

2016-11-30

INTERIM REPORT 2 (2016-05-01 – 2016-10-31)

IN SHORT

- For the second quarter, net sales amounted to 890 (610) TSEK, gross margin to 47 (37) % and operating result before depreciation to -1 447 (-1 744). The order value of planned deliveries amounted to 790 TSEK on the day of the report.
- Production has now moved to serial production, which has resulted in significantly increased production capacity and secured availability of motorized HoloMonitor units.
- Together with Malmö University and others the Company was recently awarded a €2.1 million EU grant for the development of a new generation of clinical methods to diagnose cancer.
- Since January 2016, 13 scientific articles with HoloMonitor-based results have been published, of which five were published during August – October.
- Since August additional HoloMonitor units have been delivered to University of Aberdeen, University of Bordeaux (2 units), China (2 units) and the Czech Republic.

AUGUST – OCTOBER 2016

Net sales	890 (610)	TSEK
Operating result before depreciation (EBITDA)	-1 447 (-1 744)	TSEK
Net result	- 2 479 (-2 332)	TSEK
Earnings per share	(-0.24)	SEK

MAY – OCTOBER 2016

Net sales	1 722 (1 490)	TSEK
Operating result before depreciation (EBITDA)	-2 133 (-2 677)	TSEK
Net result	-4 209 (-3 863)	TSEK
Earnings per share	(-0.39)	SEK

CEO COMMENTARY

Centers of Excellence

The agreements we have signed with some of the finest cancer research institutions in the world aim to establish Centers of Excellence. Scientific excellence is achieved by exceptional research. Yet unpublished research results by these independent institutions show that HoloMonitor provides both better and more detailed information than conventional methods. This newly won level of detail has for example resulted in scientific discoveries and insights which strengthen the notion that chemotherapy can trigger resistant cancer to become even more aggressive and difficult to treat.



Peter Egelberg

Through the same selection process as bacteria develop resistance to antibiotics, cancer cells develop resistance to chemotherapy drugs. When chemotherapy fails to kill all cancer cells, the resistant cancer cells are singled out. Without competition from the non-resistant cells, the resistant cells are then given free rein to form tumors which are more difficult to treat. In the article "[Cancer multidrug resistance](#)" this frightening phenomenon is described in more detail.

Serial production

The newly won level of detail is made possible by HoloMonitor's ability to operate inside the incubator where cells are cultured. The hot and soaking humidity inside an incubator has been a challenge. However, after extensive field-tests the motorized HoloMonitor M4.5 has also been successfully moved to serial production. This now gives us sufficient production capacity to reach our revised goal of having 300 HoloMonitor instruments in operation by 2018.

Cell analysis apps

In contrast to conventional methods, HoloMonitor measures several cell characteristics simultaneously by recording and computer processing time-lapse movies. These movies contain an enormous amount of information about the cells, which makes it possible to create a growing number of software application (apps) to measure various characteristics.

Strengthening the organization

The company organization has therefore mainly been strengthened to develop and market software applications. This to increase instrument sales, but also to create a significant aftermarket. Additional resources are now made available to the HoloMonitor M5 development, as HoloMonitor M4.5 now transition from product development to product maintenance and external manufacturing.

EU grant

According to Sweden's innovation agency VINNOVA, Horizon 2020 is "EU's program to transform scientific breakthroughs into innovative products and services which may lead to new business opportunities, jobs and which may improve people's lives". Together with Malmö University and others we were recently awarded a €2.1 million Horizon 2020 grant. The grant funds the development of a new generation of clinical methods to diagnose cancer. As Horizon 2020 grants aim to create commercial products, development projects funded by EU are required to include a commercialization plan. Besides providing HoloMonitor technology, it is the Company's explicit role and right in the project is to commercialize the results on commercial terms. For additional information regarding the project see www.phiab.se/centers/malmoe.

NET SALES AND RESULT

Net sales for the second quarter amounted to 890 (610) TSEK and operating result before depreciation (EBITDA) to -1 447 (-1 744) TSEK. Net result amounted to -2 479 (-3 863) TSEK.

The gross margin for the second quarter was 47 (37) %. Excluding the effect of discounted pricing for demo instruments, the gross margin now amounts to 56 % for sales to distributors and 71 % for end customer sales, respectively. The gross margin is expected to increase further, as the proportion of HoloMonitor instruments manufactured in serial production increases.

INVESTMENTS

During the second quarter, the Company has invested 1 546 (1 147) TSEK in product and production development. In line with the Company's strategy, the R&D investment is increasing, including both hardware and software features.

FINANCING

Cash and equivalents and unutilized granted credits amounted to 24 594 (6 291) TSEK by the end of the period. The equity ratio was 81 % (51 %).

OPTION PROGRAMS

The Company has two option programs, both with a final subscription date of October 24, 2017. The programs, directed to board members and advisors of the Company, were implemented as the Company was listed at AktieTorget. The options are market valued according to Black & Scholes. One option entitles the holder to subscribe for one share. The subscription prices are 14.00 SEK (190 000 shares) and 18.12 SEK (40 000 shares), respectively. If all 230 000 shares are subscribed, the share capital of the Company will increase by 46 000 SEK (1.95 % dilution) and the equity by 3 384 800 SEK.

RISKS

The Company may be affected by various factors, described in the 2015/16 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 auditors of the Company.

The information is such that Phase Holographic Imaging PHI AB (publ) is obligated to disclose pursuant to the Swedish Securities Market Act and/or the Financial Instruments Trading Act.

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 an uncertainty, as all statements about the future.

CALENDAR

March 13, 2017

Q3 report 2016/17

ABOUT PHASE HOLOGRAPHIC IMAGING

Phase Holographic Imaging (PHI) leads the ground-breaking development of time-lapse cytometry instrumentation and software. With the first HoloMonitor-instrument introduced in 2011, the Company today offers a range of products for long-term quantitative analysis of living cell dynamics that circumvent the drawbacks of traditional methods requiring toxic stains. Headquartered in Lund, Sweden, PHI trades through a network of international distributors. Committed to promoting the science and practice of time-lapse cytometry, PHI is actively expanding its customer base and scientific collaborations in cancer research, inflammatory and autoimmune diseases, stem cell biology, gene therapy, regenerative medicine and toxicological studies.

On behalf of the Board of Directors

Peter Egelberg, CEO

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INCOME STATEMENT (SEK)	Q2 2016/17	Q2 2015/16	YTD 2016/17	YTD 2015/16	FY 2015/16
Net sales	890	610	1 722	1 490	3 706
Cost of products sold	-475	-383	-954	-933	-1 993
Gross profit	415	227	768	557	1 713
<i>Gross margin</i>	47 %	37 %	45 %	37 %	46 %
Selling expenses	-461	-503	-989	-1 026	-3 207
Administrative expenses	-1 184	-1 160	-2 250	-2 036	-4 204
R&D expenses	-1 178	-837	-1 593	-1 225	-3 308
Operating result	-2 408	-2 273	-4 064	-3 730	-9 006
<i>(Operating result before depreciation)</i>	<i>(-1 447)</i>	<i>(-1 774)</i>	<i>(-2 133)</i>	<i>(-2 677)</i>	<i>(-6 108)</i>
Financial net	-71	-59	-145	-133	-323
Result before tax	-2 479	-2 332	-4 209	-3 863	-9 329
Net result	-2 479	-2 332	-4 209	-3 863	-9 329

BALANCE SHEET (SEK) 2016-10-31 2015-10-31 2016-10-31 2015-10-31 2016-04-30

ASSETS

Non-current assets

Intangible assets	19 807	15 342	19 807	15 342	18 319
Tangible assets	74	43	74	43	83
Total non-current assets	19 881	15 385	19 881	15 385	18 402

Current assets

Inventory incl. lent products	1 588	1 368	1 588	1 368	1 181
Current receivables	1 496	1 497	1 496	1 497	1 726
Cash and equivalents	22 594	690	22 594	690	29 585
Total current assets	25 678	3 555	25 678	3 555	32 492
<i>Cash and equivalents incl. unutilized credits</i>	<i>24 594</i>	<i>6 291</i>	<i>24 594</i>	<i>6 291</i>	<i>31 585</i>

Total assets	45 559	18 940	45 559	18 940	50 894
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EQUITY AND LIABILITIES

Equity	36 997	9 750	36 997	9 750	41 206
Financial liabilities	6 000	7 141	6 000	7 141	6 119
Operating liabilities	2 562	2 049	2 562	2 049	3 569
Total equity and liabilities	45 559	18 940	45 559	18 940	50 894

CHANGES IN EQUITY

	Q2 2016/17	Q2 2015/16	YTD 2016/17	YTD 2015/16	2016-04-30
Opening balance	39 476	12 082	41 206	13 613	13 613
Equity issues, net	-	-	-	-	36 922
Net profit	-2 479	-2 332	-4 209	-3 863	-9 329
Closing balance	36 997	9 750	36 997	9 750	41 206
Equity ratio	81 %	51 %	81 %	51 %	81 %

CASH FLOW STATEMENT (SEK) Q2 2016/17 Q2 2015/16 YTD 2016/17 YTD 2015/16 FY 2015/16

Operating activities

Net result	-2 479	-2 332	-4 209	-3 863	-9 329
Depreciation	961	529	1 931	1 053	2 898
Operating cash flow	-1 518	-1 803	-2 278	-2 810	-6 431

Incr. (-)/decr. (+) in inventories	-239	-250	-407	-583	-396
Incr. (-)/decr. (+) in current receivables	64	-293	230	-202	-431
Incr. (+)/decr. (-) in operating liabilities	-1 261	-756	-1 007	-973	547
Change in working capital	-1 436	-1 299	-1 184	-1 758	-280

Cash flow from operating activities	-2 954	-3 102	-3 462	-4 568	-6 711
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Investing activities

Capitalized development expenditure	-1 546	-1 068	-3 410	-2 222	-6 928
Patents and trademarks	-	-77	-	-90	-198
Machinery and equipment	-	-2	-	-48	-96

Cash flow after investments	-4 500	-4 249	-6 872	-6 928	-13 933
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Financing activities

Equity issues, net	-	-	-	-	36 922
Incr. (+)/decr. (-) in financial liabilities	-48	776	-119	6 376	5 354
Cash flow from financing activities	-48	776	-119	6 376	42 276

Cash flow for the period	-4 548	-3 473	-6 991	-552	28 343
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Cash and equiv, beginning of period	27 142	4 163	29 585	1 242	1 242
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Cash and equivalents, end of period	22 594	690	22 594	690	29 585
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<i>Incl. unutilized share of granted credits</i>	24 594	6 291	24 594	6 291	31 585
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DATA PER SHARE

	Q2 2016/17	Q2 2015/16	YTD 2016/17	YTD 2015/16	FY 2015/16
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Earnings per share (SEK)	-0.21	-0.24	-0.36	-0.39	-0.94
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Equity per share (SEK)	3.20	0.99	3.20	0.99	3.57
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Number of shares, end of period	11 549 455	9 809 510	11 549 455	9 809 510	11 549 455
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Average number of shares	11 549 455	9 809 510	11 549 455	9 809 510	9 914 097
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Share price, end of period	22.70	26.60	22.70	26.60	26.90
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