
Acarix A/S

Diplomvej 376, DK-2800 Kgs. Lyngby

Annual Report for 1 January - 31 December 2017

CVR No 32 64 82 23

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
1 / 6 2018

Dr. Werner Braun
Chairman



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Acarix A/S for the financial year 1 January - 31 December 2017.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company operations for 2017.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Lyngby-Taarbæk, 1 June 2018

Executive Board

Christian Lindholm

Board of Directors

Dr. Werner Braun
Chairman

Denis Gestin

Hong Yun Fei

Ulf Lennart Rosén

Oliver Johansen

Claus Asbjørn Andersson

Independent Auditor's Report

To the Shareholder of Acarix A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Acarix A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstate-

Independent Auditor's Report

ment, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events

Independent Auditor's Report

in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 1 June 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Allan Knudsen

statsautoriseret revisor

mne29465

Company Information

The Company

Acarix A/S
Diplomvej 376
DK-2800 Kgs. Lyngby

CVR No: 32 64 82 23
Financial period: 1 January - 31 December
Municipality of reg. office: Lyngby-Taarbæk

Board of Directors

Dr. Werner Braun, Chairman
Denis Gestin
Hong Yun Fei
Ulf Lennart Rosén
Oliver Johansen
Claus Asbjørn Andersson

Executive Board

Christian Lindholm

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Management's Review

Financial Statements of Acarix A/S for 2017 have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

Key activities

The Company's main activity is development, production and advertisement of a new cardiovascular diagnostic methods and equipment.

Development in the year

The income statement of the Company for 2017 shows a loss of DKK 15,711,056, and at 31 December 2017 the balance sheet of the Company shows equity of DKK 21,502,384.

In 2017, Acarix achieved historic milestones – most noticeably the receipt of the first commercial order for CADScor®System in June and thus a confirmation of the commercialization program being on track. This first order was placed by Herning Hospital in Denmark and researchers at the hospital have extensively trialed CADScor®System and presented data at the American College of Cardiology 2017 Annual Scientific Meeting showing that the system rules out CAD with 97% negative predictive value. The abovementioned first order was quickly followed by orders from the important German and Swedish markets.

Research and development

Acarix A/S develops a non-invasive diagnostic equipment for ruling out the presence of Coronary Artery Disease, stenosis in the coronary artery, in symptomatic patients. The equipment has an advanced microphone that will be positioned over the heart region by means of a special developed patch. After a short recording of heart sounds these will be converted by mathematical algorithms to determine the patients risk of having Coronary Artery Disease. Hence the core competences of the company are mathematical modeling and signal interpretation as well as design and principles for optimal sound recording within the field of application.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2017 DKK	2016 DKK
Gross profit/loss		-12,918,804	-8,654,082
Staff expenses	2	-2,417,007	-8,394,378
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-1,102,160	0
Profit/loss before financial income and expenses		-16,437,971	-17,048,460
Financial income		19,852	0
Financial expenses		-44,928	-733,997
Profit/loss before tax		-16,463,047	-17,782,457
Tax on profit/loss for the year	3	751,991	2,174,535
Net profit/loss for the year		-15,711,056	-15,607,922

Distribution of profit

Proposed distribution of profit

Retained earnings		-15,711,056	-15,607,922
		-15,711,056	-15,607,922

Balance Sheet 31 December

Assets

	Note	2017 DKK	2016 DKK
Completed development projects		15,383,435	0
Acquired patents		3,658,255	3,836,375
Development projects in progress		0	14,107,329
Intangible assets	4	19,041,690	17,943,704
Deposits		91,975	60,464
Fixed asset investments		91,975	60,464
Fixed assets		19,133,665	18,004,168
Inventories		1,470,350	0
Trade receivables		344,567	0
Other receivables		1,152,879	2,188,190
Corporation tax		751,991	2,036,731
Prepayments		37,188	119,167
Receivables		2,286,625	4,344,088
Cash at bank and in hand		3,269,347	12,627,326
Currents assets		7,026,322	16,971,414
Assets		26,159,987	34,975,582

Balance Sheet 31 December

Liabilities and equity

	Note	2017 DKK	2016 DKK
Share capital		25,835,415	25,835,415
Reserve for development costs		8,437,149	7,221,136
Retained earnings		-12,770,180	-8,843,111
Equity		21,502,384	24,213,440
Trade payables		1,540,092	2,665,391
Payables to group enterprises		2,737,528	0
Other payables		379,983	8,096,751
Short-term debt		4,657,603	10,762,142
Debt		4,657,603	10,762,142
Liabilities and equity		26,159,987	34,975,582
Going concern	1		
Contingent assets, liabilities and other financial obligations	5		
Accounting Policies	6		

Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	<u>DKK</u>	<u>DKK</u>	<u>DKK</u>	<u>DKK</u>
Equity at 1 January	25,835,415	7,221,136	-8,843,111	24,213,440
Group contribution	0	0	13,000,000	13,000,000
Development costs for the year	0	1,216,013	-1,216,013	0
Net profit/loss for the year	0	0	-15,711,056	-15,711,056
Equity at 31 December	<u>25,835,415</u>	<u>8,437,149</u>	<u>-12,770,180</u>	<u>21,502,384</u>

Notes to the Financial Statements

1 Going concern

The Company has received a Letter of Financial Support from Acarix AB. According to the letter Acarix AB will support the Company financially to the extent necessary to finance its operating activities and to settle its financial obligations. The Letter of Financial Support is effective until 31 December 2018.

Based on this Management has decided to prepare the Annual Report on a going concern basis.

	<u>2017</u> DKK	<u>2016</u> DKK
2 Staff expenses		
Wages and salaries	1,849,218	8,394,378
Pensions	291,590	0
Other social security expenses	32,557	0
Other staff expenses	243,642	0
	<u>2,417,007</u>	<u>8,394,378</u>
Average number of employees	<u>7</u>	<u>4</u>
3 Tax on profit/loss for the year		
Current tax for the year	<u>-751,991</u>	<u>-2,174,535</u>
	<u>-751,991</u>	<u>-2,174,535</u>

Notes to the Financial Statements

4 Intangible assets

	Completed development projects <u>DKK</u>	Acquired pa- tents <u>DKK</u>	Development projects in progress <u>DKK</u>
Cost at 1 January	0	4,230,129	14,107,329
Additions for the year	2,229,062	0	0
Disposals for the year	0	-28,916	0
Transfers for the year	14,107,329	0	-14,107,329
Cost at 31 December	<u>16,336,391</u>	<u>4,201,213</u>	<u>0</u>
Impairment losses and amortisation at 1 January	0	393,754	0
Amortisation for the year	952,956	149,204	0
Impairment losses and amortisation at 31 December	<u>952,956</u>	<u>542,958</u>	<u>0</u>
Carrying amount at 31 December	<u>15,383,435</u>	<u>3,658,255</u>	<u>0</u>

Development projects are related to the development of the CADScor®System (acoustic cardiovascular diagnostics), which records heart sounds and murmurs for calculating a patient's specific score in order to determine the patient's risk of coronary artery disease.

5 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The company has concluded lease agreements with terms to maturity of 3 months and average lease payments of TDKK 32, a total of TDKK 96.

Notes to the Financial Statements

6 Accounting Policies

The Annual Report of Acarix A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

6 Accounting Policies (continued)

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Depreciation, amortisation and impairment of intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Notes to the Financial Statements

6 Accounting Policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Development projects, patents and licences

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item "Reserve for development costs". The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 10 years.

Patents and licences are measured at cost less accumulated amortisation and less any accumulated im-

Notes to the Financial Statements

6 Accounting Policies (continued)

pairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is years. Software licences are amortised over the period of the agreement, which is 18 years.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Fixed asset investments

Fixed asset investments consist of deposits.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Notes to the Financial Statements

6 Accounting Policies (continued)

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.