
Bioservo Technologies AB Year-End Report 2018

Fourth quarter of 2018 in brief

- Net sales increased to SEK 2.8 M (2.6)
- EBITDA amounted to SEK -4.0 M (-5.0)
- EBIT totalled SEK -4.9 M (-5.8)



Year-End, 1 January-31 December 2018

Fourth quarter in figures

- Net sales rose to SEK 2.8 M (2.6)
- EBITDA amounted to SEK -4.0 M (-5.0)
- EBIT totalled SEK -4.9 M (-5.8)
- Loss for the period was SEK -10.6 M (-5.8)
- Loss per share before and after dilution amounted to SEK -1,15 (-0,65)
- At 31 December, cash and cash equivalents were SEK 25.6 M (46.9)

Full-year in figures

- Net sales rose to SEK 6.7 M (4.7)
- EBITDA amounted to SEK -18.9 M (-16,3)
- EBIT totalled SEK -22.2 M (-18.4)
- Loss for the period was SEK -27.9 M (-19.3)
- Loss per share before and after dilution amounted to SEK -3.12 (-2.41)*
- At 31 December, cash and cash equivalents were SEK 25.6 M (46.9)
- The board proposes that no dividend be paid

* Adjusted for 5:1 stock split in March 2017

Significant events during the period

- Bioservo secured an order of 0.5 MSEK for Ironhand from an existing international customer in the automotive industry.
- It was resolved at an Extraordinary General Meeting to issue warrants for the establishment of an employee stock option programme.
- Bioservo signed a distribution agreement with Officine Ortopediche Rizzoli for Carbonhand in Italy.

Events after the end of the period

- Bioservo is strengthening its research- and development cooperation regarding Ironarm with Eiffage.

Financial overview

	Oct-Dec 2018	Oct-Dec 2017	Full Year 2018	Full-year 2017
Net sales, SEK 000s	2,754	2,612	6,707	4,672
EBITDA, SEK 000s	-4,003	-5,070	-18,896	-16,272
EBIT, SEK 000s	-4,926	-5,798	-22,183	-18,379
Loss for the period, SEK 000s	-10 268	-5 802	-27,890	-19,307
Loss per share before dilution, SEK*	-1.15	-0.65	-3.12	-2.41
Loss per share after dilution, SEK*	-1.15	-0.65	-3.12	-2.41
Cash and cash equivalents, SEK 000s	25,561	46,865	25,561	46,865
Cash flow from operating activities for the period, SEK 000s	-6,055	-5,784	-16,771	-16,302
Equity, SEK 000s	40,145	67,763	40,145	67,763
Total assets, SEK 000s	50,249	72,308	50,249	72,308
Equity/assets ratio, %	79.9	93.7	79.9	93.7
Total no. of shares*	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	8,021,130
R&D employees	10	10	10	10
Average no. of employees	26	22	27	22

*Adjusted for 5:120 stock split in March 2017

Definitions

Net sales

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

EBITDA

Earnings before interest, taxes, depreciation and amortisation.

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. Demonstrates the percentage of the company's assets that are financed by equity, and shows the company's long-term ability to meet its debt obligations.

Average number of employees

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

Earnings 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 (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 optimise the body’s endurance and performance, or for people with reduced muscle strength.

After many years of research and development, Bioservo Technologies is now focused on a commercialisation of the company’s products and patented technologies. The gloves are well-suited to medical rehabilitation, and to preventive use in a variety of industrial applications. The company has, for example, signed strategic partnership agreements with several multinational companies within the automotive and aerospace industry as well as companies active in construction/ infrastructure.

Bioservo Technologies was founded in 2006 through a collaboration between researchers at the Royal Institute of Technology and doctors at Karolinska University Hospital in Stockholm. Bioservo Technologies is a Swedish public limited company with its headquarters and operations based in Kista, north of Stockholm.

For more information, please visit www.bioservo.com



CEO Petter Bäckgren comments on the fourth quarter of 2018

We summarize an eventful year with introduction of Ironhand® and several new projects and collaborations. I can conclude that Bioservo is in a very inspiring and interesting development phase. We are now focusing on Assessment, risk assessment to reduce ergonomic problems, and on continued development and improvement of Ironhand®. The work of introducing the next version of Ironhand®, which contains comprehensive improvements, is being prepared right now, and is expected to be ready for the market at the end of the second quarter of 2019. Within the EU-project iHand, we are preparing clinical trials for our healthcare glove Carbonhand®, which will start during the first half of 2019. Altogether, I look at the future with credence with a significant potential for our technology in the industry as well as in the healthcare segment.

Optimizing Our business model

In parallel to the recent product development of the commercial version of Ironhand®, we have also started to roll out the new business model branded as AIM (Assess, Implement and Measure). AIM generates revenue before selling Ironhand®, through the imbedded risk assessment tool in Ironhand® we support clients by measuring work stations with increased risk for strain injuries in a unique way not possible before.

We have established development cooperation with leading players in the focus segments automotive, aviation and the construction industry and have generated sales through the first AIM on commercial basis i.e. the customers reimburse Bioservo for the Assessment. Tests at our collaboration partners show up to 80 percent reduced risks of strain injuries using Ironhand® and I am confident that we can create significant value to our customers if Ironhand® is widely implemented at workstations with risk of injuries.

A global market to access

The automotive industry alone employs over eight million people globally, whereof almost one million in the USA. According to US Bureau of Labor Statistics, musculoskeletal disorders such as carpal tunnel syndrome, strain injuries and inflammations are particularly common within the automotive industry. The cost for each sick leave sums up to around 70 000 USD on average, whereof the employer pays at least fifty percent as indirect costs. This shows an enormous potential for our products globally.

Introduction of Ironhand® 1.5

The first version of our industry glove Ironhand® is currently being tested and evaluated together with our collaboration partners to ensure adjustment and updates to the requirements and desires that exist on the market. A significantly updated version, Ironhand® 1.5, will be introduced during the latter part of the second quarter 2019. The new version of Ironhand® includes thorough improvements in terms of robustness, comfort and usability through new sensors, a new harness and improved transfer of force in the glove.

Project iHand and clinical trials

As a part of the iHand project, we will start a clinical trial for Carbonhand® during the first half year 2019. The project is mainly financed by the European Commission's Horizon 2020 SME Instrument programme and aims to industrialise a soft robotics platform supporting hand and grip function for preventive and therapeutic purposes. The project aims to demonstrate the benefits Carbonhand® has for patients in need of rehabilitation of the hand function, which is expected to provide clear treatment and socio-economic benefits for the society.

Development collaboration for Ironarm®

Bioservo has since 2017 a deepened collaboration with Airbus for continued development of the Ironarm® concept, based on our patented SEM™ technology. Recently, Eiffage also signed an agreement with Bioservo to take part of this concept development. We will deliver a first prototype by the end of the first quarter that will be tested during 2019. Ironarm® aims to significantly reduce the risk of strain injuries and other related problems in physically demanding tasks with raised arms and we see great potential for Ironarm® in the industry.

Sales and financials

Despite our intense focus on product development for Ironhand® the revenue for the last quarter was increased to 2,8 million SEK (2,6), compared to 1,0 million SEK during the third quarter. Most of the revenue relates to sales of the industrial glove Ironhand® and associated project income from our collaboration partners. Continued good sales of the healthcare glove Carbonhand®, especially in Sweden, Norway and Germany has also contributed positively. The cost base was stable in relation to the third quarter.

Personal reflections

I have together with my co-workers set up clear objectives for our future and we are working with strengthening our internal control and optimising the organisation to ensure right capacity within marketing and sales. We are step by step outsourcing production to ensure deliveries during 2019 and long-term lowering of production costs. We see the introduction of Ironhand® as the main driver for revenue during 2019, supplemented by considerable income from related services like Assessment. I am convinced that we are on the right track and well prepared for the future, with support from a continued global increase of interest for our technology.

Kista, February 2019

Petter Bäckgren
CEO

Financial overview

October -December 2018

Net sales

Net sales rose to SEK 2,754 K (2,612) for the fourth quarter. Growth continues to be driven by sales of the healthcare glove.

Operating expenses

Operating expenses amounted to SEK 10.6 M (9.9) for the fourth quarter, up 7%. The cost is mainly related to the relocation to new premises and new recruitments in order to adapt the organisation for the ongoing expansion.

EBIT

EBITDA amounted to SEK -4.0 M (-5.0), while EBIT amounted to SEK -4.9 M (-5.8)

Loss for the period

Loss for the period was SEK -10.6 M (-5.8) corresponding to loss per share of SEK -1,15 (-0.65). Bioservo has changed the principle of not activating deferred tax assets until the company reports positive taxable surpluses. In addition, the previously capitalized claim of SEK 5.7 million has been reversed. This has no effect on the company's cash flow.

Cash flow

During the period, cash flow from operating activities was SEK -6.0 M (outflow: 5.8).

Financial position and investments

At 31 December 2018, total assets amounted to SEK 50.2 M (72.3).

At 31 December 2018, cash and cash equivalents were SEK 25.6 M (46.9). The equity/assets ratio was 79.9% (93.7) at the end of the period.

Full-year 2018

Net sales

Net sales rose 44% to SEK 6.7 M (4.7) for the Full-year. This growth was fully attributable to sales of Carbonhand, and a positive market trend in Norway, Sweden and Germany in particular.

Operating expenses

Operating expenses amounted to SEK 38.3 M (30.3) for the first quarter, up 26%. The cost increase was mainly related to new recruitments, in order to adapt the organisation for the ongoing expansion. Other external costs mainly comprised investments in marketing and sales-related costs.

EBIT

EBITDA amounted to SEK -18.9 M (-16.3), while EBIT amounted to SEK -22.2 M (-18.4)

Loss for the period

Loss for the period was SEK -27.9 M (-19.3), corresponding to loss per share of SEK -3.12 (-2.41). Bioservo has changed the principle of not activating deferred tax assets until the company reports positive taxable surpluses. In addition, the previously capitalized claim of SEK 5.7 million has been reversed. This has no effect on the company's cash flow. *

*Adjusted for the 5:1 stock split in March 2017

Cash flow

During the period, cash flow from operating activities was SEK -16.8 M (-16.3). Cash flow for the period increased to SEK -21.3 M (30.3). During the first half of 2019, the company will receive payments of approximately SEK 6 million relating to the ongoing EU development programs.

Financial position and investments

At 31 December 2018, total assets amounted to SEK 50.2 M (77.3).

At 31 December 2018, cash and cash equivalents were SEK 25.6 M (45.9). The equity/assets ratio was 79.9% (93.7) at the end of the period.

Employees

At 31 December 2018, the number of employees was 29, compared with 22 at the end of the year-earlier period.

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 BFAR 2012:1 Annual Accounts and Consolidated Financial Statements (K3).

Warrants

At 31 December 2018, there were 449,230 warrants outstanding. The warrants entitle holders to buy a total of 703,310 shares. The warrants are issued partly within the framework of a stock option programme for key personnel and employees of the company, and partly in exchange for loans.

2014-2018 plan

This warrant plan was cancelled during the period.

2015-2019 plan

3000 issued stock options entitle holders to buy 15,000 shares. The price is SEK 30 per share and the warrants can be exercised between 1 February and 1 March 2019.

2016-2023 plan

60.520 issued stock options entitle holders to buy 302. 600 shares. The price ranges from SEK 23.30-43.20 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.

2016-2023 plan

385,710 issued stock options entitle holders to buy 385,710 shares. The price is SEK 30 per share. The warrants can be exercised between the first Quarter of 2023 and 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.

Risks

Bioservo's risk factors have not changed since its last annual report, https://www.bioservo.com/assets/documents/AR-Bio-2017_web.pdf

Audit

This interim report has not been audited.

Certified Adviser

FNCA Sweden AB is Bioservo's Certified Adviser.

Share

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

Stockholm, 19 February 2019

Bioservo Technologies AB

Anders Lundmark

Chairman of the Board

Tomas Ward

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)	Oct-Dec 2018	Oct-Dec 2017	Full-year 2018	Full-year 2017
Net sales	2,754	2,612	6,707	4,672
Own work capitalised	602	862	2,815	4,763
Other operating income	2,276	670	6,622	2,456
	5,632	4,144	16,144	11,891
Operating expenses				
Raw materials and consumables	-836	-1,125	-3,601	-2,746
Other external costs	-3,218	-3,200	-11,583	-9,244
Employee benefit expenses	-5,582	-4,889	-19,856	-16,173
Amortisation and depreciation of tangible and intangible assets	-922	-728	-3 287	-2,107
Total operating costs	-10,558	-9,942	-38,327	-30,270
EBIT	-4,926	-5,798	-22,183	-18,379
Interest expense and similar loss items	-2	-4	-7	-928
Total financial items	-2	-4	-7	-928
Loss before tax	-4,928	-5,802	-22,190	-19,307
Tax*	-5,700	-	-5,700	-
Loss for the period	-10,628	-5,802	-27,890	-19,307

* Bioservo has changed the principle of not activating deferred tax assets until the company reports positive taxable surpluses. In addition, the previously capitalized claim of SEK 5.7 million has been reversed. This has no effect on the company's cash flow.

BALANCE SHEET (SEK 000s)	31 Dec 2018	31 Dec 2017
Assets		
Fixed assets		
Intangible assets	15,394	14,453
Tangible assets	621	200
Financial assets	-	5,700
Total fixed assets	16,015	20,353
Current assets		
Inventories	2,515	1,151
Accounts receivable	2,902	2,062
Current receivables	3,256	1,877
Cash and cash equivalents	25,561	46,865
Total current assets	34,234	51,955
Total assets	50,249	72,308
Equity and liabilities		
Equity	40,145	67,763
Liabilities		
Payable	2,222	1,911
Current liabilities	7,882	2,634
Total liabilities	10,104	4,545
Total equity and liabilities	50,249	72,308

CHANGE IN EQUITY (SEK 000s)	31 Dec 2018	31 Dec 2017
Equity at the beginning of the period	67,763	30,236
New share issue	-	64,251
Issuance costs	-	-7,430
Repaid premiums for the stock option programme	272	13
Loss for the period	-27,890	-19,307
Equity at the end of the period	50,384	67,763

CASH FLOW STATEMENT (SEK 000s)	Oct-Dec 2018	Oct-Dec 2017	Full-year 2018	Full-year 2017
Operating activities				
EBIT	-4,928	-5,798	-22,185	-18,379
Depreciation/amortisation	924	728	3,289	2,107
Interest paid	-2	-4	-7	-927
Tax paid	-	-	-	-33
Cash flow from operating activities before changes in working capital	-4,006	-5,074	-18,903	-17,232
Changes in inventories	-150	-450	-1,364	-512
Change in operating receivables	-2,015	-2,128	-2,063	598
Changes in operating liabilities	116	1,868	5,559	844
Cash flow from operating activities	-6,055	-5 784	-16,771	-16,302
Investing activities				
Investment in tangible assets	-28	-28	-504	-217
Investment in intangible assets	-850	-1,326	-4,301	-5,907
Cash flow from investing activities	-878	-1,354	-4,805	-6,124
Financing activities				
Repayment of loans	-	-1,000	-	-4,100
New share issue	-	-	-	64,251
Issuance costs	-	-	-	-7,430
Option premiums repaid	420	-	272	13
Cash flow from financing activities	420	-1,000	272	52,736
Cash flow for the period	-6,513	-8,138	-21,304	30,310
Cash and cash equivalents at the beginning of the period	32,074	55,003	46,865	16,555
Cash and cash equivalents at the end of the period	25,561	46,865	25,561	46,865

Financial calendar

Annual report*	Week 14
First quarter, 2019	6 May 2019
AGM	6 May 2019
Second quarter	20 August 2019
Third quarter	5 November 2019
Year-End	21 February 2020

*Published on company website

Contact details

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