

Interim Report 1 (2019-05-01 – 2019-07-31)



MAY – JULY 2019

| | |
|---|----------------------|
| Net Sales | 594 (856) KSEK |
| Operating result before depreciation (EBITDA) | -5 270 (-3 134) KSEK |
| Net result | -7 156 (-4 518) KSEK |
| Earnings per share | -0.50 (-0.39) SEK |

IN SHORT

- Net sales for the quarter decreased by 31 % to 594 (856) KSEK.
- Gross margin for the quarter amounted to 58 (68) %.
- Rolling 12-month sales amounted to 4.3 (4.6) MSEK.
- The increased costs in relation to the comparative period are a direct result of the company's strategic establishment in the US and the expansion of the sales organization that was initiated after the comparative period.
- HoloMonitor is an advanced product that requires well-trained sales personnel and which is priced at a level where customers generally need to apply for funds for the purchase. Together this creates a significant and noticeable delay until costs for newly hired sales personnel are offset by increased order intake.
- The United States National Institutes of Health have issued a non-competitive acquisition of HoloMonitor, which has been preceded by PHI Inc. becoming an approved supplier to government agencies.
- As a result of establishing the subsidiary PHI Inc. in Boston USA, PHI will from this report report as a company group.
- Through the redemption of outstanding TO 2 options, the company received approx. 17.8 MSEK before expenses.

CEO COMMENTARY

The United States is not only our largest market, it is also a leader and a role model for research in the rest of the world. Additionally, the majority of life science companies and potential industrial partners to PHI are based in the United States. Simply put, the US market is too strategically important not to have a direct presence.

After an initial evaluation, we therefore decided to execute the establishment of PHI Inc. in Boston during this spring. As stated in Interim Report 3 2018/19, the decision was made in spite of that the continued redirection of experienced sales personnel to the US would lead to increased sales costs and that sales would likely be adversely affected during a transitional period:

“The opportunities created by the received attention make the choice easy. We will stay on course and spare no resources to on key markets successfully establish partnerships with major industry players, even if it may have an adverse effect on our short-term sales over a transitional period.”

— CEO commentary, Interim Report 3 2018/19

Sales

The increased costs in relation to the comparative period are a direct result of the company's strategic establishment in the US, with a subsequent redistribution of experienced sales personnel and continued expansion of the sales organization, which was initiated after the summer rights issue in 2018. HoloMonitor is an advanced product that requires well-trained sales personnel and which is priced at a level where customers generally need to apply for funds for the purchase. Together this creates a significant and noticeable delay until costs for newly hired sales personnel are offset by increased order intake.

National Institutes of Health

Our US efforts could not have gotten a better start. After a rather lengthy process, PHI Inc. has by request from the National Institutes of Health (NIH) become an approved supplier to the US government. With an annual budget of nearly 40 billion USD, NIH manages world-leading US medical research by distributing grants and by conducting its own cutting-edge research. In general, NIH is therefore by the industry considered to be the most prestigious reference customer in the US and consequently also in the world.

HoloMonitor's unique ability to non-invasively analyze individual cells is the motive and rationale of the non-competitive HoloMonitor acquisition by NIH. Non-competitive acquisitions by federal agencies like NIH must be justified. The justification for acquiring HoloMonitor non-competitively is “The rationale for the brand name justification is the unique capabilities of the requested product”.

For the interested reader, the non-competitive acquisition is available [here](#).

Strategic partnerships

The same unique features that NIH invokes is the reason why two industry-leading life science companies in the US conducted a technical and scientific due diligence of HoloMonitor during the summer. The evaluations aim to in detail understand and plan how HoloMonitor may profitably fit into the companies' existing product range and organization.



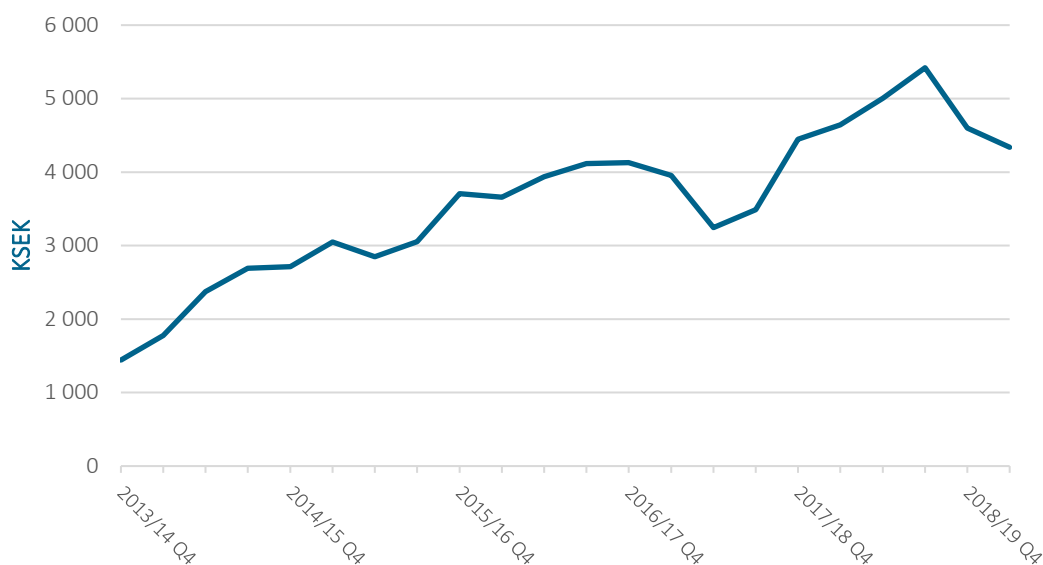
Peter Egelberg, CEO

One of the companies is a leading and ambitious supplier of cell analysis instruments. HoloMonitor's unique abilities exceptionally well complement the company's existing range of cell analyzers, providing their customers with sought after functionality that the company's products today lack, excellently summarized by themselves: "This is a no-brainer".

The two independent evaluations are now in their respective final stages, where the results are compiled to form the basis of the forthcoming business discussions.

NET SALES AND RESULT

Net sales for the first quarter amounted to 594 (856) KSEK and operating result before depreciation (EBITDA) to -5 270 (-3 134) KSEK. Net result amounted to -7 156 (-4 518) KSEK.



12-month rolling sales

INVESTMENTS

With a focus on developing applications to further expand the product range, the company has invested 536 (920) KSEK thousand in product, production, patents and software development during the period.

FINANCING

Cash, cash equivalents and unutilized granted credits amounted to 33 633 (2 488) KSEK by the end of the period. The equity ratio was 85 (65) %.

OPTION PROGRAM

On June 13 the exercise period of the TO 2 share options ended. 632 520 (97.6 %) of the 648 338 outstanding options were exercised. Through this, PHI received approx. 17.8 MSEK before expenses, which amounted to approx. 0.8 MSEK. After redemption, the number of shares in PHI amounts to 14 379 154 with a corresponding share capital of 2 875 830.80 SEK

RISKS

The company may be affected by various factors, described in the 2018/19 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 uncertainty, like all statements about the future.

CALENDAR

| | |
|-------------|------------------------|
| October 15 | Annual general meeting |
| December 17 | Half-year report |

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

For additional information please contact:

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CONSOLIDATED – PHI GROUP

Parent company*

| Income statement (KSEK) | Q1 | Q1 | FY |
|-------------------------|---------|---------|---------|
| | 2019/20 | 2018/19 | 2018/19 |
| Net sales | 594 | 856 | 4 601 |
| Cost of products sold | -252 | -277 | -1 740 |
| Gross profit | 342 | 579 | 2 861 |
| Gross margin | 58% | 68% | 62% |
| Selling expenses | -2 128 | -1 302 | -7 338 |
| Administrative expenses | -1 784 | -1 308 | -5 940 |
| R&D expenses | -3 541 | -2 431 | -12 363 |
| Operating result (EBIT) | -7 111 | -4 462 | -22 780 |
| Financial net | -45 | -56 | -270 |
| Result before tax (EBT) | -7 156 | -4 518 | -23 050 |
| Net Result (EAT) | -7 156 | -4 518 | -23 050 |

*Q1/Full-year 2018/19 refers to Phase Holographic Imaging PHI AB. PHI Group was established and reported first as of May 2019.

Parent company*

| Balance Sheet (KSEK) | Q1 | Q1 | FY |
|-------------------------------|---------|---------|---------|
| | 2019/20 | 2018/19 | 2018/19 |
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | 19 486 | 21 980 | 20 695 |
| Tangible assets | 816 | 879 | 912 |
| Total non-current assets | 20 302 | 22 859 | 21 607 |
| Current Assets | | | |
| Inventory | 1 474 | 1 106 | 1 382 |
| Short-term receivables | 2 431 | 1 897 | 2 496 |
| Cash and equivalents | 31 633 | 488 | 21 331 |
| Total current assets | 35 538 | 3 491 | 25 209 |
| Total assets | 55 840 | 26 350 | 46 816 |
| EQUITY AND LIABILITIES | | | |
| Equity | 47 538 | 17 180 | 37 653 |
| Financial liabilities | 1 500 | 4 500 | 1 875 |
| Operating liabilities | 6 802 | 4 670 | 7 288 |
| Total equity and liabilities | 55 840 | 26 350 | 46 816 |

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Parent company*

| Changes in equity (KSEK) | Q1 | Q1 | FY |
|--------------------------|---------|---------|---------|
| | 2019/20 | 2018/19 | 2018/19 |
| Opening Balance | 37 653 | 18 296 | 18 296 |
| Equity issues, net | 17 041 | 3 402 | 42 407 |
| Net profit | -7 156 | -4 518 | -23 050 |
| Closing balance | 47 538 | 17 180 | 37 653 |
| Equity ratio % | 85 | 65 | 80 |

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*Parent company**

| Cash flow Analysis (KSEK) | Q1 | Q1 | FY |
|---|------------------|--------------|------------------|
| | 2019/20 | 2018/19 | 2018/19 |
| Operating activities | | | |
| Net result | -7 156 | -4 518 | -23 050 |
| Depreciation | 1 841 | 1 328 | 5 356 |
| Operating cash flow | -5 315 | -3 190 | -17 694 |
| Increase (-)/decrease (+) in inventories | -92 | 646 | 370 |
| Increase (-)/decrease (+) in operating receivables | 65 | 538 | -61 |
| Increase (+)/decrease (-) in operating liabilities | -486 | -811 | 307 |
| Change in working capital | 987 | 373 | 616 |
| Cash flow from operating activities | -4 328 | -2 817 | -17 078 |
| Investing activities | | | |
| Development expenses | -536 | -920 | -3 152 |
| Patents | 0 | 0 | -232 |
| Tangible assets | 0 | 0 | -312 |
| Cash flow after investments | -4 864 | -3 737 | -20 774 |
| Financing activities | | | |
| Net proceeds from equity issues | 17 041 | 3 402 | 42 407 |
| Increase (+)/decrease (-) in borrowings | -375 | -375 | -1 500 |
| Cash flow from financing activities | 15 166 | 3 027 | 40 907 |
| Cash flow for the period | 10 302 | -710 | 20 133 |
| Cash and cash equivalents at the beginning of the period | 21 331 | 1 198 | 1 198 |
| Cash and cash equivalents at the end of the period <i>(Incl. unutilized credits)</i> | 31 633 33 633 | 488 2 488 | 21 331 23 331 |

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*Parent company**

| Data per share | Q1 | Q1 | FY |
|--|------------|------------|------------|
| | 2019/20 | 2018/19 | 2018/19 |
| Earnings per Share, SEK | -0,50 | -0,39 | -1,68 |
| Equity per share, SEK | 3,31 | 1,47 | 2,74 |
| Number of Shares, at end of the period | 14 379 154 | 11 670 088 | 13 746 634 |
| Average number of shares | 13 996 862 | 11 670 088 | 13 165 258 |
| Share price end of period | 55,00 | 24,00 | 25,35 |

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PARENT COMPANY

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