

# Acarix Year-end Report

JANUARY – DECEMBER 2016

## Completed listing prepares Acarix for commercialization of CADScor® System

### Fourth quarter (October – December) in 2016 compared with same period 2015

- Operating loss amounted to kSEK -15,043 (-2,256)
- Net loss amounted to kSEK -14,944 (-1,522)
- Net increase in cash and cash equivalents amounted to kSEK 143,970 (-1,613) supported by capital increase amounting to kSEK 176,698 (-31)
- Earnings per share before and after dilution (weighted average) amounted to SEK -0.87 (-0.13)
- Completed IPO of new shares and listing on Nasdaq First North Premier Stockholm, raising MSEK 140 in equity before transaction costs
- The board proposes to the AGM that no dividend is paid

### Financial year 2016 compared with financial year 2015

- The company has not yet engaged in any sales activities and had no revenue during the year
- Operating loss amounted to kSEK -26,790 (-15,377)
- Net loss amounted to kSEK -48,240 (-12,393)
- Net increase in cash and cash equivalents amounted to kSEK 143,774 (-6,565)
- Cash and cash equivalents amounted to kSEK 145,895 (2,121)
- Earnings per share before and after dilution (weighted average) amounted to SEK -3.68 (-1.14). Acarix have no outstanding warrants.

### Events occurring after December 31, 2016

Acarix and the CADScor® System was presented at Medtech Showcase in San Francisco. This provided an immediate opportunity to capitalize on the interest generated by the initial public offering, and meet potential US and international collaborators.



## Message from the CEO



Dear shareholder,

Heart disease is the number one killer worldwide and Coronary Artery Disease (CAD) affects more than 120 million people annually causing 1 in 6 deaths globally. However, 90% of patients seeking medical care are not suffering from CAD, which means healthy patients are undergoing invasive and potentially harmful diagnostic tests and spiraling healthcare costs. At Acarix, we are determined to help healthcare providers and policy makers deliver better patient selection and more efficient diagnostic pathways, and the Acarix CADScor®System offers exactly that opportunity to benefit both individual patients and society at large.

2016 has been an exciting year for Acarix. In March, we held our first symposium at the annual meeting of the German Cardiac Society in Mannheim – an encouraging event indicating positive interest in the Acarix CADScor®System. In addition, the Danish study Dan-NICAD enrolled its last patient with the aim of publishing the resulting data in 2017. We are continuing to conduct clinical studies and gather data for later publications.

For the first time, the CADScor®System was presented to an international audience at the European Society of Cardiology Congress in Rome in August at a well-attended Acarix booth. Our solution using acoustic detection of turbulent arterial flow combined with advanced algorithms to rule out Coronary Artery Disease with non-invasive methods attracted considerable attention from attendees.

In 2016, we received a strategic investment from the Chinese company Puhua Jingxin – a joint healthcare fund aligning resources from Puhua Healthcare and the major pharmaceutical company Zhejiang Jingxin Pharmaceuticals. The collaboration with Puhua Jingxin will enhance Acarix's ongoing market entry strategy and provide strategic input regarding possible future Asian markets in general and the Chinese market in particular.

We announced our decision to apply to list the company's shares on Nasdaq First North Premier in Stockholm with the intention to raise MSEK 140 – primarily to be used to execute on the company's commercialization strategy and anticipated launch. The share issue was oversubscribed and the first day of trading for the company's shares was December 19, 2016. The listing marked yet another milestone for our company and the interest from the investment community confirmed a high level of confidence in our strategy.

Furthermore, we announced the appointment of two highly experienced executives from the medical device industry to

our Board of Directors. Dr. Werner Braun, who took up the post of Chairman, has been instrumental in turning Biotronik into Europe's largest privately held medical device company in the cardiovascular arena. New board member, Denis M. Gestin, has been the President of International Division at St. Jude Medical Inc. since 2008 and brings in-depth knowledge of cardiac device development and marketing.

After many years of development, we are all eager to commence the commercialization of the CADScor®System and ensure it unfolds its potential in the early ruling-out of Coronary Artery Disease. Our plans are on track to launch during the second quarter 2017.

As part of our strategy to gradually increase international awareness, we presented Acarix and the CADScor®System at Medtech Showcase in San Francisco in January 2017, which ran simultaneously with the J.P. Morgan Healthcare Conference. This provided an immediate opportunity for us to capitalize on the interest generated by the initial public offering, and was an ideal opportunity to meet potential US and international collaborators.

I would like to express my gratitude to our employees and all those who helped facilitate our achievements during the year. I would like to especially thank our investors and main shareholders, for their continued trust and support in 2016 and at the same time welcome all new shareholders. Finally, I would like to thank the many physicians who are showing confidence in our technology. With the CADScor®System, Acarix can provide an easy to use, non-invasive diagnostic tool to rule out Coronary Artery Disease with a very high level of precision. This translates into a potential to reduce onward patient referrals by ~50% - a win-win for patients, payers, and physicians.

SINCERELY,  
SØREN RYSHOLT CHRISTIANSEN  
CHIEF EXECUTIVE OFFICER

# Financial Report

## Financial result

The group is during 2017 entering a commercialization phase and was until December 31 not engaged in sales activities and reported no revenues during the period.

Operating loss for 2016 amounted to MSEK -26.8 (-15.4), of which MSEK -15.0 (-2.3) related to the fourth quarter. Increased G&A costs relate to increased operating activities together with fourth quarter IPO activities.

Net loss for the year amounted to MSEK -48.2 (MSEK -12.4), of which MSEK -14.9 (-1.5) related to the fourth quarter. The net loss is charged with financial costs amounting MSEK -23,3 related to convertible loan and resulting from measurement of the conversion option derivative to fair value immediately preceding the conversion.

Earnings per share amounted to SEK -3.68, of which SEK -0.87 was attributable to the fourth quarter.

## Non current assets

Non current assets consist of capitalized development costs and acquired rights.

In early August 2015, TÜV issue a certificate of compliance (CE-mark) for the CADScor technology. At this time, the management of the company considered that all requirements for the capitalization of development costs under IFRS standards were met. The capitalization of development costs has been initiated from August 2015. Amortization of capitalized development costs starts in connection with sale of the product.

The capitalization of development costs, including currency translation adjustment, amounted during 2016 to MSEK 12.2 (6.0). Total carrying amount in December 2016 was MSEK 23.1, of which development costs in progress amounted to MSEK 18.2.

## Shareholder equity

Total shareholders' equity in December 2016 amounted to MSEK 155.5 (12.1), which corresponds to SEK 6.75 (0.63) per share.

## Cash flow

In the fourth quarter of 2016, net cash outflow from operation amounted to MSEK -2.1 compared to an inflow of MSEK 2.0 in the fourth quarter of 2015. The change in working capital improved cash flow by MSEK 9.8 (-0.9).

Investments in non current assets amounted to MSEK 2.4 (3.4) during fourth quarter and consist of activated development costs.

Net cash generated from financing activities during fourth quarter amounted to MSEK 148.9 (0) mainly related to the issue of shares in conjunction with the initial public offering (IPO) on Nasdaq First North Premier.

The net increase in cash and cash equivalents amounted to MSEK 144.0 (-1.6)

In 2016, net cash outflow from operations amounted to MSEK -9.1 compared to an outflow of MSEK -8.6 in 2016. Change in working capital improved cash flow by MSEK 14.7 (1.0) driven by increased trade payables.

Investments in non current assets amounted to MSEK 12.2 (6.5) during 2016 and consist of activated development costs.

Net cash generated from financing activities during the year amounted to MSEK 165.7 (8.8) mainly related to the issue of shares in conjunction with the IPO on Nasdaq First North Premier.

Net increase in cash and cash equivalents during 2016 amounted to MSEK 143.8 (-6.6)

### Share information

The share has been trading on NASDAQ First North with the ticker symbol ACARIX and ISIN code SE0009268717 since December 19, 2016 and the shares are listed under Premier segment.

The number of shares in the company as of December 31 amounted to 23,027,376 (19,403,820).

Shareholders	Shares	Share of capital / votes
Sunstone LSV Fund II K/S	4,749,081	20.6%
SEED Capital DK II K/S	4,749,081	20.6%
Puhua Jingxin	2,654,259	11.5%
Coloplast A/S	1,683,072	7.3%
Seventure Partners	993,334	4.3%
Other shareholders	8,198,549	35.6%
<b>Total shares</b>	<b>23,027,376</b>	<b>100.0%</b>

The five largest shareholders together with shareholders within management have entered into a lock-up agreement of 360 days from first day of trading. Any sales of shares during the period must have a prior written consent from Vator Securities.

### Financial calendar

	Date
Annual Report 2016	April 18, 2017
Annual General Meeting 2017	May 24, 2017
Interim Report first quarter	May 24, 2017
Interim Report second quarter	August 24, 2017
Interim Report third quarter	November 14, 2017

### Certified advisor

Wildecø Økonomisk Information AB is the company's Certified Adviser on Nasdaq First North Premier.

This year-end report is information that Acarix AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Market Act.

### Auditor's review

This year-end report has not been reviewed by the company's auditor.

### For further information:

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Group - Consolidated **Income statement**

kSEK	Note	Quarter 4 2016	Quarter 4 2015	Year 2016	Year 2015
Research and development costs		-110	-1,497	-1,247	-8,674
General and administrative costs		-14,933	-759	-25,543	-6,703
<b>Operating profit/loss</b>		<b>-15,043</b>	<b>-2,256</b>	<b>-26,790</b>	<b>-15,377</b>
Financial income		-378	-	-	-
Financial costs	7	-	1	-24,265	-23
<b>Profit / loss before tax</b>		<b>-15,421</b>	<b>-2,255</b>	<b>-51,055</b>	<b>-15,400</b>
Income tax benefit		477	733	2,815	3,007
<b>Net profit / loss for the period</b>		<b>-14,944</b>	<b>-1,522</b>	<b>-48,240</b>	<b>-12,393</b>
<b>Net income attributable to Stockholders of the parent company</b>		<b>-14,944</b>	<b>-1,522</b>	<b>-48,240</b>	<b>-12,393</b>
Earnings per share, before and after dilution (SEK)		-0.87	-0.13	-3.68	-1.14

Group - Consolidated **Statements of Comprehensive Income**

kSEK	Quarter 4 2016	Quarter 4 2015	Year 2016	Year 2015
Net profit/loss for the period	-14,944	-1,522	-48,240	-12,393
<b>Items which may be reclassified to the income statement:</b>				
Foreign exchange rate adjustment	-605	-184	-456	-255
<b>Other comprehensive income for the year, net of tax</b>	<b>-605</b>	<b>-184</b>	<b>-456</b>	<b>-255</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>-15,549</b>	<b>-1,706</b>	<b>-48,696</b>	<b>-12,648</b>
<b>Total comprehensive income attributable to:</b>				
Owners of Acarix	-15,549	-1,706	-48,696	-12,648

Group - Consolidated **Statement of financial position**

kSEK	Note	Year 2016	Year 2015
<b>Assets</b>			
Non-current assets			
Acquired rights		4,944	2,699
Development projects in progress		18,179	5,971
<b>Total non-current assets</b>	<b>6</b>	<b>23,123</b>	<b>8,670</b>
<b>Current assets</b>			
Income tax receivables		2,625	2,811
Other receivables		1,151	1,771
Prepayments		155	209
Cash and cash equivalents		145,895	2,121
<b>Total current assets</b>		<b>149,826</b>	<b>6,912</b>
<b>Total assets</b>		<b>172,949</b>	<b>15,582</b>
<b>Equity and liabilities</b>			
<b>Shareholders Equity</b>			
Issued capital		23,027	23,989
Retained earnings		-121,343	-73,318
Other components of equity		253,832	61,468
<b>Total equity</b>		<b>155,516</b>	<b>12,139</b>
<b>Current liabilities</b>			
Trade payables		4,404	2,315
Other payables		13,028	1,128
<b>Total current liabilities</b>		<b>17,433</b>	<b>3,443</b>
<b>Total equity and liabilities</b>		<b>172,949</b>	<b>15,582</b>

Group - Consolidated **Statement of changes in shareholders' equity**

kSEK	Issued capital	Share premium	Foreign currency translation reserve	Merger reserve	Convertible option	Cost of capital increase	Retained earnings	Total equity
<b>As at 1 January 2016</b>	23,989	60,987	481				-73,318	12,139
Profit/loss for the period							-48,240	-48,240
<b>Other comprehensive income:</b>								
Foreign exchange rate adjustment			-456					-456
<b>Total comprehensive income</b>	-	-	-456	-	-	-	-	-456
<b>Transactions with owners:</b>								
Capital increase	2,866	18,521						21,387
Conversion of convertible loan	5,526	35,269			606			41,401
Exercise of warrants	5	16						21
Group reorganisation	-17,318	135,326		-118,007				0
New share issue for cash upon IPO	7,960	132,136						140,096
Costs related to IPO						-11,046		-11,046
Share-based payments costs							214	214
<b>At 31 December 2016</b>	<b>23,027</b>	<b>382,254</b>	<b>25</b>	<b>-118,007</b>	<b>606</b>	<b>-11,046</b>	<b>-121,343</b>	<b>155,516</b>
<b>As at 1 January 2015</b>	<b>21,589</b>	<b>54,516</b>	<b>736</b>				<b>-61,718</b>	<b>15,123</b>
Profit/loss for the period							-12,393	-12,393
<b>Other comprehensive income:</b>								
Foreign exchange rate adjustment			-255					-255
<b>Total comprehensive income</b>	-	-	-255	-	-	-	-	-255
<b>Transactions with owners:</b>								
Capital increase	2,400	6,471						8,871
Share-based payments							823	823
Cost of changes in capital							-30	-30
<b>At 31 December 2015</b>	<b>23,989</b>	<b>60,987</b>	<b>481</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-73,318</b>	<b>12,139</b>

## Group - Consolidated Statements of Cash Flow

kSEK	Quarter 4 2016	Quarter 4 2015	Year 2016	Year 2015
<b>Cash flow from operating activities</b>				
Profit (loss) before tax	-15,421	-2,255	-51,055	-15,400
Income tax received	3,138	4,900	3,001	4,943
Depreciation and Amortisations	0	0	0	129
Finance expenses	378	-1	24,265	23
Compensation expense for share-based payments	9	211	83	672
<b>Working capital adjustments:</b>				
Changes in other receivables and prepayments	-675	-1,417	674	724
Changes in trade and other payables	10,626	517	14,053	306
Changes in credit institutions	-103	15	-63	-24
<b>Total working capital</b>	<b>9,848</b>	<b>-885</b>	<b>14,664</b>	<b>1,006</b>
Interest paid	-14	-5	-15	-4
<b>Net cash flows from operating activities</b>	<b>-2,062</b>	<b>1,965</b>	<b>-9,056</b>	<b>-8,631</b>
<b>Cash flow from investing activities</b>				
Investments in non-current assets	-2,358	-3,391	-12,201	-6,520
<b>Net cash flows used in investing activities</b>	<b>-2,358</b>	<b>-3,391</b>	<b>-12,201</b>	<b>-6,520</b>
<b>Cash flow from financing activities</b>				
Conversion of loan	-16,785			
Costs for capital increase	-11,046		-11,046	
Capital increase	176,698	-31	176,698	8,840
<b>Net cash generated from/(used in) financing activities</b>	<b>148,866</b>	<b>-31</b>	<b>165,651</b>	<b>8,840</b>
<b>Effect of exchange rate changes on cash</b>	<b>-476</b>	<b>-155</b>	<b>-620</b>	<b>-254</b>
<b>Net increase in cash and cash equivalents</b>	<b>143,970</b>	<b>-1,613</b>	<b>143,774</b>	<b>-6,565</b>
Net foreign exchange difference	16	3	0	-19
Cash and cash equivalents at beginning of the period	1,910	3,731	2,121	8,705
<b>Cash and cash equivalents at end of the period</b>	<b>145,895</b>	<b>2,121</b>	<b>145,895</b>	<b>2,121</b>



Parent - **Income statement**

kSEK	Quarter 4 2016	Quarter 4 2015	Year 2016	Year 2015
Research and development costs	-	-	-	-
General and administrative costs	-4,804	-	-4,804	-
<b>Operating profit/loss</b>	<b>-4,804</b>	<b>0</b>	<b>-4,804</b>	<b>0</b>
Financial income	-	-	-	-
Financial costs	-	-	-	-
<b>Profit / loss before tax</b>	<b>-4,804</b>	<b>0</b>	<b>-4,804</b>	<b>0</b>
Tax	0	-	-	-
<b>Net profit / loss for the period</b>	<b>-4,805</b>	<b>0</b>	<b>-4,804</b>	<b>0</b>
<b>Net income attributable to Stockholders of the parent company</b>	<b>-4,805</b>	<b>0</b>	<b>-4,804</b>	<b>0</b>

Parent - **Statement of comprehensive income**

kSEK	Quarter 4 2016	Quarter 4 2015	Year 2016	Year 2015
Net profit/loss for the period	-4,805	0	-4,804	0
<b>Items which may be reclassified to the income statement:</b>				
Other comprehensive income	0	0	0	0
<b>Other comprehensive income for the year, net of tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>-4,805</b>	<b>0</b>	<b>-4,804</b>	<b>0</b>
<b>Total comprehensive income attributable to:</b>				
Owners of Acarix	-4,805	0	-4,804	0

Parent - **Statements of financial position**

kSEK	Year 2016	Year 2015
<b>Assets</b>		
Financial assets		
Participation in subsidiary	49,616	0
<b>Total financial assets</b>	<b>49,616</b>	<b>0</b>
<b>Current assets</b>		
Other receivables	1	0
Cash and cash equivalents	129,633	500
<b>Total current assets</b>	<b>129,634</b>	<b>500</b>
<b>Total assets</b>	<b>179,250</b>	<b>500</b>
<b>Equity and liabilities</b>		
<b>Shareholders Equity</b>		
Issued capital	23,027	500
Retained earnings	-4,804	0
Other components of equity	155,709	0
<b>Total equity</b>	<b>173,932</b>	<b>500</b>
<b>Current liabilities</b>		
Trade payables	979	0
Trade payables intercompany	1,609	0
Other payables	2,730	0
<b>Total current liabilities</b>	<b>5,318</b>	<b>0</b>
<b>Total equity and liabilities</b>	<b>179,250</b>	<b>500</b>

Parent - **Statement of changes in shareholders' equity**

kSEK	Issued capital	Share premium	Merge reserve	Cost related to share issue	Retained earnings	Total equity
As at January 2016	500	0			0	500
Profit/loss for the period					-4,805	-4,805
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>			<b>-4,805</b>	<b>-4,805</b>
<b>Transactions with owners:</b>						
Non-cash issue	15,067	250,118				265,186
Reduction of share capital	-500					-500
Merge reserve			-215,570			-215,570
Capital increase	7,960	132,136				140,096
Cost related to share issue				-10,975		-10,975
<b>Total transactions with owners</b>	<b>22,527</b>	<b>382,254</b>	<b>-215,570</b>	<b>-10,975</b>	<b>-4,805</b>	<b>178,237</b>
Total change in equity	22,527	382,254	-215,570	-10,975	-4,805	173,432
<b>At 31 December 2016</b>	<b>23,027</b>	<b>382,254</b>	<b>-215,570</b>	<b>-10,975</b>	<b>-4,805</b>	<b>173,932</b>

The company was established in December 2014 with share capital amounting kSEK 500.  
No transactions in equity during year 2015.

Parent **Statements of cash-flow**

kSEK	Quarter 4 2016	Year 2016
<b>Cash flow from operating activities</b>		
Profit (loss) before tax	-4,804	-4,804
<b>Working capital adjustments:</b>		
Changes in other receivables and prepayments	-1	-1
Changes in trade and other payables	5,318	5,318
<b>Total working capital</b>	<b>5,316</b>	<b>5,316</b>
<b>Net cash flows from operating activities</b>	<b>512</b>	<b>512</b>
<b>Cash flow from financing activities</b>		
Capital increase	140,096	140,096
Costs for capital increase	-10,975	-10,975
<b>Net cash generated from/(used in) financing activities</b>	<b>129,121</b>	<b>129,121</b>
<b>Net increase in cash and cash equivalents</b>	<b>129,633</b>	<b>129,633</b>
Cash and cash equivalents at beginning of the period	0	0
<b>Cash and cash equivalents at end of the period</b>	<b>129,633</b>	<b>129,633</b>

# Notes to the year-end consolidated financial statements

## Note 1 Corporate information

### Company information

Acarix AB is a limited liability company incorporated and domiciled in Sweden. The registered office is located at World Trade Center Malmö, Skeppsgatan 19, 211 11 Malmö, Sweden. Acarix A/S is the operating company and is incorporated and located in Denmark. Acarix's main activities are to develop, produce and market a new cardiovascular diagnostic method and similar equipment for the same and related services.

### Establishing of the group and IPO

On December 1, 2016, ownership of the shares in Acarix A/S was transferred to Acarix AB against an issue in kind in Acarix AB, thereby creating the Acarix AB Group. The previous shareholders of Acarix A/S became the majority shareholders of Acarix AB, and the substance of the transaction is therefore that the new Acarix AB Group in terms of financial reporting is a continuation of Acarix A/S. Hence, no fair value adjustments have been made in the consolidated amounts. Comparative figures until September 2016 are the amounts for the combined financial reports.

Until December 1 2016 Acarix AB was 100% wholly-owned by Acarix A/S and the consolidated share capital reflected share capital in Acarix A/S. The share capital shown in the consolidated financial statements after reorganization December 1 reflects the share capital of the legal parent company Acarix AB.

On December 19, 2016, the company completed the initial public offering ("IPO") of new shares and listing of the company on Nasdaq First North Premier in Stockholm. The company received gross proceeds in the amount of MSEK 140.0, partly offset by MSEK 16.1 of related IPO expenses. Of the expenses, MSEK 11.0 was direct and incremental costs associated with the IPO which have been recognized through shareholder equity, whereas the remaining MSEK 5.1 costs that were directly associated with the IPO but not incremental and therefore not eligible to be offset against the gross proceeds, were included in General and Administration costs.

## Note 2 Basis of preparation

The Year End Report for the Group has been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and additional Swedish disclosure. The accounting policies adopted in the interim consolidated financial statements are included in full below. The accounting policies in the Parent Company's financial statements are included under the section "PARENT COMPANY".

## Note 3 Significant accounting policies

### Accounting principles

Acarix AB was established in December 2014 and has not conducted any business operations up to and including September 23 2016.

As of September 23 2016, Acarix A/S acquired Acarix AB with a subsequent reorganization to make Acarix AB the parent company to Acarix A/S. Acarix AB was listed on Nasdaq First North Premier immediately following this reorganization. The comparative figures up to the third quarter 2016 are based on the combined entities and do not contribute a separate legal group. The historical combined financial statements were prepared specifically for the purpose of the prospectus in connection with Acarix AB's listing.

### Consolidation

The consolidated financial statements comprise the financial statements of Acarix AB (the parent company) and Acarix A/S, the subsidiary, in which the parent company holds 100% of the voting rights. The consolidated financial statements are prepared on the basis of the financial statements of the parent company and its subsidiary by aggregating items of a similar nature and subsequently eliminating intra-Group transactions and balances. The financial statements used for consolidation purposes are prepared in accordance with the Group's accounting policies.

### Reporting currency

The Interim financial statement is presented in Swedish krona (SEK), which is also the functional currency for Acarix AB. Acarix A/S had determined that its functional currency is Danish kroner (DKK) and items included in the financial statements of each entity are measured using that entity's functional currency. Transactions denominated in currencies other than the functional currency are considered transactions denominated in foreign currencies.

### Foreign currency translation

On initial recognition, foreign currency transactions are translated at the exchange rate at the transaction date. Receivables, liabilities and other monetary items denominated in foreign currency that have not been settled at the balance sheet date are translated at closing rates. Foreign exchange differences between the rate of exchange at the date of the transaction and the rate of exchange at the date of payment or the balance sheet date, respectively, are recognized in the income statement under financial items.

Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined. The gain and loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized as a separate component of equity or in the income statement are also recognized in the separate component of equity or in the income statement, respectively)

The assets and liabilities of foreign operations were translated into SEK at exchange rate prevailing on the reporting date and the income statement is translated at exchange rates prevailing at the date of the transactions or at an approximate average rate. The exchange difference arising on the translation is recognized as a separate component of equity as a translation reserve. On disposal of foreign operations, the accumulated foreign exchange adjustments in the separate component of equity are reclassified to the income statement.

When Group entities with a functional currency other than Swedish Kroner are recognized in the consolidated financial statements, their income statements are translated at average exchange rates for the respective months, and balance sheet items are translated at the exchange rates at the balance sheet date.

## INCOME STATEMENT

### Revenue

The Acarix Group is in an early commercial phase and has not generated revenues as of December 31 2016.

### Expenses

#### *Research and development costs*

Research and development costs include salaries, share based payment costs, external development costs and amortization of patent related to Acarix A/S research and development activities before the criteria of capitalization of development costs were met (refer to accounting policies and intangible assets). All such research and development costs are expensed in the year incurred.

#### *General and administration costs*

General and administration costs include salaries, share-based payment costs and other expenses relating to the management, corporate and business development, and administration of the entities.

#### *Financial income and expenses*

Financial income and expenses comprise interest income and expenses, surcharges and refunds under the Danish on-account tax scheme as well as foreign currency translation adjustments and amortization of financial assets and liabilities.

#### *Taxes*

Tax for the period, which includes current tax on the period's taxable income and the period's deferred tax adjustments, is recognized in the statement of comprehensive income as regards the portion that relates to the net profit/loss for the period and is taken directly to equity as regards the portion that relates to entries directly in equity or other comprehensive income, respectively.

The current tax payable or receivable is recognized in the statement of financial position, stated as tax calculated on this period' taxable income, adjusted for prepaid tax. The Group recognizes tax credits relating to R&D work in Denmark as per the Danish Tax rules. In assessing current tax for the period, the applicable tax rates and rules on the statement of financial position date are used. Tax for the period is recognized based upon the companies estimated full year effective tax rate.

Deferred tax is measured according to the statement of financial position liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. The deferred tax is stated based on the planned utilization of the individual asset and the settlement of the individual liability, respectively. Deferred tax assets, including the tax value of tax loss carry-forwards, are recognized

in the statement of financial position at the value at which they are expected to be utilized, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities.

Changes in the deferred tax due to changed tax rates are recognized in the income statement. Deferred tax is provided on temporary differences arising from investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the entities, and it is probable that the temporary differences will not reverse in the foreseeable future.

## STATEMENT OF FINANCIAL POSITION

### Receivables

Accounts Receivables are measured at fair value, and subsequently at amortized cost using the effective interest method less impairment. At each balance sheet date, the Company assesses whether there is objective evidence that a receivable or a group of receivables is impaired. An assessment of impairment of receivables is performed when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within selling expenses. When a trade receivable is finally established as uncollectible, it is written off against the allowance account for trade receivables. Present value method is not performed since the duration is short.

### Other receivables

Receivables are measured at fair value, and subsequently at amortized cost using the effective interest method less impairment

### Financial liabilities

Financial liabilities are initially recognized at fair value (typically the amount of the proceeds received), net on transaction costs incurred. In subsequent periods, the financial liabilities are measured at amortized costs; any difference between the cost (proceeds) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

### Finance lease liabilities

Finance lease liabilities regarding assets held under financial leases are recognized in the statement of financial position as liabilities and measured, at the inception of the lease, at the lower of fair value and present value of future lease payments, calculated by reference to the interest rate implicit in each lease. On subsequent recognition, lease liabilities are measured at amortized cost. The difference between present value and nominal value of lease payments is recognized in the statement of comprehensive income over the term of the lease as a financial expense.

### Equity

Direct and incremental costs associated with the capital increase in connection with listing on Nasdaq First North Premier are accounted for as a reduction of the gross proceeds received from the capital increase and recorded through shareholders' equity. Costs incurred and directly associated with the listing, but not incremental, are not eligible to be offset against the gross proceeds and are therefore included in other external expenses.

The currency translation reserve in the consolidated financial statements comprises foreign-exchange differences arising on translation of financial statements of Group entities from their local foreign currencies to the presentation currency used by the Group (SEK). On the disposal, entirely or partially, of a Group entity, the exchange-rate adjustment is recognized in the income statement as a portion of the gain/loss on the sale.

### Trade creditors

Trade creditors are measured at fair value, and subsequently at amortized cost using the effective interest method less impairment. Carrying amount for Trade creditor is presumed to correspond to the fair value since it is by nature short-term. Present value method is not performed since the duration is short.

### Share based payments

In the corresponding period, the combined entities operated in an equity-settled warrant program. The value of services received in exchange of warrants granted is measured at the grant date fair value of the warrants granted using an appropriate valuation method. The fair value is recognized in the income statement as research and development costs or general and administration costs depending on the function of the warrant holder or development project in progress in the balance sheet with a corresponding entry in the equity, over the period in which the service conditions are fulfilled (vesting period).

At the initial recognition of the warrants the number of warrants expected to vest is estimated. Subsequently, the amount is adjusted for changes in the estimate of the number of warrants ultimately vested.

#### Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When grants relate to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the entities receive grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual installments.

#### CASH FLOW STATEMENT

The cash flow statement is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the cash and cash equivalents at the beginning and end of the financial period. Cash flows from operating activities are stated as the Group's profit or loss before tax, adjusted for financial income and expenses, non-cash operating items, changes in working capital, paid financial expenses and received income taxes. Cash flows from investing activities comprise payments related to acquisitions and divestment of companies and activities as well as purchases and sales of property, plant and equipment and financial fixed assets. Cash flows from financing activities comprise changes in the parent company's share capital and related costs, as well as the raising and repayment of loans and installments on interest-bearing debt. Also recognized are cash flows in the form of lease payments made on assets held under finance lease. Cash and cash equivalents comprise cash, bank balances and short term securities subject to insignificant risk in change of value.

#### EARNINGS PER SHARE

Earnings per share are calculated as net profit (or loss) for a given period, divided by the average number of outstanding shares for period.

#### PARENT COMPANY ACCOUNTING PRINCIPLES

The Parent Company prepares its Annual Report in compliance with Sweden's Annual Accounts Act (1995:1554) and Recommendation RFR 2, "Accounting for Legal Entities" of the Swedish Financial Reporting Board. Financial fixed

assets consist of an investment in the subsidiary Acarix A/S and are measured at cost reduced by impairment write-down.

#### Note 4 Significant accounting judgments, estimates and assumptions

In preparing the interim Condensed consolidated financial statements, management makes various accounting judgments and estimates and defines assumptions, which form the basis of recognition, measurement and presentation of the Group's assets and liabilities. The estimates and assumptions applied are based on historical experience, the most recent information available at the reporting date, and other factors that management considers reasonable under the circumstances. The basis for judgments and information can by nature be inaccurate or incomplete, and the company is subject to uncertainties, which can result in an actual outcome that deviates from estimates and defined assumptions. It may be necessary in the future to change previous estimates and judgments as a result of supplementary information, additional knowledge and experience or subsequent events. In applying the Group's accounting policies described in Note 3, management has exercised the following critical accounting judgments and estimates, which significantly influence the amounts recognized in the consolidated financial statements.

#### Deferred tax assets

The Group recognizes deferred tax assets relating to tax losses carried forward when management assess that these tax assets can be offset against positive taxable income in the foreseeable future. The assessment is made at the reporting date and is based on relevant information, taking into account any impact from restrictions in utilization in local tax legislation. The assessment of future taxable income is based on financial budgets approved by management as well as management's expectations regarding the operational development in the following 5 years. Based upon this assessment no deferred tax assets relating to tax losses carried forward have been recognized as at December 31, 2016.

#### Development costs

The Group capitalizes development costs for projects in progress in accordance with the accounting policy. Initial capitalization is based on management's judgment that the technological and economic feasibility is confirmed. Management regularly estimates whether the development project is likely to generate future economic benefits for the Group in order to qualify for recognition. The entities capitalize development costs as intangible assets until the criteria in IAS 38



Intangible assets are met and approval from the appropriate regulatory body is received.

At the end of 2016, the carrying amount of capitalized development costs was kSEK 18,179 (2015: kSEK 5,971).

#### Impairment of development projects in progress

For development projects in progress, impairment tests are performed at least annually. Impairment tests are based on a DCF model, where cash flows are derived from the budget, considering the cost to complete the projects. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows, growth rate, interest rate and risks.

#### Operating segments

Acarix is still at an early commercialization phase with a single cardiovascular diagnostic product. Accordingly, Acarix only has one operating segment, which is also the only reportable segment. Information on profit/loss and total assets for cardiovascular diagnostic can be found in the income statement and balance sheet.

As Acarix does not currently generate any revenues, no geographical areas distinctions or descriptions of major customers are provided.

Non-current assets consist of intangible assets. All of them are located in Denmark.

#### Note 5 Risks

All business operations in Acarix involve risk. Risk management is essential and an integral part of the company's operations and strategy. Risk may be due to events in the external environment and may affect certain industries more than others. Risk may also be specific to the individual company.

Acarix is exposed to some specific risk categories:

- Operational risks, e.g. due to the capital-intensive and risky nature of new medical device development, dependence on external partners, risks in clinical trials, dependence on qualified personnel and key individuals.
- External risks such as patent infringements, competition, rapid technological developments, regulatory requirements, pricing and reimbursement of costs.
- Financial risks, such as currency risk, interest risk, credit risk and funding risk.

For a more detailed description of the risks associated with the company, please see the prospectus (Invitation to acquire shares in Acarix AB, December 2016), page 16-19.

#### Note 6 Intangible assets

##### Research and development costs

For accounting purposes, research expenses are defined as costs incurred for current or planned investigations undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development expenses are defined as costs incurred for the application of research findings or specialist knowledge to plans or designs for the production, provision or development of new or substantially improved products, services or processes, respectively, prior to the commencement of commercial production or use.

Development costs are incurred in the Group and are recognized in the balance sheet when the entities can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- the intention for the entities to complete the project and its ability to use and sell the asset
- how the asset will generate future economic benefits
- the availability of resources to complete the asset
- the ability to measure reliably the expenditures during development

Amortization of development costs begins when the criteria listed above are met at the time of obtaining regulatory approval.

Research and development costs mainly comprise the costs for clinical studies, research and development activities in the areas of application technology and engineering, field trials, regulatory approvals and approval extensions.

Research costs are expensed as incurred.

**Intangible assets 2016**

<b>kSEK</b>	<b>Aquired rights</b>	<b>Development costs in progress</b>	<b>Total</b>
Cost at 1 January 2016	3,080	5,971	9,051
Addition for the year	2,404	11,804	14,208
Foreign currency translation adjustment	122	404	526
<b>Cost at 31 December</b>	<b>5,606</b>	<b>18,179</b>	<b>23,785</b>
Amortization and impairment at 1 January	-381	-	-381
Amortization	-281	-	-281
Impairment losses	-	-	-
Foreign currency translation adjustment	-	-	-
<b>Amortization and impairment losses at 31 December</b>	<b>-662</b>	<b>-</b>	<b>-662</b>
Carrying amount at 31 December	4,944	18,179	23,123

**Intangible assets 2015**

<b>kSEK</b>	<b>Aquired rights</b>	<b>Development projects in progress</b>	<b>Total</b>
Cost at 1 January 2015	2,293	-	2,293
Addition for the year	858	5,971	6,828
Foreign currency translation adjustment	-70	-	-70
<b>Cost at 31 December</b>	<b>3,080</b>	<b>5,971</b>	<b>9,051</b>
Amortization and impairment at 1 January	-165	-	-165
Amortization	-217	-	-217
Impairment losses	-	-	0
Foreign currency translation adjustment	-	-	0
<b>Amortization and impairment losses at 31 December</b>	<b>-381</b>	<b>-</b>	<b>-381</b>
Carrying amount at 31 December	2,699	5,971	8,670

Development projects in progress have been tested for impairment. The impairment test is based on management budgets and estimates of expected sales and costs in accordance with established forecasts for the next 8 years. These forecasts are based on expected future development and the management's assessment of market development. The impairment test includes a WACC discount factor of 20%.

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

**Note 7 Convertible loan**

In February 2016 and in July 2016, Acarix A/S entered into two convertible loans with three of its existing shareholders, each loan in the amount of SEK 8.2 million (DKK 6.5 million). At the time of the arrangements, Acarix A/S recognized a separate embedded derivative for the convertible option embedded in the loans. This embedded derivative is measured at fair value each balance sheet date, with the change recognized in the income statement. The convertible loan from February 2016 ("Convertible Loan 1") was converted at DKK 2 per share in July 2016, resulting in the issuance of 3,362,847 A1-shares and the recognition of a loss in the amount of SEK 23.3 million (DKK 17.8 million) resulting from measurement of the conversion option derivative to fair value immediately preceding the conversion.

The convertible loan from July 2016 ("Convertible Loan 2") was converted at DKK 7,46 per share in November 2016, resulting in the issuance of 902,586 A1-shares and the recognition of no loss from measurement of the conversion option derivative.

**Note 8 Earnings per share**

Basic earnings per share (EPS) is calculated by dividing the profit or loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the net profit or loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued of all the dilutive potential ordinary shares into ordinary shares.

**Note 9 Related party disclosure**

Related parties comprise the members of the Board of Directors and other senior executives.

Two convertible loans were made with three existing shareholders and are therefore related party transactions. Two of the shareholders have significant influence and the other counterparty is a key management employee. The total amount of the convertible loans was kSEK 15,949 (kDKK 12,000) and the amount of the convertible loans with the key management was kSEK 1,291 (kDKK 1,000). The two convertible loans were converted to shares July 7th and November 9th 2016.

Besides remuneration to the Board of Directors, no additional transactions have been recorded with related parties during the fourth quarter.

**Note 10 Subsequent events****Group and Parent Company**

No significant events of importance to the consolidated financial statements have occurred since December 31, 2016.

**Note 11 Pledges and guarantees****Group and Parent Company**

A deposit of TSEK 50 was pledged with SEB as a guarantee to Euroclear Sweden AB in connection with the listing of Acarix AB (publ), in accordance with the rules of Euroclear. The parent company has issued a letter of support of MSEK 120 to secure the operation of its subsidiary Acarix A/S.

## Affirmation

This interim report has been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" and in accordance with the Swedish Annual Accounts Act. With respect to the Parent Company, this interim report has been prepared in accordance with the Swedish Annual Accounts Act and in compliance with RFR2, Accounting for Legal Entities. The Board of Directors and the CEO certify that this interim report presents a true and fair overview of the Group's and the Parent Company's operations, financial position and results of operations, and describes the significant risks and uncertainties facing the Parent Company and the companies belonging to the Group

Malmö, February 20, 2017

Werner Braun  
*Chairman of the Board*

Oliver Johansen  
*Board member*

Denis Gestin  
*Board member*

Ulf Rosén  
*Board member*

Claus Andersson  
*Board member*

Yun Fei Hong  
*Board member*

Søren Rysholt Christiansen  
*CEO*

Christian Lindholm  
*CFO*

