NeoDynamics year-end report

01-01-2018 – 31-12-2018

neodynamics

Year-end report 2018

Fourth quarter 2018

- Net revenue amounted to 9 104 TSEK (5 318). No sales took place during the period (10 TSEK). Capitalization of costs included in revenue totaled 9 019 TSEK (5 087).
- Income after taxes was SEK -8 598 TSEK (-2 021).
- Earnings per share amounted to SEK -0.72 (-0.30). There was no dilution of EPS during the period.

Full year

- Net revenue amounted to 24 987 TSEK (11 298). No sales took place during the period (15 TSEK). Capitalization of costs included in revenue totaled 24 877 TSEK (11 021).
- Income after taxes was -18 200 TSEK (-7 477).
- Earnings per share amounted to SEK -2.08 (-1.12). There was no dilution of EPS during the period.
- The number of shares in issue on 31 December 2018 was 15 303 520 (6 908 000).
- The number of warrants TO 1 was 3 080 000 (strike price 8.20 SEK/share) and the number of warrants 2018/21 was 550 000 (strike price 10.50 SEK/share).
- Cash at year-end was 25 654 TSEK (5.525).
- Equity ratio was 90.4 (74.0) %.
- Figures in brackets describe figures for the same period the previous year. "NeoDynamics" or "the Company" means NeoDynamics AB (Swedish company registration number: 559014-9117).

Significant events during the period

- NeoDynamics' development of the NeoNavia® innovative biopsy system progressed according to plan, the fully integrated system prototypes were delivered and evaluation is ongoing.
- The German multicenter study ("PULSE") for the biopsy of lymph nodes received ethical approval and is being carried out in collaboration with the German association for research in radiological gynecology AWOgyn.
- NeoDynamics presented NeoNavia® and its micro-pulse technology to a wider audience at the British Society of Breast Radiology's annual scientific meeting in Newcastle, UK on November 4-6.
- The Company issued new shares and was listed on Spotlight Stock Market on December 7. The issued capital shall be used to complete the development of NeoNavia, to apply for regulatory approvals in the EU and the US, and to carry out clinical studies and expand sales efforts.

Significant events after the period

- Country Manager placed in Great Britain.
- First patient recruited for the German multicenter study.
- NeoNavia presented at the AWOgyn meeting in Germany on February 7-9.
- Audit completed for a new certificate 13485:2016.
- Pre-submission meeting held with the US FDA, strengthening NeoDynamics' strategy for its coming 510(k) application for NeoNavia.

Finally on our way

Every hour, one woman in Sweden is diagnosed with breast cancer. An early and accurate diagnosis can save lives and improve quality of life.

In recent years, significant technical advances in many areas have improved patient outcomes. Enhanced imaging and ultrasound machines have made it possible to identify small tumors. More effective medicines and tailored radiation treatments have led to improved treatment results. But a very important part of the process is to obtain tissue samples of sufficient quality and volume from patients with suspicious lesions. The biopsy technique and equipment used in health care today have obvious deficiencies, especially in tissue sampling in difficult cases such as lymph nodes in the axilla, small tumors, dense breast tissue, and tumors located near the chest.

Based on research carried out at KTH Royal Institute of Technology and Karolinska Institutet, NeoDynamics has developed the NeoNavia biopsy system, a patented new technology for precision placement of biopsy needles with the help of micro-pulses. The system has been developed with leading clinical experts in Sweden, Germany and the UK to handle today's challenges such as sampling of very small lesions in difficult-to-reach locations, as well as to support "precision medicine". NeoNavia includes a number of unique functionalities that can improve the diagnosis of breast cancer.

Important milestones reached in 2018

Heavy investments were made in 2018 in our new technology, and we had more than 30 technicians working on different tasks to finalize our biopsy system. NeoDynamics has developed the base unit, the driver and the three different probes (needles) which are all ready for use with micro-pulses. Our business model is very cost effective. We have a small and competent organization, we have an agile way of working, and we connect with relevant expertise if and when it is needed.

We are now entering the final development phase, focusing on verification and validation as well as regulatory submissions. From an economic perspective, this is now a less hectic period with considerably lower product development costs compared with 2018.

It is with great satisfaction that I am able to conclude that we have followed our development plan and delivered on our targets. In parallel with our development, we have initiated a larger clinical program in Germany with eight university clinics which are using our CE-approved study version of NeoNavia to document clinical experience. The NeoNavia study aims to show improvements in biopsies taken from axilla lymph nodes. We paid all the product costs for the German study in 2018 as well as those associated with other studies planned for 2019. This means there will be no product costs for our studies in 2019.

During the first half of 2018 we arranged for a convertible loan of SEK 11.4 M which was converted into shares during the second half of 2018. In parallel with this, we arranged a →

bridging loan during the summer which was offset against shares in the IPO. All loans were repaid in connection with the transfer of the IPO money (SEK 50.5 M). After clearance of loans and payment of costs related to the share issue and the listing, the company had SEK 25,4 M in cash at year-end. It is estimated that this money will be sufficient for the running of operations until the end of 2019.

NeoDynamics is a public company and our shares were listed on Spotlight Stock Market on December 7. The new issue of shares was directed to and offered to the stock market during October and November.

Key activities: 2019

The formal verification and validation phase of NeoNavia begins during the first quarter of 2019, and we will complete all technical documentation according to the regulatory requirements to obtain regulatory approvals. Application for CE approval will be submitted during the second half of 2019, and an FDA application (510K) will also be submitted for approval in the US by the end of 2019.

During 2019, an English clinical study will be launched in collaboration with a number of major cancer clinics in the UK. At the same time, we are increasing our commitment and our marketing activities in the UK. The review and analysis of suitable sales channels and alternative partners are other important activities that will be undertaken in the coming year.

NeoNavia is an important Swedish innovation. In 2019, we will deepen our cooperation with the major university clinics in Sweden to increase knowledge of NeoNavia and generate interest in participation in user tests during the autumn.

I look forward to a very rich year with many important milestones in the Company's development, and also look forward to offering women who suffer from breast cancer a better and more reliable diagnosis in the near future.

***Anna Eriksrud**, CEO, NeoDynamics*

Financial overview

During the period January – December 2018, the Company has developed according to plan, with the main costs being related to product development, clinical studies and personnel. NeoDynamics applies a policy of capitalization of development costs to intangible assets, but not of personnel costs.

Revenue

During the year, the Company has not had any product sales since all products have been used in clinical trials. Capitalized expenses accounted for 24 877 TSEK (11 021) of the reported revenues of 24 978 TSEK (11 298).

Earnings

Operating income before depreciation for the year amounted to -15 058 TSEK (-7 054). Depreciation and write-downs for the year amounted to -560 TSEK (-419). Non-recurring items for the year amounted to -156 TSEK (-10) while financial expenses amounted to -2 581 TSEK (-4). Profit before tax for the year and after tax amounted to -18 200 TSEK (-7477).

Financial position

On December 31, 2018, the equity ratio was 90 (74) percent. Shareholders' equity amounted to 74 563 TSEK, compared with 26 706 TSEK at the same time last year. As of December 31, 2018, the Company's cash and cash equivalents amounted to 25 654 TSEK (5 525). Total assets for the Company at the same time amounted to 82 455 TSEK compared with 36 077 TSEK the previous year.

Capital requirements

The Board's assessment is that the working capital requirement in 2019 will be met by using available cash and net proceeds from a planned new issue through an option program that may raise approximately 24 MSEK in new equity at the end of the year. Alternatively the business plan may be revised and adjusted.

Seasonal variations

The company is in a build-up phase during which the business is not affected by seasonal effects. In 2018, significant funds were invested in the development of the NeoNavia biopsy system.

NeoDynamics shares

NeoDynamics shares have been listed on the Spotlight Stock Market since December 7, 2018. The short name is "NEOD" and the ISIN-code is SE0011563410. The Company has only one class of shares. Each share carries equal rights to share in the Company's assets and earnings.

As of December 31, 2018, the total number of shares in issue was 15 303 520 (6 908 000). During 2018 there have been two splits (10:1 och 100:1) and the previous year's number of shares (6 908) has been multiplied by 1,000 for increased comparability.

Ownership

The table below shows NeoDynamics' 10 largest owners of votes and shares at year-end.

1	Boai NKY Medical Holdings Ltd, China	4,922,544	32.17%
2	M2 Capital Management AB	1,278,457	8.35%
3	Gryningskust Holding AB	914,900	5.98%
4	Huasheng Fang	768,290	5.02%
5	ADB Invest AB	360,700	2.36%
6	Jörgen Vrenning	356,054	2.33%
7	Rentability Sweden AB	290,694	1.90%
8	Claes Pettersson	242,834	1.59%
9	Humlan Fastighetsutveckling AB	240,000	1.57%
10	Espander Life Science Partner AB	200,000	1.31%

Annual General Meeting

NeoDynamics' Annual General Meeting will be held on May 23, 2019, in Lidingö, Sweden. The annual report will be available for download on the Company's website (www.neodynamics.se) by April 20, 2019 at the latest.

Dividend

The Board of Directors proposes no dividend for the fiscal year 2018.

Financial calendar

Annual report	Apr 20, 2019
Interim report (Jan-Mar)	May 21, 2019
Annual General Meeting	May 23, 2019
Interim report (Jan-Jun)	Aug 21, 2019
Interim report (Jan-Sep)	Nov 21, 2019

Risks and uncertainties

A number of risk factors may have a negative impact on NeoDynamics AB's operations. It is therefore essential to consider the relevant risks besides the Company's growth opportunities. For a detailed description of the risks attributable to the Company and its shares, reference is made to the prospectus published by the Board in October 2018.

Accounting principles

The year-end report has been prepared in accordance with the Annual Accounts Act and with the application of the Swedish Accounting Standards Board's general advice: BFNAR 2012: 1 Annual Report and Consolidated Financial Statements (K3). The activation model in the general council has been applied for intangible assets. The company's assets and liabilities are stated at cost and nominal value unless otherwise stated.

Review report

This report has not been reviewed by the company's auditor.

Year-end report submitted

The Board of Directors and the CEO hereby certify that the year-end report provides a true and fair view of NeoDynamics' operations.

Lidingö, February 21, 2019

Anna Eriksrud CEO	Ingrid Salén Chairman of the Board	Carina Bolin Board member
Claes Pettersson Board member	Jörgen Vrenning Board member	Xiaojun Xu Board member

NeoDynamics AB, 559014-9117

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NeoDynamics has made this information public in accordance with the EU Market Abuse Regulation. The information was submitted for publication at 08.45a.m. CET on February 21, 2019.

Income statement

(SEK thousands)	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Revenue				
Net sales	-	10	-	15
Work performed by the Company for its own use and capitalized	9 019	5 087	24 877	11 021
Other operating income	84	220	101	262
	9 104	5 318	24 978	11 298
Operating expenses				
Other external costs	-12 580	-5 986	-32 426	-13 797
Personnel costs	-3 598	- 1 243	-7 454	-4 546
Depreciation/amortization and impairment of tangible and intangible assets	- 246	-105	-560	-419
Other operating expenses	-51	-6	-156	-10
OPERATING INCOME	**-7 372**	**-2 021**	**-15 619**	**-7 473**
Financial items				
Financial income	134	1	134	1
Financial costs	-1 359	-1	-2 715	-5
Net financial items	**-1 226**	**0**	**-2 581**	**-4**
Profit after financial items	**-8 598**	**-2 021**	**-18 200**	**-7 477**
Profit before tax	**-8 598**	**-2 021**	**-18 200**	**-7 477**
Tax	-	-	-	-
Net profit	**-8 598**	**-2 021**	**-18 200**	**-7 477**
Earnings per share before dilution, SEK (No dilution)	**-0.72**	**-0.30**	**-2.08**	**-1.12**
Number of shares at year-end:	**15 303 520**	**6 908 000**	**15 303 520**	**6 908 000**
Average number of shares	**11 955 694**	**6 775 196**	**8 741 198**	**6 651 638**

Balance sheet

(SEK thousands)	31-Dec-18	31-Dec-17
ASSETS		
Fixed assets		
Intangible assets	48 827	24 279
Tangible assets	1 242	637
	50 069	**24 916**
Current assets		
Inventory	-	531
Receivables	6 733	5 105
Cash and bank	25 654	5 525
	32 387	**11 161**
TOTAL ASSETS	**82 455**	**36 077**
EQUITY AND LIABILITIES		
Restricted equity		
Share capital	1 530	691
Fund for development expenditure	43 569	18 809
	45 099	**19 500**
Unrestricted equity		
Share premium reserve	111 261	46 045
Profit/loss brought forward	-63 598	-31 361
Profit/loss for the year	-18 200	-7 477
TOTAL EQUITY	**74 563**	**26 706**
Long-term liabilities		
Other long-term liabilities	476	118
Short-term liabilities		
Accounts payable	3 788	2 366
Other current liabilities	1 205	4 987
Accrued expenses and deferred income	2 423	1 899
TOTAL LIABILITIES	**7 416**	**9 252**
TOTAL EQUITY AND LIABILITIES	**82 455**	**36 077**

Equity

(SEK thousands)	Share capital	Statutory reserves	Unrestricted equity
Opening balance at the beginning of the year	**691**	**18 809**	**7 207**
Fund for development expenditure		24 760	24 760
Rights issue	840		65 217
Disposition according to board decision			-
This year's result			-18 200
Amount at end of period	**1 530**	**43 569**	**29 464**

Cash flow statement

(SEK THOUSANDS)	2018 Jan-Dec	2017 Jan-Dec
Operating activities		
Profit after financial items	-18 200	-7 477
Adjustments for items not included in cash flow, etc	304	449
Cash flow from operating activities before changes in working capital	**-17 896**	**-7 029**
Cash flow from changes in working capital		
Increase (-) /Decrease (+) in inventories	531	-531
Increase (-) /Decrease (+) in operating receivables	-1 628	2 218
Increase (+) /Decrease (-) in operating liabilities	-1 836	6 905
Cash flow from operating activities	**-20 829**	**-2 873**
Investment activities		
Acquisition of intangible assets	-24 653	-11 021
Disposal of intangible assets	-805	-
Cash flow from investment activities	**-25 458**	**-11 021**
Financing activities		
New share issue	66 056	3 149
Borrowings	358	-
Cash flow from financing activities	**66 415**	**-3 149**
Cash flow for the year	**20 128**	**-10 746**
Cash and cash equivalents at the beginning of the year	**5 525**	**16 271**
Cash and cash equivalents at the end of the year	**25 654**	**5 525**

Key figures

	31-Dec-18	31-Dec-17
Net sales, SEK	-	15,139
Operating margin %	neg	neg
Balance total, SEK	82,455,372	36,076,769
Return on capital employed %	neg	neg
Return on equity %	neg	neg
Equity ratio %	90	74
Debt ratio %	10	35

Warrants program – 2018/21

The company has issued 550 000 warrants to senior executives in the company. The warrant holders have the right to subscribe for one (1) share in the Company at a subscription price of SEK 10.50 for each warrant during the period October 1, 2021 through October 31, 2021. The warrants entail a dilution of ownership when the price of shares exceeds the exercise price of the warrants. There is no dilution effect during the period.

Warrants program – 2018/19 TO 1

In connection with the new share issue in November, the Company has issued 3,080,000 warrants where each warrant entitles the holder to subscribe for one new share in the Company at a subscription price of SEK 8.20. The warrants entail a dilution of ownership when the price of shares exceeds the exercise price of the warrants. There is no dilution effect during the period.

NeoDynamics in brief

NeoDynamics AB (publ) is a Swedish medical technology company that focuses on improving the diagnosis and treatment of breast cancer. The company has an innovative biopsy system, NeoNavia®, which is in a late stage of development. The biopsy system is based on a patented micro-pulse technology which is based on early research carried out at KTH Royal Institute of Technology and Karolinska Institutet. The system is designed to offer physicians and patients precise and accurate tissue sampling with a large exchange of tissue and thus the best possible conditions for an accurate diagnosis. NeoNavia® is being evaluated at leading clinics in the UK, Germany and Sweden. The commercial launch of the system is expected to take place during the first quarter of 2020.

A growing breast biopsy market

At least 6 million breast biopsies are performed every year in order to detect suspected cancer. The number of breast biopsies taken is increasing by 10% per year. Every year 2.1 million woman are diagnosed with breast cancer, a number that is increasing by 5% per year. The market for breast biopsy devices is worth USD 500 million/year. The proportion of non-surgical biopsies taken is increasing at the expense of surgical biopsies. Expanded screening programs and new screening techniques are enabling more and more tumors to be detected earlier. New therapies are increasing the need for biopsies to confirm diagnoses but also to follow-up treatment results.

NeoNavia – a unique biopsy system

NeoNavia is the brand name of the entire biopsy system, which consists of a base unit, a driver and three disposable probes/biopsy needles (VAB, CNB and our proprietary front-loaded needle). All three are driven by the micro-pulse technique, providing physicians with qualitative tissue samples with a large tissue yield and hence the prerequisite for an accurate diagnosis.

New innovative technology

The micro-pulse technology is based on a pneumatically driven mechanism that enables high precision and control when positioning and inserting a biopsy needle completely independent of tissue type. The pneumatic drive that generates micro-pulses is placed in a handheld instrument. The driver also makes the needle accelerate over a short distance, enabling its distinct stepwise insertion without the risk of destroying surrounding tissue. This facilitates ease of access and flexibility in sampling, even in very small and hard tumors or in difficult positions. The entire procedure is controlled via ultrasound-based imaging.

Global patent rights

NeoNavia's micro-pulse technology has global patent protection. The technology is patented in the larger European countries as well as in China and the United States. Design-specific patents for the specific needle designed by NeoDynamics have already been approved. The patent will run for a great number of years ahead.

Clinically tested in key markets

More than 300 patients have undergone breast and axillary lymph node biopsy with the new technique. Clinical studies are being conducted in Germany and are being planned in the UK for further evaluation of the technology.

Tomorrow's breast cancer biopsy

Our vision is that our micro-pulse technology will become the new standard for all breast cancer biopsy under ultrasound, and that precision and reliability will be improved, thereby helping to save lives and improve the quality of life of all women with breast cancer.