



INTERIM REPORT

Q3

JANUARY – SEPTEMBER 2020





Third quarter, 1 July – 30 September 2020**The Redsense Group**

- Net sales amounted to KSEK 2,107 (4,645), a 55 percent decrease compared with the corresponding period in 2019.
- Profit or loss before tax amounted to KSEK -3,723 (-590).

The Swedish Parent Company

- Net sales amounted to KSEK 1,595 (3,257).
- Profit or loss before tax amounted to KSEK -3,170 (-895).

1 January – 30 September 2020**The Redsense Group**

- Net sales amounted to KSEK 12,213 (9,439), a 29 percent increase compared with the corresponding period in 2019.
- Profit or loss before tax amounted to KSEK -3,468 (-3,107).
- Total equity amounted to KSEK 11,176 at the end of the period.
- Cash and cash equivalents amounted to KSEK 5,609 at the end of the period.

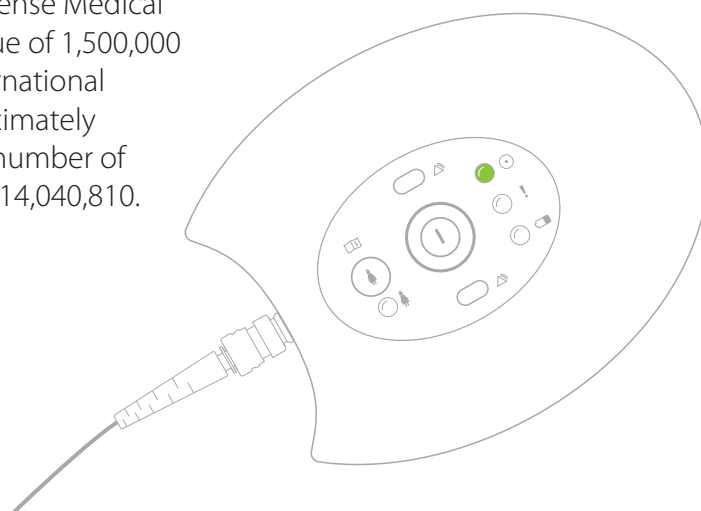
The Swedish Parent Company

- Net sales amounted to KSEK 9,336 (6,723).
- Profit or loss before tax amounted to KSEK -3,723 (-3,026).
- Total equity amounted to KSEK 53,038 at the end of the period.
- Cash and cash equivalents amounted to KSEK 1,269 at the end of the period.

Result and position

The Group's result for January – September 2020 amounted to KSEK -3,468 before taxes, or SEK -0.28 per share. The number of shares outstanding was 12,540,810 as of 30 September 2020. Cash and cash equivalents at the end of the period amounted to KSEK 5,609.

After the period, on October 8, Redsense Medical completed a directed new share issue of 1,500,000 shares to selected Swedish and international institutional investors, raising approximately MSEK 73 before issuance costs. The number of outstanding shares after the issue is 14,040,810.



Significant events 1 July – 30 September 2020

- Two members of Redsense Medical's senior sales management acquired shares in the Company under a personal incentive programme adopted in 2016 through an agreement between them and the CEO.
- Redsense Medical commented that a new proposed CMS rule, which would expand the financial incentives to use innovations related to dialysis equipment, was a "very positive prospect".
- The University Health Network in Toronto, Canada, approved Redsense's application to conduct a follow-up study of the Redsense Clamp prototype.
- Redsense received an order for Redsense Alarms from a new U.S. customer, the CHRISTUS St. Michael Health System.
- The development project related to AI-driven wound monitoring software, initiated in November 2019, was concluded; while the project failed to finalize a proof-of-concept software, valuable experience was gained and the method was deemed feasible and promising.
- Redsense presented on the investor meeting Aktiedagen Digitalt.

Significant events after the period

- Redsense Medical completed a directed new share issue of 1,500,000 shares to selected Swedish and international institutional investors, raising approximately MSEK 73 before issue costs
- Redsense presented on the investor meeting *Aktiespararnas Kvinnokvällen*.

Sales pressured by the pandemic, but opportunities remain

During Q3, the significant and unbroken sales growth that Redsense Medical experienced from Q3 2019 through Q2 2020 unfortunately grounded to a temporary halt, mainly due to a COVID-19-related competition for clinical resources.

In the U.S. and globally, time and resources have been focused on addressing the acute clinical situation and away from such things as contract negotiations, training and implementation of new methods and technology. The result has been that we, to a large extent, were shut out of access to counterparties; the procurement managers were not available to negotiate contracts, the nurses and dialysis technicians were not available for demonstrations of our system, we could not conduct physical meetings and kidney caregivers were forced to devote their attention to dialysis patients with COVID-19, both in chronic and acute clinical settings.

The in-person training of nurses in use of the Redsense system – which has been central to our growth – was simply impossible to maintain in that context, and this is what held back our sales during Q3.

We expect to see the pressure on sales continue throughout Q4 before recovering during 2021. This pause notwithstanding, other ongoing dynamics work in Redsense's favor and, as outlined below, possibilities are building up for when the current health care crisis is overcome.

Digital technology and extensive cooperation build presence and awareness

Redsense is using the restrictions to make the best of the many opportunities that are emerging. Most importantly, by being included in the clinics' list of suppliers, we currently have access to more than 90 percent of the U.S. market; our focus is to stay top of mind with the customers and to be ready to act on any decision to increase the use of our product. To achieve this, we are increasing presence and awareness through online means of communication.

We use digital technology to prepare sales and interact face-to-face with existing and prospective customers, and we have, in collaboration with clinics, transitioned to online demonstrations for training and to increase brand awareness. Using a digital format, we have the undivided attention of large numbers of dialysis nurses, while maintaining personal/individual interactions at a distance. During Q3, approximately 2,000 nurses and dialysis technicians have been trained.

In addition, we have been working closely with an American Nephrology Nurses Association (ANNA) Task Force to update the Venous Needle Dislodgement (VND) Prevention Project. The VND Project increases caregiver awareness and provides evidence-based VND risk prevention strategies. The multifaceted VND Project features a compressive peer-reviewed article and corresponding printed VND prevention materials for nurses and patients. As a proud sponsor of the ANNA VND Project, we have provided an educational grant for printing the VND prevention materials. In teaming up with the ANNA VND Project Task Force, we were able to build brand awareness while increasing patient safety. The updated VND Project and educational materials will be published in an upcoming issue of the ANNA journal that reaches more than 9,000 ANNA members. The VND Project will also be available digitally on ANNA's website and an international distribution is planned. Brand awareness extends when nurses complete the Redsense sponsored VND Project course and receive free continuing education units (CEU) credits. CEU credits are required to maintain professional nursing licensure in the U.S., and typically nurses must pay for courses that award CEU credits.

Regulatory developments and home hemodialysis trends strengthen our position

A transformative kidney care payment model was announced by Medicare in September. The End-Stage Renal Disease Treatment Choices (ETC) Model projects to significantly increase the number of patients dialyzing at home. Attractive financial incentives encourage providers to increase home therapy. The ETC Model will be implemented in the U.S. on January 1, 2021, as the next step of the Advancing American Kidney Health initiative. With the ETC Model in place, financial incentives to choose home dialysis will

strengthen significantly, and we consider this to be a major game-changer that will boost the demand for innovative solutions such as the Redsense system.

The adoption of the ECT Model underlines a key take-away from the pandemic: dialysis treatment at home offers a significant advantage over in-clinic treatments. Home dialysis treatment is not only more convenient and comfortable for patients, but it reduces the risk of exposure to viruses and other serious infections. In addition, home dialysis therapy results in overall improved health and wellbeing. The scope of this transformation can hardly be over-emphasized. Market-leader Fresenius, the world's largest dialysis service provider, has a stated goal to have at least 15 percent of their treatments in the U.S. performed at home by 2022, and, with home modalities growing at nine times the pace of in-center treatments, Fresenius claims to be on track to achieve it.

To boost home care growth, Fresenius is in the process of opening a large numbers of transitional care units – more than 100 this year alone – where patients receive education about available treatment options and assistance in transitioning between them. As we currently work with the top five dialysis providers, with more than 6,000 clinics in total, we stay at the center of the development of home dialysis growth. Meanwhile, we are also seeing an increasing number of the smaller chains as customers, for example the CHRISTUS St. Michael Health System, which joined the ranks during Q3.

Development projects proceed as planned

As regards our development projects, things are progressing according to plan. Together with the University Health Network in Toronto, we are preparing the follow-up study of the Redsense Clamp, our novel accessory device that will enable an automatic stop of the blood flow independent of the type of dialysis machine being used. Through this innovation, the Redsense solution becomes an automatic life-saving system in itself, without having to rely on human intervention in response to the alarm or on dialysis machines that allow a direct connection to our device.

In the Netherlands, the clinical testing of the nurse call connection announced earlier together with our local distributor Dirinco is coming along well. We are further developing the smart optical measurement platform that will address the SEK 100 billion advanced wound care market. In the interest of transparency, we have decided to set up wound care as a new business area reported separately from other operations, and we will announce further details in due time.

Aside from the above, we are making preparations to strengthen our post-COVID-19 marketing and sales effort overall. This obviously relates to the U.S., where much will revolve around the ETC Model and its effects, but also to Europe, where we intend to increase our focus on the German market in particular. We are also continuously reviewing our network of distributors and making efforts to support it.

To conclude, the third quarter of 2020 was heavily characterized by the COVID-19 situation, and Redsense found itself shut out of physical access to its procurement and clinical counterparties as a result. Nonetheless, during this difficult time we have continued to build awareness about the Redsense system and consolidated our position for future growth post COVID in the dialysis care environment. Home hemodialysis is poised to grow rapidly, supported by strong and determined policy, and by the commitment of leading dialysis service providers, with a steadily growing acceptance of our product as the standard patient-safety precaution among said providers.

Patrik Byhmer, CEO Redsense Medical AB





Consolidated – Income Statement

Financial Info

	2020-07-01 -2020-09-30	2019-07-01 -2019-09-30	2020-01-01 -2020-09-30	2019-01-01 -2019-09-30
Net sales	2,106,868	4,645,438	12,213,170	9,439,373
Capitalized development work	923,424		923,424	
Other operating income	49,483		49,483	102,109
Total operating income	3,079,775	4,645,438	13,186,077	9,541,482
Goods for resale	-2,280,267	-2,271,660	-6,363,047	-4,351,948
Other external charges	-2,828,339	-1,934,206	-5,880,135	-4,806,923
Personnel costs	-1,488,015	-1,023,034	-4,203,927	-3,271,107
Depreciation/Amortization	-48,900	-48,000	-146,700	-144,000
Total operating costs	-6,645,521	-5,276,900	-16,593,809	-12,573,978
OPERATING RESULT	-3,565,746	-631,462	-3,407,732	-3,032,496
Interest income/foreign exchange gains	42,790	19,237	62,264	
Interest costs/foreign exchange losses	-157,162	-1,010	-79,047	-136,328
Result from financial items	-157,162	41,780	-59,810	-74,064
PROFIT OR LOSS BEFORE TAX	-3,722,908	-589,682	-3,467,542	-3,106,560
PROFIT OR LOSS FOR THE PERIOD	-3,722,908	-589,682	-3,467,542	-3,106,560

The Parent Company's Income Statement

Financial Info

	2020-07-01 -2020-09-30	2019-07-01 -2019-09-30	2020-01-01 -2020-09-30	2019-01-01 -2019-09-30
Net sales	1,595,412	3,256,548	9,336,384	6,722,513
Capitalized development work	923,424		923,424	
Other operating income	49,483		49,483	102,109
Total operating income	2,568,319	3,256,548	10,309,291	6,824,622
Goods for resale	-2,280,267	-2,271,660	-6,363,047	-4,351,948
Other external charges	-2,393,022	-1,317,060	-4,676,103	-3,428,873
Personnel costs	-858,831	-556,637	-2,786,647	-1,851,443
Depreciation/amortization	-48,900	-48,000	-146,700	-144,000
Total operating costs	-5,581,020	-4,193,357	-13,972,497	-9,776,264
OPERATING RESULT	-3,012,701	-936,809	-3,663,206	-2,951,642
Participations in group companies			0	
Interest income/ foreign exchange gains		42,790	19,237	62,264
Interest costs/ foreign exchange losses	-157,162	-1,010	-79,047	-136,328
Result from financial items	-157,162	41,780	-59,810	-74,064
PROFIT OR LOSS BEFORE TAX	-3,169,863	-895,029	-3,723,016	-3,025,706
PROFIT OR LOSS FOR THE PERIOD	-3,169,863	-895,029	-3,723,016	-3,025,706

Balance Sheet

Financial Info

	THE GROUP		THE PARENT COMPANY	
	2020-09-30	2019-12-31	2020-09-30	2019-12-31
ASSETS				
FIXED ASSETS				
Intangible fixed assets Patents			32,600,000	
Capitalized development costs	4,371,072	4,019,856	195,600	4,019,856
Tangible fixed assets	50,884	24,470	50,884	24,470
Financial fixed assets				
Shares in subsidiaries			34,225,472	30,050,000
Shares in associated companies	200,010	200,010	200,010	200,010
Receivables from group companies			17,857,750	20,073,220
Total fixed assets	4,621,966	4,316,336	85,129,716	50,323,230
CURRENT ASSETS				
Goods for resale	711,654	569,616	403,427	483,666
Advances to suppliers	75,000	75,000	75,000	75,000
Accounts receivable	2,118,326	4,721,799	55,844	5,297
Other short-term receivables	221,594	474,137	204,011	461,681
Prepayments and accrued income	434,950	382,013	432,065	325,662
Cash and cash equivalents	5,608,523	8,645,155	1,269,117	5,844,953
Total current assets	9,170,047	14,867,720	2,439,464	7,195,259
TOTAL ASSETS	13,792,013	19,184,056	87,569,180	61,635,816
EQUITY AND LIABILITIES				
EQUITY				
Restricted equity				
Share capital	1,254,081	1,217,491	1,254,081	1,217,491
Restricted reserves/ statutory reserve	15,099,462	13,554,148	15,099,462	10,073,543
Non-restricted equity				
Non-restricted reserves/ retained earnings	-58,048,144	-51,182,848	-15,931,187	-7,229,844
Share premium reserve	56,338,430	49,172,051	56,338,340	52,652,656
Profit or loss for the period	-3,467,542	-4,016,408	-3,723,016	-5,455,551
Total equity	11,176,287	8,694,434	53,037,770	51,258,295
LIABILITIES				
Long-term liabilities				
Long-term liabilities to credit institutions	988,129	8,215,186	988,129	8,215,186
Other liabilities				
Total long-term liabilities	988,129	8,215,186	988,129	8,215,186
Short-term liabilities				
Accounts payable	1,209,363	1,494,457	1,216,111	1,494,457
Other short-term liabilities	342,092	299,992	32,267,170	299,992
Accruals and deferred income	76,143	479,987	60,000	367,886
Total short-term liabilities	1,838,305	2,274,436	1,795,469	2,162,335
Total liabilities	2,615,726	10,489,622	34,531,410	10,377,521
TOTAL LIABILITIES AND EQUITY	13,792,013	19,184,056	87,569,180	61,635,816

Cash flow statement

Financial Info

SEK thousand	2020-01-01 2019-01-01	-2020-09-30 -2019-09-30
Cash flow from operating activities before changes in working capital	-2,585,318	-2,961,833
Cash flow from operating activities	1,256,541	-6,494,060
Cash flow from investment activities	-1,375,908	-1,387,974
Cash flow from financing activities	-1,958,774	14,715,348
Cash flow for the period	-4,663,460	6,833,314
Liquid assets at the end of the period	5,608,523	10,271,983

Auditor's review

This interim report has not been reviewed by the company's auditors.

Next publication date

The year-end report 2020 will be published on February 22, 2021.

Contact information

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Assurance

The Board of Directors and the CEO ensure, to the best of their ability, that this Q3 interim report provides a true and fair view of Redsense's operations and results.

Redsense Medical is obliged to make the information contained herein public pursuant to the EU market abuse regulation. The information was submitted for publication through the agency of the contact person above at CET **08:30** on November 9, 2020.

Trading Place

Redsense Medical's shares have been listed on the Spotlight Stock Market since 3 May 2019, where they are traded under the ticker REDS. Between October 2017 and May 2019, the Company was listed on Nasdaq First North.

Other information

For further information about Redsense Medical AB's operations, please refer to the company website: www.redsensemecical.com

