Direct Conversion

Empowered X-RAY Imaging

Annual Report 2019

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 Direct Conversion 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 - September 2019.

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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 – 30 Sep 2019	*10.7477*	*12.0636*
Balances ending 30 Sep 2019	*10.7477*	*12,0636*
Results for the period 1 Jan – 31 Dec 2018	*10.2767*	*11.5958*
Balances ending 31 Dec 2018	*10.2753*	*11,3482*

Contact

Investor contact:

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Financial highlights

Net Sales for the period January - September amounted to kSEK 93,659 (kEUR 8,714) (2018: kSEK 158,899 (kEUR: 15,462)) which relates mainly to sales of X-ray sensors and systems for dental and industrial use.

Raw material costs for the period January - September amounted to kSEK 31,174 (kEUR 2,901) (2018: kSEK 45,724 (kEUR 4,449)) 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 30 September 2019 amounted to kSEK 19,628 (kEUR 1,826) (2018: kSEK 39,112 (kEUR 3,806)) which is expenditures related to the development of X-ray sensors. Accumulated capitalized development costs as of 30 September 2019 amounted to kSEK 102,507 (kEUR 9,538) (2018: kSEK 112,267 (kEUR 10,926)) including R&D contributions/income for development.

Net cash position at the end of the period was SEK 3.8m (EUR 0.4m) compared to SEK 4.2m (EUR 0.4m) at the end of the same period 2018.

Statement from the Chief Executive Officer

The Shareholders and Board of Directors of Direct Conversion decided to sell their majority stake to Varex Imaging Corporation ("Varex") in a process that completed at the end of February 2019. Strategic goals for R&D and revenue growth remained largely the same and the management team from the CEO down also remained intact. Direct Conversion still has the goal to bring photon counting into the mainstream X-ray detection market and we have made a lot of progress so far in achieving this. Customer solutions have already been released in both the medical and industrial markets and we are expanding in both these areas with more solutions launched late in 2019.

As a supplier of component parts we have considerable forecasting challenges because there is typically minimal control over when a customer's imaging system will enter the market and as such any forecasted ramp-ups may be at risk of slipping. Direct Conversion is as susceptible to this as any other supplier and we have experienced some degree of frustration in this area both with customer delays and lumpiness of the ordering process. While the unpredictability puts strain on lead times and logistics, we are experienced in coping and build to stock where possible. All existing customer prospects remain engaged and moving forward.

Our Ajat dental product sales suffered a dip at the beginning of the year due to de-stocking at one of our major customers. The forecast for this product group is a small decline as we transition existing and new clients to our photon counting platform. Work in this area is intense and positive. Our industrial photon counting devices continue to expand into heavy industry with weld inspection being a particular area of success. Direct Conversion intends to introduce a lower cost version of its line scan TDI detector for entry into higher volume markets such as the food inspection industry where we already have success in the higher end tier of this vertical market.

Our R&D teams have made great progress on our new ASIC (XC-Pyxis) that allows us to build detectors with a larger active area. We expect this new direction will open up even more of the mainstream market to photon counting. While we believe the initial offering will be expensive, we are working on designs that will reduce cost so that we can challenge existing players in the higher end applications as well as opening new avenues for multi spectral, 'colour' X-ray imaging. The big market opportunity for us is CT (Computed Tomography). Direct Conversion already has a customer with a Breast CT medical device on the market and an industrial CT solution customer launching soon. Our XC-Pyxis platform is designed from the start to be a Human CT multi-spectral photon counting detector providing the requisite number of energy bins and counting speeds that match those required for traditional medical CT applications. This R&D project is completely aligned with Varex's goal to be able to provide CT detectors alongside their other product offerings in the global CT marketplace.

Since the acquisition we have brought in a new Sales and Marketing Director who has many years of experience in new technology sales in the x-ray market having worked for Dexela CMOS detectors, PerkinElmer Medical Imaging and as part of Varex. We have also begun to leverage other expertise from within Varex to strengthen our Operations. We have created a Manufacturing Engineering group to support our growing production requirements and with the help of Varex Operations Director for Europe to review our processes and further align ourselves with our new parent. We have also begun to bring in the global Varex sales force by holding training events and informational meetings. Over the long-term we expect to be able to build on existing customer relationships and to capture more customers across both medical and industrial markets.

Direct Conversion is now stronger, more capable and motivated to make photon counting mainstream, to grow sales and bring down costs and with the support of a more global presence providing local support across the world, we can deliver even better customer service. Our next year looks very bright.

The COVID-19 pandemic has caused uncertainty and disruption, but Direct Conversion is still very much open for business.

We continuously monitor the situation and act accordingly, making sure all possible measures are taken to support the health and well-being of our staff and customers. At the same time, we are a responsive and agile business and while the current situation represents a huge challenge for us all, it is one we are determined to meet.

Wherever possible staff are now working from home, however our operations are working normally, and we have no delays in deliveries or our supply chain at any of our sites across Sweden, Finland, UK and Germany. We are well placed to adapt quickly to changes should they arise.

Danderyd, 31st of March 2020, Spencer Gunn, Chief Executive Officer

Board of Directors’

Clarence Verhoef, Executive Chairman

Clarence Verhoef serves as Senior Vice President and Chief Financial Officer of Varex Imaging Corporation. Prior to the separation of Varex from Varian Medical Systems, Clarence had been serving as the Corporate Controller for Varian Medical Systems since 2012 and was the Division Controller for the X-ray Products business from 2006 to 2012. With the spin-off of Varex, Clarence returned to Salt Lake City to assume responsibilities as Chief Financial Officer. Prior to joining Varian in 2006, Clarence served in numerous financial roles, including Chief Financial Officer of Techniscan Medical Systems, and Chief Financial Officer and Vice President of Marketing for GE OEC Medical Systems. He holds a bachelor’s degree in finance from the University of Utah.

Dirk Schimmelschulze, Executive Board Director/Varex Operations Director Europe

Dirk Schimmelschulze serves as Managing Director for the Varex Imaging Deutschland AG since 2017 and heads the operations of Direct Conversion since the company became part of Varex Imaging Corporation in April 2019. He has more than 10 years of experience in various operations roles in the PerkinElmer Corporation since 2010 as Managing Director of the PerkinElmer Technologies GmbH. Prior joining PerkinElmer Dirk has worked in automotive in continuous improvement and other operational functions. He holds a master’s degree of Business Administration from the university of the Saarland / Germany.

Guido Brinkmann, Non-Executive Board Director

Guido Brinkmann serves as Legal Director for the Varex EMEA region. He joined Varex Imaging Deutschland AG in 2018, right after the separation from Varian Medical Systems. Guido has both, law-firm and in-house experience. Prior to joining Varex, he worked as Senior Legal Counsel for Roche Diagnostics GmbH, counselling the global Roche Diabetes Care business. Prior to Roche Diagnostics, Guido was employed as an Associate at a Frankfurt based law firm, dealing with international competition law matters. Guido holds a juris doctor from University of Cologne, Germany, and a law degree from University of Muenster, Germany.

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 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

Mr. Laukka 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.

Maria Meyer Rosenkranz, Head of R&D

Mrs. Meyer Rosenkranz is leading the R&D organization, spread over 3 sites, to work effective and efficient and grow in maturity in line with the business needs. Mrs. Meyer Rosenkranz has 20 years of experience from Ericsson AB where she has led several specialist teams in a global environment. Process development, Project Management, Change Management as well as Sales & Operational Planning are experiences, she contributes with to Direct Conversion since June 2019 when she joined the Company.

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 2019.

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 September 2019 is 70. The subsidiary Oy Direct Conversion Ltd. 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 9.

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'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

Our R&D teams have made great progress on our new ASIC (XC-Pyxis) that allows us to build detectors with a larger active area. We expect this new direction will open up even more of the mainstream market to photon counting. While we believe the initial offering will be expensive, we are working on designs that will reduce cost so that we can challenge existing players in the higher end applications as well as opening new avenues for multi spectral, 'colour' X-ray imaging. The big market opportunity for us is CT (Computed Tomography). Direct Conversion already has a customer with a Breast CT medical device on the market and an industrial CT solution customer launching soon. Our XC-Pyxis platform is designed from the start to be a Human CT multi-spectral photon counting detector providing the requisite number of energy bins and counting speeds that match those required for traditional medical CT applications. This R&D project is completely aligned with Varex's goal to be able to provide CT detectors alongside their other product offerings in the global CT marketplace.

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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 79% (2018: 75%) 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.

COVID-19

The COVID-19 pandemic has caused uncertainty and disruption, but Direct Conversion is still very much open for business.

We continuously monitor the situation and act accordingly, making sure all possible measures are taken to support the health and well-being of our staff and customers. At the same time, we are a responsive and agile business and while the current situation represents a huge challenge for us all, it is one we are determined to meet.

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Summary of the Company’s Financial Development

kSEK	**2019**	**2018**
Revenue	93,659	158,899
Other operating income	2,065	4,512
EBITDA	-13,247	40,420
Operating result	-48,472	27,472
Net result	-62,498	23,323
Net result per share, SEK	-3,83	1.43
Intangible assets	125,723	135,374
Cash and cash equivalents	3,787	4,215
Total number of shares at par value	16,302,452	16,302,452
Share capital	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	-17,825,284
Profit for the period	-46,091,387
Total	**-63,916,671**

The Board and the Chief Executive Officer propose that the accumulated deficit, SEK -63,916,671 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 2020

The Annual General Meeting will be held on May 5th, 2020 at the Company’s office, Svärdvägen 23, Danderyd. Notice of the meeting have been announced and published to shareholders March 31st, 2020.

Participation in unlisted companies

Under the year of 2018 the company 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 was kSEK 17,725 (kEUR 1,725). During the year of 2019 the Company sold its asset in Visuray PLC with a loss of kSEK -15,285 (kEUR -1,422). This divestment was done as Varex as the acquirer of Direct Conversion weren’t interest in any ownership in Visuray PLC.

Consolidated Income Statement

(kSEK)	Note 1	January-September 2019	January-December 2018
Operating income			
Revenues	3, 4, 24	93,659	158,899
Other operating income	5	2,065	4,512
Total operating income		**95,724**	**163,411**
Work performed by the entity and capitalized			
Work performed by the entity and capitalized	14	19,628	39,112
Total work performed by the entity and capitalized		**19,628**	**39,112**
Operating expenses			
Raw material costs		-31,174	-45,724
Other external costs	10, 24	-48,271	-65,704
Personnel costs	9	-49,155	-50,674
Impairment loss of intangible assets	14	-25,515	-
Depreciation of equipment and intangible assets	14, 15	-9,710	-12,948
Total operating expenses		**-163,824**	**-175,051**
Operating result		**-48,472**	**27,472**
Result from financial items			
Divestment of financial asset		-15,285	-
Financial income	11	388	455
Financial expenses	11	-4,294	-2,643
Total result from financial items		**-19,191**	**-2,188**
Profit before tax		**-67,663**	**25,283**
Income tax	12	5,165	-1,961
Net profit/loss for the year		**-62,498**	**23,323**
Parent Company shareholders		-62,498	23,323
Result per share			
Result per share (SEK)	13	-3.83	1.43
Weighted number of shares	13	16,302,452	16,302,452
Actual number of shares	21	16,302,452	16,302,452

Total Comprehensive Loss

(kSEK)	January-September 2019	January-December 2018
Net profit/loss for the year	-62,498	23,323
Other comprehensive profit/loss for the year:		
Foreign currency translation difference of foreign operations	4,655	2,974
Total other comprehensive profit/loss for the year	**4,655**	**2,974**
Total comprehensive profit/loss for the year	**-57,843**	**26,297**
Total comprehensive profit/loss for the year attributable to:		
Parent Company shareholders	-57,843	26,297

Consolidated Statement of Financial Position

(kSEK)	Note 1	30 Sep 2019	31 Dec 2018
Fixed assets			
Intangible fixed assets	14	125,723	135,374
Property, plant & equipment, owned	15	7,806	8,192
Property, plant & equipment, ROU-Asset	8	45,220	-
Financial Assets	17	-	21,665
Deferred tax assets	12	278	286
Total fixed assets		**179,027**	**165,517**
Current assets			
Inventories	18	33,643	35,703
Trade receivables	19	15,212	22,013
Other receivables	19	2,439	2,590
Prepaid expenses and accrued income	19	7,798	6,568
Cash and cash equivalents	20	3,787	4,215
Total current assets		**62,878**	**71,088**
Total assets		**241,905**	**236,605**
Equity			
Equity attributable to Parent Company shareholder			
Share capital	21	81,512	81,512
Additional paid in capital	21	482,211	482,211
Translation reserve		5,968	1,313
Retained loss		-470,734	-408,238
Equity attributable to Parent Company shareholders		**98,957**	**156,798**
Total equity		**98,957**	**156,798**
Non-current liabilities			
Borrowings	22	41,149	37,547
Lease liability	8	38,929	-
Deferred tax liabilities	12	2,042	7,485
Other payables		9,251	-
Total Non-current liabilities		**91,372**	**45,031**
Current liabilities			
Advance payment from customers	23	13,026	-
Trade payables	23	13,232	18,347
Lease liability	8	7,067	-
Other payables	23	18,252	16,429
Total current liabilities		**51,577**	**34,776**
Total liabilities		**142,948**	**79,807**
Total equity and liabilities		**241,905**	**236,605**

Consolidated Statement of Changes in Equity

(kSEK)	Share capital	Additional contributed capital	Translation reserve	Retained loss	**Total**
Balance at 31 December 2017	**81,512**	**756,391**	**-1,662**	**-705,741**	**130,501**
Net result for the year	-	-	-	23,323	**23,323**
Total other comprehensive result	-	-	2,974	-	**2,974**
Total recognized result 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**
Change in standards	-	-	-	2	**2**
Adjusted opening balance	*81,512*	*482,211*	*1,313*	*-408,238*	***156,799***
Net result for the year	-	-	-	-62,498	**-62,498**
Total other comprehensive gains	-	-	4,655	-	**4,655**
Total recognized result and expense for the year	**-**	**-**	**4,655**	**-62,498**	**-578,843**
Balance at 30 September 2019	**81,512**	**482,211**	**5,968**	**-470,734**	**98,957**

Consolidated Statement of Cash Flow

(kSEK)	**Note 1**	**January-September 2019**	**January-December 2018**
Cash flows from/used in operating activities			
Profit/loss after financial items	12	-67,663	25,283
Adjustments for non-cash items	26	50,641	12,564
Tax paid		-287	-4,668
Interest paid		-373	-466
Net cash from operating activities before change in working capital		**-17,682**	**13,297**
Cash flow from change in working capital			
Inventories		4,264	-11,439
Trade and other receivables		14,155	-14,999
Trade and other payables		1,333	13,030
Change in working capital		**19,752**	**-13,408**
Net cash from operating activities		**2,070**	**14,408**
Investing activities			
Acquisition of intangible assets	14	-656	-299
Acquisition of equipment	15	-1,682	-5,156
Divestment/Acquisition of financial assets	17	2,440	-2,954
Change in loans to related party	24	3,940	-3,853
Capitalized expenditure for development	14	-19,628	-39,112
Net cash used in investing activities		**-15,586**	**-51,375**
Financing activities			
Payment of lease liabilities	8	5,519	-
New short-term borrowings from related party	24	9,865	-
Change in other loans		-4,123	4,110
Change in capital loans & convertible loans		2,061	-2,638
Net cash from financing activities		**13,322**	**-2,518**
Cash flow of the year		**-194**	**-34,585**
Cash and cash equivalents beginning of the year	20	**4,215**	**35,927**
Effect of exchange rate fluctuations on cash held		**-234**	**2,873**
Cash and cash equivalents end of the year		**3,787**	**4,215**

Income Statement for the Parent Company

(kSEK)	Note 1	January-September 2019	January-December 2018
Operating income			
Revenues	3, 4, 24	34,772	75,344
Other operating income	5	-	-
Total operating income		**34,772**	**75,344**
Work performed by the entity and capitalized			
Work performed by the entity and capitalized	14	15,873	30,118
Total work performed by the entity and capitalized		**15,873**	**30,118**
Operating expenses			
Raw material costs		-6,832	-17,337
Other external costs	10, 24	-44,941	-54,629
Personnel costs	9	-19,263	-13,353
Depreciation and amortization of equipment and intangible assets	14, 15	-5,315	-4,893
Total operating expenses		**-76,351**	**-90,213**
Operating profit/loss		**-25,706**	**15,250**
Result from financial items			
Loss on participation in unlisted companies	17	-15,285	-
Other interest income and similar profit items	11	117	233
Interest expenses and similar profit items	11	-5,217	-2,424
Total result from financial items		**-20,385**	**2,192**
Profit/Loss before taxes		**-46,091**	**13,058**
Income tax		-	-356
Net Profit/loss for the year		**-46,091**	**12,702**

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	30 Sep 2019	31 Dec 2018
Fixed assets			
Intangible fixed assets	14	87,168	76,237
Property, plant & equipment, owned	15	1,234	1,562
Property, plant & equipment, ROU-Asset	8	7 066	-
Financial assets			
Loan to subsidiary		3,824	1,556
Loan to related parties	24	-	3,940
Participations in unlisted companies	17	-	17,725
Participations in Group companies	16	60,050	60,050
Total fixed assets		**159 342**	**161,070**
Current assets			
Inventories	18	886	4,889
Trade receivables	19	7,348	15,952
Intercompany receivables	19	-	625
Other receivables	19	1,008	1,163
Prepaid expenses and accrued income	19	1,476	1,687
Cash and bank balances	20	1,297	3,021
Total current assets		**12,015**	**27,337**
Total assets		**171,357**	**188,407**
Equity			
Restricted equity			
Share capital	21	81,512	81,512
Statutory reserve	21	-	-
Reserve for Capitalized expenditure for development		68,062	56,885
Total restricted equity		**149,575**	**138,397**
Non-restricted equity			
Share premium reserve	21	482,211	482,211
Loss brought forward		-500,036	-501,561
Net profit/loss for the year		-46,091	12,702
Total non-restricted equity		**-63,917**	**-6,648**
Total equity		**85,658**	**131,749**
Non-current liabilities			
Lease liability	8	5,617	-
Intercompany borrowings	22	42,412	30,718
Other non-current liabilities	22	9,195	-
Total non-current liabilities		**57,224**	**30,718**
Current liabilities			
Advance payment from customers	23	10,781	-
Trade payables	23	3,030	9,615
Intercompany payables	23	-	7,334
Lease liability	8	1,449	-
Other payables	23	13,216	8,991
Total current liabilities		**28,476**	**25,940**
Total equity and liabilities		**171,357**	**188,407**

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	Retained loss	Net loss of the year	**Total equity**
Balance at 31 December 2017	**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**
Distribution of net losses as resolved by the AGM	-	-	-	-	12,702	-12,702	-
Net profit/loss for the year	-	-	-	-	-	-46,091	**-46,091**
Capitalized expenditure for development	-	-	15,873	-	-15,873	-	-
Depreciation on Capitalized expenditure for development	-	-	-4,696	-	4,696	-	-
Balance at 30 September 2019	**81,512**	**-**	**68,062**	**482,211**	**-500 036**	**-46,091**	**85,658**

Cash Flow for the Parent Company

(kSEK)	Note 1	January-September 2019	January-December 2018
Cash flows used in operating activities			
Profit/loss after financial items	12	-46,091	13,058
Adjustments for non-cash items	26	20 600	4,929
Interest paid		-	-
Net cash used in operating activities before change in working capital		**-25,491**	**17,987**
Cash flow from change in working capital			
Inventories		3,658	-3,429
Trade and other receivables		9,939	-13,113
Trade and other payables		4,541	16,279
Change in working capital		**18,138**	**262**
Net cash used in operating activities		**-8,207**	**17,725**
Investing activities			
Capitalized expenditure for development	14	-15,873	-30,118
Acquisition of equipment	15	-44	-1,250
Dividend from subsidiary		-	-
Change of loans to related party	24	3,940	-3,853
Acquisition of foreign subsidiary		-	-246
Divestment/Acquisition of financial assets	17	2,440	-2,954
Net cash used in investing activities		**-9,538**	**-38,421**
Cash flows from financing activities			
Payment of lease liabilities	8	854	-
Raise of intercompany loans		9,425	5,201
New short-term borrowings from related party	24	9,865	-
Change of loans from related party	24	-4,123	4,110
Net cash from financing activities		**16,021**	**9,311**
Cash flow of the year		**-1,724**	**-11,385**
Cash and cash equivalents in the beginning of the year	20	**3,021**	**14,407**
Cash and cash equivalents end of the year		**1,297**	**3,021**

Notes on Consolidated Financial Statements for the Year Ended 2019

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 31th March 2020. 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 5th May 2020.

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 Direct Conversion 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 14, Intangible assets.

e) New accounting policies applied by the Group in 2019

The following new, amended or improved accounting standards were applicable from January 1, 2019: IFRS 16 Leases. A summary of the balance adjustment to the balance sheet is presented in the table below. The other new, amended or improved standards mentioned above did not have any material impact on Direct Conversion financial statements.

(kSEK)

30 September 2019

Assets		Equity & Liabilities	
Right-of-use assets	45,220	Lease liabilities	45,996
		Retained earnings	-776
Total	**45,220**	**Total**	**45,220**

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

The following new, amended or improved accounting standards have been published but are not mandatory for 2019 and have not been early adopted by Direct Conversion: IFRS 3 Business Combinations; IFRS 17 Insurance Contracts; IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current ; amendments to IAS 1 and IAS 8: Definition of material (endorsed by the EU on November 29, 2019). These new, amended or improved standards have not yet been endorsed by the EU unless specifically stated above and they are not expected to have any material impact on Direct Conversion financial statements.

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 21.4%, 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

Financial assets 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 from 1 January, 2018.

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.

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 Direct Conversion 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 Direct Conversion 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 Direct Conversion 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, 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 627 (2018: kSEK 264) for the year. Refunds from Collectum can be distributed to the insurance holders and/or the assured. At 30 September 2019 the total amount of refunds from Collectum due to information from Collectum, in the form of a collective consolidation level, amounted to 142% (2018: 142%) 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. One of the outstanding receivables at end of September 2019 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 15).

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., Direct Conversion GmbH, and Oy Direct Conversion 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 Oy Direct Conversion Ltd.’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 September 2019 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 2.6m (EUR 0.25m) higher/lower (2018: SEK 3.3m (EUR 0.34m)). This is mainly a result of currency exchange gains/losses on translation differences for the Oy Direct Conversion Ltd., 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 30 September 2019	Less then 1 year	Between 1 & 3 years	Total
Borrowings	27,107	27,610	54,716
Leasing liabilities	7,067	38,929	45,996
Current liabilities	31,278	-	31,278
Total	**65,451**	**66,539**	**131,990**

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 22. 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 22.

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 22. 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 22.

3. Revenue distribution

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

(kSEK)	Group		Parent	
	2019	**2018**	**2019**	**2018**
Detectors	88,695	145,639	31,400	58,781
Exclusivity	-	2,826	-	2,826
Others	4,965	10,434	3,372	13,738
Total	**93,659**	**158,899**	**34,772**	**75,344**

Long-term contracts

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

(kSEK)	Group		Parent	
	30 Sep 2019	**31 Dec 2018**	**30 Sep 2019**	**31 Dec 2018**
Detectors	316,372	308,244	316,372	308,244

The management expects that kSEK 16,872 (kEUR 1,586) of the transaction price distributed from the outstanding performance obligations as of September 30, will be reported as revenue during the next financial year. The remaining kSEK 302,266 (kEUR 28,413) will be reported in the financial year 2020-2025.

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 - September 2019		
	Photon Counting	**Charge Integrating**	**Direct Conversion**
Medical sensors	3,079	55,912	**58,990**
Industrial sensors	28,321	1,383	**29,704**
Others	3,372	1,593	**4,965**
Total revenue	**34,772**	**58,888**	**93,659**

(kSEK)	January - December 2018		
	Photon Counting	**Charge Integrating**	**Direct Conversion**
Medical sensors	7,994	86,858	**94,852**
Industrial sensors	28,321	1,383	**50,787**
Exclusivity	2,826	-	**2,826**
Others	9,468	966	**10,434**
Total revenue	**71,075**	**87,824**	**158,899**

(kSEK)	30 September 2019				
	Sweden	**UK**	**Germany**	**Finland**	**Group**
Intangible assets	87,168	-	559	37,997	**125,723**
Tangible assets	1,234	729	2,147	3,697	**7,806**
Total	**88,402**	**729**	**2,705**	**41,693**	**133,529**

(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**

5. Other operating income

(kSEK)	Group		Parent	
	2019	**2018**	**2019**	**2018**
Other operating income	2,065	4,512	-	-
Total	**2,065**	**4,512**	**-**	**-**

6. Number of employees

	Group		Parent	
	2019	**2018**	**2019**	**2018**
Women	18	18	3	2
Men	52	51	11	10
Total	**70**	**69**	**14**	**12**

7. The Board of Directors' and Executive Management

	Group			
	2019		**2018**	
	No. at year-end	Whereof men	No. at year-end	Whereof men
The Board of Directors'	4	75%	4	75%
CEO and Executive Management	5	80%	5	100%

	Parent			
	2019		**2018**	
	No. at year-end	Whereof men	No. at year-end	Whereof men
The Board of Directors'	4	75%	4	75%
CEO and Executive Management	4	75%	4	100%

8. Leases

The Group is lessee in all the lease arrangements. The Group lease office premises, production premises, vehicles, and certain office equipment.

Property, plant and equipment, right-of-use

Group (kSEK)	**Buildings**	**Other**	**Total**
Carrying amount			
Opening balance January 1, 2019	**38,055**	**304**	**38,360**
Additions	24,524	-	**24,524**
Cancellations	-12,145	-	**-12,145**
Depreciation	-5,430	-89	**-5,519**
Closing balance, September 30, 2019	**45,004**	**215**	**45,220**

9. Personnel costs

(kSEK)	Group		Parent	
	2019	2018	2019	2018
Wages and salaries	40,200	40,865	14,637	9,283
Social security costs	4,258	2,867	3,465	1,835
Pension costs - defined contribution plans	4,697	6,941	1,161	2,135
Total	**49,155**	**50,674**	**19,263**	**13,353**

(kSEK)	For the year 2019				For the year 2018			
Group and Parent	Salary/ Board fee	Pension	Other/ variable remuneration	Total	Salary/ Board fee	Pension	Other/ variable remuneration	Total
Jean-Philippe Flament, Chairman*/**	-	-	2,176	**2,176**	2,975	-	-	**2,975**
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	2,000	25	430	**2,455**	2,670	-	-	**2,670**
Rasmus Ljungwe, CFO/deputy CEO	952	375	250	**1,577**	1,142	150	100	**1,392**
Christer Ullberg, CTO	1,221	416	250	**1,888**	1,809	371	-	**2,180**
Maria Rosenkranz, Head of R&D***	296	-	-	**296**	-	-	-	**-**
Pasi Laukka, General Manager	776	52	27	**855**	1,003	207	-	**1,210**
Total	**5,246**	**869**	**3,133**	**9,248**	**10,049**	**728**	**100**	**10,877**

*These board members left the board in April 2019. **All remuneration relates to consultancy outside of the role as Chairman. ***Head of R&D start her employment in June 2019.

10. Auditors remuneration

(kSEK)	Group		Parent	
	2019	2018	2019	2018
PricewaterhouseCoopers				
Audit assignment	895	522	701	295
Audit business in addition to audit assignment	821	278	821	278
Thorne Lancaster Parker				
Audit assignment	41	40	-	-
Total	**1,756**	**840**	**1,522**	**573**

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.

11. Financial items

(kSEK)	Group		Parent	
	2019	2018	2019	2018
Exchange gain	216	-	-	-
Other interest income	43	89	117	233
Change in embedded derivatives	129	366	-	-
Total	**388**	**455**	**117**	**233**
Exchange loss	-3,767	-1,829	-3,696	-991
Other interest expenses	-22	-294	-22	-3
Other financial expenses	-	-54	-	-
Lease liability interest expenses	-1	-	-	-
Interest expenses on loans	-504	-466	-1,499	-1,431
Total	**-4,294**	**-2,643**	**-5,217**	**-2,424**

12. Income tax expenses

The Swedish corporate tax is 21.4%, 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	**2019**	**2018**	**2019**	**2018**
Profit/Loss before tax from continuing operations	**-67,663**	**25,283**	**-46,091**	**14,008**
Swedish corporation tax 21.4%	14,480	-5,562	9,864	-2,873
Finnish corporation tax 20.0%	5,165	-1,587	-	-
UK corporation tax 20.0%	278	286	-	-
German corporation tax 33,0%	-64	-56	-	-
Effects of:				
Deferred tax*	-215	-247	-	-
Adjustment from previous year	-	-356	-	-356
Unrecognized deferred tax assets on tax loss carryforwards	-14,480	5,562	-9,864	2,873
Tax expense for financial year	**5,165**	**-1,961**	**-**	**-356**

*Deferred income tax of 20% at the amortization of acquired intangible assets for Oy Direct Conversion Ltd., with the headings Technology, Intellectual property and Other intangible assets on note 14, for 2019 kSEK 1,017 (kEUR 95) (2018: kSEK 1,573 (kEUR 153)). 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 30 September 2019 tax deductible losses. Of the Tax expenses for financial is kSEK 287 (kEUR 27) 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	
	2020	2019
Deferred income tax assets		
Tax loss from operations	278	286
	278	**286**
Deferred income tax liabilities		
Deferred tax liabilities related to temporary differences	-2,695	-7,202
Tax liabilities related to acquisition*	652	-283
	-2,042	**-7,485**
Net value Tax assets and liabilities	**-1,764**	**-7,199**

* Deferred income tax with 20.0% at the gross amounts/values of the acquired intangible assets for Oy Direct Conversion Ltd., with the headlines Technology, Intellectual property and Other intangible assets on note 14.

13. 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	
	2019	2018
Result attributable to equity holders of the Company	62,498	23,323
Weighted average number of ordinary shares before dilution	16,302,452	16,302,452
Result per share before dilution, (SEK)	-3.83	1.43

14. Intangible assets

(kSEK) Capitalized expenditure for development	Group 30 Sep 2019	Group 31 Dec 2018	Parent 30 Sep 2019	Parent 31 Dec 2018
Opening accumulated cost	**207,737**	**167,562**	**166,631**	**136,513**
Changes during the year				
Internally generated assets	19,628	39,112	15,873	30,118
Translation differences	1,559	1,064	-	-
Closing accumulated cost	**228,924**	**207,737**	**182,504**	**166,631**
Opening accumulated amortization	**-27,114**	**-21,756**	**-21,664**	**-17,097**
Changes during the year				
Amortization	-5,487	-5,359	-4,942	-4,567
Closing accumulated amortization	**-32,601**	**-27,114**	**-26,606**	**-21,664**
Opening accumulated impairment	**-70,479**	**-70,479**	**-68,730**	**-68,730**
Changes during the year				
Impairment loss	-25,515	-	-	-
Closing accumulated impairment	**-95,994**	**-70,479**	**-68,730**	**-68,730**
Closing capitalized expenditure for development	**100,329**	**110,143**	**87,168**	**76,237**

(kSEK) Patents & licenses	Group 30 Sep 2019	Group 31 Dec 2018	Parent 30 Sep 2019	Parent 31 Dec 2018
Opening accumulated cost	**7,243**	**6,774**	**-**	**-**
Changes during the year				
Additions	559	299	-	-
Translation differences	170	170	-	-
Closing accumulated cost	**7,972**	**7,243**	**-**	**-**
Opening accumulated amortization	**-5,120**	**-4,270**	**-**	**-**
Changes during the year				
Amortization	-675	-849	-	-
Closing accumulated amortization	**-5,794**	**-5,120**	**-**	**-**
Closing patents & licenses	**2,178**	**2,124**	**-**	**-**

(kSEK) Technology	Group 30 Sep 2019	Group 31 Dec 2018	Parent 30 Sep 2019	Parent 31 Dec 2018
Opening accumulated cost	**32,336**	**30,997**	**-**	**-**
Changes during the year				
Translation differences	1,487	1,339	-	-
Closing accumulated cost	**33,823**	**32,336**	**-**	**-**
Opening accumulated amortization	**-31,258**	**-26,864**	**-**	**-**
Changes during the year				
Amortization	-1,127	-3,228	-	-
Translation differences	-1,437	-1,167	-	-
Closing accumulated amortization	**-33,823**	**-31,258**	**-**	**-**
Closing technology	**-**	**1,078**	**-**	**-**

(kSEK) Intellectual property	Group 30 Sep 2019	Group 31 Dec 2018	Parent 30 Sep 2019	Parent 31 Dec 2018
Opening accumulated cost	**8,672**	**8,329**	**-**	**-**
Changes during the year				
Translation differences	399	344	-	-
Closing accumulated cost	**9,071**	**8,672**	**-**	**-**
Opening accumulated amortization	**-8,394**	**-7,650**	**-**	**-**
Changes during the year				
Amortization	-302	-867	-	-
Translation differences	-375	123	-	-
Closing accumulated amortization	**9,071**	**-8,394**	**-**	**-**
Closing intellectual property	**-**	**279**	**-**	**-**

(kSEK) Other intangible assets	Group 30 Sep 2019	Group 31 Dec 2018	Parent 30 Sep 2019	Parent 31 Dec 2018
Opening accumulated cost	**8,056**	**7,722**	**-**	**-**
Changes during the year				
Translation differences	370	334	-	-
Closing accumulated cost	**8,426**	**8,056**	**-**	**-**
Opening accumulated amortization	**-7,997**	**-7,496**	**-**	**-**
Changes during the year				
Amortization	-59	-176	-	-
Translation differences	-370	-324	-	-
Closing accumulated amortization	**-8,426**	**-7,997**	**-**	**-**
Closing other intangible assets	**-**	**59**	**-**	**-**

(kSEK) Goodwill	Group 30 Sep 2019	Group 31 Dec 2018	Parent 30 Sep 2019	Parent 31 Dec 2018
Opening accumulated cost	**21,691**	**20,793**	**-**	**-**
Changes during the year				
Translation differences	1,525	898	-	-
Closing accumulated cost	**23,216**	**21,691**	**-**	**-**
Closing goodwill	**23,216**	**21,691**	**-**	**-**

(kSEK) Net intangible assets	Group 30 Sep 2019	Group 31 Dec 2018	Parent 30 Sep 2019	Parent 31 Dec 2018
Capitalized expenditure for development	100,329	110,143	87,168	76,237
Patents & licenses	2,178	2,124	-	-
Technology	-	1,078	-	-
Intellectual property	-	279	-	-
Other intangible assets	-	59	-	-
Goodwill	23,216	21,691	-	-
Total net intangible assets	**125,723**	**135,375**	**87,168**	**76,237**

Of the generated assets for the Group kSEK 19,628 (2018: kSEK 39,112) is kSEK 19,628 (2018: kSEK 39,112) internal generated. An impairment of kSEK 25,515 (kEUR 2,374) on capitalized expenditure for development was done in 2019. The impairment relates to charge integrating technology which has been discontinued and replaced with photon counting technology for the dental market.

Of the generated assets for the Parent Company kSEK 15,873 (2018: kSEK 30,118) is kSEK 15,873 internal generated.

The acquisition of Oy Direct Conversion Ltd. resulted in recognition of goodwill amounting to kSEK 23,216 at closing day 30 September 2019 (31 December 2018: kSEK 21,691).

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 (2018: 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 2020-2029 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 2029 and future on is assumed to 2.0 per cent (2018: 2.0 per cent).

15. Property, plant, and equipment, owned

(kSEK)	Group		Parent	
Leasehold improvements	**30 Sep 2019**	**31 Dec 2018**	**30 Sep 2019**	**31 Dec 2018**
Opening accumulated cost	**5,344**	**5,007**	**5**	**5**
Changes during the year				
Additions	1,573	337	-	-
Closing accumulated cost	**6,917**	**5,344**	**5**	**5**
Opening accumulated amortization	**-5,059**	**-4,437**	**-5**	**-5**
Changes during the year				
Depreciation	-70	-622	-	-
Exchange translation difference	10	-	-	-
Closing accumulated amortization	**-5,119**	**-5,059**	**-5**	**-5**
Closing net book value	**1,798**	**286**	**-**	**-**

(kSEK)	Group		Parent	
Equipment, tools, fixtures, and fittings	**30 Sep 2019**	**31 Dec 2018**	**30 Sep 2019**	**31 Dec 2018**
Opening accumulated cost	**39,450**	**34,361**	**14,909**	**13,658**
Changes during the year				
Additions	266	4,819	44	1,250
Closing accumulated cost	**39,716**	**39,450**	**14,953**	**14,909**
Opening accumulated amortization	**-31,544**	**-30,018**	**-13,346**	**-13,020**
Changes during the year				
Depreciation	-1,988	-1,848	-373	-326
Exchange translation difference	-178	322	-	-
Closing accumulated amortization	**-33,709**	**-31,544**	**-13,716**	**- 13,020**
Closing net book value	**6,007**	**7,907**	**1,234**	**1,562**
Equipment, tools, fixtures, and fittings net book value	**7,806**	**8,192**	**1,234**	**1,562**

16. Participation in Group Companies

2019

Company's name	**Reg. no.**	**Location**	**Equity**	**Net result**
XCounter Securities AB	556632-6137	Stockholm	58	-3
Direct Conversion Ltd.	09313012	London, UK	161	751
Direct Conversion GmbH	238866	Munich, DE	639	193
Oy Direct Conversion Ltd	1735843-9	Espoo, FI	38,989	1,271

(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 Direct Conversion Ltd	14,801	100%	59,704
Total			**60,050**

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 Direct Conversion Ltd	1735843-9	Espoo, FI	62,758	12,154

(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 Direct Conversion Ltd	14,801	100%	59,704
Total			**60,050**

17. Participation in unlisted companies

Under the year of 2018 the company 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 was kSEK 17,725 (kEUR 1,725). During the year of 2019 the Company sold its asset in Visuray PLC with a loss of kSEK -15,285 (kEUR -1,422). This divestment was done as Varex Imaging as the acquirer of Direct Conversion weren't interest in any ownership in Visuray PLC.

18. Inventories

(kSEK)	Group		Parent	
	30 Sep 2019	**31 Dec 2018**	**30 Sep 2019**	**31 Dec 2018**
Raw material	12,600	12,835	517	1,786
Work in progress	12,988	12,417	-	-
Finished goods	8,055	10,451	369	3,103
Total	**33,643**	**35,703**	**886**	**4,889**

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

(kSEK)	Group		Parent	
	30 Sep 2019	**31 Dec 2018**	**30 Sep 2019**	**31 Dec 2018**
Trade receivables	15,212	22,013	7,348	15,952
Intercompany receivables	-	-	-	625
Total	**15,212**	**22,013**	**7,348**	**16,577**

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	
	30 Sep 2019	**31 Dec 2018**	**30 Sep 2019**	**31 Dec 2018**
VAT recoverable	1,790	2,438	1,008	1,011
Other short-term receivables	649	152	-	152
Total other receivables	**2,439**	**2,590**	**1,008**	**1,163**
Other prepaid expenses	7,798	6,568	1,476	2,032
Total prepaid expenses and accrued income	**7,798**	**6,568**	**1,476**	**2,032**

The total carrying value for assets categorized as Loans and receivables amounts to kSEK 25,449 (2018: kSEK 31,171), and relates to trade receivables, other receivables and bank deposits.

20. Cash and cash equivalents

(kSEK)	Group		Parent	
	30 Sep 2019	**31 Dec 2018**	**30 Sep 2019**	**31 Dec 2018**
Cash at bank and in hand	3,787	4,215	1,297	3,021
Total	**3,787**	**4,215**	**1,297**	**3,021**

21. Equity

(kSEK)			Additional paid in capital	
Group & Parent	**No. Of ordinary shares**	**Share capital**	**Statutory reserve**	**Share premium**
Opening/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 Direct Conversion Ltd., and the founding of Direct Conversion Ltd., and Direct Conversion GmbH. The par value is SEK 5.00.

22. Loans and borrowings

Carrying value at 30 September 2019 amounted to kSEK 51,014 (kEUR 4,747) (2018: kSEK 41,670 (kEUR 4,055)).

The borrowings, all of which were assumed in connection with the acquisition of Oy Direct Conversion Ltd, 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 5,863 (kEUR 546 (kYEN 64,545)) at 30 September 2019 (2018: kSEK 7,081 (kEUR 689 (kYEN 86,063))). 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 30 September 2019 was kSEK 1,480 (kEUR 138) (2018: kSEK 1,384 (kEUR 134)).

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 2019 a repayment was made to Acrorad with a total of kSEK 1,954 (kEUR 182) (2018: 1,682 (kEUR 163)).

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 Oy Direct Conversion Ltd., got a loan facility from Nordea of kSEK 9,567 (kEUR: 1,000), in 2017, Direct Conversion Ltd., got another loan facility from Nordea of kSEK 19,699 (kEUR: 2,000), and in 2019 the company got a third loan of kSEK 9,136 (kEUR 850), all 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 third loan is amortized on monthly basis of kSEK 254 (kEUR 24). 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, October 2022, and January 2022. The Company has an interest rate hedge over the loan that do not have a material effect 2018.

In 2019 Direct Conversion AB got two loan facilities from Varex Imaging International AG and Varex Imaging Deutschland AG á kUSD 500 (kSEK 4,897 (kEUR 456)). The annual interest charged on the loan is 5%. Both loans are to be repaid during 2020 and currently holds a carrying value a combined carrying value of kSEK 9,865 (kEUR 918).

(kSEK)	Borrowings expiring within 1 yr.	after 1 yr.	Total
Net borrowings by 31 December 2018	14,128	27,542	**41,670**
Cash Flow	7,639	4,060	**11,699**
Exchange rate differences	-	-2,355	**-2,355**
Other non-cash items	1,638	-1,638	**-**
Net borrowings by 30 September 2019	**23,404**	**27,610**	**51,014**

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	**2019**	**2018**
Opening balance	117	611
Change in value (financial cost)	-61	-434
Closing balance	**56**	**177**

23. Trade and other payables

(kSEK)	Group		Parent	
Current liabilities	**30 Sep 2019**	**31 Dec 2018**	**30 Sep 2019**	**31 Dec 2018**
Advance payment from customers	**13,026**	**-**	**10,781**	**-**
Intercompany payables	**-**	**-**	**-**	**7,334**
Trade payables	**13,232**	**18,347**	**3,030**	**9,615**
Current leasing liabilities	**7,067**	**-**	**1,449**	**-**
Short term loan	9,865	4,123	9,865	4,123
Payroll related liabilities	968	1,804	508	733
Social security and other taxes	609	511	609	511
Accrued payroll expense	1,345	1,597	271	1,597
Holiday pay liability	3,652	4,434	1,666	1,428
Accrued expenses	1,813	3,960	297	598
Other liabilities	**18,252**	**16,429**	**13,216**	**8,991**
Total current liabilities	**51,577**	**34,776**	**28,476**	**25,940**

24. Related parties

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

24.1. Sales to related parties

(kSEK)	Group		Parent	
	2019	**2018**	**2019**	**2018**
Oy Direct Conversion Ltd.	-	-	625	6,685
Direct Conversion Ltd.	-	-	497	-
VisuRay	2,866	1,532	2,866	1,532
Total sales to related parties	**2,866**	**1,532**	**3,987**	**8,217**

24.2. Purchases from related parties

(kSEK)	Group		Parent	
	2019	**2018**	**2019**	**2018**
Oy Direct Conversion Ltd.	-	-	5,120	15,655
Innovative Pivotal Applications Ltd.	1,850	3,727	1,850	3,727
Visuray	2,110	789	2,110	789
Direct Conversion GmbH	-	-	4,077	3,560
Whitehorse Investing Ltd.	1,843	2,975	1,843	2,975
Direct Conversion Ltd.	-	-	12,136	12,924
Total purchases from related parties	**5,803**	**7,491**	**27,136**	**39,630**

24.3. Other related party transactions

(kSEK)	Group		Parent	
	30 Sep 2019	**31 Dec 2018**	**30 Sep 2019**	**31 Dec 2018**
Loan from Blackhorse Ltd.	-4,123	4,123	-4,123	4,123
Loan from Varex	9 865	-	9 865	-
Loan to Visuray PLC	-3,940	3,940	-3,940	3,940
Participation in unlisted companies (Visuray PLC)	-2,440	2,954	-2,440	2,954

24.4. Period-end balances to/from related parties

(kSEK)	Group		Parent	
	30 Sep 2019	**31 Dec 2018**	**30 Sep 2019**	**31 Dec 2018**
Blackhorse Ltd. (payable)	-	4,123	-	4,123
Direct Conversion GmbH (payable)	-	-	-	73
Direct Conversion GmbH (receivable)	-	-	2,562	-
Direct Conversion Ltd. (payable)	-	-	-	4,261
Direct Conversion Ltd. (receivable)	-	-	1,262	-
Innovative Pivotal Applications Ltd. (payable)	-	272	-	272
Oy Direct Conversion Ltd. (payable)	-	-	42,412	-
Oy Direct Conversion Ltd. (receivable)	-	-	-	625
Varex (payable)	9,865	-	9,865	-
VisuRay (participation in unlisted company)	-	17,725	-	17,725
VisuRay (receivable)	-	5,472	-	5,472
Whitehorse Investing Ltd. (payable)	483	663	483	663

25. Pledged assets & contingent liabilities

The subsidiary Oy Direct Conversion Ltd. has pledged assets of kSEK 35,096 (kEUR: 3,265) towards the company's mortgage.

Direct Conversion AB, Parent Company, has signed four agreements together with its subsidiary Oy Direct Conversion Ltd with the lender where one of the loans is denominated in YEN and three in EUR where Direct Conversion guarantee Oy Direct Conversion Ltd´s debt of Capital loan if Oy Direct Conversion Ltd. 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 5,863 (kEUR 546) (2018: kSEK 7,081 (kEUR 689)). Total amount for EUR denominated loan with principal part and interest until fully repaid end of 2022 is calculated to kSEK 29,233 (kEUR 2,720) (2018: kSEK 26,595 (kEUR 2,588)).

26. Cash used in operations

(kSEK)	Group		Parent	
Adjustments for non-cash items	**2019**	**2018**	**2019**	**2018**
Amortization, intangibles	7,317	10,479	4,942	4,567
Impairment, intangibles	25,515	-	-	-
Depreciation, tangibles	2,387	2,470	373	326
Divestment, financial assets	15,285	-	15,285	-
Currency exchange gain/loss	188	-333	-	33
Financial income	-50	-52	-	-
Financial expense	-	-	-	3
Total adjustments	**50,641**	**12,564**	**20,600**	**4,929**

27. Other information and events after the balance sheet date

The COVID-19 pandemic has caused uncertainty and disruption, but Direct Conversion is still very much open for business.

We continuously monitor the situation and act accordingly, making sure all possible measures are taken to support the health and well-being of our staff and customers. At the same time, we are a responsive and agile business and while the current situation represents a huge challenge for us all, it is one we are determined to meet.

Wherever possible staff are now working from home, however our operations are working normally, and we have no delays in deliveries or our supply chain at any of our sites across Sweden, Finland, UK and Germany. We are well placed to adapt quickly to changes should they arise.

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 2019 impairment assessment extends over the period from 2020 to 2029. 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 15.6% (2018: 15.6%) applied to the forecasts. Increasing the discount rate to 20.0% would reduce the total discounted cash flow with approx. SEK 102.1m (EUR 9.5m) (2018: SEK 144.5m (EUR 14.1m)). 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 newly signed major OEM agreement and other ongoing OEM prospects, the current business plan should be sufficient to enable the Group the reach sustainable profitability and be in going concern.

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	-17,825,284
Result for the period	-46,091,387
Total	**-63,916,671**

The Board and the Chief Executive Officer propose that the accumulated deficit, SEK -63,916,671 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 14 at the end of December 2019. 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 decreased to SEK 34.8m (EUR 3.2m) (2018: SEK 75.3m (EUR 7.3m))
- Result for the period was SEK-46.1m (EUR -4.3m) (2018: SEK 12.7m (EUR 1.2m))
- Net cash at the end of the period of SEK 1.3m (EUR 0.1m) (2018: SEK 3.0m (EUR 0.3m))

31. Future upcoming reporting dates

Annual report 2020	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 2020

The AGM is scheduled to be held May 5th, 2020 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 31st, 2020.

Approval of Financial Statements

Consolidated financial statements will be submitted to the annual general meeting May 5th, 2020 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, 31st March, 2020

___________________________	___________________________
Clarence Verhoef	***Spencer Gunn***
Chairman of the Board	Chief Executive Officer
___________________________	___________________________
Dirk Schimmelschulze	***Guido Brinkmann***
Director	Director

Our Audit report was submitted on 31st March 2020.

PricewaterhouseCoopers AB

___________________________	___________________________
Johan Engstam	***Tyler Rapp***
Authorized Public Accountant	Authorized Public Accountant
Auditor in charge	

Auditor's report

Unoffical translation

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Direct Conversion AB for the financial year 1 January 2019 to 30 September 2019.

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 30 September 2019 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 30 September 2019 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 2-4. The other information comprises the section Annual Report, Table of Content, Exchange rates, contact, Financial highlights, Statement of the Chief Executive Officer, and Board of Directors (but does not include the annual accounts, consolidated accounts and our auditor's report thereon). The Board of Directors and the CEO 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 CEO

The Board of Directors and the CEO 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 CEO 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 CEO 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 CEO 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 CEO of Direct Conversion AB for the financial year 1 January 2019 to 30 September 2019 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 CEO 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 CEO

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 CEO 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 CEO 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.

Stockholm 31 March 2020

PricewaterhouseCoopers AB

Johan Engstam

Authorized Public Accountant