

Rights issue enables market expansion

Interim Report 1 (2018-05-01 – 2018-07-31)

MAY – JULY 2018

Net Sales	856 (660) TSEK
Operating result before depreciation (EBITDA)	-3 134 (-1 933) TSEK
Net result	-4 518 (-3 215) TSEK
Earnings per share	-0.39 (-0.28) SEK

IN SHORT

- Net sales for the first quarter increased by 30 % to 856 (660) TSEK.
- Gross margin amounted to 68 (72) %.
- During the quarter the company raised 46.3 MSEK before expenses. The rights issue was, however, not fully completed until after the reporting period, resulting in that the rights issue will first be reported in Interim Report 2.
- The remaining options associated with the two board member and advisor option programs were fully redeemed during the quarter. After option redemption and the rights issue, the number of shares in the company amounts to 13 746 634.
- After being tested and well received by selected customers, the new software framework HoloMonitor® App Suite was released for customer delivery in July as planned.
- The Board recently approved the company's most ambitious market expansion to date.



HoloMonitor® App Suite in development

CEO COMMENTARY

Last week the Board approved our most ambitious market expansion to date. The objective of the expansion is to rapidly increase sales by significantly strengthening our market organization, allowing us to more thoroughly support our distributors and our own regional sales. The expansion has been made possible by the successful rights issue during the summer and prompted by the completion of the first version of our new software framework, HoloMonitor® App Suite 1.0.

The cell is the smallest building block of life and is best studied alive using time-lapse microscopy. As early as 1909 the French scientist Jean Comandon pioneered time-lapse microscopy by imaging the newly discovered syphilis parasite. However, conventional time-lapse microscopy is very challenging and time consuming. Cell biologists have therefore since only used it occasionally to study the behavior of living cells.

HoloMonitor and other modern digital imagers that are placed in the cell incubator where cells are cultured have made it easy for cell biologists to record time-lapse movies of living cells. However, to be rapidly and rightfully adopted as a standard method in cell biology research, cytometers based on time-lapse microscopy must be adapted and made to fit how cell biologists traditionally work. App Suite does this by providing a software framework which allow cell biologists to work with HoloMonitor in a way that is familiar to them.

Cell biologists use well-defined protocols called assays to measure a single cellular characteristic. Cell biologists are therefore accustomed to purchasing and using multiple assays to measure a range of characteristics. In App Suite an assay corresponds to an application module that is licensed, downloaded and installed in the App Suite framework to measure a specific cellular characteristic — similar to how mobile apps are purchased, downloaded and installed into the software framework provided by the Android or iOS operating system in your mobile phone.

The forthcoming App Suite 2.0 will expand App Suite to also include *Software as a Service (SaaS)*. SaaS is a software licensing model used by Microsoft Office and others, by which users get access to the software on a subscription basis by logging in on a central server.

Recruitment to strengthen the market organization has begun, and the completion of App Suit 2.0 is well on its way. Unless something unexpected happens, we anticipate being at full steam after this New Year when we plan to release App Suite 2.0 together with an expanded range of application modules.



Peter Egelberg



*View the historic time-lapse film
of the syphilis parasite by
Jean Comandon on YouTube [here](#)*

NET SALES AND RESULT

Net sales increased by 30 % to 856 (660) TSEK in the first quarter. Operating result before depreciation (EBITDA) amounted to -3 134 (-1 933) TSEK and Net result to -4 518 (-3 215) TSEK

Gross margin amounted to 68 (72) %. The margin varies primarily due to the mix of direct and distributor sales, respectively.

INVESTMENTS

During the quarter, the company invested 920 (1 378) TSEK. The investments refer to application development. Improvements and further development of the instruments are expensed directly.

FINANCING

Cash and equivalents and unutilized granted credits amounted to 2 488 (17 317) TSEK by the end of the period. The equity ratio was 65 (73) %.

RIGHTS ISSUE

During the summer 2018, the company raised 46.3 MSEK through a rights issue, before expenses of ca 5.2 MSEK. The payments have taken place in July and August.

OPTION PROGRAMS

The two outstanding board member and advisor option programs both had a final subscription date of October 24, 2017. By then remaining options, corresponding to 131 532 shares, had been subscribed for. However, due to banking issues associated with US citizens, payment for the new shares (1 763 TSEK) was delayed until July 2018. These option programs are now finalized. After option redemption and the recent rights issue, the number of shares in the company amounts to 13 746 634.

RISKS

The company may be affected by various factors, described in the 2017/18 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 company's auditor.

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

September 26, 2018 Annual general meeting
December 12, 2018 Q2 report, 2018/19

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)	Q1 2018/19	Q1 2017/18	FY 2017/18
Net sales	856	660	4 449
Cost of products sold	-277	-183	-1 558
Gross profit	579	477	2 891
Gross margin	68 %	72 %	65 %
Selling expenses	-1 302	-738	-3 755
Administrative expenses	-1 308	-1 181	-4 378
R&D expenses	-2 431	-1 705	-8 599
Operating result	-4 462	-3 147	-13 841
<i>(Operating result before depreciation)</i>	<i>(-3 134)</i>	<i>(-1 933)</i>	<i>(-8 393)</i>
Financial net	-56	-68	-277
Result before tax	-4 518	-3 215	-14 118
Net result	-4 518	-3 215	-14 118

Balance Sheet (TSEK)	2018-07-31	2017-07-31	2018-04-30
ASSETS			
Non-current assets			
Intangible assets	21 980	21 371	22 296
Tangible assets	879	732	971
Total Fixed Assets	22 859	22 103	23 267
Current assets			
Inventory	1 106	817	1 752
Current receivables	1 897	1 140	2 435
Cash and equivalents	488	15 317	1 198
Total current assets	3 491	17 274	5 385
<i>(Cash and equivalents incl. unutilized credits)</i>	<i>(2 488)</i>	<i>(17 317)</i>	<i>(3 198)</i>
Total assets	26 350	39 377	28 652
EQUITY AND LIABILITIES			
Equity	17 180	28 829	18 296
Financial liabilities	4 500	6 000	4 875
Operating liabilities	4 670	4 548	5 481
Total equity and liabilities	26 350	39 377	28 652

Change in equity	Q1 2018/19	Q1 2017/18	FY 2017/18
Opening balance	18 296	31 162	31 162
Equity issues, net	3 402	882	1 252
Net profit	-4 518	-3 215	-14 118
Closing balance	17 180	28 829	18 296
Equity ratio	65 %	73 %	64 %

Cash flow analysis (TSEK)	Q1 2018/19	Q1 2017/18	FY 2017/18
Operating activities			
Net result	-4 518	-3 215	-14 118
Depreciation	1 328	1 214	5 448
Operating cash flow	-3 190	-2 001	-8 670
Incr. (-)/decr (+) in inventories	646	466	-469
Incr. (-)/decr (+) in current receivables.	538	691	-604
Incr. (+)/decr. (-) in operating liabilities	-811	1 795	-862
Changes in working capital	373	-638	-1 935
Cash flow from operating activities	-2 817	-2 639	-10 605
Investing activities			
Capitalized development expenditure	-920	-1 239	-5 802
Patents and trademarks	0	0	-271
Machinery and equipment	0	-139	-703
Cash flow after investments	-3 737	-4 017	-17 381
Finansieringsverksamheten			
Equity issue, net	0	882	1 252
Equity issue, ongoing	3 402	0	0
Incr. (+)/decr. (-) in financial liabilities	-375	0	-1 125
Cash flow from financing activities	3 027	882	127
Cash flow for the period	-710	-3 135	-17 254
Cash and equivalents, beginning of period	1 198	18 452	18 452
Cash and equivalents, end of period <i>(Incl. unutilized credits)</i>	488 <i>(2 488)</i>	15 317 <i>(17 317)</i>	1 198 <i>(3 198)</i>
Data per share			
Earnings per share, SEK	-0.39	-0.28	-1.21
Equity per share, SEK	1.47	2.48	1.57
Number of shares, end of period	11 670 088	11 642 705	11 670 088
Average number of shares	11 670 088	11 605 533	11 650 073
Share price, end of period	24.00	54.50	34.10