and since 2019 the wholly owned Chinese subsidiary Mentice International Trading (Beijing) Co., Ltd., registered at Room 069, No. 407, Floor 4, Building 1, Yard 15, Guanghua road, Chaoyang district, Beijing, China.

MATERIAL AGREEMENTS

Other than agreements entered into in the ordinary course of business, Mentice has during the past two years entered into the following agreement conferring rights and imposing obligations, which the Company considers material.

ASSET PURCHASE AGREEMENT WITH MEDICAL SIMULATION CORPORATION

On 19 December 2017 the Company entered into an asset purchase agreement with Medical Simulation Corporation ("MSC"), a U.S health technology company with its registered office in Denver, Colorado. In accordance with the agreement, the Company bought part of MSC's operations including the necessary assets and rights needed to do business. The assets include,inter alia, outstanding accounts receivable, inventory, agreements, advance payments and intellectual property rights. Additionally, the Company took over certain obligations, but only to a limited extent. The consideration consisted of shares in the Company corresponding to five percent of the Company's total capital stock after the issue of said consideration shares. Additionally, the consideration consisted of two levels of a performance-based payment, whereas the Company according to the first level was to issue shares in the Company corresponding to one percent of the Company's capital stock, and according to the second level was to issue shares in the Company corresponding to three percent of the Company's capital stock (calculated before the issue of said performance-based consideration shares). The performance-based payment was conditional upon the transaction realizing a total contract value of no less than USD 5,000,000. The asset purchase agreement contains customary commitments and guarantees given both by the Company and MSC. Such commitments and guarantees were binding until 22 December 2018, with the exception of some fundamental commitments.The agreement also contains non-competition and non-solicitation clauses binding MSC. Before the asset purchase agreement the Company and MSC entered into a confidentiality agreement with customary commitments for both the Company and MSC. There was previously a legal dispute between the Company and MSC in relation to the asset purchase agreement. However, in May 2019 the Company and MSC entered into a settlement agreement. The settlement agreement is described further in the subsection "*Disputes and Legal Proceedings*", within this section.

GENERAL INFORMATION ABOUT CUSTOMER DISTRIBUTOR AND SUPPLIER CONTRACTS

The Company and its subsidiaries carry their business internationally and operate in Europe, North and South America, the Middle East, and Africa, as well as Asia-Pacific through customer, distributor and supplier contracts entered into as part of ongoing operations.

The Company's customers consist primarily of hospitals, education centers and various companies within the health technology industry globally. The Company and its employees itself handle direct sales to health technology companies globally, as well as sales to hospitals in North America, the EU, and to some extent in Japan. These sales are primarily based on the Company's terms and conditions for sales. Additionally, sales are made through distributors and retailers. The Company's purchases mainly consist of consultant services and hardware.

The Company's largest customer represented approximately 22 percent of the Company's total sales in 2018. The Company's single largest distributor represents an estimated 50 percent of the Company's total sales through distributors and retailers. The Company's largest supplier, the company that manufactures the Company's hardware, represents approximately 28 percent of the Company's total purchases. For further details, see section "*Business Description*" above.

INTELLECTUAL PROPERTY

The board of directors assesses that the Company owns the intellectual property needed for the Company to carry out its operations. The Company has both itself developed intellectual property and acquired intellectual property through transactions with other developers or developing companies. The Company has entered into written employment agreements with its employees, and has consultant agreements in place regarding development and project leading. The agreements in each case regulate confidentiality and ownership of intellectual property, and entitlement to the results of produced work in favour of the Company. The Company has 47 patents registered in 22 patent families, out of which the board of directors considers five particularly important. Furthermore, the Company owns the trademark registration for "MENTICE" and "VIST" in the EU, U.S, China, Japan, Switzerland and Norway. Additionally, the Company owns the rights to some figurative trademarks related the Company's logotype in the U.S. The Company has also applied for some figurative protection in the EU. The Company's intellectual property is described further in section "*Business Description*".

INSURANCE

The board of directors assesses that the Company's, and its subsidiaries, current insurance coverage, including the scope and terms of such insurance, provide an adequate level of protection with respect to the insurance premiums and potential risks related to the Company's operations. However, the Company cannot ensure that losses do not arise or that claims exceeding the scope of the current insurance will not be made.

DISPUTES AND LEGAL PROCEEDINGS

During 2018 and 2019 the Company had a legal dispute with MSC concerning several issues relating to the asset purchase agreement described above in section "*Material Agreements*". In summary, the dispute mainly concerned the amount of the consideration Mentice had to pay to MSC according to the asset purchase agreement. In 2018 MSC submitted a lawsuit to the United States District Court for the District of Colorado as a result of the dispute. In May 2019 the Company and MSC entered into a settlement agreement, whereby MSC was awarded a claim of SEK 919,035.6, which MSC had a right to use in connection with an issue of shares in Mentice by way of set-off. On 15 May 2019, the board of directors resolved to issue shares by way of set-off after which the claim has been settled in full by MSC subscribing for shares in the Company. MSC has in connection herewith withdrawn its lawsuit.

Except for the above, the Company has not been involved in any legal or arbitration proceedings over the past twelve months (including cases that are pending or that Mentice is aware could arise) that have had, or may have, significant effects on Mentice's financial position or earnings.

PLACING AGREEMENT

Pursuant to the terms of an agreement regarding the placement of shares which is intended to be entered into on or around 14 June 2019 between the Company, Priveq Investment Fund III KB, Priveq Investment Fund III AB ("Priveq") and the Sole Global Coordinator (the "**Placing Agreement**"), the Company undertakes to issue the shares covered by the Offering to the subscribers procured by the Sole Global Coordinator, and Priveq undertakes to sell the shares covered by the Offering to the acquirers procured by the Sole Global Coordinator. The Sole Global Coordinator has not undertaken to acquire and/or subscribe for shares covered by the Offering itself. Other Selling Shareholders have undertaken to sell shares under conditions corresponding to Priveq's.

Pursuant to the Placing Agreement, Selling Shareholders will issue an option to the Sole Global Coordinator, which may be exercised, fully or partially, allowing the Sole Global Coordinator, within 30 days from the first day of trading in the Company's shares on Nasdaq First North Premier, to acquire up to an additional 1,181,361 existing shares in the Company, corresponding to at the most 15 percent of the highest number of shares covered by the Offering, at a price corresponding with the Offering price, in order to cover potential over-allotment of the Offering ("Over-allotment Option").

Pursuant to the Placing Agreement, the Company provides certain customary warranties, mainly that the information in the Prospectus is correct, that the Prospectus and the Offering comply with relevant legal requirements and that no legal or other restrictions prevent the Company to enter into the agreement or for the execution of the Offering. The Placing Agreement stipulates that the Sole Global Coordinator obligation to procure buyers is conditional upon, among other things, that no events occur that have such a material adverse effect on the Company or the completion of the Offering that, in the good faith judgment of the Sole Global Coordinator, it would be inadvisable or impracticable to complete the Offering in the manner contemplated in the Prospectus ("**material adverse events**"), and of certain customary completion conditions. The Sole Global Coordinator can terminate the Placing Agreement up until the settlement date, if any material adverse events occur, if the warranties provided by the Company to the Sole Global Coordinator should prove to be incorrect or if any of the other completion conditions stipulated in the Placing Agreement are not fulfilled. In such an event, neither the delivery nor the payment of shares will take place under the Offering. Pursuant to the Placing Agreement, the Company, with customary exceptions, will undertake to indemnify the Sole Global Coordinator against certain claims.

Pursuant to the Placing Agreement, the Company will undertake not to (i) issue, offer, pledge, sell, contract to sell or otherwise dispose of shares or other securities in the

Company; (ii) nor to purchase or sell any option or any other security or enter into a swap agreement or other arrangement that wholly or partly transfers the financial risk associated with ownership in the Company to another party, within 360 days from the first day of trading of the Company's shares on Nasdaq First North Premier. The undertaking is subject to customary reservations and exceptions, and does not prevent the Company from issuing the shares in the Offering, issuing shares or other securities within the framework of incentive programs. The Sole Global Coordinator can also provide exceptions from the undertaking if so deemed appropriate by the Sole Global Coordinator from case to case.

The lock-up agreements that will be entered into by shareholders in connection with the Offering are described further in the section "*Share capital and ownership structure – Undertaking not to sell shares (lock-up agreements)*".

STABILISATION

In connection with the Offering, the Sole Global Coordinator may carry out transactions in order to provide support for the shares' market price at a level higher than that which might otherwise prevail on the market. Such stabilisation transactions may be carried out on Nasdaq First North Premier, the OTC market or otherwise, and may be carried out at any time during the period beginning on the first day when the shares are traded on Nasdaq First North Premier and ending no later than 30 calendar days thereafter. However, the Sole Global Coordinator is under no obligation to carry out stabilisation of any kind, nor is there any guarantee that stabilisation will be carried out. Moreover, if undertaken, stabilisation may be discontinued at any time without prior notice. No transactions will be carried out under any circumstances in order to provide support for the shares' market price at a level higher than the price set in the Offering. No later than by the end of the seventh trading day after stabilisation transactions have been undertaken, the Sole Global Coordinator shall disclose that stabilisation transactions have been undertaken in accordance with article 5(4) in the Market Abuse Regulation 596/2014. Within one week of the end of the stabilisation period, the Sole Global Coordinator will, through the Company, make public whether or not stabilisation was undertaken, the date at which stabilisation started, the date at which stabilisation last occurred and the price range within which stabilisation was carried out, for each of the dates during which stabilisation transactions were carried out.

ADVISORS' INTERESTS

Pareto Securities is the Sole Global Coordinator and Sole Bookrunner in the Offering, and supplies financial advice and other services to the Company in connection to the Offering. Pareto Securities does not own shares in the Company and will not achieve any other financial gains from Mentice other than previously agreed fees for their services. The size of the advisory fee to Pareto Securities will, in part, be based on the amount of gross proceeds received from investors, and Pareto Securities therefore has, as such, an interest in the Offering. Pareto Securities or their affiliates may from time to time have business relations with the Company and the Selling Shareholders, including lending activities, or may perform services for the Company and the Selling Shareholders in the ordinary course of business. Other than the interests described above, there are no material interests, in particular no material conflicts of interest, with respect to the Offering.

TRANSACTIONS WITH RELATED PARTIES

No transactions with related parties have been carried out during the period covered by the financial information in this Prospectus, nor thereafter until the publication of this Prospectus.

COSTS IN CONNECTION WITH THE OFFERING

The Company's expenses for the Offering and the listing on Nasdaq First North Premier are expected to approximately SEK 5 million. In addition to fees to the Sole Global Coordinator, the Company's expenses mainly consists of expenses for accountants, legal advisors, printing of prospectus, costs of presentation materials for advisors and similar.

ACQUISITION UNDERTAKINGS BY THE CORNERSTONE INVESTORS

The Cornerstone Investors, all mentioned in the table below, have through agreements concluded in May 2019 with Pareto Securities committed themselves, under certain conditions and to the same price as other investors, to acquire shares in the Offering. The Cornerstone Investors have committed themselves to acquire shares in the Offering to a total of SEK 265 million, corresponding to a total of 5,408,163 of the shares and the votes in the Offering, or to a total of 55.8 percent of the shares and the votes in the Offering, assuming the Over-Allotment Option is exercised in full. The Cornerstone Investors will not receive any remuneration for their respective commitments and the Cornerstone Investors' investments are made on the same conditions as other investors in the Offering. The Cornerstone Investors' commitments are not covered by a bank guarantees, blocked funds, pledging or similar arrangement. Any commitments from the Cornerstone Investors are conditional, inter alia, that (i) shares are listed so that the first day of trading in the Company's shares do not occur later than 15 July 2019; (ii) such Cornerstone Investor will have full allotment of shares under its commitment; (iii) the final Offering price does not exceed SEK 49 per share; and (iv) the Offering results in the share distribution meets the share distribution requirements of Nasdaq First North Premier. In the event that any of these conditions are not met, the Cornerstone Investors are not bound by their obligations and do not need to acquire any shares. All the Cornerstone Investors can be reached via the address to Pareto Securities, please see "*Addresses*".

In addition to the acquisition undertaking, Bure Equity AB, has entered into an agreement on pre-emptive rights with Priveq Investment Fund III KB and Priveq Investment Fund III AB, see section "*Share capital and ownership – Agreement on pre-emptive rights*". Moreover, Bure Equity AB has announced that they will request that Mentice's Board of Directors issues a notice for an extraordinary general meeting after the listing, to enable Gösta Johannesson, representing Bure Equity AB, to be elected new board member, see section "*Board of directors, senior executives and auditors – Prospective new board member*".

Name	**Subscription commitments (SEK million)**	**Share of the Offering (%)**[1]
Bure Equity AB	120.0	25.3 %
Joh. Berenberg, Gossler & Co. KG (Berenberg)	45.0	9.5 %
The Fourth Swedish National Pension Fund (AP4)	45.0	9.5 %
Handelsbanken Fonder AB on behalf of managed funds	30.0	6.3 %
TIN Fonder with the fund Core Ny Teknik	25.0	5.3 %
Total	**265.0**	**55.8 %**

1) Assuming the Over-Allotment Option is exercised in full.

DESCRIPTION OF CORNERSTONE INVESTORS

Bure Equity AB

Bure is an investment company and a good owner. By actively building successful companies and operations with a long-term perspective, Bure generates an attractive return for its shareholders. Bure was listed on Nasdaq Stockholm in 1993. Today, Bure has a net asset value of approximately SEK 11.4 billion consisting of ten portfolio companies, of which six are listed. Bure's principal owners are the Tigerschiöld family, Nordea Investment Funds and the Björkman family.

Joh. Berenberg, Gossler & Co. KG (Berenberg)

Founded in 1590, Joh. Berenberg, Gossler & Co. KG (Berenberg) is the world's second oldest bank. Since then the bank has been run by managing partners who are personally liable for the success of the firm. The bank is headquartered in Hamburg and has strong presences in the important financial centres of Frankfurt, London and New York, working in Wealth and Asset Management, Investment Banking and Corporate Banking. Berenberg Asset Management unites various active investment styles – discretionary and quantitative – under one roof. Implementation for private and institutional investors takes the form of retail funds, special funds, individual strategies and discretionary portfolio management mandates.

The Fourth Swedish National Pension Fund

The Fourth Swedish National Pension Fund ("**AP4**") is one of five buffer funds in the pension system. AP4's mission is to contribute to financial security for today's and tomorrow's pensioners by managing part of the pension system buffer capital. The fund's long-term perspective, responsibility as owner and great commitment to sustainability creates opportunities for high returns at low cost. In this way, AP4 works for safer retirements. At the end of 2018, AP4's portfolio value amounted to SEK 349 billion, of which shares on SEK 187 billion.

Handelsbanken Fonder AB on behalf of managed funds

Handelsbanken Fonder is a wholly owned subsidiary of Handelsbanken and is a significant fund manager in Scandinavia. Handelsbanken Fonder offers funds that are targeted towards private individuals as well as institutional clients.

TIN Fonder with the fund Core Ny Teknik

Core Ny Teknik is a Swedish UCITS fund that invests in innovative companies, primarily in software, health and digital brands. The fund invests primarily in small and medium-sized innovative companies, with a focus on the Nordic region but with up to 30 percent in global companies. The administration has a long-term perspective and a concentrated portfolio of 40–60 holdings.

CERTIFIED ADVISER

Companies with shares listed on Nasdaq First North Premier are obliged to appoint a Certified Adviser that will supervise the Company's observance of the rulebook of Nasdaq First North Premier. Mentice has appointed FNCA Sweden AB ("**FNCA**") as Certified Adviser. FNCA does not hold any shares or other securities in Mentice.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available at Mentice's head office at Odinsgatan 10, SE-411 03 Gothenburg, during the period of validity of the Prospectus (regular business hours on weekdays):

- This Prospectus;
- The Company's articles of association;
- The Company's subsidiary's revised annual reports comprising the two previous financial years (in so far as they exist) including the auditor's reports; and
- Other historical financial information referred to in this Prospectus (including auditor's reports).

CERTAIN TAX CONSIDERATIONS IN SWEDEN

Below is a summary of specific tax rules for individuals and limited liability companies with unlimited tax liability in Sweden, unless otherwise stated. The summary is based on current legislation and is intended only as general information. The summary does not include securities which are held by partnerships or as inventory assets in business operations. Nor does it include any details about special rules pertaining to tax-free capital gains (including prohibition of deduction for capital losses) or corporate dividends which may become applicable should shareholders hold shares which may be considered business-related. Neither are the special rules that may apply to holdings in companies that are or have been so-called closely held companies or to shares purchased on the basis of so-called qualified shares in closely held companies. The summary also does not cover shares held in an investment savings account (Sw. Investeringssparkonto (ISK)) and which are subject to special rules on standardized rate taxation. Special tax rules apply to certain types of taxpayers, for example investment companies and insurance companies. Each individual shareholder's tax liability will depend on their particular situation. Each holder of shares should consult a tax advisor for information on the special implications that may arise in the individual situation, including the applicability and effect of foreign rules and tax treaties.

UNLIMITED LIABILITY TO PAY TAX IN SWEDEN

NATURAL PERSONS

Capital gains taxation

When listed shares are sold or otherwise disposed of, a taxable capital gain or deductible capital loss may occur. Capital gains are taxed as income from capital at a rate of 30 percent. Capital gain or loss is typically determined as the difference between the sales proceeds, after deduction for sales costs, and the acquisition cost. The acquisition cost for all shares of the same type and class is calculated as an aggregate using the averaging method. When selling listed shares, the acquisition cost may be alternatively calculated according to the standardized method at 20 percent of the sales proceeds after deduction of sales costs.

Capital losses on listed shares are fully deductible against taxable capital gains incurred that arise during the same tax year on shares and other listed securities except for shares of mutual funds or special funds containing only Swedish rights to recover debts, so-called bond funds. Capital losses on shares or other ownership interests that cannot be offset in this way may be deducted for up to 70 percent of value against other capital income.

In the event of a deficit in capital income, a tax reduction is granted against municipal and national income tax, as well as against municipal property tax and national property tax. A tax reduction is allowed for 30 percent of that part of the loss that does not exceed SEK 100,000, and 21 percent of the remainder. Such a loss cannot be carried forward into a future tax year.

Tax on dividends

For natural persons, dividends on listed shares are taxed in the capital income category at a rate of 30 percent. For natural persons who are residents in Sweden, a preliminary tax of 30 percent is normally withheld from dividends. The preliminary tax is withheld by Euroclear Sweden or, for nominee-registered shares, by the nominee.

LIMITED LIABILITY COMPANIES

Tax on capital gains and dividends

For a limited liability company, all income, including taxable capital gains and dividends, is taxed as business income at a rate of 22 percent. Capital gains and losses are calculated in the same manner as described above in respect to natural persons.

Deductible capital losses on shares or other ownership interests can only be deducted against taxable capital gains on shares or other ownership interests. If certain conditions are met, such a capital loss may also be offset against capital gains on shares or other ownership interests in companies within the same group, provided that a right to make group contributions between companies exists. Any capital loss that cannot be utilized in a given year may be carried forward and offset against taxable capital gains on shares and other ownership interests in future years, without limitation in time.

SHAREHOLDERS WHO HAVE LIMITED TAX LIABILITY IN SWEDEN

WITHHOLDING TAX

Shareholders who have limited tax liability in Sweden and who receive dividends on shares in a Swedish limited liability company are normally subject to withholding tax. The tax rate is 30 percent, which however is generally reduced through tax treaties that Sweden has entered into with certain other countries in order to avoid double taxation. Most of Sweden's tax treaties enable a reduction of the Swedish tax to the treaty rate directly at the time of dividend payment if the necessary information about the dividend recipient is provided. In Sweden, the deduction of withholding tax is normally made by Euroclear Sweden or, for nominee-registered shares, by the nominee.

If a 30 percent withholding tax is withheld from a dividend payment to a person who has the right to be taxed at a lower rate, or if too much withholding tax has otherwise been withheld, repayment can be requested from the Swedish Tax Agency before the end of the fifth calendar year after the dividend payment.

CAPITAL GAINS TAXATION

Shareholders who have limited tax liability in Sweden and whose holdings are not attributable to a permanent establishment in Sweden, are not normally taxed in Sweden for capital gains in connection with the sale of shares. Shareholders may, however, be subject to tax in their country of residence. According to a special tax rule, however, natural persons with limited tax liability in Sweden may be subject to Swedish capital gains tax on the sale of shares if at any time during the year of disposal or the ten calendar years, they have been resident or lived permanently in Sweden. The applicability of this rule may however be limited by tax treaties between Sweden and other countries.

HISTORIC FINANCIAL INFORMATION

FINANCIAL INFORMATION FOR THE PERIOD 1 JANUARY–31 MARCH 2019

FINANCIAL INFORMATION FOR THE FINANCIAL YEARS 2018 AND 2017

INTERIM REPORT Q1 2019

INTERIM REPORT
Q1 2019

Mentice AB (publ) Org.nr.556556-4241
Odinsgatan10, SE 411 03
Gothenburg
Sweden
www.mentice.com

JANUARY–MARCH 2019

- Net sales SEK 29.1 million (29.7)
- Operating result for the period before depreciations, EBITDA, SEK -7.9 million (-1.1)
- Net result for the period SEK -8.5 million (-2.8)
- Earnings per share, EPS, SEK -0.76 (-0.25)
- Order intake SEK 25.1 million (32.0)
- Orderbook SEK 49.4 million (40.0)
- Cash flow from operating activities of SEK -5.0 million (3.2)

SIGNIFICANT EVENTS DURING THE QUARTER

- Thanos Karras was employed as VP Global Marketing
- Dr. David J. Ballard was employed as Executive Vice President and Chief Clinical Officer
- First public announcement of the collaboration between Siemens and Mentice

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- The Annual General Meeting decided to implement a warrant incentive programme in 2019
- The Annual General Meeting decided on a dividend on the earnings for 2018 of SEK 0.18 per share, giving a total of SEK 2.0 million
- The Annual General Meeting decided to split the number of shares from 11.201.057 to 22.402.114 which was registered on May 2, 2019
- The Annual General Meeting decided to change the company category from private to public
- The Board of Directors decided to increase the company share capital by 3.548 SEK and issue 70.968 new shares
- Dispute with Medical Simulation Corporation has been fully resolved where a settlement agreement has been signed with the counterpart

KEY RATIOS	Q1 2019	Q1 2018	RTM*	FY 2018
Order intake, SEKm	25,1	32,0	167,4	174,3
Order book, SEKm	49,4	40,0	50,1	50,1
Net sales, SEKm	27,5	28,3	156,2	157,0
Sales, SEKm	29,1	29,7	165,2	165,8
Gross margin, %	84,9%	84,7%	81,3%	81,2%
Operating result before depreciations, EBITDA, SEKm	-7,9	-1,1	14,0	20,8
EBITDA-margin, %	-28,7%	-3,9%	9,0%	13,2%
Result before tax, EBT, SEKm	-11,6	-2,4	5,0	13,8
Result for the period, EBT, SEKm	-8,5	-2,8	14,7	20,1
Earnings per share, SEK **	-0,76	-0,25	1,31	1,80
Cash-flow from operations, SEKm	-5,0	3,2	7,8	16,0
Capital Employed (CE), SEKm	74,4	47,3	62,8	57,7
Equity/Asset ratio, %	43,7%	49,5%	47,9%	51,0%

*RTM=latet twelve months. RTM has not been reviewed by company's auditors.
**Refers to earnings per share before split of shares

CEO COMMENTS

Continuing the anticipated growth year over year
With a record year behind us, the first quarter of 2019 was slightly weaker than expected. For the first six months we expect our net sales to be on par, or slightly better, compared to the same period last year. The market Mentice operate on is known to be volatile where a delay on a single order can have significant effect on a quarterly results. This a normal part of our business and we do not see this impacting our targets for the full year 2019. Our activities progressed at a fast pace during the first quarter, fully in line with the overall plan for the year. We recruited to both sales and development teams and in total added 14 new people during the first quarter which is a 19 percent growth from beginning of the year. Closing orderbook for the quarter was SEK 49.4 million (40.0) and we are estimating to have 75% of that delivered during the year.

Collaboration with Siemens Healthineers and Philips Healthcare
At the end of February, Siemens Healthineers launched its new angiography[1] system, Artis Icono, which is designed for endovascular procedures. The system was launched at the ECR (European Congress of Radiology) in Vienna. Mentice solutions are fully integrated and Mentice was also an integral part of the presentations given on this new system throughout the congress. In parallel, our interactions with Philips Healthcare is preparing for a broad launch of the collaboration with Mentice. Our strategic collaboration with Philips and Siemens will be an important component driving growth for the years to come but we also expect early effects in 2019. The collaborations with Siemens Healthineers and Philips Healthcare are a significant part of our strategy to increase our footprint of simulators in the healtsystem market and will improve our ability to provide recurring solutions and services.

High level of activity in customer- and development projects
A large number of exciting projects are currently underway for both customer specific development and standard products. In terms of the latter, we are preparing a new version of our Coronary Pro™ cardiology module. One of the many customer projects we are working on is a planning module for mitral and tricuspid heart valves[2] and our ability to drive new solutions in this field is significant. Mentice continues to focus on further consolidating its positions within all the main specialities such as interventional cardiology, interventional radiology and interventional neuroradiology.

Rapid progress in launch to healthcare systems, OEM
With our newest market segment, Hospital systems, we moved to a new level with the appointment of Dr. David Ballard. Dr Ballard has assumed the role as Chief Clinical Officer and he is, together with CEO, managing our interactions with the larger healthcare systems in the USA. Mentice was also involved in the JP Morgan Healthcare Conference 2019 in San Francisco in early January which resulted in a number of very relevant interactions with the industry. During the first quarter we have established relationships with several of the major hospital systems in the USA such as, Mayo Clinic, Ascension, Baylor Scott & White Healthcare, Rush University Medical Center and Northwestern Memorial Hospital, to name but a few. It is a natural step for us to achieve growth on the healthcare systems market and we can already see the potential this has to offer. The focus is on the American market to begin with, but we can see that this initiative will quickly spread to Europe, Asia and the Middle East.

Focus on subscription services for software solutions, SaaS
There is a trend across all industries, including the healthcare sector, for software to be offered as an annual fee which can then be considered as an operational expense rather than an capital

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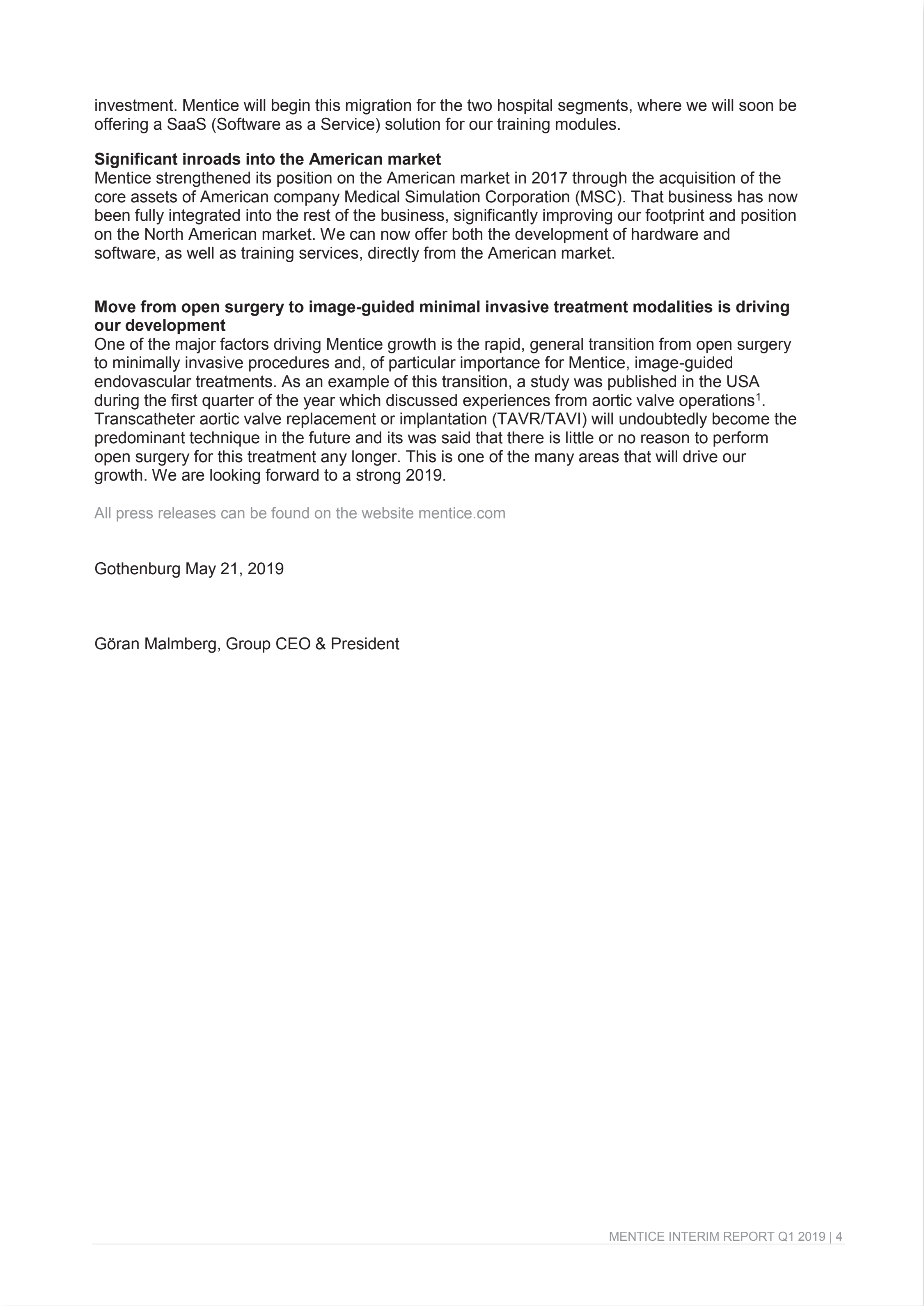
[1] Angiography relates to the technique to examine a blood vessel under x-ray after introduction of a contrast medium

[2] Tricuspid, Mitral and aortic valve repair refer to the technique to repair or replace dysfunctional hearth valves either due to genetic diseases or due to calcification or similar with aging patients



investment. Mentice will begin this migration for the two hospital segments, where we will soon be offering a SaaS (Software as a Service) solution for our training modules.

Significant inroads into the American market

Mentice strengthened its position on the American market in 2017 through the acquisition of the core assets of American company Medical Simulation Corporation (MSC). That business has now been fully integrated into the rest of the business, significantly improving our footprint and position on the North American market. We can now offer both the development of hardware and software, as well as training services, directly from the American market.

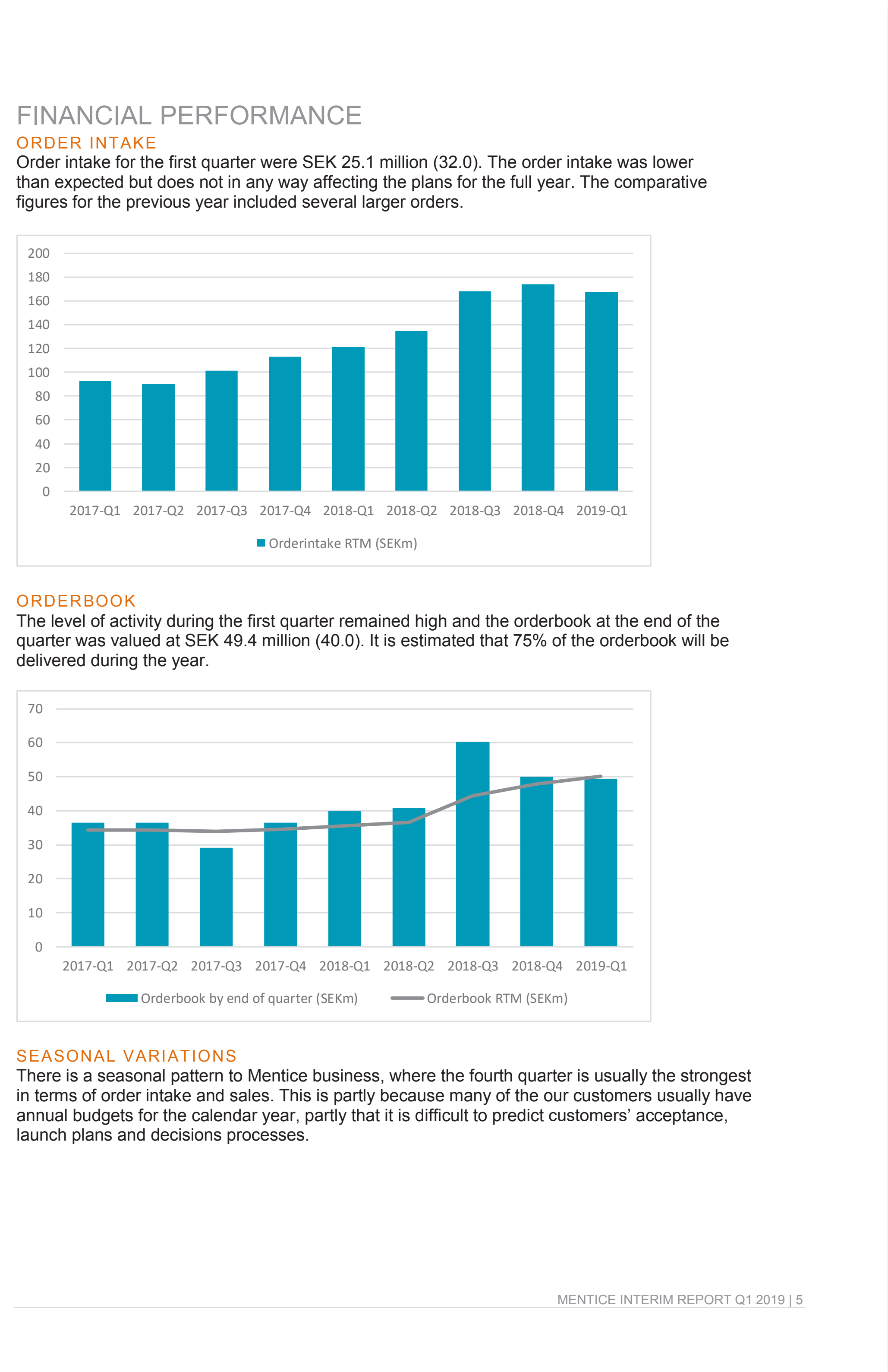
Move from open surgery to image-guided minimal invasive treatment modalities is driving our development

One of the major factors driving Mentice growth is the rapid, general transition from open surgery to minimally invasive procedures and, of particular importance for Mentice, image-guided endovascular treatments. As an example of this transition, a study was published in the USA during the first quarter of the year which discussed experiences from aortic valve operations[1]. Transcatheter aortic valve replacement or implantation (TAVR/TAVI) will undoubtedly become the predominant technique in the future and its was said that there is little or no reason to perform open surgery for this treatment any longer. This is one of the many areas that will drive our growth. We are looking forward to a strong 2019.

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

Gothenburg May 21, 2019

Göran Malmberg, Group CEO & President



FINANCIAL PERFORMANCE

ORDER INTAKE

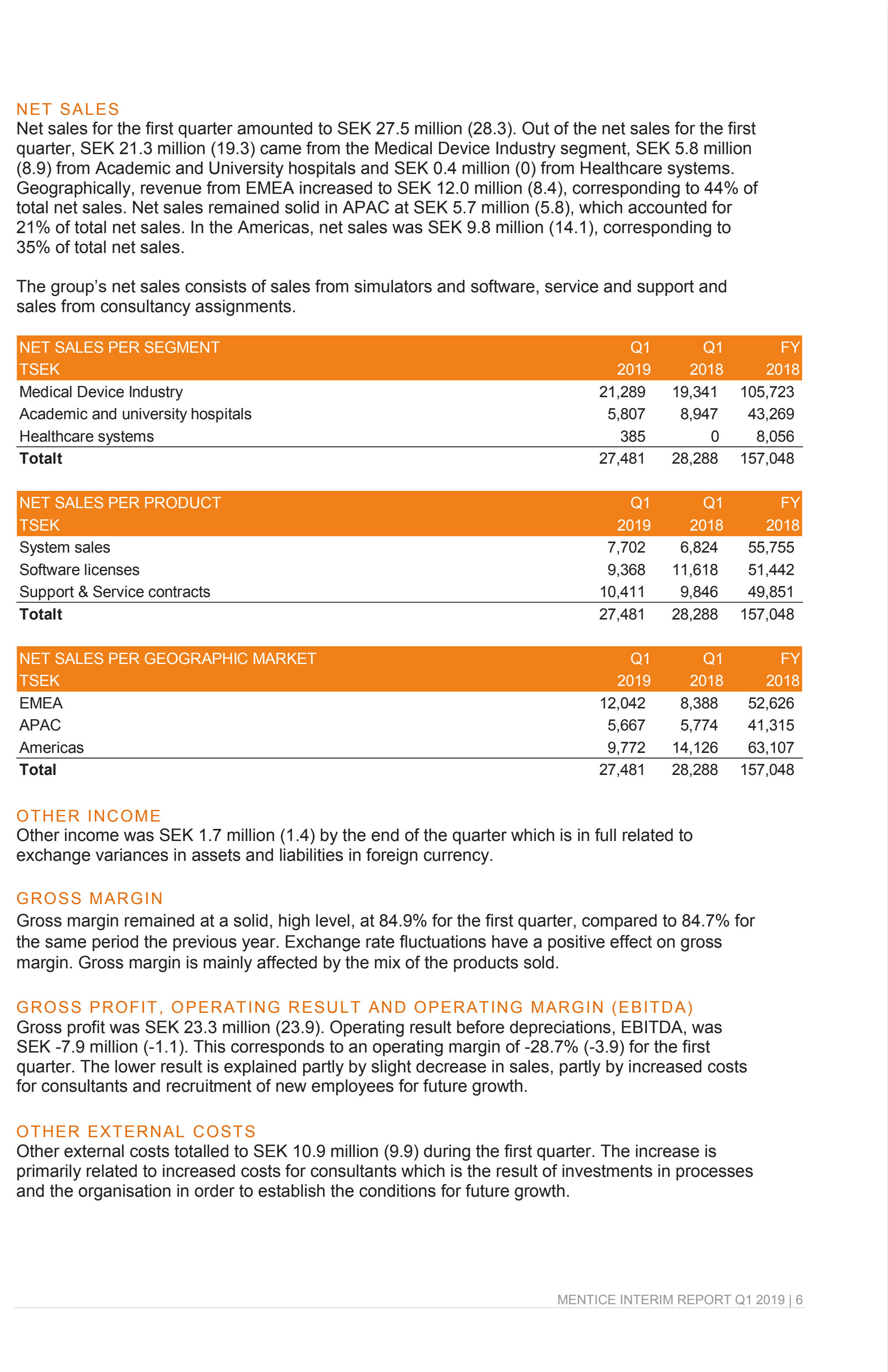
Order intake for the first quarter were SEK 25.1 million (32.0). The order intake was lower than expected but does not in any way affecting the plans for the full year. The comparative figures for the previous year included several larger orders.

ORDERBOOK

The level of activity during the first quarter remained high and the orderbook at the end of the quarter was valued at SEK 49.4 million (40.0). It is estimated that 75% of the orderbook will be delivered during the year.

SEASONAL VARIATIONS

There is a seasonal pattern to Mentice business, where the fourth quarter is usually the strongest in terms of order intake and sales. This is partly because many of the our customers usually have annual budgets for the calendar year, partly that it is difficult to predict customers' acceptance, launch plans and decisions processes.



NET SALES

Net sales for the first quarter amounted to SEK 27.5 million (28.3). Out of the net sales for the first quarter, SEK 21.3 million (19.3) came from the Medical Device Industry segment, SEK 5.8 million (8.9) from Academic and University hospitals and SEK 0.4 million (0) from Healthcare systems. Geographically, revenue from EMEA increased to SEK 12.0 million (8.4), corresponding to 44% of total net sales. Net sales remained solid in APAC at SEK 5.7 million (5.8), which accounted for 21% of total net sales. In the Americas, net sales was SEK 9.8 million (14.1), corresponding to 35% of total net sales.

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

NET SALES PER SEGMENT TSEK	Q1 2019	Q1 2018	FY 2018
Medical Device Industry	21,289	19,341	105,723
Academic and university hospitals	5,807	8,947	43,269
Healthcare systems	385	0	8,056
Totalt	27,481	28,288	157,048

NET SALES PER PRODUCT TSEK	Q1 2019	Q1 2018	FY 2018
System sales	7,702	6,824	55,755
Software licenses	9,368	11,618	51,442
Support & Service contracts	10,411	9,846	49,851
Totalt	27,481	28,288	157,048

NET SALES PER GEOGRAPHIC MARKET TSEK	Q1 2019	Q1 2018	FY 2018
EMEA	12,042	8,388	52,626
APAC	5,667	5,774	41,315
Americas	9,772	14,126	63,107
Total	27,481	28,288	157,048

OTHER INCOME

Other income was SEK 1.7 million (1.4) by the end of the quarter which is in full related to exchange variances in assets and liabilities in foreign currency.

GROSS MARGIN

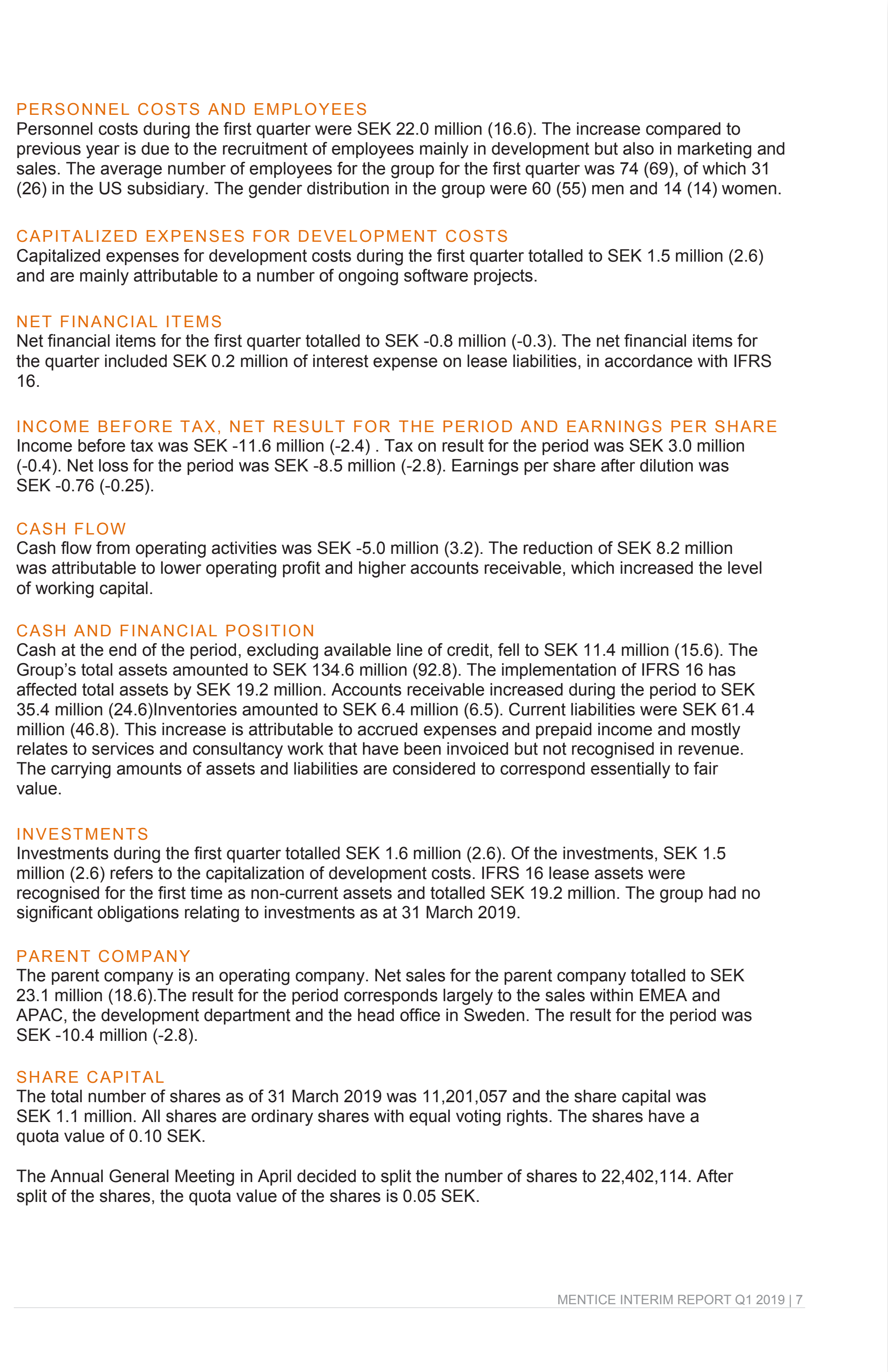
Gross margin remained at a solid, high level, at 84.9% for the first quarter, compared to 84.7% for the same period the previous year. Exchange rate fluctuations have a positive effect on gross margin. Gross margin is mainly affected by the mix of the products sold.

GROSS PROFIT, OPERATING RESULT AND OPERATING MARGIN (EBITDA)

Gross profit was SEK 23.3 million (23.9). Operating result before depreciations, EBITDA, was SEK -7.9 million (-1.1). This corresponds to an operating margin of -28.7% (-3.9) for the first quarter. The lower result is explained partly by slight decrease in sales, partly by increased costs for consultants and recruitment of new employees for future growth.

OTHER EXTERNAL COSTS

Other external costs totalled to SEK 10.9 million (9.9) during the first quarter. The increase is primarily related to increased costs for consultants which is the result of investments in processes and the organisation in order to establish the conditions for future growth.



PERSONNEL COSTS AND EMPLOYEES

Personnel costs during the first quarter were SEK 22.0 million (16.6). The increase compared to previous year is due to the recruitment of employees mainly in development but also in marketing and sales. The average number of employees for the group for the first quarter was 74 (69), of which 31 (26) in the US subsidiary. The gender distribution in the group were 60 (55) men and 14 (14) women.

CAPITALIZED EXPENSES FOR DEVELOPMENT COSTS

Capitalized expenses for development costs during the first quarter totalled to SEK 1.5 million (2.6) and are mainly attributable to a number of ongoing software projects.

NET FINANCIAL ITEMS

Net financial items for the first quarter totalled to SEK -0.8 million (-0.3). The net financial items for the quarter included SEK 0.2 million of interest expense on lease liabilities, in accordance with IFRS 16.

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

Income before tax was SEK -11.6 million (-2.4) . Tax on result for the period was SEK 3.0 million (-0.4). Net loss for the period was SEK -8.5 million (-2.8). Earnings per share after dilution was SEK -0.76 (-0.25).

CASH FLOW

Cash flow from operating activities was SEK -5.0 million (3.2). The reduction of SEK 8.2 million was attributable to lower operating profit and higher accounts receivable, which increased the level of working capital.

CASH AND FINANCIAL POSITION

Cash at the end of the period, excluding available line of credit, fell to SEK 11.4 million (15.6). The Group's total assets amounted to SEK 134.6 million (92.8). The implementation of IFRS 16 has affected total assets by SEK 19.2 million. Accounts receivable increased during the period to SEK 35.4 million (24.6)Inventories amounted to SEK 6.4 million (6.5). Current liabilities were SEK 61.4 million (46.8). This increase is attributable to accrued expenses and prepaid income and mostly relates to services and consultancy work that have been invoiced but not recognised in revenue. The carrying amounts of assets and liabilities are considered to correspond essentially to fair value.

INVESTMENTS

Investments during the first quarter totalled SEK 1.6 million (2.6). Of the investments, SEK 1.5 million (2.6) refers to the capitalization of development costs. IFRS 16 lease assets were recognised for the first time as non-current assets and totalled SEK 19.2 million. The group had no significant obligations relating to investments as at 31 March 2019.

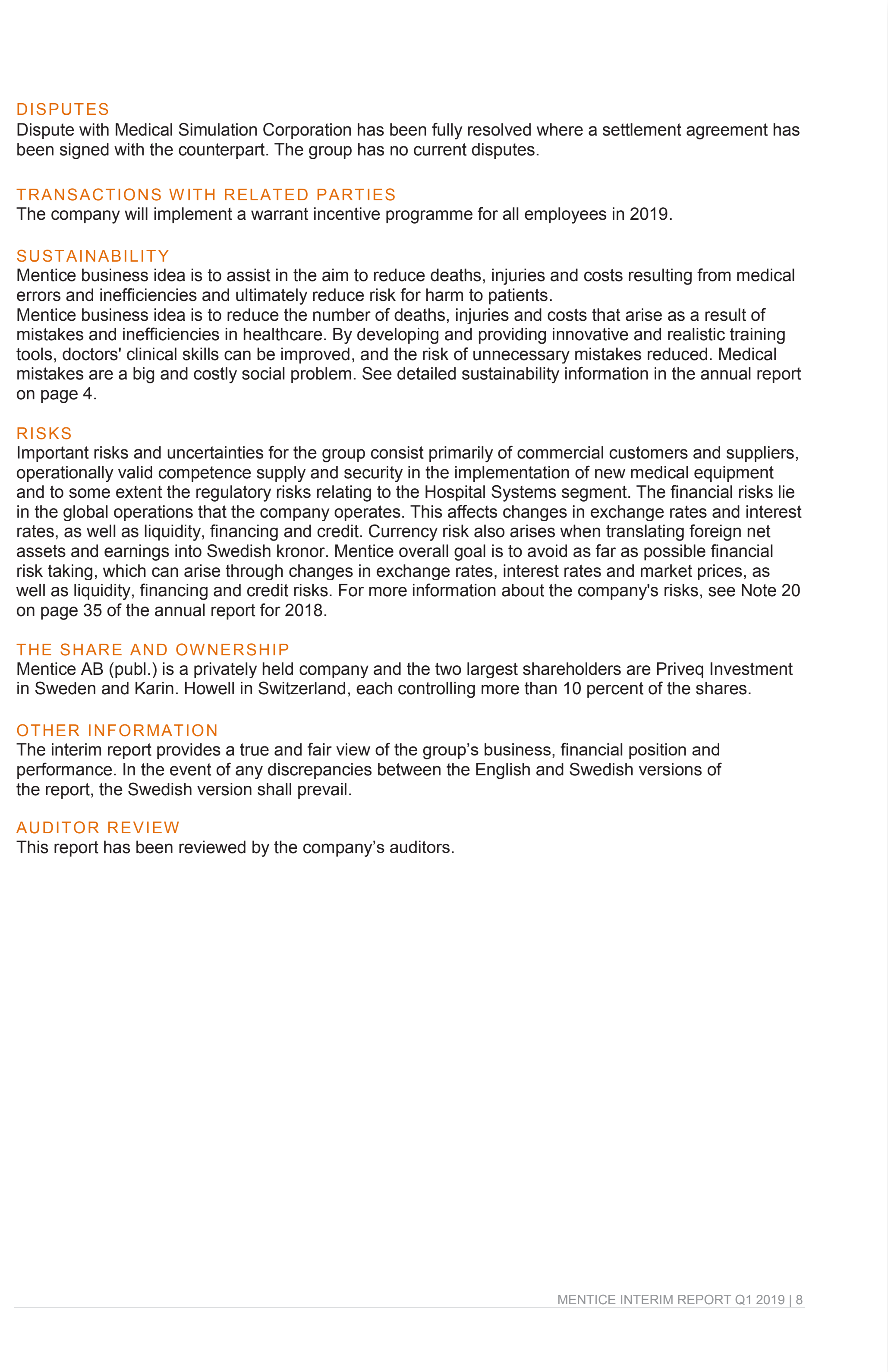
PARENT COMPANY

The parent company is an operating company. Net sales for the parent company totalled to SEK 23.1 million (18.6).The result for the period corresponds largely to the sales within EMEA and APAC, the development department and the head office in Sweden. The result for the period was SEK -10.4 million (-2.8).

SHARE CAPITAL

The total number of shares as of 31 March 2019 was 11,201,057 and the share capital was SEK 1.1 million. All shares are ordinary shares with equal voting rights. The shares have a quota value of 0.10 SEK.

The Annual General Meeting in April decided to split the number of shares to 22,402,114. After split of the shares, the quota value of the shares is 0.05 SEK.



DISPUTES

Dispute with Medical Simulation Corporation has been fully resolved where a settlement agreement has been signed with the counterpart. The group has no current disputes.

TRANSACTIONS WITH RELATED PARTIES

The company will implement a warrant incentive programme for all employees in 2019.

SUSTAINABILITY

Mentice business idea is to assist in the aim to reduce deaths, injuries and costs resulting from medical errors and inefficiencies and ultimately reduce risk for harm to patients.
Mentice business idea is to reduce the number of deaths, injuries and costs that arise as a result of mistakes and inefficiencies in healthcare. By developing and providing innovative and realistic training tools, doctors' clinical skills can be improved, and the risk of unnecessary mistakes reduced. Medical mistakes are a big and costly social problem. See detailed sustainability information in the annual report on page 4.

RISKS

Important risks and uncertainties for the group consist primarily of commercial customers and suppliers, operationally valid competence supply and security in the implementation of new medical equipment and to some extent the regulatory risks relating to the Hospital Systems segment. The financial risks lie in the global operations that the company operates. This affects changes in exchange rates and interest rates, as well as liquidity, financing and credit. Currency risk also arises when translating foreign net assets and earnings into Swedish kronor. Mentice overall goal is to avoid as far as possible financial risk taking, which can arise through changes in exchange rates, interest rates and market prices, as well as liquidity, financing and credit risks. For more information about the company's risks, see Note 20 on page 35 of the annual report for 2018.

THE SHARE AND OWNERSHIP

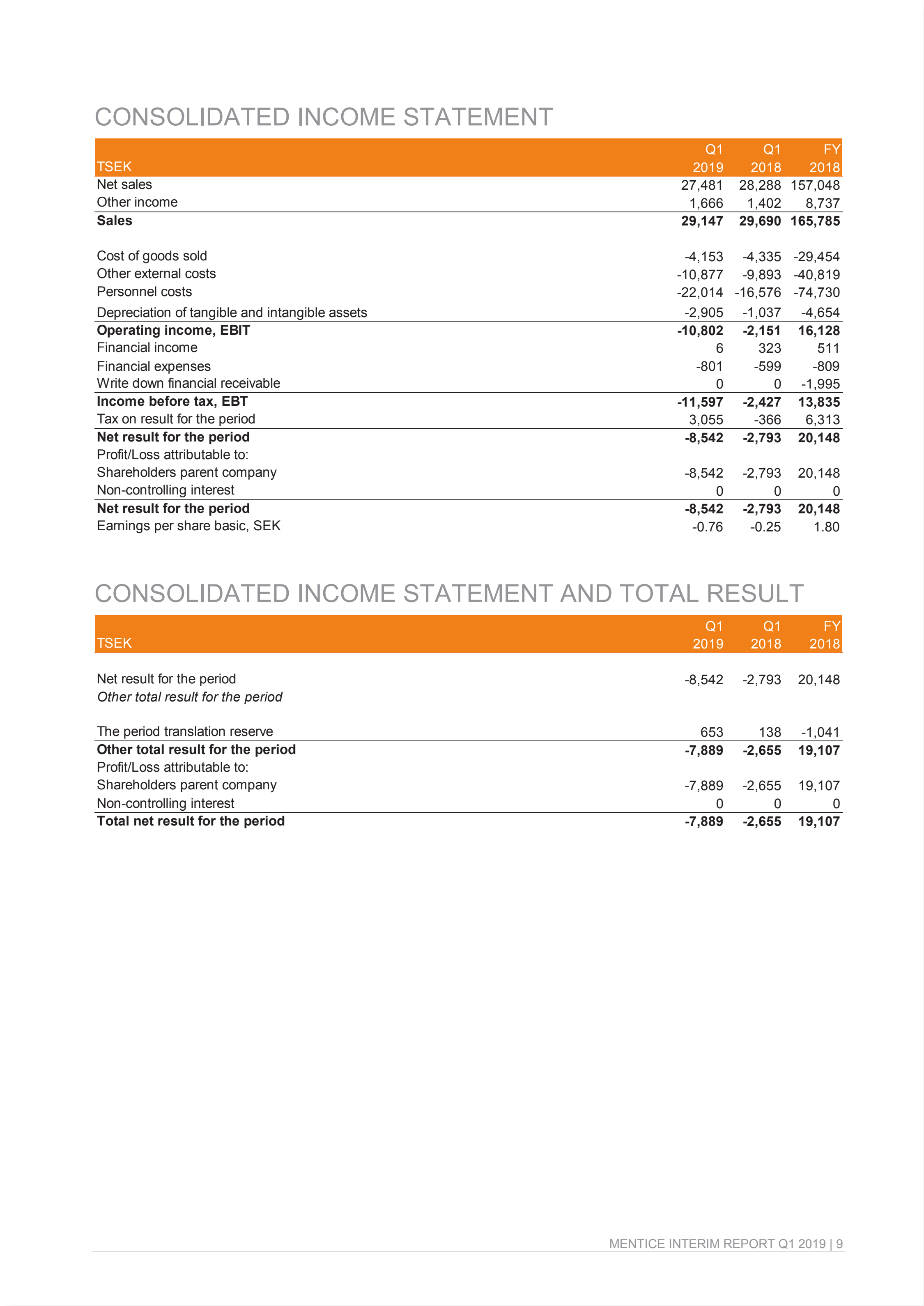
Mentice AB (publ.) is a privately held company and the two largest shareholders are Priveq Investment in Sweden and Karin. Howell in Switzerland, each controlling more than 10 percent of the shares.

OTHER INFORMATION

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

AUDITOR REVIEW

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

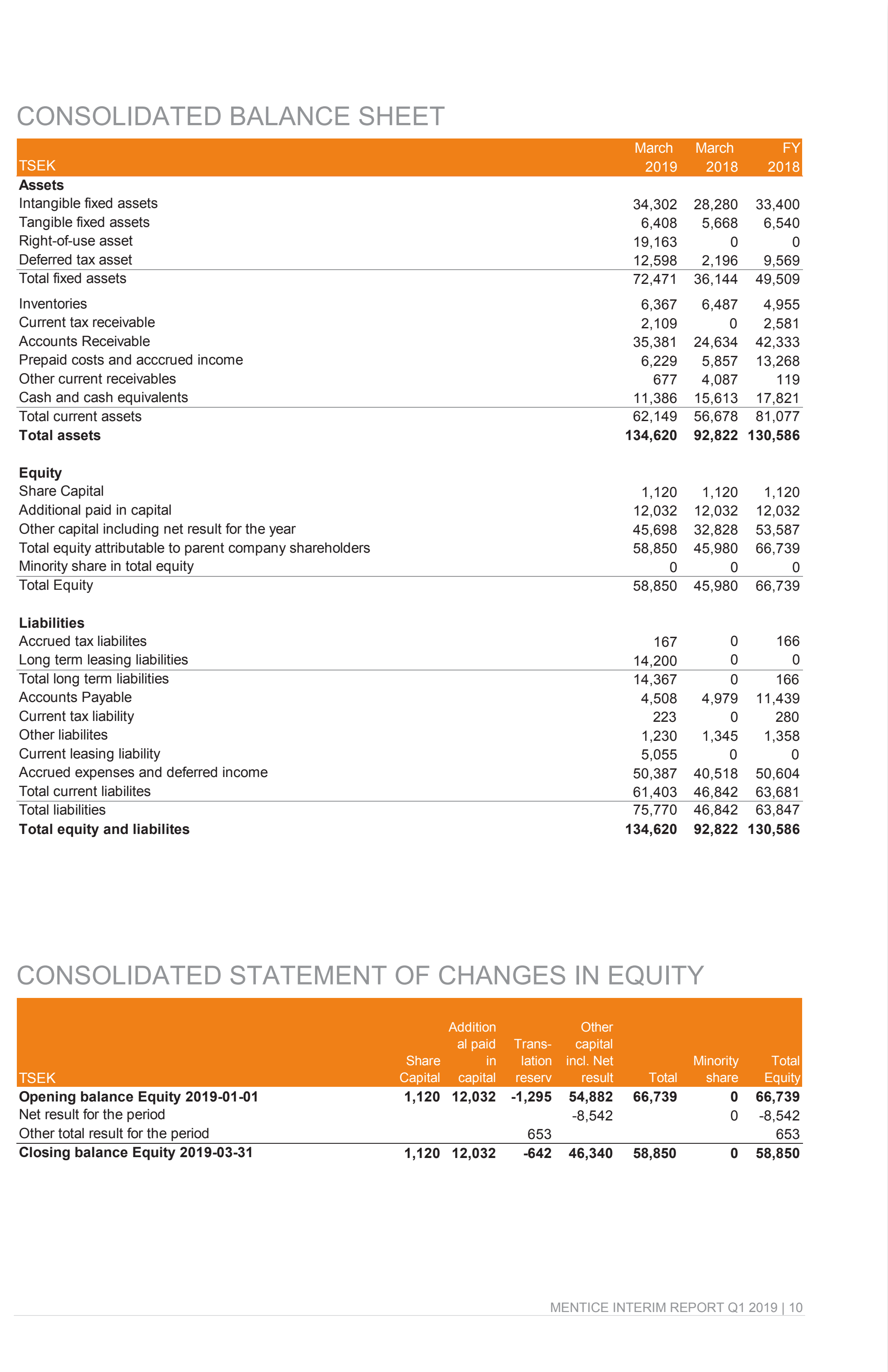


CONSOLIDATED INCOME STATEMENT

TSEK	Q1 2019	Q1 2018	FY 2018
Net sales	27,481	28,288	157,048
Other income	1,666	1,402	8,737
Sales	**29,147**	**29,690**	**165,785**
Cost of goods sold	-4,153	-4,335	-29,454
Other external costs	-10,877	-9,893	-40,819
Personnel costs	-22,014	-16,576	-74,730
Depreciation of tangible and intangible assets	-2,905	-1,037	-4,654
Operating income, EBIT	**-10,802**	**-2,151**	**16,128**
Financial income	6	323	511
Financial expenses	-801	-599	-809
Write down financial receivable	0	0	-1,995
Income before tax, EBT	**-11,597**	**-2,427**	**13,835**
Tax on result for the period	3,055	-366	6,313
Net result for the period	**-8,542**	**-2,793**	**20,148**
Profit/Loss attributable to:			
Shareholders parent company	-8,542	-2,793	20,148
Non-controlling interest	0	0	0
Net result for the period	**-8,542**	**-2,793**	**20,148**
Earnings per share basic, SEK	-0.76	-0.25	1.80

CONSOLIDATED INCOME STATEMENT AND TOTAL RESULT

TSEK	Q1 2019	Q1 2018	FY 2018
Net result for the period	-8,542	-2,793	20,148
Other total result for the period			
The period translation reserve	653	138	-1,041
Other total result for the period	**-7,889**	**-2,655**	**19,107**
Profit/Loss attributable to:			
Shareholders parent company	-7,889	-2,655	19,107
Non-controlling interest	0	0	0
Total net result for the period	**-7,889**	**-2,655**	**19,107**



CONSOLIDATED BALANCE SHEET

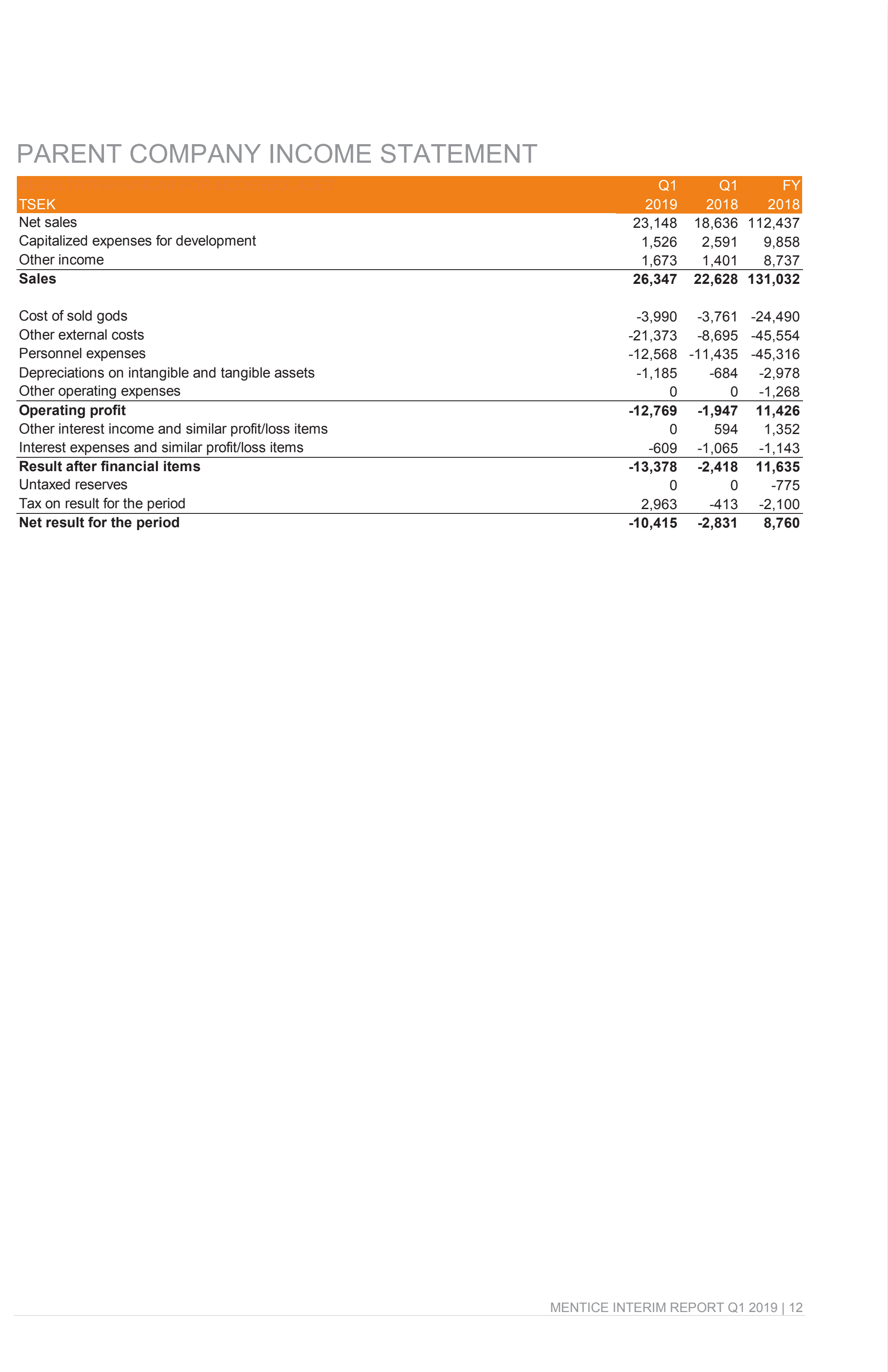
TSEK	March 2019	March 2018	FY 2018
Assets			
Intangible fixed assets	34,302	28,280	33,400
Tangible fixed assets	6,408	5,668	6,540
Right-of-use asset	19,163	0	0
Deferred tax asset	12,598	2,196	9,569
Total fixed assets	72,471	36,144	49,509
Inventories	6,367	6,487	4,955
Current tax receivable	2,109	0	2,581
Accounts Receivable	35,381	24,634	42,333
Prepaid costs and acccrued income	6,229	5,857	13,268
Other current receivables	677	4,087	119
Cash and cash equivalents	11,386	15,613	17,821
Total current assets	62,149	56,678	81,077
Total assets	**134,620**	**92,822**	**130,586**
Equity			
Share Capital	1,120	1,120	1,120
Additional paid in capital	12,032	12,032	12,032
Other capital including net result for the year	45,698	32,828	53,587
Total equity attributable to parent company shareholders	58,850	45,980	66,739
Minority share in total equity	0	0	0
Total Equity	58,850	45,980	66,739
Liabilities			
Accrued tax liabilites	167	0	166
Long term leasing liabilities	14,200	0	0
Total long term liabilities	14,367	0	166
Accounts Payable	4,508	4,979	11,439
Current tax liability	223	0	280
Other liabilites	1,230	1,345	1,358
Current leasing liability	5,055	0	0
Accrued expenses and deferred income	50,387	40,518	50,604
Total current liabilites	61,403	46,842	63,681
Total liabilities	75,770	46,842	63,847
Total equity and liabilites	**134,620**	**92,822**	**130,586**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TSEK	Share Capital	Additional paid in capital	Translation reserv	Other capital incl. Net result	Total	Minority share	Total Equity
Opening balance Equity 2019-01-01	**1,120**	**12,032**	**-1,295**	**54,882**	**66,739**	**0**	**66,739**
Net result for the period				-8,542		0	-8,542
Other total result for the period			653				653
Closing balance Equity 2019-03-31	**1,120**	**12,032**	**-642**	**46,340**	**58,850**	**0**	**58,850**

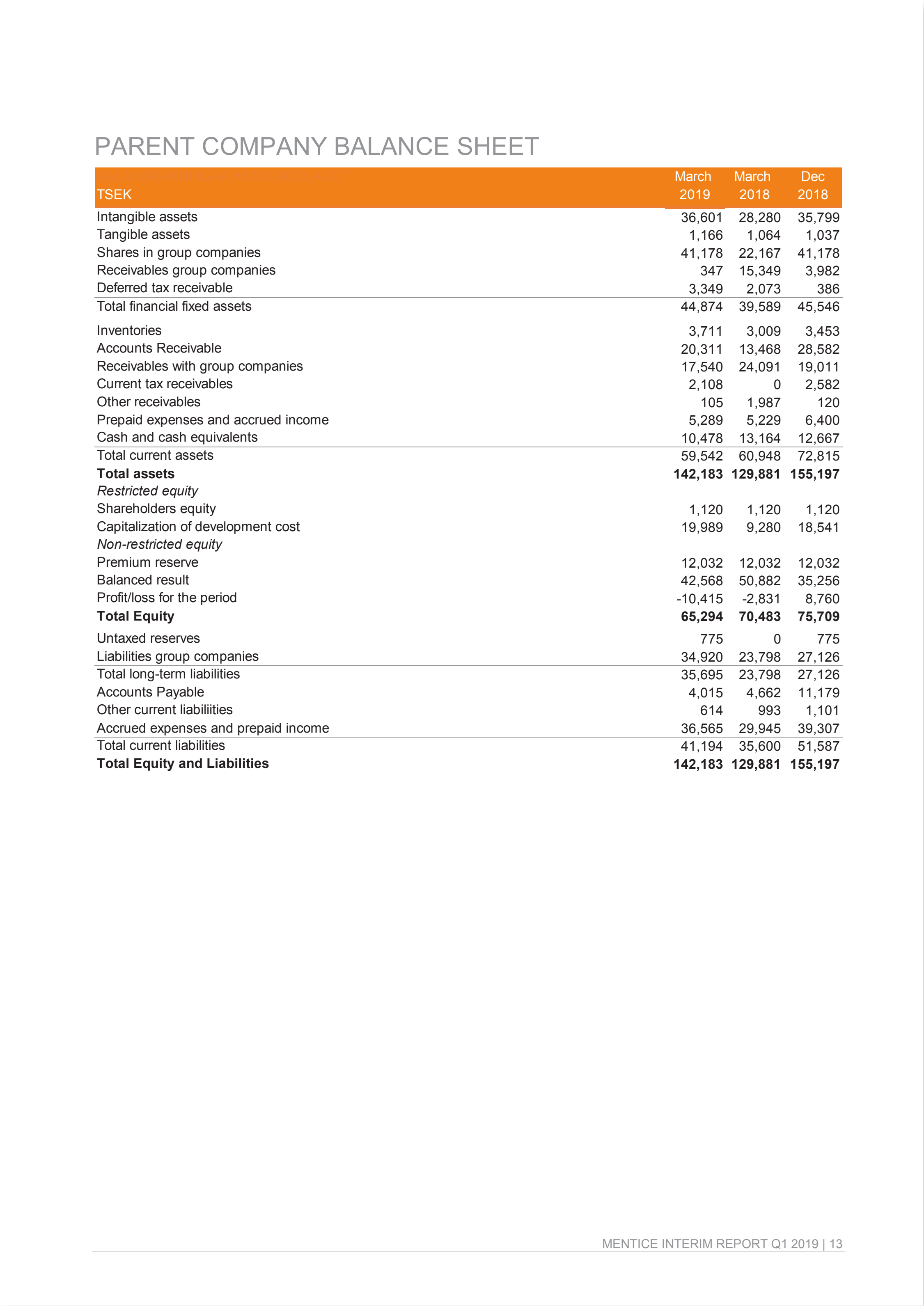
CONSOLIDATED STATEMENT OF CASH FLOW

TSEK	Q1 2019	Q1 2018	FY 2018
Operating activities			
Result before tax	-11,597	-2,427	13,835
Adjustment for non-cash items	2,731	634	4,692
Tax paid	415	-280	-2,120
Total	-8,451	-2,073	16,407
Increase (-)/Decrease (+) inventories	-1,412	518	1,705
Increase (-)/Decrease (+) current assets	13,433	3,381	-18,321
Increase (+)/Decrease (-) current liabilities	-7,276	1,393	16,214
Cash-flow from operations	-3,706	3,219	16,005
Investing activities			
Investments in tangible assets	0	0	-2,534
Investments in intangible assets	-116	0	0
Capitalized expenses for development	-1,525	-2,591	-9,858
Cash-flow from investment activities	-1,641	-2,591	-12,392
Financial activities			
Amortization of loan	-1,248	0	0
Dividend paid to parent company's shareholders	0	0	-958
Cash-flow from financing activities	-1,248	0	-958
Cash-flow for the period	**-6,595**	**628**	**2,655**
Opening cash balance	17,821	14,712	14,712
Exchange rate differences on financial items	160	273	454
Closing cash balance	**11,386**	**15,613**	**17,821**



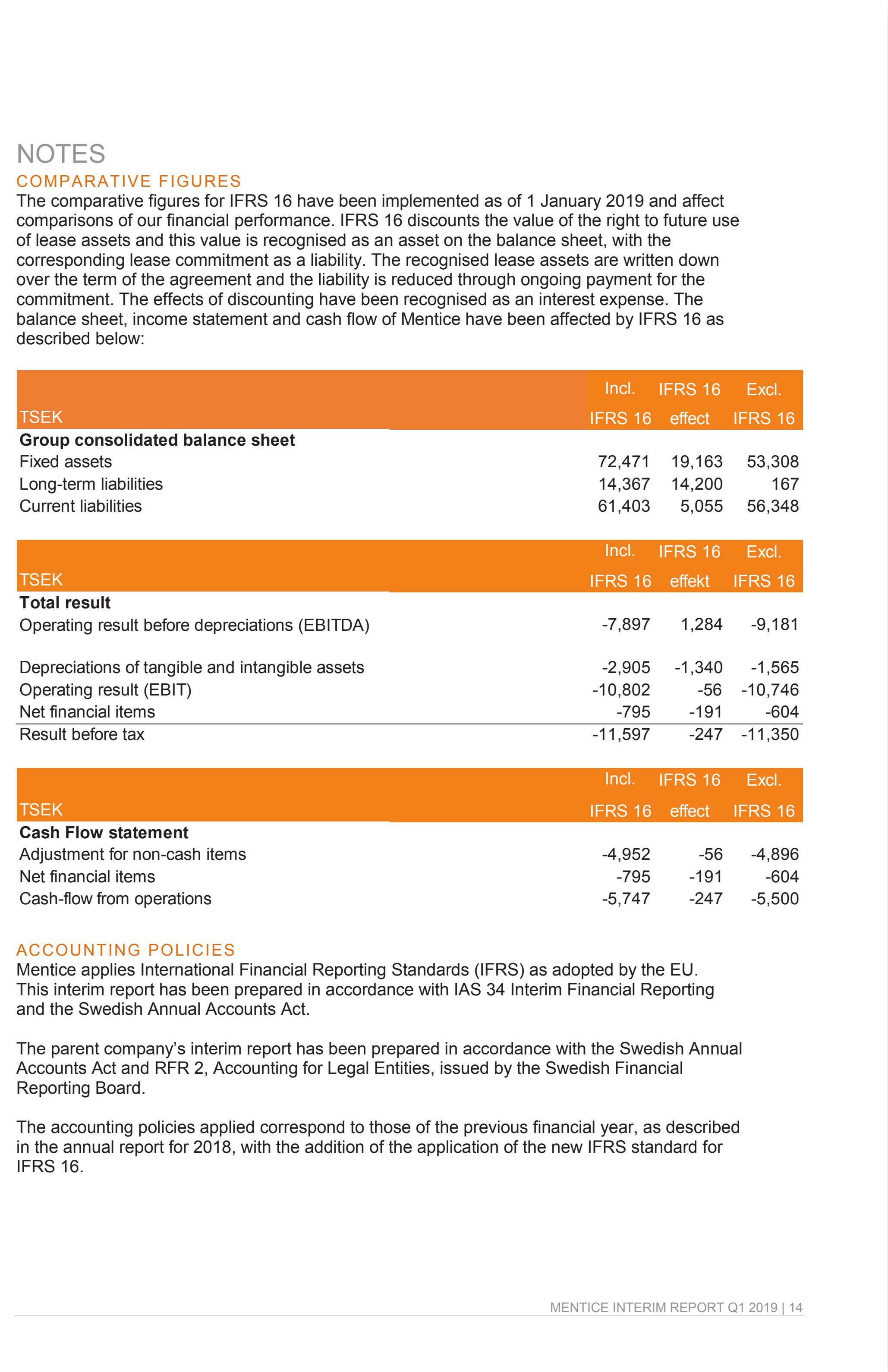
PARENT COMPANY INCOME STATEMENT

TSEK	Q1 2019	Q1 2018	FY 2018
Net sales	23,148	18,636	112,437
Capitalized expenses for development	1,526	2,591	9,858
Other income	1,673	1,401	8,737
Sales	**26,347**	**22,628**	**131,032**
Cost of sold gods	-3,990	-3,761	-24,490
Other external costs	-21,373	-8,695	-45,554
Personnel expenses	-12,568	-11,435	-45,316
Depreciations on intangible and tangible assets	-1,185	-684	-2,978
Other operating expenses	0	0	-1,268
Operating profit	**-12,769**	**-1,947**	**11,426**
Other interest income and similar profit/loss items	0	594	1,352
Interest expenses and similar profit/loss items	-609	-1,065	-1,143
Result after financial items	**-13,378**	**-2,418**	**11,635**
Untaxed reserves	0	0	-775
Tax on result for the period	2,963	-413	-2,100
Net result for the period	**-10,415**	**-2,831**	**8,760**



PARENT COMPANY BALANCE SHEET

TSEK	March 2019	March 2018	Dec 2018
Intangible assets	36,601	28,280	35,799
Tangible assets	1,166	1,064	1,037
Shares in group companies	41,178	22,167	41,178
Receivables group companies	347	15,349	3,982
Deferred tax receivable	3,349	2,073	386
Total financial fixed assets	44,874	39,589	45,546
Inventories	3,711	3,009	3,453
Accounts Receivable	20,311	13,468	28,582
Receivables with group companies	17,540	24,091	19,011
Current tax receivables	2,108	0	2,582
Other receivables	105	1,987	120
Prepaid expenses and accrued income	5,289	5,229	6,400
Cash and cash equivalents	10,478	13,164	12,667
Total current assets	59,542	60,948	72,815
Total assets	**142,183**	**129,881**	**155,197**
Restricted equity			
Shareholders equity	1,120	1,120	1,120
Capitalization of development cost	19,989	9,280	18,541
Non-restricted equity			
Premium reserve	12,032	12,032	12,032
Balanced result	42,568	50,882	35,256
Profit/loss for the period	-10,415	-2,831	8,760
Total Equity	**65,294**	**70,483**	**75,709**
Untaxed reserves	775	0	775
Liabilities group companies	34,920	23,798	27,126
Total long-term liabilities	35,695	23,798	27,126
Accounts Payable	4,015	4,662	11,179
Other current liabiliities	614	993	1,101
Accrued expenses and prepaid income	36,565	29,945	39,307
Total current liabilities	41,194	35,600	51,587
Total Equity and Liabilities	**142,183**	**129,881**	**155,197**



NOTES

COMPARATIVE FIGURES

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

TSEK	Incl. IFRS 16	IFRS 16 effect	Excl. IFRS 16
Group consolidated balance sheet			
Fixed assets	72,471	19,163	53,308
Long-term liabilities	14,367	14,200	167
Current liabilities	61,403	5,055	56,348

TSEK	Incl. IFRS 16	IFRS 16 effekt	Excl. IFRS 16
Total result			
Operating result before depreciations (EBITDA)	-7,897	1,284	-9,181
Depreciations of tangible and intangible assets	-2,905	-1,340	-1,565
Operating result (EBIT)	-10,802	-56	-10,746
Net financial items	-795	-191	-604
Result before tax	-11,597	-247	-11,350

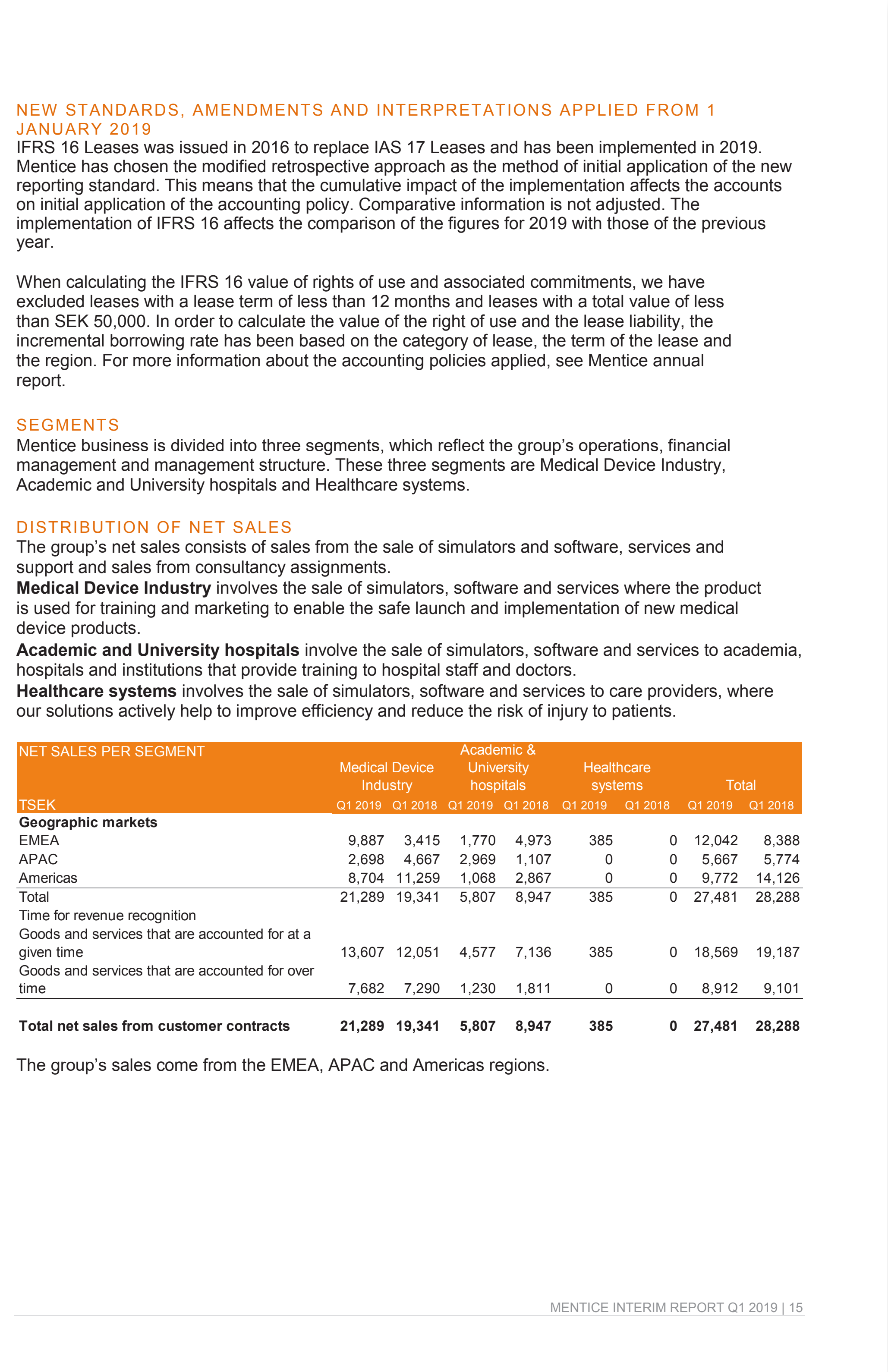
TSEK	Incl. IFRS 16	IFRS 16 effect	Excl. IFRS 16
Cash Flow statement			
Adjustment for non-cash items	-4,952	-56	-4,896
Net financial items	-795	-191	-604
Cash-flow from operations	-5,747	-247	-5,500

ACCOUNTING POLICIES

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

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

The accounting policies applied correspond to those of the previous financial year, as described in the annual report for 2018, with the addition of the application of the new IFRS standard for IFRS 16.



NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2019

IFRS 16 Leases was issued in 2016 to replace IAS 17 Leases and has been implemented in 2019. Mentice has chosen the modified retrospective approach as the method of initial application of the new reporting standard. This means that the cumulative impact of the implementation affects the accounts on initial application of the accounting policy. Comparative information is not adjusted. The implementation of IFRS 16 affects the comparison of the figures for 2019 with those of the previous year.

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

SEGMENTS

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

DISTRIBUTION OF NET SALES

The group's net sales consists of sales from the sale of simulators and software, services and support and sales from consultancy assignments.

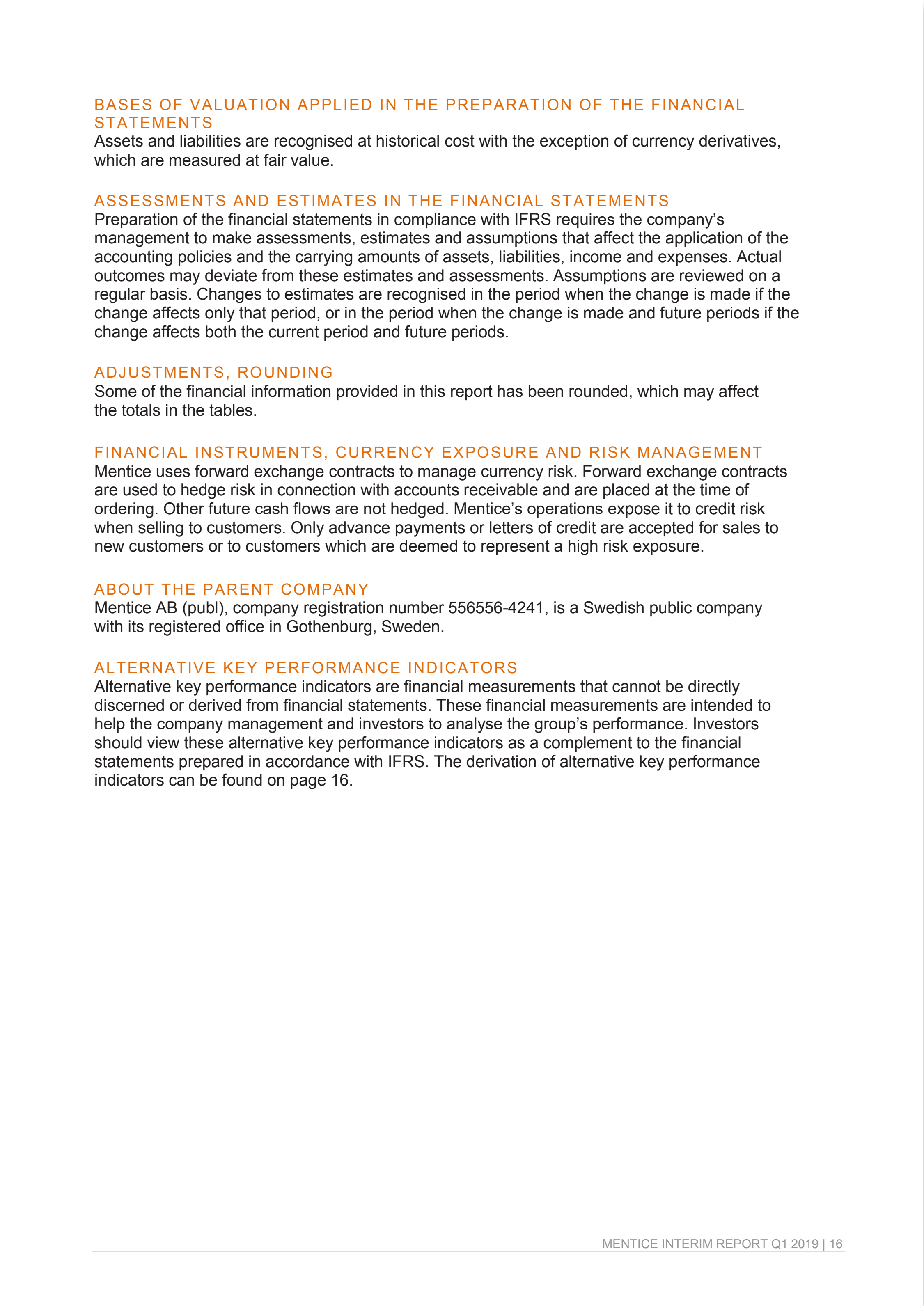
Medical Device Industry involves the sale of simulators, software and services where the product is used for training and marketing to enable the safe launch and implementation of new medical device products.

Academic and University hospitals involve the sale of simulators, software and services to academia, hospitals and institutions that provide training to hospital staff and doctors.

Healthcare systems involves the sale of simulators, software and services to care providers, where our solutions actively help to improve efficiency and reduce the risk of injury to patients.

NET SALES PER SEGMENT	Medical Device Industry		Academic & University hospitals		Healthcare systems		Total	
TSEK	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018
Geographic markets								
EMEA	9,887	3,415	1,770	4,973	385	0	12,042	8,388
APAC	2,698	4,667	2,969	1,107	0	0	5,667	5,774
Americas	8,704	11,259	1,068	2,867	0	0	9,772	14,126
Total	21,289	19,341	5,807	8,947	385	0	27,481	28,288
Time for revenue recognition								
Goods and services that are accounted for at a given time	13,607	12,051	4,577	7,136	385	0	18,569	19,187
Goods and services that are accounted for over time	7,682	7,290	1,230	1,811	0	0	8,912	9,101
Total net sales from customer contracts	**21,289**	**19,341**	**5,807**	**8,947**	**385**	**0**	**27,481**	**28,288**

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



BASES OF VALUATION APPLIED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

Assets and liabilities are recognised at historical cost with the exception of currency derivatives, which are measured at fair value.

ASSESSMENTS AND ESTIMATES IN THE FINANCIAL STATEMENTS

Preparation of the financial statements in compliance with IFRS requires the company’s management to make assessments, estimates and assumptions that affect the application of the accounting policies and the carrying amounts of assets, liabilities, income and expenses. Actual outcomes may deviate from these estimates and assessments. Assumptions are reviewed on a regular basis. Changes to estimates are recognised in the period when the change is made if the change affects only that period, or in the period when the change is made and future periods if the change affects both the current period and future periods.

ADJUSTMENTS, ROUNDING

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

FINANCIAL INSTRUMENTS, CURRENCY EXPOSURE AND RISK MANAGEMENT

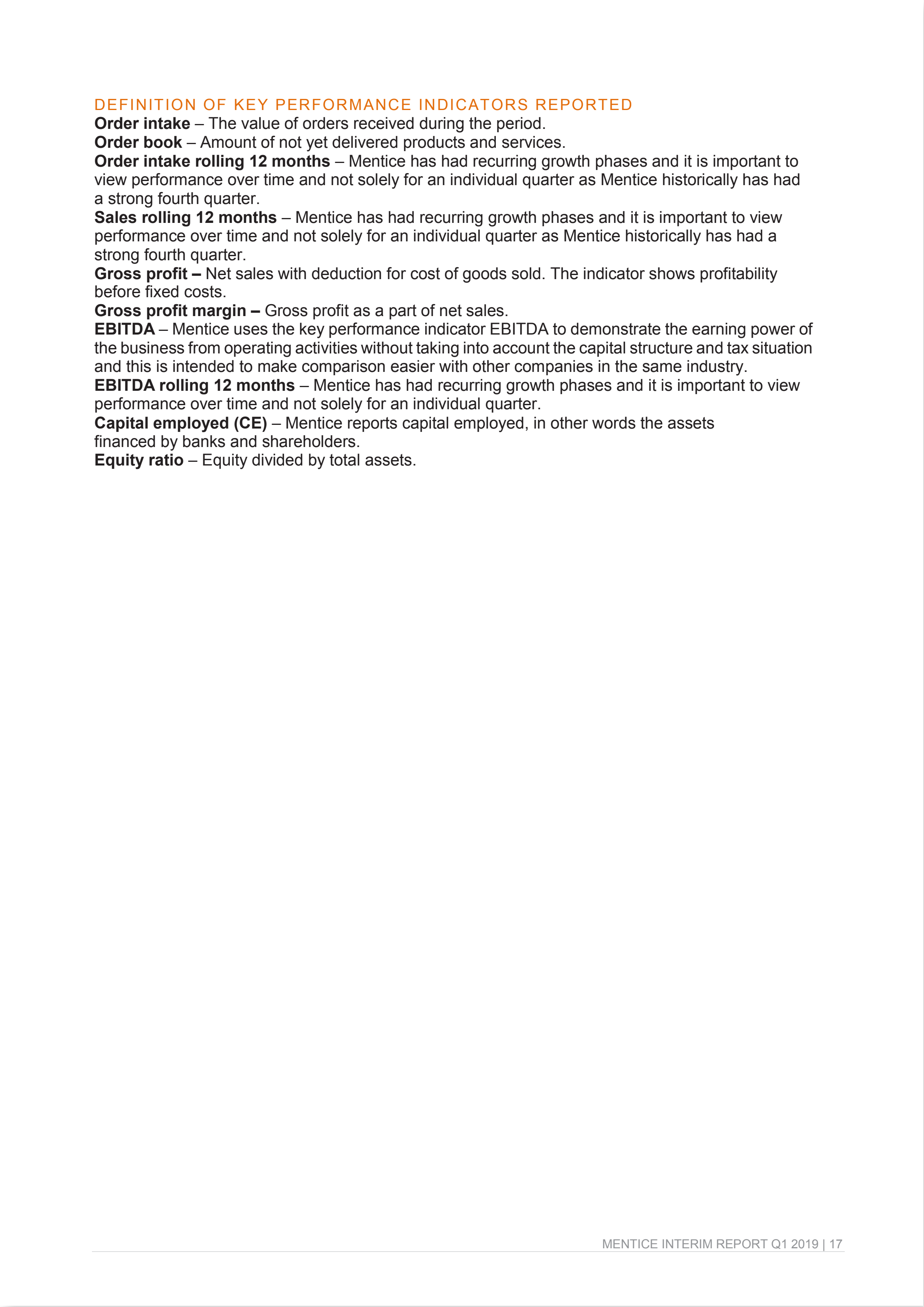
Mentice uses forward exchange contracts to manage currency risk. Forward exchange contracts are used to hedge risk in connection with accounts receivable and are placed at the time of ordering. Other future cash flows are not hedged. Mentice’s operations expose it to credit risk when selling to customers.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

ABOUT THE PARENT COMPANY

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

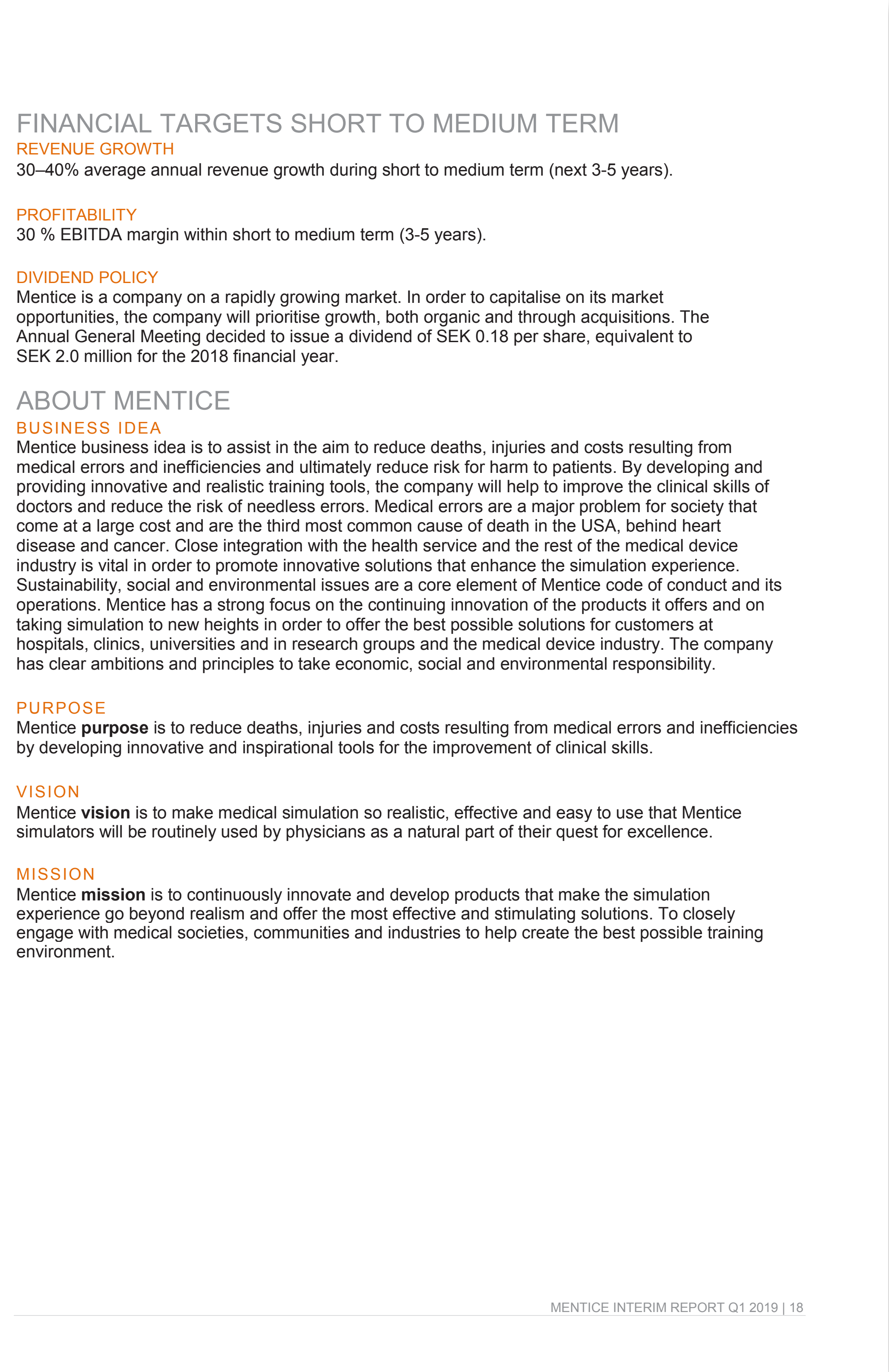
ALTERNATIVE KEY PERFORMANCE INDICATORS

Alternative key performance indicators are financial measurements that cannot be directly discerned or derived from financial statements. These financial measurements are intended to help the company management and investors to analyse the group’s performance. Investors should view these alternative key performance indicators as a complement to the financial statements prepared in accordance with IFRS. The derivation of alternative key performance indicators can be found on page 16.



DEFINITION OF KEY PERFORMANCE INDICATORS REPORTED

Order intake – The value of orders received during the period.
Order book – Amount of not yet delivered products and services.
Order intake rolling 12 months – Mentice has had recurring growth phases and it is important to view performance over time and not solely for an individual quarter as Mentice historically has had a strong fourth quarter.
Sales rolling 12 months – Mentice has had recurring growth phases and it is important to view performance over time and not solely for an individual quarter as Mentice historically has had a strong fourth quarter.
Gross profit – Net sales with deduction for cost of goods sold. The indicator shows profitability before fixed costs.
Gross profit margin – Gross profit as a part of net sales.
EBITDA – Mentice uses the key performance indicator EBITDA to demonstrate the earning power of the business from operating activities without taking into account the capital structure and tax situation and this is intended to make comparison easier with other companies in the same industry.
EBITDA rolling 12 months – Mentice has had recurring growth phases and it is important to view performance over time and not solely for an individual quarter.
Capital employed (CE) – Mentice reports capital employed, in other words the assets financed by banks and shareholders.
Equity ratio – Equity divided by total assets.



FINANCIAL TARGETS SHORT TO MEDIUM TERM

REVENUE GROWTH

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

PROFITABILITY

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

DIVIDEND POLICY

Mentice is a company on a rapidly growing market. In order to capitalise on its market opportunities, the company will prioritise growth, both organic and through acquisitions. The Annual General Meeting decided to issue a dividend of SEK 0.18 per share, equivalent to SEK 2.0 million for the 2018 financial year.

ABOUT MENTICE

BUSINESS IDEA

Mentice business idea is to assist in the aim to reduce deaths, injuries and costs resulting from medical errors and inefficiencies and ultimately reduce risk for harm to patients. By developing and providing innovative and realistic training tools, the company will help to improve the clinical skills of doctors and reduce the risk of needless errors. Medical errors are a major problem for society that come at a large cost and are the third most common cause of death in the USA, behind heart disease and cancer. Close integration with the health service and the rest of the medical device industry is vital in order to promote innovative solutions that enhance the simulation experience. Sustainability, social and environmental issues are a core element of Mentice code of conduct and its operations. Mentice has a strong focus on the continuing innovation of the products it offers and on taking simulation to new heights in order to offer the best possible solutions for customers at hospitals, clinics, universities and in research groups and the medical device industry. The company has clear ambitions and principles to take economic, social and environmental responsibility.

PURPOSE

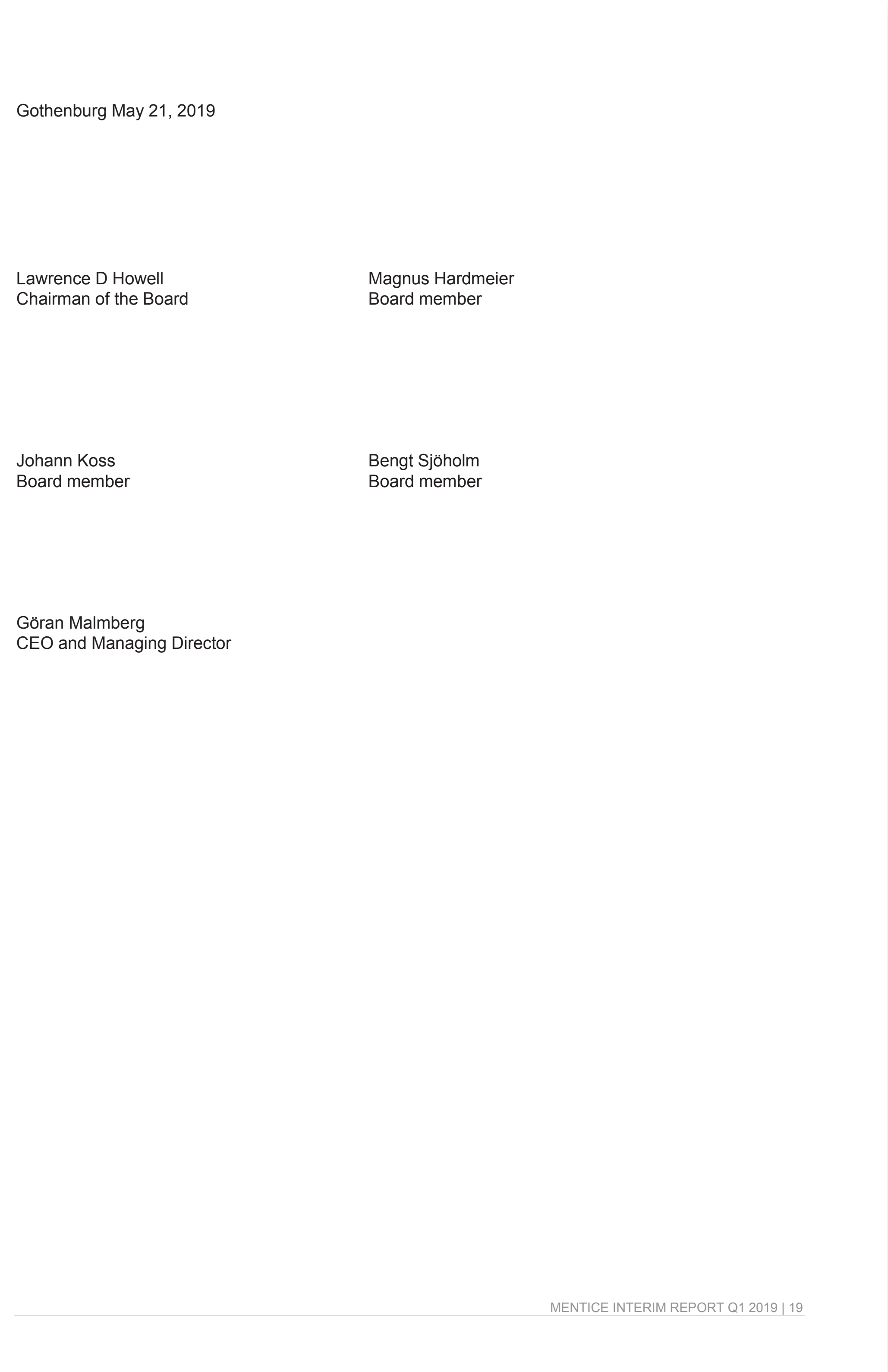
Mentice **purpose** is to reduce deaths, injuries and costs resulting from medical errors and inefficiencies by developing innovative and inspirational tools for the improvement of clinical skills.

VISION

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

MISSION

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



Gothenburg May 21, 2019

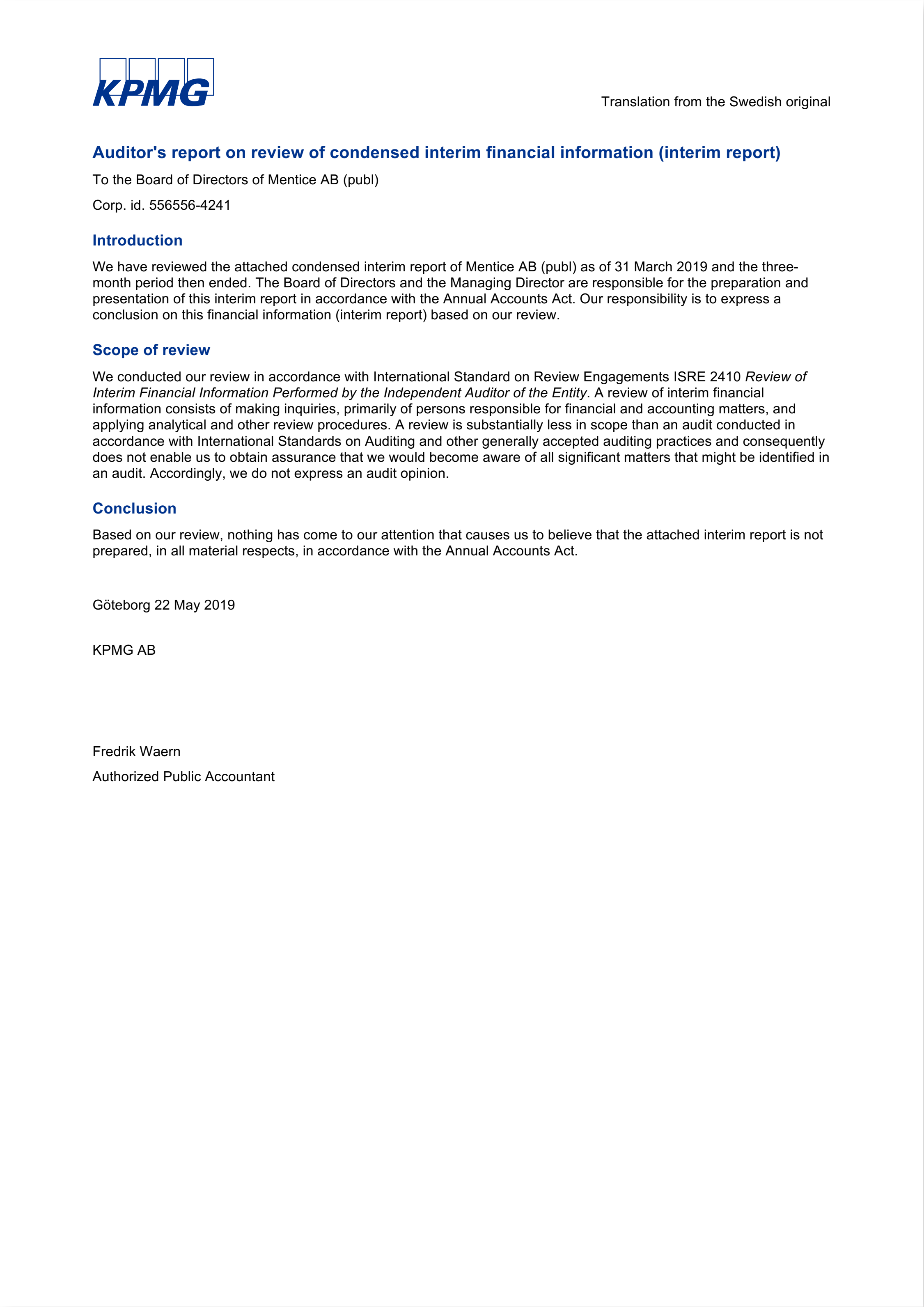
Lawrence D Howell
Chairman of the Board

Magnus Hardmeier
Board member

Johann Koss
Board member

Bengt Sjöholm
Board member

Göran Malmberg
CEO and Managing Director



KPMG

Translation from the Swedish original

Auditor's report on review of condensed interim financial information (interim report)

To the Board of Directors of Mentice AB (publ)

Corp. id. 556556-4241

Introduction

We have reviewed the attached condensed interim report of Mentice AB (publ) as of 31 March 2019 and the three-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with the Annual Accounts Act. Our responsibility is to express a conclusion on this financial information (interim report) based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the attached interim report is not prepared, in all material respects, in accordance with the Annual Accounts Act.

Göteborg 22 May 2019

KPMG AB

Fredrik Waern

Authorized Public Accountant

FINANCIAL INFORMATION FOR THE FINANCIAL YEARS 2018 AND 2017

The financial statements of historical financial information were approved by the Board of Directors for publication, 1 April 2019.

CONSOLIDATED INCOME STATEMENT

1 January–31 December SEK Thousand	Note	2018	2017
Net turnover	2, 3	157,048	108,966
Other operating income	4	8,737	2,806
		165,785	**111,772**
Raw materials, consumables and commodities		–29,454	–19,279
Other external costs		–40,819	–29,984
Personnel costs	5	–74,730	–53,027
Depreciation of tangible and intangible fixed assets		–4,654	–2,941
Operating profit	3, 6, 19	**16,128**	**6,541**
Financial income		511	225
Financial expenses		–809	–1,438
Impairment financial receivable		–1,995	–
Net financial items	7	**–2,293**	**–1,213**
Profit/loss before tax		**13,835**	**5,328**
Tax	8	6,313	854
Profit or loss for the year		**20,148**	**6,182**
Profit or loss for the year		**20,148**	**6,182**
Profit or loss for the year attributable to:			
The parent company's shareholders		20,148	6,182
Non-controlling interest		0	0
Profit or loss for the year		**20,148**	**6,182**
Earnings per share	9		
before dilution (SEK)		1.80	0.58
after dilution (SEK)		1.80	0.58

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

1 January–31 December SEK Thousand	Note	2018	2017
Profit or loss for the year		**20,148**	**6,182**
Other comprehensive income			
Items that have been allocated or may be allocated to the profit or loss for the year	15		
The year's translation differences when translating foreign operations		–1,041	3,208
		–1,041	**3,208**
Other comprehensive income for the year		**–1,041**	**3,208**
Comprehensive income for the year		**19,107**	**9,390**
Profit or loss for the year attributable to:			
The parent company's shareholders		19,107	9,390
Non-controlling interest		0	0
Comprehensive income for the year		**19,107**	**9,390**

STATEMENT OF FINANCIAL POSITION FOR THE GROUP

SEK Thousand	Note	31/12/2018	31/12/2017
Assets			
Intangible fixed assets	10	33,400	26,286
Tangible fixed assets	11	6,540	5,315
Deferred tax assets	8	9,569	2,560
Total fixed assets		**49,509**	**34,161**
Inventory	12	4,955	7,005
Tax assets	8	2,581	567
Accounts receivable		42,333	22,868
Prepaid costs and deferred income	13	13,268	9,577
Other receivables		119	4,929
Cash and cash equivalents	14	17,821	14,712
Total current assets		**81,077**	**59,658**
Total Assets		**130,586**	**93,819**
Shareholders' equity	15		
Share capital		1,120	1,120
Other capital contributions		12,032	12,032
Translation reserves		–1,295	–254
Retained earnings including profit/loss for the year		54,882	35,743
Shareholders' equity attributable to the parent company's shareholders		**66,739**	**48,641**
Non-controlling interest		**0**	**0**
Total shareholders' equity		**66,739**	**48,641**
Liabilities			
Deferred tax liabilities	8	166	–
Total non-current liabilities		**166**	**–**
Accounts payable		11,439	6,320
Tax liabilities	8	280	148
Other liabilities		1,358	821
Deferred costs and prepaid income	16	50,604	37,889
Total short-term liabilities		**63,681**	**45,178**
Total liabilities		**63,847**	**45,178**
Total Equity and Liabilities		**130,586**	**93,819**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE GROUP

	Shareholders' equity attributable to the parent company's shareholders						
SEK Thousand	**Share equity**	**Other contributed capital**	**Trans Share reserve**	**Retained earnings incl. the year's profit/loss**	**Total**	**Holding without controlling influence**	**Total share-holders' capital**
Opening equity 01/01/2017	1,064	–	–3,462	32,247	29,849	0	29,849
Adjustment for retrospective application IFRS 15				–2,686	–2,686	0	–2,686
Adjusted equity 01/01/2017	1,064	–	–3,462	29,561	27,163	0	27,163
Comprehensive income for the year							
Profit or loss for the year				6,182	6,182	0	6,182
Other comprehensive income for the year			3,208		3,208		3,208
Comprehensive income for the year	**–**	**–**	**3,208**	**6,182**	**9,390**	**0**	**9,390**
Transactions with the Group's owners							
Contributions from and distributions to owners							
Ongoing issue of new shares	56	12,032			12,088		12,088
Total contributions from and distributions to owners	**56**	**12,032**	**–**	**–**	**12,088**	**0**	**12,088**
Total transactions with the Group's owners	**56**	**12,032**	**–**	**–**	**12,088**	**0**	**12,088**
Closing equity 31/12/2017	**1,120**	**12,032**	**–254**	**35,743**	**48,641**	**0**	**48,641**

	Shareholders' equity attributable to the parent company's shareholders						
SEK Thousand	**Share equity**	**Other contributed capital**	**Trans Share reserve**	**Retained earnings incl. the year's profit/loss**	**Total**	**Holding without controlling influence**	**Total share-holders' capital**
Opening equity 01/01/2018	1,120	12,032	–254	35,743	48,641	0	48,641
Comprehensive income for the year							
Profit or loss for the year				20,148	20,148	0	20,148
Other comprehensive income for the year			–1,041		–1,041		–1,041
Comprehensive income for the year	**–**	**–**	**–1,041**	**20,148**	**19,107**	**0**	**19,107**
Transactions with the Group's owners							
Contributions from and distributions to owners							
Dividends paid				–1,009	–1,009		–1,009
Total contributions from and distributions to owners	**–**	**–**	**–**	**–1,009**	**–1,009**	**0**	**–1,009**
Total transactions with the Group's owners	**–**	**–**	**–**	**–1,009**	**–1,009**	**0**	**–1,009**
Closing equity 31/12/2018	**1,120**	**12,032**	**–1,295**	**54,882**	**66,739**	**0**	**66,739**

See also note 16.

STATEMENT OF CASH FLOWS FOR THE GROUP (INDIRECT METHOD)

1 January–31 December SEK Thousand	Note	2018	2017
The current operations	22		
Profit/loss before tax		13,835	5,328
Adjustment for items not included in the cash flow		4,692	3,544
Income tax paid		–2,120	–1,212
		16,407	**7,660**
Increase (–)/Decrease (+) in inventories		1,705	–4,190
Increase (–)/Decrease (+) in operating receivables		–18,321	–4,303
Increase (+)/Decrease (–) in operating liabilities		16,214	16,564
Cash flow from the current operations		**16,005**	**15,731**
Investment activities			
Acquisition of tangible fixed assets		–2,534	–483
Capitalised development costs		–9,858	–7,375
Cash flow from investment operations		**–12,392**	**–7,858**
Financing activities			
Dividend paid to the parent company's shareholders		–958	–
Cash flow from financing activities		**–958**	**–**
Cash flow for the year		2,655	7,873
Cash and cash equivalents at the start of the year		14,712	7,342
Exchange rate differences in cash and cash equivalents		454	–503
Cash and cash equivalents at the end of the year		**17,821**	**14,712**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

NOTE 1 • SIGNIFICANT ACCOUNTING PRINCIPLES

Compliance with standards and legislation

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. Furthermore, the Financial Reporting Council's recommendation

RFR 1 Supplementary Accounting Rules for Groups has been applied.

Measurement bases applied during the preparation of the financial statements

Assets and liabilities are recognised at the historical acquisition cost apart from derivative instruments, which are measured at fair value.

Functional currency and reporting currency

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

Assessments and estimates in the financial statements

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

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

Essential accounting principles applied

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

AMENDED ACCOUNTING PRINCIPLES

Transition to IFRS

The Group applies IFRS for the first time with effect from 1 January 2018. The date and time for transition is the commencement of the comparative year, i.e. 1 January 2017.

During the transition, the IFRS rules that applied as of 31 December 2018 have been applied pursuant to *IFRS 1, First-time Adoption of IFRS* and, during the transition year and comparative year, two significant new standards have come into force, *IFRS 9 Financial Instruments* and *IFRS 15 Revenue from Contracts with Customers*.

IFRS 9 Financial Instruments

IFRS 9 establishes principles for recognition and measurement of financial assets, financial liabilities and certain contracts concerning purchases and sales of non-financial instruments. This standard supersedes *IAS 39 Financial instruments: Recognition and Measurement*.

Classification of financial assets and financial liabilities

IFRS 9 contains three principle classification categories for financial assets: Measured at amortised cost, fair value via other comprehensive income and fair value via profit or loss. The classification of financial assets according to IFRS 9 is generally based on the company's business model for the management of the financial assets and the properties of the contractual cash flows from the financial assets. IFRS 9 eliminates the earlier IAS 39 categories, investments held to maturity, loan receivables and accounts receivable, as well as financial assets available for sale.

In contrast to IAS 39, which bases the impairments of financial assets on events that have occurred, the impairments in IFRS 9 are based on expected future losses.

The transitional methods that the Group have chosen to apply regarding IFRS 9 means that comparison information in the financial statements are not restated to reflect the requirements in the new standards.

The introduction of IFRS 9 has not had a material effect on the Group's accounting.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is a comprehensive standard that sets out how much revenue is to be recognised and when this revenue is to be recognised. It supersedes IAS 18 Revenue, IAS 11 Construction Contracts and associated interpretations. According to IFRS 15, revenue is recognised when the customer obtains control of the goods or the services.

The Group is applying IFRS 15 retroactively (without practical expedients) with the total effect recognised in equity as of 1 January 2017.

As a consequence of this, some revenues are recognised later under IFRS 15 compared to IAS 18.

The total effect (after tax) on the Group's equity as of 1 January 2017 is summarised below.

		Estimated effect on transition to the IFRS 15 as of 1 January 2017	
SEK Thousand	**Note**	**The parent company**	**The Group**
Retained earnings	25		
Sales of goods – simulators and software		–2,413	–3,360
Cost of goods sold		483	672
Effect as of 1 January 2017		**–1,930**	**–2,688**

IFRS 15 has not had any material effect on the Group's accounting principles regarding other revenue flows.

New IFRS that have not yet started to be applied

A number of new or amended IFRS enter into effect for the first time during the coming financial year and they have not been applied in advance during the preparation of these financial statements.

IFRS 16 Leases

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

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

Leases where the Group is lessee

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

IFRS 16 is a new standard for leases. For lessees, the classification into operational and financial leases according to IAS 17 disappears and is replaced with a model where assets and liabilities for all leases have to be recognised on the balance sheet. There are exemptions for recognition on the balance sheet for low-value leases and for leases with a lease term of 12 months or less.

In the income statement, depreciations have to be recognised separate from interest costs attributable to the leasing liability.

IFRS 16 will be applied for the Group for the financial year that commences 1 January 2019.

Other future changes are deemed, in the present situation, not to have any material effect on the financial statements.

Classification etc.

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

Operating segment reporting

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

PRINCIPLES OF CONSOLIDATION AND BUSINESS COMBINATIONS

Subsidiaries

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

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

Negative goodwill

In the case of business combinations in which the transferred payment exceeds the fair value of separately acquired assets and assumed liabilities, the difference is recognized as goodwill. When the difference is negative, so-called acquisition at low-price, this is recognised directly in profit or loss for the year.

Transactions eliminated at consolidation

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

FOREIGN CURRENCY

Transactions in foreign currency

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

Hedge accounting is not applied.

Foreign operations' financial statements

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

REVENUE

Performance obligation and revenue accounting principles

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

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

Revenue from sales of simulators and software

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

Revenue from sales of services

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

Revenue from consultancy assignments

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

LEASES

Operating leases

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

There are no financial leases.

Financial income and costs

The Group's financial income and costs include:
- interest income
- interest expenses
- exchange rate gains/losses on financial assets or financial liabilities

Taxes

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

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

Deferred tax assets pertaining to deductible temporary differences and unused tax losses are only recognised to the extent that it is probable that they will be utilised.

The value of deferred tax assets is reduced when it is no longer judged probable that they will be utilised.

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

Tangible fixed assets

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

Tangible fixed assets are recognised at fair value after deduction for accumulated depreciation and adjustment on the grounds of revaluation. Revaluation is carried out with the regularity required for the recognised value not to differ materially from what was established as fair value on the balance sheet date.

Depreciation principles

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

Estimated useful lives:

– equipment, tools and installations	5 years

Intangible assets

Research and development

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

Other intangible assets

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

Depreciation principles

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

The estimated useful lives are:

– patent	10–20 years
– capitalized development costs	5 years

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

Inventory

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

Financial instruments

IFRS 9 Financial Instruments has superseded the current AIS 39 Financial Instruments: Recognition and measurement effective from 1 January 2018. The change in accounting principles has not had any material effect on the Group's profit or loss and positions and the Group's judgement is that the new categories of financial assets that were introduced by IFRS 9 do not have any material effect on the accounting.

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

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

At the time of each statement, the Group evaluates whether there is any objective evidence that a financial asset needs to be impaired. In contrast to IAS 39, which bases the impairments of financial assets on events that have occurred, the impairments in IFRS 9 are based on expected future losses.

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

Hedge accounting

The parent company uses currency futures to hedge the variation in the cash flows that arise through changes in exchange rates related to receivables in foreign currency. Hedge accounting is not applied. According to IAS 39, changes in fair value in the futures part of the currency futures (forward points) are recognised directly in profit or loss.

Earnings per share

The calculation of earnings per share before dilution is based on the profit or loss in the Group attributable to the parent company's shareholders and the weighted average number of shares outstanding during the year. During the calculation of earnings per share after dilution, the earnings and the average number of shares are adjusted to take into consideration to the effects of dilutive potential ordinary shares.

Subsidiaries

Participation in subsidiaries are recognised in the parent company according to the cost method. This means that transaction expenses are included in the recognised value: for holdings in subsidiaries.

Taxes

Appropriations including deferred tax liability are recognised in the parent company. On the other hand, in the consolidated accounts, appropriations are divided into deferred tax liability and shareholders' equity. In the income statement for the parent company, no division is made, in a comparable way, of part of the appropriations to deferred tax cost.

NOTE 2 • Revenue

Information about large customers

One single customer stands for 15 percent of the total turnover in 2018, which is equivalent to SEK 23,635 thousand (SEK 5,527 thousand)

This revenue is recognised in the segment medical device industry.

Contract balances

Information about agreement assets and agreement liabilities from agreements with customers is summarised below.

SEK Thousand	Note	31 December 2018	31 December 2017
Agreement assets	13	8,628	4,838
Agreement liabilities	16	38,874	28,515

Agreement assets are attributable primarily to the Group's right to payment for work completed but not yet invoiced on the balance sheet date and mainly refer to consultancy work.

Agreement liabilities primarily refer to the advances obtained from the customer, which mainly refer to the consultancy work as well as the service commitments.

The increase in agreement liabilities during 2018 are primarily due to the growth during the year.

Reported agreement liabilities at the end of the period will in the main be recognised as revenue during 2019.

NOTE 3 • Operating segments

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

Medical Device Industry

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

Academic and University Hospitals

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

Healthcare Systems

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

Net sales by geography and segment

	Operating segments							
1 januari–31 December	Medical Devices Industry		Academic and University Hospitals		Healthcare Systems		Total	
SEK Thousand	2018	2017	2018	2017	2018	2017	2018	2017
Geographical market								
EMEA	33,982	17,132	14,859	6,643	3,785	859	52,627	24,635
APAC	23,521	21,458	17,794	19,567	–	–	41,315	41,025
Americas	48,220	36,143	10,616	5,829	4,271	1,335	63,107	43,306
Total	**105,723**	**74,733**	**43,269**	**32,038**	**8,056**	**2,194**	**157,048**	**108,966**
Time and date for revenue recognition								
Products that are recognised at a given time and date	73,701	42,810	40,967	29,483	6,433	1,794	121,101	74,088
Goods and services that are recognised over time	32,023	31,923	2,302	2,555	1,623	400	35,948	34,878
Total Revenue from contracts with customers	**105,723**	**74,733**	**43,269**	**32,038**	**8,056**	**2,194**	**157,048**	**108,966**

NOTE 4 • Other operating income

SEK Thousand	2018	2017
The Group		
Exchange rate profits on receivables/ liabilities of an operating character	7,469	1,194
Negative goodwill	–	1,280
Other	1,268	332
	8,737	**2,806**

NOTE 5 • Anställda, personalkostnader och ledande befattningshavares ersättningar

Employee benefits expenses

SEK Thousand	2018	2017
The Group		
Salaries and remuneration etc.	58,324	40,926
Pension costs	3,370	2,725
Social security payments	11,582	7,604
	73,276	**51,255**

Average number of employees

	2018	whereof men	2017	whereof men
The parent company				
Sweden	39	72%	36	75%
Germany	1	100%	1	100%
Total for the parent company	**40**	**73%**	**37**	**76%**
Subsidiaries				
Mentice Inc, US	26	88%	14	86%
Mentice KK, Japan	3	100%	1	100%
Total in subsidiaries	**29**	**93%**	**15**	**81%**
The Group total	**69**	**81%**	**52**	**77%**

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

Gender distribution in the corporate management

	31/12/2018 % of women	31/12/2017 % of women
The parent company		
The board of directors	0%	0%
Other leading senior executives	20%	20%
The Group		
The board of directors	0%	0%
Other leading senior executives	20%	20%

Salaries and other remuneration distributed between senior executives and other employees as well as social security costs in the parent company.

The Parent Company

SEK Thousand	Senior Executives (4 people)	Other employees	Total
2018			
Salaries and other payments	4,984	27,716	32,700
(whereof bonus and similar)	(697)	(–)	(697)
Parent company total	**4,984**	**27,716**	**32,700**
(whereof bonus and similar)	(697)	(–)	(697)
Social security contributions	2,222	9,148	11,370
(of which pension expenses)	(746)	(2,037)	(2,783)

SEK Thousand	Senior Executives (3 people)	Other employees	Total
2017			
Salaries and other payments	3,736	20,781	24,517
(whereof bonus and similar)	(–)	(–)	(–)
Parent company total	**3,736**	**20,781**	**24,517**
(whereof bonus and similar)	(–)	(–)	(–)
Social security contributions	1,935	9,115	11,050
(of which pension expenses)	(764)	(2,458)	3,222

Salaries and other remunerations, pension costs as well as pension obligations for senior executives in the Group.

SEK Thousand	2018 Senior Executives (5 people)	2017 Senior Executives (4 people)
The Group		
Salaries and other payments	8,433	6,936
(whereof bonus and similar)	(1,541)	(639)
Pension costs	**746**	**717**

NOTE 6 • Fees and remuneration to the auditors

SEK Thousand	2018	2017
The Group		
KPMG		
Auditing	281	190
Other commissions	83	11
Michael Richter Inc		
Auditing	112	–
Other commissions	81	–

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

NOTE 7 • Net financial items

SEK Thousand	2018	2017
Interest income and similar profit/loss items		
Interest income	2	17
Exchange rate gains	509	–
Other financial income	–	208
Total	**511**	**225**
Interest costs and similar profit or loss items		
Interest costs	–45	–4
Sales losses disposal of fixed assets	–6	–26
Exchange rate losses	–758	–1,408
Total	**–809**	**–1,438**

Impairment of the financial receivable refers to the claim on Medical Simulation Corporation (MSC), which arose in connection with the purchase of assets in December 2017. When MSC was made bankrupt during 2018, the company considered that this receivable cannot be expected to be paid in, for which reason it is impaired in its entirety.

NOTE 8 • Taxes

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

SEK Thousand	2018	2017
Current tax expense (–) tax revenue (–)		
Tax expense for the year	–265	–106
	–265	**–106**
Deferred tax expense (–) tax revenue (–)		
Deferred tax attributable to temporary differences	438	
The deferred tax revenue in tax value activated during the year I unused tax loss	8,240	960
Deferred tax expense as consequence of use of previously activated	–2,100	–
	6,578	**960**
Total reported tax expense in the Group	**6,313**	**854**

The American subsidiary has a total tax deficit of SEK 35,132 thousand. The deferred tax asset has been recognised at SEK 8,240 thousand as financial fixed asset. The deferred tax is recognised at the level that the deficit is deemed to be utilisable next year.

Reconciliation of effective tax

SEK Thousand	2018		2017
Profit before tax	13,835		5,328
Tax according to Parent Company's applicable tax rate	–3,044	*22.0%*	–1,172
Effect of other tax rates for foreign subsidiaries	492	*2.0%*	–106
Non-deductible expenses	–781	*2.1%*	–113
Non-taxable income	–	*–0.5%*	29
Recognition of previously unrecognised loss carryforwards	8,240	*–41.6%*	2,216
Utilisation of previously unrecognised tax losses	1,406	*0.0%*	–
Effective tax recognised	**6,313**	*–16.0%*	**854**

Change in deferred tax in temporary differences in unused tax losses.

SEK Thousand	Balance at 1 Jan 2018	Recognised in the year's profit or loss	Balance at 31 Dec 2018
Intangible/tangible fixed assets		–166	–166
Other receivables		419	419
Prepaid income	459	185	644
Activation of unused tax loss	2,100	6,405	8,505
	2,559	**6,843**	**9,402**

SEK Thousand	Balance at 1 Jan 2017	Recognised in the year's profit or loss	Balance at 31 Dec 2017
Prepaid income		459	459
Activation of unused tax loss	1,600	500	2,100
	1,600	**959**	**2,559**

Note 8, cont.

Changed tax rate

Effective from 1 January 2019, the tax rate in Sweden is 21.4 percent for companies with financial year that starts in 1 January 2019 or later. The tax rate is lowered to 20.6 percent for financial years that start 1 January 2021 or later.

NOTE 9 • Earnings per share

	Before dilution	
SEK Thousand	**2018**	**2017**
Earnings per share	1.80	0.58

	After dilution	
SEK Thousand	**2018**	**2017**
Earnings per share	1.80	0.58

Basic earnings per share

Profit or loss for the year attributable to the parent company's ordinary shareholders, before dilution

SEK Thousand	2018
The profit or loss for the year attributable to parent company's shareholders	20,148
Dividend to shareholders	–2,016
Profit or loss attributable to the parent company's ordinary shareholders, before dilution	**18,132**

SEK Thousand	2017
The profit or loss for the year attributable to parent company's shareholders	6,182
Dividend to the shareholders	–1,009
Profit or loss attributable to the parent company's ordinary shareholders, before dilution	**5,173**

Diluted earnings per share

Profit or loss attributable to the parent company's ordinary shareholders, after dilution

SEK Thousand	2018
Profit or loss attributable to the parent company's ordinary shareholders	20,148
Profit or loss attributable to the parent company's ordinary shareholders, after dilution	**20,148**

SEK Thousand	2017
Profit or loss attributable to the parent company's ordinary shareholders	6,182
Profit or loss attributable to the parent company's ordinary shareholders, after dilution	**6,182**

Weighted average number of ordinary shares, after dilution

Shares	2018	2017
Weighted average number of ordinary shares during the year, before dilution	11,201,057	10,641,004
Weighted average number of ordinary shares during the year, after dilution	**11,201,057**	**10,641,004**

NOTE 10 • Intangible fixed assets

	Internal dev. intangible assets	Acquired intangible assets	
SEK Thousand	**Develoment expenses**	**Patent**	**Total**
Accumulated acquisition values			
Opening balance 01/01/2017	11,198	–	11,198
Business combination		13,446	13,446
Internally developed assets	6,017		6,017
Closing balance 31/12/2017	**17,215**	**13,446**	**30,661**
Opening balance 01/01/2018	17,215	13,446	30,661
Internally developed assets	9,858		9,858
Reclassifications		–125	–125
Closing balance 31/12/2018	**27,073**	**13,321**	**40,394**
Accumulated depreciation and impairment			
Opening balance 01/01/2017	–3,157	–	–3,157
Depreciations for the year	–1,218		–1,218
Closing balance 31/12/2017	**–4,375**	**–**	**–4,375**
Opening balance 01/01/2018	–4,375	–	–4,375
Depreciations for the year	–1,275	–1,344	–2,619
Closing balance 31/12/2018	**–5,650**	**–1,344**	**–6,994**
Recognised values			
As of 01/01/2017	8,041	–	8,041
As of 31/12/2017	12,840	13,446	26,286
As of 01/01/2018	12,840	13,446	26,286
As of 31/12/2018	21,423	11,977	33,400

NOTE 11 • Tangible fixed assets

SEK Thousand	Equipment, tools and installations	Total
Acquisition value		
Opening balance, 1 January 2017	12,488	12,488
Purchases	478	478
Reclassification to tangible fixed assets	275	275
Divestments	–334	–334
Exchange rate differences	–78	–78
Closing balance, 31 December 2017	**13,104**	**13,104**
Opening balance, 1 January 2018	13,104	13,104
Purchases	2,534	2,534
Reclassification to tangible fixed assets	345	345
Divestments	–70	–70
Closing balance, 31 December 2018	**16,258**	**16,258**
Depreciation and amortisation		
Opening balance, 1 January 2017	–6,353	–6,353
Depreciations for the year	–1,723	–1,723
Divestments	308	308
Exchange rate differences	–21	–21
Closing balance, 31 December 2017	**–7,789**	**–7,789**
Opening balance, 1 January 2018	–7,789	–7,789
Depreciations for the year	–2,035	–2,035
Divestments	2	2
Exchange rate differences	104	104
Closing balance, 31 December 2018	**–9,718**	**–9,718**
Recognised values		
As of 01/01/2017	6,135	6,135
As of 31/12/2017	5,315	5,315
As of 01/01/2018	5,315	5,315
As of 31/12/2018	6,540	6,540

NOTE 12 • Inventories

SEK Thousand	31/12/2018	31/12/2017
Finished goods and commodities	4,955	7,005
	4,955	**7,005**

The Group's cost of goods sold includes impairment of inventories of SEK 725 (0) thousand.

NOTE 13 • Prepaid expenses and accrued revenue

SEK Thousand	31/12/2018	31/12/2017
The Group		
Rent	923	886
Leases	35	9
Insurance	549	178
Accrued income	8,628	4,838
Other prepaid costs	3,133	3,666
	13,268	**9,577**

NOTE 14 • Cash and cash equivalents

SEK Thousand	31/12/2018	31/12/2017
The following subcomponents are included in cash and cash equivalents:		
Cash and bank balances	17,821	14,712
Total according to statement of financial position	**17,821**	**14,712**
Bank overdrafts that can be cancelled immediately	0	0
Total according to statement sof cash flows	**17,821**	**14,712**

NOTE 15 • Equity

Share capital

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

On 31 December 2018, the registered share capital encompassed 11,201,057 ordinary shares.

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

Other capital contributions

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

Retained earnings including profit or loss for the year

Retained earnings including profit or loss for the year comprise restricted equity and unrestricted shareholders' equity.

Restricted shareholders' equity

Restricted shareholders' equity comprises, apart from share capital, fund for self-generated development expenses. The fund is reduced in step with the activated expenses being written off or impaired.

Unrestricted shareholders' equity

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

Type of shares

Thousand of shares	2018	2017
Ordinary shares		
Issued as of 1 January	11,201	10,641
Rights issue	–	560
Issued as of 31 December	**11,201**	**11,201**

SEK Thousand	2018	2017
SEK 0.18 per ordinary share (SEK 0.09)	2,016	1,009
	2,016	**1,009**
Recognised dividend per share (SEK)	0.18	0.09

NOTE 16 • Accrued expenses and prepaid income

SEK Thousand	31/12/2018	31/12/2017
The Group		
Prepaid service revenue	16,142	10,896
Prepaid income	22,732	17,619
Accrued holiday pay	3,380	3,318
Deferred social security contributions	2,649	2,073
Other	5,701	3,983
	50,604	**37,889**

NOTE 17 • Measurement of financial assets and liabilities at fair value as well as categorisation

Fair value

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

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

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

(a) Classification and fair value, and measurement hierarchy level

2018	Book value				Fair value		
SEK Thousand	Obligatory measured at fair value via profit/loss	Financial assets measured at amortised acquisition cost	Other liabilities	Total	Level 1	Level 2	Total
Accounts receivable		42,333		42,333	42,333		42,333
Other current receivables		119		119	119		119
Cash and cash equivalents		17,821		17,821	17,821		17,821
	–	**60,273**	–	**60,273**	**60,273**	–	**60,273**
Accounts payable			11,439	11,439	11,439		11,439
Other current liabilities	66	1,292		1,358	1,292	66	1,358
	66	**1,292**	**11,439**	**12,797**	**12,731**	**66**	**12,797**

NOTE 18 • Financial risk and risk management

Through its operation, the Group is exposed to different types of financial risk.

- Market Risk
- Currency risk
- Credit risk

Market Risk

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

Currency risk

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

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

The Group's sales are made exclusively in the currencies EUR and USD, and the sales are currently relatively evenly spread over both of these currencies. The costs comprise in the main Swedish krona, but a significant part also comprises USD.

The Group's currency management policy is to all of the time hedge 60 percent of the total order value in EUR current. The Group uses futures to hedge its currency risk, where the majority of contracts are due within 3 months of the balance sheet date.

Credit risks in accounts receivable

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

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

The Group has note reported any customer loss reserves or customer losses per se under previously applied accounting principles or IFRS.

NOTE 19 • Operating leases

Leases where the company is lessee

Operating leases in their entirety refer to the leasing of office premises where the operations are operated.

SEK Thousand	2018	2017
The Group		
Within one year	5,255	2,786
Between one and five years	8,535	6,953
Longer than five years	1,797	1,622
	15,587	**11,361**

NOTE 20 • Pledged assets, contingent liabilities and contingent assets

SEK Thousand	31/12/2018	31/12/2017
Pledged assets		
In the form of assets pledged for own liabilities and reserves		
Corporate mortgage	7,500	7,500
Contingent liabilities	–	–
	7,500	**7,500**
Total pledged assets	**7,500**	**7,500**

NOTE 21 • Appropriation of the company's profit or loss

Proposal for the appropriation of the company's profit or loss

SEK Thousand	2018
Profit/loss brought forward according to the previous year's annual report	61,454
Dividend according to the previous year's appropriation of profit or loss	–958
Upcoming dividend according to the previous year's annual general meeting	–51
Adjustment IFRS 2017	–3,297
The year's provision to fund for development expenses	–9,860
Profit or loss for the year	8,760
Total	**56,048**
Dividend (11,201,057 shares * SEK 0.18/share)	2,016
Carried over to the new accounts	54,032
Total	**56,048**

NOTE 22 • Specifications for the statement of cash flows

Cash and cash equivalents – the Group

SEK Thousand	31/12/2018	31/12/2017
The following subcomponents are included in cash and cash equivalents:		
Cash and bank balances	17,821	14,712
Total according to the balance sheet	**17,821**	**14,712**
Bank overdrafts that can be cancelled immediately	5,000	–
Total according to statement of cash flows	**5,000**	**–**

Interest paid and dividends obtained

SEK Thousand	2018	2017
The Group		
Interest obtained	2	17
Interest paid	–45	–4

Adjustments for items not included in the cash flow

SEK Thousand	2018	2017
The Group		
Depreciation and amortisation	–4,654	2,941
Unrealised exchange rate differences	–1,957	503
Impairment financial receivable	1,995	–
Profits from sales of material fixed assets	–	100
	4,692	**3,544**

Credit facilities not used

SEK Thousand	2018	2017
The Group		
Credit facilities not used total	5,000	–

NOTE 23 • Events after balance-sheet date

The board of directors has decided that the company plan for going through a stock exchange listing process during 2019 as well as taking the decision to become a public company. Moreover, the company is expected to introduce an incentive programme for all employees during 2019.

NOTE 24 • Information about the parent company

Mentice AB is a Swedish registered limited company with registered office in Gothenburg. The address of the head office is Odinsgatan 10, Gothenburg, Sweden. The consolidated financial statements for the period 1 January 2018–31 December 2018 consist of the parent company and its subsidiary, jointly called the Group.

NOTE 25 • Explanations regarding the transition to IFRS

This financial statement for the Group is the first that has been prepared by applying IFRS, which is clear from note 1. The accounting principles that are specified in note 1 have been applied when preparing the Group's financial statements for the financial year 2018 and for the comparative years 2017, as well as for the Group's opening balance, 1 January 2017. During the preparation of the Group's opening balance sheet, amounts that were reported according to previously used accounting principles have been adjusted according to IFRS. Explanations for how the transition from earlier accounting principles to IFRS has affected the Group's financial position, financial result and the cash flows are set out in the following tables and explanations to these.

Effects on income statement, balance sheet and shareholders' equity

In the summaries below, the above effects on income statement, balance sheet and shareholders' equity are shown as if IFRS had been applied from 1 January 2017.

Statement of financial position for the Group, 1 January 2017

	According to previous principles	Effect of IFRS 15	According to IFRS
Assets			
Intangible fixed assets	8,041	–	8,041
Tangible fixed assets	6,135	–	6,135
Deferred tax assets	1,600	–	1,600
Total fixed assets	**15,776**	**–**	**15,776**
Inventory	2,815	–	2,815
Accounts receivable	27,346	–	27,346
Prepaid costs and deferred income	4,625	672	5,297
Other receivables	1,100	–	1,100
Cash and cash equivalents	7,342	–	7,342
Total current assets	**43,228**	**672**	**43,900**
Total Assets	**59,004**	**672**	**59,676**
Shareholders' equity			
Share capital	1,064	–	1,064
Other capital contributions	–	–	–
Reserves	–	–	–3,462
Profit brought forward including profit/loss for the year	28,785	–2,688	26,097
Shareholders' equity attributable to the parent company's shareholders	**29,849**	**–2,688**	**23,699**
Non-controlling interest	**0**	**0**	**0**
Total shareholders' equity	**29,849**	**–2,688**	**23,699**
Accounts payable	3,324	–	3,324
Tax liabilities	687	–	687
Other liabilities	785	–	785
Deferred costs and prepaid income	24,359	3,360	27,719
Total short-term liabilities	**29,155**	**3,360**	**32,515**
Total liabilities	**29,155**	**3,360**	**32,515**
Total Equity and Liabilities	**59,004**	**672**	**56,214**

Note 25, cont.

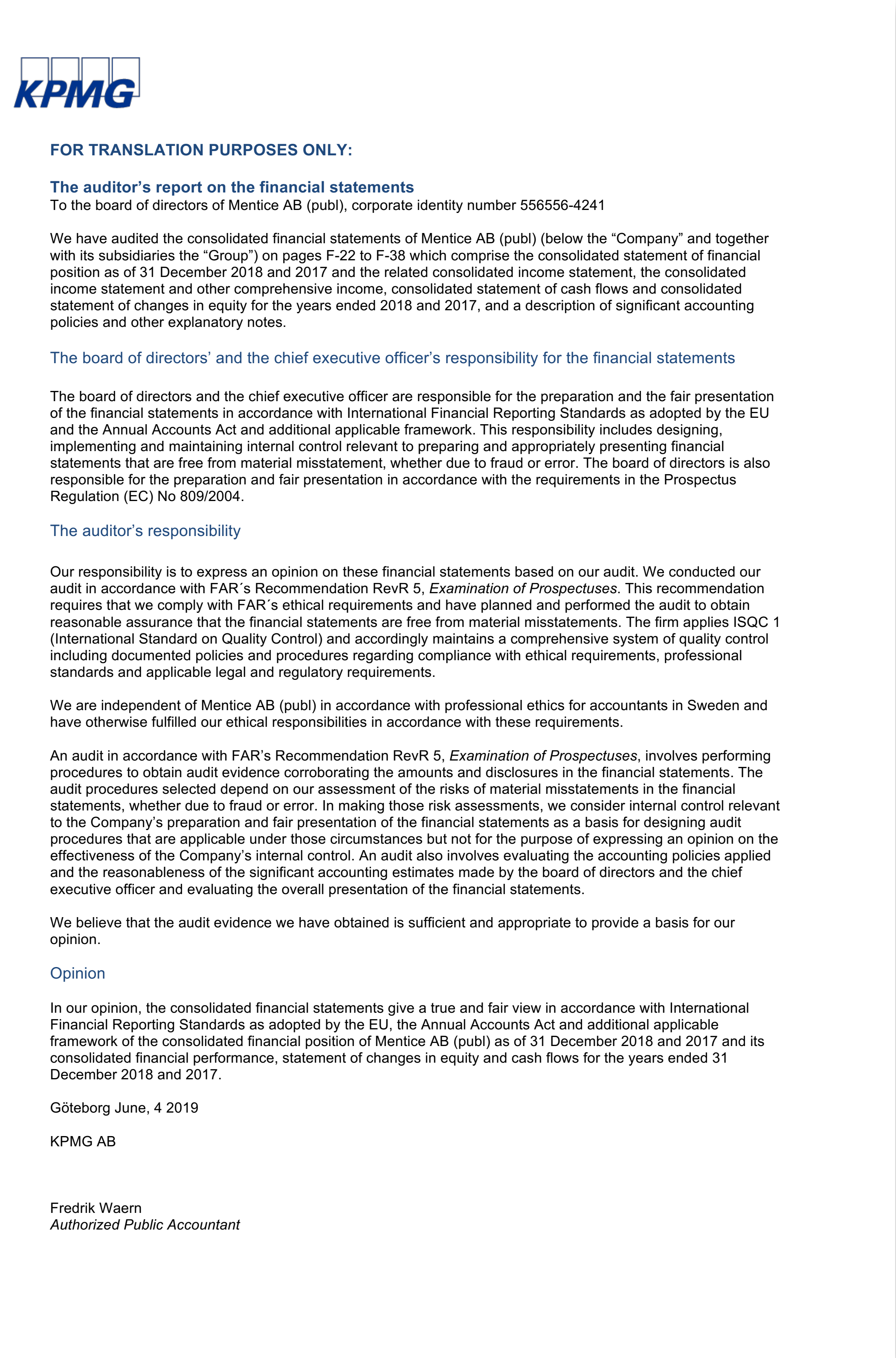
Statement of income for the Group, 1 January–31 December 2017

	According to previous principles	Effect of IFRS 15	According to IFRS
Net turnover	111,580	–2,615	108,966
Other operating income	2,806	–	2,806
	114,386	**–2,615**	**111,772**
Raw materials, consumables and commodities	–19,802	523	–19,279
Other external costs	–29,984	–	–29,984
Personnel costs	–53,027	–	–53,027
Depreciation and amortisation of tangible and intangible fixed assets	–2,941	–	–2,941
Operating profit	**8,632**	**–2,092**	**6,541**
Financial income	225	–	225
Financial expenses	–1,438	–	–1,438
Net financial items	**–1,213**	**–**	**–1,213**
Profit/loss before tax	**7,419**	**–2,092**	**5,328**
Tax	394	460	854
Profit or loss for the year	**7,813**	**–1,632**	**6,182**
Attributable to:			
The parent company's shareholders	7,813	–1,632	6,182
Non-controlling interest	0	0	0
	7,813	**–1,632**	**6,182**
Earnings per share			
before dilution (SEK)	0.73		0.58
after dilution (SEK)	0.73		0.58

Statement of financial position for the Group, 31 December 2017

	According to previous principles	Effect of IFRS 15	According to IFRS
Assets			
Intangible fixed assets	26,286	–	26,286
Tangible fixed assets	5,315	–	5,315
Deferred tax assets	2,100	460	2,560
Total fixed assets	**33,701**	**460**	**34,161**
Inventory	7,005	–	7,005
Tax assets	567	–	567
Accounts receivable	22,868	–	22,868
Prepaid costs and deferred income	9,054	523	9,577
Other receivables	4,929	–	4,929
Cash and cash equivalents	14,712	–	14,712
Total current assets	**59,135**	**523**	**59,658**
Total Assets	**92,836**	**983**	**93,819**
Shareholders' equity			
Share capital	1,120	–	1,120
Other capital contributions	12,032	–	12,032
Reserves	–254		–254
Profit brought forward including profit/loss for the year	40,062	–4,319	35,743
Shareholders' equity attributable to the parent company's shareholders	**52,960**	**–4,319**	**48,641**
Non-controlling interest		**–**	**–**
Total shareholders' equity	**52,960**	**–4,319**	**48,641**
Accounts payable	6,320	–	6,320
Tax liabilities	148	–	148
Other liabilities	821	–	821
Deferred costs and prepaid income	32,587	5,302	37,889
Total short-term liabilities	**39,876**	**5,302**	**45,178**
Total liabilities	**39,876**	**5,302**	**45,178**
Total Equity and Liabilities	**92,836**	**983**	**93,819**

AUDITOR'S REPORT REGARDING HISTORICAL FINANCIAL INFORMATION



FOR TRANSLATION PURPOSES ONLY:

The auditor's report on the financial statements

To the board of directors of Mentice AB (publ), corporate identity number 556556-4241

We have audited the consolidated financial statements of Mentice AB (publ) (below the "Company" and together with its subsidiaries the "Group") on pages F-22 to F-38 which comprise the consolidated statement of financial position as of 31 December 2018 and 2017 and the related consolidated income statement, the consolidated income statement and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the years ended 2018 and 2017, and a description of significant accounting policies and other explanatory notes.

The board of directors' and the chief executive officer's responsibility for the financial statements

The board of directors and the chief executive officer are responsible for the preparation and the fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and the Annual Accounts Act and additional applicable framework. This responsibility includes designing, implementing and maintaining internal control relevant to preparing and appropriately presenting financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is also responsible for the preparation and fair presentation in accordance with the requirements in the Prospectus Regulation (EC) No 809/2004.

The auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with FAR´s Recommendation RevR 5, *Examination of Prospectuses*. This recommendation requires that we comply with FAR´s ethical requirements and have planned and performed the audit to obtain reasonable assurance that the financial statements are free from material misstatements. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of Mentice AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

An audit in accordance with FAR's Recommendation RevR 5, *Examination of Prospectuses*, involves performing procedures to obtain audit evidence corroborating the amounts and disclosures in the financial statements. The audit procedures selected depend on our assessment of the risks of material misstatements in the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements as a basis for designing audit procedures that are applicable under those circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also involves evaluating the accounting policies applied and the reasonableness of the significant accounting estimates made by the board of directors and the chief executive officer and evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, the Annual Accounts Act and additional applicable framework of the consolidated financial position of Mentice AB (publ) as of 31 December 2018 and 2017 and its consolidated financial performance, statement of changes in equity and cash flows for the years ended 31 December 2018 and 2017.

Göteborg June, 4 2019

KPMG AB

Fredrik Waern
Authorized Public Accountant

GLOSSARY

Anesthesia:
Narcosis.

Big data: Large amounts of data that through analysis can be used to detect patterns, trends, and changes.

DT-data:
Sets of 2D-images.

Endovascular surgery:
Minor intervention for the treatment of cardiovascular diseases. Interventions are made via small holes in the body as an alternative to open surgery.

Heart valve:
A part of the heart that controls blood flow.

Catheterization laboratories (“Cath Labs”):
Cath Labs is an examination room in a hospital or clinic with diagnostic imaging equipment used to visualize heart vessels and heart chambers and treat stenosis or existing abnormality.

Interventional neuroradiology:
Interventional neuroradiology is a subcategory of interventional radiology that involves the use of medical imaging tests in the diagnosis and treatment of the central nervous system, head, neck, and spinal disorders.

Ischemic stroke:
Cerebral infarction.

Cardiology:
The doctrine of the heart and its diseases.

Cardiovascular diseases:
Collective term for diseases that affect the circulatory system heart and/or blood vessels, such as heart attacks and strokes.

Surgical complications:
Undesirable effect during surgery.

Clinical trial:
A study on healthy or sick people to study the effect of a drug or treatment method.

Apprenticeship model:
Training under the supervision of an experienced doctor.

Medical simulation:
Simulators designed for education and training of surgical skills.

Medical errors:
Errors made by healthcare professionals during patient treatment.

Mechanical thrombectomy:
Recanalizing treatment of blood vessels used in, for instance, brain infarction.

Image-guided interventions (”IGIs”):
Surgery procedure for closed or local surgery as an alternative to open surgery.

Neuroradiology:
A medical branch specialty that includes in-depth knowledge and skills in radiological diagnosis of diseases, injuries, and malformations within the central nervous system, head, and back.

Neurovascular diseases:
Collective term for diseases that involve forebrain cells in the spinal cord and peripheral nerves.

Peripheral vascular diseases:
Collection concept for blood vessels diseases outside the heart.

Performance-based fee structure:
Fee structure where the fees are based on the clinical outcome.

Radiology:
The doctrine of the medical use of radioactive radiation.

SAVR-TV, SAVR-MV:
Technology for open heart surgery.

Simulation-based training:
Training and training using simulators.

Transcatheter aortic valve replacement (“TAVR”):
Image-guided minimal invasive procedures for heart valve replacement.

Re-admission:
Patient who has been called to the care center or hospital after initially being discharged.

ADRESSES

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