

Year-end Report 2022/23

Phase Holographic Imaging PHI AB (publ)

Lund, June 26, 2023

FEBRUARY 2023 – APRIL 2023

Net sales	1 869 (1 242) KSEK
Operating result before depreciation (EBITDA)	-4 240 (-3 173) KSEK
Net result	-7 717 (-10 279) KSEK
Earnings per share	-0.38 (-0.71) SEK
Gross margin	31 (63) %

MAY 2022 – APRIL 2023

Net sales	9 900 (8 169) KSEK
Operating result before depreciation (EBITDA)	-16 866 (-14 791) KSEK
Net result	-23 185 (-25 381) KSEK
Earnings per share	-1.16 (-1.76) SEK
Gross margin	51 (70) %

IN SHORT

- Sales continue to grow, and the year ended up with the highest turnover for a year in PHI, so far.
- The Fluorescence unit is ready for launch in June.



Print this report



CEO Commentary

It is easy to forget that PHI consists of only 17 dedicated employees when you look at the organization's achievements in recent months.

- We have completed TO 3 with a 100 percent coverage rate. As a result, we have received approximately SEK 12.7 million before transaction costs.
- We have a new partner and major shareholder in Altium.
- Together with our partners in the ReMDO project, we published the article [Cytocentric Measurement for Regenerative Medicine](#).
- The HoloMonitor fluorescence unit was launched in parallel at major scientific conferences, EACR in Turin and ISSCR in Boston.
- Our CSO Kersti Alm spoke at the World Stem Summit in Winston Salem together with NIST, among others.

Sales and marketing

PHI is presently in a transformation phase where we are increasingly moving sales to our distributors to focus on PHI's core business and the development of HoloMonitor products for regenerative medicine and other clinical applications. Furthermore, we aim to intensely promote the core HoloMonitor technology — *quantitative phase imaging* (QPI) — towards governing bodies as a non-invasive quality control tool in regulated environments such as hospitals, clinics and therapy manufacturing facilities.

During the transition period, we will actively work with direct sales and sales through our distributor network to reduce risk. Consequently, we will temporarily have reduced margins and higher sales and marketing costs than expected.

New major owner

With Altium's entry, PHI has gained a major owner with the same vision who sees the same opportunities for our non-invasive technology in regenerative medicine. In addition, with Altium's contact network, we see an opportunity to expand our agent and distribution network in a completely different way than we can ourselves. When developing new products and changes in our software, PHI's laboratory resources have been a bottleneck. With Altium's resources and own laboratories, we hope that hardware and software validation will go significantly faster and smoother.

At an extraordinary general meeting in April 2023, Altium's CEO Goran Dubravčić was elected to PHI's board.

Fluorescence (M4FL)

Our latest product portfolio addition, HoloMonitor M4FL, has been launched, and the order book has been opened. Initially, PHI handles the assembly of the first units we deliver. However, starting in September, we will begin receiving units directly from our manufacturer, Optronics.

PHI MIPS AB

During this quarter, PHI established a subsidiary for intellectual property rights concerning synthetic antibodies and the outcome of the Glycolmaging project.

With a pending EU patent and granted patents in the US and Japan, we expect to soon have patent rights in the major markets for a potential new screening method to diagnose cancer at its early stages. The newly established, dedicated subsidiary will allow easier communication and transparency around the synthetic antibody patents and our core business.

ReMDO

PHI has its own biomedical engineer on-site at the Wake Forest Institute for Regenerative Medicine (WFIRM) in Winston-Salem, running live cell experiments as well as coordinating our efforts with our partners. This is an important step for the project to develop as quickly as possible, especially as the head office in Lund is in a time zone that deviates 6 hours from the Winston-Salem time zone.

Some of our colleagues and I had a guided tour of WFIRM a few weeks ago. It felt to me like entering the scenes of a captivating science fiction film. The room buzzed with awe-inspiring innovations, like the presence of portable 3D printers capable of generating new skin directly at the patient's bedside, using their own cells to treat conditions such as burns. And there it was, a unique "gym" dedicated to printed organs, as those organs required to build muscles before transplantation—a true marvel of regenerative medicine.

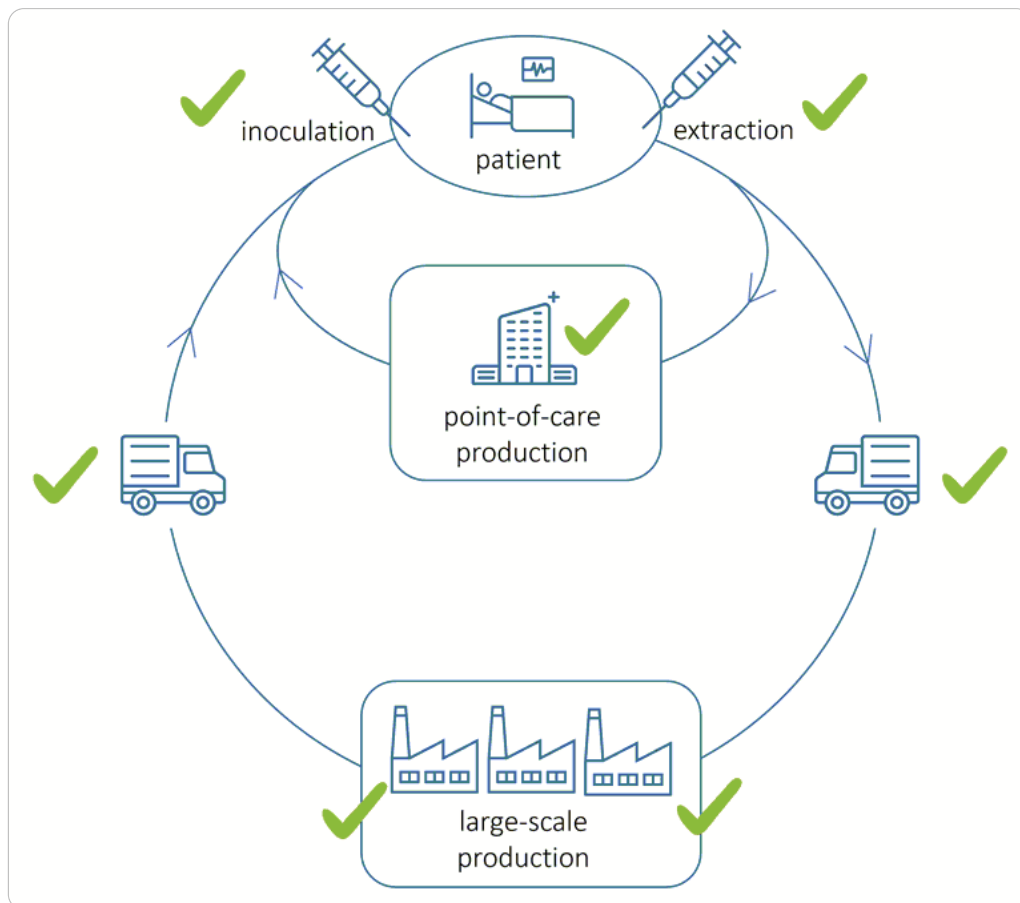
I witnessed that regenerative medicine is already here and that we, PHI, stand in the midst of this extraordinary landscape, ready to go from our current pre-clinical to the significantly larger clinical market. With our involvement in the ReMDO project, we are taking strides toward adapting our QPI technology to enable cell quality control in regenerative medicine and therefore help make regenerative medicine affordable, accessible and patient-safe — for everyone.



Patrik Eschricht, CEO

The Greater Perspective

Regenerative medicine is the process of rejuvenating cells, tissues or complete organs to restore normal function. Yet, before these novel life-saving treatments can be made available to the general population, production must be scaled and standardized to consistently deliver safe and effective therapies in large quantities. HoloMonitor's core technology — quantitative phase imaging (QPI) — has been shown to meet associated quality control needs.



The above image illustrates the flow of extracting, transporting, producing and inoculating cells in regenerative medicine. During and after cell extraction, comprehensive cell health monitoring is required from bedside to bedside to ensure efficient manufacturing, patient safety and therapeutic efficacy throughout the manufacturing cycle. The checkmarks indicate where QPI assessment is applicable.

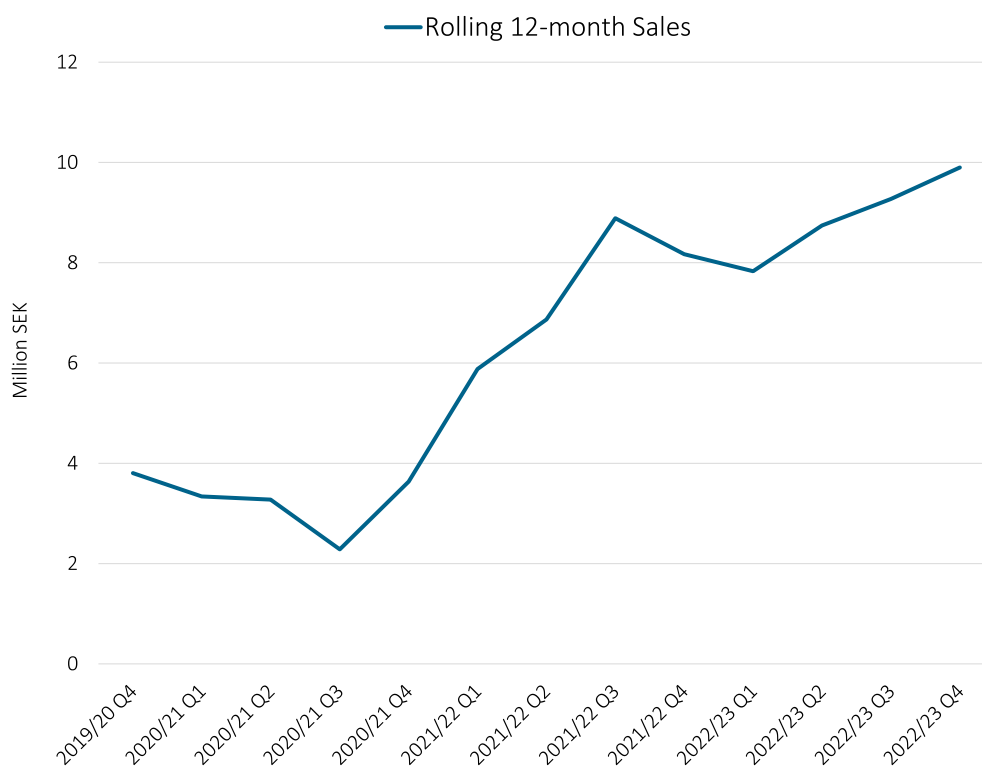
QPI and its unique non-invasive properties will be an important part of the manufacturing process. Fortunately, QPI is an established commercially available technology. However, it remains to be adapted to large-scale cell culturing and manufacturing:

- Regulatory-compliant protocols must be developed to ensure consistent and traceable analytical results.
- Algorithms must be trained to evaluate the vast amounts of acquired information to present results and make outcome predictions. For instance, the software can be trained to predict future cell death to identify low-quality cell cultures early in the manufacturing cycle.
- Furthermore, hardware must be adapted for the various roles in the above manufacturing and delivery cycle.

The ongoing adaptation work of QPI for regenerative medicine by PHI and partners was recently presented at the [Word Stem Cell Summit](#) and further presented in an invited article to appear in [BioPhotonics](#).

NET SALES AND RESULT

Net sales for the fourth quarter amounted to 1 869 (1 242) KSEK and operating results before depreciation (EBITDA) to -4 240 (-3 173) KSEK. The net result amounted to -7 717 (-10 279) KSEK. The gross margin has been affected by a higher proportion of units being sold through distributors than direct sales.



INVESTMENTS

With an emphasis on regenerative medicine and the development of fluorescence capability, the company invested 2 667 (2 674) KSEK in the product, patent, and application development during the period.

FINANCING

Cash, cash equivalents, and unutilized granted credits amounted to 7 307(2 508) KSEK by the end of the period. The equity ratio was 11 (47) %.

Warrants of series TO 3

On 2 May 2023, the exercise period for warrants of series TO 3 ("TO 3"), which were issued in connection with Phase Holographic Imaging PHI AB's ("PHI" or the "Company") rights issue of units that were announced on 22 February 2022, ended. 3 201 739 warrants of series TO 3 were exercised, corresponding to a subscription ratio of approximately 95.1 percent. Thus, the underwriting commitment relating to TO 3, which the Company agreed on during the exercise period, is activated. The decision on a directed share issue of 163 666 shares, corresponding to the remaining approximately 4.9 percent of the warrant exercise, to the underwriter Altium SA ("Altium") will be made within the coming days, with the support of the authorization given by the annual general meeting held on 31 October 2022. The proceeds of the TO 3 warrants amount to approximately SEK 12.7 million before the deduction of transaction-related costs, corresponding to a subscription rate of 100 percent.

Warrants of series TO 4

Each warrant of series TO 4 entitles to subscribe for one (1) new share in PHI during the period from and including 12 September 2024 to and including 3 October 2024. The exercise price amounts to 70 % of the volume-weighted average price during a period prior to option redemption, within the interval 0.20 SEK as the lowest, and with 15.45 SEK per new share as the highest exercise price. Upon full exercise of warrants of series TO 4 at the highest exercise price (15.45 SEK per new share), the warrants will provide the company with approximately 20.8 MSEK before issue costs.

Convertibles

The convertible loan to Formue Nord Fokus A/S amounts to 20 230 000 SEK with the following terms:

- **Number of convertibles:** 1 700 000 convertibles, which entails the right to subscribe for 1 700 000 new shares.
- **Conversion rates:** 11.90 SEK per new share until 2 May 2023 (last day in the exercise period for warrants of series TO 3) and 15.45 SEK per new share from May 3, 2023, until October 16, 2024.
- **Conversion period:** the convertible holder is entitled during the period from the date of payment to October 16 2024 to convert the loan into shares.
- **Maturity:** in the event that the entire loan is not converted, repayment of the loan and interest must take place no later than October 16, 2024. The company has the right to repay all or part of the convertible loan at any time until the due date, after which Formue Nord has the opportunity to accept repayment or request conversion according to the above conversion rates.

- **Interest:** the convertibles run at a quarterly interest rate of 3%.

Dilution of shares

Total shares April 30, 2023	20 452 700
TO 3 (April 2023, registered at Bolagsverket May 2023)	3 365 405
TO 4 (September 2024)	1 346 162
Convertibles	1 700 000
TOTAL	26 864 267

Proposal for allocation of profit

The board proposes that the year's loss of -23 186 is offset against the share premium fund.

RISKS

The company may be affected by various factors, described in the 2021/22 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

- End of September: Publication of annual report which will be available in our office in Lund and on www.phiab.com
- 12th of October: Annual general meeting in Lund

ABOUT PHI

Phase Holographic Imaging (PHI) develops and markets instrumentation for non-invasive time-lapse imaging. The company's HoloMonitor product line is used for long-term quantitative analysis of living cell cultures, particularly in preclinical research and regenerative medicine. PHI is based in Lund, Sweden and Boston, Massachusetts.

On behalf of the Board of Directors

Patrik Eschricht, CEO

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CONSOLIDATED – PHI GROUP

Income statement (KSEK)

	Q4 2022/23	Q4 2021/22	FY 2022/23	FY 2021/22
Net sales	1 869	1 242	9 900	8 169
Cost of sold products	-1 293	-524	-4 832	-2 485
Gross profit	576	718	5 068	5 684
Gross margin	31%	63%	51%	70%
Selling expenses	-2 834	-2 174	-10 468	-9 303
Administrative expenses	-1 660	-772	-8 170	-7 388
R&D expenses	-1 203	-2 806	-6 782	-8 817
Operating result (EBIT)	-5 121	-5 034	-20 352	-19 824
Financial net	-2 596	-5 245	-2 833	-5 557
Result before tax (EBT)	-7 717	-10 279	-23 185	-25 381
Net Result (EAT)	-7 717	-10 279	-23 185	-25 381

Balance sheet (KSEK)

	FY 2022/23	FY 2021/22
ASSETS		
Non-current assets		
Intangible assets	19 654	17 038
Tangible assets	608	181
Total non-current assets	20 262	17 219
Current Assets		
Inventory	3 846	2 979
Short-term receivables	5 422	35 792
Cash and equivalents	5 307	1 424
Total current assets	14 575	40 195
Total assets	34 837	57 414
EQUITY AND LIABILITIES		
Equity	3 728	26 983
Financial liabilities	20 580	22 508
Operating liabilities	10 529	7 923
Total equity and liabilities	34 837	57 414

Changes in equity (KSEK)

	FY 2022/23	FY 2021/22
Opening Balance	26 983	5 384
Equity issues, net		47 268
Net profit	-23 185	-25 381
Translation difference	-70	-288
Closing balance	3 728	26 983
Equity ratio	11%	47%

Cash flow analysis (KSEK)

	Q4 2022/23	Q4 2021/22	FY 2022/23	FY 2021/22
Operating activities				
Net result	-7 717	-10 280	-23 185	-25 382
Depreciation	881	1 862	3 486	4 854
Translation difference	86	-353	-70	-491
Operating cash flow	-6 749	-8 771	-19 768	-21 019
Increase (-)/decrease (+) in inventories	-189	-762	-867	-1 645
Increase (-)/decrease (+) in operating receivables	629	-31 972	30 639	24 580
Increase (+)/decrease (-) in operating liabilities	4 509	2 799	3 252	-981
Change in working capital	4 949	-29 935	33 024	21 954
Cash flow from operating activities	-1 800	-38 706	13 256	1 139
Investing activities				
Development expenses	-2 612	-2 504	-5 938	-6 539
Patents	-54	-170	-54	-326
Tangible assets	1		-538	-48
Cash flow after investments	-4 465	-41 380	6 727	-5 774
Financing activities				
Net proceeds from equity issues		47 268		-10 279
Increase (+)/decrease (-) in borrowings	-1 800	-6 255	-2 844	15 221
Cash flow from financing activities	-1 800	41 013	-2 844	4 942
Cash flow for the period	-6 265	-367	3 883	-832
Cash and cash equivalents at the beginning of the period	11 572	1 791	1 424	2 256
Cash and cash equivalents at the end of the period	5 307	1 424	5 307	1 424
Incl. unutilized credits	7 307	2 508	7 307	2 508

Data per share

	Q4 2022/23	Q4 2021/22	YTD 2022/23	YTD 2021/22
Earnings per Share, SEK	-0.38	-0.71	-1.16	-1.76
Equity per share, SEK	0.18	1.32	0.18	1.32*
Non-registered shares April 30th 2022		6 057 729		6 057 729
Number of Shares, end of period	20 452 700	14 394 971	20 452 700	14 394 971
Average number of shares	20 070 980	14 394 971	20 070 980	14 394 971
Share price end of period, SEK	5.16	5.60	5.16	5.60

*Equity per share includes subscribed but non-registered shares

PARENT COMPANY

Income statement (KSEK)

	Q4 2022/23	Q4 2021/22	YTD 2022/23	YTD 2021/22
Net sales	2 957	1 566	9 837	6 437
Cost of products sold	-1 555	-535	-4 968	-2 417
Gross profit	1 402	1 031	4 869	4 020
Gross margin	47%	66%	49%	62%
Selling expenses	-1 508	-1 356	-6 076	-6 412
Administrative expenses	-1 660	-772	-8 170	-7 388
R&D expenses	-1 203	-2 806	-6 782	-8 817
Operating result (EBIT)	-2 969	-3 903	-16 159	-18 597
Financial net	-2 599	-5 245	-2 836	-5 557
Result before tax (EBT)	-5 568	-9 148	-18 995	-24 154
Net Result (EAT)	-5 568	-9 148	-18 995	-24 154

Balance sheet (KSEK)

	FY 2022/23	FY 2021/22
ASSETS		
Non-current assets		
Intangible assets	19 654	17 038
Tangible assets	608	181
Financial assets	8 795	3 994
Total non-current assets	29 057	21 213
Current Assets		
Inventory	3 332	2 979
Short-term receivables	4 208	34 864
Cash and equivalents	4 988	721
Total current assets	12 528	38 564
Total assets	41 585	59 777
EQUITY AND LIABILITIES		
Equity	10 518	29 513
Financial liabilities	20 580	22 380
Operating liabilities	10 487	7 884
Total equity and liabilities	41 585	59 777