

Bioservo Technologies AB Interim Report January - September 2020



Third quarter and First nine months 2020 in brief

- Net sales increased to
- EBITDA amounted to
- EBIT amounted to

3rd Quarter

SEK 1.8 M (1.7)
SEK -4.8 M (-4.6)
SEK -5.8 M (-5.5)

First nine months

SEK 9.6 M (6.9)
SEK -15.1 M (-13.8)
SEK -18.2 M (-16.6)

Interim report, 1 January to 30 September 2020

Third quarter in figures

- Net sales SEK 1.8 M (1.7)
- EBITDA of SEK -4.8 M (-4.6)
- EBIT of SEK -5.8 M (-5.5)
- Earnings for the period was SEK -5.8 M (-5.5)
- Earnings per share before and after dilution amounted to SEK -0.41 (-0.61)

First nine months in figures

- Net sales SEK 9.6 M (6.9)
- EBITDA of SEK -15.1 M (-13.8)
- EBIT of SEK -18.2 M (-16.6)
- Earnings for the period was SEK -18.2 M (-16.6)
- Earnings per share before and after dilution amounted to SEK -1.27 (-1.86)
- On 30 September, cash and cash equivalents were SEK 42.9 M (9.4)

Significant events during the period

- Ironhand® wins NASA Commercial Invention of the Year Award. We are very proud to receive this award which recognizes all the hard and leading-edge work invested up to now. The award has been widely circulated internationally in the form of articles and posts on social media.
- Loxam has ordered an additional 18 Ironhand® systems to a value of SEK 1.2 million. The ordered systems provide even greater availability and meet the increased demand from Loxam's customers at a total of 17 rental locations in France.
- Bioservo received state support for short-term layoffs due to COVID-19. In total, during the first nine months of the year, support of SEK 3.6 million was accounted for and is reported under other operating income.
- We have further strengthened our distributor network to meet the growing interest in Ironhand from Europe and Asia. During the last quarter, we have signed agreements with several prominent companies in Germany, Italy, Finland and Japan.

Events after the end of the period

- Preliminary results from an ongoing study are very promising and open up new markets for Carbonhand. The study examines the therapeutic effect of using Carbonhand at home, i.e. that the use provides a maintained positive effect even after the therapy has been concluded. The results show both an improved grip strength and that the glove helps users in everyday life.
- Bioservo has signed a distributor agreement with G-Hoo in South Korea. G-Hoo is a global partner for industrial robot systems and has extensive experience of implementing automated solutions for manufacturing companies, such as car manufacturers. They already have experience of implementing solutions with other types of exoskeletons to prevent repetitive strain injuries.

Financial overview

	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Full year 2019
Net sales, SEK 000s	1 804	1 670	9 626	6 913	9 269
EBITDA, SEK 000s	-4 789	-4 565	-15 160	-13 827	- 19 377
EBIT, SEK 000s	-5 804	-5 491	-18 184	-16 616	- 23 241
Earnings for the period, SEK 000s	-5 804	-5 491	-18 181	-16 621	- 23 246
Earnings per share before dilution, SEK	-0.41	-0.61	-1.27	-1.86	- 2.35
Earnings per share after dilution, SEK	-0.41	-0.61	-1.27	-1.86	- 2.35
Cash and cash equivalents, SEK 000s	42 850	9 437	42 850	9 437	56 935
Cash flow from operating activities for the period, SEK 000s	-999	722	-13 250	-14 520	-25 898
Equity, SEK 000s	57 082	22 536	57 082	22 536	75 263
Total assets, SEK 000s	63 232	33 343	34 343	33 343	81 260
Equity/assets ratio, %	90	68	90	68	93
Total no. of shares	14 298 321	8 936 451	14 298 321	8 936 451	14 298 321
Average no. of shares	14 298 321	8 936 451	14 298 321	8 936 451	9 876 615
R&D employees	14	10	15	10	11
Average no. of employees	28	29	28	28	29

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 are negative, the number of shares before dilution is also used for the calculation after dilution.

Bioservo Technologies in brief

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

The company has a unique global position within soft exoskeleton technology for the hand, both for industrial applications to improve the health for workers and to improve quality of life 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 University 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 2020

Sales, year to date, have increased by 39% compared to the same period a year ago. The sales development is positive given the currently challenging circumstances with COVID-19 which has temporarily complicated our sales efforts. Sales for the third quarter amounted to SEK 1.8 million (SEK 1.7 million) resulting in sales of about SEK 9.6 million (SEK 6.9 million) year to date. The sales largely consist of deliveries to our French partner Loxam, that has invested in 100 units including consumables during 2020. Ironhand is now available at 17 rental locations throughout France.

New clinical results could open up additional markets for Carbonhand

Recently, the results for the first cohort of patients (21% of the study population) from iHand were presented, a multicenter clinical study in the Netherlands where patients with weakened hand grip due to stroke or other trauma use Carbonhand at home for 6 weeks. The results show positive effects and on average the patients grip strength increases by 3 kilograms. 3 kilograms is a significant improvement for these patients who can thereby become more independent, for example performing daily activities at home and going shopping. The results indicating that Carbonhand has a therapeutic effect are completely in line with and supported by a number of other smaller studies that we have informed about previously.

With clinical evidence supporting that Carbonhand has a therapeutic effect and rehabilitates hand function, the probability increases that Carbonhand will become common treatment practice for helping patients regain grip strength. Hence, this has significant effects on patients' quality of life and has the potential to significantly reduce healthcare costs. With these clinical results, the market potential for Carbonhand both as an assistive device and as a rehabilitation glove in the home has increased significantly.

One example of many potential areas of rehabilitation is for people affected by stroke. According to the World Health Organization, 10 million people survive a stroke worldwide each year. For stroke patients, impaired hand function is one of the most common consequences and paralysis of the hand or upper body occurs acutely in up to 87% of all stroke patients. By enabling rehabilitation in the home environment, more people can regain their hand function and the costs of aftercare can be significantly reduced. The study is expected to be completed in 2021. Thereafter, a global commercialization of Carbonhand will be initiated and the product can be made available to a number of patient groups who are in need of a rehabilitative glove.

The Ironhand development program is accelerating

Intensive development work is currently underway to secure an upgraded Ironhand system in the near future, which through upgrades in several areas will provide an improved user experience. The development focuses on making the glove even more intuitive, significantly faster, more convenient and easier to use. At the same time, the system collects data and graphically illustrates how the glove reduces the risk of strain injuries, all to easily demonstrate the benefits of implementing Ironhand in the workplace.

Continued expansion of our commercial infrastructure

France, Germany and the USA are still the most important geographical markets, where we are now working to expand the distribution network. We have recently established additional distributors in the German and French markets. In addition, the work to further expand our distribution network in the USA has also begun to ensure we reach new customer groups and states.

The next phase in our commercial efforts in the industrial sector is to establish a professional partner network of distributors in new markets in Europe and Asia. In 2020, we signed agreements with partners in the United Kingdom, Finland, Italy, Japan and most recently in South Korea.

It is worth mentioning that the collaboration with Nishio Rent All Co Ltd in Japan, which is the world's 9th largest company in the rental of machinery and equipment that was initiated during the autumn, has already generated system sales. Nishio will investigate the interest in a broader implementation of Ironhand in primarily the rental business in Japan.

There is a continuous broadening of industries and segments that are interested in our technology of strength-reinforcing gloves and interest in Ironhand is also growing among industry organizations and in occupational health care, where we already have exciting collaborations that include world-leading companies in the automotive industry.

Covid-19

The COVID-19 pandemic primarily limits our access to our partners and their customers internationally, hence we are instead shifting our strategic focus towards accelerating product development initiatives and upgrading our commercial partner network. The goal of our strategic work is for Bioservo to be even better prepared for continued commercialization as soon as the restrictions resulting from the pandemic are eased.

In order to protect the company's assets, continued short-term layoffs have been implemented and in addition, we are continuously reviewing all business investments and adapting them to the prevailing market conditions.

Tests of Ironhand® in the industry

The ongoing long-term tests of Ironhand® at General Motors are expected to be completed during the year and the results are expected to be a guide for General Motors' implementation strategy of Ironhand®.

New tests at Toyota in the USA are planned to start as soon as the situation allows with regard to COVID-19. During the quarter, we also sold Ironhand® systems to other international companies based in Europe and the USA, which carry out tests to verify the benefits for their specific industry and work tasks.

Personal reflections

We are determined to significantly reduce the risk of employees suffering from strain injuries and our technology has the potential to make workplaces safer and more sustainable over time. It really feels like we are on the right track when users express themselves as one of the workers at General Motors; "I have not had to go to the doctor for hand pain since I started using Ironhand. I cannot see anyone doing this job without Ironhand".

Our technology is gaining increasing scientific support. The positive preliminary data obtained from the iHand study, where the patients' grip strength on average increased by as much as 3 kilograms already after 6 weeks of use, makes me look with confidence at the future of our world-leading patented SEM technology. If the results stand, Bioservo will, in about a year, be able to initiate a global commercialization of Carbonhand with a completely unique market position. The growth trajectory for Bioservo is then assumed to accelerate and additional profitable business areas will emerge.

We are facing a new and exciting phase in Bioservo's development. Our technology with soft power-reinforcing exoskeletons is completely groundbreaking and will be implemented widely in the future, it is only a matter of time. When that happens, Bioservo is well prepared to take advantage of its unique and leading position.

Kista November 5, 2020

Petter Bäckgren
CEO

Financial overview

July – September 2020

Net Sales

Net sales increased by 6% to SEK 1.8 M (1.7) for the third quarter. Sales growth during the third quarter was driven largely by sales of Ironhand® to Loxam.

Operating expenses

Operating expenses amounted to SEK 9.4 M (10.4) for the third quarter. The cost reduction is related to the company's economic measures to protect its business assets during the COVID-19 pandemic.

EBITDA/EBIT

EBITDA amounted to SEK -4.8 M (-4.6), while EBIT amounted to SEK -5.8 M (-5.5).

Earnings for the period

Earnings for the period was SEK -5.8 M (-5.5). Corresponding to earnings per share of SEK -0.41 (-0.61).

Cash flow

Cash flow during the third quarter amounted to SEK -1.3 M (-0.4).

January – September 2020

Net Sales

Net sales increased by 39% to SEK 9.6 M (6.9) for the first nine months. Sales growth during this period was driven largely by sales of Ironhand® to Loxam.

Operating expenses

Operating expenses amounted to SEK 33.9 M (34.2) for the first nine months. In total the operating expenses are slightly lower than for the same period last year. The company's cost increase during the first quarter was related to the global launch of the industrial glove Ironhand®, increase in production capacity and for conducting the clinical study in the EU project. Cost increase was then balanced during the second and third quarters by cost-saving measures implemented to address the consequences of COVID-19.

EBITDA/EBIT

EBITDA amounted to SEK -15.1 M (-13.8), while EBIT amounted to SEK -18.2 M (-16.6).

Earnings for the period

Earnings for the period was SEK -18.2 M (-16.6). Corresponding to earnings per share of SEK -1.27 (-1.86).

Cash flow

Cash flow during the first nine months amounted to SEK -14.1 M (-16.1).

Financial position and investments

On 30 September 2020, total assets amounted to SEK 63.2 M (33.3).

On 30 September 2020, cash and cash equivalents were SEK 42.9 M (9.4). The equity/assets ratio was 90% (68%) at the end of the period.

Employees

On 30 September 2020, the number of employees was 28 (29).

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

On 30 September 2020, there were 446,230 warrants outstanding. The warrants entitle holders to buy a total of 810,994 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

With respect to the Rights Issue that closed on 30 September 2019 the terms have been recalculated according to the terms in the stock option program. 60,520 issued stock options entitle holders to buy a maximum of 355,857 shares. The price ranges from SEK 23.39 - 37.00 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 355,857, each with a par value of SEK 0.20, meaning the Company's share capital will increase by a maximum of 71,171.40 SEK.

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

2018-2023 Plan

With respect to the Rights Issue that closed on 30 September 2019 the terms have been recalculated according to the terms in the stock option program. 385,710 issued stock options entitle holders to buy 455,137 shares.

The price is SEK 25.51 per share and the warrants can be exercised from 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 455,137, each with a par value of SEK 0.20, meaning the Company's share capital will increase by a maximum of 91,027.40 SEK

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-2019.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, 5 November 2020
Bioservo Technologies AB

Anders Lundmark
Chairman of the Board

Runar Bjørklund
Board member

Kunal Pandit
Board member

Nikolaj Sørensen
Board member

Claes Mellgren
Board member

Petter Bäckgren
Chief Executive Officer

INCOME STATEMENT (SEK 000s)	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Full-year 2019
Net sales	1 804	1 670	9 626	6 913	9 269
Own work capitalised	-	-	-	-	-
Other operating income	1 831	3 274	6 136	10 684	15 332
	3 635	4 944	15 762	17 597	24 601
Operating expenses					
Raw materials and consumables	-1 003	-549	-5 182	-3 303	-4 146
Other external costs	-2 038	-3 959	-8 167	-12 081	-17 447
Employee benefit expenses	-5 383	-5 001	-17 574	-16 040	-22 385
Amortisation and depreciation of tangible and intangible assets	-1 015	-926	-3 024	-2 789	-3 864
Total operating costs	-9 439	-10 435	-33 947	-34 213	-47 842
EBIT	-5 804	-5 491	-18 185	-16 616	-23 241
Interest expense and similar loss items	-	-	3	-5	-5
Total financial items		-	3	-5	-5
Earnings before tax	-5 804	-5 491	-18 181	-16 621	-23 246
Tax	-	-	-	-	-
Earnings for the period	-5 804	-5 491	-18 181	-16 621	-23 246

BALANCE SHEET (SEK 000s)	2020-09-30	2019-09-30	2019-12-31
Asset			
Fixed asset			
Intangible assets	10 675	13 302	12 711
Tangible assets	392	513	504
Financial assets	-	40	40
Total fixed assets	11 067	13 855	13 255
Current assets			
Inventories	3 333	4 152	5 268
Accounts receivable	1 604	2 738	3 326
Current receivables	4 378	3 161	2 476
Cash and cash equivalents	42 850	9 437	56 935
Total current assets	52 165	19 488	68 005
Total assets	63 232	33 343	81 260
Equity and liabilities			
Equity	57 082	22 536	75 263
Liabilities			
Warranty provision	261	-	-
Payables	1 001	3 051	1 837
Current liabilities	4 888	7 756	4 160
Total liabilities	6 150	10 807	5 997
Total equity and liabilities	63 232	33 343	81 260

CHANGE IN EQUITY (SEK 000s)	2020-09-30	2019-09-30	2019-12-31
Equity at the beginning of the period	75 263	29 015	40 145
Issue costs	-	-988	-5 978
Rights issue	-	-	64 342
Paid/repaid premiums for the stock option program	-	-	-
Earnings for the period	-18 181	-5 491	-23 246
Equity at the end of the period	57 082	22 536	75 263

CASH FLOW STATEMENT (SEK 000s)	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Full year 2019
Operating activities					
EBIT	-5 804	-5 491	-18 184	-16 616	-23 241
Depreciation/amortisation	1 015	926	3 024	2 789	3 864
Interest received	-	-	-	-	-
Tax paid Interest paid	-	-	3	-5	-5
Cash flow from operating activities before changes in working capital	-4 789	-4 565	-15 157	-13 832	-19 382
Changes in inventories	492	-1 006	1 934	-1 638	-2 753
Change in operating receivables	2 115	1 195	-180	259	344
Changes in operating liabilities	1 183	5 098	153	691	-4 107
Cash flow from operating activities	-999	722	-13 250	-14 520	-25 898
Investing activities					
Investment in tangible assets	-	-	-	-	-27
Investment in financial assets	-	-	40	-40	-40
Investment in intangible assets	-337	-152	-875	-576	-1 025
Cash flow from investing activities	-337	-152	-835	-616	-1 092
Financing activities					
Repayment of loans	-	-	-	-	-
Loans raised	-	-	-	-	-
New share issue	-	-	-	-	64 342
Issuance costs	-	-988	-	-988	-5 978
Option premiums received	-	-	-	-	-
Cash flow from financing activities	-	-988	-	-988	58 364
Cash flow for the period	-1 336	-418	-14 085	-16 124	31 374
Cash and cash equivalents at the beginning of the period	44 186	9 855	56 935	25 561	25 561
Cash and cash equivalents at the end of the period	42 850	9 437	42 850	9 437	56 935

Financial Calender

Year-end report 23 February 2021

Contact details

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