

2017-06-19

YEAR-END REPORT (2016-05-01 – 2017-04-30)

IN SHORT

- Full year net sales amounted to 4 127 (3 706) TSEK. The total value of orders received after the period amounted to 748 TSEK on the day of the report.
- Fourth quarter gross margin was 62 %, corresponding to approximately 80 % of end customer net sales. As HoloMonitor components now are purchased in larger quantities, the gross margin is expected to remain at approximately 60 %.
- Extensive quality assurance efforts have resulted in that marketing activities were first intensified in early 2017. This has now resulted in a dramatic increase in number of quotation requests. The increase in quotation requests, combined with the recent surge of published scientific articles, indicates that the sales development in 2016/17 was a direct consequence of that marketing activities were intentionally held back until product quality and delivery capacity was secured.
- Additional HoloMonitor units were deployed at University of Iowa, Taipei Veterans General Hospital, University of Tehran (2 units), InnovaBio in St. Petersburg, QIMR Berghofer Medical Research Institute in Brisbane and at Sahlgrenska University Hospital in Gothenburg.
- The Board of Directors proposes no dividend for 2016/17.

FEBRUARY 2017 – APRIL 2017

Net sales	1 221 (1 212) TSEK
Operating result before depreciation (EBITDA)	-2 129 (-1 997) TSEK
Net result	-3 378 (-3 443) TSEK
Earnings per share	-0.29 (-0.33) SEK

MAY 2016 – APRIL 2017

Net sales	4 127 (3 706) TSEK
Operating result before depreciation (EBITDA)	-6 039 (-6 108) TSEK
Net result	-10 416 (-9 329) TSEK
Earnings per share	-0.90 (-0.94) SEK

CEO COMMENTARY

“I went in 1932 to the Zeiss Works [Zeiss is still one of the leading microscope supplier in the world] in Jena to demonstrate [the phase contrast microscope]. It was not received with such enthusiasm as I had expected. Worst of all was one of the oldest scientific associates, who said: ‘If this had any practical value, we would ourselves have invented it long ago’.”

The founding idea

These words are from [Frits Zernike’s Nobel Lecture](#) in 1953. When finally released as a commercial product in the late 1940s, Zernike’s invention revolutionized cell biology. The phase contrast microscope was invented in a time when computerized image processing was unheard of. Unsurprisingly, the two technologies work poorly together. Holographic microscopy improves and adapts the benefits of the phase contrast microscope to computerized image processing. This was the founding idea of PHI in 2004 and the idea which still lead us today.

Becoming mainstream

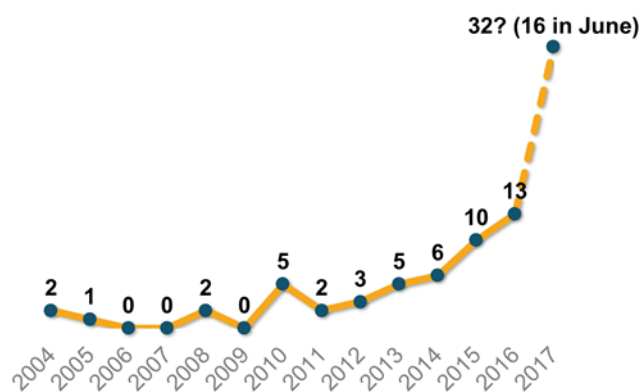
Since then holographic microscopy has evolved from being received with the same lack of initial enthusiasm as the phase contrast microscope to something that is rapidly becoming mainstream among scientists. The proof of this materialized on May 19, 2017 when the International Society for Advancement of Cytometry published a [special issue](#), showcasing holographic microscopy and related technologies to a wider scientific audience. In the issue, HoloMonitor is featured in 3 out of the 10 original articles.

The importance of mainstream

I often get the question “If HoloMonitor technology is so great, why aren’t people throwing themselves at it?”. Without a doubt, Zernike received the same question when he came back from the discouraging demonstration at Zeiss. We humans like change. But, if the change is non-mainstream and too rapid, we feel that we lose control and instinctively react against it, just like the Zeiss associates did.

Scientific articles

This brings me to why scientific articles are so important. Independent experts review scientific articles anonymously. The articles thus both market and prove with high credibility to mainstream customers that HoloMonitor and holographic microscopy provides better research results than their old workhorse, the phase contrast microscope. The scientific articles make our industry unique. The articles are a fantastic tool to objectively provide knowledge of new technologies, but also to assess the interest in the technology and future sales.



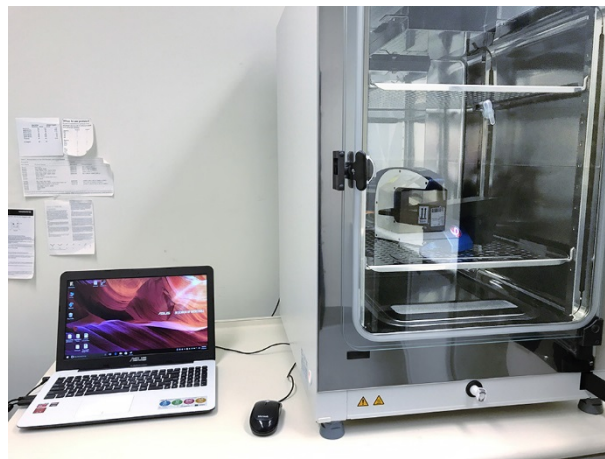
Scientific articles featuring HoloMonitor.

Indicator of sales growth

Academic and industrial customers purchase HoloMonitor to create new research results. The goal of academic research is to publish these new research results. The growth of number of published scientific articles featuring HoloMonitor is therefore an early indicator of future sales increase. The number of scientific articles, posters and doctoral thesis featuring HoloMonitor have now grown to well over 80, distributed over roughly 60 scientists. See the full list [here](#).

Product verification

Too many companies with promising products have failed when eagerly pursuing a rapid increase of sales; a much too costly sales organization is recruited before the product can be manufactured in volume with high and consistent quality for a sustainable cost. The difficulty is in the product verification. Every customer handles the product slightly differently. The only way to ensure that a product will work as expected in the field is therefore to test it in sufficient numbers in the field. All other form of product verification is associated with great uncertainty. The over 90 units in operation have made it possible to identify and verify the simple design changes necessary for HoloMonitor to among other things be able to tolerate the hot and very humid incubator environment without disruptions.



HoloMonitor in operation at QIMR Berghofer in Brisbane.

Sales

In previous reports, we have touched upon that our extensive quality assurance efforts have resulted in that our marketing activities were first intensified in early 2017. The intensified marketing activities by our distributors and our expanded marketing department have resulted in a dramatic increase in number of quotation requests, a very important step in a sales process that in many cases span over several months. The increase in quotation requests, combined with the recent surge of published scientific articles, indicates that this year's sales development is a direct consequence of that marketing activities were intentionally held back until product quality and delivery capacity was secured.



Peter Egelberg

Neither a house nor a company will persist to become valuable without a foundation. The foundation for profitable long-term volume sales has now been built with improved gross margin, validated products, secured production, increasingly established technology, confirmed customer value and with currently limited competition.

NET SALES AND RESULT

Net sales for the fourth quarter amounted to 1 221 (1 212) TSEK and operating result before depreciation (EBITDA) to -2 129 (-1 997) TSEK. Net result amounted to -3 378 (-3 443) TSEK.

The entire instrument is now in series production. For the fourth quarter gross margin was 62 %, corresponding to approximately 80 % for end customer sales.

INVESTMENTS

During the full year, the Company invested 7 613 (7 222) TSEK in product and production development, patents and trademarks.

FINANCING

Cash and equivalents and unutilized granted credits amounted to 20 452 (31 585) TSEK by the end of the period. The equity ratio was 72 (81) %.

OPTION PROGRAMS

Phase Holographic Imaging (PHI) 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.

In March 2017, one option holder exercised his options and two more option holders have requested exercise. After these transactions, options corresponding to 159,420 shares will remain. If these options are exercised, the share capital will increase by 31 884 SEK (1.4 % dilution) and the equity by 2 141 772 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

September 4, 2017	Annual report 2016/17
September 11, 2017	Q1 report, 2017/18
September 25, 2017	Annual General Meeting

DIVIDEND

The Board of directors proposes no dividend for 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)	Q4 2016/17	Q4 2015/16	FY 2016/17	FY 2015/16
Net sales	1 221	1 212	4 127	3 706
Cost of products sold	-459	-604	-1 994	-1 993
Gross profit	762	608	2 133	1 713
<i>Gross margin</i>	62 %	50 %	52 %	46 %
Selling expenses	-884	-1 302	-2 685	-3 207
Administrative expenses	-924	-1 165	-4 155	-4 204
R&D expenses	-2 262	-1 500	-5 408	-3 308
Operating result	-3 308	-3 359	-10 115	-9 006
<i>(Operating result before depreciation)</i>	-2 129	-1 997	-6 039	-6 108
Financial net	-70	-84	-301	-323
Result before tax	-3 378	-3 443	-10 416	-9 329
Net result	-3 378	-3 443	-10 416	-9 329

BALANCE SHEET (SEK)	2017-04-30	2016-04-30	2017-04-30	2016-04-30
ASSETS				
<i>Non-current assets</i>				
Intangible assets	21 306	18 319	21 306	18 319
Tangible assets	633	83	633	83
Total non-current assets	21 939	18 402	21 939	18 402
<i>Current assets</i>				
Inventory	1 283	1 181	1 283	1 181
Current receivables	1 831	1 726	1 831	1 726
Cash & equivalents	18 452	29 585	18 452	29 585
Total current assets	21 566	32 492	21 566	32 492
<i>(Cash & equivalents incl. unutilized credits)</i>	<i>20 452</i>	<i>31 585</i>	<i>20 452</i>	<i>31 585</i>
Total assets	43 505	50 894	43 505	50 894
EQUITY AND LIABILITIES				
Equity	31 162	41 206	31 162	41 206
Financial liabilities	6 000	6 119	6 000	6 119
Operating liabilities	6 343	3 569	6 343	3 569
Total equity and liabilities	43 505	50 894	43 505	50 894
CHANGES IN EQUITY				
	Q4 2016/17	Q4 2015/16	FY 2016/17	FY 2015/16
Opening balance	34 168	7 727	41 206	13 613
Equity issues, net	372	36 922	372	36 922
Net profit	-3 378	-3 443	-10 416	-9 329
Closing balance	31 162	41 206	31 162	41 206
Equity ratio	72 %	81 %	72 %	81 %

CASH FLOW STATEMENT (SEK)	Q4 2016/17	Q4 2015/16	FY 2016/17	FY 2015/16
<i>Operating activities</i>				
Net result	-3 378	-3 443	-10 416	-9 329
Depreciation	1 179	1 362	4 076	2 898
Operating cash flow	-2 199	-2 081	-6 340	-6 431
Incr. (-)/decr. (+) in inventories	181	112	-102	-396
Incr. (-)/decr. (+) in current receivables	-466	-559	-105	-431
Incr. (+)/decr. (-) in operating liabilities	2 108	597	2 774	547
Change in working capital	1 823	150	2 567	-280
Cash flow from operating activities	-376	-1 931	-3 773	-6 711
<i>Investing activities</i>				
Capitalized development expenditure	-1 512	-2 833	-6 807	-6 928
Patents and trademarks	-237	-108	-237	-198
Machinery and equipment	-569	-	-569	-96
Cash flow after investments	-2 694	-4 872	-11 386	-13 933
<i>Financing activities</i>				
Equity issues, net	372	36 922	372	36 922
Incr. (+)/decr. (-) in financial liabilities	-	-5 336	-119	5 354
Cash flow from financing activities	372	31 586	253	42 276
Cash flow for the period	-2 322	26 714	-11 133	28 343
Cash and equiv, beginning of period	20 774	2 871	29 585	1 242
Cash and equivalents, end of period	18 452	29 585	18 452	29 585
<i>(Incl. unutilized share of granted credits)</i>	<i>20 452</i>	<i>31 585</i>	<i>20 452</i>	<i>31 585</i>

DATA PER SHARE	Q4 2016/17	Q4 2015/16	FY 2016/17	FY 2015/16
Earnings per share (SEK)	-0.29	-0.33	-0.90	-0.94
Equity per share (SEK)	2.69	3.57	2.69	3.57
Number of shares, end of period	11 576 939	11 549 455	11 576 939	11 549 455
Average number of shares	11 562 116	10 234 830	11 552 542	9 914 097
Share price, end of period	30.30	26.90	30.30	26.90