Annual report 2021/22

Phase Holographic Imaging PHI AB (556542-7811)

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CEO has the floor

Sale

The restructuring of our distribution network combined with our investment in online sales and marketing has doubled sales in 2021/22 compared to the previous financial year. Instrument sales accounted for the largest portion, although a noticeable portion was made up of additional software, service and consumables.

Business development

PHI is at a crossroads. *Should we be content to only address the medical research market or should we adapt our HoloMonitor technology to address the entire healthcare market?*

The timing for PHI to fully address healthcare is definitely right. Since Novartis' market introduction of Kymriah in 2017, the number of companies developing cell-based therapies has exploded. This fact could possibly be ignored unless all, or almost all, major pharmaceutical companies are now developing cell-based therapies.

Before the advent of cell-based therapies, cells were only grown in laboratories for research purposes. Consequently, all commercial laboratory tools for cell culture are primarily intended for research and thus not suitable for the manufacture of cell therapies.

Quality control of cell cultures at a leading contract manufacturer of cell therapies.

As a result, cell therapy manufacturers are struggling to make ends meet with the tools available. In current modern therapy production, for example, cell culture quality is assessed by periodically observing the cells in a manual microscope, as if the cells were cultured for research purposes.

PHI's imaging technology HoloMonitor enables continuous monitoring of cell cultures. This capability sets HoloMonitor apart from all other imaging technologies, making it ideal for automated quality control of cell cultures and process control in large-scale cell therapy manufacturing.

Regenerative medicine

Cell-based therapies for solid tumors

Cell therapies have been shown to be effective in treating patients with blood cancers, but efficacy against solid tumors is currently limited. Solid tumors make up about 90% of cancers in adults. Therefore, the need to cure patients with solid tumors with cell therapies is very urgent, not only for PHI, but for all of us.

During the pandemic, many of us received an mRNA vaccine from either BioNTech or Moderna. Unlike conventional vaccines, mRNA vaccines instruct our cells to make proteins for a specific purpose. In the case of COVID, the instruction is to produce proteins that make us immune to COVID. However, the same mRNA technology can be used to create proteins that fight cancer.

In June this year, one of BioNTech's mRNA-produced cell therapies for the treatment of solid tumors was granted **priority medicine designation** by the European Medicines Agency. This classification is a fast-track approval given only to breakthrough therapies. **BioNTech's therapy is particularly interesting because, in addition to being effective against unresectable testicular cancer, it has the potential to cure a variety of other solid tumors.**

Biomanufacturing automation

The complex manufacturing of cell-based therapies remains problematic, despite their clinical success. **PHI and several companies affiliated with the Wake Forest Institute for Regenerative Medicine have therefore joined forces to automate biomanufacturing,** making it possible to cost-effectively manufacture cell-based therapies with superior efficacy and safety.

By combining artificial intelligence with multiple sensory instruments, the companies aim to create an automated process control system that surpasses and replaces the highly trained staff who today manufacture cell-based therapies by hand.

Additionally, the removal of human intervention allows the therapies to be manufactured in a closed sterile environment suited for cells rather than humans.

The creation of new measurement standards

State-of-the-art manufacturing of Novartis Kymriah CAR T-cell therapy.

Standardization and reliable measurements are fundamental to the automation of biomanufacturing. It was therefore pleasing to learn that **the automation project has received attention at the US National Institute of Standards and Technology (NIST) .**

PHI has been invited to speak about HoloMonitor and our non-invasive cell imaging technology at the upcoming Workshop on Measurement Needs for Biomanufacturing of Medical Products and Tissue Constructs hosted by NIST. The workshop is a result of **the 21st Century Cures Act** , which, **together with NIST, tasks the US Food and Drug Administration** with developing new standards for therapies in regenerative medicine.

Fluorescence

Interest in HoloMonitor's fluorescence module is still high. In the fall, fluorescence modules will be delivered to current customers who have expressed a strong interest in combining holography with fluorescence.

Fluorescence imaging makes it possible to characterize the all-important genetic activity in the cells. Unlike holographic microscopy, however, fluorescence imaging releases toxins every time the cells are imaged, making it challenging for cell biologists to follow a very simple and obvious rule – life is best studied alive.

HoloMonitor's unique combination of fluorescence and holographic microscopy enables cell biologists to characterize the genetic activity of living cells over longer periods of time by reducing the release of toxins to a minimum. In addition, the combination reduces experimental cost and complexity because more data can be obtained in a single experiment with fewer fluorescent reagents.

Looking ahead

BioNTech's clinical results are truly encouraging as they demonstrate that commercially available CAR T-cell therapies can be adapted to treat and cure patients with solid tumors. **The positive results for solid tumors further underscore the need for automated cell therapy manufacturing, as the market and number of cancer patients eligible for cell therapy has tentatively increased tenfold.** Consequently, the results are likely to trigger a wave of efforts to further improve cell-based cancer therapies by combining them with mRNA technology.

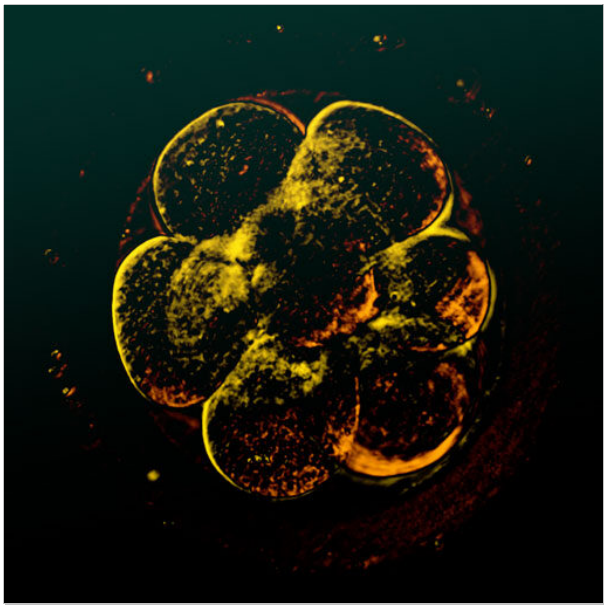
Given the support we receive from key stakeholders, the answer to the above question is yes. Of course, we should adapt our HoloMonitor technology to also target the healthcare market.

Peter Egelberg, CEO

Corporate governance

The Company's board of directors is appointed by the Company's owners to be ultimately responsible for the Company's organization and the management of the Company's affairs. The board has adopted a work order that more closely regulates its work and responsibilities. It has also established an instruction for the distribution of work between the board and the CEO. The members of the Company's board have extensive experience from a number of life science companies, including acquisitions and sales of development companies in the life science industry. The shareholdings stated below are as of the reporting date.

Regenerative medicine



Embryonic stem cells in a human embryo.

Soon after a human egg is fertilized, it divides into the few embryonic stem cells that eventually form the human body. The idea of curing diseases by utilizing stem cells' unique ability to become any cell, tissue or organ has, over the past 40 years, evolved from science fiction to what is today known as regenerative medicine.

The scientific breakthrough in 1998, when embryonic human stem cells were isolated from discarded embryos, created the first wave of commercialization of regenerative medicine. In competition with some other pioneering companies, Cellartis in Gothenburg, Sweden, soon after began supplying ready-made stem cell cultures to academic and commercial research institutions.

Petter Björquist (Board member, born 1965) joined Cellartis as operations manager for regenerative medicine shortly after the company was founded in 2001. Since its inception, Cellartis (now Takara Bio Europe AB) has continued to provide embryonic stem cell cultures for regenerative medicine. Petter is currently CEO of **VERIGRAFT AB** , which manufactures personal tissue engineering grafts for use in regenerative medicine. Björquist owns no shares in PHI.

Commercial cell lines

"Finished cell cultures" are finished in the sense that the difficult work of extracting the first cells from living tissue and creating a so-called cell line has been completed. Cell lines are purchased by researchers and the cells are then propagated in sufficient numbers for a particular experiment or use.

During Petter's time at Cellartis, **Mats Lundwall** (Chairman of the Board, born 1948) was appointed CEO of Cellartis. With his previous experience as CEO of Santaris Pharma AS, Ferring Pharmaceuticals and Eurodiagnostica AB/BV, Mats led the company through an international expansion and a successful divestment in 2011. Lundwall owns no shares in PHI.

Cell culture

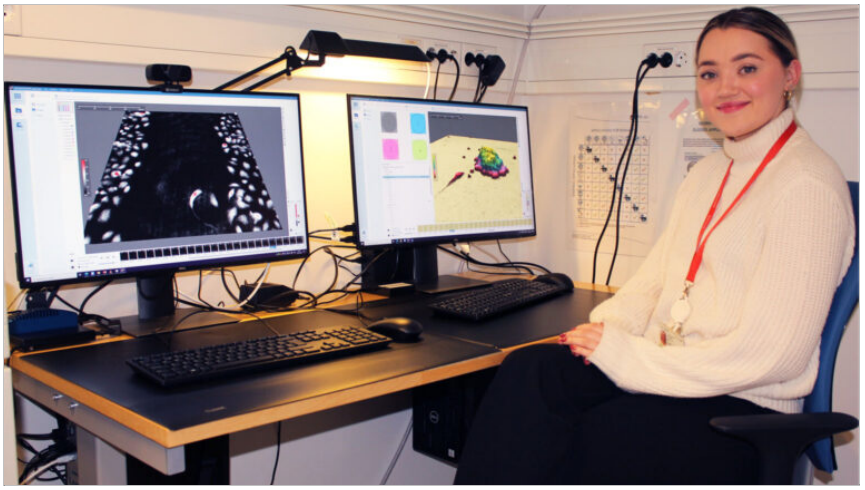
The cells are seeded and propagated in a nutrient broth called cell culture medium. The cells and medium are stored in a plastic container specially designed for cell culture and placed in a cell incubator that provides an optimal growth environment with high humidity and 37°C.

Leland Foster (Board Member, born 1946) was formerly Chairman of HyClone Laboratories, a pioneer and world-leading supplier of cell culture media. Through the acquisition of HyClone's parent company Perbio Science, HyClone became part of the Fisher Scientific Bioscience Group. The purchase of HyClone enabled Fisher to supply cell culture media along with its cell culture vessels. Foster owns 174,928 shares privately in PHI.

A few years after purchasing HyClone, Fisher Scientific merged with Thermo Electron to form the world's largest supplier of scientific equipment, Thermo Fisher. The merger finally made it possible for researchers to purchase the cell culture quartet—media, vessels, incubators, and analytical instruments—from the same supplier. Since then, HyClone has been owned by GE Healthcare and is currently owned by Cytvia of Danaher Corporation.

In the merger of Thermo and Fisher, **Ron Lowy** (advisor, born 1955) had succeeded Leland as President and CEO of Fisher Scientific Bioscience Group when Leland was appointed CTO of Fisher Scientific. After the merger, Ron remained in his role while Leland took over as Chief Scientist for Thermo Fisher. Ron is currently the Executive Chairman of PharmaJet, a drug administration company that has developed a family of patented, needle-free injection technologies for administering liquid drugs into the body. Lowy owns 155,142 shares privately in PHI.

Microscopy and and image analysis



The HoloMonitor control room at the University of Bergen.

The microscope is the most important tool for assessing cell cultures. Thanks to the development of digital images, diode lighting, flat screens and not least fast computers, today's microscopes are rather sophisticated image analysis devices. As a result, users today mainly interact with the computer and not directly with the microscope. The microscopy market is therefore rapidly transitioning from being focused on hardware to being focused on software.

Peter Egelberg (CEO and founder of PHI, born 1963) has a long background in physics and computer technology. Instead of letting the microscope lens create the image, Peter's idea, which led to PHI, in 2000 was to instead record the light information that a computer algorithm needs to create the image.

This approach, which offers several advantages, is today known as **quantitative phase imaging** and is about to completely replace the nearly 100-year-old microscopy method commonly used to observe living cell cultures in regenerative medicine, conventional medical research and drug development. Egelberg owns privately and via wholly owned Neural AB 1,132,023 shares in PHI.

Quality control of clinical cells

Traditionally, cell cultures are regularly taken out of the incubator to the laboratory environment to check the growth and quality of the cell culture using benchtop instruments. Fortunately, instruments such as PHI's HoloMonitor have recently become available to image and analyze cell cultures from within the cell incubator, eliminating the need to expose cell cultures to the harmful laboratory environment.

Cell culture analysis is closely related to pathology and blood cell analysis, which are also largely based on microscopy. **Mattias Lundin** (board member, born 1968) is CEO of **Lumito AB** . Lumito develops innovative digital imaging technology for tissue diagnostics based on laser-stimulated nanoparticles. Before Mattias joined Lumito, he was vice president for global sales at **CellaVision AB** — the world's leading supplier of digital solutions for hematological microscopy. Lundin owns 2,000 shares in PHI.

Business accounting

Ann Christine Egelberg (deputy board member, born 1963) is an independent consultant in financial reporting, control and accounting. Egelberg is married to the company's CEO, Peter Egelberg. Ann Christine Egelberg privately owns 17,030 shares in PHI.

The company's share

PHI's share has been listed on the Spotlight Stock Market since January 2014. The company's market capitalization at the end of the financial year amounted to SEK 82 million and the number of shareholders to 3,492. To the annual general meeting in October, the Board proposes that no dividend be paid for the financial year 2021/22.

Share structure

The share capital in PHI at the end of the financial year amounted to SEK 2,878,994, as well as an unregistered new issue of SEK 1,211,546 and the number of shares to 14,394,971, respectively 6,057,729.

The quota value per share is SEK 0.20. Each share entitles to one vote and each person entitled to vote may vote for the full number of owned and represented shares at the general meeting. All shares carry an equal right to a share in the Company's assets and results.

Ownership structure 30 April 2022

Number of shares owned	Number of shareholders	%
1 – 1,000	2 147	61.5%
1,001 – 10,000	1 104	31.6%
10,001 – 100,000	226	6.5%
100,000-	15	0.4%
Amount	3,492	100.00%

Shareholders 30 April 2022

Shareholder	Number of shares	Votes/capital %
Peter Egelberg (own and via company)	1,161,453	8.1
Insurance company Avanza Pension	1,097,642	7.6
RBC INVESTOR SERVICES TRUST	418 219	2.9
Magnus Egelberg	305,873	2.1
S&B Christensen AB	267,500	1.9
Nordnet Pensionsförsäkringar	189,755	1.3
Others	10,954,529	76.1
Total	14,394,971	100.00

Stock data

(Amount in SEK)	2021/22	2020/21
Earnings per share, SEK	-1.76	-1.63
Equity per share, SEK	1.32*	0.37
Unregistered shares	6,057,729	
Number of shares at the end of the period	14,394,971	14,394,971
Average number of shares	14,394,971	14,394,971
Share price at the end of the period	5.60	25.00

*Equity per share includes subscribed but not registered shares.

Price development and trading in the share

The share price for the Company's share fell during the year from SEK 25.00 at the beginning of the year to SEK 5.60 at the end of the financial year. The highest payment rate during the year was SEK 29.80 (August 2021) and the lowest was SEK 5.42 (April 2022). The company's market value at the end of the year amounted to SEK 82 (360) million. During the financial year, a total of 5.2 million shares were traded at a value of SEK 80 million. The number of traded shares corresponds to 0.36 times the average number of shares in the Company during the year.

Management report

Multi-year overview

(Amount in MSEK)	2021/22	2020/21	2019/20
Net sales	8.2	3.6	3.8
Operating profit before depreciation	-15.0	-16.8	-18.37
Result after financial net	-25.4	-23.5	-26.3
Balance Sheet	57.7	21.7	36
Equity ratio (%)	47	25	80
Average number of employees	14	18	17

**The group was only formed in 2019/20*

Parent company (Amount in MSEK)	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17
Net sales	6.4	3	3.7	4.6	4.4	4.1
Operating profit before depreciation	-13.7	-15.3	-18.1	-17.4	-8.4	-6
Result after financial net	-24.1	-23	-25.8	-23	-14.1	-10.4
Balance Sheet	59.8	22.9	36.5	46.7	28.7	43.5
Equity ratio (%)	49	28	81	80	64	72
Average number of employees	13	17	17	16	13	9

Turnover and results

Turnover more than doubled to 8,169 (3,637) KSEK. The increase in turnover is linked to the waning of the Covid-19 pandemic and to PHI's new, more digital market strategy.

The gross margin for the year amounted to 70 (63) %.

Operating profit (EBITDA) amounted to -14,971 (-16,773) KSEK before depreciation and -19,824 (-23,314) KSEK after depreciation.

The net result amounted to -25,381 (-23,509) KSEK.

Investments

The company's investments mainly concern product and production development of soft and hardware.

During the year, the Company invested 6,865 (4,261) KSEK in intangible assets, of which 6,539 (4,091) KSEK in product and production development with a focus on the florocense module and 326 (170) KSEK in patent and trademark protection. Investments in machinery and equipment amounted to SEK 48,000 (0).

Financing

Cash and cash equivalents together with the unused portion of granted credits amounted to SEK 2,703 (35,506) thousand at the end of the period. The equity ratio was 47 (25) %.

In connection with the rights issue being registered after the closing date in May, PHI received SEK 32.2 million after issue costs and repayment of loans to Formue A/S.

Rights issue

The rights issue, which ended on April 13, 2022, was subscribed to a total of approximately SEK 57 million, corresponding to a total subscription rate of 80%. Through the rights issue, a total of 6,057,729 shares and 3,365,405 warrants of series TO 3 and 1,346,162 warrants of series TO 4 are newly issued. PHI was thus added to approximately SEK 57 million before issue costs. As of May 12, 2022, the number of shares in PHI amounts to 20,452,700 with a share capital of SEK 4,090,540.

Subscription options of series TO 3

Each warrant of series TO 3 entitles to the subscription of one (1) new share in PHI during the period from and including April 11, 2023 to and including May 2, 2023. The exercise price amounts to 70% of the volume-weighted average price during a period prior to option redemption, within the interval SEK 0.20 (the company's quota value) as the lowest, and with SEK 11.90 per new share as the highest redemption price. If warrants of series TO 3 are fully exercised at the highest exercise price (SEK 11.90 per new share), the warrants will add approximately SEK 40 million to the company before issue costs.

Subscription options of series TO 4

Each warrant of series TO 4 entitles to the subscription of one (1) new share in PHI during the period from and including September 12, 2024 to and including October 3, 2024. The exercise price amounts to 70% of the volume-weighted average price during a period prior to option exercise, within the range SEK 0.20 as a minimum, and with SEK 15.45 per new share as the highest redemption price. If warrants of series TO 4 are fully exercised at the highest exercise price (SEK 15.45 per new share), the warrants will add approximately SEK 20.8 million to the company before issue costs.

Convertibles

The convertible loan to Formue Nord Fokus A/S amounts to SEK 20,230,000 with the following conditions:

- **Number of convertibles** : 1,700,000 convertibles, which carry the right to subscribe for 1,700,000 new shares.
- **Conversion price** : SEK 11.90 per new share up to and including May 2, 2023 (last day of redemption period for warrants of series TO 3) and SEK 15.45 per new share from and including May 3, 2023 to and including October 16 2024.
- **Conversion period** : the convertible holder has the right during the period from and including the payment date, planned for after the extraordinary general meeting, up to and including October 16, 2024, to convert the loan into shares.
- **Term** : in the event that the entire loan has not been converted, repayment of the loan and interest must take place no later than 16 October 2024. The company has the right to repay all or part of the convertible loan at any time up to the maturity date, whereupon Formue Nord has the option of accepting repayment or alternatively calling for conversion as above stated conversion rates.
- **Interest** : the convertibles bear a quarterly interest of 3%.

Significant events after the end of the year

On June 30, PHI was granted a patent for synthetic antibodies in Japan. Since before, PHI has a patent for ditto in the USA.

Future prospects

In an industry undergoing strong change, the company's products and basic technology are becoming increasingly established, not least in regenerative medicine. In the short term, the company is affected by the general development of the environment and subsequent economic fluctuations.

Risks

A number of risk factors can have a negative impact on the operations of PHI.

Financing

PHI's expansion and marketing efforts entail significant costs for the Company. A delay in market breakthroughs in new markets can mean a decline in earnings for the Company. There is a risk that PHI will need to acquire additional capital in the future depending on how much revenue the Company manages to generate in relation to its cost base. There is a risk that the Company may not be able to acquire additional capital, achieve partnerships or other co-financing. This entails a risk that development is temporarily stopped or that PHI is forced to conduct operations at a lower rate than desired, which may lead to delayed or non-existent commercialization and income. This may affect the Company's operations negatively.

PHI plans to expand in the coming years, partly by increasing market shares in the countries and regions the company has already established itself in and partly by establishing itself in new countries and regions. An establishment in new countries and regions can entail problems and risks that are difficult to predict. Furthermore, establishments can be delayed and thereby result in a loss of income. Rapid growth may also mean that the Company makes acquisitions of other companies. There is a risk that missing synergy effects and less successful integration work will affect both the Company's operations and results in a negative way. Rapid growth entails the risk of problems on the organizational level. It can be difficult to recruit the right staff and there can be difficulties in successfully integrating new staff into the organization, which in turn can cause delays.

Product development

The company also intends to continue to develop and further develop products within its area of operation. Time and cost aspects of product development can be difficult to determine in advance with accuracy. This entails, for example, a risk that a planned product development will be more costly than planned. There is a risk that the above will have negative consequences for the Company's operations and results. If, for example, the development of a new product takes longer than estimated, there is a risk that this will lead to increased development costs and thereby a reduced operating profit for the Company.

Intellectual property rights

Patents, which constitute an important part of PHI's assets, have a limited lifespan. There is a risk that PHI's products cannot be subject to patent protection. There is also a risk that the products infringe on the intellectual property rights of others. There is also a risk that the existing and/or future patent portfolio and other intellectual property rights held by the Company will not constitute adequate commercial protection. If PHI is forced to defend its patent rights against a competitor, there is a risk that this may entail significant costs, which may negatively affect the Company's operations, results and financial position.

Competition

Some of the Company's competitors and potential future competitors are multinational companies with large financial resources. There is a risk that an extensive investment and product development by a competitor leads to reduced sales or reduced revenue opportunities because the competitor may develop products that out-compete PHI's products and thereby take market share from the Company. Furthermore, companies with global operations that currently work in nearby areas can decide to establish themselves within the Company's area of operation. There is a risk that increased competition will have negative sales and profit effects for the Company in the event that competitors develop products with better function and/or better quality.

Staff

PHI's key personnel have extensive competence and experience within the Company's area of operation. In the event that one or more key persons choose to terminate their employment with the Company, there is a risk that this will have negative consequences for the Company's operations and results. For example, PHI could have to recruit new staff to replace key personnel, which could be a costly process both in terms of time and money. There is a risk that the Company will incur increased expenses in the short term as a result of this. It is also not possible to fully protect oneself against unauthorized dissemination of information, which entails a risk that competitors will gain access to and can benefit from the know-how developed by the Company to the detriment of the Company. There is a risk that the Company's competitors, by using such dissemination of information, will further develop their products and that the Company will thereby face increased competition, which could have a negative impact on the Company's operations, financial position and results.

Share-related risks

Shares listed on the Spotlight Stock Market are not subject to the same extensive regulations as shares admitted to trading on regulated markets. There is a risk that an investment in PHI cannot be carried out on the same well-founded information as in a possible company listed on a regulated market where a more extensive set of regulations governs the flow of information.

If liquid trading cannot develop or if such trading does not become permanent, there are risks that may cause difficulties for shareholders to sell their shares.

Price variations can arise through large changes in purchase and sale volumes, which can negatively affect the Company's share price. There is a risk that PHI's securities will decrease in value.

The stock market in general and the Company's share in particular may be affected by psychological factors. Psychological factors and their effects on the share price are in many cases difficult to predict and may negatively affect the Company's share price, which may negatively affect the value of an investment in the Company.

PHI has so far not paid any dividends. Any surplus is planned to be invested in PHI's development. There is a risk that future cash flows will not exceed the Company's capital requirements or that the general meeting will not decide on future dividends.

Proposal for allocation of profit

The board proposes that free equity, SEK 9,115,654, be disposed of as follows by offsetting the year's loss of -24,154,287 against the share premium fund.

Premium fund	25,422,630
Balanced in new account	-16,306,706
Amount	9,115,654

The group's income statement

	Note	2021/22	2020/21
Net sales		8,169	3,637
Cost of goods sold		-2,485	-1,346
Gross profit		5,684	2,291
Selling expenses		-9,303	-8,773
Administration costs		-7,388	-7,084
Research and development costs		-8,817	-11,720
Other operating income	14		1 972
Operating results		-19,824	-23,314
Interest income and similar income items			99
Interest costs and similar income items		-5,557	-294
Profit before tax		-25,381	-23,509
Taxes	4		
This year's results		-25,381	-23,509

The group's balance sheet

KSEK	Note	2022-04-30	2021-04-30
ASSETS			
Fixed assets			
Intangible fixed assets	5	17,038	14,823
Tangible fixed assets	6	181	337
Total fixed assets		17,219	15,160
Current assets			
Inventory	7	2,979	1,334
Accounts receivable		2,044	1,591
Other claims	17	33,423	497
Prepaid expenses and accrued income		594	929
Cash register and bank		1,424	2,256
Total current assets		40,464	6,607
TOTAL ASSETS		57,683	21,767
EQUITY AND LIABILITIES			
Equity	8		
Share capital		2,879	2,879
Unregistered new issue		1,212	
Other contributed capital		121,366	75,311
Other equity including the year's results		-98 474	-72,806
Total equity		26,983	5,384
Long-term liabilities			
Overdraft	9,11	916	
Debt credit institutions	10,11	22,508	7,400
Total long-term liabilities		23,424	7,400
Current liabilities			
Debts to credit institutions	10	1,800	2,475
Accounts payable		2,261	1,363
Other short-term liabilities		385	624
Tax debt		822	629
Accrued costs and prepaid income		2008	3,892
Total current liabilities		7,276	8,983
TOTAL EQUITY AND LIABILITIES		57,683	21,767

Change in group equity

KSEK	Share capital	New issue under registration	Other contributed capital	Other equity including profit for the year	S equity
At the beginning of the financial year	2,879		75,311	-72,806	5,384
New issue 2022-04-30		1,212	56,336		57,548
Costs attributable to the new issue			-10,281		-10,281
Conversion difference				-287	-287
This year's results				-25,381	-25,381
At the end of the financial year	2,879	1,212	121,366	-98 474	26,983

Cash flow analysis group

KSEK	Note	2021/22	2020/21
The ongoing operations			
Results for the period		-25,382	-23,509
Depreciation		4,854	6,541
Translation difference		-287	-4
Movement flow		-20,815	-16,972
Paid income tax		-462	
Cash flow from current operations before changes in working capital		-21,277	-16,972
Increase (-)/decrease (+) of inventory		-1,645	196
Increase (-)/decrease (+) of operating expenses		24,580	-348
Increase (+)/decrease (-) of operating liabilities		-981	2,882
Working capital change		21,954	2,730
Cash flow from current operations		1 139	-14,242
The investment business			
Development costs		-6,539	-4,091
Patents and trademarks		-326	-170
Machinery and equipment		-48	
Cash flow after investments		-5,774	-18,503
The financing business			
Issue costs		-10,279	
Increase (+)/decrease (-) in loan debt		15,221	6,275
Cash flow from financing activities		4,942	6,275
Cash flow for the period		-832	-12,228
Cash and cash equivalents at the beginning of the period		2,256	14,484
Liquid funds at the end of the period	14	1,424	2,256
(Incl. unused granted credits)		2,508	35,506

Income statement parent company

	Note	2021/22	2020/21
Net sales		6,437	2,991
Cost of goods sold		-2,417	-1,358
Gross profit		4,020	1,633
Selling expenses		-6,412	-6,617
Administration costs		-7,388	-7,084
Research and development costs		-8,817	-11,720
Other operating income	14		1 972
Operating results		-18,597	-21,816
Interest income and similar income items			99
Interest costs and similar income items		-5,557	-1,236
Profit before tax		-24,154	-22,953
Taxes	4		
This year's results		-24,154	-22,953

Balance sheet parent company

KSEK	Note	2022-04-30	2021-04-30
ASSETS			
Fixed assets			
Intangible fixed assets	5	17,038	14,823
Tangible fixed assets	6	181	337
Financial commitment assets	13	3,994	
Total fixed assets		21,213	15,160
Current assets			
Inventory	7	2,979	1,334
Accounts receivable		1,312	1 944
Claims against group companies			1,379
Other claims	17	33,095	497
Prepaid expenses and accrued income		456	837
Cash register and bank		721	1,711
Total current assets		38,563	7,702
TOTAL ASSETS		59,776	22,862
EQUITY AND LIABILITIES			
Equity	8		
Share capital		2,879	2,879
Unregistered new issue		1,212	
Fund for development expenses		16,307	13,863
Total tied up equity		20,398	16,742
Free equity capital			
Premium fund		49,575	26,473
Balanced result		-16,307	-13,863
This year's results		-24,154	-22,953
Total unrestricted equity		9,114	-10,343
Total equity		29,512	6,399
Long-term liabilities			
Overdraft	9,11	916	
Debt credit institutions	10,11	22,380	7,400
Total long-term liabilities		23,296	7,400
Current liabilities			
Debts to credit institutions	10	1,800	2,475
Accounts payable		2,261	1,364
Tax debt		166	628
Other short-term liabilities		348	704
Accrued costs and prepaid income		2,393	3,892

Total current liabilities	6,968	9,063
TOTAL EQUITY AND LIABILITIES	59,776	22,862

Change in equity parent company

KSEK	Share capital	New issue under registration	Fund for development expenses	Premium fund	Bale. results	S equity
At the beginning of the financial year	2,879		13,863	26,473	-36,816	6,399
New issue 220430		1,212		56,336		57,548
Costs attributable to the issue				-10,281		-10,281
Capitalization of development expenditure			6,856		-6,856	
Dissolution as a result of the year's depreciation on development expenses			-4,412		4,412	
Profit disposition				-22,953	22,953	
This year's results					-24,154	-24,154
At the end of the financial year	2,879	1,212	16,307	49,575	-40,461	29,512

Cash flow analysis parent company

KSEK	2021/22	2020/21
The ongoing operations		
Results for the period	-24,154	-22,953
Depreciation	4,854	6,541
Impairment of subsidiaries		941
Movement flow	-19,300	-15,471
Paid income tax	-462	
Cash flow from current operations before changes in working capital	-19,762	-15,471
Increase (-)/decrease (+) of inventory	-1,645	196
Increase (-)/decrease (+) of operating expenses	23,348	-1 930
Increase (+)/decrease (-) of operating liabilities	-958	2,962
Working capital change	20,745	1,228
Cash flow from current operations	983	-14,243
The investment business		
Development costs	-6,539	-4,091
Patents and trademarks	-326	-170
Machinery and equipment	-48	
Cash flow after investments	-5,930	-18,504
The financing business		
Issue costs	-10,279	
Increase (+)/decrease (-) in loan debt	15,221	6,275
Cash flow from financing activities	4,942	6,275
Cash flow for the period	-988	-12,229
Cash and cash equivalents at the beginning of the period	1,711	13,940
Liquid funds at the end of the period	721	1,711
(Incl. unused granted credits)	1 805	34,961

Notes

Note 1 Accounting and valuation principles

Generally

The company applies the Annual Accounts Act and the Accounting Board's general advice BFNAR 2012:1 (K3).

Valuation principles

Assets, provisions and liabilities have been valued at acquisition value unless otherwise stated below.

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. Value in use is defined as the present value of the estimated future payments that the asset generates. Write-downs are reported on the income statement

Receivables

Receivables have been recorded at the amounts with which they are estimated to have an effect.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency have been converted to the exchange rate on the balance sheet date. The difference between the acquisition value and the value on the balance sheet date has been reported in the income statement. To the extent that receivables and liabilities in foreign currency have been forward hedged, they are converted to the forward exchange rate.

Leasing

The company does not have any significant leasing agreements.

Income statement

Income from the sale of goods is recognized when the essential risks and benefits associated with ownership of the goods have passed to the buyer and when the amount of income can be reliably calculated.

Intangible fixed assets

Development expenses are reported according to the capitalization model as intangible fixed 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 revenue or lead to cost savings and
- that the expenses can be calculated satisfactorily.

The acquisition value of an internally developed intangible asset consists of the directly attributable expenses, which are required for the asset to be used in the manner intended by company management. Depreciation is done at 20% per year, when serial production has started.

Tangible fixed assets

Tangible fixed assets are reported at acquisition cost with deductions for depreciation according to plan, 20% per year of the acquisition value.

Inventory

Inventories are reported at the lower of acquisition value and fair value.

Fiscal deficits

At the end of the financial year, accumulated loss deductions in the company amounted to SEK *187 (155)* million. Taking into account that the company reports losses for the current financial year, the management has assessed that it cannot yet be assessed when in time the deficit can be offset against future profits, which means that the deferred tax asset is reported at SEK 0. All deficits have unlimited maturities.

Group accounts

The consolidated accounts include the parent company and the subsidiaries in which the parent company directly or indirectly holds more than 50% of the votes or otherwise has a controlling influence. The consolidated accounts are prepared according to the acquisition method, which means that equity that existed in the subsidiaries at the time of acquisition is eliminated in its entirety. The group's equity only includes the part of the subsidiaries' equity that was added after the acquisition.

Miscellaneous

Assets, provisions and liabilities have been valued at acquisition value unless otherwise stated below. Receivables are recorded at the amounts with which they are estimated to have an effect. Other assets, provisions and liabilities have been valued at acquisition value or nominal unless otherwise stated below. Recalculation of receivables and liabilities in foreign currency is done at the exchange rate on the balance sheet date.

Note 2 Estimates and judgments

Preparation of reports and application of various accounting principles are based on management's judgments and on assumptions and estimates, which are considered reasonable under prevailing conditions. These assumptions and estimates are based on experience and on other factors, including expectations of future developments.

For PHI, estimates and valuations are particularly important when capitalizing and writing down development costs. The value is primarily assessed based on estimated economic life and volume.

Note 3 Personnel

	Group		Parent company	
	2021/22	2020/21	2021/22	2020/21
The average number of employees with distribution between men and women:				
Women	5	8	5	8
Men	9	10	8	9
Total	14	18	13	17
Board and CEO				
Wages and allowances	1212	1020	1212	1020
Social security contributions according to law and agreement	728	560	728	560
Of which pension contributions	367	240	367	240
Other employees				
Wages and allowances	9,641	10,944	7,870	9388
Social security contributions according to law and agreement	3,613	2,996	3,506	2,877
Of which pension contributions		786	1,031	786
Total	15,194	15,520	13,316	13,845

According to the decision of the Annual General Meeting in October 2021, remuneration is paid to the Chairman of the Board with two price base amounts, to other members with one price base amount and to the deputy with half the base amount for the time until the next Annual General Meeting.

A fixed and variable salary of SEK 950,000 (838,000) was paid to the CEO during the financial year . In the case of termination by the CEO from the company's side, the notice period is a maximum of 12 months, and in the case of termination from the CEO's side, the notice period is 6 months.

Note 4 Tax on the year's profit

	Group		Parent company	
	2021/22	2020/21	2021/22	2020/21
Current tax				
Deferred tax				
Amount				
Reported tax				
Profit before tax	-25,381	-23,509	-24,154	-22,953
Tax according to the applicable tax rate	5,330	5,031	4,976	4,911
Reconciliation of reported tax				
Non-deductible costs	-35	-233	-35	-233
Effect of foreign tax rate	-91	-50		
Unvalued loss deductions	-5,204	-4,848	-4,941	-4,678

Note 5 Intangible fixed assets

	Group		The parent company	
	2022-04-30	2021-04-30	2022-04-30	2021-04-30
Balanced development expenditure				
Initial acquisition value	48,828	44,737	48,828	44,737
Acquisition of the year	6,539	4,091	6,539	4,091
Closing acquisition value	55,367	48,828	55,367	48,828
Entering depreciation	-34,649	-28,699	-34,649	-28,699
Depreciation for the year	-4,411	-5,950	-4,411	-5,950
Outgoing depreciation	-39,060	-34,649	-39,060	-34,649
Recorded value	16,307	14,179	16,307	14,179
Patent				
Initial acquisition value	5,231	5,061	5,231	5,061
Acquisition of the year	326	170	326	170
Closing acquisition value	5,557	5,231	5,557	5,231
Entering depreciation	-4,587	-4,364	-4,587	-4,364
Depreciation for the year	-239	-223	-239	-223
Outgoing depreciation	-4,826	-4,587	-4,826	-4,587
Recorded value	731	644	731	644
TOTAL INTANGIBLE FIXED ASSETS	17,038	14,823	17,038	14,823

Note 6 Tangible fixed assets

KSEK	Group 2022-04-30	Group 2021-04-30	Parent company 2022-04-30	Parent company 2021-04-30
Inventory				
Initial acquisition value	166	166	166	166
Acquisition of the year	48	–	48	–
Closing acquisition value	214	166	214	166
Entering depreciation	-164	-154	-164	-154
Depreciation for the year	-2	-10	-2	-10
Outgoing depreciation	-166	-164	-166	-164
Recorded value	48	2	48	2
Instruments for lending and for own use				
Initial acquisition value	2,023	2,023	2,023	2,023
Closing acquisition value	2,023	2,023	2,023	2,023
Entering depreciation	-1,688	-1,331	-1,688	-1,331
Depreciation for the year	-202	-357	-202	-357
Outgoing depreciation	-1 890	-1,688	-1 890	-1,688
Recorded value	133	335	133	335
TOTAL TANGIBLE FIXED ASSETS	181	337	181	337

Note 7 Inventory

	Group 2022-04-30	Group 2021-04-30	Parent company 2022-04-30	Parent company 2021-04-30
Components	630	888	630	888
Finished goods	2,349	446	2,349	446
Total	2,979	1,334	2,979	1,334

Note 8 Equity

The share capital, which is determined in Swedish kronor, amounted to SEK 2,878,994.20 at the end of the financial year, corresponding to 14,394,371 shares with a quota value of SEK 0:20. According to the articles of association, the company's share capital must amount to a minimum of SEK 2,400,000 and a maximum of SEK 9,600,000 and the number of shares to a minimum of 12,000,000 and a maximum of 48,000,000. All shares are of the same type and with equal voting rights.

Note 9 Overdraft facility

Granted overdraft facility amounts to SEK 2,000 (2,000) thousand, of which the unused portion at the end of the financial year amounted to SEK 1,084 (2,000) thousand.

Note 10 Liabilities to credit institutions

Loans with Almi amount to SEK 3,950 (6,125) thousand, of which SEK 1,800 thousand are due for payment in 2022/23. No debts fall due later than 5 years after the balance sheet date. Loan from Formue Nord A/S amounts to SEK 20,230 (3,750) thousand.

Note 11 Collateral pledged

KSEK	2022-04-30	2021-04-30
Corporate mortgage as security for debt to credit institutions	8,500	8,500

Note 12 Contingent liabilities

The company has no contingent liabilities.

Note 13 Financial fixed assets the parent company

Long-term loan Phase Holographic Imaging PHI Inc SEK 3,994,000.

Company	Organization number	SEAT	Number of shares	Capital share	Recorded value
Phase Holographic imaging PHI Inc	61-1906990	Delaware	1,500	100%	

KSEK	2021/22	2020/21
Input value	942 090	942 090
This year's investments		
Entering write-downs	-942 090	-942 090
Recorded value		

Note 14 Other operating income

In the 2020/21 operating year, PHI received SEK 1,972,000 in short-term layoff support due to Covid-19. In 2021/22, PHI did not apply for short-term leave support.

Note 15 Interest received and paid

	Group		Parent company	
	2021/22	2020/21	2021/22	2020/21
Interest received		99		99
Interest paid	5,557	294	5,557	1,236

Note 16 Cash and cash equivalents

	Group		Parent company	
	2021/22	2020/21	2021/22	2020/21
Bank balance	1,424	2,256	721	1,711

Note 17 Current receivables

	The group		The parent company	
	2022-04-30	2021-04-31	2022-04-30	2021-04-31
Receivable fund commissioner new issue	32,196		32,196	
Other claims	1,227	497	899	497
Total	**33,423**	**497**	**33,095**	**497**

Note 18 Transactions with related parties

Apart from board fees, no transactions with related parties have taken place.

Lund 2022-10-1 7

Mats Lundwall	Leland Foster	Mattias Lundin
Chairman	Member	Member

Petter Björquist	Peter Egelberg
Member	Managing Director

Our audit report has been submitted on 2022-10-17
Mazars AB

Bengt Ekenberg
Authorized accountant

Audit report

To the general meeting of Phase Holographic Imaging PHI AB
Org. No. 556542-7811

Report on the annual accounts and consolidated accounts

Statements

We have performed an audit of the annual report and consolidated accounts for Phase Holographic Imaging PHI AB for the financial year 1 May 2021 – 30 April 202 2. The company's annual report and consolidated accounts are included on pages 11-32 of this document.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view in all material respects of the parent company's and the group's financial position as of 30 April 2022 and of their financial results and cash flow for the year in accordance with the Annual Accounts Act. The management report is compatible with the other parts of the annual report and consolidated accounts.

We therefore recommend that the general meeting approve the income statement and the balance sheet for the parent company and the group.

Basis for statements

We have performed the audit in accordance with International Standards on Auditing (ISA) and good auditing practice in Sweden. Our responsibilities according to these standards are described in more detail in the *Auditor's Responsibilities* section . We are independent in relation to the parent company and the group in accordance with good accounting practice in Sweden and have otherwise fulfilled our professional ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our statements.

Other information than the annual report

The published document that includes the annual report and consolidated accounts also contains other information than the formal annual report and consolidated accounts. The other information is included on pages 1-7 of this document. The board and the CEO are responsible for the other information. Our statement regarding the annual report and the consolidated accounts does not include this information and we do not make any assurance statement regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, it is our responsibility to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. During this review, we also take into account the knowledge we have otherwise acquired during the audit and assess whether the information otherwise appears to contain material inaccuracies.

If, based on the work done on this information, we conclude that the other information contains a material misstatement, we are required to report this. We have nothing to report in that regard.

Responsibilities of the board and the managing director

It is the board and the managing director who are responsible for the preparation of the annual accounts and the consolidated accounts and that they give a true and fair view in accordance with the Annual Accounts Act. The board and the managing director are also responsible for the internal control they deem necessary to prepare an annual report and consolidated accounts that do not contain any material errors, whether these are due to irregularities or mistakes.

When preparing the annual report and the consolidated accounts, the board and the managing director are responsible for the assessment of the company's and the group's ability to continue operations. They disclose, when applicable, conditions that may affect the ability to continue operations and to use the going concern assumption. However, the going concern assumption is not applied if the board intends to liquidate the company, cease operations or has no realistic alternative to doing any of this.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high degree of assurance, but is no guarantee that an audit performed in accordance with ISA and good auditing practice in Sweden will always detect a material misstatement if one exists. Misstatements may arise due to irregularities or mistakes and are considered material if individually or collectively they can reasonably be expected to influence the financial decisions that users make based on the annual report and consolidated accounts.

As part of an ISA audit, we use professional judgment and maintain a professional skepticism throughout the audit. In addition:

- we identify and assess the risks of material misstatements in the annual accounts and consolidated accounts, whether due to irregularities or errors, design and perform audit procedures based on these risks, among other things, and obtain audit evidence that is sufficient and appropriate to form a basis for our

statements. The risk of not detecting a material misstatement resulting from fraud is higher than that of a material misstatement resulting from error, because fraud may include acts of collusion, forgery, intentional omissions, misstatements or overrides of internal control.

- we obtain an understanding of the part of the company's internal control that is relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of internal control.
- we evaluate the suitability of the accounting principles used and the reasonableness of the board's and CEO's estimates in the accounting and associated information.

- we draw a conclusion about the appropriateness of the board and the CEO using the going concern assumption when preparing the annual report and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether there is any material uncertainty factor relating to such events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we must draw attention in the auditor's report to the disclosures in the annual accounts and consolidated accounts about the material uncertainty or, if such disclosures are insufficient, modify the statement of the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may mean that a company and a group can no longer continue operations.

- we evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that gives a true and fair view.

- we obtain sufficient and appropriate audit evidence regarding the financial information for the units or business activities within the group to make a statement regarding the consolidated accounts. We are responsible for steering, monitoring and carrying out the group audit. We are solely responsible for our statements.

We must inform the board about, among other things, the planned scope and focus of the audit and the timing of it. We must also communicate any significant findings during the audit, including any significant deficiencies in internal control that we have identified.

Report on other requirements according to laws and other constitutions

Statements

In addition to our audit of the annual report and the consolidated accounts, we have also carried out an audit of the management of the board and the managing director for Phase Holographic Imaging PHI AB for the financial year 1 May 2021 – 30 April 2022 as well as of the proposal for dispositions regarding the company's profit or loss.

We recommend that the general meeting dispose of the profit according to the proposal in the management report and grant the members of the board and the managing director discharge from liability for the financial year.

Basis for statements

We have performed the audit in accordance with good auditing practice in Sweden. Our responsibility according to this is described in more detail in the *Auditor's responsibility* section . We are independent in relation to the parent company and the group in accordance with good accounting practice in Sweden and have otherwise fulfilled our professional ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our statements.

Responsibilities of the board and the managing director

It is the board that is responsible for the proposal for dispositions regarding the company's profit or loss. In the case of a proposal for a dividend, this includes, among other things, an assessment of whether the dividend is justifiable taking into account the requirements that the company's and the group's nature of operations, scope and risks place on the size of the parent company's and the group's equity capital, consolidation needs, liquidity and position in general.

The board is responsible for the company's organization and the management of the company's affairs. This includes, among other things, continuously assessing the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, fund management and the company's financial affairs in general are controlled in a reassuring manner. The managing
director shall manage the day-to-day management in accordance with the board's guidelines and instructions and, among other things, take the measures necessary for the company's accounting to be completed in accordance with the law and for the fund management to be managed in a reassuring manner.

Auditor's responsibilities

Our goal regarding the audit of the administration, and thus our statement on freedom from liability, is to obtain audit evidence in order to be able to assess with a reasonable degree of certainty whether any board member or the managing director in any material respect:

- has taken any action or been guilty of any negligence that may give rise to liability for compensation against the company, or

- acted in any other way in violation of the Companies Act, the Annual Accounts Act or the articles of association.

Our goal regarding the audit of the proposal for dispositions of the company's profit or loss, and thus our statement on this, is to assess with a reasonable degree of certainty whether the proposal is compatible with the Swedish Companies Act.

Reasonable assurance is a high degree of assurance, but no guarantee that an audit carried out in accordance with good auditing practice in Sweden will always discover measures or omissions that may give rise to liability for compensation against the company, or that a proposal for dispositions of the company's profit or loss is not in accordance with the Companies Act.

As part of an audit in accordance with good auditing practice in Sweden, we use professional judgment and have a professionally skeptical attitude throughout the audit. The review of the management and the proposal for dispositions of the company's profit or loss is based primarily on the audit of the accounts. Which additional audit measures are performed are based on our professional judgment based on risk and materiality. This means that we focus the review on such measures, areas and conditions that are essential to the business and where deviations and violations would have particular significance for the company's situation. We go through and examine decisions made, basis for decisions, measures taken and other circumstances that are relevant to our statement about freedom from liability. As a basis for our statement on the board's proposal for dispositions regarding the company's profit or loss, we have examined whether the proposal is compatible with the Swedish Companies Act.

Helsingborg, 2022-10-17

Mazars AB

Bengt Ekenberg
Authorized accountant