

Bioservo Technologies AB

Annual report

2022-01-01 – 2022-12-31



Petter Bäckgren comments on the year 2022



The company delivers on important milestones; Carbonhand® is approved for sale in Europe and initiates the commercial phase with convincing clinical evidence. Sales for Bioservo in 2022 total SEK 9.6 million, which is an increase of 35% compared to the previous year (SEK 7.1 million). Sales in 2022 were affected by the delayed start of sales for Carbonhand® in combination with the absence of expected sales of Ironhand® during the latter part of the year.

Looking ahead, however, it is gratifying that the company achieved several important milestones to initiate the commercial launch of Carbonhand® within Life Science from January 2023. Carbonhand® received MDR approval and was released for sale in Europe, the clinical results from the iHand results have been presented and confirm significant power improvement with Carbonhand®, and distributors in Europe and Australia were trained to be able to initiate the launch of Carbonhand® in the respective markets.

The delay in the start of sales of Carbonhand® meant that the accumulated order backlog already at the turn of the year amounted to approx. 40 Carbonhand® systems, consisting of orders for patients as well as orders for demonstration systems with an order value of just over SEK 2 million. In light of the great interest from distributors and patients, we are working intensively to increase manufacturing capacity.

Carbonhand® is approved as a medical device according to the MDR and released for sale in Europe

After extensive and intensive development work and completed safety tests, Carbonhand 2.0 is now approved as a medical technical assistive device according to current regulations and released for sale in Europe. Bioservo has therefore initiated sales to distributors and end users within the EU as well as other countries that accept MDR as a regulatory approval in their market. In the Swedish market the company conducts its own sales and on other markets in Europe the company works through specialized distributors. distributors with relevant expertise and market presence. We currently have distributors in Norway, Germany, France, Italy, Switzerland, and Australia. The work to expand the sales network to more important markets is ongoing, and we are in the final stages of contracting several new distributors.

The work to make Carbonhand® available also to patients with impaired hand function in the USA is ongoing, and a regulatory application for approval with the FDA is planned during the year. Our hope is that sales can start in the first half of 2024 at the latest.

Carbonhand® has a proven therapeutic effect on grip strength, hand function and quality of life

The recently completed iHand study demonstrates a therapeutic, i.e. permanent, effect regarding grip strength and hand function after six weeks of using Carbonhand. The final results were presented simultaneously at two international congresses, the World Congress of Neurorehabilitation (WCNR) in Vienna and the Congress of Hand Surgery (SFRM-GEMMSOR) in Paris, organized by the French Society of Hand Surgery.

The result is convincing and shows that the use of Carbonhand for six weeks provides an improvement in hand strength by 24% (+1.9 kg), with a residual effect of 22% (+1.6 kg) 4 weeks after the end of the intervention period. The study included 63 patients and has been carried out in 8 clinics in collaboration with the research institute Roessingh Research and Development in the Netherlands.

Great need for Carbonhand for new categories of patients

Analyzes of the results on grip strength have also been carried out on different subgroups. Those who have had the greatest therapeutic effect of Carbonhand are people with peripheral orthopedic injuries, such as fractures in the hand, nerve damage after surgery or brachial plexus damage. Other patient groups that have greatly improved grip strength are those with damage to the central nervous system such as stroke, MS or spinal cord injury. A strong improvement in grip strength is also seen in people with rheumatic diseases or osteoarthritis.

The result, which clearly demonstrates the clinical benefit of using Carbonhand®, means that Bioservo now has the opportunity to reach the market for rehabilitation aids with completely new conditions. The result will also form the basis of a health economic analysis, which is often used as an important decision basis for procurement in Sweden and internationally, both within compensation systems and by insurance companies.

The Waupaca Foundry project is concluded with good results and Ironhand® will be implemented at more sites

Waupaca Foundry, Bioservo and Rhino Tool House have successfully completed testing in a partnership project where 30 Ironhand systems have been deployed over seven months at their facility in Marinette, Wisconsin, USA. The project's goal has been to validate Ironhand® in the challenging foundry environment and to prepare for a wider implementation at more of their facilities. The tests show excellent results with employees testifying to reduced fatigue and reduced pain in hands and arms after work and the ergonomic risk reports generated by Ironhand show significantly reduced force levels. In addition, an Occupational Safety and Health Administration (OSHA) Incident Rating report from the period shows that the incident rate is 75% lower with Ironhand than for comparable facilities. The conclusions of Waupaca health and safety officials are that the reason for the significant reduction in incident rates stems from less hand fatigue and increased awareness of incident risks through the use of Ironhand.

The positive results from the implementation project now mean that Waupaca chooses to continue implementing Ironhand at three additional facilities, which means that Waupaca will have 60 active Ironhand® in use from the second quarter of 2023. The additional 30 Ironhand® to be used in the upcoming phase of the rollout have an order value of SEK 1.8 million.

Continued focus on commercialization and cost-effectiveness

During the period, the restructuring was initiated to prepare the company for higher production volumes by fully establishing manufacturing at our production partners, a restructuring that also means cost savings by reducing the organization by approx. 25%. The cost savings will have full effect during the second quarter of 2023 and are estimated to amount to approximately SEK 7 million on an annual basis.

Future prospects

The new Carbonhand® has received a very satisfactory reception from patients, healthcare personnel and from our distributors who are now initiating the important launch work. Carbonhand® will help patients cope with necessary activities in everyday life and thereby also relieve the healthcare system in an efficient way. That the product is now approved and released to the market and that the iHand results demonstrate a clear clinical benefit are important milestones for Bioservo, which is now seriously entering the commercialization phase also within the Life Science segment.

For Ironhand®, we see that our strategy of focusing on verticals where we create a clear customer benefit is now yielding results. The outcome of the project at Waupaca, where Ironhand® reduces the risk of incidents by 75%, is convincing and provides decision makers at customers with clear proof that Ironhand® creates value in companies. Interest in Ironhand® within the foundry industry has grown over the course of the project and Waupaca has been repeatedly contacted by other companies in the industry to provide their views on the benefits of Ironhand®.

Personal reflections

Bioservo has a unique leading position in grip-strengthening gloves and is in a very exciting phase where the entire company is now organized and focused on achieving commercial success. The important and exciting mission for me and for my employees to make our technology available to thousands of users worldwide has started, a mission that I am really looking forward to.

Kista, March 27, 2023

Petter Bäckgren

Management report

The board and the managing director of Bioservo Technologies AB with headquarters in Stockholm, organization number 556650-7264, hereby submit the annual report for the financial year 2022. The annual report is prepared in Swedish kronor, SEK.

The business

Bioservo Technologies AB (publ) is a world-leading company in portable, muscle strengthening systems for people who need extra strength and endurance. All of our innovative products and systems are designed to keep people strong, healthy and efficient.

The company has a unique global position in soft exoskeleton technology at hand, both for industrial applications that improve worker health and to improve the quality of life for people with reduced muscle strength.

Bioservo Technologies was founded in 2006 through a collaboration between researchers at the Royal Institute of Technology and doctors at Karolinska Hospital in Stockholm. Bioservo Technologies is a Swedish public limited company with headquarters and operations in Kista north of Stockholm. The share was listed on the Nasdaq First North Growth Market on May 22, 2017.

Significant events during the financial year

- During the year, Nishio Rent All Co Ltd ordered 10 Ironhand® 2.0 systems at an order value of SEK 500,000. The order is a result of increased interest in Ironhand from industrial customers in Japan.
- Appointment of sales manager for Ironhand in the USA who will support our distribution partners and ensure successful commercialization of Ironhand in the USA.
- Appointment of Nordic sales manager for Life Science to launch a new version of Carbonhand in connection with expected positive results from the ongoing iHand study.
- The research collaboration between Bioservo Technologies, Aleris Rehab Station Stockholm, Karolinska Institute and the Royal Institute of Technology is entering an active phase with the first patient included. The purpose of the pilot study is to investigate whether the use of a soft active exoskeleton, for example Carbonhand, can mitigate the effects of a stroke and ultimately shorten the rehabilitation time.
- Via the distributor Rhino Tool House, Bioservo Technologies AB has received a first order from Waupaca Foundry for 30 Ironhand® systems at an order value of SEK 1.6 million.
- The company has published new financial targets for 2025 based on the increasing interest in the industrial segment in the US and the upcoming launch of Carbonhand 2.0 in the healthcare segment. According to the new goals, Bioservo will achieve a turnover of SEK 100 million and cash flow positivity during 2025.
- Carbonhand® is classified and approved as a medical device according to the European Medical Device Regulation (MDR), which means that Carbonhand 2.0 can start being sold in Europe.
- Bioservo signs a distributor agreement with Device Services Australia for the sale of Carbonhand®, a market with a well-developed national reimbursement system, which provides good conditions for Carbonhand® to become a relevant addition as an assistive and rehabilitative aid. Bioservo strengthens the sales channel in Germany, the largest market in Europe, and completes the network with another distributor, Hidrex GmbH's. The company has also signed a distribution agreement with Rehabilitations Systeme AG for the sale of Carbonhand® in Switzerland. The agreement provides access to a new market with established payment systems and is part of a strong investment in Life Science. Together with Ergo Diffusion, Bioservo has signed a distribution agreement for the sale of Carbonhand® in France.

The agreement is part of the company's investment in strengthening the sales network within Life Science in Europe.

- Bioservo outsources all production to partner companies. In connection with the restructuring of the organization, the company implements cost savings by reducing the organization by approx. 25%, mainly production personnel, and by reducing the use of external consultants. The effect of the cost savings is expected to begin to have an effect during the second quarter of 2023 and is estimated to amount to approximately SEK 7 million on an annual basis.
- In the recently completed iHand study, a therapeutic, i.e. permanent, effect regarding grip strength and hand function was demonstrated after six weeks of using Carbonhand. The final results presented in December 2022 show that the people who participated and used the Carbonhand grip-strengthening glove during activities of daily living improved their grip strength by an average of 24%.
- Bioservo Technologies AB's is carrying out a rights issue with preferential rights for the shareholders ("Rights Issue") which will end on October 10, 2022. The rights issue is fully subscribed and provides the company with approximately SEK 30.3 million before issue costs.
- During the fourth quarter, the company transferred part of the component inventory to a sub-consultant for approximately SEK 3.7 million, corresponding to the acquisition value for the company. The transaction has been reported net in the income statement. Payment received on January 2, 2023

Significant events after the end of the financial year

- During January 2023, the new Carbonhand® will be delivered to the first patients in Sweden, Norway and Germany. The order backlog at the turn of the year amounted to approx. 40 units.
- Waupaca Foundry, Bioservo and Rhino Tool House conclude a successful partnership project where 30 Ironhand systems have been used over seven months. Waupaca decides to continue a rollout at three m facilities. The additional 30 Ironhand systems to be used in phase 2 of the rollout are sold at an order value of SEK 1.8 million.

Significant risks and uncertainties

Risks are a natural part of all business activities and a certain level of risk-taking is a prerequisite for economic growth. The board bears ultimate responsibility for Bioservo's risk management, but activities to manage these are distributed at all levels within the company.

Through its operations, Bioservo is exposed to various financial risks such as currency risk, interest rate risk, credit risk and liquidity risk. The company's operations are currently mainly about developing and commercializing new technology. The development work and build-up of processes for production and distribution are thereby associated with both business risks, such as product development being delayed, or costs being higher than expected or loss of key personnel in the company, such as market risks and regulatory risks.

Research and Development

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

- Further development of mechanics, electronics, textiles and software
- Sensor technology with a focus on robustness and washability
- Improvements regarding power transmission and comfort in the glove
- Development of Carbonhand 2.0
- Production processes and assembly methods
- Clinical study to demonstrate the rehabilitative effect of Carbonhand®.

Bioservo's ambition is to continue to be a leader in active exoskeletons with a focus on the hand and therefore continuously invests in developing the technology and improving the products.

Financial overview

Net sales

Net sales in 2022 amounted to SEK 9.6 (7.1) million for the full year 2022.

Operating expenses

Operating costs amounted to SEK 65.4 (46.6) million for the full year 2022. The increase in operating costs is primarily attributable to costs prior to the launch of Carbonhand, extensive analysis work of a one-off nature to investigate Carbonhand's commercial opportunities in the American market, costs for organizational restructuring with staff reductions, higher overheads relating to external consultants in the work to complete Carbonhand, higher travel costs and costs attributable to market activities.

Operating results

Operating profit before depreciation (EBITDA) amounted to -47.6 (-30.5) MSEK, while operating profit (EBIT) amounted to -50.5 (-34.7) MSEK.

The result of the period

The profit for the period amounted to -50.5 (-34.7) MSEK, corresponding to a profit per share of -1.76 (-1.83) SEK

Cash flow

The period's cash flow during the year amounted to -26.5 (-1.0) MSEK. Cash flow for current operations amounted to -50.6 (-34.4) driven by a negative development of operating profit. Positive cash flow from financing activities of SEK 25.1 (35.1) million is attributed to the issue carried out during the year. During the year, the cash flow was affected, among other things, by higher costs regarding external consultants, higher personnel overheads and inventory build-up to secure product supply.

Financial position and investments

Total assets as of 31 December 2022 amounted to SEK 52.5 (73.5) million. Cash and cash equivalents as of December 31, 2022 amounted to SEK 25.0 (51.5) million. The equity ratio amounted to 71% (85%) at the end of the period.

Coworker

Number of employees as of 31 December 2022 amounted to 29 (30) people.

Ownership conditions

At the end of the period, the company had 3,030 shareholders. The company's three largest shareholders were as of 31 December 2022 Tellacq Group AB with 17.34%, Anders Lundmark with 8.60% and Försäkringsbolaget Avanza Pension 7.72%. Bioservo's list of owners with the largest shareholders is presented on the company's website.

Certified Adviser

FNCA Sweden AB is Bioservo Technologies Certified Adviser.

Multi-year overview

	2022	2021	2020	2019	2018
Net sales	9 643	7 100	11 662	9 269	6 707
Profit after financial items	-50 499	-34 672	-26 323	-23 246	-22 190
Total assets	52 537	73 523	70 616	81 260	50 248
Equity ratio (%)	71	85	88	93	80
Earnings per share before dilution, SEK	-2,56	-1,83	-1,82	-2,35	-3,12
Earnings per share after dilution, SEK	-2,56	-1,83	-1,82	-2,35	-3,12
Average number of shares before and after dilution	19 747 901	16 588 237	14 438 047	9 876 615	8 936 451
Number of outstanding shares per balance sheet date	28 436 977	18 957 985	15 798 321	14 298 321	8 936 451

Key figure definitions

Net sales

The operation's main income, invoiced costs, side income and income corrections.

Profit after financial items

Results after financial income and expenses, but before extraordinary income and expenses.

Balance Sheet

The company's total assets.

Equity ratio (%)

Adjusted equity (equity and untaxed reserves less deferred tax) as a percentage of balance sheet.

Earnings per share before and after dilution

Profit for the year divided by the weighted average number of shares during the period before and after dilution.

Dividend

The board proposes that no dividend be paid for the financial year 2022.

Proposal for profit distribution

The board proposes that available profits (krona):

Premium fund	249 311 604
Accumulated loss	-172,953,395
Loss of the year	-50,498,847
	25 859 362

Distributed so that following are carried over to new calculation 25,859,362

The company's results and position in general can be seen from the subsequent profit and loss account and balance sheet as well as cash flow analysis with notes.

INCOME STATEMENT		2022-01-01	2021-01-01
	Note	2022-12-31	2021-12-31
Operating income, inventory change, etc			
Net sales		9 643	7 100
Other operating income	3	5 201	4 808
Total operating income, inventory change, etc		14 844	11 908
Operating expenses			
Raw materials and consumables		-7 643	-5 155
Other external expenses		-25 017	-11 185
Personnel costs	4	-29 141	-24 980
Depreciation and tangible and intangible fixed assets		-2 992	-4 139
Other operating expenses		-623	-1 126
Total operating expenses		-65 416	-46 585
Operating income		-50 572	-34 677
Financial income and expenses			
Other interest income and similar items		83	16
Interest costs and similar income items		-10	-11
Total financial income and expenses		73	5
Profit after financial expenses		-50 499	-34 672
Profit before tax		-50 499	-34 672
Tax on the year's profit	5	-	-
RESULTS OF THE YEAR		-50 499	-34 672

BALANCE SHEET	Note	2022-12-31	2021-12-31
ASSETS			
Fixed assets			
Intangible assets			
Balanced expenses for development and related activities	6	2 770	4 883
Patents, trademarks and other intellectual rights	7	3 146	2 953
Total intangible fixed assets		5 916	7 836
Tangible fixed assets			
Inventory	8	186	205
Total intangible fixed assets		186	205
Total fixed assets		6 102	8 041
Current assets			
Inventory, etc			
Raw materials and consumables		12 236	5 031
prepared goods and goods for sale		473	819
Total inventory		12 709	5 851
Receivables			
Accounts receivable		5 517	1 430
Other receivables		971	1 376
Prepayments and accrued income		2 229	5 307
Total current receivables		8 717	8 113
Cash and bank balances			
Cash and bank balances		25 009	51 520
Total cash and bank		25 009	51 520
Total current assets		46 435	65 484
TOTAL ASSETS		52 537	73 525

BALANCE SHEET

Note 2022-12-31 2021-12-31

EQUITY AND LIABILITIES

Equity

Restricted equity

Share capital	5 687	3 792
Development expenditure fund	5 916	7 649

Total restricted equity

11 603 11 441

Unrestricted equity

Premium fund	249 312	226 014
Balanced result	-172 953	-140 014
This year's results	-50 499	-34 672

Total unrestricted equity

25 860 51 328

Total equity

37 463 62 769

Provisions

Other provisions	938	193
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Total provisions

938 193

Current liabilities

Accounts payable	6 310	5 613
Other current liabilities	2 472	1 038
Accrued costs and prepaid income	5 354	3 912

Total liabilities

14 136 10 563

TOTAL EQUITY AND LIABILITIES

52 537 73 525

Change in Equity

	Share capital	Fund development expenses	Premium fund	Balanced result	This year's results	Total
Opening equity Jan.1, 2022	3 792	7 649	226 014	-140 014	-34 672	62 766
Change in development expenditure fund		- 1 733		1 733		-
Warrants exercised			57			57
Rights issue	1 895		25 814			27 710
Issue costs			-2 573			-2 573
Disposition according to decision of this year's AGM:				-34 672	34 672	-
This year's results					-50 499	-50 499
Amount at the end of the year	5 687	5 916	249 312	-172 953	-50 499	37 463

CASH FLOW ANALYSIS

	2022-01-01 2022-12-31	2021-01-01 2021-12-31
The ongoing operations		
Operating results	-50 572	-34 677
Depreciation	2 992	4 139
Provisions for warranty	74	-121
Adjustment for items that are not part of the cash flow, etc	728	-
Interest paid	-10	-11
Interest received	83	16
Cash flow from operating activities before changes in working capital	-46 705	-30 654
Changes in working capital		
Change of stock	-6 858	-2 735
Change in operating receivables	-603	-3 546
Change in operating liabilities	3 572	2 572
Cash flow from current operations	-50 594	-34 363
Investing activities		
Investment in intangible fixed assets	-915	-
Investment in tangible fixed assets	-138	-1 810
Cash flow from investment activities	-1 053	-1 810
Financial activities		
Rights issue	27 710	36 336
Issue costs	-2 573	-1 922
Warrants exercised	0	715
Cash flow from financing activities	25 137	35 129
Total cash flow for the period	-26 510	-1 044
Cash and cash equivalents at the beginning of the year	51 520	52 564
Cash and cash equivalents at the end of the year	25 009	51 520

ADDITIONAL INFORMATION

Note 1 Accounting and valuation principles

General information

The annual report is prepared in accordance with the Annual Accounts Act and BFNAR 2012:1 Annual report and consolidated accounts (K3). We follow BFNAR 2020:1 on certain accounting issues due to the coronavirus.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency have been valued at the exchange rate on the balance sheet date. Exchange rate gains and losses on operating receivables and operating liabilities are reported in the operating profit, while exchange rate gains and losses on financial receivables and liabilities are reported as financial items.

Income statement

Revenues have been taken up at the fair value of what has been received or will be received and reported to the extent that it is likely that the financial benefits will be appropriated to the company and the revenues can be calculated reliably.

When selling goods, the income is normally recognized as revenue when the essential benefits and risks associated with the ownership of the goods have been transferred from the company to the buyer.

Rental income

The rental income is classified as operational leasing because it relates to lease agreements where the financial benefits and risks attributable to the lease object remain essentially with the lessor. The rental income is invoiced in advance and reported in the period the rental refers to. Advance rents are reported as prepaid rental income.

Accounting principles for individual balance sheet items

Intangible assets

The company reports internally developed intangible fixed assets according to the capitalization model. Development expenses that add functionality and value are reported as intangible assets when the following criteria are met.

- it is technically and economically possible to complete the asset
- intention and condition exists to sell or use the asset
- it is likely that the asset will generate income or lead to cost savings
- the expenses can be calculated satisfactorily

Directly attributable expenses that are balanced as part of an intangible asset include employee expenses and a reasonable proportion of indirect costs. Other development costs, which do not meet the above criteria, are expensed when they arise.

Tangible fixed assets

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

Depreciation intangible and tangible fixed assets

Depreciation occurs on a straight-line basis over the asset's estimated useful life as it reflects the expected consumption of the asset's future economic benefits. Depreciation is reported as an expense in the income statement.

The following depreciation periods apply:

Intangible assets

Balanced expenditure for development work	5 years
Patent	5 years

For balanced development expenses, depreciation begins as soon as the asset is completed and can be used in the intended way.

Tangible fixed assets

Inventory	5 years
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Financial instruments

Long-term receivables and long-term liabilities are reported at accrued acquisition value, which corresponds to the present value of future payments discounted with the effective interest rate calculated at acquisition value. Short-term receivables are reported at the lower of acquisition value and net realizable value. Short-term liabilities, which are expected to be settled within 12 months, are reported at nominal amount.

Accounts receivable/short-term receivables

Accounts receivable and short-term receivables are reported as current assets at the amount that is expected to be paid after deduction for individually assessed bad debts.

Loan debts and accounts payable

Loan debts and trade payables are initially reported at acquisition value after deducting transaction costs. If the reported amount differs from the amount to be repaid at maturity, the difference is accrued as interest expense over the term of the loan using the instrument's effective interest rate. Hereby, at the due date, the reported amount and the amount to be repaid correspond.

Settlement of financial claim and financial debt

A financial asset and a financial liability are set off and reported with a net amount in the balance sheet only when a legal right of set-off exists and when a settlement with a net amount is intended to take place or when a simultaneous disposal of the asset and settlement of the liability is intended to take place.

Write-downs

Should there be an indication of a decline in value regarding an asset, its recovery value is determined. If the asset's book value exceeds the recovery value, the asset is written down to this value. The recovery value is defined as the higher of the market value and the value in use. Write-downs are reported on the income statement.

Lease agreement

The company reports all leasing agreements, both financial and operational, as operational leasing agreements. Operating leases are reported as a cost linearly over the lease period.

Inventory

The inventory has been valued at the lower of its acquisition value and its net sales value on the balance sheet date. Net sales value refers to the goods' calculated sales price less sales costs. The chosen valuation method means that obsolescence in the inventory has been taken into account.

Income taxes

Total tax consists of current tax and deferred tax. Taxes are reported in the income statement, except when the underlying transaction is reported directly against equity, in which case the associated tax effects are reported in equity.

Deferred tax

Deferred tax is income tax that refers to future financial years as a result of past events. Accounting takes place according to the balance sheet method. According to this method, deferred tax liabilities and deferred tax receivables are reported on temporary differences that arise between the book and tax values of assets and liabilities as well as for other tax deductions or deficits.

Deferred tax assets are netted against deferred tax liabilities only if they can be paid with a net amount. Deferred tax is calculated based on the applicable tax rate on the balance sheet date. Effects of changes in applicable tax rates are recognized in the income statement in the period in which the change is legislated. Deferred tax receivable is reported as a financial fixed asset and deferred tax liability as a provision.

Deferred tax receivables regarding loss deductions or other future tax deductions are reported to the extent that it is likely that the deductions can be set off against future tax surpluses.

Due to the relationship between accounting and taxation, the deferred tax liability attributable to untaxed reserves is not separately accounted for.

Provisions

Obligations towards third parties that are attributable to the financial year or previous financial years and which on the balance sheet date are either certain or probable as to their occurrence but uncertain as to amount or as to the time when they are to be fulfilled have been reported as a provision. The company provides a minimum three-month warranty on certain components in accordance with historical statistics.

Compensation to employees

Compensation to employees refers to all forms of compensation that the company provides to the employees. Short-term compensation consists of, among other things, wages, paid vacation, paid absence, bonus and compensation after termination of employment (pension). Short-term compensation is recognized as an expense and a liability when there is a legal or informal obligation to pay compensation as a result of a previous event and a reliable estimate of the amount can be made.

Pensions

The company's pension plans include defined contribution pension plans. In defined contribution plans, the company pays set fees to a separate legal entity. Once the fee is paid, the company has no further obligations. All pension plans are reported as defined contribution plans, which means that the premium paid is reported as an expense as the pension is earned.

Public contributions

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 of 50% or 70% of incurred costs. These costs consist partly of hours worked but also indirect and direct costs.

The projects' development and budget follow-up are reported to the EU on an ongoing basis

Public grants are reported at fair value when it is reasonable and certain that the grants will be received, and the company will fulfill the conditions associated with the grant. Grants that are paid in advance are recognized as revenue in step with the work performed that is part of the specific project to which the grant relates. In accordance with BFNAR 2020:1, grants in the form of short-term leave have been reported as income in the financial year to which the grant relates, when an assessment has been made that the grant will be received with reasonable certainty.

Cash flow analysis

The cash flow analysis is prepared according to the indirect method. The reported cash flow includes only transactions that entailed receipts or payments.

As liquid assets, the company classifies, in addition to cash, available balances with banks and other credit institutions as well as short-term liquid investments that are listed on a market place and have a shorter maturity than three months from the time of acquisition. Changes in blocked funds are reported in investment activities.

Important estimates and judgments for accounting purposes

To prepare financial reports, company management makes assessments and estimates that affect the reported amounts of assets and liabilities, income and expenses. Actual outcomes may differ from these estimates and judgments. The estimates and assumptions that may lead to a risk of significant adjustments in the reported value are primarily the

valuation of intangible fixed assets. Every year it is tested whether there is any indication that the value of assets is lower than the reported value. If there is an indication, the asset's recovery value is calculated, which is the highest of the asset's fair value with deductions for sales costs and value in use. The inventory is valued at the lower of the acquisition value and fair value, and an assessment is made that the reported deduction for obsolescence covers the actual obsolescence.

Subscription options

As of 2022-12-31, there are 806,230 outstanding warrants. Altogether, the warrants entitle the holder to subscribe for a total of 1,170,944 shares. The warrants are issued partly within the framework of an option program for key persons and employees in the company. The subscription program is subject to customary conversion conditions in connection with issues etc.

Series 2016-2023

The number of options issued amounts to 60,520, which gives the right to subscribe for a maximum of 355,857 shares. The subscription price is between SEK 23.39 and SEK 37.00 depending on when during the subscription period the subscription takes place. The warrants can be exercised from 25 January 2017 to 31 December 2023.

If all issued warrants are fully exercised, the number of shares and votes in the Company increases by 355,857 shares, each with a quota value of SEK 0.20, resulting in the Company's capital increasing by a maximum of SEK 71,171.40.

Series 2018-2023

The number of options issued amounts to 385,710, which gives the right to subscribe for a maximum of 455,137 shares. The subscription price is SEK 25.51 per share and can be used from the first quarter of 2023 until December 15, 2023.

If all issued warrants are fully exercised, the number of shares increases by 455,137 shares, each with a quota value of SEK 0.20, resulting in the Company's share capital increasing by a maximum of SEK 91,027.40.

Series 2021-2024

The number of issued options amounts to 285,000, which gives the right to subscribe for a maximum of 285,000 shares. The subscription price is SEK 21.93 per share. The warrants can be used from 10 May 2024 to 10 June 2024. Upon full exercise of all issued warrants, the number of shares and votes in the Company increases by 285,000 shares, each with a quota value of SEK 0.20, resulting in the Company's share capital increasing by a maximum of SEK 57,000.00.

Series 2022-2025 A

The number of issued options amounts to 30,000, which gives the right to subscribe for a maximum of 30,000 shares. The subscription price is SEK 10.11 per share. The warrants can be used from 20 May 2025 to 20 June 2025. If all issued warrants are fully exercised, the number of shares and votes in the Company increases by 30,000 shares, each with a quota value of SEK 0.20, resulting in the Company's share capital increasing by a maximum of SEK 6,000.00.

Series 2022-2025 B

The number of issued options amounts to 45,000, which gives the right to subscribe for a maximum of 45,000 shares. The subscription price is SEK 3.71 per share. The warrants can be used from 25 November 2025 to 25 December 2025. If all issued warrants are fully exercised, the number of shares and votes in the Company increases by 45,000 shares, each with a quota value of SEK 0.20, resulting in the Company's share capital increasing by a maximum of SEK 12,000.00.

Series TO 2

The number of issued options amounts to 9,478,992. Two warrants entitle the holder to subscribe for one new share at a subscription price of 70% of VWAP during the measurement period 2023-08-21 through 2023-09-01, but minimum SEK 3.20 per share and maximum SEK 6.40 per share. The useful period runs between 2023-09-04 to 2023-09-18. If all issued warrants are fully exercised, the number of shares and votes in the Company increases by 4 739 496 shares, each with a quota value of SEK 0.20, resulting in the Company's share capital increasing by a maximum of SEK 947 899,20.

DISCLOSURES FOR INDIVIDUAL ITEMS

Note 2 Financial arrangements not recognized on the balance sheet

During the period, the company transferred part of the component inventory to a sub-consultant for approximately SEK 3.7 million, corresponding to the acquisition value for the company. The transaction has been recognized net in the income statement. Payment was received on 2 January 2023.

Note 3 Other operating income

Other operating income includes remuneration received for the EU-funded development projects in which the company has participated, totaling SEK 4,120 thousand (SEK 3,492 thousand).

Other operating income includes support for short-term layoffs from Tillväxtverket, with SEK -149 thousand (SEK 366 thousand).

Note 4 Employees and personnel costs

The average number of employees	2022	2021
Women	7	8
Men	22	22
Total	29	30

Salaries and other remuneration including social and pension costs	2022	2021
Salaries and other remuneration board, CEO and senior executives	6 953	6 759
Salaries and other remuneration other employees	12 026	10 206
Social costs and pension costs*	9 066	6 619
* Of which refers to Pension costs	(2 119)	(2 942)
Other personnel costs	1 096	1 396
Total salaries, other remuneration, social and pension costs	29 141	24 980

Gender distribution among senior executives

Proportion of women on the board	40%	22%
Proportion of men on the board	60%	78%
Proportion of women among other senior executives	17%	4%
Proportion of men among other senior executives	83%	96%

Personnel costs of SEK 0 (SEK 0) have been balanced as development costs

Other senior executives refer to the persons who, together with the CEO, make up the company's management. The number of people in the group is 6 (6). Fees are paid to the chairman and members of the board in accordance with the annual general meeting's decision. The table below shows compensation received.

Salaries and remuneration of the Board of Directors

Where directors' fees are invoiced, the social cost is included in the amount recognized.

2021

	<i>Position</i>	<i>Salary/other remuneration</i>	<i>Pension costs</i>	<i>Total</i>
Anders Lundmark	Chairman of the Board	200	-	200
Runar Bjørklund	Board Member	80	-	80
Kerstin Valinder Strinnholm	Board Member	53	-	53
Margit Alt Murphy	Board Member	53	-	53
Kunal Pandit	Board Member	27	-	27
Nikolaj Sørensen	Board Member	80	-	80
Claes Mellgren	Board Member	27	-	27
Petter Bäckgren	CEO	1 987	332	2 319
Other Senior Executives		4 252	941	5 193
		6 759	1 273	8 032

2022

	<i>Position</i>	<i>Salary/other remuneration</i>	<i>Pension costs-</i>	<i>Total</i>
Anders Lundmark	Chairman of the Board	200	-	200
Runar Bjørklund	Board Member	80	-	80
Kerstin Valinder Strinnholm	Board Member	80	-	80
Margit Alt Murphy	Board Member	80	-	80
Nikolaj Sørensen	Board Member	80	-	80
Petter Bäckgren	CEO	2 031	318	2 349
Other Senior Executives		4 402	771	5 173
		6 953	1 089	8 042

Note 5 Tax on the year's profit

Bioservo changed its principle in 2018 not to activate deferred tax assets until the company reports positive tax surpluses. The total fiscal deficit amounts to SEK 232,906 thousand (179,987).

Note 6 Balanced expenses for development and related activities

	2022-12-31	2021-12-31
Initial acquisition value	20 553	19 195
Purchase	66	1 358
Closing accumulated acquisition values	20 619	20 553
Initial depreciation	-15 670	-11 992
This year's depreciations	-2 179	-3 678
Outgoing accumulated depreciation	-17 849	-15 670
Outgoing reported balance	2 770	4 883

Intangible assets mainly include capitalized development fees for the development of new products. The activation takes place with worked hours as a basis, as it is salary costs for the development department which is activated.

Note 7 Patents, trademarks and other intellectual rights

	2022-12-31	2021-12-31
Initial acquisition value	4 515	4 063
Purchase	849	452
Closing accumulated acquisition values	5 364	4 515
Initial depreciation	-1 562	-1 250
This year's depreciations	-656	-312
Outgoing accumulated depreciation according	-2 218	-1 562
Outgoing reported balance	3 146	2 953

Note 8 Inventory

	2022-12-31	2021-12-31
Initial acquisition value	748	748
Purchase	138	-
Closing accumulated acquisition values	886	748
Initial depreciation	-543	-393
This year's depreciations	-157	-150
Outgoing accumulated depreciation	-700	-543
Outgoing reported balance	186	205

Note 9 Contingent liabilities

	2022-12-31	2021-12-31
Other contingent liabilities	0	50
Total contingent liabilities	0	50

Note 10 Significant events after the end of the financial year

During January 2023, the new Carbonhand® will be delivered to the first patients in Sweden, Norway and Germany. The order backlog at the turn of the year amounted to approx. 40 units.

Waupaca Foundry, Bioservo and Rhino Tool House conclude a successful partnership project where 30 Ironhand systems have been used over seven months. Waupaca decides to continue a rollout at three more facilities. The additional 30 Ironhand systems to be used in phase 2 of the rollout are sold at an order value of SEK 1.8 million.

The undersigned assures that the annual report has been prepared in accordance with good accounting practice and gives a fair picture of the company's position and results and that the management report gives a fair overview of the development of the company's operations, position and results and describes significant risks and uncertainty factors that the company is facing.

The income statement and balance sheet will be submitted to the annual general meeting for approval.

Kista 28 March, 2023

Anders Lundmark
Chairman of the Board

Runar Bjørklund
Board member

Margaret Alt Murphy
Board member

Kerstin Valinder Strinholm
Board member

Nikolaj Sørensen
Board member

Petter Bäckgren
CEO