

2017-03-13

INTERIM REPORT 3 (2016-05-01 – 2017-01-31)

IN SHORT

- For the third quarter net sales amounted to 1 184 (1 004) TSEK and operating result before depreciation to -1 777 (-1 434) TSEK. The order value of planned deliveries amounted to 707 TSEK on the day of the report.
- During the third quarter eight additional instruments were deployed – three in China and in Japan and two in Germany.
- The organization is now strengthened as planned to give the company a recurring revenue source through a series of software modules (apps).
- The research results by three research groups at Northeastern University and Lund University will be presented at the American Association for Cancer Research Annual Meeting in April.
- Novel HoloMonitor-based research results regarding breast cancer were recently published in Nature Communications – the open access version of Nature.

NOVEMBER 2016 – JANUARY 2017

Net sales	1 184 (1 004) TSEK
Operating result before depreciation (EBITDA)	-1 777 (-1 434) TSEK
Net result	-2 829 (-2 023) TSEK
Earnings per share	-0.24 (-0.21) SEK

MAY 2016 – JANUARY 2017

Net sales	2 906 (2 494) TSEK
Operating result before depreciation (EBITDA)	-3 910 (-4 111) TSEK
Net result	-7 038 (-5 886) TSEK
Earnings per share	-0.61 (-0.60) SEK

CEO COMMENTARY

It was recently announced that our closest competitor Essen BioScience is to be acquired by Sartorius for \$320 million in cash. Conceptually Essen's main product, IncuCyte, is very close to our HoloMonitor. Both instruments are designed to image and analyze cells for long periods in a cell incubator. Contrary to HoloMonitor IncuCyte is based on conventional microscopy, which in most cases require the cells to be genetically modified or stained with toxic stains.



Peter Egelberg

Multiple measurements

The movies recorded by HoloMonitor contain an enormous amount of information, which we only have begun to explore. When scientists use instruments based on conventional microscopy, for example IncuCyte, they must generally decide in advance what to measure, and prepare the cell samples accordingly. Consequently, only one thing can be measured per experiment. HoloMonitor does not require the cells to be prepared in advance, allowing it to measure many things at the same time – a huge benefit for the customer and a business opportunity for us.

Recurring revenues

By purchasing additional software modules (apps), customers can measure more things at the same time with their current HoloMonitor instrument. With new software, scientists can even reuse movies from previous experiments to create new scientific results. As planned, we now strengthen our software department to create a wide range of software modules which will turn our installed base of instruments into a valuable and recurring revenue source.

Sales

A key feature HoloMonitor shares with IncuCyte, is its ability to operate inside a cell incubator. The challenges associated with this led to that we did not move into full series production until late 2016, which consequently postponed our now intensified sales activities. However, during the third quarter eight additional instruments were deployed, three in China and in Japan and two in Germany. Among the customers are the Institute of Medical Science at University of Tokyo – “a pioneering hub in the field of regenerative medicine”, [according to Forbes](#). Read the press release [here](#).

Organization

The sales and marketing department was recently strengthened by a market manager and a sales representative for the Nordic market. Furthermore, a third software developer was recruited last week to strengthen the software team in developing the mentioned software apps.

AACR

With close to 20 000 attendees the annual meeting of the American Association for Cancer Research is the biggest event in our industry. This year our team of four will be joined by three researchers from Lund University and North-eastern University. The researchers have used HoloMonitor extensively and will present their research results on three occasions during the meeting. Read the press release [here](#).

Article in Nature Communications

Tamoxifen is routinely used to prevent the most common type of breast cancer by blocking the effect of estrogen. Using HoloMonitor scientists have gained valuable insight into why Tamoxifen increases the risk of other types of breast cancer. The findings were recently published in Nature Communications – the open access version of Nature. The article is probably the most important article published to date by HoloMonitor users. Read the article [here](#) and about hormone treatment of breast cancer [here](#).

HoloMonitor – next generation

To us the success of Essen BioScience is very gratifying and inspiring. The purchase of Essen clearly indicates that our area is being watched by the big players and certainly will raise the pressure on the other players who want to extend their product portfolios. PHI will then be the answer. We will therefore work intensely to further improve and market the next generation of incubator based cell analyzers.

NET SALES AND RESULT

Net sales for the third quarter amounted to 1 184 (1 004) TSEK and operating result before depreciation (EBITDA) to -1 777 (-1 434) TSEK. Net result amounted to -2 829 (-2 023) TSEK. The units which were delivered during the third quarter were manufactured before production was entirely transferred to series production in late 2016. When units manufactured in series production are delivered the gross margin at full sales price will amount to approximately 60 % for distributors sales and approximately 80 % for end customer sales.

INVESTMENTS

During the third quarter, the Company invested 1 885 (1 921) TSEK in product and production development.

FINANCING

Cash and equivalents and unutilized granted credits amounted to 22 774 (4 871) TSEK by the end of the period. The equity ratio was 77 (35) %.

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. After recalculation with reference to equity issues, option program 2012 qualifies for subscription of 43 872 shares at 16.50 SEK per share (originally 40 000 shares at 18.12 SEK) per share and option program 2013 for subscription of 209 000 shares at 12.80 SEK per share (originally 190 000 shares at 14.00 SEK per share). If all 252 872 shares are subscribed, the share capital of the Company will increase by 50 574 SEK (2.14 % dilution) and the equity by 3 399 088 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

June 19, 2017

Year-end 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)	Q3 2016/17	Q3 2015/16	YTD 2016/17	YTD 2015/16	FY 2015/16
Net sales	1 184	1 004	2 906	2 494	3 706
Cost of products sold	-581	-456	-1 535	-1 389	-1 993
Gross profit	603	548	1 371	1 105	1 713
<i>Gross margin</i>	51 %	55 %	47 %	44 %	46 %
Selling expenses	-812	-879	-1 801	-1 905	-3 207
Administrative expenses	-981	-1 003	-3 231	-3 039	-4 204
R&D expenses	-1 553	-583	-3 146	-1 808	-3 308
Operating result	-2 743	-1 917	-6 807	-5 647	-9 006
<i>(Operating result before depreciation)</i>	-1 777	-1 434	-3 910	-4 111	-6 108
Financial net	-86	-106	-231	-239	-323
Result before tax	-2 829	-2 023	-7 038	-5 886	-9 329
Net result	-2 829	-2 023	-7 038	-5 886	-9 329

BALANCE SHEET (SEK)

	2017-01-31	2016-01-31	2017-01-31	2016-01-31	2016-04-30
ASSETS					
Non-current assets					
Intangible assets	20 731	16 736	20 731	16 736	18 319
Tangible assets	69	87	69	87	83
Total non-current assets	20 800	16 823	20 800	16 823	18 402
Current assets					
Inventory incl. lent products	1 464	1 293	1 464	1 293	1 181
Current receivables	1 365	1 167	1 365	1 167	1 726
Cash & equivalents	20 774	2 871	20 774	2 871	29 585
Total current assets	23 603	5 331	23 603	5 331	32 492
<i>(Cash & equivalents incl. unutilized credits)</i>	<i>22 774</i>	<i>4 871</i>	<i>22 774</i>	<i>4 871</i>	<i>31 585</i>
Total assets	44 403	22 154	44 403	22 154	50 894
EQUITY AND LIABILITIES					
Equity	34 168	7 727	34 168	7 727	41 206
Financial liabilities	6 000	11 455	6 000	11 455	6 119
Operating liabilities	4 235	2 972	4 235	2 972	3 569
Total equity and liabilities	44 403	22 154	44 403	22 154	50 894

CHANGES IN EQUITY

	Q3 2016/17	Q3 2015/16	YTD 2016/17	YTD 2015/16	2016-04-30
Opening balance	36 997	9 750	41 206	13 613	13 613
Equity issues, net	-	-	-	-	36 922
Net profit	-2 829	-2 023	-7 038	-5 886	-9 329
Closing balance	34 168	7 727	34 168	7 727	41 206
Equity ratio	77 %	35 %	77 %	35 %	81 %

CASH FLOW STATEMENT (SEK)	Q3 2016/17	Q3 2015/16	YTD 2016/17	YTD 2015/16	FY 2015/16
Operating activities					
Net result	-2 829	-2 023	-7 038	-5 886	-9 329
Depreciation	966	483	2 897	1 536	2 898
Operating cash flow	-1 863	-1 540	-4 141	-4 350	-6 431
Incr. (-)/decr. (+) in inventories	124	75	-283	-508	-396
Incr. (-)/decr. (+) in current receivables	131	330	361	128	-431
Incr. (+)/decr. (-) in operating liabilities	1 673	923	666	-50	547
Change in working capital	1 928	1 328	744	-430	-280
Cash flow from operating activities	65	-212	-3 397	-4 780	-6 711
Investing activities					
Capitalized development expenditure	-1 885	-1 873	-5 295	-4 095	-6 928
Patents and trademarks	-	-	-	-90	-198
Machinery and equipment	-	-48	-	-96	-96
Cash flow after investments	-1 820	-2 133	-8 692	-9 061	-13 933
Financing activities					
Equity issues, net	-	-	-	-	36 922
Incr. (+)/decr. (-) in financial liabilities	-	4 314	-119	10 690	5 354
Cash flow from financing activities	-	4 314	-119	10 690	42 276
Cash flow for the period	-1 820	2 181	-8 811	1 629	28 343
Cash and equiv, beginning of period	22 594	690	29 585	1 242	1 242
Cash and equivalents, end of period	20 774	2 871	20 774	2 871	29 585
<i>(Incl. unutilized share of granted credits)</i>	22 774	4 871	22 774	4 871	31 585

DATA PER SHARE	Q3 2016/17	Q3 2015/16	YTD 2016/17	YTD 2015/16	FY 2015/16
Earnings per share (SEK)	-0.24	-0.21	-0.61	-0.60	-0.94
Equity per share (SEK)	2.96	0.79	2.96	0.79	3.57
Number of shares, end of period	11 549 455	9 809 510	11 549 455	9 809 510	11 549 455
Average number of shares	11 549 455	9 809 510	11 549 455	9 809 510	9 914 097
Share price, end of period	23.70	28.20	23.70	28.20	26.90