



MedTrace A/S
Kløvereng 8
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MedTrace A/S

Annual report 2015

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

on 14 April 20 16



chairman

CVR no. 36 49 76 61

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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 5 January – 31 December 2015.

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 2015 and of the results of the Company's operations for the financial year 5 January – 31 December 2015.

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 should be approved at the annual general meeting.

Copenhagen, 14 April 2016
Executive Board:



Martin Dal Stenfeldt

Board of Directors:



Bjarne Henning Jensen

Chairman



Bernt Skov Jensen



Mads Spangaard
Rasmussen



KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 København Ø
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Independent auditor's report

To the shareholders of MedTrace A/S

Independent auditor's report on the financial statements

We have audited the financial statements of MedTrace A/S for the financial year 5 January – 31 December 2015. The financial statements comprise accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2015 and of the results of the Company's activities for the financial year 5 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

In accordance with the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 14 April 2016

KPMG
Statsautoriseret Revisionspartnerselskab

Morten Høgh-Petersen
State Authorised
Public Accountant

Management's review

Company details

MedTrace A/S
Kløvereng 8
2950 Vedbæk

Telephone: +45 28 10 41 49
Website: www.medtrace.dk
E-mail: connect@medtrace.dk
CVR no.: 36 49 76 61
Established: 5 January 2015
Financial year: 1 January – 31 December

Board of Directors

Bjarne Henning Jensen, Chairman
Bernt Skov Jensen
Mads Spangaard Rasmussen

Executive Board

Martin Dal Stenfeldt

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 København Ø

Annual general meeting

The annual general meeting will be held on 14 April 2016.

Management's review

Operating review

Value proposition, major activities and business development

MedTrace is a Danish life science start-up founded in 2015 with the aim of developing a safe system for production and injection of radioactive water ($O_{15} H_2O$) into patients during PET exams. Compared to existing tracers, $O_{15} H_2O$ has been named as the gold standard for blood perfusion studies in peer-reviewed scientific journals over the past 20 years. Until now, radioactive water has only been available for research studies because it cannot be stored before usage due to its short half-life of only two minutes. Through novel safety features (IP protected) and a combined production/injection system, MedTrace will make the highest standard practically available for clinical use and help doctors all over the world to diagnose heart patients with greater accuracy.

The main development challenge is to improve the functioning prototypes so that the concept complies with regulatory requirements from several regions of the world.

Besides the development activities, MedTrace also invests time and resources on reviving the interest and upsides of using radioactive water in clinical practice. The MedTrace technology is a platform that can be put into place in all clinical specialties where quantification of blood flow is of interest.

Management expects the first functional prototype with all specifications to be ready for clinical trials in 2017 and to achieve regulatory approval for the European market in the same year.

MedTrace will target all major hospitals with an in-house cyclotron and a PET centre in Europe, Asia (mainly Japan, China and Korea) and North America. To date, MedTrace has received pre-orders on five systems without performing any commercial activities.

MedTrace spent four months in 2015 participating the accelerator program "Danish Tech Challenge" along with 20 other selected hardware startups.

Employees, knowhow and IP

The co-founders of MedTrace cover several years of excellence within nuclear medicine and medical devices. The CTO has a PhD in Organic Chemistry and was the co-founder of the PET centre at Copenhagen University. For the past 20 years, Peter Larsen, our CTO, has custom-built automated water systems for research purposes in Scandinavian hospitals, and delivered several chemical systems for all global pharmaceutical companies.

Rune Wiik Kristensen, the CSO, was the original creator of the business idea. Through several years in nuclear medicine as a radio chemist, he experienced first-hand the challenges of inaccurate blood flow exams and was looking for a concept that could make radioactive water practically available.

Management's review

The CEO of the company, Martin Stenfeldt, has a 20+ years record of accomplishments in the international medical device industry from a commercial perspective with postings in the USA and Germany. For the past five years, he has advised medical device start-ups on business models and internationalisation.

The team of co-founders have surrounded themselves with a strong board of directors with solid business experience, an international clinical advisory board and a world-class group of mentors with complementing professional backgrounds. In addition, the team recruits skilled new employees and works with experienced external specialists.

MedTrace has filed a patent application on its novel safety features, which is expected to materialise into 3-5 patents.

Financial development

The year 2015 was spent on forming the company, sharpening the value proposition, and raising capital. The use of cash in 2015 was therefore limited compared to the budget for 2016 and 2017.

MedTrace has been funded by two investors who in total own 50% of the company. One investor is Syddansk Teknologisk Innovation, and the other is Welfare Tech Invest. The remaining shares are held by the co-founders.

At the end of 2015, MedTrace was awarded a significant grant from the Danish Market Development Fund that will support the main development activities.

For 2016, Management has prepared a budget forecast that includes development costs and operational expenses. It also takes into consideration the current bank balance, the remaining loan tranches from the investors and remaining grant tranches from the Danish Market Development Fund. The forecast shows that MedTrace has sufficient funds for the planned development and operational activities for the remainder of 2016. Furthermore, the majority of budgeted costs are related to external suppliers, and can be adapted over a short time frame if necessary. Management is already in the process of planning the fundraising for future activities in order to secure a seamless continuation of the development activities.

Subsequent events

In January 2016, the Company won the prestigious Danish Tech Challenge Award sponsored by the Danish Industry Foundation, which, besides the honour, also consisted of a cash prize of DKK 500,000.

Financial statements 5 January – 31 December

Accounting policies

The annual report of MedTrace A/S for 2015 has been presented in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

Income statement

Other external costs / gross result

Other external costs include costs that are 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 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 at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries 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

Financial statements 5 January – 31 December

Accounting policies

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.

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 on 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 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 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.

Financial statements 5 January – 31 December

Accounting policies

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 measured on the planned use of the asset or settlement of the liability, respectively.

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 become current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. 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 obligations are recognised as financial liabilities at amortised cost.

Other liabilities are measured at net realisable value.

Financial statements 5 January – 31 December

Income statement

	Note	2015
		DKK'000
Gross result		-232,409
Staff costs	1	-80,183
Depreciation of property, plant and equipment		0
Operating result		-312,592
Other financial income		0
Other financial expenses	2	-2,133
Loss before tax		-314,725
Tax on loss for the year		69,239
Loss for the year		<u>-245,485</u>
 Proposed distribution of loss		
Retained earnings		<u>-245,485</u>
		<u>-245,485</u>

Financial statements 5 January – 31 December

Balance sheet

	Note	2015
		DKK'000
ASSETS		
Non-current assets		
Intangible assets		
Patents, licences and development projects		604,557
Total intangible assets		604,557
Investments		
Deferred tax		69,239
Total non-current assets		673,796
Receivables		
Other receivables		52,946
Total receivables		52,946
Cash at bank and in hand		2,355,974
Total current assets		2,408,920
TOTAL ASSETS		3,082,716

Financial statements 5 January – 31 December

Balance sheet

	Note	2015
		DKK'000
EQUITY AND LIABILITIES		
Equity		
Share capital	3	640,028
Share premium		2,360,085
Retained earnings		-245,485
Total equity		<u>2,754,628</u>
Liabilities other than provisions		
Non-current liabilities other than provisions		
Subordinated loan		250,000
Total non-current liabilities other than provisions		<u>250,000</u>
Current liabilities other than provisions		
Other payables		78,088
Total current liabilities other than provisions		<u>78,088</u>
Total liabilities other than provisions		<u>328,088</u>
TOTAL EQUITY AND LIABILITIES		<u>3,082,716</u>

Financial statements 5 January – 31 December

Notes

1 Staff costs

	2015
	DKK'000
Wages and salaries	237,486
Pensions	0
Other social security costs	1,530
	<u>239,016</u>

2 Other financial expenses

Bank fees	2,133
	<u>2,133</u>

3 Equity

DKK	Share capital	Share premium	Retained earnings	Total
Balance at 5 January 2015	3	0	0	3
Capital increase	640,025	2,360,085	0	2,360,085
Result for the period	0	0	-245,485	-245,485
Balance at 31 December 2015	<u>640,028</u>	<u>2,360,085</u>	<u>-245,485</u>	<u>2,754,628</u>

4 Contractual obligations, contingencies, etc.

Contractual obligations

The Company has entered into operating rent agreements with as total obligation of DKK 25 thousand in the contract period.

Financial statements 5 January – 31 December

Notes

5 Related parties

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 Forskning og Innovation, Bredgade 40-42, 1260 København K