Acarix Year-End Report

JANUARY – DECEMBER 2017

CADScor®System launched in key markets

Fourth quarter (October–December) 2017 compared with same period 2016

- During the quarter 4 CADScor®Systems and 480 patches were sold and generated revenues amounting kSEK 230 (0) with a gross profit of kSEK 173 and gross margin of 75%
- Operational costs amounting kSEK 12,412 (15,043).
- Result before tax amounted to kSEK –12,267 (–15,421)
- Net cash flow from operating activities amounted to kSEK –6,285 (–2,063)
- Total equity amounted to kSEK 128,939 (155,516)
- Basic earnings per share amounted to SEK –0.55 (–0.87)

Events occurred before December 31, 2017

- CEO Søren Rysholt Christiansen has resigned on 6 November 2017, with the effect to leave the company at the end of February 2018 latest. The Board has begun a search for Mr. Christiansen's successor.

Financial year 2017 compared with year 2016

- Since the commercialization of CADScor®System during second quarter, a total of 10 CADScor®Systems and 1,360 patches have been sold and generated totally kSEK 638 in revenue. Gross profit of kSEK 430, a gross margin of 67%.
- Operating costs amounted to kSEK 31,173 (26,790)
- Result before tax amounted to kSEK –30,736 (–51,055)
- Net cash flow from operating activities amounted to kSEK –40,539 (–9,056)
- Cash position amounted to kSEK 103,457 (145,895)
- Basic earnings per share amounted to SEK –1.29 (–3.68). No dilution arose.

Events occurred after December 31, 2017

- Acarix and the CADScor®System was for the second consecutive year presented at the Medtech Showcase in San Fransisco, January 8-10. This provided a great opportunity to meet potential US and international collaborators.
- Acarix announced the initiation of a multi-center trial of its handheld CADScor®System for non-invasive, non-radiation acoustic detection of Coronary Artery Disease ("CAD"). The results from the extensive study are expected to be available early 2020. Acarix believes the device has the potential to both greatly improve triaging of patients and reduce the need for costly further invasive diagnostic investigations.
- On February 23, Christian Lindholm was appointed Interim CEO.

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Message from the CEO

Dear shareholder,
Cardiovascular disease remains the world's number one killer. Each year, it is responsible for 17.5 million premature deaths, and by 2030 this is expected to rise to 23 million. Much focus is on prevention thus encouraging people to know their heart and live a healthier life, but there is also recognition of a need for improved early detection and proper allocation of precious healthcare resources. One of the cardiovascular diseases, Coronary Artery Disease (CAD), is one of the most common diseases in the western world. No easy to use method to rule out CAD has hitherto been available. Hence, patients with suspected CAD has been referred to special tests including stress tests such as exercise ECG that are time-consuming and often do not produce sufficient information for an accurate diagnosis or rule-out.

With the Acarix CADScor®System now introduced in healthcare as a frontline test to rule out CAD with high accuracy, many benefits are brought to both the patient and healthcare. The patient does not have to be exposed to the stress and risk involved with further tests and can leave the doctor's office with peace of mind. Furthermore, healthcare resources can be used only for the patients who need further tests, potentially also reducing waiting times for these tests.

In 2017, we achieved historic milestones in Acarix – most noticeably the receipt of our first commercial order for CADScor®System in June and thus a confirmation of the commercialization program being on track. This first order was placed by Herning Hospital in Denmark and researchers at the hospital have extensively trialed CADScor®System and presented data at the American College of Cardiology 2017 Annual Scientific Meeting showing that the system rules out CAD with 97% negative predictive value. The team at Herning Hospital has an international reputation for outstanding research in CAD and we look forward to continuing our close collaboration with them.

The abovementioned first order was quickly followed by orders from the important German and Swedish markets. The first German order was received from a private cardiology clinic in Berlin and to launch first in the private sector in Germany is in keeping with the company strategy in anticipation of future reimbursement and launch in the larger public-sector market. The first Swedish order was received from the cardiology department in one of Sweden's largest hospitals, Skåne University Hospital in Lund.

Furthermore, we continued to build awareness and generate leads at key meetings and events around Europe. During the year, CADScor®System was presented at the annual meeting of the German Society of Cardiology, the Swedish Society of Cardiology spring meeting, the British Cardiovascular Society meeting, and the European Society of Cardiology congress – the premier annual event for key decision makers within cardiology. Such meetings and events are imperative for a company like Acarix where the sales process includes introducing not only a new technology with the potential to significantly improve the diagnostic pathway for CAD patients, but also introducing Acarix as a commercial stage company to decision makers.

A key enabler to help ensure our future success is our commercial team and during 2017, we have invested significant resources in hiring and onboarding new field sales team members as well as established a sales subsidiary in Germany to serve this key market. In parallel we continue to invest in securing the long-term success of the company by also maintaining a clear focus on a strong clinical program and in November new data was published in the prestigious medical journal Heart showing that CADScor®System quickly, accurately, and cost-effectively can provide answers to the pressing issues in CAD diagnosis and thus potentially reduce patient referrals by approx. 50%.

Functional design is an integral part of the concept behind CADScor®System. Against this background, we were delighted to win the prestigious Danish Design Award 2017, which highlights the impact and value of design, celebrates companies and designers across the country and displays the difference their solutions make to industry, everyday life, and society at large. The award was a recognition of Acarix and the CADScor®System's potential for outstanding international success and employment growth.

I am confident that Acarix will continue to turn challenges into opportunities and help to secure a future full of promise for patients, payers, and physicians.

Thank you for the trust you place in us and for being a shareholder of Acarix.

SINCERELY,
SØREN RYSHOLT CHRISTIANSEN
CHIEF EXECUTIVE OFFICER

Financial Report

Revenues and gross margin

Fourth quarter

Four CADScor®Systems and 480 patches were sold during the fourth quarter compared to three CADScor®Systems and 520 patches in previous quarter. Three systems were sold in Denmark and one system sold in Sweden including the right-to-return within a trial period of 90 days. The system sold in Sweden were not revenue recognized in the fourth quarter.

Consolidated revenue for the fourth quarter amounted to kSEK 230. Revenues from CADScor®Systems amounted to kSEK 88 and revenue from patches amounted kSEK 142.

Gross profit for the fourth quarter amounted to kSEK 173, corresponding to a gross margin of 75%.

Year 2017

Acarix launched the CADScor®System on the German, Danish and the Swedish market during June 2017 and have totally sold 10 CADScor systems and 1360 patches.

Consolidated revenue amounts to kSEK 638 distributed between CADScor®Systems by kSEK 262 and patches by kSEK 376.

Gross profit for the year amounts to kSEK 430, corresponding to a gross margin of 67%.

Expenses

Fourth quarter

Total group expenses (R&D and SG&A) for the fourth quarter amounted to kSEK 12,412 compared to kSEK 15,043 in the year-earlier period, the latter including non-recurring costs (IPO costs and costs of bonuses) amounting kSEK 11,900.

Adjusted for IPO costs and costs of bonuses the year-on-year cost increase is related to intensified commercial activities, increased activities in the German subsidiary and the fact that development costs related to CADScor®System would no longer be capitalized as of the second quarter of 2017.

SG&A costs amounted to kSEK 10,546 in the fourth quarter, of which kSEK 4,720 related to sales and marketing costs.

Year 2017

Accumulated expenses amounted to kSEK 31,173 compared to kSEK 26,790 in the year-earlier period. Accumulated SG&A costs amounted to kSEK 25,884 of which kSEK 11,478 related to sales and marketing costs.

Result

Fourth quarter

In fourth quarter the Group reported an operating loss of kSEK –12,239 compared to kSEK –15,043 in the year-earlier period. While the capitalization of development costs related to the CADScore®System ceased during the second quarter, the depreciation of capitalized development costs commenced. Depreciation during the fourth quarter amounted to kSEK 599. Tax costs amounted to kSEK 460 for the quarter compared to an income amounting kSEK 477 in the corresponding period in 2016. Forth quarter tax cost refers to an adjustment of third quarters tax income all related to Danish R&D tax credit. The net loss for the fourth quarter amounted to kSEK –12,727 compared to kSEK –14,944 in the year-earlier period. The fourth quarter in 2016 was charged with non-recurring costs of kSEK 11,900 related to IPO- and bonuses.

Earnings per share before dilution were SEK –0,55 for the fourth quarter compared to SEK –0,87 in the corresponding period in the preceding year. No dilution effects arose.

Year 2017

For the full year the Group reported an operating loss of kSEK 30,743 compared with a loss of kSEK –26,790 in the year-earlier period. Tax income amounted to kSEK 960 for the year compared to kSEK 2,815 in the year-earlier period, both of which were related to a Danish R&D tax credit ceased in quarter 2 2017. A net loss for the year amounted to kSEK –29,776 compared to kSEK –48,240 in the corresponding period in 2016. The 2016 result was charged with cost for conversion of a convertible loan amounting kSEK 23,337.

Earnings per share before dilution were SEK –1.29 for the the year compared to SEK –3,68 in the corresponding period in the preceding year. No dilution effects arose.

Intangible assets

Capitalization of development costs related to the CADScor®System has been ongoing since August 2015 when TÛV issued a certificate of compliance (CE-mark) for the product. Capitalization ceased when the product was launched on the market during the second quarter of 2017 and amortization of development costs was initiated. As of December 31, 2017, capitalized development costs amounted to kSEK 20,351.

The carrying amount including capitalized development costs and acquired rights as of December 31, 2017 amounted to kSEK 25,191.

Equity

As of December 31, 2017, consolidated equity amounted to kSEK 128.939 compared to kSEK 155,516 on December 31, 2016. The equity includes the proceeds from the initial public offering of shares in connection with the listing on Nasdaq First North Premier in December 2016.

As of December 31, 2017, the total number of shares amounted to 23,027,376.

Cash Flow

Fourth quarter

In the fourth quarter, total cash flow showed an outflow of kSEK –6,285 compared to an inflow of kSEK 144,445 driven by a capital increase amounting 176,698 in the year-earlier period. Cash flow from operating activities amounted to kSEK –6,285 compared to kSEK –2,063 in the corresponding period in 2016. The impact from working capital amounted to kSEK 2,990 compared to kSEK 9,811 in the year-earlier period.

Year 2017

Total cash flow for the year showed an outflow of kSEK –42,320 compared to an inflow amounting kSEK 144,394 in the year-earlier period, impacted by capital increase amounting 176,698. Cash flow from operating activities amounted to kSEK –40,539 compared to kSEK –9,056 in the corresponding period in 2016. The impact from working capital amounted to kSEK 13,664 compared to kSEK 14,490 in the year-earlier period.

Cash flow used in investing activities amounted to kSEK –2,984 and refers to capitalized R&D costs related to the CADScor®System prior to completion of the development. Cash flow in the year-earlier period amounted to kSEK –12,201.

At the end of the period, Acarix had kSEK 103,457 in cash and cash equivalents compared to kSEK 145,895 in the year-earlier period.

Parent Company

The Parent Company´s operations are primarily focused on Group wide administration and management and have during the year invoiced kSEK 4,239 in management-fees. The company report net loss for the quarter amounting kSEK –2,250 and a net loss for the year amounting kSEK –6,017. The Parent Company´s cash and cash equivalents at the end of the period amounted to kSEK 98,741 compared to 129,633 in the year-earlier period.

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 the Premier segment. As of December 31, 2017, the number of shares in the company amounted to 23,027,376 (23,027,376).

Shareholder register December 31, 2017	Number of shares	Votes and capital
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%
Total	**23,027,376**	**100.0%**

The lock-up agreement of 360 days from the first trading day, entered by the five largest shareholders, have expired as of December 19, 2017.

Auditor´s review

This End-Year report has not been reviewd by the company´s auditor.

Annual Gerneral Meeting

Acarix Annual General Meeting (AGM) 2018 will be held on Wednesday 23 May at 10:00 CET at Baker McKenzie, Vasagatan 7 Stockholm.

Certified Adviser

Acarix's Certified Adviser on Nasdaq First North is Wildeco Ekonomisk Information AB.

Financial calendar	Date
First quarter 2018	May 23, 2018
Annual General meeting	May 23, 2018
Second quarter 2018	August 21, 2018
Third quarter 2018	November 14, 2018
Fourth quarter and year end report	February 20, 2019

For more information, please contact

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Group - Consolidated Income statement

kSEK	Note	Quarter 4 2017	Quarter 4 2016	Year 2017	Year 2016
Revenue	6	230	–	638	–
Cost of goods sold		–57	–	–208	–
Gross profit		**173**	**–**	**430**	**–**
Research and development costs		–1,866	–110	–5,289	–1,247
Sales, general and administrative costs		–10,546	–14,933	–25,884	–25,543
Operating result		**–12,239**	**–15,043**	**–30,743**	**–26,790**
Financial income		50	–	130	–
Financial costs		–78	–378	–123	–24,265
Profit before tax		**–12,267**	**–15,421**	**–30,736**	**–51,055**
Tax		–460	477	960	2,815
Net loss for the period		**–12,727**	**–14,944**	**–29,776**	**–48,240**
Net income attributable to parent company's shareholders		**–12,727**	**–14,944**	**–29,776**	**–48,240**
Basic earnings per share (SEK) [1), 2)]		–0.55	–0.87	–1.29	–3.68
Average number of shares, thousands		23,027	17,155	23,027	13,103

[1)] No dilution effects arose

[2)] EPS – Net profit for the period, attributable to shareholders of the Parent Company, divided by average number of shares outstanding

Group - Consolidated Statements of Comprehensive Income

kSEK	Quarter 4 2017	Quarter 4 2016	Year 2017	Year 2016
Net loss for the period after tax	–12,727	–14,944	–29,776	–48,240
Items that may be reclassified to profit or loss				
Foreign currency translation adjustment	997	–605	664	–456
Other comprehensive income for the period, net of tax	**997**	**–605**	**664**	**–456**
Total comprehensive income for the period, net of tax	**–11,730**	**–15,549**	**–29,112**	**–48,696**
Total comprehensive income attributable to:				
Owners of Acarix	–11,730	–15,549	–29,112	–48,696

Group - Consolidated **Statement of financial position**

kSEK	Note	Year 2017	Year 2016
Assets			
Intangible assets			
Acquired rights		4,840	4,944
Development projects, capitalized		20,351	18,179
Total intangible assets	**7**	**25,191**	**23,123**
Current assets			
Tax receivables		995	2,625
Inventory	8	1,945	–
Accounts receivables		454	–
Other receivables	9	1,634	1,488
Prepayments		380	155
Cash and cash equivalents		103,457	145,895
Total current assets		**108,865**	**150,163**
Total assets		**134,056**	**173,286**
Shareholders´s equity and liabilities			
Equity			
Share capital and share premium		396,044	394,841
Other reserves		689	25
Retained earnings		–267,794	–239,350
Total equity		**128,939**	**155,516**
Current liabilities			
Accounts payable		1,464	4,404
Other liabilities		3,653	13,366
Total current liabilities		**5,117**	**17,770**
Total equity and liabilities		**134,056**	**173,286**

Group - Consolidated Statement of changes in shareholders' equity

kSEK	Share capital and share premium	Other reserves	Retained earnings	Total shareholders equity
As at December 31 2016	**394,841**	**25**	**–239,350**	**155,516**
Corrections from previous period	–	–	1,332	1,332
As at 1 January 2017	**394,841**	**25**	**–238,018**	**156,848**
Profit/loss for the period	–	–	–29,776	–29,776
Other comprehensive income:				
Foreign exchange rate adjustment	–	664	–	664
Total comprehensive income	**–**	**664**	**–**	**664**
Transactions with owners:				
Issue of warrants	1,203	–	–	1,203
At December 31 2017	**396,044**	**689**	**–267,794**	**128,939**
As at 1 January 2016	**84,976**	**481**	**–73,318**	**12,139**
Profit/loss for the period	–	–	–48,240	–48,240
Other comprehensive income:				
Foreign exchange rate adjustment	–	–456	–	–456
Total comprehensive income	**–**	**–456**	**–**	**–456**
Transactions with owners:				
Capital increase	21,387	–	–	21,387
Conversion of convertibles	41,401	–	–	41,401
Exercise of warrants	21	–	–	21
Reorganization of companies	118,006	–	– 118,006	0
New issue in connection with IPO	140,096	–	–	140,096
Costs connected to increase in capital	–11,046	–	–	–11,046
Share–based payments	–	–	214	214
At December 31 2016	**394,841**	**25**	**–239,350**	**155,516**

In 2017, after the company´s financial statements were approved for issue, the company discovered a mistaken accounting recognition of the inventory. The cumulative effect on the error on the Loss brought forward is kSEK 1,332. The error affecting year 2016 is not material and therefore, the financial statements of 2016 are not being restated.

Group Consolidated Statements of Cash Flow

kSEK	Quarter 4 2017	Quarter 4 2016	Year 2017	Year 2016
Operating activities				
Result before tax	–12,267	–15,421	–30,736	–51,055
Adjustment for depreciation	599	–	1,433	–
Taxes received	2,421	3,175	2,421	3,175
Adjustment for non-cash effect of the share-based payments	–	8	–	83
Financial expenses	–28	378	7	24,265
Cash-flow before change of working capital	**–9,274**	**–11,860**	**–26,875**	**–23,532**
Working capital adjustments:				
Change in inventory	–312	–	–355	–
Change in income tax receivables	141	–37	169	–174
Change in receivables and prepayments	782	–1,012	–825	337
Change in trade and other payables	2,379	10,963	–12,653	14,390
Change in credit institutions	–	–103	–	–63
Total change in working capital	**2,990**	**9,811**	**–13,664**	**14,490**
Cash-flow from operations	**–6,285**	**–2,049**	**–40,539**	**–9,042**
Interest paid	–	–14	–	–14
Cash -flow from operating activities	**–6,285**	**–2,063**	**–40,539**	**–9,056**
Investing activities				
Investments in intangibles	–	–2,358	–2,984	–12,201
Cash-flow from investing activities	**–**	**–2,358**	**–2,984**	**–12,201**
Financing activities				
Issue of warrants	–	–	1,203	–
Proceeds from borrowings	–	–16,785	–	–
Costs for capital increase	–	–11,046	–	–11,046
Capital increase	–	176,698	–	176,698
Cash flow from financing activities	**–**	**148,866**	**1,203**	**165,651**
Cash flow for the period	**–6,285**	**144,445**	**–42,320**	**144,394**
Currency translation differences	190	–460	–118	–620
Cash and cash equivalents, beginning of period	109,552	1,910	145,895	2,121
Cash and cash equivalents, end of period	**103,457**	**145,895**	**103,457**	**145,895**

Parent Income statement

kSEK	Note	Quarter 4 2017	Quarter 4 2016	Year 2017	Year 2016
Other revenues		**1,973**	**–**	**4,239**	**–**
Sales, general and administrative costs	6, 7, 8	–4,196	–4,804	–10,295	–4,804
Operating result		**–2,223**	**–4,804**	**–6,056**	**-4,804**
Financial income		39	–	105	–
Financial expense		–66	–	–66	–
Result before tax		**–2,250**	**–4,804**	**–6,017**	**–4,804**
Tax		–	–	–	–
Net loss for the period		**–2,250**	**–4,804**	**–6,017**	**–4,804**
Net income attributable to parent company's shareholder		**–2,250**	**–4,804**	**–6,017**	**–4,804**

Parent Statements of Comprehensive Income

kSEK	Note	Quarter 4 2017	Quarter 4 2016	Year 2017	Year 2016
Net loss for the period after tax		–2,250	–4,804	–6,017	–4,804
Total comprehensive income for the period, net of tax		**–2,250**	**–4,804**	**–6,017**	**–4,804**
Total comprehensive income attributable to:					
Owners of Acarix		–2,250	–4,804	–6,017	–4,804

Parent Statements of financial position

kSEK	Note	Year 2017	Year 2016
Assets			
Financial assets			
Participation in subsidiaries		68,876	49,616
Total financial assets		**68,876**	**49,616**
Current assets			
Other receivables		4,773	203
Cash and cash equivalents		98,741	129,633
Total current assets		**103,514**	**129,836**
Total assets		**172,390**	**179,452**
Shareholders´equity and liabilities			
Equity			
Share capital		23,027	23,027
Other capital contribution		156,912	155,709
Retained earnings		–10,821	–4,804
Total equity		**169,118**	**173,932**
Current liabilities			
Accounts payable		109	979
Other liabilities		3,163	4,540
Total current liabilities		**3,172**	**5,519**
Total equity and liabilities		**172,390**	**179,452**

Parent Statement of changes in shareholders' equity

kSEK	Share capital	Other capital contribution	Retained earnings	Total shareholders' equity
As at December 31 2016	**23,027**	**155,709**	**–4,804**	**173,932**
Net loss for the period	–	–	–6,017	–6,017
Total comprehensive income	**–**	**–**	**–6,017**	**–6,017**
Transactions with the owners				
Issue of warrants	–	1,203	–	1,203
Total transactions with owners	**–**	**1,203**	**–**	**1,203**
Change in shareholders´equity	–	1,203	–6,017	–4,814
At Decmber 31 2017	**23,027**	**156,912**	**–10,821**	**169,118**
As at January 1 2016	**500**	**–**	**–**	**500**
Net loss for the period	–	–	–4,804	–4,804
Total comprehensive income	**–**	**–**	**–4,804**	**–4,804**
Transactions with the owners				
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
Issuance costs	–	–10,975	–	–10,975
Total transactions with owners	**22,527**	**155,709**	**–**	**178,237**
Change in shareholders´equity	22,527	155,709	–4,804	173,432
At December 31 2016	**23,027**	**155,709**	**–4,804**	**173,932**

The company was established in December 2014 with share capital amounting kSEK 500.

Notes to the year-end consolidated financial statements

Note 1 Corporate information

Company information

Acarix AB (559009-0667) 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 GmbH was established during the second quarter of 2017 and serves the German market. Acarix's main activities are to develop, produce and market a new cardiovascular diagnostic method and similar equipment for the same and related services.

Group reorganization and Initial Public Offering

As per September 30, 2016, the entities presented combined financial statements, as outlined in the interim report for the third quarter. On December 1, 2016, the shares of Acarix A/S were contributed in kind to Acarix AB, thus establishing Acarix AB as the Parent Company of the Group. The previous shareholders of Acarix A/S maintained their previous respective ownership shares. Accordingly, the consolidated financial statements of Acarix AB represent a continuation of the existing Group and no fair value adjustments have been made. Any difference in equity resulting from the reorganization has been recognized separately as an adjustment to equity.

Following the Group's reorganization, Acarix AB completed its initial public offering ("IPO") of new shares on Nasdaq First North Premier Segment in Stockholm. The first day of trading was December 19, 2016 and the company received issue proceeds in the amount of MSEK 140.0, partly offset by MSEK 16.1 in related IPO transaction costs.

Note 2 Accounting policies

Basis of preparation

The interim report for the Group and parent company comprises summary consolidated financial statements for Acarix AB (publ). The interim consolidated financial statements include the Company's wholly-owned Danish, German and Swedish subsidiaries, Acarix A/S, Acarix GmbH and Acarix Incentives AB.

Accounting policies

The consolidated report has been prepared in accordance with International Financial Reporting Standards (IFRS) and IAS 34, Interim Financial Reporting. Amendments to existing standards, new interpretations and new standards that came into effect as of January 1, 2017 did not affect the Groups reporting as of December 31, 2017.

Acarix continues to apply the same accounting principles and valuation methods as those described in the most recent Annual Report. The Parent Company report is prepared in accordance with RFR 2, Accounting for Legal Entities, the Swedish Annual Accounts Act and accounting principles and the valuation methods as those described in the most recent Annual Report.

Standards issued but not yet effective

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects for accounting of financial instruments: classification and measurement; impairment; and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. During 2017, the Group is performing a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a fivestep model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2017, the Group is performing a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. It is our assessment that IFRS 15 will not have any significant impact on the income statement, balance sheet or related key ratios in the consolidated financial statements.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC- 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies IFRS 15.

In 2017, the Group has initiated an analysis of the impact of IFRS 16 on the consolidated financial statements, which has not yet been completed. The preliminary conclusion is that it will have a limited impact on both the balance sheet, the income statement and related key ratios.

Note 3 Significant accounting estimates, judgments and assumptions

In preparing the interim report, certain provisions under IFRS require management to make judgments, which may significantly impact the Group's financial statements. For additional descriptions of significant judgments and estimates, refer to note 4 in the annual report 2016.

Note 4 Risk management

The Acarix Group is exposed to business and financial risks through its operations. These risks have been described at length in the Company's annual report 2016. In addition to the risks described in these documents, no additional significant risks have been identified.

Note 5 Related parties

Related parties comprise the members of the Board of Directors and other senior executives. Apart from remuneration of the Board of Directors, the following transactions were recognized with related parties during the year.

Consultancy fee to member of Board of Directors, kSEK	Q4 2017	Q4 2016	Year 2017	Year 2016
Werner Braun (Chairman)	645	–	645	–

At a General Meeting held on May 24, 2017, decision was made on issue of new warrants to senior executives, employees, key employees and board of directors within the Acarix group. For further information see note 10.

Except as set out above, no transactions were made during the period with members of the Board of Directors, Executive Management, senior officers, significant shareholders or any other related parties

Note 6 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognized.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Invoiced sales per country, kSEK	Q2 2017	Q3 2017	Q4 2017	Q1-Q4 2017	Q1-Q4 2016
Germany	64	152	–	216	–
Sweden	–	63	36	99	–
Denmark	65	–	194	259	–
Other	64	–	–	64	–
Total	**193**	**215**	**230**	**638**	**–**

Note 7 Intangible assets

Development projects have been tested for impairment in December 2017. The impairment test is based on management budgets and estimates of expected sales and costs in accordance with established forecasts for the next eight years. These forecasts are based on expected future development and the management's assessment of market development. The impairment test includes a WACC (Weighted Average Cost of Capital) discount factor of 20 percent. Development projects are related to the development of the CADScor®System (acoustic cardiovascular diagnostics), which records heart sounds and murmurs for calculating a patient's specific score in order to determine the patient's risk of coronary artery disease. During the second quarter, the CADScor®System was introduced on the market and the first orders were recognized. Capitalization ceased when the product was launched on the market during the second quarter of 2017 and amortization of capitalized development costs commenced.

Intangible assets 2017 kSEK	Aquired rights	Development costs, completed	Total
Cost at 1 January 2017	**5,606**	**18,179**	**23,785**
Addition for the period	35	2,949	2,984
Foreign currency translation adjustment	132	484	615
Cost at 31 December	**5,773**	**21,612**	**27,384**
Amortization and impairment at 1 January 2017	**–679**	**–**	**–679**
Amortization	–271	–1,261	–1,531
Foreign currency translation adjustment	17	–	17
Amortization and impairment losses at 31 December 2017	**–933**	**–1,261**	**–2,193**
Carrying amount at 31 December 2017	**4,840**	**20,351**	**25,191**

Intangible assets 2016 kSEK	Aquired rights	Development costs, completed	Total
Cost at 1 January 2016	**3,080**	**5,971**	**9,051**
Addition for the period	2,404	11,804	14,208
Foreign currency translation adjustment	122	404	526
Cost at 31 December 2016	**5,606**	**18,179**	**23,785**
Amortization and impairment at 1 January 2016	**–381**	**–**	**–381**
Amortization	–281	–	–281
Amortization and impairment losses at 31 December 2016	**–662**	**–**	**–662**
Carrying amount at 31 December 2016	**4,944**	**18,179**	**23,123**

Note 8 Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realizable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The net realizable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Note 9 Trade receivables

Receivables are measured at amortized cost.

An impairment loss is recognized if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognized on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are assessed for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the country of domicile and credit ratings of the debtors in accordance with the Group's credit risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

Note 10 Warrant program

At a General Meeting held on May 24, 2017, a resolution was passed on two warrant programs carrying entitlement to subscribe for shares.

The first program "Incentive Program 2017/2020" for senior executives and employees comprises an issue of a maximum of 825,000 warrants, with each warrant entitling the holder to purchase one share during the exercise period June 1, 2020 – June 15, 2020. The subscription price for the shares pursuant to the warrant program is SEK 25.60. Market-based pricing was applied in conjunction with the warrant offering.

The second program "Incentive Program 2017/2021" for the Board of Directors comprises an issue of a maximum of 300,000 warrants, with each warrant entitling the holder to purchase one share during the exercise period June 1, 2021 – June 15, 2021. The subscription price for the shares pursuant to the warrant program is SEK 29.54. Market-based pricing was applied in conjunction with the warrant offering.

The total number of registered shares and votes on the date of this proposal amounted to 23,027,376. The dilution resulting from Incentive Program 2017/2020 and Incentive Program 2017/2021 is estimated at approximately 4.66 percent of the total number of shares and votes in the Company, provided that full subscription and exercise of all warrants occurs in both programs.

The market price of the warrant program has been determined by an independent party on the basis of the Black-Scholes model. The essential parameters taken into account in the valuations are Acarix's share price, estimated dividends, volatility, the warrant exercise price and the risk-free rate.

The duration of Incentive program 2017/2020 is three years while the duration of Incentive Program 2017/2021 four years.

The CEO subscribed for 25,500 warrants and the other members of Group management subscribed for 138,000 warrants. Other employees and key individuals subscribed for 122,500 warrants. The Board of Directors subscribed for 20,000 warrants. Acarix Incentive AB subscribed for 819,000 warrants that can potentially be used for future employees. Some 1,125,000 warrants were issued in total.

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 25, 2018

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
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