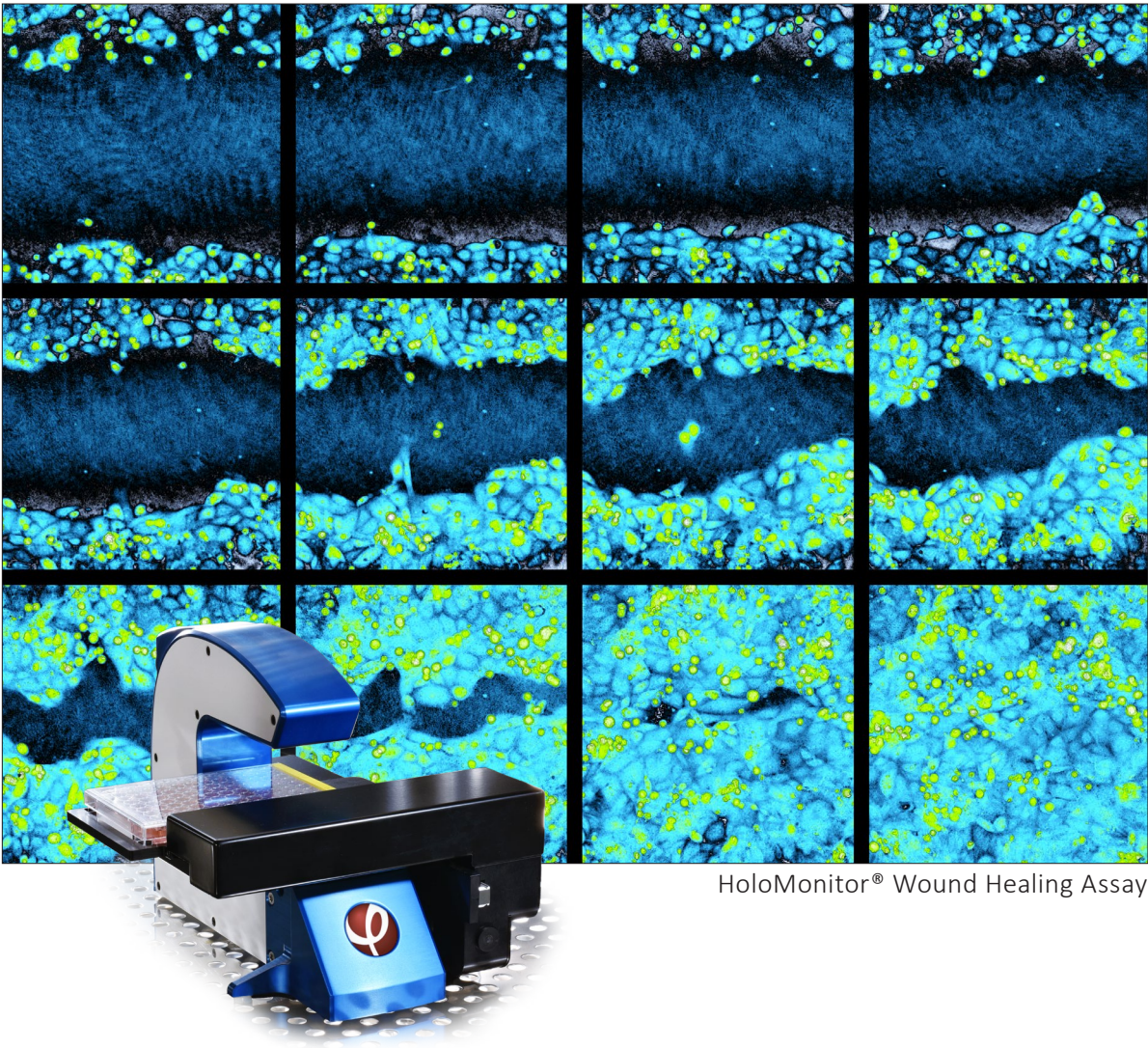


# INTERIM REPORT 3 (2017-05-01 – 2018-01-31)

Phase Holographic Imaging PHI AB (publ)

March 12, 2018



HoloMonitor® Wound Healing Assay

## NOVEMBER 2017 – JANUARY 2018

Net sales	1 430 (1 184) TSEK
Operating result before depreciation (EBITDA)	-2 426 (-1 777) TSEK
Net result	-3 724 (-2 829) TSEK
Earnings per share	-0.32 (-0.24) SEK

## MAY 2017 – JANUARY 2018

Net sales	2 269 (2 906) TSEK
Operating result before depreciation (EBITDA)	-6 438 (-3 910) TSEK
Net result	-10 298 (-7 038) TSEK
Earnings per share	-0.88 (-0.61) SEK

## IN SHORT

- Received orders after the third quarter in February and during early March amounts to 953 TSEK.
- The gross margin was 59 % (51 %) for the third quarter and 63 % (47 %) accumulated over the period.
- PHI and University of California, San Francisco have agreed to establish a Holographic Imaging Cytometry Center of Excellence at the university.
- Using HoloMonitor, researchers at Harvard Medical School and Boston Children’s Hospital have developed a novel and simple method that non-invasively distinguish between tumor cells that do and do not promote the formation of blood vessels.
- In conjunction with this year's edition of the biomedical optics conference SPIE BiOS, PHI was featured in the reportage *“Killer potential: time to raise the profile of QPI”*.
- The new modular software HoloMonitor® App Suite is on target to be launched at the annual meeting of American Association for Cancer Research in mid-April.

## CEO COMMENTARY

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The positive trend that we saw during the second quarter is now reflected in our sales. Net sales during the third quarter amounts to 1.4 MSEK, making it our best quarter ever. Received orders after the third quarter in February and during early March amounts to over 950 TSEK. Recent customers are University of Bergen, Monash University in Melbourne, Lund University, Imperial Collage London, Northeastern University in Boston, University of Sydney, and an undisclosed Swedish biotech company.

In late February, we established a second Center of Excellence at University of California, San Francisco. By combining HoloMonitor technology with machine-learning\*, Dr. Judson-Torres and his team at the university have successfully classified cancer cells without the harmful stains that are normally used when classifying cells: *“My team has worked closely with PHI scientists for over three years to develop the strategies needed for our research, permitting us to ask questions previously closed to us”*. The new center will continue to develop these very encouraging results.

\*Machine-learning is a form of artificial intelligence which learns from examples.

Conventional methods for identifying cancer cells that promote tumor blood vessel formation are complicated, labor intensive and commonly require expensive reagents. Little more than two years ago, we began collaborating with researchers at Harvard Medical School and Boston Children’s Hospital. The collaboration has now led to a novel and simple method that non-invasively distinguish between tumor cells that do and do not promote the formation of blood vessels. The method was recently published [here](#).

To this year’s edition of the biomedical optics conference SPIE BiOS, we were invited to give an oral presentation of PHI to the industry. In conjunction with this, PHI was featured in the reportage *“Killer potential: time to raise the profile of QPI”*, together with the companies that provide holographic and quantitative phase imaging (QPI) microscopes. In contrast to the advanced and costly microscopes provided by these companies, HoloMonitor is not indented for microscopists. HoloMonitor is a cytometer intended for cell biologists, who mainly are interested in quantifying how cells respond to various treatments in an easy-to-use and in a considerably more affordable way. The core technology is the same, but the applications are different. The reportage can be read [here](#).

Our new modular software HoloMonitor® App Suite is on target to be launched at the annual meeting of the American Association for Cancer Research in mid-April. Unlike anything else in the industry, the new software will allow cell biologists to perform a wide range of fully automated live cell imaging assays, using the same sample.

As one of the board members summarized it, *“These are very exciting times for PHI”*. I could not agree more.



Peter Egelberg, CEO

## NET SALES AND RESULT

Net sales for the third quarter amounted to 1 430 (1 184) TSEK and operating result before depreciation (EBITDA) to -2 426 (-1 777) TSEK. Net result amounted to -3 724 (-2 829) TSEK.

The gross margin amounted to 59 % (51 %) for the quarter and 63 % (47 %) year to date. The improved margin is due to a large proportion of direct sales and lower product costs from increased volume.

Overhead costs increased as a result of intensified product development and marketing, compared to the same period previous year. The change in R&D expenses (see income statement) is associated with intensified software development, a larger proportion of direct costing and increased depreciation.

## INVESTMENTS

During the third quarter, the Company invested 2 009 (1 885) TSEK in product, production and application development. The emphasis is now on application development to further broaden the scope and efficiency of the company's products.

## FINANCING

Cash, cash equivalents and unutilized granted credits amounted to 9 002 (22 774) TSEK by the end of the period. The equity ratio was 71 % (77 %).

## OPTION PROGRAMS

The two option programs of the company both had a final subscription date of October 24, 2017. By then remaining options, corresponding to 131 532 shares, have been subscribed for. But, they have not yet been exercised due to banking issues. Swedish banks have regrettably become increasingly reluctant to handle transactions by U.S. citizens, as more stringent U.S. regulations force Swedish banks to report directly to the U.S. tax authorities.

## RISKS

The Company may be affected by various factors, described in the 2016/17 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 18, 2018: Year-end report 2017/18

## 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 (TSEK)

	Q3 2017/18	Q3 2016/17	YTD 2017/18	YTD 2016/17	FY 2016/17
Net sales	1 430	1 184	2 269	2 906	4 127
Cost of products sold	-590	-581	-843	-1 535	-1 994
Gross profit	840	603	1 426	1 371	2 133
<i>Gross margin</i>	59 %	51 %	63 %	47 %	52 %
Selling expenses	-1 032	-812	-2 421	-1 801	-2 685
Administrative expenses	-1 201	-981	-3 311	-3 231	-4 155
R&D expenses*	-2 247	-1 553	-5 773	-3 146	-5 408
Operating result	-3 640	-2 743	-10 079	-6 807	-10 115
<i>(Operating result before depreciation)</i>	-2 426	-1 777	-6 438	-3 910	-6 039
Financial net	-84	-86	-219	-231	-301
Result before tax	-3 724	-2 829	-10 298	-7 038	-10 416
Net result	-3 724	-2 829	-10 298	-7 038	-10 416

## BALANCE SHEET (TSEK)

	2018-01-31	2017-01-31	2018-01-31	2017-01-31	2017-04-30
<b>ASSETS</b>					
<i>Non-current assets</i>					
Intangible assets	22 507	20 731	22 507	20 731	21 306
Tangible assets	651	69	651	69	633
Total non-current assets	23 158	20 800	23 158	20 800	21 939
<i>Current assets</i>					
Inventory	2 024	1 464	2 024	1 464	1 283
Current receivables	1 431	1 365	1 431	1 365	1 831
Cash & equivalents	7 002	20 774	7 002	20 774	18 452
Total current assets	10 457	23 603	10 457	23 603	21 566
<i>(Cash &amp; equivalents incl. unutilized credits)</i>	<i>9 002</i>	<i>22 774</i>	<i>9 002</i>	<i>22 774</i>	<i>20 452</i>
Total assets	33 615	44 403	33 615	44 403	43 505
<b>EQUITY AND LIABILITIES</b>					
Equity	22 116	34 168	22 116	34 168	31 162
Financial liabilities	5 250	6 000	5 250	6 000	6 000
Operating liabilities	6 249	4 235	6 249	4 235	6 343
Total equity and liabilities	33 615	44 403	33 615	44 403	43 505

## CHANGE IN EQUITY (TSEK)

	Q3 2017/18	Q3 2016/17	YTD 2017/18	YTD 2016/17	FY 2016/17
Opening balance	25 840	36 997	31 162	41 206	41 206
Equity issues, net	-	-	1 252	-	372
Net profit	-3 724	-2 829	-10 298	-7 038	-10 416
Closing balance	22 116	34 168	22 116	34 168	31 162
Equity ratio	71 %	77 %	71 %	77 %	72 %

## CASH FLOW STATEMENT (TSEK)

	Q3 2017/18	Q3 2016/17	YTD 2017/18	YTD 2016/17	FY 2016/17
<i>Operating activities</i>					
Net result	-3 724	-2 829	-10 298	-7 038	-10 416
Depreciation	1 214	966	3 641	2 897	4 076
Operating cash flow	-2 510	-1 863	-6 657	-4 141	-6 340
Incr. (-)/decr. (+) in inventories	-407	124	-741	-283	-102
Incr. (-)/decr. (+) in current receivables	-444	131	400	361	-105
Incr. (+)/decr. (-) in operating liabilities	1 202	1 673	-94	666	2 774
Change in working capital	351	1 928	-435	744	2 567
Cash flow from operating activities	-2 159	65	-7 092	-3 397	-3 773
<i>Investing activities</i>					
Capitalized development expenditure	-2 009	-1 885	-4 721	-5 295	-6 807
Patents and trademarks	-	-	-	-	-237
Machinery and equipment	-	-	-139	-	-569
Cash flow after investments	-4 168	-1 820	-11 952	-8 692	-11 386
<i>Financing activities</i>					
Equity issues, net	-	-	1 252	-	372
Incr. (+)/decr. (-) in financial liabilities	-375	-	-750	-119	-119
Cash flow from financing activities	-375	-	502	-119	253
Cash flow for the period	-4 543	-1 820	-11 450	-8 811	-11 133
Cash and equiv, beginning of period	11 546	22 594	18 452	29 585	29 585
Cash and equivalents, end of period	7 002	20 774	7 002	20 774	18 452
<i>(Incl. unutilized share of granted credits)</i>	9 002	22 774	9 002	22 774	20 452

## DATA PER SHARE

	Q3 2017/18	Q3 2016/17	YTD 2017/18	YTD 2016/17	FY 2016/17
Earnings per share (SEK)	-0.32	-0.24	-0.88	-0.61	-0.90
Equity per share (SEK)	1.90	2.96	1.90	2.96	2.69
Number of shares, end of period	11 670 088	11 549 455	11 670 088	11 549 455	11 576 939
Average number of shares	11 670 088	11 549 455	11 643 572	11 549 455	11 552 542
Share price, end of period	45.00	23.70	45.00	23.70	30.30