



# MedTrace A/S

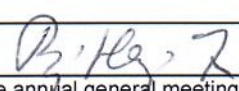
Gotlandsvej 5  
Tved  
5700 Svendborg

CVR no. 36 49 76 61

## Annual report 2016

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

on \_\_\_\_\_ 20 \_\_\_\_

  
\_\_\_\_\_  
chairman of the annual general meeting

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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 2016.

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 2016 and of the results of the Company's activities for the financial year 1 January – 31 December 2016.

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.

Svendborg, 20 April 2017  
Executive Board:

Martin Dal Stenfeldt

Board of Directors:

Bjarne Henning  
Jensen  
Chairman

Mads Spangaard  
Rasmussen

Lenna Maria Boe  
Broberg

Bernt Skov Jensen



## **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 2016, comprising income statement, balance sheet 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 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 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.



## Independent auditor's report

### 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 financial statement 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
- 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



## Independent auditor's report

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 Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 20 April 2017

**KPMG**

Statsautoriseret Revisionspartnerselskab  
CVR no. 25 57 81 98

A handwritten signature in blue ink, appearing to read 'M. Høgh-Petersen', with a long horizontal flourish extending to the right.

Morten Høgh-Petersen  
State Authorised  
Public Accountant



## **Management's review**

### **Operating review**

#### **Value proposition, major activities and business development**

The objective of the company is to develop and commercialize automated solutions for production and injection of short-lived isotopes (tracers) for use during in human beings during PET-exams.

In 2016, two new generations of prototypes were tested and successfully produced O-15 H<sub>2</sub>O in hospital labs in the form and art specified and thereby passed a full extended quality control by international standards.

Based on extensive travel and global market assessment, MedTrace has decided to prioritize the USA, Japan and Europe in its near future activities.

The MT-100 will be classified differently in the three regions. In Japan, it will be classified as a medical device, in Europe as a combinatorial product and in the US as a pharma product. MT-100 is designed to meet all regulatory standards.

Clinically, MedTrace maintains a strong dialogue with more than 10 top-tier sites in the USA, Europe and Japan. A pathway for clinical trials and regulatory pathway for MT-100 has been identified.

#### **Employees, knowhow and IP**

The co-founders of MedTrace cover more than 50 years of excellence within nuclear medicine and medical devices.

## **Management's review**

### **Operating review**

The team of co-founders have surrounded themselves with a strong board of directors with solid business experience, two mentor teams with complementing professional backgrounds and an international clinical advisory board spanning from Japan over Europe to the USA.

In 2016, MedTrace's first patent application on its novel safety features moved into the PCT phase and two new patent applications were submitted.

### **Financial development**

The year 2016 was the first full year of operation although still in a planned development mode. The use of cash was therefore considerably higher than 2015 but in alignment with plan. MedTrace was originally funded (equity and loans) by two seed-investors; Syddansk Innovation (SDI) and Welfare Tech Invest (WTI). In 2016, MedTrace has taken out a convertible loan from SDI.

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

The companys activity for 2017 is based on planned additional funding that management expects to obtain through equity investments and soft funding. In case these objective are not obtained at the expected timing, Management has a contingency plan to reduce costs in order to finance activities until the end of 2017, with currently secured funding.



## Financial statements 1 January – 31 December

### Income statement

DKK	Note	2016	2015
<b>Gross profit/loss</b>		1,519,441	-232,409
Staff costs	2	-172,800	-80,183
Depreciation		0	0
<b>Operating profit/loss</b>		1,346,641	-312,592
Other financial income		0	0
Other financial expenses	3	-56,395	-2,133
<b>Profit/loss before tax</b>		1,290,246	-314,725
Tax on profit/loss for the year		-133,003	69,239
<b>Profit/loss for the year</b>		<u>1,157,243</u>	<u>-245,486</u>
 <b>Proposed profit appropriation/distribution of loss</b>			
Retained earnings		<u>1,157,243</u>	<u>-245,486</u>
		<u>1,157,243</u>	<u>-245,486</u>

## Financial statements 1 January – 31 December

### Balance sheet

DKK	Note	2016	2015
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>			
Development projects in progress	2	7,987,322	604,557
		<u>7,987,322</u>	<u>604,557</u>
<b>Other non current assets</b>			
Deferred tax		0	69,239
		<u>0</u>	<u>69,239</u>
<b>Total fixed assets</b>		<u>7,987,322</u>	<u>673,796</u>
<b>Current assets</b>			
<b>Receivables</b>			
Other receivables		1,483,592	52,946
Tax receivables		1,071,788	0
		<u>2,555,380</u>	<u>52,946</u>
<b>Cash at bank and in hand</b>		<u>37,231</u>	<u>2,355,974</u>
<b>Total current assets</b>		<u>2,592,611</u>	<u>2,408,920</u>
<b>TOTAL ASSETS</b>		<u><u>10,579,933</u></u>	<u><u>3,082,716</u></u>

## Financial statements 1 January – 31 December

### Balance sheet

DKK	Note	2016	2015
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		640,028	640,028
Share premium		0	2,360,085
Other reserves		-3,865,682	0
Reserve for capitalised development costs		7,382,765	0
Retained earnings		0	-245,485
<b>Total equity</b>		<u>4,157,111</u>	<u>2,754,628</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liability		1,204,791	0
Long term loan to affiliates		3,973,583	0
Subordinated loan		0	250,000
		<u>5,178,374</u>	<u>250,000</u>
<b>Current liabilities</b>			
Other payables		1,244,448	78,088
		<u>1,244,448</u>	<u>78,088</u>
<b>Total liabilities other than provisions</b>		<u>6,422,822</u>	<u>328,088</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>10,579,933</u>	<u>3,082,716</u>
<b>Contractual obligations, contingencies, etc.</b>	4		
<b>Related parties</b>	5		

## Financial statements 1 January – 31 December

### Statement of changes in equity

DKK	Share capital	Retained earnings	Reserve for capitalised development costs	Other reserves	Total
Balance at 1 January 2015	640,028	2,114,600			2,754,628
<b>Balance at 1 January 2016</b>	640,028	2,114,600			2,754,628
Capitalised during the year		0	7,382,765	-3,865,682	3,517,083
Transferred to reserves		-2,114,600			-2,114,600
<b>Balance at 31 December 2016</b>	640,028	0	7,382,765	-3,865,682	4,157,111

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies

The annual report of MedTrace A/S for 2016 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 profit

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.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

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.

#### 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.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### 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 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 1 January – 31 December

### Notes

DKK'000	2016	2015
<b>2 Staff costs</b>		
Wages and salaries	1,325,179	237,486
Pensions	7,477	0
Other social security costs	22,527	1,530
	<u>1,355,183</u>	<u>239,016</u>
Average number of full-time employees	<u>4</u>	<u>1</u>
Majority of staff costs are capitalised as part of development projects.		
<b>3 Other financial expenses</b>		
Interest to related parties	46,754	0
Bank fees and interest	9,641	2,133
	<u>56,395</u>	<u>2,133</u>

#### 4 Contractual obligations, contingencies, etc.

##### Contractual obligations

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

#### 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