



Interim Report

01/01/2018 – 30/09/2018

OptiFreeze AB (publ)
Corp. Id-number: 556844-3914

OptiFreeze AB has a patented technology that preserves the taste, shape and texture of vegetables, fruits and berries throughout the freezing and thawing process. OptiFreeze has furthermore developed methods that can improve the shelf life of vegetables, fresh cut fruits, flower cuttings and other plants. The same technology can be used to dry fruits, vegetables, herbs and spices aiming to reduce the drying time while preserving the fresh-like taste, smell and color. The technology opens new business opportunities for food and plant propagation industry all around the world.

OptiFreeze is the result of a long period of research at the Institute of Food Technology at the University of Lund. The company is situated in Lund, Sweden and is listed at the Spotlight Stock Market.

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Summary of quarter Q1-Q3 2018

*The following summary refers to the period 1/1/2018 – 30/9/2018,
compared to 1/1/2017 – 30/9/2017*

- Net sales for this period totaled to SEK 923,049 (SEK 0)
- Operating result for the period of SEK -5,200,335 (SEK -7,094,459)
- Cash and bank balance SEK 9,921,882 (SEK 1,267,394)
- Capitalized development costs of SEK 1,218,977 (SEK 1,055,136)
- Average number of registered shares 9,877,264 (9,805,714 shares)
- Result per share* SEK -0.53 (SEK -0.83)
- Equity Ratio 88% (95%)

**Result per share is calculated on the average number of registered shares during the period.*

Summary of quarter Q3 2018

*The following summary refers to the period 1/7/2018 – 30/9/2018,
compared to 1/7/2017 – 30/9/2017*

- Net sales for this period totaled to SEK 812,278 (SEK 0)
- Operating result for the period of SEK -875,352 (SEK -1,860,084)
- Capitalized development costs of SEK 367,445 (SEK 391,508)
- Average number of registered shares 9,877,264 (9,805,714 shares)
- Result per share* SEK -0.09 (SEK -0.22)

CEO comments

Economy – First sale in place

OptiFreeze defined two focus areas during 2018, OptiFlower and OptiDry. Tests of the OptiFreeze system were carried out at the customers' sites in both areas. Those tests were co-financed by the customers.

Two Letter of Intents (LOI) have been signed during the period. In OptiFlower we are now working very close with one of the leading global players. Tests that are co-financed by the customer continue at the OptiFreeze facility to widen the varieties of flowers that can be treated. The second LOI was signed by one of the largest European distributors of dried spices and herbs.

The co-operation with the customer within the OptiFlower segment resulted in the first sales of an OptiCept line in September 2018. The line is being produced right now and will be delivered in January 2019. This line is a customized production line that will be installed at one of their farms.

OptiFreeze had a net income of 812,278 SEK during the period of Q3. This income comes from customer tests, customer paid development, and a signing fee when the first sale of the OptiCept system. The burn rate of 2018 is consistent with the one of 2017. The company finances are in line with the long-term plan that we are following.

OptiFlower – Interest received from main players on the market

At the time of writing, OptiFreeze is producing the OptiCept line for the customer within the OptiFlower segment. The production of the line is according our plans and the delivery date is scheduled to January 2019. The production will start in Kenya, and to speed up the production start we have already started to treat flower cutting from the Kenya farm at our premises in Lund. The results with different kinds of cuttings are in line with the targets set. The next phase with this customer is to sign a formal cooperation agreement. It's both parties' intention to sign this before the delivery of the OptiCept line in January.

Earlier, it has been announced that each process line sold in the OptiFlower segment will generate a net sales margin between 7.5 MSEK and 15 MSEK over a five-year period. The estimated numbers are expected to come from the capital sales of the OptiCept line, annual sales of OptiCap (additives) and finally a royalty income per treated product (flower plant). We expect to sell and install 10 lines to customers in the next 3 years in the OptiFlower segment. When the estimated numbers were announced, a caution approach was taken since we are introducing a new technology to the flower market that has an estimated size of 250 billion Euros. Nevertheless, our technology can change and re-structure the whole supply-chain of the flower industry.

OptiFreeze has been in contact with all five big players within the flower/plant industry. We received a sharp interest from all five. Apart from the customer mentioned above, we are doing customer tests with another one of the five. We are currently discussing how to continue these tests. It is obvious that our technology will not only be good to have to our customers, it will be essential. It is our goal to make the OptiFreeze technology a standard treatment method to all flower cuttings and further on to apply our technology to cut flowers and other kinds of plant cuttings.

OptiDry – continued testing with two different customers

OptiFreeze has been working with two different customers within the OptiDry segment for some time. During the projects, we gained experience on how to implement our system to the industrial level. There are several challenges in the OptiDry segment, one being that the customers have different kinds of seasonal products. Different products require

customized systems for product handling. We have come to the conclusion that products like carrots and white beets require another treatment chamber than leafier product and herbs. Therefore, we are now discussing how to develop and implement the OptiCept system together with one of our potential customers where both parties invest and take risks together to make a customized system.

The benefits of applying the OptiFreeze technology on fruits, vegetables, herbs and spices before drying, is certainly a reduction in drying time in the range of 20-50 %. This will mean that our customers save tremendous amounts of energy and it will allow them to increase their capacity without investing in a new dryer. For some products under certain conditions, it will also preserve the aroma, taste and color of products better, which in general will lead to a high quality "premium dried product".

Creating customers awareness within the OptiFresh and OptiFreeze segment

Our focus has been on OptiFlower and OptiDry during 2018 and as a consequence we have been less active in the OptiFresh and OptiFreeze segments. We have a continued dialogue with potential customers and we are creating customer awareness. We are also working on the general approvals needed for processing food. Both these segments represent an enormous opportunity for Optifreeze, but the time to market breakthrough is expected to be longer than for OptiFlower.

Future in line with targets set

Looking ahead, OptiFreeze is in line with previously defined financial targets and estimates to reach breakeven results during 2020. We will continue to focus on the OptiFlower and OptiDry segments. With our current customer in the OptiFlower segment, we aim to explore new applications with the same technology applied to cut flowers, fruits, vegetable cuttings and other plant materials as well as applying the same technology with different purposes. OptiFreeze will also work on development and sales activities in the OptiDry segment where we see big opportunities.

It feels good that OptiFreeze is in line with targets set, financial ones as well as technological ones. I'm looking forward to entering the last period of the year, together with co-workers and customers, current and potential ones.

Lund, November 29, 2018
Eda Demir Westman, CEO

Income Statement in summary, SEK

	1/7/2018 – 30/9/2018 3 month	1/7/2017 – 30/9/2017 3 month	1/1/2018 – 30/9/2018 9 month	1/1/2017 – 30/9/2017 9 month	1/1/2017 – 31/12/2017 12 month
Operating income					
Net sales	812,278	-	923,049	-	191,345
Capitalized own work performed /other income	367,445	391,508	1,218,997	1,061,215	1,428,220
Other operating revenues	33,175	-	40,447	-	12,283
Total income	1,212,898	391,508	2,182,493	1,061,215	1,631,848
Operating expenses					
Raw materials and consumables	-30,806	-10,293	-264,781	-119,085	-233,579
Other external costs	-962,496	-1,092,498	-3,645,784	-5,218,042	-6,502,728
Personnel costs	-941,226	-984,466	-3,035,199	-2,487,235	-3,498,997
Depreciation	-152,596	-163,929	-429,288	-348,833	-369,487
Other operating expenses	-369	37	-4,193	-188	-3,048
Total operating expenses	-2,087,493	-2,251,150	-7,379,245	-8,173,383	-10,607,839
Operating profit	-874,595	-1,859,642	-5,196,752	-7,112,168	-8,975,991
Financial net	-757	-442	-3,583	17,709	17,139
Result after financial items	-875,352	-1,860,084	-5,200,335	-7,094,459	-8,958,852
Tax	-	-	-	-	-
Net result	-875,352	-1,860,084	-5,200,335	-7,094,459	-8,958,852
Result per share	-0.09	-0.22	-0.53	-0.83	-1.02

Balance sheet in summary, SEK

	30/9/2018	30/9/2017	31/12/2017
Assets			
Subscribed capital unpaid	-	15,697,861	341,544
Capitalized development costs/patents	5,495,055	3,880,778	4,190,777
Equipment, tools, fixtures and fittings	2,173,010	2,033,652	2,162,298
Other long-term receivables	160,000	160,000	160,000
Other short-term receivables	1,234,987	683,166	859,714
Cash and bank equivalents	9,921,882	1,267,394	15,660,371
Total assets	18,984,934	23,722,852	23,374,704
Equity and liabilities			
Equity	16,723,667	22,646,457	21,924,002
Current liabilities	2,261,267	1,076,395	1,450,702
Total equity and liabilities	18,984,934	23,722,852	23,374,704

Cash Flow Statement, SEK

	1/7/2018 - 30/9/2018 3 month	1/7/2017 - 30/9/2017 3 month	1/1/2018 - 30/9/2018 9 month	1/1/2017 - 30/9/2017 9 month	1/1/2017 - 31/12/2017 12 month
Result from operating activities					
Operating result	-874,595	-1,859,649	-5,196,752	-7,112,168	-8,975,991
Adjustment for items not affecting the cash flow	152,596	163,929	429,288	348,833	369,487
Net received / paid interest	-757	-436	-3,583	17,709	17,139
Paid tax	-	-	-	-	-
Changes in operating activities	74,662	-411,255	435,292	-180,904	107,255
Cash flow from operating activities	-648,094	-2,107,411	-4,335,755	-6,926,530	-8,482,110
Cash flow from investing activities					
	-449,171	-1,305,970	-1,744,278	-2,516,759	-2,976,057
Cash flow from financing activities					
	-	-	341,544	-	16,407,855
Cash flow for the period	-1,097,265	-3,413,381	-5,738,489	-9,443,289	4,949,688
Cash and bank equivalents at start of period	11,019,147	4,680,775	15,660,371	10,710,683	10,710,683
Cash and bank equivalents at end of period	9,921,882	1,267,394	9,921,882	1,267,394	15,660,371

Change in Equity 30/9/2018

	Share capital	Fund for Development expenses	Share Premium reserve	Profit and loss brought forward and result for the period	Result for the period	Total Equity
Opening balance 1/1/2018	888,954	2,373,108	29,049,012	-10,387,072		21,924,002
Allocation of result according the Annual General Meeting			-10,387,072	10,387,072		0
Allocation between restricted and non-restricted equity		851,552		-851,552		0
Result for the period					-4,324,983	-4,324,983
Closing balance 30/6/2018	888,954	3,224,660	18,661,940	-851,552	-4,324,983	17,599,019
Allocation between restricted and non-restricted equity		367,445		-367,445		0
Result for the period					-875,352	-875,352
Closing balance 30/9/2018	888,954	3,592,105	18,661,940	-1,218,997	-5,200,335	16,723,667

Total registered shares amounts to 9,877,264 shares.

Next reporting dates

- Year end report 2018 14/02/2019
- Annual report 2018 19/03/2019
- Shareholders meeting 2019 11/04/2019
- Interim report Q1 2019 23/05/2019
- Interim report Q2 2019 29/08/2019

Business information

General information

OptiFreeze has a patented technology that preserves the taste, shape and texture of vegetables, fruits and berries throughout the freezing and thawing process. OptiFreeze has furthermore developed methods that can improve the shelf life of vegetables, fresh cut fruits, flower cuttings and other plants. The same technology can be used dry fruits, vegetables, herbs and spices aiming to reduce the drying time while preserving the fresh-like taste, smell and color. The technology opens new business opportunities for food and plant propagation industry all around the world.

The company was founded in 2011 by Arc Aroma Pure AB (publ), LU Innovation and several researchers at the Department of Food Technology at Lund University. The operations are based on Kalkstensvägen in Lund, where the company conducts method and product development on its own and in cooperation with partners. OptiFreeze is the result of a long period of research at the Institute of Food Technology at the University of Lund. The company is situated in Lund, Sweden and is listed at the Spotlight Stock Market.

Significant events during the reporting period (Q1 – Q3)

- 09.01.2018 Optifreeze conducted full-scale industrial tests with a leading European supplier of dried vegetables and herbs. The tests were carried out at the customer's facilities in December 2017. Both Optifreeze and the customer were satisfied with the result as they met the targets that were agreed to achieve. The two parties proceeded the dialogue with the intention to reach a sales/purchase of OptiCept. A joint project was later started to reach a solution that will meet the request set up by the customer.
- 09.03.2018 During the customer tests that were started 2017, OptiFreeze observed possible improvements to the industrial PEF system. The improvements consisted of a possibility to cope with a wider range of products and an increased capacity of 2 to 4 times depending on what kind of products that's being handled. A new updated PEF chamber was later ordered.

OptiFreeze started tests together with a customer within the OptiFlower segment. There was a great interest in live expectancy improvements for flower cuttings on the market.
- 14.03.2018 The OptiFreeze marketing movie was launched. The movie is intended to be used at sales/marketing activities and in contact with current/potential investors. The movie describes the process in detail with animations as well as OptiFreeze's application areas and product portfolio.
- 24.04.2018 OptiFreeze signed an agreement with a partner within the OptiDry segment to perform second industrial scale testing with the OptiCept's updated PEF chamber. The customer part-financed the tests.
- 16.05.2018 The updated PEF chamber arrived at OptiFreeze's facilities. The PEF chamber will be used in tests together with different customers.
- 17.05.2018 Optifreeze signed a test agreement with one of the largest dried herbs and spices company in Europe. One of their suppliers has been involved in the tests. The customer part-financed the tests.

24.05.2018 OptiFreeze has signed a test agreement with another world-wide leading flower cutting supplier. The tests are partially financed by the customer. The intention is to validate the OptiFreeze method with different cuttings and continue into the commercial phase.

01.06.2018 The second tests are concluded with a customer within the OptiDry segment. It has been proven that the system has a capacity to handle 1-6 tons/h of hard structured products.

15.06.2018 OptiFreeze has conducted tests together with a leading flower company to validate our method and to try other applications for flower cuttings. The focus of these trials was to investigate the possibility to extend the life expectancy of flower cuttings by combining our treating method with freezing.

06.07.2018 OptiFreeze has conducted tests together with one of the largest dried herb and spices distributor and its supplier. The test results were positive. Our treated samples passed the initial sensory analysis and the reduction in drying time was 30 %.

09.07.2018 OptiFreeze signed a letter of intent on the 5th of July with one of the largest Distributors of dried herbs and spices in Europe. The intention is to introduce the OptiFreeze technology and to sell the OptiCept™ processing systems to the Distributor's suppliers. According to the agreement, the Distributor will have a limited exclusive right for several herbs for the Nordic, Benelux, Baltic states and UK market for a limited period of time.

06.09.2018 OptiFreeze AB has signed a letter of intent with a leading multinational company defining their intentions of future cooperation to develop and apply the patented OptiCept technology for use in the production of plant propagation material. The ultimate purpose of the cooperation is to fully develop and commercialize the Optifreeze technology for improvement in plant propagation for the entire flower and plant industry.

14.09.2018 OptiFreeze AB has received the first order of the product OptiCept™ from a leading multinational company in the flower industry.

Significant events after the end of the reporting period

14.11.2018 Optifreeze AB estimates that each process line sold in the OptiFlower segment will generate a sales margin between 7,5 MSEK and 15 MSEK over a five-year period.

Accounting principles

The company applies to the Annual Accounts Act and the Swedish Accounting Standards Board BFNAR 2012:1 (K3) in the preparation of the financial statements. The account policies applied are the same as those used in the 2017 Annual Report. For more information see the Annual Report 2017.

The present interim report has not been audited by the company's auditors.

This information is such information as OptiFreeze AB (publ) is obliged to disclose under the EU Market Abuse Regulation.

The information was provided, through the contact of the following contact person, for publication on November 29th, 2018.

Lund, November 29th, 2018

OptiFreeze AB (publ) Board of Directors
Eda Demir Westman, CEO

OptiFreeze AB (publ)

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