

## INCREASED SALES AND CONTINUED STRATEGIC INVESTMENTS

YEAR-END REPORT (2017-05-01 – 2018-04-30)

### FEBRUARY – APRIL 2018

Net Sales	2 180 (1 221) TSEK
Operating result before depreciation (EBITDA)	-1 955 (-2 129) TSEK
Net result	-3 820 (-3 378) TSEK
Earnings per share	-0.33 (-0.29) SEK

### MAY 2017 – APRIL 2018

Net Sales	4 449 (4 127) TSEK
Operating result before depreciation (EBITDA)	-8 393 (-6 039) TSEK
Net result	-14 118 (-10 416) TSEK
Earnings per share	-1.21 (-0.90) SEK

### IN SHORT

- 2017/18 ended with a strong fourth quarter, as net sales increased by 79 % to 2 180 (1 221) TSEK.
- Gross margin improved additionally during the year and amounted to 67 (62) % in the fourth quarter and 65 (52) % for the full year. The increase is due to a larger proportion of direct sales and lower product costs.
- In February, a second Center of Excellence was established at University of California, San Francisco.
- In May, the first step towards establishing a Center of Excellence in Australia was taken by signing an evaluation agreement with QIMR Berghofer Medical Research Institute in Brisbane.
- Over 100 HoloMonitor instruments are now in operation in over 20 countries. The experience from these instruments have resulted in secured production capacity with high gross margin. Sales and company growth is thereof currently limited by the distributors ability to sell the company's products. Consequently, the board intends to increase the company's capacity to train and support the company's distributors. For this reason, the board has proposed a rights issue totaling up to approx. 64.6 MSEK before expenses. This will provide financial resources to heavily expand sales support, but also allow significantly increased marketing of the company's products.
- An extra general meeting will be held on June 18, 2018 to decide regarding the rights issue.

## CEO COMMENTARY

This fiscal year ended with the two strongest quarters ever. The scientific articles published by our customers together with the intensified marketing activities during 2017 have resulted in that our HoloMonitor technology has gained considerable recognition on the market, and that scientist now spontaneously contact us to learn more about our products. New customers during this year include Akita University in Japan, University of Bergen in Norway, Monash University in Melbourne Australia, QIMR Berghofer Medical Research Institute and the University of Technology in Brisbane Australia, University of Sydney, Imperial College London, Bristol University, Pázmány Péter Catholic University in Hungary and Umeå and Gothenburg University in Sweden, among others. Our returning customers this year include Lund University, Northeastern University in Boston and Korea Research Institute of Bioscience & Biotechnology.

## Centers of Excellence

Since several years we have a well-established Center of Excellence at Northeastern University in Boston which has produced several scientific publications. Three HoloMonitor units are currently in operation at the university. In February this year, we established a second Center of Excellence at University of California, San Francisco. By combining HoloMonitor with artificial intelligence Dr Robert Judson and his research team have been able to classify cancer cells without the harmful stains that are normally used when classify cells. The new center will continue to develop the promising results to achieve our shared goal of defining the future role of holographic time-lapse cytometry and artificial intelligence within cancer research. In May, we took our first step in establishing a Center of Excellence in Australia, when signing an initial evaluation agreement with QIMR Berghofer Medical Research Institute in Brisbane.

## HoloMonitor® App Suite

HoloMonitor's strength has also been its weakness. HoloMonitor creates huge amounts of data, which may lead to that customers need to spend many hours in front of the computer to obtain the desired results. Reversely, when conventional methods are used the researcher spends a lot of time in the lab to prepare the experiment, but little time in front of the computer. Using artificial intelligence our new software, HoloMonitor® App Suite, reduces computer time to only a few minutes per experiment. Together with selected customers and our Centers of Excellence we are now in the final stage of testing our new software for shipment to customers after the summer.

## Diagnosing cancer with synthetic antibodies

In the [Glycoimaging](#) project, we together with Malmö University, Germany's [Federal Institute for Materials Institute and Testing](#) and others aim to develop a new generation of synthetic biomarkers that allow cancer to be clinically diagnosed at a much earlier stage than what is possible today. An increasing amount of evidence indicates that specific combinations of carbohydrates and proteins uniquely identifies cancer. Synthetic antibodies have the potential to detect these combinations much more precisely than the natural antibodies that are used today. If successful, the project could lead to methods for public cancer screening. The great benefit to public health and the economic potential is the background to why Glycoimaging and its sister project [Biocapture](#) together are funded by the EU with 50 MSEK, to develop complementary methods for early cancer diagnosis using the same core technology.

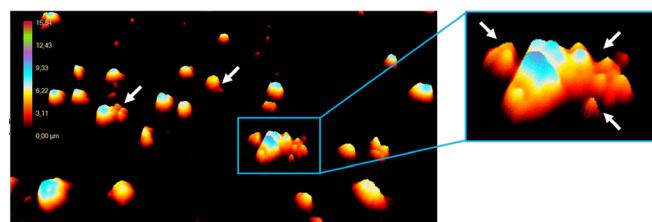


Image taken with HoloMonitor which shows how synthetic antibodies bind to cancer cells.

## A solid foundation

The feedback we have received from the more than 100 HoloMonitor in operation, have allowed us to reach the goal of building the foundation that is crucial for rapid profitable growth — production capacity, product quality, high gross margin, user friendliness together with training and marketing material.

In early 2017 we transitioned from distributor sales to direct sales in the Nordic market. This has led to a significant sales increase in the Nordic region, as the majority of our demonstrations now lead to sales. We see the same trend internationally; when we assist our distributors during demonstrations the likelihood of a sale increases significantly.

We cannot ignore the fact that sales now are mainly limited by our distributors ability to sell our products. Sales through distributors is cost efficient, but for it to be effective the distributor needs to be knowledgeable and committed, which is not always a matter of course. We need to expand our sales support to have the capacity to in parallel train and support our distributors on site over extended periods of time, which is the main objective for the proposed rights issue.

Additional questions and answers regarding the rights issue are found in the interview published [here](#).



Peter Egelberg

## NET SALES AND RESULT

Net sales increased by 79 % to 2 180 (1 221) TSEK in the fourth quarter and by 8 % to 4 449 (4 127) TSEK for the full year.

Gross margin for the fourth quarter amounted to 67 (62) % and for the full year to 65 (52) %. The improved margin is due to a larger proportion of direct sales and to lower product costs.

Overhead costs increased as a result of intensified product development and marketing, compared to 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.

The operating result before depreciation (EBITDA) for the fourth quarter amounted to -1 955 (-2 129) TSEK and for the full year to -8 393 (-6 039) TSEK.

## INVESTMENTS

During the full year, the company invested 6 776 (7 613) TSEK, primarily in product and production development, patents and trademarks.

## FINANCING

Cash and equivalents and unutilized granted credits amounted to 3 198 (20 452) TSEK by the end of the period. The equity ratio was 64 (72) %.

For continued market growth, increased sales organization and commercial breakthrough, the board proposes rights issues totaling up to 64.6 MSEK before issue expenses. The initial rights issue may provide up to approx. 46.3 MSEK and the added gratuitous options approx. 18.3 MSEK. The board also intends to decide on a private placement, an allotment option, of additionally up to ca 10.5 MSEK (with added gratuitous options of maximum approx. 4.2 MSEK) to be used to the extent that the rights issue is oversubscribed.

Decisions on the rights issues will be taken at an extra general meeting on June 18, 2018.

## 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 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

June 18, 2018	Extra general meeting
September 5, 2018	Annual report 2017/18
September 18, 2018	Q1 report, 2018/19
September 26, 2018	Annual general meeting

## DIVIDEND

The board of directors proposes no dividend for 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

### For additional information, please contact:

Peter Egelberg

Tel: +46 703 19 42 74

E-mail: [ir@phiab.se](mailto:ir@phiab.se)

Web: [www.phiab.se](http://www.phiab.se)

Income Statement (TSEK)	Q4 2017/18	Q4 2016/17	FY 2017/18	FY 2016/17
Net sales	2 180	1 221	4 449	4 127
Cost of products sold	-715	-459	-1 558	-1 994
Gross profit	1 465	762	2 891	2 133
Gross margin	67 %	62 %	65 %	52 %
Selling expenses	-1 334	-884	-3 755	-2 685
Administrative expenses	-1 067	-924	-4 378	-4 155
R&D expenses	-2 826	-2 262	-8 599	-5 408
Operating result	-3 762	-3 308	-13 841	-10 115
<i>(Operating result before depreciation)</i>	<i>(-1 955)</i>	<i>(-2 129)</i>	<i>(-8 393)</i>	<i>(-6 039)</i>
Financial net	-58	-70	-277	-301
Result before tax	-3 820	-3 378	-14 118	-10 416
Net result	-3 820	-3 378	-14 118	-10 416

Balance Sheet (TSEK)	2018-04-30	2017-04-30	2018-04-30	2017-04-30
ASSETS				
<b>Non-current assets</b>				
Intangible assets	22 296	21 306	22 296	21 306
Tangible assets	971	633	971	633
Total Fixed Assets	23 267	21 939	23 267	21 939
<b>Current assets</b>				
Inventory	1 752	1 283	1 752	1 283
Current receivables	2 435	1 831	2 435	1 831
Cash and equivalents	1 198	18 452	1 198	18 452
Total current assets	5 385	21 566	5 385	21 566
(Cash and equivalents incl. unutilized credits)	(3 198)	(20 452)	(3 198)	(20 452)
Total assets	28 652	43 505	28 652	43 505
EQUITY AND LIABILITIES				
Equity	18 296	31 162	18 296	31 162
Financial liabilities	4 875	6 000	4 875	6 000
Operating liabilities	5 481	6 343	5 481	6 343
Total equity and liabilities	28 652	43 505	28 652	43 505
<b>Changes in equity</b>				
	Q4 2017/18	Q4 2016/17	FY 2017/18	FY 2016/17
Opening balance	22 116	34 168	31 162	41 206
Equity issues, net	-	372	1 252	372
Net profit	-3 820	-3 378	-14 118	-10 416
Closing balance	18 296	31 162	18 296	31 162
Equity ratio	64 %	72 %	64 %	72 %

Cash flow statement (TSEK)	Q4 2017/18	Q4 2016/17	FY 2017/18	FY 2016/17
<b>Operating activities</b>				
Net result	-3 820	-3 378	-14 118	-10 416
Depreciation	1 807	1 179	5 448	4 076
Operating cash flow	-2 013	-2 199	-8 670	-6 340
Incr. (-)/decr (+) in inventories	272	181	-469	-102
Incr. (-)/decr (+) in current receivables.	-1 004	-466	-604	-105
Incr. (+)/decr. (-) in operating liabilities	-768	2 108	-862	2 774
Changes in working capital	-1 500	1 823	-1 935	2 567
Cash flow from operating activities	-3 513	-376	-10 605	-3 773
<b>Investing activities</b>				
Capitalized development expenditure	-1 081	-1 512	-5 802	-6 807
Patents and trademarks	-271	-237	-271	-237
Machinery and equipment	-564	-569	-703	-569
Cash flow after investments	-5 429	-2 694	-17 381	-11 386
<b>Financing activities</b>				
Equity issues, net	-	372	1 252	372
Incr. (+)/decr. (-) in financial liabilities	-375	-	-1 125	-119
Cash flow from financing activities	-375	372	127	253
Cash flow for the period	-5 804	-2 322	-17 254	-11 133
Cash and equivalents, beginning of period	7 002	20 774	18 452	29 585
Cash and equivalents, end of period <i>(Incl. unutilized credits)</i>	1 198 (3 198)	18 452 (20 452)	1 198 (3 198)	18 452 (20 452)

Data per share	Q4 2017/18	Q4 2016/17	FY 2017/18	FY 2016/17
Earnings per share, SEK	-0.33	-0.29	-1.21	-0.90
Equity per share, SEK	1.57	2.69	1.57	2.69
Number of shares, end of period	11 670 088	11 576 939	11 670 088	11 576 939
Average number of shares	11 670 088	11 562 116	11 650 073	11 552 542
Share price, end of period	34.10	30.30	34.10	30.30