Direct Conversion

Empowered X-RAY Imaging

Annual Report 2018

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, Direct Conversion Ltd., Direct Conversion GmbH, 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 2018

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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 2018	*10.2767*	*11.5958*
Balances ending 31 Dec 2018	*10.2753*	*11,3482*
Results for the period 1 Jan – 31 Dec 2017	*9.6326*	*10.9896*
Balances ending 31 Dec 2017	*9.8497*	*11.1045*

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Financial highlights

Net Sales for the period January - December amounted to kSEK 158,899 (kEUR 15,462) (2017: kSEK 119,596 (kEUR: 12,416)) 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 45,724 (kEUR 4,449) (2017: kSEK 53,210 (kEUR 5,524)) 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 2018 amounted to kSEK 39,112 (kEUR 3,806) (2017: kSEK 20,043 (kEUR 2,081)) which is expenditures related to the development of X-ray sensors. Accumulated capitalized development costs as of 31 December 2017 amounted to kSEK 112,267 (kEUR 10,926) (2017: kSEK 77,831 (kEUR 7,902)) including R&D contributions/income for development.

Net cash position at the end of the period was SEK 4.2m (EUR 0.4m) compared to SEK 35.9m (EUR 3.7m) at the end of the same period 2017.

Joint Statement from the Chairman of the Board & the Chief Executive Officer

Direct Conversion had its best year ever in 2018 as the group's operating income increased by 32%. EBITDA and net income also increased substantially as our operating margin increased by almost 7%. In 2019 we expect both our operating margins and revenue to increases significantly again.

2019 will build on the success of 2018. The order book is already strong with continued increases in revenue coming from the XCounter photon counting line of products. Growth is coming mostly from industrial applications and we expect this trend to be the driving force in 2019 and 2020. We expect growing revenue from medical applications as products that are in the pipeline get launched. The common business problem we face is the timing of customer launches. It is always difficult to predict exactly when this will happen, but as we get more and more customers this becomes less of a problem as it should average out. There are over 80 customers and hot leads compared to about 10 to 15, just some three years ago. A majority of these are in the early release stages and this bodes well for future growth beyond 2019.

As part of the Ajat brand we have developed a significant upgrade of our dental offering in order to provide customers with an improved detector that should cater to their needs in the coming years. We have conducted a thorough comparison of the charge integration vs photon counting ASICs and decided to move the AJAT dental platform to photon counting. The initial feedback from clients is positive and we hope that our customers will transition to photon counting in 2020/2021. We will still offer charge integrating products for customers that want that technology.

On the R&D front, we have finished the design work on a new photon counting ASIC and expect to launch the manufacturing of the first wafers in the near future. We made a significant investment in this technology in 2018 in order to minimize the chances of re-spins and engineering delays in launching this new product. This new ASIC incorporates improvements and features that make it ideal for spectral imaging including human full body CT. The new ASIC should drive revenue growth from 2021 onwards. A further ASIC development is under way aimed at different imaging tasks, this will expand our photon counting line-up and the applications we can address. We believe that with a broad product offering we will able to provide photon counting solutions to a wide and diversified field of customers.

We have expanded our sales and marketing effort in 2018 in order to deliver growth and consciously built up our inventory over the last year. We are now in a position to deliver on accelerated growth with faster delivery times to our customers. Our manufacturing site is capable of scaling production at little extra cost or investment.

The strategy of the company is unchanged: we want to remain 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 continue to be the market leaders.

As we commented in 2018, we believe that we can leverage direct conversion photon counting's improved efficiency, lower cost of ownership and greater imaging performance across a broad range of X-ray imaging applications and that this market is new, very large and nearly untapped.

Danderyd, 11th of March 2019

Jean-Philippe Flament Chairman	Spencer Gunn Chief Executive Officer

Board of Directors'

Jean-Philippe Flament, Executive Chairman

Mr. Flament are also chairman in the related party Visuray PLC. Jean-Philippe Flament have 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.

Dag Mosvold, Non-Executive Board Director

Dag Mosvold is fourth generation in shipping. Dag comes from the Mosvold Shipping family who has been involved in the shipping industry for a century. Dag completed his law degree in 1996 with specialization in maritime law. He then moved to Bergen to start as trainee with Grieg Insurance which later was purchased by Aon and became Aon Grieg. In 2001 he joined Henschien Insurance Services as senior broker and in 2005 he decided to move back to Oslo and re-joined Aon Grieg where he was heading the marine and contracting team before he joined Bergvall Marine in August 2011.

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.

Marc Sperschneider, Non-Executive Board Director, from January 2018

Marc Sperschneider served as managing director and was a shareholder at MatriX Technologies GmbH, a market leading supplier of Automated In-Line X-Ray Inspection system solutions (AXI) to global manufacturers from the Automotive, Consumer Electronics, EMS, and Semiconductor industry. After the sale of MatriX to a public listed US corporation, Marc founded X2 I Equity, an independent investment holding focused on the funding and scaling of high-tech companies active in technology systems, advanced components, industrial software and smart industrial services, where he is CEO and Chairman. Marc has previously served as an Investment Director at a public-listed industrial holding company (2008 – 2012) and as a Vice President (M&A) at two investment banks (2003-2008). Marc holds a Master's degree in Business Administration/Economics from the University of Regensburg, Germany.

Thor Haugnaess, alternate Non-Executive Board Director

Mr. Haugnaess has worked in the Oil and Gas Industry for over 25 years, mainly within oil field based services in the Schlumberger Group. Between 2003 and 2006, Mr. Haugnaess was the chairman of the Norwegian drilling contractor Ocean Rig ASA, which was listed on the Oslo Exchange. 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. 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, Chief Executive Officer

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 high-tech photon counting detectors.

Rasmus Ljungwe, Chief Financial Officer

Rasmus Ljungwe joined the Company 2011 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 holds a Master of Business Administration from.

Christer Ullberg, Chief Technology Officer

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.

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 2018.

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, Munich, 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 2018 is 69. 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
- X-ray 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 Industri- och Kemigruppen 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

2019 will build on the success of 2018. The order book is already strong with continued increases in revenue coming from the XCounter photon counting line of products. Growth is coming mostly from industrial applications and we expect this trend to be the driving force in 2019 and 2020. We expect growing revenue from medical applications as products that are in the pipeline get launched. The common business problem we face is the timing of customer launches. It is always difficult to predict exactly when this will happen, but as we get more and more customers this becomes less of a problem as it should average out. There are over 80 customers and hot leads compared to about 10 to 15, just some three years ago. A majority of these are in the early release stages and this bodes well for future growth beyond 2019.

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Significant risks and uncertainty factors

Financial risks

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 75% (2017: 86%) of net sales. Accordingly, the loss of a customer would have a significant effect impact 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.

Legal and regulatory risks

The clinical evaluation, manufacturing and marketing of the Group's products are subject to regulation by government and regulatory agencies. In addition, legislative and regulatory changes 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

	2018	2017
Revenue, kSEK	158,899	119,596
Other operating income, kSEK	4,512	13,402
EBITDA, kSEK	40,420	22,387
Operating profit, kSEK	27,472	11,066
Net profit, kSEK	23,323	3,980
Net profit per share, SEK	1.43	0.25
Intangible assets, kSEK	135,374	103,661
Cash and cash equivalents, kSEK	4,215	35,927
Total number of shares at par value	16,302,452	16,302,452
Share capital, kSEK	81,512	81,512

Proposed appropriation of profit/loss

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

Result brought forward and non-restricted equity	-19,350,290
Profit for the period	12,702,117
Total	**-6,648,174**

The Board and the Chief Executive Officer propose that the accumulated deficit, SEK -6,648,174 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 2019

The Annual General Meeting will be held on April 1st, 2019 at the Company’s office, Svärdvägen 23, Danderyd. Notice of the meeting have been announced and published to shareholders March 8th, 2019.

Participation in unlisted companies

Under the year of 2018 the company has acquired 200,000 shares in the unlisted related party Visuray PLC. The acquisition price was 1.5 euro per share and was unchanged by the end of the year. The carrying value of the holding is kSEK 17,725 (kEUR 1,725).

Consolidated Income Statement

(kSEK)	Note 1	January-December 2018	January-December 2017
Operating income			
Revenues	3, 4, 24	158,899	119,596
Other operating income	5	4,512	13,402
Total operating income		**163,411**	**132,998**
Work performed by the entity and capitalized			
Work performed by the entity and capitalized	13	39,112	20,043
Total work performed by the entity and capitalized		**39,112**	**20,043**
Operating expenses			
Raw material costs		-45,724	-53,210
Other external costs	9, 23, 24	-65,704	-38,630
Personnel costs	8	-50,674	-38,814
Depreciation of equipment and intangible assets	13, 14	-12,948	-11,321
Total operating expenses		**-175,051**	**-141,975**
Operating result		**27,472**	**11,066**
Result from financial items			
Financial income	10	455	1,061
Financial expenses	10	-2,643	-3,501
Total result from financial items		**-2,188**	**-2,440**
Profit before tax		**25,283**	**8,626**
Income tax	11	-1,961	-4,646
Net profit/loss for the year		**23,323**	**3,980**
Parent Company shareholders		23,323	3,980
Result per share			
Result per share (SEK)	12	1.43	0.25
Weighted number of shares	12	16,302,452	15,887,303
Actual number of shares	20	16,302,452	16,302,452

Total Comprehensive Loss

(kSEK)	January-December 2018	January-December 2017
Net profit/loss for the year	23,323	3,980
Other comprehensive profit/loss for the year:		
Foreign currency translation difference of foreign operations	2,974	1,909
Total other comprehensive profit/loss for the year	**2,974**	**1,909**
Total comprehensive profit/loss for the year	**26,297**	**5,889**
Total comprehensive profit/loss for the year attributable to:		
Parent Company shareholders	26,297	5,889

Consolidated Statement of Financial Position

(kSEK)	Note 1	31 Dec 2018	31 Dec 2017
Fixed assets			
Intangible fixed assets	13	135,374	103,661
Property, plant & equipment	14	8,192	5,183
Financial Assets	16	21,665	14,036
Deferred tax assets	11	286	134
Total fixed assets		**165,517**	**123,014**
Current assets			
Inventories	17	35,703	23,319
Trade receivables	18	22,013	11,860
Other receivables	18	2,590	3,771
Prepaid expenses and accrued income	18	6,568	3,466
Cash and cash equivalents	19	4,215	35,927
Total current assets		**71,088**	**78,343**
Total assets		**236,605**	**201,357**
Equity			
Equity attributable to Parent Company shareholders			
Share capital	20	81,512	81,512
Additional paid in capital	20	482,211	756,391
Translation reserve		1,313	-1,662
Retained loss		-408,238	-705,741
Equity attributable to Parent Company shareholders		**156,798**	**130,501**
Total equity		**156,798**	**130,501**
Non-current liabilities			
Borrowings	21	37,547	35,088
Deferred tax liabilities	11	7,485	5,319
Total Non-current liabilities		**45,031**	**40,407**
Current liabilities			
Advance payment from customers			1,232
Trade payables		18,347	12,604
Other payables		16,429	16,613
Total current liabilities	22	**34,776**	**30,449**
Total liabilities		**79,807**	**70,856**
Total equity and liabilities		**236,605**	**201,357**

Consolidated Statement of Changes in Equity

(kSEK)	Share capital	Additional contributed capital	Translation reserve	Retained loss	**Total**
Balance at 1 January 2017	**76,694**	**745,793**	**-3,569**	**-713,044**	**105,874**
Total comprehensive loss for January - December 2017					
Net loss for the year	-	-	-	3,980	**3,980**
Total other comprehensive loss	-	-	1,909	-	**1,909**
Total recognized loss and expense for the year	**-**	**-**	**1,909**	**3,980**	**5,889**
Reversal of share-based payments	-	- 3,324	-	3,324	**-**
Ongoing new share issue	3,750	11,250	-	-	**15,000**
New share issue	1,068	2,671	-	-	**3,740**
Balance at 31 December 2017	**81,512**	**756,391**	**-1,662**	**-705,741**	**130,501**
Total comprehensive loss for January - December 2018					
Net profit for the year	-	-	-	23,323	**23,323**
Total other comprehensive gains	-	-	2,974	-	**2,974**
Total recognized profit and gain for the year	**-**	**-**	**2,974**	**23,323**	**26,297**
Reduction of the Statutory reserve	-	-274,180	-	274,180	**-**
Balance at 31 December 2018	**81,512**	**482,211**	**1,313**	**-408,238**	**156,798**

Consolidated Statement of Cash Flow

(kSEK)	**Note 1**	**January-December 2018**	**January-December 2017**
Cash flows from/used in operating activities			
Profit/loss after financial items	11	25,283	8,626
Adjustments for non-cash items	26	12,564	14,263
Tax paid		-4,668	-2,330
Interest paid		-466	-
Net cash from operating activities before change in working capital		**32,714**	**13,297**
Cash flow from change in working capital			
Inventories		-11,439	-5,037
Trade and other receivables		-14,999	-718
Trade and other payables		13,030	-396
Change in working capital		**-13,408**	**-6,151**
Net cash from operating activities		**19,306**	**14,408**
Investing activities			
Acquisition of intangible assets	13	-299	-25
Acquisition of equipment	14	-5,156	-4,270
Acquisition of financial assets	16	-2,954	-14,036
Change in loans to related party	24	-3,853	-
Capitalized expenditure for development	13	-39,112	-20,043
Net cash used in investing activities		**-51,375**	**-38,374**
Financing activities			
Change in other loans		4,110	19,699
Change in capital loans & convertible loans		-6,628	-2,638
Share issue		-	18,740
Net cash from financing activities		**-2,518**	**35,801**
Cash flow of the year		**-34,585**	**11,835**
Cash and cash equivalents beginning of the year	19	**35,927**	**23,252**
Effect of exchange rate fluctuations on cash held		**2,873**	**840**
Cash and cash equivalents end of the year		**4,215**	**35,927**

Income Statement for the Parent Company

(kSEK)	Note 1	January-December 2018	January-December 2017
Operating income			
Revenues	3, 4, 25	75,344	15,492
Other operating income	5	-	5,819
Total operating income		**75,344**	**21,310**
Work performed by the entity and capitalized			
Work performed by the entity and capitalized	13	30,118	11,142
Total work performed by the entity and capitalized		**30,118**	**11,142**
Operating expenses			
Raw material costs		-17,337	-4,766
Other external costs	9, 24, 25	-54,629	-24,997
Personnel costs	8	-13,353	-9,929
Depreciation and amortization of equipment and intangible assets	13, 14	-4,893	-3,743
Total operating expenses		**-90,213**	**-43,435**
Operating profit/loss		**15,250**	**-10,983**
Result from financial items			
Dividend		-	14,507
Other interest income and similar profit items	10	233	167
Interest expenses and similar profit items	10	-2,424	-2,958
Total result from financial items		**2,192**	**11,716**
Profit/Loss before taxes		**13,058**	**733**
Income tax		-356	-
Net Profit/loss for the year		**12,702**	**733**

Statement of comprehensive loss for the Parent Company is the same a Net profit/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 Dec 2018	31 Dec 2017
Fixed assets			
Intangible fixed assets	13	76,237	50,686
Property, plant & equipment	14	1,562	639
Financial assets			
Loan to subsidiary		1,556	3,344
Loan to related parties	24	3,940	-
Participations in unlisted companies	16	17,725	14,306
Participations in Group companies	15	60,050	59,805
Total fixed assets		**161,070**	**128,509**
Current assets			
Inventories	17	4,889	1,460
Trade receivables	18	15,952	3,374
Intercompany receivables	18	625	-
Other receivables	18	1,163	640
Prepaid expenses and accrued income	18	1,687	2,459
Cash and bank balances	19	3,021	14,407
Total current assets		**27,337**	**22,339**
Total assets		**188,407**	**150,848**
Equity			
Restricted equity			
Share capital	20	81,512	81,512
Statutory reserve	20	-	274,180
Reserve for Capitalized expenditure for development		56,885	27,000
Total restricted equity		**138,397**	**382,692**
Non-restricted equity			
Share premium reserve	20	482,211	482,211
Loss brought forward		-501,561	-746,589
Net profit/loss for the year		12,702	733
Total non-restricted equity		**-6,648**	**-263,645**
Total equity		**131,749**	**119 047**
Non-current liabilities			
Intercompany borrowings		30,718	26,105
Total non-current liabilities	**21**	**30,718**	**26,105**
Current liabilities			
Advance payment from customers		-	519
Trade payables		9,615	1,607
Intercompany payables		7,334	1,219
Other payables		8,991	2,351
Total current liabilities	22	**25,940**	**5,696**
Total equity and liabilities		**188,407**	**150,848**

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 2017	**76,694**	**274,180**	**15,858**	**468,290**	**3,324**	**-735,409**	**- 3,363**	**99,574**
Distribution of net losses as resolved by the AGM	-	-	-	-	-	-3,363	3,363	**-**
Net profit/loss for the year	-	-	-	-	-	-	733	**733**
Capitalized expenditure for development	-	-	11,142	-	-	-11,142	-	**-**
Reversal of share-based payments	-	-	-	-	-3,324	3,324	-	
Ongoing new share issue	3,750	-	-	11,250	-	-	-	**15,000**
New share issue	1,068	-	-	2,671	-	-	-	**3,740**
Balance at 31 December 2016	**81,512**	**274,180**	**27,000**	**482,211**	**-**	**- 746,589**	**733**	**119,047**
Distribution of net losses as resolved by the AGM	-	-	-	-	-	733	-733	**-**
Net profit/loss for the year	-	-	-	-	-	-	12,702	**12,702**
Capitalized expenditure for development	-	-	30,118	-	-	-30,118	-	**-**
Depreciation on Capitalized expenditure for development	-	-	-233	-	-	233	-	**-**
Reduction of the Statutory reserve	-	-274,180	-	-	-	274,180	-	**-**
Balance at 31 December 2018	**81,512**	**-**	**56 885**	**482,211**	**-**	**-501 561**	**12,702**	**131,749**

Cash Flow for the Parent Company

(kSEK)	Note 1	January-December 2018	January-December 2017
Cash flows used in operating activities			
Profit/loss after financial items	11	13,058	733
Adjustments for non-cash items	26	4,929	-10,123
Interest paid		-	905
Net cash used in operating activities before change in working capital		**17,987**	**-8,651**
Cash flow from change in working capital			
Inventories		-3,429	838
Trade and other receivables		-13,113	-4,071
Trade and other payables		16,279	-1,560
Change in working capital		**262**	**-4,794**
Net cash used in operating activities		**17,725**	**-13,445**
Investing activities			
Capitalized expenditure for development	13	-30,118	-11,142
Acquisition of equipment	14	-1,250	-55
Dividend from subsidiary		-	14,507
Change of loans to related party		-3,853	-
Acquisition of foreign subsidiary		-246	-
Acquisition of financial assets	16	-2,954	-14,036
Net cash used in investing activities		**-38,421**	**-10,726**
Cash flows from financing activities			
Raise of intercompany loans		5,201	5,140
Change of loans from related party	24	4,110	-
Share issue		-	14,803
Net cash from financing activities		**9,311**	**37,807**
Cash flow of the year		**-11,385**	**13,636**
Cash and cash equivalents in the beginning of the year	19	**14,407**	**770**
Cash and cash equivalents end of the year		**3,021**	**14,407**

Notes on Consolidated Financial Statements for the Year Ended 2018

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, Munich, 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 11th March 2019. 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 1st April 2019.

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 non-current 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 Direct Conversion GmbH, and Oy AJAT Ltd is EUR and Direct Conversion Ltd., is GBP.

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 2018

No standards, amendments or interpretations effective from the financial year beginning January 1, 2018 had a material impact on the consolidated financial statements.

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 has assessed implemented the impact of the new standard which isn't material, except on the disclosure requirements. The Group have applied the standard with a cumulative effect method 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. The Group has assessed the impact of the new standard which isn't material, except on the disclosure requirements. The Group have applied the standard with a cumulative effect method as from 1 January 2018.

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, 2019 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 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. The effect on the Group balance sheet estimates to be around mSEK 20.5 (mEUR: 2.0) and relates to lease rent of offices and production site. The leases have an average duration of 2.9 years. The Group will apply the standard with a cumulative effect method and the effect is expected to be material on the Group.

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

The Group manufactures and sells X-ray detectors. The sale is reported as revenue when the Group fulfills the performance obligation, which is when delivery to the customer has initiates which are at the time when the customer takes over the control of the goods. The products are often sold with a price based on volumes per calendar year. Revenue from the sale is reported based on the price in the agreement and per customer's estimate. Historical data is used to estimate the probability of the estimates and the revenue is only reported to an extent that it is very likely that a significant reversal will not occur. A liability (which is included in the Trade payables and other liabilities) is reported for expected volume discounts in relation to sales up to and including the balance sheet date. No financing component is deemed to exist at the time of sale when the credit period is 0-65 days, which is in line with market practice. The Group's commitment to repair or replace defective products in accordance with normal warranty rules is reported as a provision. A receivable is recognized when the goods have been delivered, since this is the time when the compensation becomes unconditional. (i.e. only the passage of time is required for payment to be made).

k) Income tax

Corporate income tax rate in Sweden is 22.0%, Germany 33.0%, Finland 20.0% and in United Kingdom 20.0%.

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

Assets carried at amortized cost

Assets held for the purpose of collecting contractual cash flows and where these cash flows consist solely of capital amounts and interest, are reported at amortized cost. Interest income from such financial assets is reported as financial income by applying the effective interest method. Gains and losses arising from derecognition from the balance sheet are recognized directly in profit or loss within other gains and losses together with the exchange rate result. The Group refers to cash and cash equivalents, accounts receivable, other receivables.

Financial assets at fair value through the income statements

Assets that do not meet the requirements for being recognized at amortized cost are measured at fair value through the income statement. A gain or loss on a debt instrument that is reported at fair value through the income statement and which is not included in a hedging relationship is reported net in the income statement in the period in which the gain or loss arises. In the Group, this refers to participations in unlisted companies and loans to related parties.

Derivative

Financial assets with embedded derivatives are regarded as a unit when an assessment is to be made if the cash flows from the asset consist solely of principal amounts and interest. The Group has applied IFRS 9 with a forward-looking retroactive effect, but has chosen not to recalculate the comparative figures. This means that the comparison figures provided have been reported in accordance with the previous accounting principles.

Impairment

As of January 1, 2018, the Group values the future expected loan losses related to investments in debt instruments reported at amortized cost based on forward-looking information. The Group chooses a reservation method based on whether there has been a significant increase in credit risk or not.

In accordance with the rules in IFRS 9, the Group applies a simplified method for impairment testing of accounts receivable. The simplification means that the reserve for expected loan losses is calculated based on the loss risk for the entire maturity of the loan and is reported when the receivable is recognized for the first time.

Accounting principles used until 31st of December 2017

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 2017 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 264 (2017: kSEK 255) for the year. Refunds from Collectum can be distributed to the insurance holders and/or the assured. At 31 December 2018 the total amount of refunds from Collectum due to information from Collectum, in the form of a collective consolidation level, amounted to 142% (2017: 154%) 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.

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 2018 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.

u) Contingent liabilities

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. Furthermore, 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. IFRS 9 is not applied in the Parent Company. Instead, the Parent Company applies what is specified in RFR 2 (IFRS 9 Financial Instruments, p. 3-10). Financial instruments are valued at cost. Within subsequent periods, financial assets that are acquired with the intention of being held short-term will be reported in accordance with the lowest value principle at the lowest of cost and market value.

Subsidiary investments include shares in the subsidiaries XCounter Securities AB, Direct Conversion 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 2018 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 3.3m (EUR 0.34m) higher/lower (2017: SEK 3.5m (EUR 0.36m)). 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.

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 2018	Less then 1 year	Between 1 & 3 years	Total
Borrowings	10,006	27,541	37,547
Current liabilities	34,776	-	34,776
Total	**44,782**	**27,541**	**72,323**

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

If customers are rated by independent valuation institutes, these assessments are used. In cases where an independent credit assessment is lacking, a risk assessment is made of the customer's creditworthiness, where financial position, historical experience and other factors are taken into account. Individual risk limits are determined based on internal and external credit assessments in accordance with the limits set by the Board. Compliance with credit limits for wholesalers is regularly monitored by the line organization.

The Group has not reserved any loan losses since the Group's assessment is that the risk of losses is very low or non-existent based on historic data.

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 loans from Nordea Finland, described in Note 21. The interest rate on this loan is floating EURIBOR +1.20-1.80% margin. 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

All revenues reported in each year are attributable to performance obligation made during the respective period.

(kSEK)	Group		Parent	
	2018	2017	2018	2017
Detectors	145,639	115,359	58,781	12,245
Exclusivity	2,826	249	2,826	249
Others	10,434	3,988	13,738	2,998
Total	**158,899**	**119,596**	**75,344**	**15,492**

Long-term contracts

The table below shows the outstanding performance obligations as per current contracts:

(kSEK)	Group		Parent	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Detectors	308,244	*	308,244	*

*In accordance with the transition rules in IFRS 15 has no information about the transaction price been allocated to (partly) unfulfilled performance obligations as of December 31, 2017.

The management expects that kSEK 10,953 (kEUR 1,066) of the transaction price distributed from the outstanding performance obligations as of December 31, will be reported as revenue during the next financial year. The remaining kSEK 297,290 (kEUR 28,933) will be reported in the financial year 2020-2024.

All other agreements have an expected maturity of no more than one year. In accordance with the rules in IFRS 15, disclosure has not been made of the transaction price for these performance obligations.

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 2018		
	XCounter	AJAT	Direct Conversion
Dental sensors	-	86,827	**86,827**
Industrial sensors	50,787	-	**50,787**
Medical sensors	7,994	31	**8,025**
Exclusivity	2,826	-	**2,826**
Others	9,468	966	**10,434**
Total revenue	**71,075**	**87,824**	**158,899**

(kSEK)	January - December 2017		
	XCounter	AJAT	Direct Conversion
Dental systems	338	99,918	**100,256**
Industrial sensors	8,224	3,197	**11,421**
Medical sensors	3,682	-	**3,682**
Exclusivity	249	-	**249**
Others	2,998	989	**3,988**
Total revenue	**15,492**	**104,104**	**119,596**

(kSEK)	31 December 2018				
	Sweden	UK	Germany	Finland	Group
Intangible assets	76,237	-		57,722	**133,959**
Tangible assets	1,562	807	840	4,982	**8,192**
Total	**77,799**	**807**	**840**	**62,704**	**142,151**

(kSEK)	31 December 2017				
	Sweden	UK	Germany	Finland	Group
Intangible assets	50,686	-	-	52,976	**103,661**
Tangible assets	639	912	-	3,632	**5,183**
Total	**51,324**	**912**	**-**	**56,608**	**108,844**

5. Other operating income

(kSEK)	Group		Parent	
	2018	2017	2018	2017
Other operating income	4,512	13,402	-	5,819
Total	**4,512**	**13,402**	**-**	**5,819**

6. Number of employees

	Group		Parent	
	2018	2017	2018	2017
Women	18	17	2	3
Men	51	43	10	9
Total	**69**	**60**	**12**	**12**

7. The Board of Directors' and Executive Management

	Group			
	2018		2017	
	No. at year-end	Whereof men	No. at year-end	Whereof men
The Board of Directors'	4	75%	3	66%
CEO and Executive Management	5	100%	5	100%

	Parent			
	2018		2017	
	No. at year-end	Whereof men	No. at year-end	Whereof men
The Board of Directors'	4	75%	3	66%
CEO and Executive Management	4	100%	4	100%

8. Personal costs

(kSEK)	Group		Parent	
	2018	2017	2018	2017
Wages and salaries*	40,865	31,615	9,283	7,242
Social security costs	2,867	2,396	1,835	1,781
Pension costs - defined contribution plans**	6,941	4,803	2,135	906
Total	**50,674**	**38,814**	**13,353**	**9,929**

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

(kSEK)	For the year 2018				For the year 2017			
Group and Parent	**Salary/ Board fee**	**Pension**	**Other/ variable remuneration**	**Total**	**Salary/ Board fee**	**Pension**	**Other/ variable remuneration**	**Total**
Jean-Philippe Flament, Chairman*	2,975	-	-	**2,975**	2,563	-	-	**2,563**
Dag Mosvold, Non-Executive Director	150	-	-	**150**	-	-	-	-
Ondine de Rothschild, Non-Executive Director	150	-	-	**150**	-	-	-	-
Marc Sperschneider, Non-Executive Director	150	-	-	**150**	-	-	-	-
Spencer Gunn, CEO	2,670	-	-	**2,670**	1,923	-	-	**1,923**
Rasmus Ljungwe, CFO/deputy CEO	1,142	150	100	**1,392**	825	1	-	**826**
Christer Ullberg, CTO	1,809	371	-	**2,180**	1,721	319	-	**2,040**
Pasi Laukka, General Manager	1,003	207	-	**1,210**	1,002	210	14	**1,226**
Total	**10,049**	**728**	**100**	**10,877**	**8,034**	**530**	**14**	**8,078**

*The Chairman received kSEK 200 (2017: kSEK 0) in the role as Chairman and kSEK 2,775 (2017: kSEK 2,563) for consultancy outside of the role as Chairman.

9. Auditors remuneration

(kSEK)	Group		Parent	
	2018	2017	2018	2017
PricewaterhouseCoopers				
Audit assignment	522	574	295	295
Audit business in addition to audit assignment	278	-	278	-
Thorne Lancaster Parker				
Audit assignment	40	40	-	-
Total	**840**	**614**	**573**	**295**

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	
	2018	2017	2018	2017
Exchange gain	-	1,059	-	-
Other interest income	89	2	233	167
Change in embedded derivatives	366		-	
Total	**455**	**1,061**	**233**	**167**
Exchange loss	-1,829	-2,523	-991	-2,052
Other interest expenses	-294	-13	-3	-1
Other financial expenses	-54	-404	-	-
Interest expenses on loans	-466	-329	-1,431	-905
Change in embedded derivative	-	-232	-	-
Total	**-2,643**	**-3,501**	**-2,424**	**-2,958**

11. Income tax expenses

The Swedish corporate tax is 22%, Finnish is 20%, Germany 33% 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	**2018**	**2017**	**2018**	**2017**
Profit/Loss before tax from continuing operations	**25,283**	**8,626**	**14,008**	**733**
Swedish corporation tax 22.0%	-5,562	-1,898	-2,873	-161
Finnish corporation tax 20.0%	-1,587	-4,602	-	-
UK corporation tax 20.0%	286	134	-	-
German corporation tax 33,0%	-56	-	-	-
Effects of:				
Deferred tax*	-247	-177	-	-
Adjustment from previous year	-356	-	-356	-
Unrecognized deferred tax assets on tax loss carryforwards	5,562	1,898	2,873	161
Tax expense for financial year	**-1,961**	**-4,646**	**-356**	**-**

*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 2018 kSEK 1,573 (kEUR 153) (2017: kSEK 4,225 (kEUR 439)). 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 2018 tax deductible losses. Of the Tax expenses for financial is kSEK 1,587 (kEUR 154) actual tax.

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 Direct Conversion Ltd., 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.

Specification of deferred tax

(kSEK)	Group	
	2018	2017
Deferred income tax assets		
Tax loss from operations	286	134
	286	**134**
Deferred income tax liabilities		
Deferred tax liabilities related to temporary differences	-7,202	-4,085
Tax liabilities related to acquisition*	-283	-1,126
	-7,485	**-5,319**
Net value Tax assets and liabilities	**-7,199**	**-5,185**

* 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 profit 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.

(kSEK)	Group	
	2018	2017
Profit attributable to equity holders of the Company	23,323	3,980
Weighted average number of ordinary shares before dilution	16,302,452	15,887,303
Profit per share before dilution, (SEK)	1.43	0.25

13. Intangible assets

(kSEK)	Group		Parent	
Capitalized expenditure for development	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Opening accumulated cost	**167,562**	**146,800**	**136,513**	**125,371**
Changes during the year				
Internally generated assets	39,112	20,043	30,118	11,142
Translation differences	1,064	719	-	-
Closing accumulated cost	**207,737**	**167,562**	**166,631**	**136,513**
Opening accumulated amortization	**21,756**	**-17,686**	**-17,097**	**-13,729**
Changes during the year				
Amortization	-5,359	-4,069	-4,567	-3,368
Closing accumulated amortization	**-27,114**	**-21,756**	**-21,664**	**-17,097**
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	**110,143**	**75,327**	**76,237**	**50,686**

(kSEK)	Group		Parent	
Patents & licenses	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Opening accumulated cost	**6,774**	**6,657**	**-**	**-**
Changes during the year				
Additions	299	25	-	-
Translation differences	170	93	-	-
Closing accumulated cost	**7,243**	**6,774**	**-**	**-**
Opening accumulated amortization	**-4,270**	**-3,523**	**-**	**-**
Changes during the year				
Amortization	-849	-747	-	-
Closing accumulated amortization	**-5,120**	**-4 270**	**-**	**-**
Closing patents & licenses	**2,124**	**2 504**	**-**	**-**

(kSEK)	Group		Parent	
Technology	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Opening accumulated cost	**30,997**	**30,107**	**-**	**-**
Changes during the year				
Translation differences	1,339	890	-	-
Closing accumulated cost	**32,336**	**30,997**	**-**	**-**
Opening accumulated amortization	**-26,864**	**-23,082**	**-**	**-**
Changes during the year				
Amortization	-3,228	-3,031	-	-
Translation differences	-1,167	-751	-	-
Closing accumulated amortization	**-31,258**	**-26,864**	**-**	**-**
Closing technology	**1,078**	**4,133**	**-**	**-**

(kSEK)	Group		Parent	
Intellectual property	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Opening accumulated cost	**8,329**	**8,076**	**-**	**-**
Changes during the year				
Translation differences	344	253	-	-
Closing accumulated cost	**8,672**	**8,329**	**-**	**-**
Opening accumulated amortization	**-7,650**	**-6,574**	**-**	**-**
Changes during the year				
Amortization	-867	-862	-	-
Translation differences	123	-214	-	-
Closing accumulated amortization	**-8,394**	**-7,650**	**-**	**-**
Closing intellectual property	**279**	**-679**	**-**	**-**

(kSEK)	Group		Parent	
Other intangible assets	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Opening accumulated cost	**7,722**	**7,500**	**-**	**-**
Changes during the year				
Translation differences	334	222	-	-
Closing accumulated cost	**8,056**	**7,722**	**-**	**-**
Opening accumulated amortization	**-7,496**	**-6,951**	**-**	**-**
Changes during the year				
Amortization	-176	-332	-	-
Translation differences	-324	-213	-	-
Closing accumulated amortization	**-7,997**	**-7,496**	**-**	**-**
Closing other intangible assets	**59**	**226**	**-**	**-**

(kSEK)	Group		P6arent	
Goodwill	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Opening accumulated cost	**20,793**	**20,196**	**-**	**-**
Changes during the year				
Translation differences	898	597	-	-
Closing accumulated cost	**21,691**	**20,793**	**-**	**-**
Closing goodwill	**21,691**	**20,793**	**-**	**-**

(kSEK)	Group		Parent	
Net intangible assets	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Capitalized expenditure for development	110,143	75,327	76,237	50,686
Patents & licenses	2,124	2,504	-	-
Technology	1,078	4,133	-	-
Intellectual property	279	679	-	-
Other intangible assets	59	226	-	-
Goodwill	21,691	20,793	-	-
Total net intangible assets	**135,374**	**103,661**	**76,237**	**50,686**

Of the generated assets for the Group kSEK 39,112 (2017: kSEK 20,043) is kSEK 39,112 (2017: kSEK 20,043) internal generated.

Of the generated assets for the Parent Company kSEK 30,118 (2017: kSEK 11,142) is kSEK 11,142 internal generated.

The acquisition of AJAT resulted in recognition of goodwill amounting to kSEK 21,691 at closing day 31 December 2018 (31 December 2017: kSEK 20,793).

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 (2017: 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 2019-2028 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 2028 and future on is assumed to 2.0 per cent (2017: 2.0 per cent).

14. Property, plant, and equipment

(kSEK)	Group		Parent	
Leasehold improvements	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Opening accumulated cost	**5,007**	**4,480**	**5**	**5**
Changes during the year				
Additions	337	527	-	-
Closing accumulated cost	**5,344**	**5,007**	**5**	**5**
Opening accumulated amortization	**4,437**	**-3,821**	**-5**	**-5**
Changes during the year				
Depreciation	-622	-616	-	-
Closing accumulated amortization	**-5,059**	**-4,437**	**5**	**5**
Closing net book value	**286**	**570**	**-**	**-**

(kSEK)	Group		Parent	
Equipment, tools, fixtures, and fittings	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Opening accumulated cost	**34,361**	**30,889**	**13,658**	**13,604**
Changes during the year				
Additions	4,819	3,743	1,250	55
Closing accumulated cost	**39,450**	**34,557**	**14,909**	**13,658**
Opening accumulated amortization	**-30,018**	**-28,182**	**-13,020**	**-12,644**
Changes during the year				
Depreciation	-1,848	-1,663	-326	-375
Exchange translation difference	322	-173	-	-
Closing accumulated amortization	**-31,544**	**-30,018**	**- 13,020**	**-13020**
Closing net book value	**7,907**	**4,613**	**1,562**	**639**
Equipment, tools, fixtures, and fittings net book value	**8,192**	**5,183**	**1,562**	**639**

15. Participation in Group Companies

2018

Company's name	**Reg. no.**	**Location**	**Equity**	**Net result**
XCounter Securities AB	556632-6137	Stockholm	61	-3
Direct Conversion Ltd.	09313012	London, UK	-511	710
Direct Conversion GmbH	238866	Munich, DE	427	170
Oy AJAT Ltd	1735843-9	Espoo, FI	62,758	12,154

2018

(kSEK)	Scope of holding		Value of holding
Company's name	**No of shares**	**Share capital**	**Book value**
XCounter Securities AB	1,000	100%	100
Direct Conversion Ltd.	1	100%	1
Direct Conversion GmbH	25 000	100%	246
Oy AJAT Ltd	14,801	100%	59,704
Total			**60,050**

2017

Company's name	**Reg. no.**	**Location**	**Equity**	**Net result**
XCounter Securities AB	556632-6137	Stockholm	63	-37
Direct Conversion Ltd.	09313012	London, UK	-1,408	409
Oy AJAT Ltd	1735843-9	Espoo, FI	48,510	20,905

2017

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

16. Participation in unlisted companies

During 2018 the company has acquired 200,000 shares in the unlisted related party Visuray PLC. The acquisition price was 1.5 euro per share and was unchanged by the end of the year. The fair value of the holding is kSEK 17,725 (kEUR 1,725).

17. Inventories

(kSEK)	Group		Parent	
	31 Dec 2018	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Raw material	12,835	13,989	1,786	768
Work in progress	12,417	5,669	-	-
Finished goods	10,451	3,661	3,103	692
Total	**35,703**	**23,319**	**4,889**	**1,460**

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

(kSEK)	Group		Parent	
	31 Dec 2018	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Trade receivables	22,013	11,860	15,952	3,374
Intercompany receivables	-	-	625	-
Total	**22,013**	**11,860**	**16,577**	**3,374**

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 2018	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
VAT recoverable	2,438	3,674	1,011	640
Other short-term receivables	152	97	152	-
Total other receivables	**2,590**	**3,771**	**1,163**	**640**
Other prepaid expenses	6,568	3,466	2,032	2,459
Total prepaid expenses and accrued income	**6,568**	**3,466**	**2,032**	**2,459**

The total carrying value for assets categorized as Loans and receivables amounts to kSEK 35,730 (2017: kSEK 55,024), and relates to trade receivables, other receivables and bank deposits.

19. Cash and cash equivalents

(kSEK)	Group		Parent	
	31 Dec 2018	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Cash at bank and in hand	4,215	35,927	3,021	14,407
Total	**4,215**	**35,927**	**3,021**	**14,407**

20. Equity

(kSEK)			Additional paid in capital	
Group & Parent	**No. Of ordinary shares**	**Share capital**	**Statutory reserve**	**Share premium**
Opening balance	**16,302,452**	**81,512**	**274,180**	**482,211**
Reduction of statutory reserve	-	-	-274,180	-
Closing balance	**16,302,452**	**81,512**	**-**	**482,211**

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 482,211 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/GBP regarding the acquisition of Oy AJAT Ltd., and the founding of Direct Conversion Ltd., and Direct Conversion GmbH. The par value is SEK 5.00.

21. Loans and borrowings

Carrying value at 31 December 2018 amounted to kSEK 41,670 (kEUR 4,055) (2017: kSEK 41,175 (kEUR 4,180)).

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 7,081 (kEUR 689 (kYEN 86,063)) at 31 December 2018 (2017: kSEK 7,848 (kEUR 797 (kYEN 107,575))). 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 2018 was kSEK 1,384 (kEUR 134) (2017: kSEK 1,287 (kEUR 131)).

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 2018 a repayment was made to all loan givers with a total of kSEK 1,682 (kEUR 163) (2017: 1,893 (kEUR 194)).

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) and in 2017, Ajat got another loan facility from Nordea of kSEK 19,699 (kEUR: 2,000) the loans are 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 respectively October 2018. The repayment amount is kSEK 581 (kEUR 59). The amount does not include interest and the interest is paid in interval of 1 month starting November, 2016 and December, 2017. The loan shall be fully paid by October 2021 and October 2022. The Company has an interest rate hedge over the loan that do not have a material effect 2018. The derivate at the end of 2018 was kSEK 148 (kEUR 14).

(kSEK)	Borrowings expiring within 1 yr.	after 1 yr.	Total
Net borrowings by 31 December 2017	6,087	35,088	**41,175**
Cash Flow	-2,518	-	**-2,518**
Exchange rate differences	177	2,836	**3,013**
Other non-cash items	10,382	-10,382	**-**
Net borrowings by 31 December 2018	**14,128**	**27,542**	**41,670**

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	**2018**	**2017**
Opening balance	611	379
Change in value (financial cost)	-434	232
Closing balance	**177**	**611**

22. Trade and other payables

(kSEK)	Group		Parent	
Current liabilities	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Advance payment from customers	**-**	**1,232**	**-**	**519**
Intercompany payables	**-**	**-**	**7,334**	**-**
Trade payables	**18,347**	**12,604**	**9,615**	**2,826**
Short term loan	4,123	6,087	4,123	-
Payroll related liabilities	1,804	859	733	170
Social security and other taxes	511	330	511	330
Accrued payroll expense	1,597	1,010	1,597	478
Holiday pay liability	4,434	4,624	1,428	1,323
Accrued expenses	3,960	3,702	598	20
Other liabilities	**16,429**	**16,613**	**8,991**	**2,351**
Total current liabilities	**34,776**	**30,449**	**25,940**	**5,696**

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 2018 are as follows:

(kSEK)	Group		Parent	
	2018	**2017**	**2018**	**2017**
Within one year	2,799	2,690	1,055	1,055
Between one and five years	4,854	3,676	2,626	1,587
Total	**7,653**	**6,366**	**3,682**	**2,643**

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	
	2018	**2017**	**2018**	**2017**
Oy Ajat Ltd.	-	-	6,685	5,819
VisuRay	1,532	447	1,532	447
Total sales to related parties	**1,532**	**447**	**8,217**	**6,266**

24.2. Purchases from related parties

(kSEK)	Group		Parent	
	2018	**2017**	**2018**	**2017**
Oy Ajat Ltd.	-	-	15,655	4,072
Innovative Pivotal Applications Ltd.	3,727	2,670	3,727	2,670
Visuray	789	1,869	789	1,869
Direct Conversion GmbH	-	-	3,560	-
Whitehorse Investing Ltd.	2,975	2,601	2,975	2,601
Direct Conversion Ltd.	-	-	12,924	7,724
Total purchases from related parties	**7,491**	**7,140**	**39,630**	**18,936**

24.3. Other related party transactions

(kSEK)	Group		Parent	
	31 Dec 2018	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Loan from Blackhorse Ltd. (payable)	4,123	-	4,123	-
Loan to Visuray PLC (receivable)	3,940	-	3,940	-
Participation in unlisted companies (Visuray PLC) (purchased)	2,954	14,036	2,954	-

24.4. Period-end balances to/from related parties

(kSEK)	Group		Parent	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
AJAT (receivable)	-	-	625	-
AJAT (payable)	-	-	4,261	1,219
Innovative Pivotal Applications Ltd. (payable)	272	-	272	-
VisuRay (receivable)	5,472	447	5,472	447
VisuRay (participation in unlisted company)	17,725	14,036	17,725	14,036
Blackhorse Ltd. (payable)	4,123	-	4,123	-
Whitehorse Investing Ltd. (payables)	663	-	663	-
Direct Conversion GmbH (payable)	-	-	73	-
Direct Conversion Ltd. (receivables)	-	-	-	3,344

25. Pledged assets & contingent liabilities

The subsidiary Oy Ajat Ltd. has pledged assets of kSEK 33,676 (kEUR: 3,277) towards the company's mortgage.

Direct Conversion AB, Parent Company, has signed three agreements together with its subsidiary Oy AJAT Ltd with the lender where one of the loans is denominated in YEN and two 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 7,081 (kEUR 689) (2017: kSEK 7,771 (kEUR 789)). Total amount for EUR denominated loan with principal part and interest until fully repaid end of 2021 is calculated to kSEK 26,595 (kEUR 2,588) (2017: kSEK 29,158 (kEUR 2,960)).

26. Cash used in operations

(kSEK)	Group		Parent	
Adjustments for non-cash items	**2018**	**2017**	**2018**	**2017**
Amortization, intangibles	10,479	9,041	4,567	3,368
Depreciation, tangibles	2,470	2,279	326	375
Currency exchange gain/loss	-333	2,613	33	640
Financial income	-52	-12	-	-1
Financial expense	-	342	3	1
Dividend	-	-	-	-14,507
Total adjustments	**12,564**	**14,263**	**4,929**	**-10,123**

27. Other information and events after the balance sheet date

- In the beginning of 2019, the company got issued a loan of kSEK 8,734 (kEUR 850) from Nordea Finland, this to strengthen the cash flow.

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 2018 impairment assessment extends over the period from 2019 to 2028. 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% (2017: 15.62%) applied to the forecasts. Increasing the discount rate to 20.0% would reduce the total discounted cash flow with approx. SEK 144.5m (EUR 14.1m) (2017: SEK 40.6m (EUR 4.2m)). 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) 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 current business plan should be sufficient to enable the Group the reach sustainable profitability and be in going concern.

d) Participation in unlisted company

Regarding this participation, the Group has chosen to report minority interests at fair value. The fair value of the minority interest in Visuray PLC, which is an unlisted company, was calculated using the share price at which the latest share issue has been completed at. The Group has not made any adjustments related to the lack of controlling influence and the lack of opportunity to trade with the shares, which market participants would consider when assessing the fair value of non-controlling interests in Visuray PLC. The Directors' believe that carrying value is the fair value. Direct Conversion have receivables of kSEK 5,472 and the Directors' believe that this receivable will be paid under 2019.

In the Parent Company participation in unlisted company reported at the lowest of fair value and cost.

29. Proposed appropriation of profit/loss

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

Result brought forward and non-restricted equity	-19,350,290
Result for the period	12,702,117
Total	**-6,648,174**

The Board and the Chief Executive Officer propose that the accumulated deficit, SEK -6,648,174 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.

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 12 at the end of December 2018. 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 75.3m (EUR 7.3m) (2017: SEK 15.5m (EUR 1.6m))
- Result for the period was SEK 12.7m (EUR 1.2m) (2017: SEK 0.7m (EUR 0.08m))
- Net cash at the end of the period of SEK 3.0m (EUR 0.3m) (2017: SEK 14.4m (EUR 1.5m))

31. Future upcoming reporting dates

Annual report 2019	not yet determined

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 2019

The AGM is scheduled to be held April 1st, 2019 at the Company's office, Svärdvägen 23, Danderyd. Notice to the Annual General Meeting have been announced and published to all shareholders on the March 4th, 2019.

Approval of Financial Statements

Consolidated financial statements will be submitted to the annual general meeting April 1st, 2019 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, 11th March 2019

___________________________	___________________________
Jean-Philippe Flament	***Spencer Gunn***
Chairman of the Board	Chief Executive Officer
___________________________	___________________________
Ondine de Rothschild	***Dag Mosvold***
Director	Director
___________________________	
Marc Sperschneider	
Director	

Our Audit report was submitted on 11th March 2019.

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 (publ) for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 4-20 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 and the group as of 31 December 2018 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 2018 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 1-3. 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.

Responsibilities of the Board of Director's 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 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 intend 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 and consolidated accounts is available on Revisorsinspektionen’s website: www.revisorsinspektionen.se/revisornsansvar. This description is 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 Director's and the Managing Director of Direct Conversion AB (publ) for the year 2018 and the proposed appropriations of the company’s profit or loss.

We recommend to the general meeting of shareholders that the loss dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Director's 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 Director's 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’ 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 administration is available on Revisorsinspektionen’s website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor’s report.

Remark

Without impacting our opinion, we wish to make note that deducted taxes, social security contributions and VAT were not paid within the prescribed time periods on a number of occasions.

Malmö, 11th March 2019

PricewaterhouseCoopers AB

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