

## **Bioservo Technologies AB** **Annual Report 2018-01-01 – 2018-12-31**





#### CEO Petter Bäckgren comments on 2018

*We can summarise 2018 as having been a very active year for the company. The first quarter saw the launch of Ironhand®, the world's first soft robotic muscle strengthening system for professional users. At the start of the second quarter, Bioservo was awarded a development grant, as part of the iHand project, of Euro 2.3 million by the EU Commission's "Horizon 2020 SME instrument programme" for small and medium sized companies. We received our first order for Ironhand® from an existing collaboration partner and customer in the car industry in the mid-third quarter of the year, followed shortly after by a second order from the same customer. The fourth quarter began with the receipt of a new order for the delivery and implementation of Ironhand® from a leading player in the digital industry. We closed the year by signing an exclusive distribution agreement for Carbonhand® with Italian company Officine Ortopediche Rizzoli, well established company in the orthopaedic and rehabilitation sector.*

#### **Global market for our technology**

The year has seen us represented at numerous tradeshows around the world, including the EXO Berlin Exhibition & Symposium in Germany and The Enterprise Wearable Technology Summit (EWTS), organised by BrainXchange in Austin, Texas. EWTS is the world's most comprehensive event with regards to business and industrial applications for "wearables", for example exoskeletons. It is extremely encouraging to observe this high level of interest and particularly the growing interest in our technology in such a wide selection of industries. We see enormous potential in a variety of different vertical sectors, such as the automotive industry which alone employs upwards of eight million people worldwide. Tests conducted by our collaboration partners have shown up to 80 percent reduced risk of repetitive strain injury using Ironhand®, giving a good indication of our products' global potential.

#### **Refined business model for the industrial market**

We have developed and refined our industry business strategy this year, building on a three-stage model - Assess, Implement, Measure (AIM) - whereby we initially evaluate and test Ironhand® together with the customer before, in a follow up step, fully implementing the technology. The customer can then choose to measure and analyse various work stages and processes, or to simply use Ironhand® as a grip strengthener. This approach gives further scope and breadth to our business model since "Assessment as a service" then also becomes a revenue generating service in itself. Using the recognised KIM risk modelling system, (Key Indicator Method), we can support companies in reducing any ergonomic problems and repetitive strain injuries with this type of advanced risk evaluation. Our assessment is that the consultant services as well as the digital business will add additional growth potential.

#### **Launch and continuing development of Ironhand®**

We have registered increasing interest from a large number of industrial players since launching Ironhand® at the end of the first quarter in 2018. We have received a number of orders and the technology continues to be tested and evaluated by our collaborators and customers to ensure its suitability in meeting market requirements. We are currently preparing the launch of the next, significantly improved version of Ironhand® which is expected to be ready for market at the end of quarter two in 2019. The significant improvements in Ironhand® 1.5 include better robustness, comfort and user-friendliness due to novel sensors, a new harness and better energetic transmission within the glove.

### **Carbonhand® and clinical studies**

This year's business has also been marked by a positive sales trend for our healthcare-directed glove, Carbonhand®. Both the Swedish and Norwegian markets have shown positive growth together with the German market, when in spring, we received a breakthrough order which led to our inclusion in Germany's national reimbursement scheme, equivalent to Sweden's national health insurance schemes.

### **New leadership and stronger organisation**

I feel extremely honoured and am delighted that, in autumn, the Board engaged me to lead the company as CEO and have placed their trust in me to take the company through the next stages of its development. My colleagues and I have together created a clear picture for our future and continuously strive towards strengthening our internal governance and optimising the organisation to ensure the availability of sufficient future resources. In the latter part of the year, we remodelled the organisation to handle the increasing sales level being generated in the latter half of 2019. This was done partially by customising our production processes and outsourcing production to a partner, and partially by strengthening sales and marketing, and development.

### **Personal reflections**

Bioservo is in a greatly inspiring and interesting phase of its development. It is encouraging to see the continuing upward trend in global interest for our technology from both the commercial and healthcare sectors. We have already made excellent progress and are now primarily focussing our efforts on Assessments - risk evaluation to decrease ergonomic issues, and the continued further development and improvement of Ironhand®. We expect the launch of Ironhand® 1.5 to become the main revenue-generating driver in 2019, complemented by significant income from product related services such as Assessments. I am convinced that we are on the right path and that we are well prepared for the future, buoyed by the continuing growing global interest in our technology.

Kista, March 2019

Petter Bäckgren  
CEO

## Management report

The Board and CEO of Bioservo Technologies AB located in Stockholm, Company number 556650-7264 present herein the annual report for the financial year of 2018. The annual report is presented in Swedish kronor, SEK.

## Business operations

Bioservo Technologies (publ) is a technology and development company combining medical science and modern robotic technology. The company has a leading global position in soft exoskeleton-technology, wearable strengthening products for individuals needing extra power to strengthen the body's endurance and function or for individuals with diminished muscular capacity.

After years of research and development, Bioservo Technologies has now turned its sights to commercialising the company's products and patented technology. The gloves that we have developed are suitable both for rehabilitation in a healthcare setting and for injury prevention and increased productivity of professional users in the commercial industrial sector. The company has strategic collaborative agreements, not only with a number of multinational concerns in the automotive and aviation industries, but also with companies in the building, construction and infrastructure sectors.

Bioservo Technologies was founded in 2006 as a collaboration between researchers at the Royal Institute of Technology (Kungliga Tekniska Högskolan) and the Karolinska Hospital in Stockholm. Bioservo Technologies is a publicly listed Swedish company with headquarters and operations in Kista, located to the north of Stockholm. Shares were registered on the Nasdaq First North on 22nd May 2017.

## Significant events in the financial year

Bioservo's unique and ultramodern SEM™-technology was awarded a substantial development grant by the EU Commission's "Horizon 2020 SME Instrument programme" for small and medium sized enterprises. The innovative nature of the company's technology, designed to assist individuals needing extra grip strength or endurance as a preventative or rehabilitative measure or to generate increased efficiency, resulted in the EU awarding Bioservo 2.3 million Euro over a period of two years to further develop its soft robotic glove.

The Board of Bioservo Technologies appointed Petter Bäckgren as new CEO after Erik Lundgren vacated the post. Petter has extensive experience gained through a number of roles in the medtech and diagnostic sectors and comes to this role from his previous post as CEO at Kibion (a subsidiary of Orexo).

Bioservo Technologies received its first order, valued at 900 KSEK, for the delivery and implementation of Ironhand®. The buyer is a large international car manufacture which, as a result of successful testing and evaluation of Bioservo's technology, has now adopted and implemented the use Ironhand® in its manufacturing plants.

At an extraordinary general meeting on 9th October 2018, it was decided to carry out a new emission of shares to enable a share option plan for the employees of Bioservo Technologies AB (publ). The programme was fully subscribed, and 385,710 share options were emitted. The CEO, leading personnel and key individuals exercised their option rights in accordance with the EGM's resolution.

## Future outlook

In the coming year, Bioservo Technologies plans to continue with the marketing of and the further development of the company's products and patented technology within both the commercial and the healthcare sectors. The company will also scale-up production and production processes and strengthen its marketing and sales activities by establishing global distribution agreements and collaborative projects to maintain and continue expansion.

## Significant risks and uncertainties

All businesses are naturally subject to some risk and a certain level of risk taking is a proviso for achieving the required economic growth. The Board bears ultimate responsibility for Bioservo's risk strategy and risk management, while the operational management of any risk elements is spread across all levels of the company.

Bioservo, because of the nature of its operations, is exposed to a number of financial risks including exchange rate, interest, credit and liquidity risk factors. The company's present-day operations are primarily directed at developing and commercialising new technology. Development work and the setting up of processes for production and distribution are intrinsically coupled to both commercial risks, such as delays in product development, unexpectedly higher costs, or loss of key company personnel, as well as market and regulatory risk factors.

## Research and development

During the year, the company has conducted research and development in the following areas:

- Development of mechanics, electronics, textiles and software
- Sensor technology with focus on robustness and washability
- Improvement of energy transfer and comfort of the glove
- Development of systems for data collection via cloud computing
- Production processes and assembly processes

The level of development activities has been significantly increased throughout the year with the aim of launching new versions and new product families based on and around the patented SEM™ technology

## Financials

### *Net turnover*

Net turnover increased by 43.6 percent to 6.7 (4.7) MSEK for the year. Growth has been driven by both Carbonhand®, the company's new version of robotic glove for the healthcare sector which launched in the second quarter and sales of prototypes of industrial glove Ironhand® as part of the company's collaboration agreements.

### *Operating expenses*

Operating expenses increased to 38.2 (30.3) MSEK for the year, an increase of 26.1 percent. The increase in costs is due to mainly to hiring of new personnel to shape the organisation to meet the ongoing expansional needs of putting in place new production processes and a larger sales and marketing organisation. Other external expenses comprise mainly investments in marketing and sales related costs.

### *Operating profit*

Operating profit before interest, tax, depreciation and amortisation (EBITDA) increased to -18.9 (-16.3) MSEK for the year, and operating profit (EBIT) increased to -22.2 (-18.4) MSEK.

### *Profit for the year*

Profit for the year increased to -27.9 (-19.3) MSEK representing earnings per share of -3.12 (-2.41) SEK\*

\* Adjusted for a 5:1 share dilution with ratio 5:1 in March 2017

### *Cash flow*

Cash flow for ongoing operations for the year increased to -16.9 (-16.3) MSEK

Cash flow for the year decreased to -21.3 (30.3) MSEK. During the same period last year, the company gained a share emission liquidity of 56.8 MSEK.

#### *Financial position and investments*

Total assets increased to 50.3 (72.3) MSEK as per December 31, 2018

Cash and cash equivalents increased to 25.6 (46.9) MSEK as per December 31, 2018. Solvency increased to 79.9 (93.7) percent at the end of the year.

#### *Personnel*

The number of employees increased to 29 persons as per December 31, 2018, compared to 25 persons at the same time in the year before.

#### *Shares*

Bioservo Technologies AB has traded on Nasdaq First North since May 22, 2017 under trading code "BIOS". The number of shares outstanding at closing date was 8 936 451 (8 936 451) with a quotient of 0.2 kr. The average number of shares\* throughout the year was 8 936 451 (8 021 130). The share value increased to 10.35 kronor per share, corresponding to a market valuation of 92.5 million kronor.

\* Adjusted for a 5:1 share dilution in March 2017

#### *Ownership*

The company had approximately 1500 shareholders at closing date. The company's three main shareholders as per December 31, 2018 were Tellacq AB with 23.0 per cent, Anders Lundmark with 10.2 per cent and Tomas Ward with 5.7 per cent. Details of the company's main shareholders are available on the company website.

#### *Share options*

As per 2018-12-31, there are 449,230 unsubscribed share options. The share options entitle a total share subscription of 703,310. Share options may be issued as part of the option plan for key individuals and employees of the company.

#### *Series 2010-2014*

150 options issued giving rights to subscribe 15,000 shares. This program was cancelled during the year when the exercise price was not reached at the end of the reporting period.

#### *Series 2014-2018*

404 options issued giving rights to subscribe 40,400 shares. This program was cancelled during the year when the exercise price was not reached at the end of the reporting period.

#### *Series 2015-2019*

3,000 options issued giving rights to subscribe 15,000 shares. The subscription price is 30 SEK per share and share options can be exercised between February 1, 2019 and March 1, 2019.

#### *Series 2016-2023*

85,560 share options issued giving rights to subscribe to 427,800 shares of which 25,040 were cancelled during the year, which leaves 60,250 shares giving rights to 302,600 shares. Shares are valued between 23.30 SEK and 43.20 based on the time point in the period that the options are exercised. Share options can be exercised between January 25, 2017 and December 31, 2023

### *Series 2018-2023*

385,710 share options issued giving rights to subscribe to 385,710 shares. The share option price is 30 SEK and may be exercised from Quarter 1, 2023 to December 15, 2023.

Should all share option programmes become fully subscribed, then the number of shares and voting rights in the company will be increased to 703,310 shares, each with a quotient value of 0.20 SEK. The share options are subject to customary conversion rates used in connection with issue of shares etc.

### *Certified Adviser*

FNCA Sweden AB is Bioservo Technologies' Certified Adviser.

### *Principles and reporting standards for the annual report*

The financial statements in Bioservo Technologies' annual report have been properly prepared in accordance with the requirements of the Annual Reporting Act and BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).

### *Significant events after the end of the financial year*

Bioservo increased the level of its research and development collaboration activity with the infrastructure division of Eiffage, one of Europe's leading construction and infrastructure concerns to jointly develop a bionic arm. Eiffage, as a result of this collaboration, placed an order valued at approximately 900,000 SEK as part of the "Ironarm" development project.

### *Annual general meeting (AGM)*

Bioservo Technologies' annual general meeting will be held on Monday May 6, 2019 at 16.00 at the company premises, Torshamnsgatan 35, floor 5, Kista. Registration will begin at 15.30

### *Registration*

Shareholders wishing to attend the annual general meeting shall:

- be entered into the shareholders register held by Euroclear Sweden AB by Monday April 30, 2019
- Have registered themselves and any accompanying persons (maximum two) in writing by latest Monday April 29, 2019 either by post to Bioservo Technologies AB (publ), Torshamnsgatan 35, 164 40 Kista or email to [invest@bioservo.com](mailto:invest@bioservo.com). When registering, shareholders should provide their name, personal identification number/business identity code, address, telephone number, and the name of a possible assistant or proxy representative and the personal identification number of a proxy representative. Shareholders, their representatives, or proxy representatives present at the meeting should, when required, be able to prove their identity and/or authorization to represent a shareholder.

### *Nominee-registered holdings*

Shareholders with nominee-registered holdings should request their custodian bank for the necessary instructions concerning temporary registration with the shareholders' register, issuing letters of proxy, and registering for the meeting in good time, and must be completed by Monday April 29, 2019.

### Nominees

A person/nominee holding a shareholder's proxy should be in possession of a dated letter of proxy or otherwise be able to show in a reliable manner that he or she is entitled to act in this capacity on behalf of a shareholder. Authorizations shall be considered valid no longer than 5 years from issue. In the event that a shareholder is represented by more than one proxy representative representing shares held in different securities accounts, each proxy representative should state which shares he or she represents when registering to attend the AGM. Originals of shareholders' letters of proxy should be sent to the above address to reach the Company in good time. Letters of proxy and proof of registration shall also be presented at Extraordinary General Meetings (EGM). Forms for letters of proxy are available for download on the company webpage at [www.bioservo.se](http://www.bioservo.se) or can be sent free of charge on request to shareholders postal address.

### Multi-year financial review

	2018	2017	2016	2015	2014
Net turnover	6,707	4,672	3,756	3,599	1,606
Profit after financial items	-22,190	-19,307	-12,599	-9,166	-7,510
Total assets	50,248	72,308	38,069	17,663	13,700
Solidity (%)	79.9	93.7	79.4	63.3	63.6

### Definition of key figures

#### Net turnover

main income, invoiced expenses, other income and revenue adjustments.

#### Profit/loss after financial items

Profit/loss after financial items plus financial expenses.

#### Total assets

The company's total assets

#### Equity/asset ratio (Solidity %)

Equity at the end of the period as a percentage of total assets at the end of the period

### Changes in Equity

	Share capital	Fund development costs	Premium fund	Balanced result	Annual result	Total
Number at beginning of year	1,787,290	7,419,490	120,882,393	-43,018,584	-19,306,785	<b>67,763,804</b>
Fund allocation		1,531,882		-1,531,882		<b>0</b>
New emission						
Disposal as per decision of this year's AGM				-19,306,785	19,306,785	<b>0</b>
				271,436		<b>271,436</b>
Annual result					-27,890,065	<b>27,890,065</b>
<b>Number at end of year</b>	<b>1,787,290</b>	<b>8,951,372</b>	<b>120,882,393</b>	<b>-63,585,815</b>	<b>-27,890,065</b>	<b>40,145,175</b>



### Dividend payments

No dividend to be paid for financial year 2018 according to the Board's recommendation

### Recommendation for profit distribution

The Board recommends that available profit (kronor) be assigned as follows:

Premium fund	120,882,393
Accumulated losses	-63,585,815
Annual losses	-27,890,065
	<b>29,406,513</b>

so that

are carried over	29,406,513
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The company's results and financial position are shown in the following income statement, balance sheet and cash flow statement with notes.

Income statement	Note 1	<b>2018-01-01 -2018-12-31</b>	<b>2017-01-01 -2017-12-31</b>
Net turnover		6,707,342	4,672,184
Activated work on own account		2,814,870	4,762,896
Other operating income	2	6,622,374	2,455,700
		<b>16,144,586</b>	<b>11,890,780</b>
<i>Operating expenses</i>			
Raw materials and consumables		-3,601,368	-2,745,978
Other external costs		-11,424,986	-9,243,596
Staff costs	3	-19,856,490	-16,173,242
Depreciation of tangible and intangible assets		-3,287,069	-2,107,283
		<b>-38,169,913</b>	<b>-30,270,099</b>
<b>Operating profit</b>		<b>-22,183,329</b>	<b>-18,379,319</b>
<i>Financial income and expenses</i>			
Finance income			
Interest expenses and similar expenses		-6,735	-927,466
		<b>-6,735</b>	<b>-927,466</b>
<b>Profit after financial expenses</b>		<b>-22,190,165</b>	<b>-19,306,785</b>
<b>Profit before tax</b>		<b>-22,190,165</b>	<b>-19,306,785</b>
Tax on annual profit		-5,700,000	-
<b>Annual profit</b>		<b>-27,890,065</b>	<b>-19,306,785</b>

Balance sheet	Note	2018-12-31	2017-12-31
	1		
<b>ASSETS</b>			
Fixed assets			
Intangible assets			
Balanced expenditure for development and related activities	5	13,951,981	12,928,226
Patent, trademark and other intellectual rights	6	1,441,547	1,524,827
		<b>15,393,528</b>	<b>14,453,053</b>
Tangible assets			
Inventories	7	621,377	199,531
Financial assets			
Deferred tax payments	4	0	5,700,000
<b>Total assets</b>		<b>16,014,905</b>	<b>20,352,584</b>
Intangible assets			
Inventories			
Materials and supplies		2,515,183	1,151,326
Receivables			
Accounts receivable		2,902,188	2,062,407
Other receivables		861,389	863,865
Pre-payments and accrued income		2,393,301	1,013,339
		<b>6,156,878</b>	<b>3,929,611</b>
Cash and cash equivalents			
<b>Total current assets</b>		<b>25,561,262</b>	<b>46,864,971</b>
		<b>34,233,323</b>	<b>51,955,908</b>
<b>TOTAL ASSETS</b>		<b>50,248,228</b>	<b>72,308,492</b>

<b>Balance sheet</b>	<b>2018-12-31</b>	<b>2017-12-31</b>
<b>CAPITAL AND DEBTS</b>		
<b>Capital</b>		
<b>Bound capital</b>		
Share capital	1,787,290	1,787,290
Development expenditure fund	8,951,372	7,419,419
	<b>10,738,662</b>	<b>9,206,780</b>
<b>Free capital</b>		
Premium share fund	120,882,393	120,882,393
Balanced gain or loss	-63,585,815	-43,018,584
Annual profit	-27,890,065	-19,306,785
	<b>29,406,513</b>	<b>58,557,024</b>
<b>Total capital</b>	<b>40,145,175</b>	<b>67,763,804</b>
<b>Current liabilities</b>		
Advance payment from customers	4,995	4,995
Accounts payable	2,222,550	1,910,981
Other liabilities	689,989	903,171
Accrued expenses and prepaid income	7,185,520	1,725,541
<b>Total current liabilities</b>	<b>10,103,053</b>	<b>4,544,688</b>
<b>TOTAL ASSETS AND LIABILITIES</b>	<b>50,248,228</b>	<b>72,308,492</b>

Cash flow analysis	Note	2018-01-01 -2018-12-31	2017-01-01 -2017-12-31
	1		
<i>Ongoing business</i>			
Operating profit		-22,183,329	-18,379,319
Depreciation		3,287,069	2,107,283
Interest paid		-6,735	-927,466
Tax paid		-	-33,836
<b>Cash flow from operations before change in working capital</b>		<b>-18,902,995</b>	<b>-17,233,338</b>
<i>Cash flow from change in working capital</i>			
Change in inventory		-1,363,857	-511,515
Change in operations		-2,217,268	597,726
Change in operational debt		5,558,365	845,260
<b>Cash flow for operations</b>		<b>-16,925,755</b>	<b>-16,301,867</b>
<i>Cash flow from investing activities</i>			
Investment in tangible fixed assets		-504,170	-216,580
Investment in intangible fixed assets		-4,145,220	-5,906,893
<b>Cash flow from investing activities</b>		<b>-4,649,390</b>	<b>-6,123,473</b>
<i>Cash flow from financial activities</i>			
Depreciation of debt		-	-4,100,000
Loans		-	-
New issue of shares		-	64,251,384
Share emission costs		-	-7,429,791
Warrents exercised		271,436	13,298
<b>Cash flow from financial activities</b>		<b>271,436</b>	<b>52,734,887</b>
<i>Total cash flow for the period</i>			
		-21,303,709	,30,309,546
Cash and cash equivalents at beginning of year		46,864,971	16,555,425
<b>Cash and cash equivalents at end of year</b>		<b>25,561,262</b>	<b>46,864,971</b>

## Notes

### Note 1 Accounting and reporting policy

#### General information

The annual financial statements are prepared in accordance with Swedish Financial Reporting Standards and BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).

Foreign currency transactions are booked at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are retranslated into their functional currency at the rates ruling at the balance sheet date. Exchange differences are included in the income statement.

#### Revenue reporting

Revenue from the sale of goods is recorded in the consolidated statement of income when the control and significant risks and rewards related to the ownership of the goods have been transferred to the buyer.

#### Related party transactions.

During the reporting period, the company paid costs of 50 TSEK for research and development consulting services to Cennesy AB, owned by Hans von Holst (member of the board). The company also reimbursed the actual travel expenses to board meetings of members of the executive management team not living in Stockholm. These transactions are market-based.

#### Accounting policy for individual balance sheet items

##### Financial instruments

Long-term receivables and long-term liabilities are reported at amortized cost, which corresponds to the present value of future payments discounted by the effective interest rate calculated at the time of acquisition. Current receivables are recognised at the lowest cost of acquisition and net realizable value. Current liabilities expected to be realised within 12 months are recognised at face value.

##### Depreciation

If an indication of an impairment of an asset exists, its recoverable amount is determined. If the asset's book value exceeds the recoverable amount, the asset is written down to this value. The recoverable amount is defined as the highest of the market value and value in use. Impairment losses are recognized in the income statement.

##### Employee remuneration – pensions

The company's pension plans comprise a defined contribution pension scheme managed by a third party pension provider. The only obligation of the company with respect to this scheme is to make the specified contributions. All pension plans are reported as defined contribution plans, which means that the premium paid is reported as a cost as pension is earned.

##### Intangible fixed assets

The company reports internally generated intangible assets according to the activation model. This means that all expenses relating to the production of internally generated intangible fixed assets are capitalized and depreciated during the asset's estimated useful lifetime, provided that the criteria in BFNAR 2012: 1 are met.

### Tangible fixed assets

Tangible fixed assets are reported at cost less accumulated depreciation and write-downs. In addition to the purchase price, the acquisition cost also includes expenses that are directly attributable to the acquisition.

### Write-down of intangible and tangible fixed assets

Depreciation is calculated using straight-line depreciation based on the expected useful life of the asset to reflect the expected decrease of the asset's future monetary value. Depreciation is reported as an expense in the income statement.

### Intangible assets

Depreciation is calculated as follows:

Development activities	5 years
Patent	5 years

### Tangible assets

Depreciation is charged as follows:

Fixtures	5 years
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### Leasing

The company reports all leasing agreements as operating leases which are charged to the income statement on a straight-line basis over the term of the relevant lease.

### Inventory

Inventory is capitalised as the difference between the minimum acquisition cost and the net sales value at date of reporting. Net sales value is calculated as the estimated sales prices of the goods less cost of sales

### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year, except in cases where it relates to items recognized directly in equity. In such cases tax is reported as equity. Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax is reported according to the balance sheet method on all material temporary differences.

Liability for deferred tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date, presently 22%. A deferred tax asset is recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

### Government grants

The company has applied for and then participated in a number of EU-funded projects with European partners. In these projects, Bioservo receives cost coverage for 70 or 100% of costs incurred. These costs consist partly of hours worked but also direct costs.

Project progress reports and budget control reports are provided to the EU on a continual basis. External grants are recognised at face value when it is reasonable and certain that the grant will be received, and the company will fulfil the conditions associated with the grant. Grants are paid in advance and are

recognized as revenue in accordance with the work that is included in the specific project that the grant relates to.

**Note 2 Government grants**

Other operating income includes remuneration of 6 146 214 (2 397 917) SEK received for the EU-funded development projects the company has participated in.

**Note 3 Employee and personnel costs**

	<b>2018</b>	<b>2017</b>
<i>Average number of employees</i>		
Female	8	5
Male	18	17
	<b>26</b>	<b>22</b>

*Salaries and other remuneration including social and pension costs*

Salaries and other remuneration to the Board, CEO and senior executives	4,953,885	4,962,867
Salaries and remuneration to other employees	9,315,773	6,566,511
Social and pension costs	5,017,602	4,115,386
(of which, pension costs)	899,299	770,376)
<b>Total salaries, other remuneration, social and pension costs</b>	<b>19,327,260</b>	<b>15,644,764,</b>

*Gender diversity among senior executives*

Percentage of women in the Board	17 %	17 %
Percentage of men in the Board	83 %	83 %
Percentage of women in senior management	20 %	29 %
Percentage of men in senior management	80 %	71 %

Staff costs of SEK 2,814,870 (SEK 4,762,896) have been capitalized as development costs.

Other senior executives are those individuals who together with the CEO constitute the company's management. The number of people in this group is 7 (1). Remuneration is paid to the chairman and members of the board as decided at the AGM. The table below shows the levels of compensation received.

*Total remuneration for Executive Directors*

In cases where board fees are invoiced, the social cost is included in the reported amount

<i>2018</i>	<i>Position</i>	<i>Basic salary/ fees</i>	<i>Other remuneration</i>	<i>Pension costs</i>	<i>Total</i>
Anders Lundmark	Chairman	200,000	-	-	200,000
Tomas Ward	Board member	80,000	-	-	80,000,
Martin Gemvik	Board member	64,000	-	-	64,000
Hans Von Holst	Board member	80,000	-	-	80,000
Runar Bjørklund	Board member	80,000	-	-	80,000
Karin Ruiz	Board member	80,000	-	-	80,000
Kunal Pandit	Board member	16,000	-	-	16,000
Erik Landgren	CEO	1,223,854	-	188,584	1,412,438
Petter Bäckgren	CEO	571 959	-	99 990	671 949
Other leading position holders		2 558 072	-	253 924	2 811 996



		4 953 885	- 542 498	5 496 383	
2017	Position	Basic salary/ fees	Other remuneration	Pension costs	Total
Anders Lundmark	Chairman	195,776	-	-	195,776
Tomas Ward	Board member	66,667	230,240	-	296,907
Martin Gemvik	Board member	66,667	-	-	66,667
Hans Von Holst	Board member	66,667	-	-	66,667
Runar Bjørklund	Board member	66,667	-	-	66,667
Karin Ruiz	Board member	26,666	-	-	26,666
Erik Landgren	CEO	1,116,895	-	230,568	1,347,463
Other leading position holders		3,625,972,	-	215,496	3,841,468
		<b>5,231,977</b>	<b>230,240</b>	<b>446,064</b>	<b>5,908,281</b>

#### Note 4 Deferred tax

Bioservo has changed the principle of not activating deferred tax assets until the company reports a positive taxable profit. In addition, the previously capitalized claim of MSEK 5.7 has been reversed. This does not affect the company's cash flow position.

#### Note 5 Balanced expenditure on research etc.

	2018-12-31	2017-12-31
Initial costs	19,752,343	14,407,447
Purchasing	3,803,721	5,344,896
<b>Outgoing accumulated acquisition cost</b>	<b>23,556,064</b>	<b>19,752,343</b>
Initial depreciation	-6,824,117	-4,802,340
Annual depreciation	-2,779,966	-2,021,777
<b>Outgoing accumulated depreciation</b>	<b>-9,604,083</b>	<b>-6,824,117</b>
<b>Outgoing reported balance</b>	<b>13,951,981</b>	<b>12,928,226</b>

Intangible assets mainly comprise capitalized development fees for the production of new products.

Costs are capitalized based on hours worked as these represent payroll costs for the development department.

Note 6 Patent, trademarks etc

	<b>2018-12-31</b>	<b>2017-12-31</b>
Initial costs	2,007,221	1,445,223
Purchasing	341,499	561,998
<b>Outgoing accumulated acquisition cost</b>	<b>2,348,720</b>	<b>2,007,221</b>
Initial depreciation	-482,394	-413,936
Annual depreciation	-424,779	-68,458
<b>Outgoing accumulated depreciation</b>	<b>-907,173</b>	<b>-482,394</b>
<b>Outgoing reported balance</b>	<b>1,441,547</b>	<b>1,524,827</b>

Note 7 Equipment

	<b>2018-12-31</b>	<b>2017-12-31</b>
Initial depreciation	216,580	69,721
Annual depreciation	504,170	216,580,
Sales/scrappage	-	-69,701,
<b>Outgoing accumulated acquisition cost</b>	<b>720,750</b>	<b>216,580</b>
Initial depreciation	-17,049	-69,721
Sales/scrappage	-	69,721,
Annual depreciation	-82,324	-17,049
<b>Outgoing accumulated depreciation</b>	<b>-99,373</b>	<b>-17,049</b>
<b>Outgoing reported balance</b>	<b>621,377</b>	<b>199,531</b>

Note 8 Significant events after the end of the financial year

Bisoervo has strengthened its R&D collaboration activity with the infrastructure division of Eiffage, one of Europe's leading construction and infrastructure concerns to jointly develop a bionic arm. "Ironarm" will be targeted at reducing the risk of damage caused by strenuous, manual repetitive work on the full arm.

The undersigned declares that the annual report has been prepared in accordance with generally accepted accounting principles and gives a true and fair view of the company's position and results and that the Board of Directors' report provides a true and fair view of the development of the company's operations, position and results and describes significant risks and uncertainties that the company faces.

The income statement and balance sheet will be presented to the Annual General Meeting for approval.

Stockholm 10 April 2019



**Anders Lundmark**  
Chairman of the Board



**Tomas Ward**  
Board



**Hans Von Holst**  
Board

**Karin Ruiz**  
Board



**Runar Björklund**  
Board



**Kunal Pandit**  
Board



**Petter Bäckgren**  
Board

**Auditor**

*This document is a translation of the original Swedish annual report and  
My auditors' report was submitted on 10 april 2019 has not been audited*



**Anna Stenberg**  
Auktoriserad revisor