

Bioservo Technologies AB

Interim Report January - June 2019



Second quarter of 2019 in brief

- Net sales increased to SEK 3.5 M (1.6)
- EBITDA amounted to SEK -4.8 M (-4.0)
- EBIT totalled SEK -5.8 M (-4.7)

Interim report, 1 January to 30 June 2019

Second quarter in figures

- Net sales SEK 3.5 M (1.6)
- EBITDA of SEK -4.8 M (-4.0)
- EBIT of SEK -5.8 M (-4.7)
- Earnings for the period was SEK -5.8 M (-4.7)
- Earnings per share before and after dilution amounted to SEK -0.65 (-0.52)
- At 30 June, cash and cash equivalents were SEK 9.9 (41.6)

First half-year in figures

- Net sales SEK 5.2 M (3.0)
- EBITDA of SEK -9.3 M (-9.0)
- EBIT of SEK -11,1 M (-10.5)
- Earnings for the period was SEK -11,1 M (-10.5)
- Earnings per share before and after dilution amounted to SEK -1,25 (-1.18)
- At 30 June, cash and cash equivalents were SEK 9.9 (41.6)

Significant events during the period

Bioservo launched the next generation of industrial glove Ironhand® providing significant improvements with regards to robustness, comfort and user-friendliness based on the use of new sensors, a new harness and better power transmission within the glove.

Lago Kapital Ltd was engaged as liquidity provider for the company's shares. The assignment as a liquidity provider is to secure the opportunity to trade in the company's shares by continuously placing trading items on each buy and sell side in the order book. Lago Kapital allocates buy and sell volumes of 15,000 SEK with a maximum spread of 4% between buy and sell prices, in keeping with NASDAQ First North regulations. The aim of a liquidity provider is to improve the liquidity of shares and minimise differences between buy and sell prices during ongoing trading.

Loxam, a leading company in equipment and machinery rental to the construction industry in Europe acquired five Ironhand® units, initially to rent these out to Eiffage in France.

Bioservo began a collaboration with research centre Roessingh in the Netherlands, and initiated a clinical study focused on demonstrating the rehabilitative benefits of Carbonhand® in patients with reduced hand function, as part of the iHand project, financed by the European Horizon 2020 programme.

Events after the end of the period

In July, Bioservo received an EU-contribution for the iHand project amounting to 837,000 EUR which has improved the company's overall liquidity.

Jacob Michlewicz was contracted by Bioservo as new interim CFO and member of the executive leadership team. Jacob, who comes with a background as business consultant at McKinsey, and subsequently as co-founder of consultancy firm, Zitha Consulting AB, replaces Maria Myräng as CFO and took up his post on August 4, 2019.

Bioservo has signed an exclusive distribution agreement with GOBIO, a unit within the EUROPE TECHNOLOGIES Group, for the sale of Ironhand® in the French market. GOBIO has both a management team and a sales team with existing successful sales experience of exoskeletons to the industrial sector, and a good network of relevant customers in France, in keeping with Bioservo's commercialisation strategy.

Financial overview

	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Full-year 2018
Net sales, SEK 000s	3,500	1,567	5,243	2,996	6,707
EBITDA, SEK 000s	-4,814	-3,953	-9,262	-9,024	-18,896
EBIT, SEK 000s	-5,772	-4,671	-11,125	-10,523	-22,183
Earnings for the period, SEK 000s	-5,776	-4,674	-11,130	-10,527	-27,890
Earnings per share before dilution, SEK	-0.65	-0.52	-1.25	-1.18	-3.12
Earnings per share after dilution, SEK	-0.65	-0.52	-1.25	-1.18	-3.12
Cash and cash equivalents, SEK 000s	9,855	41,581	9,855	41,581	25,561
Cash flow from operating activities for the period, SEK 000s	-7,397	3,451	-15,706	-2,970	-16,771
Equity, SEK 000s	29,015	57,236	29,015	57,236	40,145
Total assets, SEK 000s	34,724	69,326	34,724	69,326	50,249
Equity/assets ratio, %	83.5	82.6	83.5	82.6	79.9
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	8,936,451	8,936,451
R&D employees	10	9	10	9	10
Average no. of employees	28	28	28	27	27

Definitions

Net sales

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

EBITDA

Earnings before interest, taxes, depreciation and amortization.

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.

Average number of employees

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

Earnings (profit or loss) 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 is 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 optimize the body’s endurance and performance, or for people with reduced muscle strength.

Bioservo Technologies AB was founded in 2006 as a collaboration between researchers at the Royal Institute of Technology and a doctor at Karolinska Hospital. Since its inception, Bioservo Technologies AB has further developed its acclaimed and patented SEM™ technology (Soft Extra Muscle) and is the world leader in wearable soft robotics.

Bioservo Technologies is dedicated to becoming the world-leading developer of wearable technologies based on bionic soft robotics.

The commitment is based on a real belief that this technology will change the lives of many people, by enhancing their independence and quality-of-life. Our innovative solutions are already delivering future business opportunities and breakthrough technologies. We are extremely proud to have been top ranked for our technological and innovative progress in both Europe and in Sweden. Our revolutionary SEM™ (Soft Extra Muscle) technology was invented by Professor Hans von Holst (neurosurgery), Professor Jan Wikander and Doctor Johan Ingvast, PhD (mechatronic engineering).

For more information, please visit www.bioservo.com



CEO Petter Bäckgren comments on the second quarter of 2019

I am pleased to report a successful second quarter which saw the further development and launch of the all-new Ironhand® and the significant international interest that the introduction generated – evidenced by the sale of more than 20 Ironhand® units in the same period. The quarter is also marked in that we began the work to establish a global distribution network in our priority markets. In July, we appointed a new distributor for the French market, a collaboration with GOBIO, a part of the EUROPE TECHNOLOGIES Group, for the sale of Ironhand®

All new Ironhand® launched

Since the start of the year, we have focused intensively on product development and preparations for a broad commercial launch of the all-new Ironhand®. Launch activities started at the beginning of May, a month ahead of schedule. The all-new Ironhand® offers significant improvements with regards to robustness, comfort and user-friendliness based on the use of new sensors, a new harness and better power transmission within the glove. The work on these comprehensive improvements has been done in close collaboration with leading players in the automotive and construction industries and resulted in a markedly improved product with better user-friendliness, that can both intuitively and intelligently provide strength as and when needed.

Distribution channels in France established

The French market showed an early interest in Ironhand®, and Bioservo Technologies has for about two years worked with Eiffage, a leading company in Europe in the construction industry and with a clear agenda of reducing/preventing strain injuries among their employees. In June, we co-hosted a launch symposium in Paris with Eiffage, where Bioservo had the opportunity to introduce the all new Ironhand®. In addition, Eiffage presented the results of their extensive testing of Ironhand® on 75 employees throughout the last 2-years. Both subjective and objective results of the tests show a clear improvement in reducing the risk of injury. The results are consistently positive and are encouraging Eiffage to implement Ironhand® more widely in their ongoing efforts to prevent and reduce injuries in their workplace.

As part of bringing Ironhand® to market, the company Loxam which works with Eiffage and is also a leader in equipment and machinery rental to the construction industry in Europe, purchased 5 units to rent out to Eiffage. We received a repeat order for another 5 units already in July.

And we are now also able to welcome GOBIO on board as a distributor and partner in France. GOBIO is a leading distributor of exoskeletons in France. Bioservo has already started the work of establishing distributors in our prioritised markets and we plan to sign agreements with experienced organisations which through their extensive networks in the area, promise to be the best partners to support us in our global marketing efforts of Ironhand®.

Sales and performance

The turnover during the period increased to 3.5 MSEK, compared to 1.6 MSEK in the corresponding period last year. Sales have been driven by the successful launch of all-new Ironhand®. During the period more than 20 units and 170 gloves were sold, which generated a significant increase in sales

of Ironhand®. Operating profit (EBIT) amounted to -5.8 MSEK during the period compared to -4.7 MSEK in the corresponding period last year. The increase in operating costs is attributed to the clinical study, with the aim to expand the use of Carbonhand into rehabilitation in the healthcare segment, that was initiated during the period as well as the commercialization costs associated with the launch of all-new Ironhand®.

The market, investing in the future and financial goals

I have now been CEO of Bioservo for almost a year. And during this time, I have observed the potential of our technology and unique competence, both in terms of present and future products based on our technical platform and our know-how. The first generation of our products is a good indication of the level of value that we provide users in both the healthcare and industrial sectors.

Through our close collaborative work with our customers in the autumn of 2018, it became apparent to us that there was room for product improvement in terms of robustness, comfort and user-friendliness. As a result, at the end of last year, we decided to postpone a broader launch of Ironhand® until an improved version, tested by our most important partners was ready. The all-new Ironhand was then launched in May 2019.

We are now well placed to invest in a broad market launch, both via direct sales to large end-customers and through a network of distributors. In parallel, we have a good chance of achieving a leading position in the healthcare sector with an upgrade of Carbonhand®, and also through the development of new industrial solutions such as Ironarm.

The market for exoskeletons is growing rapidly due to the increased availability of more user-friendly and functional products. Market growth is estimated to increase by over 40% annually in 2018-2025 which represents an increase from approx. 125 MUSD to approx. 1900 MUSD.¹

The main drivers behind the growth of the exoskeleton market are judged to be, in addition to technological advances that promote performance and cost-effective production, the possibility to prevent wear and other work-related load injuries and the resulting contribution to increased productivity in industry, and also the possibility to improve patient rehabilitation within the healthcare system.

Bioservo owns a unique and world leading technology and we are confident of a positive sales development going forward and convinced that exoskeletons will be implemented widely at workstations over time. Based on market evolution and Bioservo's commercial development, we foresee that Bioservo should have a turnover above 300 million SEK by 2024 with good profitability driven by Ironhand® sales to the automotive, aviation and construction industries, and large future sales potential for Carbonhand®, where we also expect to receive rehabilitation indication through the clinical trial initiated in collaboration with the research centre Roessingh in the Netherlands.

¹ Allied Market Research, Smart Exoskeleton Market: Global Opportunity Analysis and Industry Forecast, 2018 – 2025, Feb 2019

Personal reflections

Bioservo is alone in offering strengthening gloves for industry and the potential of our technology is immense. The launch of the all-new Ironhand® has generated a greatly increased interest for testing and evaluating our technology in preventing injuries in grip-intensive environments.

We are now engaging several leading distributors in our prioritised markets in Europe and USA, and I am convinced that this will quickly lead to the winning of new customers keen to test and implement our solutions to reduce the risk of injury in the workplace.

I have together with my colleagues set up clear objectives and, now that we have entered the commercial phase, we are very much focused on ensuring that we have sufficient capacity whilst still managing to maintain our levels of quality. We are also actively working on a long-term plan to enable larger deliveries and lower our production costs. I am convinced that we are on the right track and are well equipped to meet the increasing demand for intuitive strengthening gloves which are set to become a natural element in work environments with grip-intensive requirements.

Kista, August 2019

Petter Bäckgren
CEO

Financial overview

April – June 2019

Net Sales

Net sales increased 119% to SEK 3.5 M (1.6) for the second quarter. Growth was driven by sales of the new industrial glove Ironhand, income from the development collaboration for Ironarm as well as continued stable sales of Carbonhand.

Operating expenses

Operating expenses amounted to SEK 13.6 M (9.1) for the second quarter. The increase in costs is mainly attributed to the commercialization costs for the global launch of the new industrial glove Ironhand and for conducting the clinical study in the EU project iHand.

EBITDA/EBIT

EBITDA amounted to SEK -4.8 M (-4.0), while EBIT amounted to SEK -5.8 M (-4.7).

Earnings for the period

Earnings for the period was SEK -5.8 M (-4.7). Corresponding to earnings per share of SEK -0.65 (-0.52).

Cash flow

During the period, cash flow from operation activities was SEK -7.4 M (2,4).

Financial position and investments

At 30 June 2019, total assets amounted to SEK 34.7 M (69.3).

At 30 June 2019, cash and cash equivalents were SEK 9.9 M (41.6) MSEK. The equity/assets ratio was 83.5% (82.6) at the end of the period.

January – June 2019

Net Sales

Net sales increased 73% to SEK 5.2 M (3.0) for the first half-year. Growth was driven by sales of the new industrial glove Ironhand, income from the development collaboration for Ironarm as well as continued stable sales of Carbonhand.

Operating expenses

Operating expenses amounted to SEK 23.8 M (18.0) for the half-year. The increase in costs is mainly attributed to the commercialization costs

for the global launch of the new industrial glove Ironhand and for conducting the clinical study in the EU project iHand.

EBITDA/EBIT

EBITDA amounted to SEK -9.3 M (-9.0), while EBIT amounted to SEK -11,1 M (-10.5).

Earnings for the period

Earnings for the period was SEK -11.1 M (-10.5). Corresponding to earnings per share of SEK -1.25 (1.18).

Cash flow

During the period, cash flow from operation activities was SEK -15.7 M (-5,2).

Financial position and investments

At 30 June 2019, total assets amounted to SEK 34.7 M (69.3).

At 30 June 2019, cash and cash equivalents were SEK 9.9 M (41.6) MSEK. The equity/assets ratio was 83.5% (82.6) at the end of the period.

Employees

At 30 June 2019, the number of employees was 28 (28).

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 BFAR 2012:1 Annual Accounts and Consolidated Financial Statements (K3).

Warrants

At 30 June 2019, there were 446,230 warrants outstanding. The warrants entitle holders to buy a total of 688 310 shares. The warrants are issued partly within the framework of a stock option program for key personnel and employees of the company.

2016-2023 plan

60,520 issued stock options entitle holders to buy 302,600 shares. The price ranges from SEK 23.30 - 43.20 SEK 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 302,600, each with a par value of SEK 0.20. The warrants are subject to customary recalculation terms in connection with issues, etc.

2018-2023 Plan

385,710 issued stock options entitle holders to buy 385,710 shares.

The price is SEK 30 per share and the warrants can be exercised until first quarter of 2023 until 15 December 2023.

Upon exercise of all issued warrants, the number of shares and votes in the company will increase by 385,710, 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/Annual-Report-2018.pdf>

Audit

This interim report has not been audited.

Certified Adviser

FNCA Sweden AB is Bioservo's Certified Adviser.

Shares

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

Stockholm, 13 August 2019

Bioservo Technologies AB

Anders Lundmark

Chairman of the Board

Nikolaj Sørensen

Board member

Hans Von Holst

Board member

Karin Ruiz

Board member

Runar Bjørklund

Board member

Kunal Pandit

Board member

Petter Bäckgren

Chief Executive Officer

INCOME STATEMENT (SEK 000s)	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Full-year 2018
Net sales	3,500	1,576	5,243	2,996	6,707
Own work capitalised	-	361	-	1,294	2,815
Other operating income	4,334	2,513	7,410	3,232	6,622
	7,834	4,450	12,653	7,522	16,144
Operating expenses					
Raw materials and consumables	-1,913	-687	-2,754	-1,673	-3,601
Other external costs	-5,175	-2,672	-8,122	-5,477	-11,583
Employee benefit expenses	-5,560	-5,041	-11,039	-9,396	-19,856
Amortisation and depreciation of tangible and intangible assets	-958	-721	-1,863	-1,499	-3,287
Total operating costs	-13,606	-9,121	-23,778	-18,045	-38,327
EBIT	-5,772	-4,671	-11,125	-10,523	-22,183
Interest expense and similar loss items	-4	-3	-5	-4	-7
Total financial items	-4	-3	-5	-4	-7
Earnings before tax	-5,776	-4,674	-11,130	-10,527	-22,190
Tax	-	-	-	-	-5,700
Earnings for the period	-5,776	-4,674	-11,130	-10,527	-27,890

BALANCE SHEET (SEK 000s)	30 Jun 2019	30 Jun 2018	Full-year 2018
Asset			
Fixed asset			
Intangible assets	14,039	15,148	15,394
Tangible assets	549	178	621
Financial assets	40	5,700	-
Total fixed assets	14,628	21,026	16,015
Current assets			
Inventories	3,147	2,041	2,515
Accounts receivable	3,230	1,571	2,902
Current receivables	3,864	3,107	3,256
Cash and cash equivalents	9,855	41,581	25,561
Total current assets	20,096	48,300	34,234
Total assets	34,724	69,326	50,249
Equity and liabilities			
Equity	29,015	57,236	40,145
Liabilities			
Payables	2,791	1,297	2,222
Current liabilities	2,918	10,793	7,882
Total liabilities	5,709	12,090	10,104
Total equity and liabilities	34,724	69,326	50,249

CHANGE IN EQUITY (SEK 000s)	30 Jun 2019	30 Jun 2018	Full-year 2018
Equity at the beginning of the period	34,791	67,763	67,763
Paid/repaid premiums for the stock option program	-	-	272
Earnings for the period	-5,776	-10,527	-27,890
Equity at the end of the period	29,015	57,236	40,145

CASH FLOW STATEMENT (SEK 000s)	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Full-year 2018
Operating activities					
EBIT	-5,772	-4,671	-11,125	-10,381	-22,185
Depreciation/amortisation	958	721	1,863	1,499	3,289
Interest received	-	-	-	-	-
Interest paid	-4	-3	-5	-4	-7
Tax paid	-	-	-	-	-
Cash flow from operating activities before changes in working capital	-4,818	-3,953	-9,267	-8,886	-18,903
Changes in inventories	409	-303	-632	-890	-1,364
Change in operating receivables	-922	-739	-936	-739	-2,063
Changes in operating liabilities	-1,651	8,446	-4,407	7,545	5,559
Cash flow from operating activities	-6,982	3,451	-15,242	-2,970	-16,771
Investing activities					
Investment in tangible assets	-	-	-	-	-504
Investment in financial assets	-40	-	-40	-	-
Investment in intangible assets	-375	-1,028	-424	-2,314	-4,301
Cash flow from investing activities	-415	-1,028	-464	-2,314	-4,805
Financing activities					
Repayment of loans	-	-	-	-	-
Loans raised	-	-	-	-	-
New share issue	-	-	-	-	-
Issuance costs	-	-	-	-	-
Option premiums received	-	-	-	-	272
Cash flow from financing activities	-	-	-	-	272
Cash flow for the period	-7,397	2,423	-15,706	-5,245	-21,304
Cash and cash equivalents at the beginning of the period	17,252	39,158	25,561	46,865	46,865
Cash and cash equivalents at the end of the period	9,855	41,581	9,855	41,581	25,561

Financial Calender

Third quarter 2019

5 November 2019

Year-end report

21 February 2020

Contact details

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