Sundbyberg May 11, 2020

Letter from the CEO

I trust and hope that you are all well in these trying times. I'm very thankful that the team at SciBase has come through this unscathed so far. At the same time the landscape of our family life and our work life has undergone real changes in the recent months and I expect some of these changes are here to stay.

I, perhaps foolishly, thought that the activity levels would come down somewhat due to Covid-19. How wrong I was! We have been, and continue to be, very busy with a number of exciting projects.

But first a bit about our customers. Our two focus markets are Germany and the US – and in the US we have been until now concentrated in the Northeast and especially the New York area. Both have been significantly affected by the pandemic, and New York especially so. Many practices are opening now, but with reduced hours and reduced patient numbers. Aesthetic procedures such as botox are for the most part halted, but medical procedures such as skin cancer checks are returning. It will take some time to return to a new normal, but the process to restart business is underway.

So what has kept us so busy? I'd like to run through some of the recent milestones and key projects we are working on.

Germany

Even though Covid-19 significantly affected the Q1 sales in Germany, we were extremely close to breakeven in Germany in Q1. This is due to a continuation of increased electrode use and sales we saw in 2019 and customer support cost savings. Nevisense 3.0 has dramatically improved usability for customers so that the test is easier to integrate into their patient workflow and this has driven test usage. On the other hand, Nevisense 3.0 requires much less training and support which has resulted in reduced staff costs. Breaking even in Germany is important because it means we can concentrate our investments on the other two parts of our strategy – the US and our new applications.

Progress in the US (finally!)

Within medtech there is a saying that 'if you haven't made it in the US, you haven't made it'. It is a fantastic market once a product is established, but it is a notoriously tough market to penetrate and the reimbursement system is by far the most important and complex I have encountered. It has taken much longer than we had hoped, but we have reached a few key milestones.

Firstly, after an intensive 11 month process, the FDA has approved Nevisense 3.0. That it takes so long is to do with the fact that melanoma is considered a high -risk application and therefore the controls are stringent. So stringent in fact that we are the only device approved on the US market for melanoma detection. We think that Nevisense 3.0 is essential for our success in the US where patient throughput and efficiency are even more critical than Europe.

We were also very pleased to announce our collaboration partnership with the Advanced Dermatology and Cosmetic Surgery group (ADCS) last week. As the largest US network with over 150 clinics across the US, ADCS is a great partner and this is a significant opportunity for both companies. The driver for ADCS was best expressed by Matt Leavitt the CEO when he said 'I want to bring more science into Dermatology'. They also have a company-wide focus on the early detection of skin cancer, so the fit with SciBase is excellent. More news will follow as we roll out the pilot phase in the coming weeks and months.

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Otherwise, we saw sales traction and a good increase in usage from our US customers in Q4 and the beginning of Q1. With the effect of Covid, sales activities are reduced, so we have taken the opportunity to focus on our reimbursement process which continues to move forward, albeit more slowly than we would want.

Same technology, new products

The core of our products is combination of Electrical Impedance spectroscopy (EIS) and Artificial Intelligence (AI). Many companies talk about AI, but we are the first company within Dermatology and one of only a handful of companies globally to actually launch an AI-driven medical product into the market. Around 100,000 patients have been successfully tested with our EIS and AI combination.

Development-wise we are working on two new product areas. Firstly, we are taking the same core electrode technology and EIS methodology and developing new AI algorithms that support new and exciting clinical applications. In other words, we are reusing the same basic measurement technology we have developed over the last 15 years and building new software analyses that provide clinical value in new clinical areas. Those two areas are non-melanoma skin cancer and skin barrier assessment. Both these applications have potential at least as large as melanoma and I see the skin barrier application especially as an exciting product. If you are interested in learning more about these areas I recommend that you visit our website or take a look at the following link from our AI partner Peltarion [https://peltarion.com/blog/applied-ai/scibase].

Secondly, we are very nearly complete with a revolutionary new product called Nevisense Go. Nevisense Go is a miniaturized, handheld version of Nevisense. The product provides completely self-contained measurement of EIS and AI-based evaluation of those measurements. The first application for Nevisense Go is the measurement of skin barrier function, but eventually all applications can be supported. The possibilities for this product are many. Being smaller, much less expensive and easier to use, Nevisense Go has real potential outside the dermatology clinic. We have a promising level of interest from industry for this product, and that will be our initial focus. I look forward to sharing more news on this as we near product completion.

So as you can see, there is a lot going on. Our goal is to do as much as we can now so that when the market comes back we are 'firing on all cylinders'. We have a good team and I am really proud of what they continue to achieve under difficult circumstances. Stay safe and I look forward to seeing you virtually or otherwise during the upcoming presentations of the company to support our new financing round. More information is available at [http://investors.scibase.se/en] if you are interested in becoming a shareholder.

Best Regards

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About SciBase and Nevisense

SciBase AB is a Swedish medical technology company, headquartered in Stockholm that has developed and sells a unique point-of-care device for evaluation of skin disorders such as skin cancer and atopic dermatitis. Its first product, Nevisense, helps doctors to detect malignant melanoma, the most dangerous type of skin cancer. Further development has led to Nevisense also being used as a tool to assess the skin barrier and inflammation. SciBase was founded by Stig Ollmar, Associate Professor at The Karolinska Institute in Stockholm, Sweden. Nevisense is based on substantial research and has achieved excellent results in the largest clinical study ever conducted on the detection of malignant melanoma. Nevisense is CE marked in Europe, has TGA approval in Australia and an FDA approval (PMA) in the United States. Nevisense is based on a method called Electrical Impedance Spectroscopy (EIS), which uses the varying electrical properties of human tissue to categorize cellular structures and thereby detect malignancies and abnormalities. SciBase is listed on First North Growth Market ("SCIB"). Further information is available at www.scibase.com.