

MedTrace A/S

Gotlandsvej 5, Tved
5700 Svendborg

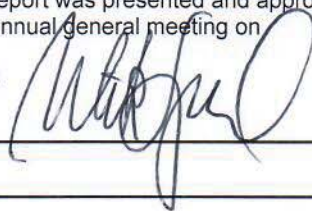
CVR no. 36 49 76 61

Annual report 2017

The annual report was presented and approved at the
Company's annual general meeting on

17 May 2018

chairman



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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of MedTrace A/S for the financial year 1 January – 31 December 2017.

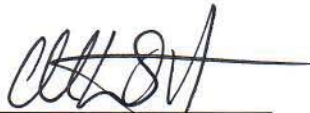
The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

17 May 2018
Executive Board:



Martin Dal Stenfeldt

Board of Directors:



Ulrik Spork
Chairman



Bernt Skov Jensen



Mads Spangaard
Rasmussen



Michael Frank



Independent auditor's report

To the shareholders of MedTrace A/S

Opinion

We have audited the financial statements of MedTrace A/S for the financial year 1 January – 31 December 2017 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position 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.

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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility 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 that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, 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 as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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 company 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.



Independent auditor's report

- 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 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the 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 of the Management's review.

Copenhagen, 17 May 2018

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Morten Høgh-Petersen

State Authorised

Public Accountant

MNE no. 34283

MedTrace A/S
Annual report 2017
CVR no. 36 49 76 61

Management's review

Company details

MedTrace A/S
Gotlandsvej 5, Tved
5700 Svendborg

Telephone: +4528104149
Website: www.medtrace.dk

CVR no.: 36 49 76 61
Registered office:
Financial year: 1 January – 31 December

Board of Directors

Ulrik Spork, Chairman
Bernt Skov Jensen
Mads Spangaard Rasmussen
Michael Frank

Executive Board

Martin Dal Stenfeldt

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen

Management's review

Operating review

Company development and major activities

The company's purpose is to make the blood perfusion tracer [O-15]-H₂O practically available thus increasing accuracy and efficiency in medical imaging globally.

The solution consists of a Point-of-care chemistry lab (MT-100) with three disposable kits for daily operation. In 2017, four 2nd generation technical prototypes were developed and tested at hospitals in Asia and Europe.

From a business perspective, MedTrace has further expanded its industry dialogue with global medical imaging corporations and radiopharmaceutical companies. Clinical dialogue has been strengthened even further with many new clinical stakeholders indicating strong clinical interest for our solution.

Financial development

The year 2017 was the second full year of operation and still in an intentional development mode. The use of cash was higher compared to 2016 reflecting an increased focus on product development and in full alignment with plan. MedTrace was originally funded (equity and loans) by two seed-investors; Syddansk Innovation (SDI) and Welfare Tech Invest (WTI).

In 2017, MedTrace has taken out convertible loans from SDI, WTI and MedTravest A/S.

MedTrace also received the final tranche payments in 2017 from the Danish Market Development Fund that granted MedTrace 2,7 MDKK in December 2015.

Subsequent events

By the end of 2017, MedTrace's management identified a group of new investors that provided the company new convertible loans. In order to secure funding for operations throughout year, MedTrace is in contact with additional new potential investors. Management feel confident that the cash requirements will be solved through these efforts but also have contingency plan in place.

Financial statements 1 January – 31 December

Income statement

DKK	Note	2017	2016
Gross profit/loss		<u>-2,166,821</u>	<u>1,519,441</u>
Staff costs	2	-69,412	-172,800
Depreciation, amortisation and impairment		<u>-7,203</u>	<u>0</u>
Operating profit/loss		-2,243,436	1,346,641
Financial income		19,241	0
Financial expenses	3	<u>-683,940</u>	<u>-56,395</u>
Profit/Loss before tax		-2,908,135	1,290,246
Tax on profit/loss for the year	4	<u>905,595</u>	<u>-133,033</u>
Loss for the year		<u><u>-2,002,540</u></u>	<u><u>1,157,213</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2017	2016
ASSETS			
Fixed assets			
Intangible assets			
Development projects in progress		<u>13,180,883</u>	<u>7,987,322</u>
		<u>13,180,883</u>	<u>7,987,322</u>
Property, plant and equipment			
Fixtures and fittings, tools and equipment		<u>7,203</u>	<u>0</u>
		<u>7,203</u>	<u>0</u>
Total fixed assets		<u>13,188,086</u>	<u>7,987,322</u>
Current assets			
Receivables			
Other receivables		383,139	1,483,592
Corporation tax		<u>1,142,583</u>	<u>1,071,788</u>
		<u>1,525,722</u>	<u>2,555,380</u>
Cash at bank and in hand		<u>554,813</u>	<u>37,231</u>
Total current assets		<u>2,080,535</u>	<u>2,592,611</u>
TOTAL ASSETS		<u><u>15,268,621</u></u>	<u><u>10,579,933</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2017	2016
EQUITY AND LIABILITIES			
Equity			
Contributed capital		701,209	640,028
Other reserves		-9,693,778	-3,865,682
Reserve for development costs		<u>11,433,743</u>	<u>7,382,765</u>
Total equity		<u>2,441,174</u>	<u>4,157,111</u>
Provisions			
Provisions for deferred tax		<u>1,710,345</u>	<u>1,204,791</u>
Total provisions		<u>1,710,345</u>	<u>1,204,791</u>
Liabilities other than provisions			
Non-current liabilities other than provisions			
Long term loan from affiliates	5	<u>9,869,926</u>	<u>3,973,583</u>
		<u>9,869,926</u>	<u>3,973,583</u>
Current liabilities other than provisions			
Trade payables		1,060,859	0
Other payables		<u>186,317</u>	<u>1,244,448</u>
		<u>1,247,176</u>	<u>1,244,448</u>
Total liabilities other than provisions		<u>11,117,102</u>	<u>5,218,031</u>
TOTAL EQUITY AND LIABILITIES		<u>15,268,621</u>	<u>10,579,933</u>
Contractual obligations, contingencies, etc.	6		
Related party disclosures	7		

Financial statements 1 January – 31 December

Statement of changes in equity

	Contributed capital	Other reserves	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2017	640,028	-3,865,682	7,382,765	0	4,157,111
Cash capital increase	61,181	225,422	0	0	286,603
Transfers, reserves	0	0	4,050,978	0	4,050,978
Transferred over the [profit appropriation/distribution of loss]	0	-6,053,518	0	0	-6,053,518
Equity at 31 December 2017	<u>701,209</u>	<u>-9,693,778</u>	<u>11,433,743</u>	<u>0</u>	<u>2,441,174</u>

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of MedTrace A/S for 2017 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Income statement

Other external costs / gross profit

Other external costs comprise distribution costs and costs related to administration and other costs of the Company. Costs related to the development of the Company's new products are capitalised in the balance sheet.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities. Staff costs related to the development of the Company's new products are capitalised in the balance sheet.

Financial income and expenses

Financial income and expenses comprise interest income and expenses.

Tax on profit/loss for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

Patents, licences and development projects

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining life of the patent, and licences are amortised over the contract period. Development costs are capitalised in the balance sheet, when the future expected cash flows are assessed as probable and the future net present value of cash flows can at least cover the capitalised value. Costs capitalised on development projects have to be related to the specific project and be measured accurately in order to be capitalised.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Fixed assets and equipment

Tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date of which the asset is available for use.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Non-current assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price, selling cost and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Finance lease obligation comprise the capitalised residual lease obligation of finance leases.

Other liabilities are measured at net realisable value.

2 Staff costs

DKK	2017	2016
Wages and salaries	2,228,634	1,325,179
Pensions	46,080	7,477
Other social security costs	23,101	22,527
	<u>2,297,815</u>	<u>1,355,183</u>
Average number of full-time employees	<u>5</u>	<u>4</u>

The difference in staff costs are related to development effects and are capitalised as an asset.

Financial statements 1 January – 31 December

Notes

3 Financial expenses

	<u>2017</u>	<u>2016</u>
DKK		
Other financial costs	683,940	9,878
Exchange adjustments costs	<u>0</u>	<u>46,517</u>
	<u>683,940</u>	<u>56,395</u>

4 Tax on profit/loss for the year

	<u>2017</u>	<u>2016</u>
DKK		
Current tax for the year	1,142,583	-133,033
Deferred tax for the year	-505,554	0
Adjustment of tax concerning previous years	<u>268,566</u>	<u>0</u>
	<u>905,595</u>	<u>-133,033</u>

5 Non-current liabilities other than provisions

Loan from affiliates:		
Convertible debentures	6,542,106	973,583
Loan from affiliates	<u>3,327,820</u>	<u>3,000,000</u>
	<u>9,869,926</u>	<u>3,973,583</u>

6 Contractual obligations, contingencies, etc.

The company has entered into operating rent agreements with a total obligation of DKK 50 thousand in the contract period.

7 Related party disclosures

MedTrace A/S' related parties comprise the following owners with more than 5% ownership:

Wasabi-Link Holding IvS, Kløvereng 8, 2950 Vedbæk

Wiik Invest ApS, Bogøvej 15, 8382 Hinnerup

Scansys Holding ApS, Ravnehusvej 1, 3500 Værløse

Fonden for Syddansk Vækstfremme, Vestergade 26, 6500 Vejens

Styrelsen for Institutioner og Uddannelsesstøtte, Bredgade 40-42, 1260 København K

Related party transactions

In accordance with section 98 c(7) of the Danish Financial Statements Act, the Company has not disclosed any related party transactions as they were conducted on an arm's length basis.