

ASTG **Advanced Stabilized Technologies Group**

Advanced Stabilized Technologies Group AB (ASTG)
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Press release in English

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(NSME : ASTG)

ASTG Annual Report and Consolidated Accounts 2019

ASTG release its Annual Report and Consolidated Accounts for 2019 showing significant improvement from 2018 with Net Sales increasing to 34.8 MSEK from 6.8 MSEK.

CEO Words

Dear Shareholders and Investors,

What a fantastic year of positive changes this has been for ASTG. I have really enjoyed working and interacting with our employees and customers, as well as with our shareholders and the board, over the past 7 months. I would also like to pay tribute to a wide range of partners who have helped us to execute our many changes throughout 2019. As far as our shareholders are concerned, I know that many of you have been very loyal over the years, and on behalf of ASTG, I thank you for that loyalty. It is my clear intention and commitment to do everything I can to create an environment that promotes strong results, now and into the future, for all our stakeholders.

Let me highlight some of our key advances and changes that took place in 2019, including the latest developments in acquisitions in the first months of 2020.

Orders

- We received additional orders of SEK 20 million for our maritime antennas, which increased the total order from our Israeli customer to well over SEK 60 million
- After several years of work, we now have a significant agreement for our AIMS business with a large defense contractor

Finances

- Net sales for 2019 are SEK 34.8 million, significantly higher than in previous years
- We had our first positive EBITDA quarter in the company's history in Q3 2019
- We followed this up with another positive EBITDA quarter in Q4 2019
- We are debt-free since the end of December 2019

Business & Product Quality

- Volume production of antennas is up and running and we have delivered about half of the order to Israel
- We have a proof of our product concept and a quality mark from our Israeli customer, which represents a strong reference in the market

Strategy & Brand

- We have created and shared a clear strategy for how to take the company forward
- A new website and brand image have been created

Acquisition

- In line with our strategy, announced in November 2019, on April 3, 2020, we completed our first acquisition, adding another product line to our business.

All these accomplishments and efforts has help to create a strong foundation for the company that will be instrumental in taking it to another level.

2020 Strategy & Executive

Let me mention a few words about how I see 2020 and what we not only plan to do but are already doing.

First of all, all companies have opportunities, risks and challenges, regardless of size. Success lies in understanding these opportunities, risks and challenges and what steps are being taken to mitigate these risks and exploit these opportunities.

Let me first reiterate both the opportunities and strengths of ASTG, referring to the investor presentation available on our website since November 2019.

1. ASTG operates in Growing Markets, i.e. the opportunities continue to grow.
2. ASTG is doing today business today with customers which is proof of a working product, IP and a positive economic trend, as evidenced by this Q4 report.
3. We have described several "megatrends" in the market and ASTG has the technology and know-how to compete for these market trends.
4. We have access to a large talent base in the Nordic region, as well as access to a large number of companies with products in both wireless- and satellite communications.

These are the opportunities we want to focus on and capture to build our long-term business. When looking at challenges, it is clear that receiving orders that lead to revenue are a must, and a key to continued success. We have a good order backlog for 2020, but more is needed. There is no doubt that the agreement for the AIMS business with the large defense contractor will create a very good revenue stream when sales to end customers begins. This is a good foundation for the years to come, but we want to do much so much more.

As mentioned earlier, the vision for long-term growth is clear and will take place through a number of steps. Again, with reference to the strategy published on our website we have 5 Strategic Goals. Two of them are about what we will do in 2020, i.e. "Scale up & Diversify" and "Accelerate".

The agreement recently signed for a new product/technology acquisition, COTM (Comms on the Move for Land), ticks the box of both of these strategic objectives. With this acquisition we have a broader product portfolio to sell and we have significantly reduced the development time to create a new product. We have synergies in our portfolio through software for stabilization products as well as in the production/supply chain and sales. The COTM product is initially focused towards the commercial market and we have thus also opened up a new market vertical and increased the chances of customer orders in 2020 with the expanded product range.

We will also continue on this "Accelerate" track in 2020.

For 2020, we have also taken steps to invest more in sales. On April 2, 2020, we have hired a "Chief Sales Officer" to lead our overall sales efforts. As mentioned in the press release, this is a traveling job. We also informed, in a press release on February 10, 2020, that we are working to amend existing sales partnership agreements to better meet our strategy and ambitions. You can look at this way, "nobody cares more about your own success than yourself". The right step for ASTG is therefore to move towards controlling more of the sales contacts at this stage of the company's development.

In conclusion, to meet the need to close additional customer orders in 2020, we have expanded our portfolio with additional products and solutions, we hired a "traveling" sales manager, we adjust current sales agreements and we will continue to execute in accordance with our "Accelerate" strategy.

2020 Outlook

We have an order backlog for 2020 of approximately SEK 29 million from Israel. It is reasonable to expect that we will see more orders from Israel for spare parts and perhaps extra antennas during the year. In addition, we expect to enter into a Service Level Agreement (SLA) with the customer to ensure continued maintenance and support of the delivered antennas.

We have regularly received orders for IMUs in 2019, with an increasing trend towards the end of the year. We expect this trend to continue with existing customers and we also expect to see new customers come on board in 2020, generating extra volume and traction in the AIMS market.

AIMS development agreement for a customized IMU with the major defense contractor, which will eventually lead to volume orders in the coming years, is expected to make a good contribution to revenues in 2020 compared to AIM's contribution in 2019.

The COTM product and technology, which we have acquired, comes with a list of sales opportunities that we need to work to close in 2020 and 2021 together with our new partner, ReQuTech. This may not generate revenue in 2020, but it will help build the order backlog for 2021. We will also work to open up for new markets and customers for the COTM product.

There are more sales opportunities to customers in government operations for our maritime antenna, especially in Europe. As I have reiterated many times, government procurement is difficult to predict in terms of lead time, but we know that there are intentions to buy maritime antennas that fit the characteristics of our product in the coming years. We will continue to close these opportunities both through existing resellers and directly through the sales organization that we are now building.

In 2020, we will also focus on increasing our sales and partner activities outside Europe, such as North America and India.

Let's take a look at the cash flow. Without additional orders and by only delivering based on our current order backlog, we estimate that we can generate a positive net cash flow from our primary business in 2020. This is positive, but we still need to deal with the need for additional working capital in order to successfully deliver according to existing orders during the year. This means that we must have enough cash to buy materials, assemble products and ship them to the customer, before we in turn receive payment from our customers.

As we open fiscal year 2020 with a good cash balance and knowing that we are net cash flow positive from primary operations over the next 12 months, we can spend money on necessary activities for sales and business development, as well as further development of our technology and our portfolio of solutions.

ASTG's main risk in 2020 is linked to accounts receivable from the Israeli customer. In order to reduce the risk and ensure delivery according to order, the company has improved its production capacity, but one area of risk that the company could not foresee at the beginning of the year is the risk associated with COVID-19.

Although ASTG's operations were not significantly affected by the effects of COVID-19 in Q1 2020, the Board of Directors decided on April 6 to raise additional capital in the form of a loan of SEK 6.5 million. This as a precautionary measure to ensure working capital in the coming months and to counter potential adverse effects linked to COVID-19.

ASTG expects to be able to repay the loan in the autumn when the general situation abroad is expected to normalize.

Successful Rights Issue December 2019

Finally, I would like to thank all our loyal shareholders and new investors who helped make the rights issue in December 2019 such a great success. The subscription rate of 198% showed an incredible interest in our company and 66% was subscribed by existing investors. This result enables us to really get started with our strategy execution. I know that many of you realized that several employees at ASTG also invested additional money in the company, which is yet another proof of their faith in our ongoing strategy and success.

I hope you have found this interesting and informative. The team here at ASTG are very motivated and excited to start 2020 with significantly better starting position and prospects compared to previous years.

With the very best regards,

Carsten Drachmann,
CEO

About Advanced Stabilized Technologies Group AB

ASTG includes the wholly owned subsidiary AIMS AB.

ASTG AB develops, manufactures and sells innovative 4-axes stabilizing VSAT antennas for maritime use. The company is also selling development projects based on C2SAT's antenna platform. AIMS AB develops and sells advanced inertial sensor units (IMUs) designed to measure movements in three dimensions.

The company's registered office is in Stockholm, Sweden.

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