

Interim Report 1 (2020-05-01 – 2020-07-31)



MAY 2020 – JULY 2020

Net Sales	131 (594) KSEK
Operating result before depreciation (EBITDA)	-4 549 (-5 270) KSEK
Net result	-6 417 (-7 156) KSEK
Earnings per share	-0.45 (-0.50) SEK

IN SHORT

- Net sales for the period amounted 131 (594) KSEK.
- The gross margin amounted to -20 (58) %. The negative gross margin is a direct effect of the COVID-19 travel restrictions, as explained below.
- The global COVID-19 restrictions have dramatically affected customers' ability to receive PHI for onsite demonstrations, installations and training, naturally impacting short-term sales.
- However, as reported below, PHI is well prepared for the ongoing transition of the life science industry towards online business models, accelerated by the pandemic.
- On May 4 PHI received a 15 MSEK credit facility to bridge the effects of the COVID-19 pandemic. Together with additional support from the government, it is estimated that PHI's working capital is secured until 2022.

CEO COMMENTARY

Traditionally our customers, cell biologists, do their main work in the laboratory. Not seldom, can you hear a cell biologist say, *“I don’t feel like I’m doing any useful work when I’m not working in the lab”*. I was therefore delighted when our customer at the University of Bergen was able to complete their research remotely using the HoloMonitor App Suite software on their laptops at home.

A few weeks after their lab closed in March, the reviewers of their [now published paper](#) in Scientific Reports came back to them, asking for additional data for the article to be accepted and published by Nature. Fortunately, the wealth of data created by HoloMonitor and the flexibility of the App Suite software allowed the researchers to make additional discoveries that satisfied the reviewers, without leaving home. Read their story in their own words: [A LOCKDOWN EXPERIENCE — Research from home](#).

Undoubtedly, this is the future — automated data collection in the lab, data analysis and report writing from home. The focus shift we did, from hardware to software and data analysis, a few years ago makes us well prepared for this industry transition, accelerated by the pandemic.

3D cell cultures

Now, this is not all. The results themselves are highly interesting for PHI. Cell experiments are usually conducted using so-called 2D cultures, where the cells cling to the bottom of the plastic cell culture container. This is obviously a completely unnatural environment for cells. In our bodies, cells live their lives embedded in a nutrient-rich protein gel.

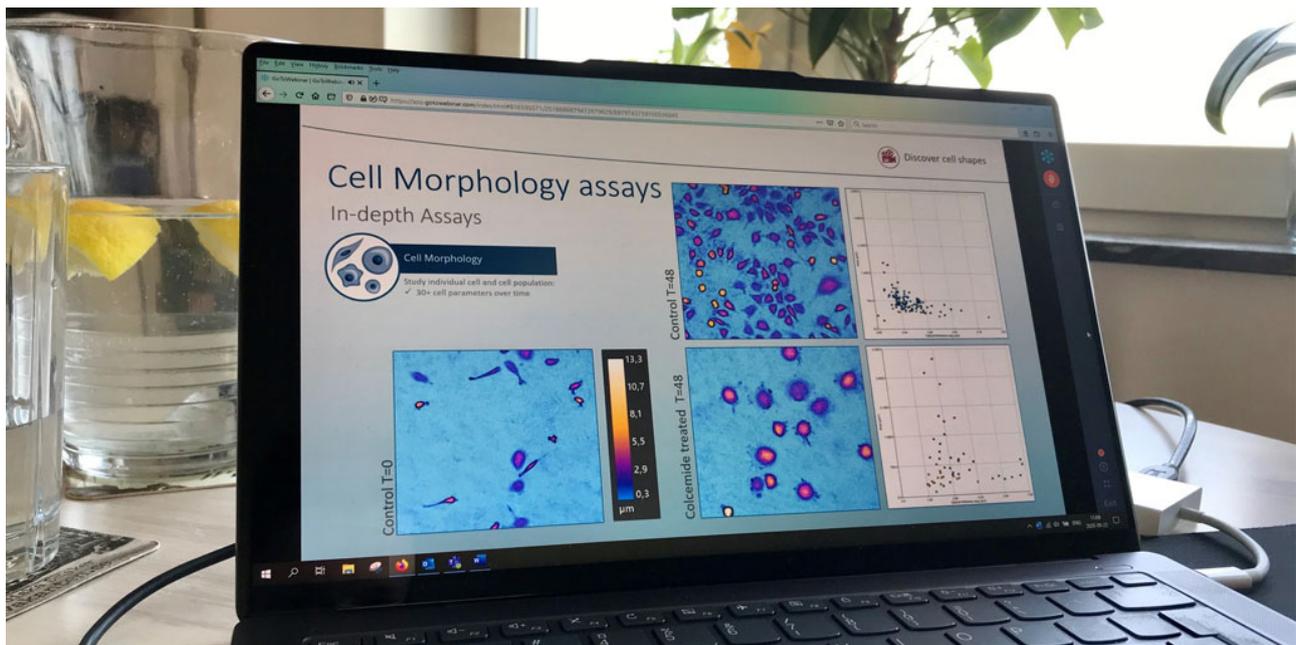
To improve the clinical relevance of cell culture experiments and ultimately lowering the cost of pharmaceutical development, scientists want to move away from the traditional 2D cultures to 3D cultures in which the cells are embedded in a similar protein gel as in our bodies.

However, imaging and analyzing gel embedded cells has proven to be impractical using conventional microscopy techniques. Unlike a 2D culture, the cells in a 3D culture are located at various depths, making it difficult to record images where all cells are in focus.

Digital lens enables teleworking

In a conventional microscope or an ordinary digital camera, the image is created by a glass lens. As we all have experienced, annoyingly the only way to correct an out of focus, but otherwise perfect image, is to take a new one, which of course never is as good as the first blurry image.

This does not apply to HoloMonitor. With HoloMonitor, it is possible to refocus on each object in the image **after** the image has been recorded. Unlike a standard digital camera, HoloMonitor does not just create a digital image. HoloMonitor creates the digital image digitally by replacing the conventional glass lens with sophisticated software algorithms, i.e. a digital lens. This capability allowed the Bergen researchers to refocus and analyze cells at different depths in 3D cultures at home on their laptops, long after they carried out the actual experiment in their lab.



The new default way of meeting customers — an online seminar, explaining the benefits of HoloMonitor.

COVID-19

The global COVID-19 restrictions have dramatically affected customers' ability to receive us for onsite demonstrations, installations and customer training, naturally impacting short-term sales. Despite this, several HoloMonitor units have been delivered since the beginning of the fiscal year in May. Most recently to our first customer in the Netherland, [Radboud University](#) and to the [Israel Institute of Biological Research](#) (IIBR), which on behalf of the Israeli government is leading Israel's effort to develop a COVID-19 vaccine.

Negative gross margin

As a part of the urgent extension of IIBR's service contract and due to COVID-19 travel restrictions, it was agreed that the two HoloMonitor units at IIBR would be serviced by replacement, instead of onsite service. IIBR is a high-security facility. It remains uncertain whether the replaced units can be shipped back to Sweden, hence the negative gross margin for the period.

An industry in transition

At first, many were skeptical, some very skeptical. But as people increasingly become accustomed to meeting online, they realize how much more efficient it is. The ability and more importantly the general acceptance of meeting face to face digitally will fundamentally change the way business is done within the life science industry.

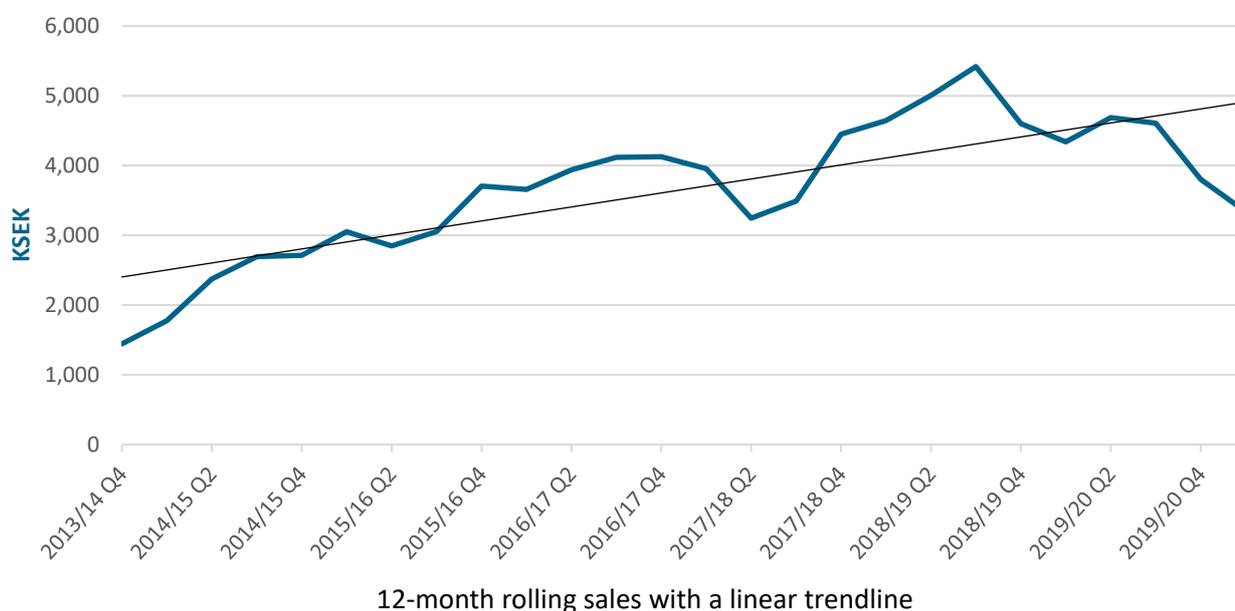


Peter Egelberg, CEO

In the short term, transitions are generally not good for business. However, for those who can adapt unprecedented opportunities are ahead. These are for sure exciting times for an IT-entrepreneur who happened to end up in the IT-wise underdeveloped life science industry. Finally, the life science industry is coming to my world, not the other way around.

NET SALES AND RESULT

Net sales for the first quarter amounted to 131 (594) KSEK and operating result before depreciation (EBITDA) to -4 549 (-5 270) KSEK. The net result amounted to -6 417 (-7 156) KSEK.



INVESTMENTS

With an emphasis on application development to further broaden the scope and efficiency of the company's products, the company invested 659 (536) KSEK in patents together with product and application development during the period.

FINANCING

Cash, cash equivalents and unutilized granted credits amounted to 27 137 (33 633) KSEK by the end of the period. The equity ratio was 67 (85) %.

COVID-19

To bridge and adjust to the effects of the COVID-19 pandemic, PHI received a loan facility on May 4, 2020. The loan agreement between PHI and Danish [Formue Nord Markedsneutral A/S](#) allows PHI to call for loans totaling 15 MSEK at market terms. Together with additional support from the government, it is estimated that PHI's working capital is secured until 2022.

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 20	Annual meeting
December 14	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:

Peter Egelberg

Tel: +46 703 19 42 74

E-mail: ir@phiab.se

Web: www.phiab.com

CONSOLIDATED – PHI GROUP

Income statement (KSEK)	Q1 2020/21	Q1 2019/20	FY 2019/20
Net sales	131	594	3 803
Cost of products sold	-157	-252	-1 500
Gross profit	-26	342	2 303
<i>Gross margin</i>	<i>-20%</i>	<i>58%</i>	<i>61%</i>
Selling expenses	-1 609	-2 128	-8 756
Administrative expenses	-2 834	-1 784	-6 428
R&D expenses	-3 120	-3 541	-13 538
Operating income	1 200		367
Operating result (EBIT)	-6 388	-7 111	-26 052
Financial net	-29	-45	-261
Result before tax (EBT)	-6 417	-7 156	-26 313
Net Result (EAT)	-6 417	-7 156	-26 313

Balance Sheet (KSEK)	Q1 2020/21	Q1 2019/20	FY 2019/20
ASSETS			
Non-current assets			
Intangible assets	15 649	19 486	16 735
Tangible assets	611	816	704
Total non-current assets	16 260	20 302	17 439
Current Assets			
Inventory	1 393	1 474	1 530
Short-term receivables	2 157	2 431	2 590
Cash and equivalents	13 887	31 633	14 484
Total current assets	17 437	35 538	18 604
Total assets	33 697	55 840	36 043
EQUITY AND LIABILITIES			
Equity	22 476	47 538	28 896
Financial liabilities	4 875	1 500	1 125
Operating liabilities	6 346	6 802	6 022
Total equity and liabilities	33 697	55 840	36 043

Changes in equity	Q1 2020/21	Q1 2019/20	FY 2019/20
Opening Balance	28 896	37 653	37 653
Equity issues, net		17 041	17 487
Net profit	-6 417	-7 156	-26 313
Translation difference	-3		69
Closing balance	22 476	47 538	28 896
Equity ratio	67%	85%	80%

	Q1	Q1	FY
Cash flow Analysis (KSEK)	2020/21	2019/20	2019/20
Operating activities			
Net result	-6 417	-7 156	-26 313
Depreciation	1 839	1 841	7 360
Translation difference	-3		79
Operating cash flow	-4 581	-5 315	-18 896
Increase (-)/decrease (+) in inventories	137	-92	-148
Increase (-)/decrease (+) in operating receivables	354	65	-88
Increase (+)/decrease (-) in operating liabilities	403	-486	-1 272
Change in working capital	894	987	-1 508
Cash flow from operating activities	-3 687	-4 328	-20 404
Investing activities			
Development expenses	-659	-536	-2 729
Patents	0	0	-266
Tangible assets	0	0	-175
Cash flow after investments	-4 346	-4 864	-23 653
Financing activities			
Net proceeds from equity issues	0	17 041	17 487
Increase (+)/decrease (-) in borrowings	3 750	-375	-750
Cash flow from financing activities	3 750	15 166	16 737
Cash flow for the period	-596	10 302	-6 847
Cash and cash equivalents at the beginning of the period	14 484	21 331	21 331
Cash and cash equivalents at the end of the period <i>(Incl. unutilized credits)</i>	13 887 27 137	31 633 33 633	14 484 16 484

	Q1	Q1	FY
Data per share	2020/21	2019/20	2019/20
Earnings per Share, SEK	-0,45	-0.50	-1.83
Equity per share, SEK	1.56	3.31	2.01
Number of Shares, end of period	14 394 971	14 379 154	14 394 971
Average number of shares	14 394 971	13 996 862	14 386 521
Share price end of period	31.15	55.00	36.40

PARENT COMPANY

	Q1 2020/2021	Q1 2019/20	FY 2019/20
Income statement (KSEK)			
Net sales	122	594	3 716
Cost of products sold	-157	-252	-1 502
Gross profit	-35	342	2 214
<i>Gross margin</i>	<i>-29%</i>	<i>58%</i>	<i>60%</i>
Selling expenses	-908	-2 128	-8 756
Administrative expenses	-2 834	-1 784	-5 814
R&D expenses	-3 120	-3 541	-13 538
Other Income	1 200		367
Operating result (EBIT)	-5 697	-7 111	-25 527
Financial net	-29	-45	-261
Result before tax (EBT)	-5 726	-7 156	-25 788
Net Result (EAT)	-5 726	-7 156	-25 788

	Q1 2020/21	Q1 2019/20	FY 2019/20
Balance Sheet (KSEK)			
ASSETS			
Non-current assets			
Intangible assets	15 649	19 486	16 735
Tangible assets	611	816	704
Financial assets	942	942	942
Total non-current assets	17 202	21 244	18 381
Current Assets			
Inventory	1 393	1 474	1 530
Short-term receivables	2 549	2 431	2 648
Cash and equivalents	13 420	30 691	13 940
Total current assets	17 362	34 596	18 118
Total assets	34 564	55 840	36 499
EQUITY AND LIABILITIES			
Equity	23 626	47 538	29 352
Financial liabilities	4 875	1 500	1 125
Operating liabilities	6 063	6 802	6 022
Total equity and liabilities	34 564	55 840	36 499