

Bioservo Technologies AB Interim Report January – September 2018

Third quarter of 2018 in brief

- Net sales rose to SEK 1.0 M (0.5)
- EBITDA amounted to SEK -5.8 M (-3.9)
- EBIT totalled SEK -6.7 M (-4.5)



Interim report, 1 January-30 September 2018

Third quarter in figures

- Net sales rose to SEK 1.0 M (0.5)
- EBITDA amounted to SEK -5.8 M (-3.9)
- EBIT totalled SEK -6.7 M (-4.5)
- Loss for the period was SEK -6.7 M (-4.6)
- Loss per share before and after dilution amounted to SEK -0.75 (-0.51)
- At 30 September, cash and cash equivalents were SEK 32.1 M (55.0).

First nine months in figures

- Net sales rose to SEK 4.0 M (2.1)
- EBITDA amounted to SEK -14.9 M (-11.2)
- EBIT totalled SEK -17.2 M (-12.6)
- Loss for the period was SEK -17.2 M (-13.5)
- Loss per share before and after dilution amounted to SEK -1.93 (-1.75)*
- At 30 September, cash and cash equivalents were SEK 32.1 M (55.0).

* Adjusted for 5:1 stock split in March 2017

Significant events during the period

- Petter Bäckgren assumed the position of CEO on September 3.
- Bioservo secured a first order for Ironhand from an existing international customer in the automotive industry.

Events after the end of the period

- It was resolved at an Extraordinary General Meeting to issue warrants for the establishment of an employee stock option programme.

Financial overview

	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Full-year 2017
Net sales, SEK 000s	956	550	3,953	2,061	4,672
EBITDA, SEK 000s	-5,837	-3,860	-14,861	-11,202	-16,272
EBIT, SEK 000s	-6,703	-4,537	-17,226	-12,581	-18,379
Loss for the period, SEK 000s	-6,703	-4,573	-17,231	-13,505	-19,307
Loss per share before dilution, SEK*	-0.75	-0.51	-1.93	-1.75	-2.41
Loss per share after dilution, SEK*	-0.75	-0.51	-1.93	-1.75	-2.41
Cash and cash equivalents, SEK 000s	32,074	55,003	32,074	55,003	46,865
Cash flow from operating activities for the period, SEK 000s	-7,801	-3,786	-10,913	-10,519	-16,302
Equity, SEK 000s	50,384	73,565	50,384	73,565	67,763
Total assets, SEK 000s	60,372	77,269	60,372	77,269	72,308
Equity/assets ratio, %	83.5	95.2	83.5	95.2	93.7
Total no. of shares*	8,936,451	8,936,451	8,936,451	8,936,451	8,936,451
Average no. of shares*	8,936,451	8,936,451	8,936,451	7,710,653	8,021,130
R&D employees	10	9	10	9	10
Average no. of employees	28	20	27	20	22

*Adjusted for 5:120 stock split in March 2017

Definitions

Net sales

Revenue from the sale of goods related to the company's core operations.

EBITDA

Earnings before interest, taxes, depreciation and amortisation.

EBIT

Earnings before interest and taxes.

Cash and cash equivalents

Assets that are cash or can be converted into cash immediately.

Cash flow from operating activities

Cash flow before cash flow from investing and financing activities.

Equity/assets ratio

Equity expressed as a percentage of total assets. Demonstrates the percentage of the company's assets that are financed by equity, and shows the company's long-term ability to meet its debt obligations.

Average number of employees

Calculated as the total number of hours worked divided by the number of normal working hours during the period.

Earnings per share before and after dilution

Earnings divided by the weighted average number of shares during the period before and after dilution. If the earnings are negative, the number of shares before dilution is also used for the calculation after dilution.

Bioservo Technologies in brief

Bioservo Technologies (publ) is a technology and development company that combines medical science with modern robotics. The company holds a leading global position within soft exoskeleton technology – wearable non-invasive devices – for people in need of extra power to optimise the body’s endurance and performance, or for people with reduced muscle strength.

After many years of research and development, Bioservo Technologies is now focused on a commercialisation of the company’s products and patented technologies. The gloves are well-suited to medical rehabilitation, and to preventive use by healthcare professionals. The company has, for example, signed strategic partnership agreements with several multinational companies within the automotive and aerospace industry as well as companies active in construction/ infrastructure.

Bioservo Technologies was founded in 2006 through a collaboration between researchers at the Royal Institute of Technology and doctors at Karolinska University Hospital in Stockholm. Bioservo Technologies is a Swedish public limited company with its headquarters and operations based in Kista, north of Stockholm.

For more information, please visit www.bioservo.se



CEO Petter Bäckgren comments on the third quarter of 2018

It is tremendously inspiring to now hold the position of CEO of Bioservo and to take the next step on our journey together with all of our coworkers and stakeholders. The positive impression that I already had of Bioservo and the company's technology has been reinforced. I foresee enormous potential for our technology in terms of risk assessment and of managing ergonomic problems and strain injuries in industry. At the end of the third quarter, we commenced work on strengthening our internal control, optimising our organisation and initiating the outsourcing of production to an external party, with the aim of securing the right capacity for increasing sales in 2019.

Global interest in our technology

We chose to be represented as speaker and exhibit our products at the Enterprise Wearable Technology Summit (EWTS) at the beginning of October. This event is organised by BrainXchange in Austin, Texas, the world's most comprehensive event for business and industrial applications for wearables, such as exoskeleton. It is gratifying to see a large and expanding interest in our technology in widely differing segments of industry. We foresee fantastic potential in most individual verticals, such as the automotive industry.

Updated version of Ironhand

During the quarter, we secured our first order for Ironhand. Our technology and our products are continuously evaluated jointly with our partners and customers, which ensures adaptation to the demands and requirements of the market. We intend to launch the next version of our industrial glove, Ironhand 1.5, in the second quarter of 2019. This includes comprehensive improvements for sustainability, comfort and user-friendliness by way of new sensors, a new over-the-shoulder pouch and improved transmission of power in the glove.

Developed business model

Our business model is based on a three-step model: Assess, Implement, Measure (AIM), by which we initially evaluate where and how our technology is appropriate for the customer, before implementing and then continuously measuring and analysing activities and processes. Through this approach, we foresee further potential and breadth in our business model. Our assessment is that there are extensive opportunities for growth by focusing even more on service and our digital business.

Assessment as a service

The first step, Assessment, is to be regarded not only as the marketing of our glove, but as a separate service in itself. Based on the established Key Indicator Method risk model (KIM), we can help companies to reduce ergonomic problems and strain injuries through advanced risk assessment. The interest is great and we expect that Assessment will represent a considerable share of sales to industry until the launch of Ironhand 1.5. We are now recruiting further resources in this area.

Increased sales

The sales for the first nine months rose by 92% to SEK 4,0 M (2,1), mainly driven by steadily improving sales of the Carbonhand medical glove. It is primarily the markets in Sweden, Norway and Germany that stand out. During the quarter, we also secured our first order for Ironhand, which will be invoiced in the fourth quarter. The cost base increased somewhat during the quarter as a result of the relocation to new premises and increased market activities.

Personal reflections

It feels very exciting and inspiring to be in this job. Together with my coworkers, I have established a clear set of objectives and we have initiated projects to strengthen our internal control and to optimise the organisation so as to ensure the correct capacity in market and sales, and aftersales support. We are now outsourcing some of our production to an external partner to ensure deliveries in 2019. We are seeing major interest in our technology, particularly in the US, where we will build up our own structure over time to capitalise on our business potential.

We regard the launch of Ironhand 1.5 as the main revenue driver for 2019, supplemented by significant revenues from such services as Assessment. I am convinced that we are on the right track and well equipped for the future, supported by a continuously growing global interest in our technology.

Financial overview

July - September 2018

Net sales

Net sales rose 74% to SEK 956 K (550) for the third quarter. Growth continues to be driven by sales of the medical glove.

Operating expenses

Operating expenses amounted to SEK 9.7 M (6.9) for the third quarter, up 41%. The cost increase was mainly related to the relocation to new premises and new recruitments in order to adapt the organisation for the ongoing expansion. During the period, the company also invested in marketing in the form of trade fair participation.

EBIT

EBITDA amounted to SEK -5.8 M (-3.9), while EBIT amounted to SEK -6.7 M (-4.5)

Loss for the period

Loss for the period was SEK -6.7 M (-4.6) corresponding to loss per share of SEK -0.75 (-0.51).

Cash flow

During the period, cash flow from operating activities was SEK -7.8 M (outflow: 3.8).

Financial position and investments At 30 September 2018, total assets amounted to SEK 60.4 M (77.3).

At 30 September 2018, cash and cash equivalents were SEK 32.1 M (55.0). The equity/assets ratio was 83.5% (95.2) at the end of the period.

Jan - Sep 2018

Net sales

Net sales rose 92% to SEK 4.0 M (2.1) for the first half-year. This growth was fully attributable to sales of Carbonhand, and a positive market trend in Norway, Sweden and Germany in particular.

Operating expenses

Operating expenses amounted to SEK 27.7 M (20.3) for the first quarter, up 36%. The cost increase was mainly related to new recruitments, in order to adapt the organisation for the ongoing expansion. Other external costs mainly comprised investments in marketing and sales-related costs.

EBIT

EBITDA amounted to SEK -14.9 M (-11.2), while EBIT amounted to SEK -17.2 M (-12.6)

Loss for the period

Loss for the period was SEK -17.2 M (-13,5), corresponding to loss per share of SEK -1.93 (-1.75).*

*Adjusted for the 5:1 stock split in March 2017

Cash flow

During the period, cash flow from operating activities was SEK -10.9 M (-10.5).

Cash flow for the period increased to SEK -14.9 M (38.4).

Financial position and investments

At 30 September 2018, total assets amounted to SEK 60.4 M (77.3).

At 30 September 2018, cash and cash equivalents were SEK 32.1 M (55.0). The equity/assets ratio was 83.5% (95.2) at the end of the period.

Employees

At 30 September 2018, the number of employees was 29, compared with 22 at the end of the year-earlier period.

Accounting policies applied in the interim report

The same accounting policies were applied in Bioservo's interim report as in the most recent annual report: the Swedish Annual Accounts Act, and BFNAR 2012:1 Annual Accounts and Consolidated Financial Statements (K3).

Warrants

At 30 June 2018, there were 88,710 warrants outstanding. The warrants entitle holders to buy a total of 498,200 shares. The warrants are issued partly within the framework of a stock option programme for key personnel and employees of the company, and partly in exchange for loans.

2010-2014 plan

150 issued stock options entitle holders to buy 15,000 shares. The price is SEK 100 per share and the warrants can be exercised until 31 December 2018.

2014-2018 plan

This warrant plan was cancelled during the period.

2015-2019 plan

3000 issued stock options entitle holders to buy 15,000 shares. The price is SEK 30 per share and the warrants can be exercised between 1 February and 1 March 2019.

2016-2023 plan

85,560 issued stock options entitle holders to buy 427,800 shares. The price ranges from SEK 23.30-

43.20 per share, depending on when the shares are bought during the exercise period. The warrants can be exercised between 25 January 2017 and 31 December 2023.

Upon exercise of all issued warrants, the number of shares and votes in the company will increase by 457,800, each with a par value of SEK 0.20. The warrants are subject to customary recalculation terms in connection with issues, etc.

Risks

Bioservo's risk factors have not changed since its last annual report,
https://www.bioservo.com/assets/documents/AR-Bio-2017_web.pdf

Audit

This interim report has not been audited.

Certified Adviser

FNCA Sweden AB is Bioservo's Certified Adviser.

Share

Bioservo Technologies AB was listed on Nasdaq First North on 22 May 2017.

Stockholm, 6 November 2018

Bioservo Technologies AB

Anders Lundmark

Chairman of the Board

Tomas Ward

Board member

Hans Von Holst

Board member

Karin Ruiz

Board member

Runar Björklund

Board member

Kunal Pandit

Board member

Petter Bäckgren

Chief Executive Officer

INCOME STATEMENT (SEK 000s)	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Full-year 2017
Net sales	956	550	3,953	2,061	4,672
Own work capitalised	918	1,356	2,213	3,901	4,763
Other operating income	1,115	414	4,346	1,785	2,456
	2,989	2,320	10,512	7,743	11,891
Operating expenses					
Raw materials and consumables	-1,091	-646	-2,764	-1,621	-2,746
Other external costs	-2,856	-2,157	-8,336	-6,044	-9,244
Employee benefit expenses	-4,879	-3,377	-14,274	-11,284	-16,173
Amortisation and depreciation of tangible and intangible assets	-866	-677	-2,364	-1,379	-2,107
Total operating costs	-9,692	-6,857	-27,738	-20,328	-30,270
EBIT	-6,703	-4,537	-17,226	-12,581	-18,379
Interest expense and similar loss items	-	-36	-5	-924	-928
Total financial items	-	-36	-5	-924	-928
Loss before tax	-6,703	-4,573	-17,231	-13,505	-19,307
Tax	-	-	-	-	-
Loss for the period	-6,703	-4,573	-17,231	-13,505	-19,307

BALANCE SHEET (SEK 000s)	30 Sep 2018	30 Sep 2017	31 Dec 2017
Assets			
Fixed assets			
Intangible assets	15,388	13,846	14,453
Tangible assets	629	180	200
Financial assets	5,700	5,700	5,700
Total fixed assets	21,717	19,726	20,353
Current assets			
Inventories	2,365	702	1,151
Accounts receivable	1,409	391	2,062
Current receivables	2,807	1,447	1,877
Cash and cash equivalents	32,074	55,003	46,865
Total current assets	38,655	57,543	51,955
Total assets	60,372	77,269	72,308
Equity and liabilities			
Equity	50,384	73,565	67,763
Liabilities			
Non-current liabilities	-	1,000	-
Current liabilities	9,988	2,704	4,545
Total liabilities	9,988	3,704	4,545
Total equity and liabilities	60,372	77,269	72,308

CHANGE IN EQUITY (SEK 000s)	30 Sep 2018	30 Sep 2017	31 Dec 2017
Equity at the beginning of the period	67,763	30,236	30,236
New share issue	-	64,251	64,251
Issuance costs	-	-7,430	-7,430
Repaid premiums for the stock option programme	-148	13	13
Loss for the period	-17,231	-13,505	-19,307
Equity at the end of the period	50,384	73,565	67,763

CASH FLOW STATEMENT (SEK 000s)	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Full-year 2017
Operating activities					
EBIT	-6,704	-4,536	-17,231	-12,582	-18,379
Depreciation/amortisation	866	677	2,365	1,379	2,107
Interest received	-	-	-	-	-
Interest paid	-	-	-	-924	-927
Tax paid	-	-	-	-	-33
Cash flow from operating activities before changes in working capital	-5,838	-3,896	-13,866	-12,127	-17,232
Changes in inventories	-324	262	-1,214	-62	-512
Change in operating receivables	816	922	-279	2,701	598
Changes in operating liabilities	-2,455	-1,074	5,446	-1,031	844
Cash flow from operating activities	-7,801	-3,786	-10,913	-10,519	-16,302
Investing activities					
Investment in tangible assets	-476	-187	-476	-187	-217
Investment in intangible assets	-1,081	-1,356	-3,409	-4,582	-5,907
Cash flow from investing activities	-1,557	-1,543	-3885	-4,769	-6,124
Financing activities					
Repayment of loans	-	-3,000	-	-3,100	-4,100
Loans raised	-	-	-	-	-
New share issue	-	-	-	64,251	64,251
Issuance costs	-	-	-	-7,429	-7,430
Option premiums repaid	-149	-	-149	14	13
Cash flow from financing activities	-149	-3,000	-149	53,736	52,736
Cash flow for the period	-9,507	-8,329	-14,947	38,448	30,310
Cash and cash equivalents at the beginning of the period	41,581	63,332	46,865	16,555	16,555
Cash and cash equivalents at the end of the period	32,074	55,003	32,074	55,003	46,865

Financial calendar

Year-end report 19 February 2019
First quarter, 2019 6 May 2019

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