

Bioservo Technologies AB

Year-End Report 2022



Fourth quarter and full year 2022 in brief

- Net sales
- EBITDA amounted to
- EBIT amounted to

4th Quarter

SEK 1.3 M (2.3)
SEK -15.5 M (-7.5)
SEK -16.0 M (-8.5)

Full year 2022

SEK 9.6 M (7.1)
SEK -47.6 M (-30.5)
SEK -50.6 M (-34.7)

Fourth quarter and full year 2022

Fourth quarter in figures

- Net sales of SEK 1.3 M (2.3)
- EBITDA of SEK -15.5 M (-7.5)
- EBIT of SEK -16.0 M (-8.5)
- Earnings for the period amounted to SEK -15.9 M (-8.5)
- Earnings per share before and after dilution amounted to SEK -0.56 (-0.45)
- Cash flow from operating activities for the period amounted to SEK -13.5 M (-8.5)

Year End in figures

- Net sales of SEK 9.6 M (7.1)
- EBITDA of SEK -47.6 M (-30.5)
- EBIT of SEK -50,5 M (-34.7)
- Earnings for the period was SEK -50,5 M (-34.7)
- Earnings per share before and after dilution amounted to SEK -1.76 (-1.83)
- Cash flow from operating activities for the period amounted to SEK -50.6 M (-34.4)
- On 31 of December, cash and cash equivalents were SEK 25.0 M (51.5)

Significant events during the period

- Carbonhand® is classified and approved as a medical device under the European Medical Device Regulation (MDR), which means that Carbonhand 2.0 can start to be sold in Europe.
- Bioservo signs a distribution agreement with Device Services Australia for the sale of Carbonhand®, a market with a highly developed national reimbursement system, which is well positioned for Carbonhand® to become a relevant addition as an assistive and rehabilitative device.
- Bioservo strengthens the sales channel in Germany, the largest market in Europe, and reinforces the network with an additional distributor, Hidrex GmbH's.
- Bioservo outsources all production to partner companies. In the context of the organizational transformation, the company is implementing cost savings by reducing the organization by about 25%, mainly production staff, and by reducing the use of external consultants. The cost savings are expected to start to take effect in the second quarter of 2023 and are estimated to amount to approximately SEK 7 million on an annual basis.
- In the recently completed iHand study, a therapeutic, i.e. lasting, effect on grip strength and hand function was demonstrated after six weeks of use of Carbonhand. The final results, presented in December 2022, show that people who participated and used the Carbonhand strength-enhancing 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 shareholders (the "Rights Issue"), which close on 10 October 2022. The Rights Issue is fully subscribed and raise approximately SEK 30.3 million before issue costs for the company.
- During the period, the company transferred part of the component inventory to a sub-consultant for approximately SEK 3.7 million corresponding to the cost of the company. The transaction has been reported net in the income statement.

Significant events after the end of the period

- During January 2023, new Carbonhand® is delivered to the first patients in Sweden, Norway and Germany. The order backlog at year-end amounted to approximately 40 units.
- Waupaca Foundry, Bioservo and Rhino Tool House conclude a successful partnership project in which 30 Ironhand systems have been deployed over seven months. Waupaca decides to continue a rollout at three additional 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.
- During the fourth quarter, 2022 the company transferred part of the component inventory to a sub-consultant for approximately SEK 3.7 million. Payment was received on January 2, 2023.

Financial overview

	Oct-Dec 2022	Oct-Dec 2021	Full year 2022	Full year 2021
Net sales, SEK 000s	1 259	2 301	9 643	7 100
EBITDA, SEK 000s	-15 478	-7 536	-47 580	-30 538
EBIT, SEK 000s	-15 957	-8 500	-50 572	-34 677
Earnings for the period, SEK 000s	-15 874	-8 489	-50 499	-34 672
Earnings per share before dilution, SEK	-0,56	-0,45	-1,76	-1,83
Earnings per share after dilution, SEK	-0,56	-0,45	-1,76	-1,83
Cash and cash equivalents, SEK 000s	25 009	51 520	25 009	51 520
Cash flow from operating activities for the period, SEK 000s	-13 549	-8 518	-50 594	-34 363
Equity, SEK 000s	37 463	62 768	37 463	62 768
Total assets, SEK 000s	52 536	73 523	52 537	73 523
Equity/assets ratio, %	71	85	71	85
Total no. of shares	28 436 977	18 957 985	28 436 977	18 957 985
Average no. of shares	22 117 649	18 957 985	19 747 901	16 588 237
R&D employees	12	12	12	12
Average no. of employees	28	28	28	30

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.

About Bioservo Technologies

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 Fourth quarter of 20220

Carbonhand ready for launch, but delay and postponed orders weigh on the quarter.

Sales for Bioservo in 2022 total SEK 9.6 million, an increase of 35% compared to the previous year (SEK 7.1 million). Sales for the period amounted to SEK 1.3 million (SEK 2.3 million), which is lower than expected. Sales in the quarter were impacted by a delayed start of sales of Carbonhand® combined with a missed expected sale of Ironhand®. Looking ahead, however, I am pleased that 2023 is off to a strong start with a good order backlog of Carbonhand and satisfying order volumes of Ironhand.

The period can nevertheless be seen as a success in that the company achieved several important milestones for the commercial launch of Carbonhand® in Life Science as of January 2023. Carbonhand® received MDR approval and was released for sale in Europe, the clinical results from the iHand results have been presented confirming significant strength improvement with Carbonhand® and distributors in Europe and Australia were trained to start sales in the first quarter of 2023.

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

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

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

The process of making Carbonhand® available to patients with impaired hand function in the US is ongoing and a regulatory filing for approval with the FDA is planned during the year. Our hope is that sales can start by the first half of 2024 at the latest.

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

The recently completed iHand study, demonstrates a therapeutic, i.e. lasting, effect on grip strength and hand function after six weeks of use of 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 Hand Surgery Association.

The results are convincing and show that the use of Carbonhand for six weeks results in a 24% (+1.9 kg) improvement in hand strength, with a residual effect of 22% (+1.6 kg) 4 weeks after the end of the intervention period. The study included 63 patients and was conducted in 8 clinics in collaboration with the Roessingh Research And Development institute in the Netherlands.

Great need of Carbonhand for new categories of patients

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

The result, which clearly demonstrates the clinical benefits of using Carbonhand®, means that Bioservo now has the opportunity to reach the rehabilitative market in a whole new way. The result will also form the basis for a health economic analysis, which is often used as an important decision-making tool in procurement in Sweden and internationally, both within reimbursement systems and by insurance companies.

Waupaca Foundry project concluded with good results and Ironhand® to be implemented at more sites

Waupaca Foundry, Bioservo and Rhino Tool House have successfully completed testing in a partnership project using 30 Ironhand systems over seven months at their facility in Marinette, Wisconsin, USA. The goal of the project has been to validate Ironhand® for use in the challenging foundry environment and to prepare for broader implementation at more of their sites.

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 conclusion of health and safety officials at Waupaca is that the reason for the significant reduction in incident rates stems from reduced hand fatigue and increased awareness of incident risks through the use of Ironhand.

The positive results from the implementation project mean that Waupaca has now decided to continue implementing Ironhand at three additional plants, 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 next phase of the rollout have an order value of SEK 1.8 million.

Continued focus on commercialization and cost efficiencies

During the quarter, the transition was initiated to prepare the company for higher manufacturing volumes by fully establishing manufacturing with our production partners, a transition that also entails a cost saving by reducing the organization by approximately 25%. The cost savings will take full effect in the second quarter of 2023 and are expected to amount to approximately SEK 7 million on an annual basis.

Personal reflections

The new Carbonhand® has been warmly welcomed by patients and healthcare professionals, as well as by our distributors, who are now beginning the important work of launching it. The need is great and evident when we meet patients. The fact that the product is now approved and released to the market and that the iHand results demonstrate clear clinical benefits are important milestones for Bioservo, which is now seriously entering the commercialization phase also in the Life Science segment.

Although the Ironhand® sales effort has taken longer than I had hoped, we see that our strategy of focusing on verticals where we create clear customer value is now paying off. The outcome of the project at Waupaca where Ironhand® reduces the risk of incidents by 75% is compelling and provides clear evidence to customer decision makers that Ironhand® is creating value on the shop floor. Interest in Ironhand® within the foundry industry has increased over the course of the project and Waupaca has been contacted repeatedly by other companies in the industry to give their views on the benefits of Ironhand®.

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

Kista 22 February 2023,

Petter Bäckgren, CEO

Financial overview

October – December 2022

Net Sales

Net sales decreased to SEK 1.3 M (2.3) for the fourth quarter. Sales consisted largely of sales of Ironhand®.

Operating expenses

Operating expenses amounted to SEK 18.0 (11.6) million for the fourth quarter. The increase in operating expenses is mainly attributable to higher costs for external consultants prior to the launch of Carbonhand and higher personnel costs. During the period, restructuring costs were booked corresponding to approximately SEK 1.0 M.

EBITDA/EBIT

EBITDA amounted to SEK -15.5 M (-7.5), while EBIT amounted to SEK -16.0 M (-8.5).

Earnings for the period

Earnings for the period were SEK -15.9 M (-8.5). Corresponding to earnings per share of SEK -0.56 (-0.45).

Cash flow

Cash flow during the fourth quarter amounted to SEK 12.3 M (-9.7). Cash flow attributable to operating activities amounted to SEK -13.5 M (-8.5). Cash flow during the quarter was affected by higher costs for external consultants, higher personnel costs and inventory build-up to secure product supply. During the period, the Company completed a rights issue with preferential rights for shareholders (the "Rights Issue") which raised approximately SEK 30.3 million before issue costs. During the period, the company has 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 was received on January 2, 2023.

January – December 2022

Net Sales

Net sales increased by 35% to SEK 9.6 M (7.1) for the full year 2022. Sales consisted largely of sales of Ironhand® to the French and US market.

Operating expenses

Operating expenses amounted to SEK 65.4 M (44.6) for the year 2022. The increase in operating expenses is primarily attributable to costs attributable to extensive one-off analysis work to investigate Carbonhand's commercial opportunities in the U.S. market, higher overheads for external consultants, mainly referring to release of Carbonhand, higher personnel costs for commercial personnel higher travel costs and costs related to marketing activities.

EBITDA/EBIT

EBITDA amounted to SEK -47.6 M (-30.5) while EBIT amounted to SEK -50.6 M (-34.7).

Earnings for the period

Earnings for the period was SEK -50.5 M (-34.7). Corresponding to earnings per share of SEK -1.76 (-1.83).

Cash flow

Cash flow at the end of the year amounted to SEK -26.5 M (-1.0). Cash flow attributable to operating activities amounted to SEK -50.6 M (-34.4). Cash flow during the year was affected by higher costs for external consultants, higher personnel costs, and inventory build-up to secure product supply.

Financial position and investments

On 31 December 2022, total assets amounted to SEK 52,5 M (73.5).

On 31 December 2022, cash and cash equivalents were SEK 25.0 M (51.5). The equity/assets ratio was 71% (85) at the end of the period.

Employees

On 31 December 2022, the number of employees was 28 (30).

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).

We follow BFNAR 2020: 1 Certain accounting issues due to the coronavirus.

Warrants

As per 31 December 2022, there were 806 230 warrants outstanding. The warrants entitle holders to buy a total of 1 170 944 shares. The warrants are issued partly within the framework of a stock option program for key personnel and employees of the company. The warrants are subject to customary recalculation terms in connection with issues, etc

2016-2023 plan

The number of options issued amounts to 60,520 and 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.

2018-2023 plan

The number of options issued amounts to 385,710 and entitle holders to buy 455,137 shares. The price is SEK 25.51 per share.

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.

2021-2024 plan

The number of options issued amounts to 285,000 and entitle holders to buy 285,000 shares. The price is SEK 21,93 per share.

The warrants can be exercised from 10 May 2024 until 10 June 2024. Upon exercise of all issued warrants, the number of shares and votes in the company will increase by 285,000, each with a par value of SEK 0.20, meaning the Company's share capital will increase by a maximum of 57,000 SEK.

2022-2025 A plan

The number of options issued amounts to 30,000 and entitle holders to buy 30,000. The warrants can be exercised from 20 May 2025 until 20 June 2025. Upon exercise of all issued warrants, the number and shares and votes will increase by 30,000 each with a par value of SEK 0.20, meaning the Company's share capital will increase by a maximum of 6,000 SEK.

2022-2025 B plan

The number of options issued amounts to 45,000 and entitle holders to buy 45,000. The warrants can be exercised from 25 November 2025 until 25 December 2025.

Upon exercise of all issued warrants, the number and shares and votes will increase by 45,000 each with a par value of SEK 0.20, meaning the Company's share capital will increase by a maximum of 12,000 SEK.

Risks

Bioservo's risk factors have not changed since its last annual report,

<https://www.bioservo.com/assets/documents/Annual-Report-2021.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 February 22, 2022
Bioservo Technologies AB (publ)

Anders Lundmark
Chairman of the Board

Runar Bjørklund
Board member

Nikolaj Sørensen
Board member

Kerstin Valinder Strinnholm
Board member

Margit alt Murphy
Board member

Petter Bäckgren
Chief Executive Officer

INCOME STATEMENT (SEK 000s)	Okt-Dec 2022	Okt-Dec 2021	Full year 2022	Full year 2021
Operating income				
Net sales	1 259	2 301	9 643	7 100
Own work capitalized	-	-	-	-
Other operating income	822	803	5 201	4 808
Total operating income	2 081	3 104	14 844	11 908
Operating expenses				
Raw materials and consumables	-2 480	-1 455	-7 643	-5 155
Other external costs	-6 808	-2 742	-25 017	-11 185
Employee benefit expenses	-8 176	-5 819	-29 141	-24 980
Other operating expenses	-94	-624	-623	-1 126
Amortization and depreciation of tangible and intangible assets	- 479	-964	-2 992	-4 139
Total operating costs	-18 037	-11 604	-65 416	-46 585
EBIT	-15 957	-8 500	-50 572	-34 677
Interest expense and similar loss items	83	11	73	5
Total financial items	83	11	73	5
Earnings before tax	-15 874	-8 489	-50 499	-34 672
Tax	-	-	-	-
Earnings for the period	- 15 874	-8 489	-50 499	-34 672

BALANCE SHEET (SEK 000s)	2022-12-31	2021-12-31
Asset		
Fixed assets		
Intangible assets	5 916	7 836
Tangible assets	186	205
Financial assets	-	-
Total fixed assets	6 102	8 041
Current assets		
Inventories	12 709	5 850
Accounts receivable	5 517	1 430
Current receivables	3 200	6 682
Cash and cash equivalents	25 009	51 520
Total current assets	46 435	65 482
Total assets	52 537	73 523
Equity and liabilities		
Equity	37 463	62 768
Liabilities		
Warranty provision	938	193
Payables	6 310	5 613
Current liabilities	7 826	4 949
Total liabilities	15 074	10 755
Total equity and liabilities	52 537	73 523

CHANGE IN EQUITY (SEK 000s)	2022-12-31	2021-12-31
Equity at the beginning of the period	62 768	62 311
Issue costs	-2 573	-1 922
Rights Issue	27 710	36 336
Warrants	57	715
Earnings for the period	- 50 499	- 34 672
Equity at the end of the period	37 463	62 768

CASH FLOW STATEMENT (SEK 000s)	Okt-Dec 2022	Okt-Dec 2021	Full year 2022	Full year 2021
Operating activities				
EBIT	-15 957	-8 500	-50 572	-34 677
Depreciation/amortization	479	964	2 992	4 139
Warranty	13	13	74	-121
Interest received	0	11	73	5
Interest paid		-	728	
Cash flow from operating activities before changes in working capital	-15 465	-7 512	-46 705	-30 654
Changes in inventories	-279	-1 599	-6 858	-2 735
Change in operating receivables	-1 718	-1 937	-603	-3 546
Changes in operating liabilities	3 913	2 530	3 572	2 572
Cash flow from operating activities	-13 549	-8 518	-50 594	-34 363
Investing activities				
Investment in tangible assets	-	-	-138	-
Investment in financial assets	-	-	-	-
Investment in intangible assets	40	-1 113	-915	-1 810
Cash flow from investing activities	40	-1 113	-1 053	-1 810
Financing activities				
Rights issue	27 710	-	27 710	36 336
Issue costs	-1 922	-113	-2 573	-1 922
Warrants	-	-	-	715
Cash flow from financing activities	25 788	-113	25 137	35 129
Cash flow for the period	12 280	-9 744	-26 510	-1 044
Cash and cash equivalents at the beginning of the period	12 729	61 264	51 521	52 564
Cash and cash equivalents at the end of the period	25 009	51 520	25 009	51 520

Annual Report	30 March, 2023
AGM	25 April, 2023
First quarter, 2023	25 April, 2023

Contact details

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