Direct Conversion

Empowered X-RAY Imaging

Annual Report 2016

Translation from original Swedish Annual Report

Annual Report

Direct Conversion, comprises the parent company Direct Conversion AB (publ) and the wholly owned subsidiaries XCounter Securities AB, XCounter (UK) Ltd., and Oy Ajat Ltd.

Direct Conversion is a leading Company in direct conversion technology for digital X-ray imaging for dental, medical and industrial markets and is the world leader in hybridized semiconductor X-ray imaging devices.

Direct Conversion AB (publ), is pleased to announce its annual report for January - December 2016.

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Exchange rates

For comparison purposes, certain amounts have been converted from SEK to EUR and GBP (Source: Sweden's Central Bank):

	Exchange rate	
	SEK to EUR	***SEK to GBP***
Results for the period 1 Jan – 31 Dec 2016	*9.4704*	*11.5664*
Balances ending 31 Dec 2016	*9.5669*	*11.1787*
Results for the period 1 Jan – 31 Dec 2015	*9.3562*	*12.8962*
Balances ending 31 Dec 2015	*9.1350*	*12.3785*

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Spencer Gunn, CEO of Direct Conversion said:

"XCounter AB (publ) decided to rename itself to Direct Conversion AB (publ), a decision which was approved on 22 December 2016 by the Extraordinary General Meeting of the Shareholders. This step is part of the unification of the two brands, Ajat and XCounter, under one company name. Our employees' skills are appropriate across both Ajat and XCounter brands and we want to achieve even greater productivity by maximizing the synergies, sharing of resources, aligning commercial strategy and enhancing R&D efforts. Direct Conversion is not just an assembly house for detectors but is the leading manufacture of flip chip bump bonded sensors in the world. The manufacturing base in Finland produces both charge integrating and fast photon counting in volumes that allow prices to fall and the detectors to be mainstream. The production facility is the heart of Direct Conversion and its brands XCounter and Ajat are its projection into the world.

The XCounter brand has concentrated on its partnerships with customers in medical and industrial sectors to create devices that will set new standards in their field of application. Wide ranging markets from weld inspection, through food inspection and medical imaging. We have received excellent feedback on detector performance from our academic customers who have been doing extensive evaluations, the results of which should be published in 2017.

Ajat has built on last years' success and has performed strongly delivering even more detectors than last year even with a minor decline in revenue. The Ajat brand has made strong R&D progress in several imaging areas producing its first Silicon convertor imager at 25 micrometer pixel pitch which has been well received and has a big future in dental and industrial applications. This development continues and will produce an even smaller pixel pitch silicon convertor in 2017. The next generation platform is also well underway providing a new ASIC for charge integration that will be more even more usable.

Direct Conversion will have its detectors in new customer products next year across medical, dental and NDT and will grow revenues accordingly. While 2016 was a breakeven year for us, the first for the group, 2017 is expected to be a breakthrough year with enormous interest in many market sectors being realized in serial sales to a global array of industrial customers generating free cash flow.

Of course any enterprise is the sum of its staff's efforts and Direct Conversion has a fantastic team, working together and achieving great things and I thank them all for their dedication and determination."

Financial highlights

Revenues for the period January - December amounted to kSEK 117,718 (kEUR 12,430) (2015: kSEK 120,512 (kEUR: 12,880)) which relates mainly to sales of X-ray sensors and systems for dental and industrial use.

Raw material costs for the period January - December amounted to kSEK 47,913 (kEUR 5,059) (2015: kSEK 50,708 (kEUR 5,420)) which are mostly attributable to purchases of Cadmium Telluride (CdTe) and other components for manufacturing of X-ray sensors and systems.

Capitalized expenditure for development for the period which ended 31 December 2016 amounted to kSEK 25,622 (kEUR 2,705) (2015: kSEK 14,977 (kEUR 1,601)) which is expenditures related to the development of X-ray sensors. Accumulated capitalized development costs as of 31 December 2016 amounted to kSEK 58,634 (kEUR 6,191) (2015: kSEK 35,018 (kEUR 3,743)) including R&D contributions/income for development.

Net cash position at the end of the period was SEK 23,3m (EUR 2,4m) compared to SEK 27.2m (EUR 3.0m) at the end of the same period 2015.

XCounter Group Rebrands to Direct Conversion

On the 22nd of December, 2016 the Extraordinary General Meeting resolved to the resolution to change name from XCounter AB (publ) to Direct Conversion AB (publ).

Direct Conversion
Empowered X-RAY Imaging

The consolidation of the brand into Direct Conversion in 2016, with the two product streams of Ajat and XCounter, has provided better clarity to the market; communicating a group organisation with complimentary products and a cohesive marketing approach. The second half of 2016 saw the product management mechanisms that is bringing success to the XCounter product line, being applied to Ajat products. This will lead to targeted growth of the Ajat product line in 2017 using the established organic growth of the dental OEM's as a platform to seek new OEM's in other market sectors. The brand clarification in 2016 also led to a renewal of the Website, with a second phase update to occur in second quarter 2017 at the same time as the roll out of a social media program for the Direct Conversion.

Highlights 2016

With the injection of the Hydra series into the market place, the release of the IP67 Flite range, and the upgrading of the PDT to the Actaeon, 2016 saw a significant increase in our customer base as we brought improved imaging capabilities to the market. More importantly the release of these products were part of a targeted strategy to expand the business into new sectors. This resulted in a series of credible OEM opportunities being established in Food Inspection, Weld Inspection and Industrial NDT; the second half of 2016 focussed on establishing product credibility with the customers in these sectors. 2017 now has a solid foundation to convert these new OEM potentials, along with closing out the established opportunities that already exist in the Medical sector.

2016 also saw the establishment of a product management program enabling the provision of marketing and selling materials to, and the training of, our distribution partners in Asia. This resulted in an upturn in sales in Japan and China at the end of 2016, and the opening of OEM opportunities in both of those territories. The product management program also resulted in structured product pricing for volume potential and a standard low volume list price.

The events of ECR 2016, RSNA 2016, WCNDT 2016, all of which we exhibited at, along with our attendance of ANST 2016, generated significant leads; several of which converted into revenue. These events also provided support to the market awareness of the brand and provided a strong platform for new products being released. These lead generation activities will roll on into 2017 and will be supported by the Direct Conversion marketing team established in the latter part of 2016. This team are now also responsible for steering all Marcoms activities.

Chairman Statement

"The group's revenue in 2016 turned out pretty much as we forecasted. At the end of 2016 we decided to fully integrate Ajat and XCounter into the Direct Conversion umbrella. Ajat is the brand name for our charge integrating line of X-ray detectors while XCounter is the photon counting product line. Ajat will continue as the production facility for all the Direct Conversion products.

2017 is looking promising as we are expecting several customers to launch products based on the XCounter brand. The growth in revenue for 2017 should be moderate. We expect clients to launch products based on our technology in the industrial and food inspection markets mid-year with a pick-up in revenue to accelerate throughout 2018. We expect to see medical and dental companies to launch products based on the XCounter brand at the end of 2017 or early 2018. With respect to the Ajat brand we see a high level of interest from new customers for our Ajat products. We expect this to lead to new orders towards the end of 2017.

It is evident from the pipeline of orders and enquiries we're getting that we will see strong growth in the years ahead and we expect strong cash flow generation after all these years of heavy investment. The focus we've had on long term investment is finally paying off.

Going forward, the strategy of the company is unchanged: we want to be the technological leader in the X-ray detector/sensor field. We are confident that our photon counting ASIC is the best in the market and together with the amount of expertise our employees have in the X-ray and CdTe domain we are the market leaders. We have put together a product portfolio that offers great value to our customers. We believe that customers will gradually move to photon counting technology as the technology is far superior to existing technology. We believe that the market size we can address is large and that we have barely scratched it so far. We will continue to invest heavily on R&D with the aim of launching better products in the coming years while at the same time staying cost competitive.

Our marketing focus is heavily geared to get the market to recognize the high quality and performance of our products and assist our clients in the integration of our products in their equipment. We have taken a step by step approach attacking one market segment at a time, the aim is to continue this process and have sales in a large variety of sectors. Our ability to deliver on this will be key to our success. The dedication of our employees is such that I have full confidence that we will succeed.

The Directors believe that the current business plan enables the Group to reach sustained profitability from 2017 onwards."

Danderyd 31st of March 2017

Jean-Philippe Flament

Chairman, Direct Conversion AB (publ)

Board of Directors’

Jean-Philippe Flament, Executive Chairman

Jean-Philippe Flament is a major shareholder of Direct Conversion. He worked as portfolio manager in Cheyne Capital Management (2003-2009). Mr. Flament has previously served as a Managing Director of Morgan Stanley & Co Intl Ltd (1993-2002) and as Assistant Director of NatWest Financial Products plc (1991-1993). Mr. Flament holds a degree of Bachelor of Science in Finance and International Business from New York University.

Spencer Gunn, Board Director

Spencer has 20+ years of experience in software development and more than 10 years in Medical Imaging and detector development. He was a founder of Dexela and lead the team that creating the first ever Tomosynthesis Workstation as well as working with Dr. Stewart on the first commercial tomosynthesis reconstructor. He will use his experience of developing cutting edge detectors and from helping customer integrations around the world to create the next generation of XCounter’s photon counting, energy discriminating high resolution detectors. His emphasis is on creating easy to use, easy to integrate, high performance detectors for the NDT and Medical industries.

Ondine de Rothschild, Non-Executive Board Director

Ms de Rothschild holds a Bachelor of Arts, a Major in Art History and a Minor in Economics from Princeton University. She worked at the Galerie Ariane Dandois (2001-2007). During the last year Ms de Rothschild has been a private investor and worked with Private Equity, Venture Capital, Trading and a Real Estate Investment Company.

Thor Haugnaess, alternate Non-Executive Board Director

Mr Haugnaess has worked in the Oil Industry for 33 years. He started his career in Schlumberger Oilfield Services where he worked for 23 years within Field Operations, Staff and Line Management and covered operations in Europe, Africa, Middle East and Asia. He is the former President of Ocean Rig ASA, a deep water drilling contractor. Until recently he was the Senior Independent Director of Dragon Oil Limited which is 100 percent owned by Emirates National Oil Company (ENOC). ENOC is owned by the Dubai Government. Mr Haugnaess holds an MSc in Petroleum Technology from NTH (NTNU) Trondheim, Norway.

Yngvar Hansen-Tangen, alternate Non-Executive Board Director

Yngvar Hansen-Tangen is director and major shareholder in Viking Holding AS - a family held investment company. He is also on the board of Viking Holding Endom AS and Hansen-Tangen Shipping AS. Yngvar Hansen-Tangen has been managing director of Viking Technology AS and Viking Dredging AS. He has also worked as a PR-officer at the Oslo Stock Exchange and as a journalist in Fædrelandsvennen AS. From 1999-2003 Yngvar Hansen-Tangen was Member of the City Parliament, the City Government and the Educational Executive Committee in Kristiansand, Norway. Yngvar Hansen-Tangen holds a degree in Medicine from the University of Oslo and a Bachelor of Arts in Economics from Northwestern University, USA.

Executive Management

Spencer Gunn, Board Director

See more under Board of Directors’.

Rasmus Ljungwe, Chief Financial Officer

Mr. Ljungwe joined the Company straight after upper secondary school, in the beginning as Finance assistant. Since June 2, 2016 Mr. Ljungwe is serving as CFO and deputy CEO after three years as Interim CEO and prior to that Finance Manager. During 2014 to 2016 Mr. Ljungwe studied at Stockholm University which he today holds a Master of Business Administration from.

Christer Ullberg, Chief Technology Officer Photon Counting

Mr. Ullberg has been with the Company since 1997 and prior to that has more than ten years of professional experience in project management in the development of space instrumentation. Previously, Mr. Ullberg was responsible for all electronics design for space applications at ACR Electronic AB, worked as project manager of the multi-national scientific balloon project PIROG, and has been responsible for environmental tests of electronics systems for space applications. Mr. Ullberg is a world expert on CdTe photon counting, dual energy technology.

Tuomas Pantsar, Chief Technology Officer Charge Integration

Mr. Tuomas Pantsar is an acknowledged leader and innovator in the field of direct converting technology with over 15 years of expertise from research and development in hardware, software and digital X-ray imaging.

Pasi Laukka, General Manager

Pasi is multi-disciplinary manager and having over 15 years’ experience with direct conversion detectors. He has been a developer of direct conversion process technologies from the establishment of AJAT and the key driver in building up long-term supply chain relationships. Prior to his career with direct conversion detectors he has been working at Aalto University with advanced microelectronics interconnection technologies and electronics miniaturization. He holds M.Sc. from Aalto University.

Alex Stewart, Chief Mathematician

Dr. Alex Stewart has more than 20 years of detector development and image processing experience. He together with CEO, Spencer Gunn developed some of the first commercially available Tomosynthesis reconstruction software and was a founder of Dexela a CMOS X-ray detector company. Dr. Stewart brings deep insight into imaging technology and detector development.

Board of Directors' Report

The Board of Directors and the Chief Executive Officer (CEO) of Direct Conversion AB (publ) ("Direct Conversion" or the "Company"), corporate registration number 556542-8918, hereby submit the annual report and the consolidated annual accounts for 2016.

Introduction

Direct Conversion is a technology leader in direct conversion (charge integration and photon counting) digital X–ray imaging for medical, dental and industrial markets. The parent company was founded in 1997 and the shares are registered at Euroclear Bank Sweden. The Group is based in Stockholm, Espoo and London. The head office is at Svärdvägen 23, floor 1, 182 33 Danderyd, Sweden. At the parent company the activities are mainly R&D for photon counting development and applications of sensors, as well as management and administration. The Groups number of employees at the end of December 2016 is 58. The separate subsidiary AJAT is the leading manufacturer of Cadmium Telluride direct conversion based detectors. Direct Conversion technologies target three independent business segments where our current and future sensor platforms can be used efficiently in: the dental, medical and industrial markets. We work closely with our OEM (Original Equipment Manufacturer) partners to continue to strengthen our position in each of these segments and maximize internal technology development.

Intellectual Property

The Group places a significant value on intellectual property and patents. The strategy focuses in protecting the following key areas:

- Core sensor technologies
- Core manufacturing technologies
- Extra-oral dental imaging systems with multiple functionality
- Image processing and tomosynthetic reconstruction

Remunerations to the Board of Directors and to key management

Wages and salaries to key management are disclosed in Note 8.

Personnel and environment

Direct Conversion complies with the agreement between Industriarbetsgivarna and Sveriges Ingenjörer (The Swedish Association of Graduate Engineers) /Unionen and the Finnish Metal Union in respectively country. For the Company to maximize its competitive power it is important to take advantage of and optimize all resources available, especially human resources. Direct Conversion's equality of opportunity policy means equality of opportunity independent of sex, education, ethnic origin, religion etc. It should be considered in day-to-day work, in the recruitment for different positions and working teams as well in education, training and organization. It is followed up and evaluated annually. Direct Conversion has on several occasions granted employee stock option programs to the employees of the Company. Direct Conversion's work environment policy provides instructions as to how the operations within Direct Conversion should be executed and controlled in order to avoid accidents and ill-health.

Outlook

2017 is looking promising as we are expecting several customers to launch products based on the XCounter brand. The growth in revenue for 2017 should be moderate. We expect clients to launch products based on our technology in the industrial and food inspection markets mid-year with a pick-up in revenue to accelerate throughout 2018. We expect to see medical and dental companies to launch products based on the XCounter brand at the end of 2017 or early 2018. With respect to the Ajat brand we see a high level of interest from new customers for our Ajat products. We expect this to lead to new orders towards the end of 2017.

It is evident from the pipeline of orders and enquiries we're getting that we will see strong growth in the years ahead and we expect strong cash flow generation after all these years of heavy investment. The focus we've had on long term investment is finally paying off.

Going forward, the strategy of the company is unchanged: we want to be the technological leader in the X-ray detector/sensor field. We are confident that our photon counting ASIC is the best in the market and together with the amount of expertise our employees have in the X-ray and CdTe domain we are the market leaders. We have put together a product portfolio that offers great value to our customers. We believe that customers will gradually move to photon counting technology as the technology is far superior to existing technology. We believe that the market size we can address is large and that we have barely scratched it so far. We will continue to invest heavily on R&D with the aim of launching better products in the coming years while at the same time staying cost competitive.

Our marketing focus is heavily geared to get the market to recognize the high quality and performance of our products and assist our clients in the integration of our products in their equipment. We have taken a step by step approach attacking one market segment at a time, the aim is to continue this process and have sales in a large variety of sectors. Our ability to deliver on this will be key to our success. The dedication of our employees is such that I have full confidence that we will succeed.

Significant risks and uncertainty factors

Financial risks

It cannot be ruled out that additional funding will be required to finance the parent company`s continued operations. This can take place in a less favorable market situation and on terms which are less favorable than the Directors consider them to be today. Such external financing may have a negative impact on Company's operations or the rights of the shareholders. If shares or other securities are issued, shareholders may experience dilution and debt financing may contain terms which limit the Company's flexibility. There is no assurance that financing at such time can be secured at all or on terms acceptable to the Company.

Additional financial risk factors are disclosed in Note 2, financial risk management.

Customers and partners

The Group's five largest partners and customers together accounted for approximately 82% (2015: 75%) of net sales. Accordingly, the loss of a customer would have a significant effect on the earnings and position. Following the expected customer base increase and expansion of the operations, the proportion of sales to the largest partners and customers are expected to gradually decline.

Early stage of development

Some of the products are at an early stage of development. There can be no assurance that any of the Group's new product candidates will be successfully developed. The Group may encounter delays and incur additional costs and expenses over and above those currently expected. Further, there can be no assurance that any of the Group's developed products will successfully complete the clinical testing process or that they will meet the regulatory, cost and production requirements necessary for commercial distribution. Even if the Group's products are launched, there can be no guarantee that they will be accepted by the market or that they will generate significant revenues.

Technology change and existing competition

The market for digital X-ray imaging is characterized by significant technological change. The Group is targeting markets where marketed products already exist and where other companies also develop new products. Research and development by other companies as well as changes in complementary imaging techniques may render the Group's products in development obsolete. Competitors, some of which have considerable financial resources may precede the Group in developing and receiving regulatory approval or may succeed in developing a product that is more effective or economically viable. Further, developed products must meet clinical practice and patient expectations. There can be no assurance that the Company's technologies will not be subject to copying, mimicking or reverse engineering.

Product liability

The Group's activities expose it to potential product liability and professional indemnity risks that are inherent in the development and manufacture of medical instruments for diagnostic purposes using X-ray. Any product liability claim brought against the Company could result in an increase in the Group's product liability insurance rates or its ability to obtain such insurance in the future and may result in an obligation to pay damages in excess of such insurance policy limits.

Direct Conversion

Legislative and regulatory risks

The clinical evaluation, manufacture and marketing of the Group's products are subject to regulation by government and regulatory agencies. In addition, legislative and regulatory change may affect the Group's business and prospects. The commercial success of the Group's may also depend in part on the extent to which reimbursement for treatment will be available.

Patents and proprietary rights

The Group prospects will in part depend on its exploitation of technology. There can be no assurance that, inter alia, patents are issued with respect to the Group's patent applications or that third parties will not assert the ownership, validity or scope of any issued patents. Further, the success will also depend upon non-infringement of third party patents.

Third party dependence

The Group will be reliant on securing and retaining partners for additional prototype development, manufacturing and subsequent marketing. The success of the present business model is and will continue to be in part dependent upon the establishment and continuation of satisfactory relationships and licensing of products to third parties.

Dependence on key personnel

The Group's success will depend upon the experience and continued services of executives and technical personnel, whose retention cannot be guaranteed.

Summary of the Company's Financial Development

	2016	**2015**
Revenue, kSEK	117,718	120,512
Other operating income, kSEK	2,062	1,589
Operating loss, kSEK	6,539	-3,834
Net loss, kSEK	1,617	-8,060
Net loss per share, SEK	0.11	-0.58
Intangible assets, kSEK	91,039	70,678
Cash and cash equivalents, kSEK	23,252	27,219
Total number of shares at par value	15,338,714	14,336,264
Share capital, kSEK	76,694	71,681

Proposed Profit Distribution

Direct Conversion has not declared or paid any dividends on its shares since incorporation. The Directors' current intention is to retain the Company's earnings in the foreseeable future to finance its future development.

Proposed distribution of net results

The following losses in the Parent Company are at the disposal of the Annual General Meeting (SEK):	
Result brought forward and non-restricted equity	-263,794,376
Loss for the period	-3,363,335
Total	**-267,157,711**

The Board and the Chief Executive Officer propose that the accumulated deficit, SEK -267,157,711 will be brought forward.

Concerning the results and the position of the Group and the Parent company in other regards, see the income statements, balance sheets, cash-flow statements, statements of changes in equity and notes below.

Annual General Meeting 2017

The Annual General Meeting will be held on May 12, 2017 at the Company's office, Svärdvägen 23, Danderyd. Notice of the meeting will be announced and published to shareholders latest April 13, 2017. During the year has share issues to board of directors occurred, this will be proposed for approval in retrospect at the Annual General Meeting 12th of May, 2017.

Consolidated Income Statement

(kSEK)	Note 1	January-December 2016	January-December 2015
Operating income			
Revenues	3, 4, 24	117,718	120,512
Other operating income	5	2,062	1,589
Total operating income		**119,780**	**122,101**
Work performed by the entity and capitalized			
Work performed by the entity and capitalized	13	25,622	14,977
Total work performed by the entity and capitalized		**25,622**	**14,977**
Operating expenses			
Raw material costs		-47,913	- 50,708
Other external costs	9, 23, 24	-41,666	- 40,393
Personnel costs	8	-39,668	- 37,415
Depreciation of equipment and intangible assets	13, 14	-9,616	- 12,395
Total operating expenses		**-138,863**	**- 140,912**
Operating result		**6,539**	**- 3,834**
Result from financial items			
Financial income	10	898	1,266
Financial expenses	10	-1,661	- 2,312
Total result from financial items		**-763**	**- 1 046**
Result before taxes		**5,776**	**- 4,879**
Income tax	11	-4,159	- 3,181
Net result for the year		**1,617**	**- 8,060**
Parent Company shareholders		1,617	- 8,060
Result per share			
Result per share (SEK)	12	0.11	-0.58
Weighted number of shares	12	15,080,167	13,952,954
Actual number of shares	19	15,338,714	14,336,264

Total Comprehensive Loss

(kSEK)	January-December 2016	January-December 2015
Net loss for the year	1,617	- 8,060
Other comprehensive loss for the year:		
Foreign currency translation difference of foreign operations	2,774	- 1,086
Total other comprehensive loss for the year	**2,774**	**- 1,086**
Total comprehensive loss for the year	**4,391**	**- 9,146**
Total comprehensive loss for the year attributable to:		
Parent Company shareholders	4,391	- 9,146

Consolidated Statement of Financial Position

(kSEK)	Note 1	31 Dec 2016	31 Dec 2015
Fixed assets			
Intangible fixed assets	13	91,039	70,678
Property, plant & equipment	14	3,366	4,723
Deferred tax assets	11	216	190
Total fixed assets		**94,621**	**75,591**
Current assets			
Inventories	16	17,823	13,813
Trade receivables	17	18,426	13,633
Other receivables	17	881	590
Prepaid expenses and accrued income	17	3,504	1,954
Cash and cash equivalents	18	23,252	27,219
Total current assets		**63,886**	**57,209**
Total assets		**158,507**	**132,799**
Equity			
Equity attributable to Parent Company shareholders			
Share capital	19	76,694	71,681
Additional paid in capital	19, 20	745,793	736,003
Translation reserve		-3,569	- 6,343
Retained loss		-713,044	- 714,662
Equity attributable to Parent Company shareholders		**105,874**	**86,679**
Total equity		**105,874**	**86,679**
Non-current liabilities			
Borrowings	21	22,819	15,621
Deferred tax liabilities	11	5,903	3,841
Total Non-current liabilities		**28,722**	**19,462**
Current liabilities			
Advance payment from customers		350	3,354
Trade payables		16,014	11,622
Other payables		7,547	11,683
Total current liabilities	22	**23,911**	**26,659**
Total liabilities		**52,633**	**46,120**
Total equity and liabilities		**158,507**	**132,799**
Pledged assets	25	14,350	-
Contingent liabilities		-	-

Consolidated Statement of Changes in Equity

(kSEK)	Share capital	Additional paid in capital	Translation reserve	Retained loss	**Total**
Balance at 1 January 2015	**66,241**	**727,094**	**-5,258**	**-706,601**	**81,476**
Total comprehensive loss for January - December 2015					
Net loss for the year	**-**	**-**	-	-8,060	**-8,060**
Total other comprehensive loss	**-**	**-**	-1,086	-	**-1 086**
Total recognized loss and expense for the year	**-**	**-**	**-1,086**	**-8,060**	**-9,146**
New share issue	5,440	8,704	-	-	**14,144**
Share-based payments transactions	-	205	-	-	**205**
Balance at 31 December 2015	**71,681**	**736,003**	**-6,343**	**-714,662**	**86,679**
Total comprehensive loss for January - December 2016					
Net profit for the year	**-**	**-**	-	1,617	**1,617**
Total other comprehensive gains	**-**	**-**	2,774	-	**2,774**
Total recognized profit and gain for the year	**-**	**-**	**2,774**	**1,617**	**4,491**
New share issue	5,013	9,790	-	-	**14,803**
Balance at 31 December 2016	**76,694**	**745,793**	**-3,569**	**-713,044**	**105,874**

Consolidated Statement of Cash Flow

(kSEK)	**Note 1**	**January-December 2016**	**January-December 2015**
Cash flows from/used in operating activities			
Profit/loss after financial items	11	5,776	-4,879
Adjustments for non-cash items	26	9,532	14,780
Tax paid		-2,474	-1,117
Interest paid		463	-452
Net cash from in operating activities before change in working capital		**13,297**	**8,331**
Cash flow from change in working capital			
Advance payment from customers		-2,595	-771
Inventories		-3,357	490
Trade and other receivables		-5,409	-7,546
Liabilities		-316	7,308
Change in working capital		**-11,677**	**-519**
Net cash from in operating activities		**1,620**	**7,813**
Investing activities			
Acquisition of intangible assets	13	-249	-440
Acquisition of equipment	14	-1,237	-2,922
Capitalized expenditure for development	13	-25,622	-14,977
Net cash used in investing activities		**-27,108**	**-18,340**
Financing activities			
Change in other loans		9,567	1,332
Change in capital loans & convertible loans		-3,736	-1,067
Share issue		14,803	14,144
Net cash from financing activities		**20,634**	**14,409**
Cash flow of the year		**-4,854**	**3,882**
Cash and cash equivalents beginning of the year	18	**27,219**	**23,898**
Effect of exchange rate fluctuations on cash held		**887**	**-561**
Cash and cash equivalents end of the year		**23,252**	**27,219**

Income Statement for the Parent Company

(kSEK)	Note 1	January-December 2016	January-December 2015
Operating income			
Revenues	3, 4, 24	14,675	14,371
Other operating income	5	-	-
Total operating income		**14,675**	**14,371**
Work performed by the entity and capitalized			
Work performed by the entity and capitalized	13	15,858	13,131
Total work performed by the entity and capitalized		**15,858**	**13,131**
Operating expenses			
Other external costs	9, 23, 24	-29,839	-27,128
Personnel costs	8	-9,197	-8,947
Depreciation and amortization of equipment and intangible assets	13, 14	-2,393	-5,301
Total operating expenses		**-41,429**	**-41,316**
Operating loss		**-10,896**	**-13,874**
Result from financial items			
Dividend		7,332	-
Other interest income and similar profit items	10	580	90
Interest expenses and similar profit items	10	-379	-361
Total result from financial items		**7,533**	**-271**
Loss before taxes		**-3,363**	**-14,145**
Income tax		-	-
Net loss for the year		**-3,363**	**- 14,145**

Statement of comprehensive loss for the parent company is the same a Net loss for the year, because that there is no other comprehensive loss for the parent company.

Balance Sheet Statement for the Parent Company

(kSEK)	Note 1	31 December 2016	31 December 2015
Fixed assets			
Intangible fixed assets	13	42,912	29,150
Property, plant & equipment	14	959	974
Financial assets			
Loan to subsidiary		2,496	2 902
Participations in Group companies	15	59,805	59,805
Total fixed assets		**106,172**	**92,831**
Current assets			
Inventories	16	2,297	-
Trade receivables	17	824	1,382
Intercompany receivables	17	194	959
Other receivables	17	738	393
Prepaid expenses and accrued income	17	645	817
Cash and bank balances	18	770	2,906
Total current assets		**5,468**	**6,457**
Total assets		**111,640**	**99,288**
Equity			
Restricted equity			
Share capital	19	76,694	71,681
Statutory reserve	19	274,180	274,180
Reserve for Capitalized expenditure for development		15,858	-
Total restricted equity		**366,732**	**345,861**
Non-restricted equity			
Share premium reserve	19	468,290	458,499
Share-based payment	19, 20	3,324	3,324
Loss brought forward		-735,409	- 705,404
Net loss for the year		-3,363	- 14,145
Total non-restricted equity		**-267,158**	**- 257,727**
Total equity		**99,574**	**88,134**
Non-current liabilities			
Intercompany borrowings		4,811	-
Total non-current liabilities	**21**	**4,811**	**-**
Current liabilities			
Advance payment from customers		-	2,595
Trade payables		2,104	2,309
Intercompany payables		3,090	2,840
Other payables		2,062	3,410
Total current liabilities	22	**7,256**	**11,154**
Total equity and liabilities		**111,640**	**99,288**
Pledged assets	25	-	-
Contingent liabilities	25	19,465	11,022

Statement of Changes in Equity for the Parent Company

(kSEK)	Restricted equity			Non-restricted equity				
	Share capital	Statutory reserve	Reserve for Capitalized expenditure for development	Share premium reserve	Share-based payment	Retained loss	Net loss of the year	**Total equity**
Balance at 1 January 2015	**66,241**	**274,180**	**-**	**449,795**	**3,119**	**-684,346**	**-21,058**	**87,931**
Distribution of net losses as resolved by the AGM	-	-	-	-	-	-21,058	21,058	**-**
Net loss for the year	-	-	-	-	-	-	-14,145	**-14,145**
New share issue	5,441	-	-	8,704	-	-	-	**14,144**
Share-based payments	-	-	-	-	205	-	-	**205**
Balance at 31 December 2015	**71,681**	**274,180**	**-**	**458,499**	**3,324**	**-705,404**	**-14,145**	**88,134**
Distribution of net losses as resolved by the AGM	-	-	-	-	-	-14,145	14,145	**-**
Net loss for the year	-	-	-	-	-	-	-3,636	**-3,363**
Capitalized expenditure for development	-	-	15,858	-	-	-15,858	-	**-**
New share issue	5,013	-	-	9,791	-	-	-	**14,803**
Balance at 31 December 2016	**76,694**	**274,180**	**15,858**	**468,290**	**3,324**	**-735,409**	**-3,363**	**99,574**

Cash Flow for the Parent Company

(kSEK)	Note 1	January-December 2016	January-December 2015
Cash flows used in operating activities			
Profit/loss after financial items	11	-3,363	-14,145
Adjustments for non-cash items	26	-5,149	5,394
Net cash used in operating activities before change in working capital		**-8,512**	**-8,752**
Cash flow from change in working capital			
Inventories		-2,297	-
Advance payment from customers		-2,595	-771
Trade and other receivables		1,150	55
Liabilities		-1,019	3,618
Change in working capital		**-4,761**	**2,903**
Net cash used in operating activities		**-13,273**	**-5,849**
Investing activities			
Capitalized expenditure for development	13	-15,858	-13,131
Acquisition of equipment	14	-280	-181
Dividend from subsidiary		7,332	-
Unconditional shareholder's contribution		-	-1
Net cash used in investing activities		**-8,806**	**-13,312**
Cash flows from financing activities			
Raise of intercompany loans		-535	-7,970
Change of intercompany loans		5,675	6,117
Share issue		14,803	14,144
Net cash from financing activities		**19,943**	**12,291**
Cash flow of the year		**-2,136**	**-6,871**
Cash and cash equivalents in the beginning of the year	18	**2,906**	**9,777**
Cash and cash equivalents end of the year		**770**	**2,906**

Notes on Consolidated Financial Statements for the Year Ended 2016

Direct Conversion, the leading producer of Cadmium Telluride detectors and the leader of photon counting digital X–ray imaging for dental, medical and industrial markets. The parent company was founded in 1997 and is registered at Euroclear Bank Sweden. The parent company is domiciled in Stockholm and has subsidiaries in London, Espoo and Stockholm. The address of the head office is Svärdvägen 23 floor 1, SE-182 33 Danderyd, Sweden.

The Group's goal is to become the number one provider of leading edge specialty X-ray sensors. To that end the Group intends to develop and market advanced specialty X-ray applications using state of the art sensor technologies and innovative software algorithms such as direct conversion, tomosynthesis 3D and photon counting principles.

1. Basis if preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) released by the International Accounting Standards Board (IASB) and have been adopted by the EU. Furthermore, the Financial Reporting Council's recommendation RFR 1, Supplementary Accounting Regulations for Groups been applied.

The parent company use same accounting principles as the Group except for the cases that are described below at "Parent company accounting policies"

The consolidated financial statements were authorized for issue by the Board of Directors on 31 March 2017. The consolidated income statement, consolidated statement of financial position and the parent company the income- and balance sheet statements are all subject to approval at the Annual General Meeting 12 May 2017.

b) Basis of measurement

The Group consolidation is based on historical cost method, as modified by the financial assets and financial liabilities at fair value through profit or. The accounting standards applied are set out below.

Fixed assets and financial liabilities consist of amounts which are expected to be recovered or settled after more than twelve months from the closing date of the period. Current assets and current liabilities consist of amounts expected to be recovered or settled within 12 months from the closing date of the period.

c) Functional and presentation currency

These consolidated financial statements are presented in SEK, which is the Company´s functional currency. All financial information presented in SEK has been rounded to the nearest thousands, except when otherwise indicated. The functional currency for the subsidiary Oy AJAT Ltd is EUR and XCounter (UK) Ltd.

d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Judgements made by the management in applying IFRS which has a significant effect on the amounts recognized in the consolidated financial statements is described in Note 28, Important estimates and judgments.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in Note 13, Intangible assets.

e) New accounting policies applied by the Group in 2016

No standards, amendments or interpretations effective from the financial year beginning January 1, 2016 had a material impact on the consolidated financial statements.

f) New and revised standards and interpretations that have not yet come into effect

A number of new standards and interpretations will come into effect for financial years beginning on or after January 1, 2016 and were not applied when preparing these financial statements. None of these are expected to have any material impact on the consolidated financial statements with the exception of the following:

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the elements of IAS 39 related to the classification and measurement of financial instruments. IFRS 9 retains a mix valuation approach but simplifies the approach in certain respects. There will be three measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit and loss. The classification of an instrument is to be based on the company's business model and the characteristics of the instrument. Investments in equity instruments are to be measured at fair value through profit and loss, although there is also the option of measuring the instrument at fair value through other comprehensive income at initial recognition. The instrument will then not be reclassified to profit and loss when divested. IFRS 9 also introduced a new model for calculating a reserve based on expected credit losses. Classification and measurement are not changed for financial liabilities except in cases when a liability is measured at fair value through profit and loss based on the fair value option. Changes in value attributable to changes in own risk are then to be recognized in other comprehensive income. IFRS 9 reduces requirements for applying hedge accounting by replacing the 80–125 criterion with requirements for an economic relationship between the hedging instrument and the hedged item, and that the hedge ratio is the same as that actually used in risk management. Hedging documentation requirements have also been changed compared with the documentation required under IAS 39. The standard has been adopted by EU and is to be applied to the financial year beginning January 1, 2018. The Group is currently assessing the impact of implementation of the standard. The Group will apply the standard as from 1 January, 2018.

IFRS 15 Revenue from Contracts with Customers regulates recognition of revenue. The principles on which IFRS 15 is based provide users of financial statements with more informative information about a company's revenue. The expanded disclosure requirements entail that information is to be provided on the nature, timing and uncertainty of revenue, and cash flows arising from a contract with a customer. Under IFRS 15, revenue is to be recognized when the customer passes control of the sold good of service and is able to use or benefit from the good or service. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and associated SIC and IFRIC. IFRS 15 comes into effect on January 1, 2018. Early adoption is permitted. The standard has been adopted by the EU but the EU has not yet adopted the clarification of the standard. The Group is currently assessing the impact of the implementation of the standard. The Group will apply the standard as from 1 January, 2018.

IFRS 16 Leases was published by the IASB in January 2016. The standard regulates recognition of leasing and will replace the IAS 17 Leasing agreements along with the accompanying interpretations IFRIC 4, SIC–15 and SIC–27. The standard requires assets and liabilities attributable to all leasing agreements, with a few exceptions, to be recognized in the balance sheet. This recognition is based on the view that the lessee is entitled to use an asset over a specific time period, while also having a duty to pay for this entitlement. Recognition for the lessor will for the most part be unchanged. The standard is applicable to financial years beginning on or after January 1, 2019. Early adoption is permitted. The EU has not yet adopted the standard. The Group is yet to assess IFRS 16's full impact that will be applied as from 1 January, 2019.

None of the other IFRS or IFRIC interpretations that have yet to come into legal effect are expected to have any significant impact on the Group.

g) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions. Direct Conversion manage and reports its operations as a single segment; development, manufacturing and marketing of dedicated X-ray sensor technologies. Notice Note 4 for more information about segment reporting.

h) Consolidation principles and acquisitions

Basis of consolidation

Direct Conversion AB (publ) has prepared consolidated accounts. The consolidated financial statements incorporate the financial statements of the Company and entities controlled by Direct Conversion. Control is achieved, where the Company has the power to govern the financial and operating policies of an entity as to obtain benefits from its activities. All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Unrealized gains and losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and values at the contingent liabilities assumed in a business combination regarding measured initially at their fair acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the parent company's functional currency are translated for consolidation purposes as follows:

a. Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
b. Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
c. All resulting exchange differences are recognized as a separate component in other comprehensive loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity in other comprehensive result. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Subsidiaries are entities under the controlling influence of Direct Conversion AB. Control means the direct or indirect right to govern the financial and operating policies as to obtain financial benefits. In determining whether a controlling influence exists, potential voting rights that are exercisable or convertible are considered.

In the consolidated accounts, transaction costs related to subsidiaries directly in the results when they arise.

Shares in subsidiaries, associated companies and joint ventures are included in the parent company using the cost method. This means that transaction costs are included in the carrying amount of investments in subsidiaries, associated companies and joint ventures.

Contingent consideration valued based on the probability of the purchase price will be deleted. Any changes to the provision/claim is on/or reduces cost. In the consolidated accounts contingent consideration at fair value is accounted through profit or loss.

i) Transactions in foreign currency

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies and recognized in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance income or cost". All other foreign exchange gains and losses are presented in the income statement within "Other external costs".

j) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group's revenues mainly derive from fixed-price projects, sales of products and consulting work. Project-based income is reported on the projects degree of completion at the balance sheet date. The degree of completion is calculated as the ratio between the expenses paid at the balance sheet date and the estimated total expenses given if that degree of completion can be reliably estimated. In other cases that the revenue is recognized only to the extent the corresponding carrying costs that are recyclable. In cases where a loss is expected to occur on an uncompleted project, the entire anticipated loss is applied against earnings for the year. Revenues from sales of products are recognized as income at the time of delivery unless significant risks or obligations remain after delivery. Product sales that are delivered in project form are recognized as revenue in accordance with the degree of completion based on the accrued hours. Ongoing consulting services are recognized as revenue as the work is executed.

Exclusivity is recognized as revenue linear over time of the granted exclusivity. This is how Direct Conversion considered the exclusivity for the Leading Healthcare Imaging Company. Payments for exclusivity have been made.

k) Income tax

Corporate income tax rate in Sweden is 22.0%, Finland 20.0% and in United Kingdom 20%.

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they recycle or regulate, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

l) Financial instruments

Classifications and validations

The Group classifies its financial instruments in the following categories: financial instruments measured at fair value through profit or loss, loans and receivables and other liabilities. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets and financial liabilities are recognized on Direct Conversion's balance sheet when Direct Conversion becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Loans and receivables are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a Group of financial assets is impaired.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Trade receivables, other receivables and bank deposits are classified as loans and receivables. The carrying value of these items is assumed to approximate their fair value due to their short term nature. Cash and cash equivalents include cash in hand, deposits held at call with banks.

Financial instruments at fair value through profit or loss (FVTPL)

Financial assets and liabilities are classified as at FVTPL when the financial asset or liability is either held for trading or it is designated as at FVTPL. Derivative instruments are classified as held for trading, that are not designated and effective as hedging instruments.

Derivatives are initially recognized at fair value at the date at initial recognition and are subsequently measured at fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as non-current asset or a non-current liability if the remaining maturity is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss. An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and it is not expected to be realized or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

m) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". For the purpose of impairment testing of goodwill, the total amount is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the units pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Research and Development / Capitalized expenditure

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use on a linear basis over its useful life. From 1 January 2016 the Group amortize over 10 years. Annual testing for impairment, in accordance with IAS 36.

All development costs arose from internal development. R&D contribution from other companies is capitalized parallel to the capitalized expenditures that the contribution is financing.

Patents

Patent rights are reported at their acquisition value and subject to straight-line amortization over the assets' 10-year estimated period of use.

Technology

Technology is reported at its acquisition value and subject to straight-line amortization over the assets' 10-year estimated period of use. This part regards the calculated Purchase Price Allocation value for existing Technology at acquisition of Oy AJAT Ltd in May 2009.

Intellectual property

Intellectual property is reported at its acquisition value and subject to straight-line amortization over the assets' 10-year estimated period of use. This part regards the calculated Purchase Price Allocation value for Intellectual property at acquisition of Oy AJAT Ltd in May 2009.

Other intangible assets

Other intangible assets are reported at their respectively acquisition values and subject to straight-line amortization over the assets' 3 to 10-year estimated period of use depending on category. This part regards the calculated Purchase Price Allocation values for; Customer base, Trade name and Non-compete at acquisition of Oy AJAT Ltd in May 2009.

n) Inventories

Inventories are reported at the lower of historical cost according to the FIFO method or net realizable value. Estimated obsolescence has thus been taken into account. Costs for internally manufactured semi-finished and finished goods consist of direct production costs plus a reasonable surcharge for indirect production costs.

o) Impairment of assets

Goodwill and intangible assets not yet available for use are not subject to amortization but are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the assumptions underlying the calculation of recoverable amount and the recoverable amount is higher than the reported value. An impairment loss is reversed only to the extent that the asset's carrying amount after the reversal does not exceed the carrying amount the asset would have had if no impairment loss had been made, with regard to the amortization that would have been made.

The Company has no segment split for balance items.

p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

q) Earnings per share

Based on the consolidated profit, before dilution of existing share option plans, attributable to parent company shareholders on the outstanding weighted number of shares during the year.

r) Employee benefits

Defined contribution plan

For defined contribution plans, Direct Conversion pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Direct Conversion has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plan

Commitments for old-age pensions and family pensions in Sweden are insured on the basis of pension insurance with Collectum (in accordance with the statement UFR 3 issued by the Swedish Financial Reporting Board) and are classified as multi-employer defined benefit plans. As regards the financial years presented, the Company has not had access to the type of information which would make it possible to report these plans as defined benefit plans. The pension plans according to ITP, which are secured on the basis of insurance with Collectum, are, therefore, reported as defined contribution plans. Fees for pensions insured with Collectum amount to kSEK 221 (2015: kSEK 221) for the year. Refunds from Collectum can be distributed to the insurance holders and/or the assured. At 31 December 2016 the total amount of refunds from Collectum due to information from Collectum, in the form of a collective consolidation level, amounted to 149% (2015: 153%) per cent. This collective consolidation level is comprised of the market value of the assets managed by Collectum as a percentage of insurance commitments, calculated according to Collectum's actuarial assumptions, which is not in accordance with IAS 19.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Direct Conversion recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

Share-based payments

The Group issues equity-settled share-based payments to certain employees which must be measured at fair value and recognized as an expense in the income statement. Direct Conversion has no legal or constructive obligation to repurchase or settle the options in cash and does not intend to do this. The fair values of these payments are measured at the dates of grant using option pricing models, taking into account the terms and conditions upon which the awards are granted. The fair value is recognized over the period during which employees become unconditionally entitled to the awards, subject to the Group's estimate of the number of awards which will lapse, either due to employees leaving the Group prior to vesting or due to non-market based performance conditions not being met. Where an award has market-based performance conditions, the fair value of the award is adjusted at the date of grant for the probability of achieving these via the option pricing model. The total amount recognized in the income statement as an expense or capitalized as development cost is adjusted to reflect the actual number of awards that vest, except where forfeiture is due to the failure to meet market-based performance measures. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and other contributed capital, when the options are exercised.

For each outstanding program, Direct Conversion makes an allocation for social security expenses at each reporting period. Allocations for social security expenses are calculated according to UFR 7, IFRS 2 and social security contributions for listed enterprises, with application of the same valuation utilized when the options were issued. The allocation is re-valued at every reporting occasion on the basis of a calculation of the fees that may be paid when the instruments are redeemed. Valuation in Direct Conversion is carried out according to the Black & Scholes model, with consideration taken of the share price, remaining time until redemption, volatility, strike-price, dividend and risk-free interest. Payments of social security contributions in connection with employee redemption of options are offset against the allocation made according to the above. In order to cover the social security contributions payments in the staff options program, Direct Conversion has access to a number of options designated for conversion to shares and subsequent sale to finance the payment of the social security contributions. As a preferential value arises (the difference between exercise price/conversion rate and the market value of the share) at the date the staff options are utilized, Direct Conversion can cover the social security contributions payments of this preferential value by converting a portion of the held options to shares and then selling these. However, personnel costs arising in the income statement, which are allocated continuously in accordance with UFR 7, will not be met by a cost reduction (revenue). Instead, the effect only arises in terms of cash flow.

s) Trade receivables

Trade receivables are reported at the expected amount to be collected, based on individual assessment. Two of the outstanding receivables at end of December 2016 was older than 1 month.

t) Provisions

Provisions for restructuring and other costs are recognized when:

Direct Conversion has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Social security contributions related to share-based payments to employees for services rendered are recognized as an expense allocated to the periods in which the employee render the services. The provision for social security contributions are based on the fair value of the options at the balance sheet date.

u) Contingent liability

A contingent liability is recognized when there is a possible obligation that arises from past events and whose existence will be confirmed only by one or more uncertain future events, or when there is a commitment that is not recognized as a liability or provision because it is unlikely that an outflow of resources will be required.

v) Property, plant and equipment

Equipment, tools, fixtures and fittings are stated at historical cost less any accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

- Equipment and tools 3-5 years
- Leasehold improvements 1-3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 14).

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are recognized within other operating income/expense net, in the income statement.

w) Borrowings

Borrowing costs are reported in the income statement during the period to which they pertain.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Loans that are determined to be "Capital loans" based on the Finnish Companies Act, are classified as non-current liabilities. Based on legislation Capital loans and capitalized interest or other remuneration are subordinated to all the other debts upon dissolution and bankruptcy of the borrower. In addition, repayment of capital loans or payment of interest is only possible when the borrowing Company has a positive unrestricted equity as determined in accordance with Finnish GAAP.

Borrowings are reported as accrued acquisition value using the effective interest method according to IFRS 9.

1.1. Parent company accounting policies

The Parent company has prepared its financial statements according to the Swedish Annual Accounts Act and the Swedish Financial Reporting Council's recommendation RFR 2, Accounting for Legal Entities. Also the Swedish Financial Reporting Council's statements applicable for listed companies are followed. RFR 2 states that in the financial statements of the legal entity all the IFRS and interpretations shall apply as far as possible within the framework of the Swedish Annual Accounts Act, "Tryggandelagen" and taking into account the relationship between accounting and taxation. The standard states what exceptions of amendments to IFRS that shall be considered.

Subsidiary investments include shares in the subsidiaries XCounter Securities AB, XCounter (UK) Ltd. and Oy AJAT Ltd., which in the separate financial statements for the Parent company, is carried at cost less any impairment losses.

a) Classification and format

For the parent company Balance sheet statement and Statement of cash flow corresponds to the Group reports called Consolidated Statement of financial position and Consolidated statement of cash flows. Income statement and Balance sheet statement for the parent company are formatted pursuant to the Swedish Annual Accounts Act, while the Statement of comprehensive loss, Statement of changes in equity and Statement of cash flow are based on IAS 1 Presentation of Financial statements and IAS 7 Statement of cash flows. The differences in the consolidated reports compared to the parent company´s financial statements consist primarily of accounting for fixed assets and equity and provisions as a separate item on the balance sheet.

b) Property, plant and equipment

Items of property, plant and equipment in the parent company are measured at cost less accumulated depreciation and any accumulated impairment losses by the same principles as for the Group but with the exception for any potential appreciation/revaluation.

2. Financial risk management

a) Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk), liquidity risk and cash flow interest-rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by the Company's corporate accounting department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, use of non-derivative financial instruments, and investing excess liquidity.

b) Currency exchange risks

Exchange rate exposure within the Company occurs primarily when the Group enters into transactions which are not denominated in the functional currency of the entity. The largest foreign currency exposure is due to AJAT's loan from a former shareholder, from YEN to EUR. The loan for the capital stipulates a currency cap/floor of +/- 15 per cent of the currency relation between YEN and EUR based on the situation as at 30 August 2002, the date the loan was entered into by the parties.

Direct Conversion's Group policy is not to use hedging arrangements (except for the loan in YEN) as the potential gains to be derived from managing such arrangement are not considered to be significant. The Company continuously monitors the currency exposure in net flows and is ready to implement hedge contracts if the gains derived from such exchange rate contracts are estimated to be significant.

At December 2016 if the currency rate had weakened/strengthened by 10% against EUR with all other variables held constant, post-tax loss for the year would have been SEK 3.2m (EUR 0.33m) higher/lower (2015: SEK 1.7m (EUR 0.18m)). This is mainly a result of currency exchange gains/losses on translation differences for the AJAT acquisition on one side and on the other side currency gain/loss for purchases and the capital loan in YEN.

c) Liquidity risk

In the Boards opinion prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Prior to making any short term investments management considers the working capital requirements of the business and only invests cash in excess of these requirements. It has not been any short term investments during the periods presented in these financial statements.

It cannot be ruled out that additional funding will be required to finance Direct Conversion's continued operations. This can take place in a less favorable market situation and on terms which are less favorable than what the directors consider these to be today. Such external financing may have a negative impact on Direct Conversion's operations or the rights of the shareholders. If shares or other securities are issued, shareholders may experience dilution and debt financing may contain terms which limit the Company's flexibility. There is no assurance that financing at such time can be secured at all or on terms acceptable to the Company.

Management monitors rolling forecasts of the Company's liquidity reserve (comprises cash and cash equivalents) on the basis of expected cash flow.

The Company's financial liabilities, trade and other payables, are grouped into relevant maturity Groupings based on the remaining period at the balance sheet to the contractual maturity date. All balances equal their carrying balances as the impact of discounting to net present value is not estimated as significant.

The table below analyses the Group's financial liabilities into relevant maturity Groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

(kSEK) at 31 December 2016	Less then 1 year	Between 1 & 7 years	Total
Borrowings	1,812	21,007	22,819
Current liabilities	23,911	-	23,911
Total	**25,723**	**21,007**	**46,730**

Cash is a limited resource for the Group and the cash generated from AJAT is not sufficient to cover the cash needed for the business of Direct Conversion in Danderyd. Until the Group reaches sustainable profitability and is cash positive there will not be a particular policy regarding cash and capital handling. Once the Group reaches the phase just mentioned and all Capital loans have been repaid, a policy including targets and objectives will be established.

d) Credit risk management

Credit risk is managed by each legal entity within Direct Conversion. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties are accepted. New customers are in general required to pre-pay for products or services or issue an irrevocable letters of credit.

e) Cash flow and fair value interest rate risk

Interest rate risk pertains to the risk that changes in interest rates may adversely affect Direct Conversion's earnings. A majority of the Company's borrowing relates to the capital loan from a former shareholder, described in Note 21. The interest rate on this loan is fixed at 3% and accordingly Direct Conversion does not assess the exposure related to changes in interest rates as significant for the Company's result and financial position, see Note 21.

f) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on a cash basis assuring that the Company has sufficient working capital to maintain its business.

The Company monitors capital on a basis of total equity. The Company invests its capital in research and development activities.

g) Fair value estimation

The carrying value less impairment provision is assumed to approximate the assets and the liabilities fair values due to their shore term nature, with the exception of long term debt which is disclosed in Note 21. The fair value for derivative financial instruments measured at fair value through profit or loss, are derived from valuation techniques that include inputs for the instrument that are not observable market data (unobservable inputs), see Note 21.

3. Revenue distribution

(kSEK)	Group		Parent	
	2016	**2015**	**2016**	**2015**
Systems	6,057	6,175	-	-
Sensors	107,733	110,053	10,935	12,250
Exclusivity	995	166	995	166
Others	2,933	4,118	2,745	1,956
Total	**117,718**	**120,512**	**14,675**	**14,371**

4. Segment information

Management has determined the operating segment based on the reports reviewed by the strategic steering committee that are used to make strategic decisions. Direct Conversion manage and report segment for development, manufacturing and marketing of dedicated X-ray sensor technologies. The reportable operating segments derive revenue primarily from sales of X-ray sensors and dental systems where our X-ray sensors are integrated.

(kSEK)	January - December 2016		
	XCounter	**AJAT**	**Direct Conversion**
Dental systems	-	6,057	**6,057**
Dental sensors	1,138	91,149	**92,287**
Industrial sensors	2,198	5,648	**7,846**
Medical sensors	1,371	-	**1,371**
Exclusivity	995	-	**995**
Others	6,414	2,748	**9,162**
Total revenue	**12,116**	**105,602**	**117,718**

(kSEK)	January - December 2015		
	XCounter	**AJAT**	**Direct Conversion**
Dental systems	-	6,175	**6,175**
Dental sensors	5,796	89,735	**95,531**
Industrial sensors	1,363	8,069	**9,432**
Medical sensors	5,091	-	**5,091**
Exclusivity	165	-	**165**
Others	-	4,118	**4,118**
Total revenue	**12,416**	**108,097**	**120,512**

(kSEK)	31 December 2016			
	XCounter	**XC UK**	**AJAT**	**Direct Conversion**
Intangible assets	42,912	-	48,126	**91,038**
Tangible assets	959	640	1,767	**3,366**
Total	**43,871**	**640**	**49,893**	**94,404**

(kSEK)	31 December 2015			
	XCounter	**XC UK**	**AJAT**	**Direct Conversion**
Intangible assets	29,150	-	41,528	**70,678**
Tangible assets	974	570	3,178	**4,722**
Total	**30,125**	**570**	**44,706**	**75,400**

5. Other operating income

(kSEK)	Group		Parent	
	2016	**2015**	**2016**	**2015**
Other operating income	2,062	1,589	-	-
Total	**2,062**	**1,589**	**-**	**-**

6. Number of employees

	Group		Parent	
	2016	**2015**	**2016**	**2015**
Women	15	12	2	2
Men	43	45	9	8
Total	**58**	**57**	**11**	**10**

7. The Board of Directors' and Executive Management

	Group			
	2016		**2015**	
	No. at year-end	Whereof men	No. at year-end	Whereof men
The Board of Directors'	3	66%	3	66%
Executive Management	6	100%	6	100%

	Parent			
	2016		**2015**	
	No. at year-end	Whereof men	No. at year-end	Whereof men
The Board of Directors'	3	66%	3	66%
Executive Management	4	100%	3	100%

8. Personal expenses

(kSEK)	Group		Parent	
	2016	**2015**	**2016**	**2015**
Wages and salaries*	31,765	29,915	6,653	6,303
Social security costs	3,075	2,504	1,719	1,562
Share based options to directors and employees	-	205	-	205
Pension costs - defined contribution plans**	4,828	4,791	825	878
Total	**39,668**	**37,415**	**9,197**	**8,947**

*Includes salaries and fees to The Board of Directors and the Chief Executive Officers in the Group amounting to kSEK 7,582 (2015: kSEK 2,470), whereof for the Parent kSEK 5,513 (2015: kSEK 700).

**Include pension costs for the Chief Executive Officers amounting to kSEK 523 (2015: kSEK 429), whereof for the Parent kSEK 1 (2015: kSEK 1).

Fees to the Board of Directors including the Chairman are accounted for as personnel costs in the income statement.

For the year 2016 (kSEK) **Group and Parent**	**Salary/Board fee**	**Pension**	**Share based payments**	**Other/ variable compensation**	**Total**
Jean-Philippe Flament, Chairman	2,974	-	-	-	**2,974**
Rasmus Ljungwe, CFO/deputy CEO	632	1	-	-	**633**
Ondine de Rothschild, Non-Executive Director	50	-	-	-	**50**
Spencer Gunn, Executive Director and CEO	2,173	-	-	-	**2,173**
Thor Haugnaess, Non-Executive Director	-	-	-	-	**-**
Yngvar Hansen-Tangen, Non-Executive Director	-	-	-	-	**-**
Christer Ullberg, CTO	1,579	364	-	-	**1,943**
Key management personnel of Oy AJAT Ltd., 3 people	-	-	-	-	**-**
Subsidiary (Oy AJAT Ltd.)					
Jean-Philippe Flament, Chairman	-	-	-	-	**-**
Rasmus Ljungwe, Executive Director	-	-	-	-	**-**
Spencer Gunn, Executive Director	-	-	-	-	**-**
Konstantinos Spartiotis, CEO	2,069	522	-	-	**2,591**
Other key management personnel, 2 people	2,523	534	-	95	**3,152**
Total	**12,000**	**1,421**	**-**	**95**	**13,516**

For the year 2015 (kSEK) **Group and Parent**	**Salary/ Board fee**	**Pension**	**Share based payments**	**Other/ variable compensation**	**Total**
Jean-Philippe Flament, Chairman	150	-	-	2,313	**2,463**
Rasmus Ljungwe, CEO	450	1	-	-	**451**
Ondine de Rothschild, Non-Executive Director	50	-	-	-	**50**
Spencer Gunn, Executive Director and COO	50	-	-	1,556	**1,606**
Thor Haugnaess, Non-Executive Director	-	-	-	-	**-**
Yngvar Hansen-Tangen, Non-Executive Director	-	-	-	-	**-**
Christer Ullberg, CTO	1,502	365	43	-	**1,910**
Key management personnel of Oy AJAT Ltd., 3 people	-	-	79	-	**79**
Subsidiary (Oy AJAT Ltd.)					
Jean-Philippe Flament, Chairman	-	-	-	-	**-**
Rasmus Ljungwe, Executive Director	-	-	-	-	**-**
Konstantinos Spartiotis, CEO	1,771	428	-	468	**2,667**
Other key management personnel, 2 people	2,383	577	-	94	**3,054**
Total	**6,355**	**1,371**	**122**	**4,431**	**12,279**

9. Auditors remuneration

(kSEK)	Group		Parent	
	2016	2015	2016	2015
PricewaterhouseCoopers AB				
Audit assignment	480	437	260	260
Audit business in addition to audit assignment	15	57	15	57
Tax consulting	-	81	-	81
Thorne Lancaster Parker				
Audit assignment	40	37	-	-
Summa	**535**	**612**	**275**	**398**

An audit assignment includes the audit of the annual accounts, the accounting records and the administration of the Board of Directors and the managing director. The audit assignment includes additional work given by the Company to the auditors and consultations or other assistance resulting from observations made during the audit or completion of such additional work. Everything else is considered as non-audit assignments.

10. Financial items

(kSEK)	Group		Parent	
	2016	2015	2016	2015
Exchange gain	898	1 266	389	-
Interest on bank deposits	-	-	-	-
Other interest income	-	-	191	90
Change in embedded derivative	-	-	-	-
Total	**898**	**1,266**	**580**	**90**
Exchange loss	-1,445	-2,439	-352	-361
Other interest expenses	-111	-131	-	-
Other financial expenses	-88	-37	-1	-
Interest expenses on loans	-314	-338	-27	-
Change in embedded derivative	297	634	-	-
Total	**-1,661**	**-2,312**	**-380**	**-361**

11. Income tax expenses

The Swedish corporate tax is 22%, Finnish is 20% and United Kingdom is 20%. Differences are explained in the table below along with other tax deductions and deferred taxes.

(kSEK)	Group		Parent	
Consolidated income statement	**2016**	**2015**	**2016**	**2015**
Profit/Loss before tax from continuing operations	**5,776**	**-4,879**	**-3,363**	**-14,145**
Swedish corporation tax 22.0%	-1,271	1,073	740	3,112
Finnish corporation tax 20.0%	-2,474	-2 780	-	-
UK corporation tax 20.0%	216	190	-	-
Effects of:				
Deferred tax*	-1,901	-401	-	-
Unrecognized deferred tax assets on tax loss carryforwards	1,271	-1,264	-740	-3,112
Tax expense for financial year	**-4,159**	**-3,181**	**-**	**-**

* Deferred income tax of 20% at the amortization of acquired intangible assets for AJAT with the headings Technology, Intellectual property and Other intangible assets on note 13, for 2016 kSEK 4,480 (kEUR 468) (2015: kSEK 4,427 (kEUR 485)). It also relates to deferred tax of 20% on Capital loan in respect of the derivative and the difference between the lower fixed interest rate compared to assumed market interest rate. The Group has at 31 December 2016 tax deductible losses.

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. The deferred tax assets related to Direct Conversion have not been recorded as based on the history of recent losses and it is not probable that they will ultimately be utilized. The Group has recorded the deferred tax assets associated with XCounter UK as it is probable that they will be realized.

In Sweden or the UK, the unused tax losses can be used without any time limitation.

11.1. Specification of deferred tax

(kSEK)	Group	
	2016	2015
Deferred income tax assets		
Tax loss from operations	216	190
	216	**190**
Deferred income tax liabilities		
Deferred tax liabilities related to temporary differences	-4,193	-1,408
Tax liabilities related to acquisition*	-1,710	-2,433
	-5,903	**-3,841**
Net value Tax assets and liabilities	**-5,687**	**-3,651**

* Deferred income tax with 20.0% at the gross amounts/values of the acquired intangible assets for AJAT with the headlines Technology, Intellectual property and Other intangible assets on note 13.

12. Earnings per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Potential shares are not treated as dilutive as they would decrease loss per share. Potential shares in current option programs equal a potential dilution of 2.0%.

(kSEK)	Group	
	2016	2015
Profit/Loss attributable to equity holders of the Company	1,617	-8,060
Weighted average number of ordinary shares before dilution	15,080,167	13,952,954
Profit/Loss per share before dilution, (SEK)	0.11	-0.58

13. Intangible assets

(kSEK)	Group		Parent	
Capitalized expenditure for development	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Opening accumulated cost	**120,804**	**106,049**	**109,513**	**96,382**
Changes during the year				
Internally generated assets	25,622	14,977	15,858	13,131
Disposals	-	-	-	-
Translation differences	374	-222	-	-
R&D funding	-	-	-	-
Closing accumulated cost	**146,800**	**120,804**	**125,371**	**109,513**
Opening accumulated amortization	**-15,306**	**-9,725**	**-11,632**	**-6,601**
Changes during the year				
Amortization	-2,380	-5,581	-2,097	-5,031
Closing accumulated amortization	**-17,686**	**-15,306**	**-13,729**	**-11,632**
Opening accumulated impairment	**-70,479**	**-70,479**	**-68,730**	**-68,730**
Changes during the year				
Impairment loss	-	-	-	-
Closing accumulated impairment	**-70,479**	**-70,479**	**-68,730**	**-68,730**
Closing capitalized expenditure for development	**58,634**	**35,018**	**42,912**	**29,150**

(kSEK)	Group		Parent	
	31 Dec	31 Dec	31 Dec	31 Dec
Patents & licences	**2016**	**2015**	**2016**	**2015**
Opening accumulated cost	**6,489**	**6,261**	**-**	**-**
Changes during the year				
Additions	249	440	-	-
Translation differences	-82	-212	-	-
Closing accumulated cost	**6,657**	**6,489**	**-**	**-**
Opening accumulated amortization	**-3,079**	**-2,505**	**-**	**-**
Changes during the year				
Amortization	-444	-574	-	-
Closing accumulated amortization	**-3,523**	**-3,079**	**-**	**-**
Closing patents & licenses	**3,133**	**3,410**	**-**	**-**

(kSEK)	Group		Parent	
	31 Dec	31 Dec	31 Dec	31 Dec
Technology	**2016**	**2015**	**2016**	**2015**
Opening accumulated cost	**28,748**	**29,945**	**-**	**-**
Changes during the year				
Translation differences	1,359	-1,197	-	-
Closing accumulated cost	**30,107**	**28,748**	**-**	**-**
Opening accumulated amortization	**-19,165**	**-16 969**	**-**	**-**
Changes during the year				
Amortization	-2,980	-2,944	-	-
Translation differences	-936	748	-	-
Closing accumulated amortization	**-23,082**	**-19,165**	**-**	**-**
Closing technology	**7,025**	**9,583**	**-**	**-**

(kSEK)	Group		Parent	
	31 Dec	31 Dec	31 Dec	31 Dec
Intellectual property	**2016**	**2015**	**2016**	**2015**
Opening accumulated cost	**7,689**	**8,030**	**-**	**-**
Changes during the year				
Translation differences	387	-341	-	-
Closing accumulated cost	**8,076**	**7,689**	**-**	**-**
Opening accumulated amortization	**-5,460**	**-4,826**	**-**	**-**
Changes during the year				
Amortization	-848	-837	-	-
Translation differences	-267	204	-	-
Closing accumulated amortization	**-6,574**	**-5,460**	**-**	**-**
Closing intellectual property	**1,501**	**2,229**	**-**	**-**

(kSEK)	Group		Parent	
	31 Dec	31 Dec	31 Dec	31 Dec
Other intangible assets	**2016**	**2015**	**2016**	**2015**
Opening accumulated cost	**7,162**	**7,460**	**-**	**-**
Changes during the year				
Translation differences	339	-298	-	-
Closing accumulated cost	**7,500**	**7,162**	**-**	**-**
Opening accumulated amortization	**-6,008**	**-5,602**	**-**	**-**
Changes during the year				
Amortization	-653	-645	-	-
Translation differences	-291	239	-	-
Closing accumulated amortization	**-6,951**	**-6,008**	**-**	**-**
Closing other intangible assets	**549**	**1,154**	**-**	**-**

(kSEK)	Group		P6arent	
	31 Dec	31 Dec	31 Dec	31 Dec
Goodwill	**2016**	**2015**	**2016**	**2015**
Opening accumulated cost	**19,284**	**20,087**	-	-
Changes during the year				
Translation differences	912	-803	-	-
Closing accumulated cost	**20,196**	**19,284**	-	-
Closing goodwill	**20,196**	**19,284**	**-**	**-**

(kSEK)	Group		Parent	
	31 Dec	31 Dec	31 Dec	31 Dec
Net intangible assets	**2016**	**2015**	**2016**	**2015**
Capitalized expenditure for development	58,634	35,018	42,912	29,150
Patents & licenses	3,133	3,410	-	-
Technology	7,025	9,583	-	-
Intellectual property	1,501	2,229	-	-
Other intangible assets	549	1,154	-	-
Goodwill	20,196	19,284	-	-
Total net intangible assets	**91,039**	**70,678**	**42,912**	**29,150**

Of the generated assets for the Group kSEK 25,622 (2015: kSEK 14,977) is kSEK 25,622 (2015: kSEK 14,977) internal generated.

Of the generated assets for the parent company kSEK 15,858 (2015: kSEK 13,131) is kSEK 15,858 internal generated.

The acquisition of AJAT resulted in recognition of goodwill amounting to kSEK 20,196 at closing day 31 December 2016 (31 December 2015: kSEK 19,284).

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires an estimation of the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The WACC assumed was 15.6 per cent (2015: 15.6 per cent) after tax, which is the same discount rate used in the impairment of indefinite lived intangible assets. The estimates of cash flows for 2017-2026 are specified in a business plan approved by the board at the time for the acquisition, which management has adjusted the sales figures, cost of goods and other expenses after considered new facts and the growth between years. The growth rate from 2026 and future on is assumed to 2.0 per cent (2015: 2.0 per cent).

14. Property, plant, and equipment

(kSEK)	Group		Parent	
	31 Dec	31 Dec	31 Dec	31 Dec
Leasehold improvements	**2016**	**2015**	**2016**	**2015**
Opening accumulated cost	**3,882**	**1,664**	**5**	**5**
Changes during the year				
Additions	597	2,218	-	-
Disposals	-	-	-	-
Closing accumulated cost	**4,480**	**3,882**	**5**	**5**
Opening accumulated amortization	**-2,573**	**-1,244**	**-5**	**-2**
Changes during the year				
Depreciation	-1,248	-1,329	-	-3
Disposals	-	-	-	-
Closing accumulated amortization	**-3,821**	**-2,573**	**5**	**-5**
Closing net book value	**659**	**1,310**	**-**	**-**

(kSEK)	Group		Parent	
Property, plant and equipment	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Opening accumulated cost	**30,248**	**29,544**	**13,323**	**13,142**
Changes during the year				
Additions	640	704	280	181
Disposals	-	-	-	-
Closing accumulated cost	**30,889**	**30,248**	**13,604**	**13,323**
Opening accumulated amortization	**-26,835**	**-25,512**	**-12,349**	**-12,082**
Changes during the year				
Depreciation	-1,062	-484	-296	-267
Disposals	-	-	-	-
Exchange translation difference	-284	-839	-	-
Closing accumulated amortization	**-28,182**	**-26,835**	**-12,644**	**-12,349**
Closing net book value	**2,707**	**3,413**	**959**	**974**
Property, plant and equipment net book value	**3,366**	**4,723**	**959**	**974**

15. Participation in Group Companies

2016

Company's name	Reg. no.	Location	Equity	Net result
XCounter Securities AB	556632-6137	Stockholm	86	-3
XCounter (UK) Ltd.		London, UK	-1,870	-1,082
Oy AJAT Ltd	1735843-9	Espoo, FI	40,805	16,835

2016

(kSEK)	Scope of holding		Value of holding
Company's name	**No of shares**	**Share capital**	**Book value**
XCounter Securities AB	1,000	100%	100
XCounter (UK) Ltd.	1	100%	1
Oy AJAT Ltd	14,801	100%	59,704
Total			**59,805**

2015

Company's name	Reg. no.	Location	Equity	Net result
XCounter Securities AB	556632-6137	Stockholm	89	-3
XCounter (UK) Ltd.		London, UK	-913	-951
Oy AJAT Ltd	1735843-9	Espoo, FI	26,215	11,164

2015

(kSEK)	Scope of holding		Value of holding
Company's name	**No of shares**	**Share capital**	**Book value**
XCounter Securities AB	1,000	100%	100
XCounter (UK) Ltd.	1	100%	1
Oy AJAT Ltd	14,801	100%	59,704
Total			**59,805**

16. Inventories

(kSEK)	Group		Parent	
	31 Dec 2016	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Raw material	10,892	5,962	2,173	-
Work in progress	3,028	3,030	-	-
Finished goods	3,903	4,820	124	-
Total	**17,823**	**13,812**	**2,297**	**-**

17. Trade receivables, other receivables, prepaid expenses and accrued income

(kSEK)	Group		Parent	
	31 Dec 2016	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Trade receivables	18,552	13,633	824	1,382
Intercompany receivables	-	-	194	959
Total	**18,552**	**13,633**	**1,018**	**2,341**

None of the trade receivables at the end of the year is considered as doubtful receivables.

Other receivables, prepaid expenses and accrued income are as follows:

(kSEK)	Group		Parent	
	31 Dec 2016	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
VAT recoverable	718	590	575	393
Other short term receivables	163	-	163	-
Total other receivables	**881**	**590**	**738**	**393**
Other prepaid expenses	3,504	1,954	645	817
Total prepaid expenses and accrued income	**3,504**	**1,954**	**645**	**817**

The total carrying value for assets categorized as Loans and receivables amounts to kSEK 42,686 (2015: kSEK 41,442), and relates to trade receivables, other receivables and bank deposits.

18. Cash and cash equivalents

(kSEK)	Group		Parent	
	31 Dec 2016	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Cash at bank and in hand	23,252	27,219	770	2,906
Total	**23,252**	**27,219**	**770**	**2,906**

19. Equity

(kSEK)				Additional paid in Capital	
Group & Parent	**No. of ordinary shares**	**Share capital**	**Statutory reserve**	**Share premium**	**Share-based payment**
Balance at 1 January 2016	**14,336,264**	**71,681**	**274,180**	**458,499**	**3,324**
Share issues	1,002,450	5,013	-	9,791	-
Share based payments	-	-	-	-	-
Balance at 31 December 2016	**15,338,714**	**76,694**	**274,180**	**468,290**	**3,324**

The number of shares for the parent company equals the number of shares disclosed in the table for the Group above. The company has only one class of shares and all shares carry the same voting rights.

For the Group the share premium and share-based payments are consolidated in the report for changes in equity to kSEK 745,794 as additional paid in capital.

The Group also has an item for translation difference in equity in respect of the changes in currency ration between SEK and EUR regarding the acquisition of Oy AJAT Ltd.

1,002,450 in placing completed during 2016.

The par value is SEK 5.00.

20. Share-based payment arrangements

The Group has previously granted stock options under year 2012. The terms of options granted under these plans are as follows:

2012 ESOP/BSOP

The Company granted 10,000 options during 2012, which are subject to a three year vesting schedule and required the continued service of the option holder (as employee or Director, as the case may be). 1/36 of the options vested monthly at the end of each calendar month, the first time on 1 April 2012. These options have life time to 31 March 2017. The option holder ended his employment in 2013 and thus stops earning.

The Company granted 185,000 options during 2012, which are subject to a three year vesting schedule and required the continued service of the option holder (as employee or Director, as the case may be). 1/3 of the options vested yearly at December every year, the first time on 1 December 2012. These options have life time to 31 December 2017. One of the option holders ended his employment during 2013, and thus stops his earning.

The assumptions used in the Black-Scholes valuation model for each of the option grants described above are as follows:

	2012:1 ESOP	**2012:2 ESOP**
Exercise Price (SEK)	26.68	23.50
Volatility (%)	39.21%	39.21%
Risk-free rate (%)	-0.63%	-0.63%
Expected dividends	nil	nil
Estimated life	0.25	1.00
Fair value per option (SEK)	**0.0053**	**0.6320**

The volatility for the share is based on closing prices/day from February 2006 to December 2016.

Total expenses related to each of the plans above were recognized as follows during 2016 and 2015:

(SEK)	2012 BSOP	2012:2 ESOP	**Total**
2016			
Vesting charge	-	-	-
Social security	-	-	-
Total Expense	**-**	**-**	**-**
2015			
Vesting charge	-	204,587	204,587
Social security	-	32,599	32,599
Total Expense	**-**	**237,186**	**237,186**

Movements in the number of share options and warrants outstanding, and their related weighted average exercise prices are as follows:

Outstanding options and warrants

	2016	
	Average exercise price in SEK per share	**Warrants/ Options (thousands)**
At 1 January	**24.26**	**53**
Granted	-	-
Forfeited	-	-
Expired	23.50	-
Exercised	-	-
Cancelled	-	-
Replaced	-	-
At 31 December	**23.68**	**53**

	2015	
	Average exercise price in SEK per share	**Warrants/ Options (thousands)**
At 1 January	**24.26**	**53**
Granted	-	-
Forfeited	-	-
Expired	-	-
Exercised	-	-
Cancelled	-	-
Replaced	-	-
At 31 December	**24.26**	**53**

Expiry date	**Exercise price, SEK**	**Number of options 2016**	**2015**
30 April 2016	23.50	-	105,000
31 March 2017	26.68	10,000	10,000
30 November 2017	23.50	165,000	165,000
Total		**175,000**	**280,000**

Out of the 280,000 outstanding warrants/options none (2054: none) were exercisable. The average price of the outstanding warrants/options is SEK 23.68. The exercise price of options outstanding at 31 December 2016 ranged from SEK 26.68 to SEK 23.50. The weighted average remaining contractual life of the outstanding options which were outstanding at 31 December 2016 was 0.2 years (2015: 1.2 years).

As of 31 December 2016, no option program is outstanding in subsidiaries.

21. Loans and borrowings

The Group's borrowing of kSEK 22,440 (kEUR 2,346) in nominal value, included kSEK 50 (kEUR 5) of accrued interest and principle amounts due of kSEK 22,390 (kEUR 2,341). Carrying value at 31 December 2016 amounted to kSEK 22,819 (kEUR 2,385) (2015: kSEK 19,124 (kEUR 2,093)).

The borrowings, all of which were assumed in connection with the acquisition of AJAT, are comprised of the following:

- A loan is denominated in Japanese YEN (YEN) and bears interest at a fixed rate of 0%. The agreement stipulates a currency cap/floor of +/- 15 % of the currency relation between YEN and EUR based on the exchange rate in place on 30 August 2002. The amount outstanding in nominal value was kSEK 10,008 (kEUR 1,046 (kYEN 129,091)) at 31 December 2016 (2015: kSEK 10,868 (kEUR 1,190 (kYEN 155,944))). The currency cap/floor is determined to be an embedded derivative and is treated separately from the host contract; see information below "Embedded derivative – fair value".
- Loan with TEKES, the main public funding organization for research, development and innovation in Finland. The loan bears interest at prime rate less 1% (Finnish government interest for these types of loans) and a minimum interest level of 3%. The prime rate during the period was 3%. The nominal amount outstanding at 31 December 2016 was kSEK 1,512 (kEUR 158) (2015: kSEK 1,682 (kEUR 187)).

These borrowings are deemed to be Capital loans in accordance with Chapter 5 of the Finnish Companies Act. Based on the Finnish companies Act, Capital loans and associated interest or other remuneration are subordinated to all the other debts upon dissolution and bankruptcy of the borrower. In addition, repayment of Capital loans or associated interest is only possible when borrowing Company has a positive unrestricted equity calculated based on Finnish GAAP. In 2016 a repayment was made to all loan givers with a total of kSEK 3,503 (kEUR 366) (2015: 2,211 (kEUR 242)).

The loan from Acrorad is interest free from September 2016 and shall be paid on a yearly basis until year 2022.

The capital loans carry fixed interest rate of 3%. At the date of acquisition an interest rate of 3% was considered to be below market interest rates. The market rate for the capital loans was estimated at 10%. At the date of acquisition, the capital loans were measured at fair value by discounting expected future cash flows with the estimated market interest rate of 10%. The difference between the initial fair value and the nominal amount of the loans are amortized through profit and loss over the estimated duration of the loans, using the effective interest rate. A market interest rate of 10% is still expected.

In 2016 Ajat got a loan facility from Nordea of kSEK 9,567 (kEUR: 1,000) the loan is in EUR. The annual interest charged on the loan is 2% units above the 3-month Euribor interest. The value of the Euribor rate is, however, always considered to be at least zero. The repayment amount is paid in equal instalments at the interval of 3 month(s) starting in October, 2017. The repayment amount is kSEK 565 (kEUR 59). The amount does not include interest and the interest is paid in interval of 1 month starting November, 2016. The loan shall be fully paid by October, 2021. The Company has an interest rate hedge over the loan that do not have a material effect 2016. The derivate at the end of 2016 was kSEK 70 (kEUR 7).

Embedded derivative – fair value

The currency cap/floor is determined to be an embedded derivative and is treated separately from the host contract and the measured value goes through profit or loss. The value of the currency cap/floor is determined by using a valuation technique that includes inputs that are not observable market data (unobservable inputs) which according to IFRS is categorized as level 3. The input used in the valuation technique is primarily EUR/YEN-rates and an assumption about the cash flows of the contract.

	Group	
Currency derivative	**2016**	**2015**
Opening balance	-676	-1,310
Change in value (financial cost)	297	634
Closing balance	**379**	**-676**

22. Trade and other payables

(kSEK)	Group		Parent	
Current liabilities	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Advance payment from customers	**350**	**3,354**	**-**	**2,595**
Trade payables	**16,014**	**11,622**	**5,193**	**5,149**
Short term loan	2,506	3,503	-	-
Payroll related liabilities	1,073	1,782	293	357
Social security and other taxes	50	487	-152	-48
Accrued payroll expense	399	357	399	357
Holiday pay liability	3,709	3,622	1,163	1,036
Accrued expenses	1,260	1,933	360	1,708
Other liabilities	**8,997**	**11,684**	**2,063**	**3,410**
Total current liabilities	**25,361**	**26,659**	**7,256**	**11,154**

23. Operating leases

Direct Conversion leases various plant, machinery and equipment under cancellable operating lease agreements. These lease agreements can be cancelled with 6 to 60 months' notice.

The minimum lease rentals to be paid under non-cancellable operating leases at 31 December 2016 are as follows:

(kSEK)	Group		Parent	
	2016	**2015**	**2016**	**2015**
Within one year	3,632	3,709	1,020	1,020
Between one and five years	3,770	6,666	2,041	3,061
Total	**7,402**	**10,375**	**3,061**	**4,081**

24. Related parties

Related parties identified include; management transactions and VisuRay PLC and its subsidiaries ("VisuRay"). All transactions are made at market conditions and prices.

24.1. Sales to related parties

(kSEK)	Group		Parent	
	2016	**2015**	**2016**	**2015**
AJAT	-	-	2,559	1,956
VisuRay	464	2,172	464	2,172
XCounter (UK) Ltd.	-	-	-	741
Total sales to related parties	**464**	**2,172**	**3,023**	**4,128**

24.2. Purchases from related parties

(kSEK)	Group		Parent	
	2016	**2015**	**2016**	**2015**
AJAT	-	-	3,546	2,809
Innovative Pivotal Applications Ltd.	2,528	3,638	1481	1,710
Visuray	837	-	837	-
Whitehorse Investing Ltd.	2,774	2,313	2,774	2,313
XCounter (UK)	-	-	7,881	5 751
Total purchases from related parties	**6,138**	**5,951**	**16,518**	**6,833**

24.3. Other related party transactions

(kSEK)	Group		Parent	
	31 Dec 2016	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**
Capital loan from management	708	416	-	-
Total other related party transactions	**708**	**416**	**-**	**-**

24.4. Period-end balances to/from related parties arising from sales/ purchase of goods/services

(kSEK)	Group		Parent	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
AJAT (receivable)	-	-	-	1,939
AJAT (payable)	-	-	8,095	2,840
Innovative Pivotal Applications Ltd. (payable)	218	248	218	-
VisuRay (advance payment)	-	676	-	676
Whitehorse Investing Ltd. (payables)	440	208	440	208
XCounter (UK) Ltd. (receivables)	-	-	2,496	2,009
Period-end balances	**658**	**1,132**	**11,249**	**7,672**

25. Pledged assets & contingent liabilities

The subsidiary Oy Ajat Ltd. has pledged assets of kSEK 14,350 (kEUR: 1,500) towards the company's mortgage.

Direct Conversion AB, parent company, has signed two agreements together with its subsidiary Oy AJAT Ltd with the lender where one of the loans is denominated in YEN and one in EUR where Direct Conversion guarantee AJAT´s debt of Capital loan if AJAT fail to repay each year of the repayment plan. Total amount for YEN denominated loan with principal part and interest until fully repaid end of August 2022 is calculated to kSEK 9,898 (kEUR 1,035) (2015: kSEK 11,022 (kEUR 1,207)). Total amount for EUR denominated loan with principal part and interest until fully repaid end of 2019 is calculated to kSEK 9,567 (kEUR 1,000) (2015: kSEK 0 (kEUR 0)).

26. Cash used in operations

(kSEK)	Group		Parent	
Adjustments for non-cash items	**2016**	**2015**	**2016**	**2015**
Amortization, intangibles	7,305	10,582	2,097	5,031
Impairment loss, intangibles	-	-	-	-
Depreciation, tangibles	2,310	1,813	296	270
Gain/loss on sale of equipment	-	-	-	-
Disposals, intangibles	-	-	-	-
Currency exchange gain/loss	-83	2,312	-83	-22
Financial income	-	-131	-153	-90
Financial expense	-	-	28	-
Dividend	-	-	7,332	-
Share-based payments	-	205	-	205
Total adjustments	**9,532**	**14,780**	**-5,149**	**5,394**

27. Other information and events after the balance sheet date

- Ajat has reached a settlement in a patent litigation, the company shall receive a total of kUSD 825, (kSEK: 7,283 (kEUR: 767)) split in several payments with a final payment in 2019.

28. Important estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Direct Conversion makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Intangible assets

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use on a linear basis over its useful life. Annual testing for impairment is conducted.

The Group performs an annual impairment test in accordance with IAS 36. This test is performed by comparing the carrying value of the asset with its recoverable amount. The recoverable amount is considered to be the present value of future net cash flows related to the asset. The cash flow projection used by the Group in the 2016 impairment assessment extends over the period from 2017 to 2026. Expected revenue is based on deliveries of x-ray sensors and year volumes is critical to cash flow forecasts, larger deviations of annual volume may cause impairment. Costs related to the sale of these goods are also included in these projections, as well as the strategy for manufacturing via significant outsourcing to qualified and selected suppliers.

The other critical assumption in the impairment test is the discount rate of 15.62% (2015: 15.62%) applied to the forecasts. Increasing the discount rate to 20.0% would reduce the total discounted cash flow with approx. SEK 17.4m (EUR 1.8m) (2015: SEK 13.1m (EUR 1.4m)). That would though not require any impairment loss.

b) Deferred tax

Management considers the recoverability of its deferred tax assets relating to accumulated deductible temporary differences and unused taxes. Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. The Group has not yet recorded any deferred tax for tax loss carry-forward related to Direct Conversion AB due to its history of recent losses and there is not convincing evidence that sufficient taxable profit will be available against which the unused tax losses can be utilized by the entity.

c) Share based payments

The 2016 employee stock option programs are subject to market conditions. Management has factored into the calculation of the fair value of these stock options, the probability of these vesting criteria being achieved. The fair value determination of the options according to IFRS 2 for this employee stock option program includes the management's best estimate of the fulfilment of the market based vesting criteria. Similarly, management estimate at each balance sheet date the expected number of options that will vest based on their expectation of employees with options that will still be in employment at the end of the vesting period. For further information, see Note 20.

d) Social security provisions

Social security provisions related to share based payments are estimated at each balance sheet date. Management estimate the provisions based on their expectation of the probability that share options will be exercised. Social security provisions are therefore subject to punctuation according to the accuracy of managements estimations.

e) Going concern

The Group closely monitors its liquidity needs and has developed detailed cash flow projections for the upcoming year. These forecasts include assumptions about research and development activities, market growth and supplier co-operation. These cash flow projections are based on numerous assumptions and a change in such assumptions could have a material impact on the projects. The Directors believe that, with the Group's existing cash resources, the newly signed major OEM agreement and other ongoing OEM prospects, the current business plan should be sufficient to enable the Group the reach sustainable profitability and be in going concern, if additional funding is obtained.

29. Proposed distribution of net results

The following losses in the Parent Company are at the disposal of the Annual General Meeting (SEK):

Result brought forward and non-restricted equity	-263,794,376
Loss for the period	-3,363,335
Total	**-267,157,711**

The Board and the Chief Executive Officer propose that the accumulated deficit, SEK -261,090,334 will be brought forward.

Concerning the results and the position of the Group and the Parent company in other regards, see the income statements, balance sheets, cash-flow statements, statements of changes in equity and notes below.

30. The parent company

Direct Conversion AB (or "the Parent company") is active in development of photon counting and tomosynthesis based 3D X-ray sensors for dental, medical and industrial applications based on proprietary X-ray technologies. The current number of employee headcount is 10 at the end of December 2016. Today's business focus is to concentrate on the development activities and products with shortest time to market at the same time as usage of the Direct Conversion AB's resources is optimized.

January-December

- Net sales increased to SEK 14.7m (EUR 1.5m) (2015: SEK 14.4m (EUR 1.5m))
- Loss for the period was SEK -3.4m (EUR -0.4m) (2015: SEK -14.1m (EUR -1.5m))
- Net cash at the end of the period of SEK 0.8m (EUR 0.1m) (2015: SEK 2.9m (EUR 0.3m))

31. Future upcoming reporting dates

Annual report 2017	latest 31 March 2018

The Annual Report will not be distributed to the shareholders by mail, but it can be downloaded after publication on our website, www.directconversion.com, or it can be ordered by email, info@directconversion.com.

32. Annual general meeting 2017

The AGM is scheduled to be held 12 May 2017 at the Company's office, Svärdvägen 23, Danderyd. Notice to the Annual General Meeting will be announced and published to all shareholders no later than 13 April 2017. During the year has share issues to board of directors occurred, this will be proposed for approval in retrospect at the Annual General Meeting 12th of May, 2017.

Approval of Financial Statements

Consolidated financial statements will be submitted to the annual general meeting 12 May 2017 for adoption.

The board of directors and the CEO certify that the consolidated financial statements have been prepared in accordance with international financial reporting standards as adopted by the EU and give a true and fair view of the Group's financial position and results. The annual report has been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the financial position and results in the parent company.

The board of director's report of the group and the parent company provides a fair review of the development of the group's and the parent company's operations, financial position and results of operations and describes material risks and uncertainties facing the parent company and the companies included in the group.

Danderyd, 31 March, 2017

___________________________	___________________________
Jean-Philippe Flament	***Spencer Gunn***
Chairman of the Board	Director and CEO

____

Ondine de Rothschild

Director

Our Audit report was submitted on 31 March, 2017.

PricewaterhouseCoopers AB

___________________________	___________________________
Mattias Lamme	***Johan Rönnbäck***
Authorized Public Accountant	Authorized Public Accountant
Auditor in charge	

Auditor's report

To the general meeting of the shareholders of Direct Conversion AB, corporate identity number 556542-8918

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Direct Conversion AB for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 5-25 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-4. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Significant uncertainty regarding the going concern assumption

Without qualifying our opinion, we draw attention to the statutory administration report and note 28 in the annual report, which states that the board of directors believes that the company requires additional financing for continuously operations, which not yet has been secured. These conditions indicate, together with the other factors mentioned in note 28, that there is a significant uncertainty factor that can lead to significant doubt about the company's ability to continue operations.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director is are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts is found on Revisorsnämnden's (The Supervisory Board of Public Accountant's) web site: www.revisorsinspektion.se/rn/showdocument/documents/re_dok/revisors_ansvar.pdf. This description is a part of the Auditor's Report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Direct Conversion AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the loss be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the annual accounts is found on Revisorsnämnden's (The Supervisory Board of Public Accountant's) web site: www.revisorsinspektion.se/rn/showdocument/documents/re_dok/revisors_ansvar.pdf. This description is a part of the Auditor's Report.

Remark

Without prejudice to our statement, we want to remark that deducted tax, social security contributions and VAT on several occasions not have been paid on time.

Malmö 31th March 2017

PricewaterhouseCoopers AB

Mattias Lamme	Johan Rönnbäck
Authorized Public Accountant	Authorized Public Accountant
Auditor in charge	