Acarix Interim report January-March 2019

acarix
acoustic cardiac diagnostics

"CADScor®System will shorten waiting lists and add value for both patients and healthcare system"

Dr. Werner Kommer Facharzt für Innere Medizin und Kardiologie in Wolkersdorf, Austria

First quarter 2019 compared with same period 2018

- During the first quarter, sales amounted to five CADScor®System and 640 patches compared with four CADScor®System and 520 patches in same period previous year.
- Revenue amounting to 299 kSEK (230), with gross profit of 209 kSEK (158) and a gross margin of 70% (69).
- Operational costs amounting 13 038 kSEK (8 170).
- Result before tax amounted to –12 822 kSEK (–7 963).
- Net cash flow from operating activities amounted to –13 101 kSEK (–9 444).
- Basic earnings per share amounted to –0.56 SEK (–0.35). No dilution arose.

Events in the first quarter, 2019

- In February Acarix announced that filing for German reimbursement will go directly with the Federal Joint Committee (G-BA) for its CADScor®System. Previously, Acarix was aiming for full reimbursement in Germany by the end of 2019, after initial discussions with relevant associations. However, a new legislation is underway which will impact the local reimbursement process and result in delays. Furthermore, private reimbursement is not affected by the above changes.

Events after March 31, 2019

- No major events occured after March 31, 2019.

CEO Message

After almost a year at Acarix, I am truly inspired by the opportunities our products offer to revolutionize heart diagnosis. We participate actively in congresses and scientific conferences and see that the need for precise tools to make quick and appropriate decisions continues to grow.Acarix has an important role to play in fulfilling that need.

Today, our customers are mainly in Germany and Sweden, where Germany is the world's third largest Medtech market, and annually, hundreds of thousands of unnecessary and costly examinations (angiographs) are made that could have been avoided with the help of the CADScor®System. Furthermore, the pressure to reduce costs and improve healthcare for patients has increased, making it an opportune time for us to show the strength of our CADScor®System.

At the recently completed DGIM congress in Wiesbaden, we had a successful and well attended symposium. We used this opportunity to focus on our strong technology, solid evidence and some practical experiences from everyday usage. This was delivered with the help of a strong panel led by Professor Martin Möckel, Berlin Charité. DGIM is primarily aimed at internists and general practitioners, and the high attendance is a good indication of our opportunities to broaden our target group.

With a stable foundation in strong clinical data and a loyal, appreciative customer base, we will now focus on a number of areas to accelerate both the use of the CADScor® and to expand the possibility of more users. Our geographical focus is mainly market expansion in Europe, especially Germany and the Nordic region, as well as establishing in other European countries such as the Netherlands and the UK.

In the Netherlands, where we just started an analysis of the market, we also see great potential. The Dutch reimbursement system is well structured and fits the CADScor® well. There are existing DRG codes that potentially can be used for our CADScor® in the early phase. In Sweden we are reviewing our commercial channels for continued market growth at the same time as we participate actively in seminars and congresses having close contact with doctors and clinics.

In addition, we have begun to evaluate the US market and initiated discussions with consultants to analyze the opportunities of the CADScor®. Based on the initial findings, the US market potential creates an opportunity that might make a strong impact on Acarix moving forward. The goal is to have our regulatory strategy confirmed to seek and achieve the quickest possible FDA approval. It requires a market analysis regarding pay flows, as well as patient and treatment pathways.

Regarding our clinical studies, I would like to highlight Dan-NICAD II, which is conducted at four Danish clinics in up to 2,000 patients with suspected stable coronary artery disease. This study is another strong example of our ability to develop strong evidence in combination with our technology. The awaited result of this study will help expand availability, document health economic benefits and also extend the application to patients aged 30-39. The study enrollment is expected to be completed by 2020.

We have also started an investigative clinical study, Seismo, of up to 200 patients with suspected heart failure, to develop a diagnostic algorithm that could potentially lead to a new early detection of heart failure detection using the CADScor®. Despite being an early investigative study, this could potentially help changing the way HF is being diagnosed. Heart Failure is creating a huge financial burden on the society and the development of a new diagnostic aid would add a tremendous value. The Seismo study enrolment is also expected to be completed in 2020.

In addition to our major clinical studies, smaller studies and related work on publications are ongoing. In this context, I would like to highlight a smaller study done at Kristianstad Hospital and presented at the cardiovascular spring meeting in Gothenburg in April. The study concluded that the CADScor®System results of high accuracy and support the use of the CADScor® in their daily clinical practice.

I look forward to returning to you with more information and looking forward with excitement to the future. Our vision for the CADScor® is to achieve a paradigm shift in the exclusion of coronary artery disease: quickly, safely, non-invasively and without radiation at the first point of care (POC). I would like to conclude by taking this opportunity to thank colleagues, board members and shareholders for their strong belief in and commitment to Acarix.

Sincerely,
Per Persson
Chief Executive Officer

Financial Report

Revenues and gross margin

Five CADScor®Systems and 640 patches were sold during the first quarter compared to four CADScor®Systems and 540 patches in same period previous year. Three CADScor® Systems were sold in Germany and two system sold in Sweden. Previous quarter seven CADScor®Systems and 640 patches were sold.

Consolidated revenue for the first quarter amounted to 299 kSEK. Revenues from CADScor®Systems amounted to 101 kSEK and revenue from patches amounted 198 kSEK. Gross profit for the first quarter amounted to 209 kSEK. Gross margin amounted to 70%, compared to 69% in the same period last year full year 2018.

Expenses

Total group expenses (R&D and SG&A) for the first quarter amounted to 13,038 kSEK compared to 8,170 kSEK in the year-earlier period. SG&A costs amounted to 7,792 kSEK in the quarter, of which 4,273 kSEK related to sales and marketing costs. Research & Development costs amounted to 5,245 kSEK in the quarter and have increased due to activities related to the DAN-Nicad II and the Seismo study.

Result

In first quarter the Group reported an operating loss of −12,829 kSEK compared to −8,011 kSEK in the year-earlier period. Depreciation in the first quarter amounted to 1,002 kSEK divided between capitalized development costs of 636 kSEK and depreciation of lease assets of 366 kSEK (see note xx). Deferred tax amounted to 25 kSEK for the quarter related to leases. The net loss for the quarter amounted to −12,797 kSEK compared to −7,963 kSEK in the year-earlier period. Earnings per share before dilution were −0.56 SEK for the first quarter compared to −0.35 SEK in the corresponding period in the preceding year. No dilution effects arose.

Intangible assets

Capitalization of development costs related to the CADScor®System has been ongoing since August 2015 when TÛV issued a certificate of compliance (CE-mark) for the product. Capitalization ceased when the product was launched on the market during the second quarter of 2017 and amortization of development costs was initiated. As of March 31, 2019, capitalized development costs amounted to 18,628 kSEK. The carrying amount including capitalized development costs and acquired rights as of March 31, 2019 amounted to 23,407 kSEK.

Equity

As of March 31, 2019, consolidated equity amounted to 75,448 kSEK compared to 122,357 kSEK on March 31, 2018. As of March 31, 2019, the total number of shares amounted to 23,027,376.

Cash Flow

In the first quarter, total cash flow showed an outflow of −13 460 kSEK compared to an outflow of −9,444 kSEK in the year-earlier period. The impact from working capital amounted to −1,283 kSEK compared to −2,091 kSEK in the year-earlier period. At the end of the period, Acarix had 51,581 kSEK in cash and cash equivalents compared to 94,256 kSEK in the year-earlier period.

The management of Acarix and its Board of Directors evaluates the capital structure and possible future financing options. The management and the board are positive about the opportunity to raise capital for the company's continuing operations according to the business plan. See further information in the Annual Report for 2018.

Parent Company

The Parent Company´s operations are primarily focused on Group wide administration and management and have during the year invoiced 3,135 kSEK in management-fees. The company report net loss for the quarter amounting −6,519 kSEK including write-down of shares in subsidiary amounting −4,236 kSEK.

From second quarter 2018 onwards, shareholder contributions covering losses in the wholly owned subsidiaries have been recognized in the Parent Company's profit and loss and not as a financial fixed asset. The shareholder contributions recognized in the quarter amount to 4,236 kSEK (0).

The Parent Company´s cash and cash equivalents at the end of the period amounted to 50,884 kSEK compared to 90,220 in the year-earlier period.

Share information

The share has been trading on Nasdaq First North with the ticker symbol ACARIX and ISIN code SE0009268717 since December 19, 2016 and the shares are listed under the Premier segment. As of March 31, 2019, the number of shares in the company amounted to 23,027,376 (23,027,376).

Shareholder register March 31, 2019	Number of shares	Votes and capital
Sunstone LSV Fund II K/S	4,749,081	20.6%
SEED Capital DK II K/S	4,749,081	20.6%
Puhua Jingxin	2,654,259	11.5%
Coloplast A/S	1,683,072	7.3%
Seventure Partners	993,334	4.3%
Other shareholders	8,198,549	35.6%
Total	**23,027,376**	**100.0%**

Auditor's review

This Interim report has not been reviewed by the company's auditor.

Certified Adviser

Acarix's Certified Adviser on Nasdaq First North is Wildeco Ekonomisk Information AB, tel +46 8 545 271 00 or info@wildeco.se.

Financial calendar	Date
Interim Report, second quarter	August 21, 2019
Interim Report, third quarter	November 14, 2019
Interim Report, fourth quarter and Year end Report	February 20, 2020

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Group – Consolidated statement of income

kSEK	Note	Jan-Mar 2019	Jan-Mar 2018	Year 2018
Revenue	7	299	230	1,024
Cost of goods sold		–90	–72	–316
Gross profit		**209**	**158**	**708**
Research and development costs		–5,245	–1,939	–12,344
Sales, general and administrative costs		–7,793	-6,231	–30,887
Operating result		**–12,829**	**–8,011**	**–42,523**
Financial income		36	57	352
Financial costs		–29	–8	–79
Profit before tax		**–12,822**	**–7,963**	**–42,250**
Tax		25	–	–
Net loss for the period		**–12,797**	**–7,963**	**–42,250**
Net income attributable to Parent Company's shareholders		**–12,797**	**–7,963**	**–42,250**
Basic earnings per share (SEK) [1), 2)]		–0.56	–0.35	–1.83
Diluted earnings per share (SEK)		–0.56	–0.35	–1.83
Average number of shares, thousands		23,027	23,027	23,027

[1)] No dilution effects arose
[2)] EPS – Net profit for the period, attributable to shareholders of the Parent Company, divided by average number of shares outstanding

Group – Consolidated statement of comprehensive income

kSEK	Jan-Mar 2019	Jan-Mar 2018	Year 2018
Net loss for the period after tax	–12,797	–7,963	–42,250
Items that may be reclassified to profit or loss			
Foreign currency translation adjustment	368	–1,847	1,188
Other comprehensive income for the period, net of tax	368	–1,847	1,188
Total comprehensive income for the period, net of tax	**–12,429**	**–9,810**	**–41,062**
Total comprehensive income attributable to:			
Owners of Acarix	**–12,429**	**–9,810**	**–41,062**

Group – Consolidated statement of financial position

kSEK	Note	Mar 31, 2019	Mar 31, 2018	Dec 31, 2018
Assets				
Tangible assets				
Utilization rights		1,883	–	–
Total tangible assets		**1,883**	**–**	**–**
Intangible assets				
Acquired rights		4,779	4,988	4,775
Development projects, capitalized		18,628	20,683	18,921
Total intangible assets	8	**23,407**	**25,670**	**23,696**
Deferred tax assets		25	–	–
Total fixed assets		**25,315**	**25,670**	**23,696**
Current assets				
Tax receivables		–	1,039	–
Inventory		3,327	3,064	2,625
Accounts receivables		830	517	603
Other receivables		2,602	2,283	3,254
Cash and cash equivalents		51,581	94,256	65,019
Total current assets		**58,340**	**101,159**	**71,501**
Total assets		**83,655**	**126,829**	**95,197**
Shareholders' equity and liabilities				
Equity				
Share capital and share premium		396,044	396,044	396,044
Other reserves		2,245	2,069	1,877
Retained earnings		−322,841	−275,757	−310,044
Total equity		**75,448**	**122,357**	**87,877**
Long term liabilities				
Lease debt		300	–	–
Total long term liabilities		**300**	**–**	**–**
Current liabilities				
Lease debt		1,466	–	–
Accounts payable		1,643	1,470	2,502
Other liabilities		4,798	3,003	4,818
Total current liabilities		**7,907**	**4,473**	**7,320**
Total equity and liabilities		**83,655**	**126,829**	**95,197**

Group – Consolidated statement of changes in shareholders' equity

	Share capital	Share premium	Other reserves	Retained earnings	Total shareholders equity
As at January 1, 2019	**23,027**	**373,017**	**1,877**	**–310,044**	**87,878**
Profit/loss for the period	–	–	–	–12,797	–12,797
Other comprehensive income:					
Foreign exchange rate adjustment	–	–	368	–	368
Total comprehensive income	**23,027**	**373,017**	**2,245**	**–322,841**	**75,448**
At March 31, 2019	**23,027**	**373,017**	**2,245**	**–322,841**	**75,448**
As at January 1, 2018	**23,027**	**373,017**	**689**	**–267,794**	**128,939**
Profit/loss for the period	–	–	–	–7,963	–7,963
Other comprehensive income:					
Foreign exchange rate adjustment	–	–	1,380	–	1,380
Total comprehensive income	**23,027**	**373,017**	**2,069**	**–**	**122,357**
At March 31, 2018	**23,027**	**373,017**	**2,069**	**–275,757**	**122,357**

Group – Consolidated statement of cash flows

kSEK	Jan-Mar 2019	Jan-Mar 2018	Year 2018
Operating activities			
Operating result	–12,829	–7,963	–42,523
Adjustment for depreciation	1,002	609	2,507
Taxes received	–	–	997
Financial items	7	–	277
Cash-flow before change of working capital	**–11,820**	**–7,354**	**–38,742**
Working capital adjustments:			
Change in inventory	–702	–1,118	–680
Change in receivables and prepayments	558	–329	–1,388
Change in trade and other payables	–1,139	–644	2,201
Total change in working capital	**–1,283**	**–2,091**	**133**
Cash-flow from operations	**–13,101**	**–9,444**	**–38,609**
Cash-flow from operating activities	**–13,101**	**–9,444**	**–38,609**
Financing activities			
Amortization of lease debt	–359	–	–
Cash-flow from financing activities	**–359**	**–**	**–**
Cash flow for the period	**–13,460**	**–9,444**	**–38,609**
Currency translation differences	22	243	171
Cash and cash equivalents, beginning of period	65,019	103,457	103,457
Cash and cash equivalents, end of period	**51,581**	**94,256**	**65,019**

Parent Company income statement

kSEK	Note	Jan-Mar 2019	Jan-Mar 2018	Year 2018
Other revenue		**3,135**	**1,300**	**5,127**
Sales, general and administrative costs		–5,449	–2,686	–15,448
Operating result		**–2,314**	**–1,386**	**–10,321**
Profit/Loss from shares in group companies		–4,236	–	–58,936
Financial income		31	38	141
Financial expense		–	–	–2
Result before tax		**–6,519**	**–1,347**	**–69,118**
Tax		–	–	–
Net loss for the period		**–6,519**	**–1,347**	**–69,118**
Net result attributable to Parent Company's shareholder		**–6,519**	**–1,347**	**–69,118**

Parent Company balance sheet

kSEK	Note	Mar 31, 2019	Mar 31, 2018	Dec 31, 2018
Assets				
Financial assets				
Participation in subsidiaries		42,178	73,945	42,178
Total financial assets		**42,178**	**73,945**	**42,178**
Current assets				
Other receivables		3,876	6,283	623
Cash and cash equivalents		50,884	90,220	61,349
Total current assets		**54,760**	**96,503**	**61,972**
Total assets		**96,938**	**170,447**	**104,150**
Shareholders' equity and liabilities				
Equity				
Share capital		23,027	23,027	23,027
Other capital contribution		156,912	156,912	156,912
Retained earnings		–86,458	–12,168	–79,939
Total equity		**93,481**	**167,771**	**100,000**
Current liabilities				
Accounts payable		242	25	1,113
Other liabilities		3,215	2,651	3,037
Total current liabilities		**3,457**	**2,676**	**4,150**
Total equity and liabilities		**96,938**	**170,447**	**104,150**

Parent Company statement of changes in equity

kSEK	Share capital	Other capital contribution	Retained earnings	Total shareholders' equity
As at January 1, 2019	**23,027**	**156,912**	**–79,939**	**100,000**
Net loss for the period	–	–	–6,519	–6,519
Total comprehensive income	**–**	**–**	**–6,519**	**–6,519**
Change in shareholders' equity	–	–	–6,519	–6,519
At March 31, 2019	**23,027**	**156,912**	**–86,458**	**93,481**
As at January 1, 2018	**23,027**	**156,912**	**–10,821**	**169,118**
Net loss for the period	–	–	–1,347	–1,347
Total comprehensive income	**–**	**–**	**–1,347**	**–1,347**
Change in shareholders' equity	–	–	–1,347	–1,347
At March 31, 2018	**23,027**	**156,912**	**–12,168**	**167,771**

Notes to the interim consolidated financial statements

NOTE 1 CORPORATE INFORMATION

Company information

Acarix AB (559009-0667) is a limited liability company incorporated and domiciled in Malmö, Sweden. The registered office is located at World Trade Center Malmö, Skeppsgatan 19, 211 11 Malmö, Sweden. Acarix's main activities are to develop, produce and market a new cardiovascular diagnostic method and similar equipment for the same and related services.

The Acarix Group consist of:

Acarix A/S	The main operating company	Incorporated and located in Denmark
Acarix GmbH	Supporting sales on the German market	Incorporated and located in Germany
Acarix GmbH	Supporting sales on the Austrian market	Incorporated and located in Austria
Acarix China ApS	Supporting Chinese approval process	Incorporated and located in Denmark
Acarix Incentive AB		Incorporated and located in Sweden

NOTE 2 BASIS OF PREPARATION

The interim report for the Group and Parent Company comprises summary consolidated financial statements for Acarix AB (publ). The interim consolidated financial statements include the Company's wholly-owned subsidiaries according to above specification.

NOTE 3 ACCOUNTING POLICIES

Accounting policies

The consolidated report has been prepared in accordance with International Financial Reporting Standards (IFRS) and IAS 34, Interim Financial Reporting. Amendments to existing standards, new interpretations and new standards that came into effect as of January 1, 2019 did not affect the Groups reporting as of March 31, 2019, except for IFRS 16. See separate note..

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

New and changed standards applied by the Group

IFRS 16 Leases

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

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

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

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

IFRS 16 is applied by the Group as of January 1, 2019.

Acarix is primarily affected by the rights of use that relate to the leasing of premises and the leasing of vehicles. Acarix has chosen the forward-looking transition method and has, in accordance with the standard, not recalculated the comparative year. Acarix has also chosen to apply most of the relief rules that exist, the most important of which are to exclude leases which at the transition date have a remaining maturity of max. 12 months. At the transition date, January 1, 2019, Acarix has reported a right of use of 2,250 kSEK and a leasing debt of 2,125 kSEK (divided into Long-term lease debt of 1,454 kSEK and short-term lease debt of 671 kSEK). The difference between rights of use and leasing debt consists of prepaid rents which have been reclassified from the line *Other receivables* to the line of utilization rights. Equity has not been affected by the transition to IFRS 16.

As of March 31, 2019, the use rights to 1,883 kSEK and the total leasing debt amounted to 1,766 kSEK.

Leases (from 2019)

Acarix leases various properties and cars. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions, especially for leases of properties where, among other things, the lease term differs between different agreements. Rental contracts for cars are typically made for fixed periods of 3 years.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The right-of-use asset and the lease liability are reported on the line item *Right of use* and *Long-/Short term lease debt* in the balance sheet. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable in connection with the inception date of the lease
- variable lease payment that are based on an index or a rate, measured based on the index or rate at initial recognition
- amounts expected to be payable by the lessee under residual value guarantees

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, Acarix uses the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received in connection with the inception date of the lease

Acarix has chosen to apply the practical expedient concerning short-term leases. Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

NOTE 4 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

In preparing the interim report, certain provisions under IFRS require management to make judgments, which may significantly impact the Group's financial statements. For additional descriptions of significant judgments and estimates, refer to note 4 in the annual report 2018.

NOTE 5 RISK MANAGEMENT

The Acarix Group is exposed to business and financial risks through its operations. These risks have been described at length in the Company's annual report 2018. In addition to the risks described in these documents, no additional significant risks have been identified.

NOTE 6 RELATED PARTIES

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

Consultancy fee to member of Board of Directors 2019

kSEK	Q1	Q2	Q3	Q4	Year
Werner Braun (Chairman)	–				–
Denis Gestin	–				–
Total	**–**				**–**

Consultancy fee to member of Board of Directors 2018

kSEK	Q1	Q2	Q3	Q4	Year
Werner Braun (Chairman)	41	112	42	68	264
Denis Gestin	–	50	–	–	50
Total	**41**	**162**	**42**	**68**	**313**

NOTE 7 REVENUE RECOGNITION

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

Sale of goods

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

Invoiced sales per country, kSEK	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1-Q4 2019
Germany	203				203
Sweden	96				96
Denmark	–				–
Austria	–				–
Other	–				–
Total	**299**				**299**

Invoiced sales per country, kSEK	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1-Q4 2018
Germany	128	60	160	196	544
Sweden	86	–	58	12	156
Denmark	–	174	–	–	174
Austria	–	–	133	–	133
Other	16	1	–	–	17
Total	**230**	**235**	**351**	**208**	**1,024**

NOTE 8 INTANGIBLE ASSETS

Development projects are related to the development of the CADScor®System (acoustic cardiovascular diagnostics), which records heart sounds and murmurs for calculating a patient's specific score in order to determine the patient's risk of coronary artery disease. During the second quarter 2017, the CADScor®System was introduced on the market and the first sales orders were recognized. Capitalization of development costs ceased when the product was ready to launch on the market and amortization of capitalized development costs commenced. Management estimates the useful life of development projects to be 10 years. These assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds the recoverable amount. Development projects have been tested for impairment in December 2018.

Group, 2019, kSEK	Acquired rights	Development costs	Total
Cost at January 1, 2019	**5,975**	**22,480**	**28,456**
Foreign currency translation adjustment	77	330	407
Cost at March 31, 2019	**6,052**	**22,810**	**28,862**
Amortization and impairment at January 1, 2019	**–1,200**	**–3,559**	**–4,759**
Amortization	–65	–565	–630
Foreign currency translation adjustment	–8	–58	–66
Amortization and impairment losses at March 31, 2019	**–1,273**	**–4,182**	**–5,455**
Carrying amount at March 31, 2019	**4,779**	**18,628**	**23,407**

Group, 2018, kSEK	Acquired rights	Development costs	Total
Cost at January 1, 2018	**5,773**	**21,612**	**27,385**
Foreign currency translation adjustment	222	951	1,173
Cost at March 31, 2018	**5,995**	**22,563**	**28,558**
Amortization and impairment at January 1, 2018	**–933**	**–1,261**	**–2,194**
Amortization	–65	–564	–629
Foreign currency translation adjustment	–9	–55	–64
Amortization and impairment losses at March 31, 2018	**–1,007**	**–1,880**	**–2,887**
Carrying amount at March 31, 2018	**4,988**	**20,683**	**25,670**

Affirmation

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

Malmö, May 15, 2019

EXECUTIVE MANAGEMENT

Per Persson
CEO

BOARD OF DIRECTORS

Dr. Werner Braun
Chairman of the Board

Denis Gestin
Board Member

Johanne Braendgaard
Board Member

Claus Andersson
Board Member

Hong Yun Fei
Board Member

Ulf Rosén
Board Member

The information disclosed in this year-end report is mandatory for Acarix AB (publ) to publish pursuant to the EU Market Abuse Regulation.
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