

Interim Report 1 (2021-05-01 – 2021-07-31)

Phase Holographic Imaging PHI AB (publ)

Lund, September 29, 2021

MAY 2021 – JULY 2021

Net sales	2 373 (131) KSEK
Operating result before depreciation (EBITDA)	-3 439 (-4 549) KSEK
Net result	-4 469 (-6 417) KSEK
Earnings per share	-0.31 (-0.45) SEK
Gross margin	60 (-20) %

IN SHORT

- Sales in May – July surpassed sales during any previous quarter.
- Based on the increasing number of customer inquiries, sales are expected to continue to grow.
- The company's distribution network has been expanded and reworked into a leaner and more cost-effective partner network, which is anticipated to increase revenues and reduce costs per unit sold.
- In August, the company entered a partnership with the US-based **RegenMed Development Organization** to establish PHI's HoloMonitor technology as a standard tool for quality assurance in large-scale manufacturing of artificial organs.
- The second validation phase of the HoloMonitor fluorescence module has only revealed some minor issues that are not expected to delay the market launch of the fluorescence module notably.

CEO COMMENTARY

The strategic shift of sales and marketing continues to prove itself. Despite being a “slow summer quarter”, sales in May – July surpassed sales during any previous quarter.

Regenerative Medicine

Regenerative medicine is the branch of medicine that develops methods to regrow, repair or replace damaged or diseased cells, organs or tissues. The rapidly expanding field includes the generation and use of therapeutic stem cells, tissue engineering and the production of artificial organs.

According to the [Alliance for Regenerative Medicine](#), there are 1 200 ongoing clinical trials worldwide of cell, gene, and tissue-based therapies by close to 1 100 medical institutions and regenerative medicine companies. These numbers are well within the 5 000 registered clinical trials on [ClinicalTrials.gov](#) that involve therapeutic stem cells, according to the [Stem Cells Portal](#). [ClinicalTrials.gov](#) is maintained by the National Library of Medicine at the National Institutes of Health in the USA.

Also, according to the alliance, gene therapy financing was up 73% in 2020 from the previous year, while cell therapy financing was up 160%. For more details, see [Alliance for Regenerative Medicine Annual Report Highlights Record Sector Growth and Resilience in 2020](#).

Biomanufacturing Partnership

With the above in mind, we recently entered a partnership with [RegenMed Development Organization](#) (ReMDO) to establish our non-invasive imaging technology as a standard tool for quality assurance in the large-scale manufacturing of artificial organs.

In close association with the [Wake Forest Institute for Regenerative Medicine](#) (WFIRM), ReMDO conducts research to promote biomanufacturing scale-up by making regenerative technologies more accessible and affordable. With its team of 400 researchers, WFIRM is recognized as a power factor within regenerative medicine. The institute has received multiple major grants from the US government. Most recently, the institute received a [\\$15 million grant from the US Department of Defense](#) to lead the project that aims to develop a micro-engineered organ that characterizes the effect of various pharmacological and toxicological agents.

The Fluorescence Project

The second validation phase of the HoloMonitor fluorescence module has only revealed some minor issues. The issues have been addressed and are not expected to delay the market launch of the fluorescence module notably. The sought-after fluorescence module provides additional value to our customers and will significantly expand our market reach.

Glycolmaging

Based on synthetic “plastic antibodies”, the overall goal of the EU-funded Glycolmaging research project is to develop new methods for the detection of aggressive and metastatic cancers. The formal EU project will end now on September 30. Once the final report has been delivered, we intend to decide on the project’s subsequent commercialization phase. PHI’s patent rights are an essential part of such commercialization. Consequently, PHI will continue to uphold these patent rights in the US and other markets.

Increased Earnings and Reduced Costs

The strategic shift has increased our ability to serve customers directly over a large geographical area without involving a middleman, a.k.a. distributor. The rationale for having a middleman has previously been to overcome language barriers, cultural differences and communication difficulties over large distances. The first two reasons have never actually been a problem in the life science industry. The language of science is English, and the science community has its own international culture of how science is practiced.

Now when the third and final obstacle no longer is an issue, the future role of the middleman will be quite different. In most geographical markets, the middleman will be a facilitator rather than a full-fledged distributor, who everything is channeled through.



Therefore, we have begun to expand and rework our distribution network into a leaner and more cost-effective partner network, which is expected to increase revenues and reduced costs per unit sold. Based on the increasing number of customer inquiries, we also see that sales will continue to grow in the future.

Peter Egelberg, CEO

NET SALES AND RESULT

Net sales for the first quarter amounted to 2 373 (131) KSEK and operating results before depreciation (EBITDA) to -3 439 (-4 549) KSEK. The net result amounted to -4 469 (-6 417) KSEK.

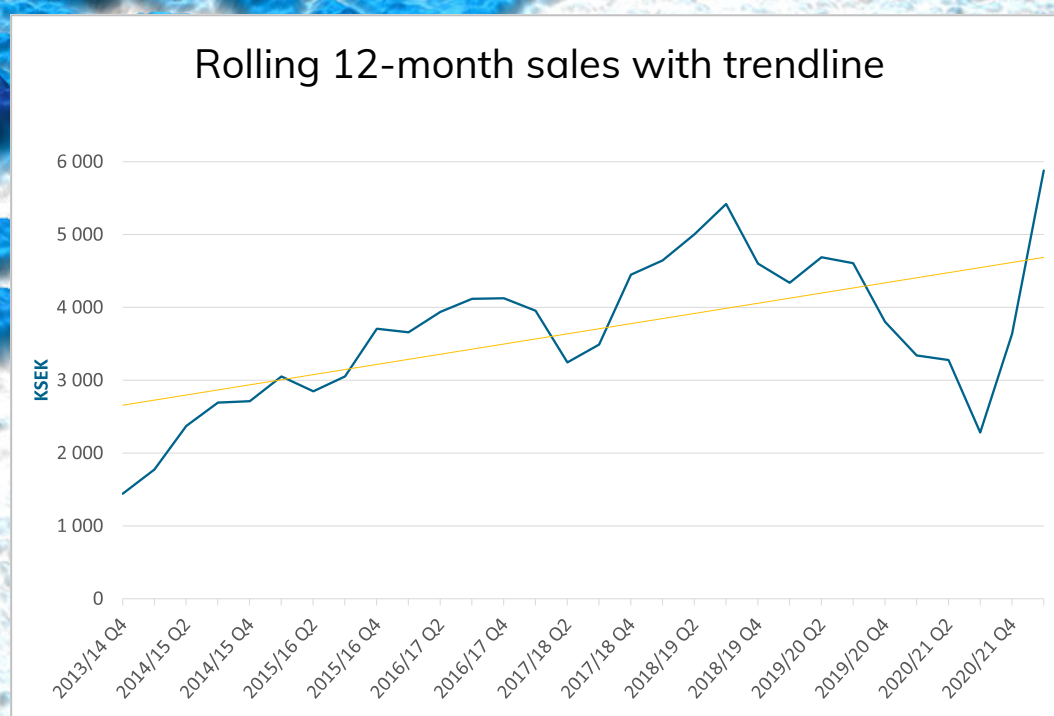
INVESTMENTS

With an emphasis on application development and development of fluorescence capability, the company invested 1 501 (659) KSEK in the product, patent, and application development during the financial year.

FINANCING

Cash, cash equivalents, and unutilized granted credits amounted to 28 167 (27 137) KSEK by the end of the period. The equity ratio was 3 (67) %.

PHI has secured working capital until 2023. One of the loans from Formue Nord A/S of 20 000 KSEK, of the total approved loan amount of 35 000 KSEK, can be repaid in cash or by debt/equity swap, under certain specific conditions.



RISKS

The company may be affected by various factors, described in the 2019/20 Annual Report. These factors may individually or jointly increase risks for the operation and result of the company.

ACCOUNTING PRINCIPLES

The accounts are prepared in accordance with the Annual Accounts Act and general advice from the Swedish Accounting Standards Board BFNAR 2012:1 Annual accounts and consolidated accounts (K3).

REVIEW

This interim report has not been subject to review by the company's auditor.

STATEMENTS ABOUT THE FUTURE

Statements concerning the company's business environment and the future in this report reflect the board of director's current view of future events and financial developments. Forward-looking statements only express the judgments and assumptions made by the board of directors on the day of the report. These statements have been carefully assessed. However, it is brought to the reader's attention that these statements are associated with uncertainty, like all statements about the future.

CALENDAR

- September 2021, Annual report 2020/21
- October 20 2021, Annual General Meeting
- December 29 2021, Interim Report 2

ABOUT PHI

Phase Holographic Imaging (PHI) develops instrumentation and software for time-lapse cytometry. The products are used for long-term quantitative analysis of the dynamics of live cells, particularly significant in the research of cancer, as well as in the treatment of inflammatory and autoimmune diseases. The products are sold globally through the company's distributors. The company is based in Lund, Sweden, and in Boston, Massachusetts.

On behalf of the Board of Directors
Peter Egelberg, CEO

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CONSOLIDATED – PHI GROUP

Income statement (KSEK)

	Q1 2021/22	Q1 2020/21	FY 2020/21
Net sales	2 373	131	3 637
Cost of products sold	-943	-157	-1 346
Gross profit	1 430	-26	2 291
Gross margin	60%	-20%	63%
Selling expenses	-2 070	-1 609	-8 773
Administrative expenses	-2 057	-2 834	-7 084
R&D expenses	-1 670	-3 120	-11 720
Operating income	0	1 200	1 972
Operating result (EBIT)	-4 367	-6 388	-23 314
Financial net	-102	-29	-195
Result before tax (EBT)	-4 469	-6 417	-23 509
Net Result (EAT)	-4 469	-6 417	-23 509

Balance sheet (KSEK)

	Q1 2021/22	Q1 2020/21	FY 2020/21
ASSETS			
Non-current assets			
Intangible assets	15 374	15 649	14 823
Tangible assets	286	611	337
Total non-current assets	15 660	16 260	15 160
Current Assets			
Inventory	1 609	1 393	1 334
Short-term receivables	3 558	2 157	2 938
Cash and equivalents	6 167	13 887	2 256
Total current assets	11 334	17 437	6 528
Total assets	26 994	33 697	21 688
EQUITY AND LIABILITIES			
Equity	893	22 476	5 384
Financial liabilities	18 658	4 875	7 400
Operating liabilities	7 443	6 346	8 904
Total equity and liabilities	26 994	33 697	21 688

Changes in equity (KSEK)

	Q1 2021/22	Q1 2020/21	FY 2020/21
Opening Balance	5 384	28 896	28 896
Equity issues, net	0	0	0
Net profit	-4 469	-6 417	-23 509
Translation difference	-22	-3	-3
Closing balance	893	22 476	5 384
Equity ratio	3%	67%	25%

Cash flow analysis (KSEK)

	Q1 2021/22	Q1 2020/21	FY 2020/21
Operating activities			
Net result	-4 469	-6 417	-23 509
Depreciation	1 001	1 839	6 541
Translation difference	-22	-3	-4
Operating cash flow	-3 490	-4 581	-16 972
Increase (-)/decrease (+) in inventories	-275	137	196
Increase (-)/decrease (+) in operating receivables	-620	354	-348
Increase (+)/decrease (-) in operating liabilities	-1 461	403	2 882
Change in working capital	-2 356	894	2 730
Cash flow from operating activities	-5 846	-3 687	-14 242
Investing activities			
Development expenses	-1 501	-659	-4 091
Patents	0	0	-170
Tangible assets	0	0	0
Cash flow after investments	-7 347	-4 346	-18 503
Financing activities			
Net proceeds from equity issues	0	0	0
Increase (+)/decrease (-) in borrowings	11 258	3 750	6 275
Cash flow from financing activities	11 258	3 750	6 275
Cash flow for the period	3 911	-596	-12 228
Cash and cash equivalents at the beginning of the period	2 256	14 484	14 484
Cash and cash equivalents at the end of the period <i>(Incl. unutilized credits)</i>	6 167	13 887	2 256
	28 167	27 137	35 506

Data per share

	Q1 2021/22	Q1 2020/21	FY 2020/21
Earnings per Share, SEK	-0.31	-0.45	-1.63
Equity per share, SEK	0.06	1.56	0.37
Number of Shares, end of period	14 394 971	14 394 971	14 394 971
Average number of shares	14 394 971	14 394 971	14 394 971
Share price end of period	28.45	31.15	25.00

PARENT COMPANY

Income statement (KSEK)

	Q1 2021/22	Q1 2020/2021	FY 2020/21
Net sales	1 822	122	2 991
Cost of products sold	-925	-157	-1 358
Gross profit	897	-35	1 633
Gross margin	49%	-29%	55%
Selling expenses	-1 419	-908	-6 617
Administrative expenses	-2 057	-2 834	-7 084
R&D expenses	-1 670	-3 120	-11 720
Other Income	0	1 200	1 972
Operating result (EBIT)	-4 249	-5 697	-21 816
Financial net	-102	-29	-1 137
Result before tax (EBT)	-4 351	-5 726	-22 953
Net Result (EAT)	-4 351	-5726	-22 953

Balance sheet (KSEK)

	Q1 2021/22	Q1 2020/21	FY 2020/21
ASSETS			
Non-current assets			
Intangible assets	15 374	15 649	14 823
Tangible assets	286	611	337
Financial assets	0	942	0
Total non-current assets	15 660	17 202	15 160
Current Assets			
Inventory	1 609	1 393	1 334
Short-term receivables	5 552	2 549	4 578
Cash and equivalents	5 320	13 420	1 711
Total current assets	12 481	17 362	7 623
Total assets	28 141	34 564	22 783
EQUITY AND LIABILITIES			
Equity	2 048	23 626	6 399
Financial liabilities	18 650	4 875	7 400
Operating liabilities	7 443	6 063	8 984
Total equity and liabilities	28 141	34 564	22 783
