

Bioservo Technologies AB Interim Report January – September 2019



Third quarter of 2019 in brief

- Net sales increased to SEK 1.7 M (1.0)
- EBITDA amounted to SEK -4.6 M (-5.8)
- EBIT totalled SEK -5.5 M (-6.7)

Interim report, 1 January to 30 September 2019

Third quarter in figures

- Net sales SEK 1.7 M (1.0)
- EBITDA of SEK -4.6 M (-5.8)
- EBIT of SEK -5.5 M (-6.7)
- Earnings for the period was SEK -5.5 M (-6.7)
- Earnings per share before and after dilution amounted to SEK -0.61 (-0.75)
- At 30 September, cash and cash equivalents were SEK 9.4 M (32.1)

First nine months in figures

- Net sales SEK 6.9 M (4.0)
- EBITDA of SEK -13.8 M (-14.9)
- EBIT of SEK -16.6 M (-17,2)
- Earnings for the period was SEK -16.6 M (-17.2)
- Earnings per share before and after dilution amounted to SEK -1.86 (-1.93)
- At 30 September, cash and cash equivalents were SEK 9.4 M (32.1)

Significant events during the period

- Bioservo successfully completed a Rights issue with preferential rights for the existing shareholders on September 30, 2019. The interest to participate was significant and in total the Rights issue was subscribed to 156.3 percent.
- Bioservo signed exclusive distributor agreements for Ironhand® on priority markets:
 - For the French market, Bioservo entered into an agreement with GOBIO, a brand within EUROPE TECHNOLOGIES Group. GOBIO has previous experience of successful sales of exoskeletons for industrial use and has a strong network of relevant customers.
 - For the American market, Bioservo signed an agreement with Rhino Assembly Ltd that focuses on delivering the world's most innovative solutions for the assembly market. Rhino works with customers like Ford, BMW, Boeing, Caterpillar and several others within the automotive, aerospace and agriculture industries.
 - For the German, Spanish, Portuguese and Polish market, Bioservo entered into an agreement with ITURRI, S.A. that has experience from successful sales of exoskeletons for industrial applications.
 - Bioservo also signed an agreement with Health2Work for the Dutch market and awb Schraubtechnik- und Industriebedarf GmbH for the Austrian market.
- Bioservo's development partner Eiffage received four awards for the work with Ironhand®. The two companies have, since 2017, a close research- and development partnership for the development of Ironhand®.
- The benefits of Bioservo's patented and award-winning SEM™ technology was illustrated in a scientific article. The article was published in the scientific journal PLOS ONE and proves that Carbonhand®, either as an aid or as a training tool, can counteract the deterioration of hand function associated with aging.
- Bioservo received, as part of the earlier communicated EU grant from Horizon 2020 for the iHand project, an amount of 837,000 EUR.

Events after the end of the period

- The proceeds from the Rights issue of 58.7 MSEK net of issue costs has been received and thereby strengthened the company's financial position. The rights issue has also been registered with the Swedish Companies Registration Office and the paid subscribed shares ("BTA") were converted into shares as of Monday, October 28, 2019.
- Bioservo has entered into a collaboration with Ericsson to primarily promote Ironhand® at major international exhibitions and events and to demonstrate in real-time the future possibilities of connected products through fast and stable networks.

Financial overview

	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full-year 2018
Net sales, SEK 000s	1 670	956	6 913	3 953	6 707
EBITDA, SEK 000s	-4 565	-5 837	-13 827	-14 862	-18 896
EBIT, SEK 000s	-5 491	-6 703	-16 616	-17 226	-22 183
Earnings for the period, SEK 000s	-5 491	-6 703	-16 621	-17 226	-27 890
Earnings per share before dilution, SEK	-0,61	-0,75	-1,86	-1,93	-3,12
Earnings per share after dilution, SEK	-0,61	-0,75	-1,86	-1,93	-3,12
Cash and cash equivalents, SEK 000s	9 437	32 074	9 437	32 074	25 561
Cash flow from operating activities for the period, SEK 000s	722	-7 801	-14 520	-10 913	-16 771
Equity, SEK 000s	22 536	50 384	22 536	50 384	40 145
Total assets, SEK 000s	33 343	60 372	33 343	60 372	50 249
Equity/assets ratio, %	67,6	83,5	67,6	83,5	79,9
Total no. of shares	8 936 451	8 936 451	8 936 451	8 936 451	8 936 451
Average no. of shares	8 936 451	8 936 451	8 936 451	8 936 451	8 936 451
R&D employees	10	10	10	10	10
Average no. of employees	29	28	28	27	27

Definitions

Net sales

Revenue from the sale of goods related to the company's core operations.

EBITDA

Earnings before interest, taxes, depreciation and amortization.

EBIT

Earnings before interest and taxes.

Cash and cash equivalents

Assets that are cash or can be converted into cash immediately.

Cash flow from operating activities

Cash flow before cash flow from investing and financing activities.

Equity/assets ratio

Equity expressed as a percentage of total assets.

Average number of employees

Calculated as the total number of hours worked divided by the number of normal working hours during the period.

Earnings (profit or loss) per share before and after dilution

Earnings divided by the weighted average number of shares during the period before and after dilution. If the earnings is negative, the number of shares before dilution is also used for the calculation after dilution.

About Bioservo Technologies

Bioservo Technologies AB (publ) is a technology and development company that combines medical science with modern robotics. The company holds a leading global position within soft exoskeleton technology – wearable non-invasive devices – for people in need of extra power to optimize the body's endurance and performance, or for people with reduced muscle strength.

Bioservo Technologies was founded in 2006 in collaboration between researchers at the Royal Institute of Technology and a doctor at Karolinska Hospital. Bioservo Technologies is a Swedish public limited company with headquarters in Stockholm.

For more information, please visit www.bioservo.com



CEO Petter Bäckgren comments on the third quarter of 2019

Successful rights issue completed¹, oversubscribed to 156%

Bioservo's shareholders showed great confidence in the company's strategic plan by supporting the successful Rights issue. With the trust from the shareholders, I am enthusiastic to bring the company through commercialization and accelerate the development program for future product generations. All of us at Bioservo are very motivated to now more actively introduce our unique and innovative products that add strength as well as counteract and reduce strain injuries.

Agreements with global partners in key markets have been secured

During the period we have built a global distributor network of selected partners with complementary products, solid experience and established customer networks. I am convinced that this will generate substantial value as we progress. The work of transferring our knowledge to our distributors is ongoing and I expect a broader commercialization to start, at the earliest, at the end of this year when sales and customer support functions are fully implemented at each distributor.

Toyota Motors positive about Ironhand® after long term trial in the United States

Besides General Motors, there are cooperations and trials in progress with a few larger companies within the automotive industry in both the United States and Europe. We can now communicate that, for the last few months, 14 workers at Toyota Motors have performed long-term tests of Ironhand® and the feedback has been positive. The result shows a clear reduction of risk for strain injuries according to HAL/TLV, an established scientific risk assessment method that has been integrated into the Ironhand® software as an objective measurement method. Toyota shows a great interest in Bioservo's technology and has chosen to move forward with additional testing of Ironhand® aiming to evaluate how to best implement Ironhand® within the company to both secure broader use and ultimately to reduce the risk of strain injuries.

Bioservo is partnering with Ericsson

Bioservo has established a partnership with Ericsson based on a joint vision where both partners aspire on leading positions in their respective fields. Ericsson's goal is to lead the development of industrial wireless communication by offering easy, fast and stable 4G/5G networks to the industry and Bioservo's goal is to lead the development of strengthening active soft exoskeletons. The partnership means joint marketing activities and promotion primarily on large international exhibitions and events where Ericsson demonstrates Ironhand® to show the future possibilities with connected products through fast and stable networks.

International exposure

In a short period of time, Ironhand® has received international exposure and has already won 5 prestigious awards based on the high level of innovation and through its work to prevent strain injuries and create sustainable workplaces. A few months back, Bioservo started a cooperation on the French market with Loxam, Europe's leading rental company. LOXAM has 760 branches in more than 13 countries in Europe, Middle East, Morocco and Brazil. The goal is that LOXAM will offer Ironhand® at several branches in Europe, primarily for the construction industry to support injury prevention. To date, Loxam has purchased 13 Ironhand® systems for this initial pilot project.

¹ The proceeds from the Rights issue of 58.7 MSEK net of issue costs were received in October 2019

General Motor's strike that has been ongoing during the period has temporarily stopped the ongoing tests as the relevant sites have been closed. Both parties intend to continue testing as soon as manufacturing operations are back to normal.

During the fourth quarter Bioservo and Ironhand® are being showcased on several international exhibitions. In Germany, ExoBerlin was recently concluded where Ironhand® was presented together with Eiffage Infrastructure with focus on their successful evaluations of the glove. During November, Bioservo will exhibit at A+A in Dusseldorf as well as at WeaRAcon in Stuttgart. On the French market, Bioservo participated together with our distributor GOBIO at Preventica in Marseille and will be exhibiting with LOXAM at the Patimat in Paris in November. In the United States, Ironhand® was shown in Ericsson's booth during MWC in Los Angeles with a focus on "intelligent connectivity". Bioservo also participated at ErgoX and HFES in Seattle where the latest developments within ergonomics and preventive products were discussed and demonstrated.

Market prospects

Our unique soft exoskeleton technology is currently being tested by leading companies and our conviction is that during the year 2020 Ironhand® will be implemented at companies in both the United States and Europe. In the long run we are convinced that exoskeletons will be broadly implemented and become a natural part of making workplaces more sustainable.

At Bioservo we are now devoting all our efforts towards transferring our knowledge to our distribution partners. We are conducting training, attending exhibitions and arranging joint customer meetings in order to create a stable platform for future sales generation through our distributors. The market for exoskeletons is emerging and more user-friendly and functional products are continuously being introduced on the market. The market growth is expected to exceed 40 percent per annum from 2018-2025 which means an increase of the total market size from approximately SEK 1.2 billion to nearly SEK 20 billion².

Personal reflections

Bioservo is the only company offering muscle-strengthening gloves for industrial use and the need for our technology is significant. The launch of the Ironhand® has generated an increased interest to test and evaluate our technology to avoid injuries in exposed grip intensive work situations. We have now started education and sales training for our distribution partners within our priority segments in Europe and the United States and this work will continue throughout 2019. My estimation is that our efforts at the earliest will translate into boarder customer implementations of our innovative products during 2020.

Besides the transfer of knowledge, we continue to focus on product development and during the fourth quarter this year we expect to present several news that will further improve the user experience of Ironhand® and simplify the handling. These improvements combined with the increased interest from our customers make me convinced that, during 2020, this will result in a broader implementation of Ironhand® as a grip strengthening and preventive solution at relevant workplaces. Through our successful Rights Issue we have now secured financing that will enable us to accelerate our commercial efforts and at the same time develop new products based on our patented SEM™ technology. I hope you will continue to follow us on this exciting journey of growth that has just started.

Kista, November 5, 2019

Bioservo Technologies AB (publ)

Petter Bäckgren, CEO

² Allied Market Research, Smart Exoskeleton Market: Global Opportunity Analysis and Industry Forecast, 2018 – 2025, February 2019

Financial overview

July – September 2019

Net Sales

Net sales increased 70% to SEK 1.7 M (1.0) for the third quarter. Growth was driven by sales of the industrial glove Ironhand, income from the development collaboration for Ironarm as well as continued stable sales of Carbonhand.

Operating expenses

Operating expenses amounted to SEK 10.4 M (9.7) for the third quarter. The increase in costs is mainly attributed to the commercialization costs for the global launch of the industrial glove Ironhand and for conducting the clinical study in the EU project iHand.

EBITDA/EBIT

EBITDA amounted to SEK -4.6 M (-5.8), while EBIT amounted to SEK -5.5 M (-6.7).

Earnings for the period

Earnings for the period was SEK -5.5 M (-6.7). Corresponding to earnings per share of SEK -0.61 (-0.75).

Cash flow

During the period, cash flow from operation activities was SEK 0.7 M (-7.8).

Financial position and investments

At 30 September 2019, total assets amounted to SEK 33.3 M (60.4).

At 30 September 2019, cash and cash equivalents were SEK 9.4 M (32.1). The equity/assets ratio was 67.6% (83.5) at the end of the period.

January – September 2019

Net Sales

Net sales increased 73% to SEK 6.9 M (4.0) for the first nine months. Growth was driven by sales of the industrial glove Ironhand, income from the development collaboration for Ironarm as well as continued stable sales of Carbonhand.

Operating expenses

Operating expenses amounted to SEK 34.2 M (27.7) for the first nine months. The increase in costs is mainly attributed to the commercialization costs for the global launch of the industrial glove Ironhand and for conducting the clinical study in the EU project iHand.

EBITDA/EBIT

EBITDA amounted to SEK -13.8 M (-14.9), while EBIT amounted to SEK -16.6 M (-17.2).

Earnings for the period

Earnings for the period was SEK -16.6 M (-17.2). Corresponding to earnings per share of SEK -1.86 (1.93).

Cash flow

During the period, cash flow from operating activities was SEK -14.5 M (-10.9).

Financial position and investments

At 30 September 2019, total assets amounted to SEK 33.3 M (60.4).

At 30 September 2019, cash and cash equivalents were SEK 9.4 M (32.1) MSEK. The equity/assets ratio was 67.6% (83.5) at the end of the period.

Employees

At 30 September 2019, the number of employees was 29 (28).

Accounting policies applied in the interim report

The same accounting policies were applied in Bioservo's interim report as in the most recent annual report: the Swedish Annual Accounts Act, and BFNAR 2012:1 Annual Accounts and Consolidated Financial Statements (K3).

Warrants

At 30 September 2019, there were 446 230 warrants outstanding. The warrants entitle holders to buy a total of 688 310 shares. The warrants are issued partly within the framework of a stock option program for key personnel and employees of the company.

2016-2023 plan

60 520 issued stock options entitle holders to buy 302 600 shares. The price ranges from SEK 23.30 - 43.20 SEK per share, depending on when the shares are bought during the exercise period. The

warrants can be exercised between 25 January 2017 and 31 December 2023.

Upon exercise of all issued warrants, the number of shares and votes in the company will increase by 302 600, each with a par value of SEK 0.20. The warrants are subject to customary recalculation terms in connection with issues, etc.

2018-2023 Plan

385 710 issued stock options entitle holders to buy 385 710 shares.

The price is SEK 30 per share and the warrants can be exercised until first quarter of 2023 until 15 December 2023.

Upon exercise of all issued warrants, the number of shares and votes in the company will increase by 385,710, each with a par value of SEK 0.20.

The warrants are subject to customary recalculation terms in connection with issues, etc.

Risks

Bioservo's risk factors have not changed since its last annual report, <https://www.bioservo.com/assets/documents/Annual-Report-2018.pdf>

Audit

This interim report has not been audited.

Certified Adviser

FNCA Sweden AB is Bioservo's Certified Adviser.

Shares

Bioservo Technologies AB was listed on Nasdaq First North Growth Market on 22 May 2017.

Kista, November 5, 2019

Bioservo Technologies AB

Anders Lundmark

Chairman of the Board

Nikolaj Sørensen

Board member

Hans Von Holst

Board member

Karin Ruiz

Board member

Runar Bjørklund

Board member

Kunal Pandit

Board member

Petter Bäckgren

Chief Executive Officer

INCOME STATEMENT (SEK 000s)	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full-year 2018
Net sales	1 670	956	6 913	3 953	6 707
Own work capitalised	-	918	-	2 213	2 815
Other operating income	3 274	1 115	10 684	4 346	6 622
	4 944	2 989	17 597	10 512	16 144
Operating expenses					
Raw materials and consumables	-549	-1 091	-3 303	-2 764	-3 601
Other external costs	-3 959	-2 856	-12 081	-8 336	-11 583
Employee benefit expenses	-5 001	-4 879	-16 040	-14 274	-19 856
Amortisation and depreciation of tangible and intangible assets	-926	-866	-2 789	-2 364	-3 287
Total operating costs	-10 435	-9 692	-34 213	-27 738	-38 327
EBIT	-5 491	-6 703	-16 616	-17 226	-22 183
Interest expense and similar loss items	-	-	-5	-5	-7
Total financial items	-	-	-5	-5	-7
Earnings before tax	-5 491	-6 703	-16 621	-17 231	-22 190
Tax	-	-	-	-	-5 700
Earnings for the period	-5 491	-6 703	-16 621	-17 231	-27 890

BALANCE SHEET (SEK 000s)	30 Sep 2019	30 Sep 2018	31 Dec 2018
Asset			
Fixed asset			
Intangible assets	13 302	15 388	15 394
Tangible assets	513	629	621
Financial assets	40	5 700	-
Total fixed assets	13 855	21 717	16 015
Current assets			
Inventories	4 152	2 365	2 515
Accounts receivable	2 738	1 409	2 902
Current receivables	3 161	2 807	3 256
Cash and cash equivalents	9 437	32 074	25 561
Total current assets	19 488	38 655	34 234
Total assets	33 343	60 372	50 249
Equity and liabilities			
Equity	22 536	50 384	40 145
Liabilities			
Payables	3 051	-	2 222
Current liabilities	7 756	9 988	7 882
Total liabilities	10 807	9 988	10 104
Total equity and liabilities	33 343	60 372	50 249

CHANGE IN EQUITY (SEK 000s)	30 Sep 2019	30 Sep 2018	31 Dec 2018
Equity at the beginning of the period	29 015	67 763	67 763
Issue costs	-988		
Paid/repaid premiums for the stock option program		-148	272
Earnings for the period	-5 491	-17 231	-27 890
Equity at the end of the period	22 536	50 384	40 145

CASH FLOW STATEMENT (SEK 000s)	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Full-year 2018
Operating activities					
EBIT	-5 491	-6 704	-16 616	-17 231	-22 185
Depreciation/amortisation	926	866	2 789	2 365	3 289
Interest received	-	-	-	-	-
Interest paid	-	-	-5	-	-7
Tax paid	-	-	-	-	-
Cash flow from operating activities before changes in working capital	-4 565	-5 838	-13 832	-13 866	-18 903
Changes in inventories	-1 006	-324	-1 638	-1 214	-1 364
Change in operating receivables	1 195	816	259	-279	-2 063
Changes in operating liabilities	5 098	-2 455	691	5 446	5 559
Cash flow from operating activities	722	-7 801	-14 520	-10 913	-16 771
Investing activities					
Investment in tangible assets	-	-476	-	-476	-504
Investment in financial assets	-	-	-40	-	-
Investment in intangible assets	-152	-1 081	-576	-3 409	-4 301
Cash flow from investing activities	-152	-1 557	-616	-3 885	-4 805
Financing activities					
Repayment of loans	-	-	-	-	-
Loans raised	-	-	-	-	-
New share issue	-	-	-	-	-
Issue costs	-988	-	-988	-	-
Option premiums received	-	-149	-	-149	272
Cash flow from financing activities	-988	-149	-988	-149	272
Cash flow for the period	-418	-9,507	-16 124	-14 947	-21 304
Cash and cash equivalents at the beginning of the period	9 855	41 581	25 561	46 865	46 865
Cash and cash equivalents at the end of the period	9 437	32 074	9 437	41 581	25 561

Financial Calender

Year-end report 21 February 2020
First Quarter 7 May 2020

Contact details

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