

# MedTrace Pharma A/S

Diplomvej 381  
2800 Kongens Lyngby

CVR no. 36 49 76 61

## Annual report 2018

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

29 April 2019

\_\_\_\_\_  
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 Pharma A/S for the financial year 1 January – 31 December 2018.

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 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018.

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.

Kongens Lyngby, 29 April 2019  
Executive Board:

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Martin Dal Stenfeldt

Board of Directors:

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Ulrik Spork  
Chairman

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Bernt Skov Jensen

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Mads Spangaard  
Rasmussen

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Michael Frank

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Jens Hesthaven Sørensen

## Independent auditor's report

### To the shareholders of MedTrace Pharma A/S

#### Opinion

We have audited the financial statements of MedTrace Pharma A/S for the financial year 1 January – 31 December 2018 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 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 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, 29 April 2019

**KPMG**

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Morten Høgh-Petersen  
State Authorised  
Public Accountant  
mne34283

**MedTrace Pharma A/S**  
Annual report 2018  
CVR no. 36 49 76 61

## Management's review

### Company details

MedTrace Pharma A/S  
Diplomvej 381  
2800 Kongens Lyngby

Telephone: +4528104149  
Website: [www.medtrace.dk](http://www.medtrace.dk)

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

### Board of Directors

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

### Executive Board

Martin Dal Stenfeldt,

### Auditor

KPMG  
Statsautoriseret Revisionspartnerselskab  
Dampfaergevej 28  
DK-2100 Copenhagen

## Management's review

### Operating review

#### Company development and major activities

##### Financial development

The year 2018 was the third full year of operation and the company is still in an intentional development mode. The use of cash was higher compared to 2017, still focused 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 2018, MedTrace converted debt from SDI, WTI and MedTravest A/S into equity.

Subsequently, MedTrace also took out new convertible loans from a range of 14 investors/private persons as well as the three existing investors Syddansk Innovation (SDI), Welfare Tech Invest (WTI) and MedTravest A/S

In August 2018, the company merged with aQuant IvS, a developer of an analytical software platform for clinical assessment of 15O-water PET exams. This is a strong match to the Company's hardware platform which is expected to make the company's final product offering to customers more appealing and thus also make the company more attractive to investors short term. The merger was financed by expanding the company's share capital. MedTrace became the continuing company after the merger with the four aQuant co-founders as working co-owners of MedTrace.

##### Subsequent events

By the end of 2018, MedTrace A/S decided to change its name into MedTrace Pharma A/S to better reflect its scope of business.

MedTrace is working on raising Series A funding to finance the clinical trial, hardware development and software development. Pathways for both short- and long-term funding solutions have been identified and management feels confident that the cash requirements will be met through these efforts, but also have a contingency plan in place.

## Financial statements 1 January – 31 December

### Income statement

DKK	Note	2018	2017
<b>Gross loss</b>		-68,239	-2,166,821
Staff costs	2	-581,799	-69,412
Depreciation and amortisation		-13,188	-7,203
<b>Operating loss</b>		-663,226	-2,243,436
Financial income		35,749	19,241
Financial expenses	3	-335,030	-683,940
<b>Loss before tax</b>		-962,507	-2,908,135
Tax on profit/loss for the year	4	-274,333	905,595
<b>Loss for the year</b>		-1,236,840	-2,002,540
<b>Proposed distribution of loss</b>			
Reserves available		5,218,710	4,050,978
Other reserves		-6,455,550	-6,053,518
		-1,236,840	-2,002,540



## Financial statements 1 January – 31 December

### Balance sheet

DKK	Note	2018	2017
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>			
Acquired patents		200,000	0
Development projects in progress		<u>21,026,875</u>	<u>13,180,883</u>
		<u>21,226,875</u>	<u>13,180,883</u>
<b>Property, plant and equipment</b>			
Fixtures and fittings, tools and equipment		<u>25,554</u>	<u>7,203</u>
<b>Investments</b>			
Equity investments in group entities		35,950	0
Deposits		<u>30,000</u>	<u>0</u>
		<u>65,950</u>	<u>0</u>
<b>Total fixed assets</b>		<u>21,318,379</u>	<u>13,188,086</u>
<b>Current assets</b>			
<b>Receivables</b>			
Receivables from group entities		72,835	0
Other receivables		785,053	383,139
Corporation tax		<u>1,972,771</u>	<u>1,142,583</u>
		<u>2,830,659</u>	<u>1,525,722</u>
<b>Cash at bank and in hand</b>		<u>1,067,324</u>	<u>554,813</u>
<b>Total current assets</b>		<u>3,897,983</u>	<u>2,080,535</u>
<b>TOTAL ASSETS</b>		<u><u>25,216,362</u></u>	<u><u>15,268,621</u></u>

## Financial statements 1 January – 31 December

### Balance sheet

DKK	Note	2018	2017
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Contributed capital		1,014,893	701,209
Other reserves		-10,930,618	-9,693,778
Reserve for development costs		<u>16,652,453</u>	<u>11,433,743</u>
<b>Total equity</b>		<u>6,736,728</u>	<u>2,441,174</u>
<b>Provisions</b>			
Provisions for deferred tax		<u>3,669,449</u>	<u>1,710,345</u>
<b>Total provisions</b>		<u>3,669,449</u>	<u>1,710,345</u>
<b>Liabilities other than provisions</b>			
<b>Non-current liabilities other than provisions</b>			
Convertible loan		9,596,895	6,542,106
Long term loans from related parties		<u>3,797,169</u>	<u>3,327,820</u>
		<u>13,394,064</u>	<u>9,869,926</u>
<b>Current liabilities other than provisions</b>			
Current portion of non-current liabilities		400,000	0
Trade payables		799,421	1,060,859
Payables to group entities		54,423	0
Other payables		<u>162,277</u>	<u>186,317</u>
		<u>1,416,121</u>	<u>1,247,176</u>
<b>Total liabilities other than provisions</b>		<u>14,810,185</u>	<u>11,117,102</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>25,216,362</u></u>	<u><u>15,268,621</u></u>
<b>Contractual obligations, contingencies, etc.</b>	6		
<b>Related party disclosures</b>	7		

## Financial statements 1 January – 31 December

### Statement of changes in equity

DKK	Contributed capital	Other reserves	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2018	701,209	-9,693,778	11,433,743	0	2,441,174
Retained earnings	0	0	0	0	0
Capital increase, debt conversion	313,684	0	0	0	313,684
Transfers, reserves	0	0	5,218,710	0	5,218,710
Transferred over the distribution of loss	0	-1,236,840	0	0	-1,236,840
<b>Equity at 31 December 2018</b>	<b>1,014,893</b>	<b>-10,930,618</b>	<b>16,652,453</b>	<b>0</b>	<b>6,736,728</b>

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies

The annual report of MedTrace Pharma A/S for 2018 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

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

#### Omission of consolidated financial statements

Pursuant to section 110(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

### 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.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

### Balance sheet

#### Intangible assets

##### *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.

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

#### Property, plant 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:

Fixtures and fittings, tools and equipment	3 years
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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.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs 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

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

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.

#### Equity

##### *Reserve for development costs*

The reserve for development costs comprises capitalised development costs. The reserve cannot be used for dividends, distribution or to cover losses. If the recognised development costs are sold or in other ways excluded from the Company's operations, the reserve will be dissolved and transferred directly to the distributable reserves under equity. If the recognised development costs are written down, the part of the reserve corresponding to the write-down of the development costs will be reversed. If a write-down of development costs is subsequently reversed, the reserve will be re-established. The reserve is reduced by amortisation of capitalised development costs on an ongoing basis.

#### 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 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

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

expenses.

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

Other liabilities are measured at net realisable value.

#### Equity investments in group entities

Equity investments in group entities are measured at fair value. If the fair value cannot be determined reliably, equity investments in group entities are recognised at cost. If cost exceeds the net realisable value, write-down is made to this lower value.

#### 2 Staff costs

DKK	2018	2017
Wages and salaries	2,921,334	2,228,634
Pensions	26,880	46,080
Other social security costs	31,857	23,101
Other staff costs	3,720	0
	<u>2,983,791</u>	<u>2,297,815</u>
Average number of full-time employees	<u>5</u>	<u>4</u>

Out of DKK 2.983.791 staff costs, DKK 2.401.992 are capitalised as part of development costs.

#### 3 Financial expenses

DKK	2018	2017
Interest expense to related parties	266,244	0
Other financial costs	68,786	683,940
	<u>335,030</u>	<u>683,940</u>

#### 4 Tax on profit/loss for the year

DKK	2018	2017
Current tax for the year	-1,684,771	-1,142,583
Deferred tax for the year	1,475,923	505,554
Adjustment of tax concerning previous years	483,180	-268,566
	<u>274,332</u>	<u>-905,595</u>

#### 5 Subsidiaries

MedTrace Pharma Inc., USA, 100% owned.

Medtrace SE AB, Sverige, 100% owned.

## Financial statements 1 January – 31 December

### Notes

#### 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 Vojens

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

Medtravest A/S, Jægersprisvej 6, 2700 Brønshøj

#### 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.



# ΠΕΝΝΕΟ

The signatures in this document are legally binding. The document is signed using Penneo™ secure digital signature. The identity of the signers has been recorded, and are listed below.

"By my signature I confirm all dates and content in this document."

## Mads Spangaard Rasmussen

### Bestyrelsesmedlem

On behalf of: MedTrace Pharma A/S

Serial number: PID:9208-2002-2-399278002374

IP: 77.243.xxx.xxx

2019-04-29 11:28:43Z

NEM ID 

## Martin Dal Stenfeldt

### Direktør

On behalf of: MedTrace Pharma A/S

Serial number: PID:9208-2002-2-764132921244

IP: 130.226.xxx.xxx

2019-04-29 13:45:53Z

NEM ID 

## Ulrik Spork

### Bestyrelsesformand

On behalf of: MedTrace Pharma A/S

Serial number: PID:9208-2002-2-895986397641

IP: 109.57.xxx.xxx

2019-04-29 15:33:36Z

NEM ID 

## Michael Frank

### Bestyrelsesmedlem

On behalf of: MedTrace Pharma A/S

Serial number: PID:9208-2002-2-281251622037

IP: 212.130.xxx.xxx

2019-04-30 10:41:31Z

NEM ID 

## JENS SÖRENSEN

### Bestyrelsesmedlem

On behalf of: MedTrace Pharma A/S

Serial number: 19610109xxxx

IP: 94.234.xxx.xxx

2019-05-01 13:49:54Z



## Bernt Skov Jensen

### Bestyrelsesmedlem

On behalf of: MedTrace Pharma A/S

Serial number: PID:9208-2002-2-643461122476

IP: 87.52.xxx.xxx

2019-05-03 06:48:40Z

NEM ID 

## Morten Høgh-Petersen

### Statsautoriseret revisor

On behalf of: KPMG

Serial number: PID:9208-2002-2-372201974597

IP: 83.151.xxx.xxx

2019-05-08 10:49:14Z

NEM ID 

## Jørgen Bek Weiss Hansen

### Dirigent

On behalf of: MedTrace Pharma A/S

Serial number: PID:9208-2002-2-994539310080

IP: 195.249.xxx.xxx

2019-05-10 13:56:32Z

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