Direct Conversion

Empowered X-RAY Imaging

Annual Report 2017

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., and Oy Ajat Ltd.

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

Direct Conversion AB (publ), is pleased to announce its annual report for January - December 2017

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Exchange rates

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

	Exchange rate	
	SEK to EUR	***SEK to GBP***
Results for the period 1 Jan – 31 Dec 2017	*9.6326*	*10.9896*
Balances ending 31 Dec 2017	*9.8497*	*11.1045*
Results for the period 1 Jan – 31 Dec 2016	*9.4704*	*11.5664*
Balances ending 31 Dec 2016	*9.5669*	*11.1787*

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Financial highlights

Revenues for the period January - December amounted to kSEK 119,596 (kEUR 12,416) (2016: kSEK 117,718 (kEUR: 12,430)) which relates mainly to sales of X-ray sensors and systems for dental and industrial use.

Raw material costs for the period January - December amounted to kSEK 53,210 (kEUR 5,524) (2016: kSEK 47,913 (kEUR 5,059)) which are mostly attributable to purchases of Cadmium Telluride (CdTe) and other components for manufacturing of X-ray sensors and systems.

Capitalized expenditure for development for the period which ended 31 December 2017 amounted to kSEK 20,043 (kEUR 2,081) (2016: kSEK 25,622 (kEUR 2,705)) which is expenditures related to the development of X-ray sensors. Accumulated capitalized development costs as of 31 December 2017 amounted to kSEK 77,831 (kEUR 7,902) (2016: kSEK 58,634 (kEUR 6,191)) including R&D contributions/income for development.

Net cash position at the end of the period was SEK 35.9m (EUR 3.7m) compared to SEK 23.3m (EUR 2.4m) at the end of the same period 2016.

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

The group's operating income in 2017 increased by 11% which was more or less in line with expectations. EBITDA and net income increased substantially as we're now at a revenue level that more than covers our fixed costs and any further increases in revenue should benefit from operational gearing. While we expect to increase our fixed costs somewhat in 2018 to provide further growth in the future this should be more than compensated for by revenue increases. We expect operating income growth to be well in excess of 20% in 2018 and net income to increase substantially.

2018 is looking promising as the 'gestation period' is now coming to an end. One of the challenges and frustrations in our business is that it typically takes 18 to 36 months or more from when we introduce a product to clients until the client then launches their products based on our product. Last year we expected a pick-up in revenue to kick-in during 2018 and we're now experiencing this. For the XCounter photon counting range the amount of deliveries for the first quarter 2018 is expected to be in line with the total revenue for the whole of 2017, and the second quarter is expected to be even higher. We still see a bit of lumpiness in the order book hence it is still difficult to provide guidance for the full year, but it definitely looks good. Currently, the growth is coming mostly from different industrial applications and we expect this trend to continue and be the driving force as we get into 2019 and 2020.

In late 2017 we signed a long-term supply agreement with a company in the medical field and we expect revenue to kick in during 2019 depending on when the customer gets regulatory approvals. We're also working with another leading healthcare company to provide them with a custom detector with the aim of bringing this to market during 2019.

With respect to the Ajat brand we believe revenue will be flattish in 2018 but we are working on a couple of leads that, should they materialize, would lead to material increases as we get to year end.

The focus on long term investments is now paying off and, on the back of existing products, we will see strong growth and strong cash flow generation in the years ahead. We will continue to invest in the long term as we want to be in a position to at least triple production in the next couple of years, as we believe this is necessary based on the inquiries we're having. Time will tell whether the inquiries turn into definite orders but we have quite a positive feeling about it all. We can achieve this on the back of existing products or relatively small changes to existing products. Further growth beyond that is expected to materialize from R&D projects we've started in the last year or are looking to start in the coming months. In order to support this, we have focused heavily on our production capabilities and continue to invest heavily in production equipment and in our people so that we can continue to deliver on-time quality products to our customers. The main purpose of this investment is to increase production flexibility and provide redundancy in case of unforeseen events. We have heavily expanded our sales and marketing effort these last months in order to deliver growth. We have consciously built up our inventory over the last year and will continue to do so in the first half of this year in order to be able to better service our customers and to be in position to deliver on accelerating growth in the coming months.

Late last year, we invited Marc Sperschneider to join the board of the company. Marc's experience with industrial X-ray systems will help us boost our growth further. We have now setup a subsidiary in Munich, Germany to service clients in the Automated X-ray Inspection market, and we will also drive medical sales from the Munich office. This should impact revenue from 2019 onwards.

The strategy of the company is unchanged: we want to remain the technological leader in the X-ray detector/sensor field. We are confident that our photon counting ASIC is the best in the market and together with the amount of expertise our employees have in the X-ray and CdTe domain we are the market leaders. However, we cannot become complacent, therefore we're working on several improvements and new versions of our ASICs (both charge integrating and photon counting) that should be made available, in stages, to customers from the 3rd quarter 2018 until mid-2019. Simultaneously we're working hard to lower costs in order to deliver more cost-effective solutions to customers by offering simpler detector packages especially for certain industrial applications. We will continue to invest heavily on R&D with the aim of launching better products in the coming years while at the same time staying cost competitive.

We believe that the market size we can address is substantial and that we have barely scratched the surface of it so far. We have also identified other opportunities that we could pursue by leveraging our know how within the X-ray markets. We believe that this will increase significantly the value of Direct Conversion. In order to have full flexibility to invest and operate within new markets we propose a change to the by-laws of the company for the shareholders to approve at the AGM. The change to the by-laws should allow Direct Conversion to leverage off the accumulated technology and know-how we have. It will allow Direct Conversion to grow further and act pragmatically and swiftly should the opportunity arise. The proposed language of the by-law is as follows:

"The Company shall develop and deliver products, services, software, and system solutions as well as utilize innovations in the areas of X-ray products and other products derived from its core competence in X-ray detectors, and own and manage shares in industrial companies."

Finally, in the coming months we will explore the possibility of re-listing the company sometime either this year or the next. We believe that as Direct Conversion is finally firmly on the path to profitability and growth this could be in the interest of shareholders as it would provide both liquidity and a pricing mechanism of the shares of Direct Conversion. Any decision on a listing will be taken only after taken consultations with our shareholders and advisers.

Danderyd den 29 mars 2017

Jean-Philippe Flament	Spencer Gunn
Chairman	Chief Executive Officer

Board of Directors’

Jean-Philippe Flament, Executive Chairman

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

Dag Mosvold, Non-Executive Board Director

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

Ondine de Rothschild, Non-Executive Board Director

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

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

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

Thor Haugnaess, alternate Non-Executive Board Director

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

Yngvar Hansen-Tangen, alternate Non-Executive Board Director

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

Executive Management

Spencer Gunn, Chief Financial 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 of XCounter’s photon counting, energy discriminating high resolution detectors. His emphasis is on creating easy to use, easy to integrate, high performance detectors for the NDT and Medical industries.

Rasmus Ljungwe, Chief Financial Officer

Mr. Ljungwe joined the Company 2011 Since June 2, 2016 Mr. Ljungwe is serving as CFO and deputy CEO after three years as Interim CEO and prior to that Finance Manager. During 2014 to 2016 Mr. Ljungwe studied at Stockholm University which he today holds a Master of Business Administration from.

Christer Ullberg, Chief Technology Officer Photon Counting

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

Pasi Laukka, General Manager

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

Alex Stewart, Chief Mathematician

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

Board of Directors' Report

The Board of Directors and the Chief Executive Officer (CEO) of Direct Conversion AB (publ) ("Direct Conversion" or the "Company"), corporate registration number 556542-8918, hereby submit the annual report and the consolidated annual accounts for 2017.

Introduction

Direct Conversion is a technology leader in direct conversion (charge integration and photon counting) digital X–ray imaging for medical, dental and industrial markets. The parent company was founded in 1997 and the shares are registered at Euroclear Bank Sweden. The Group is based in Stockholm, Espoo and London. The head office is at Svärdvägen 23, floor 1, 182 33 Danderyd, Sweden. At the parent company the activities are mainly R&D for photon counting development and applications of sensors, as well as management and administration. The Groups number of employees at the end of December 2017 is 60. The separate subsidiary AJAT is the leading manufacturer of Cadmium Telluride direct conversion based detectors. Direct Conversion technologies target three independent business segments where our current and future sensor platforms can be used efficiently in: the dental, medical and industrial markets. We work closely with our OEM (Original Equipment Manufacturer) partners to continue to strengthen our position in each of these segments and maximize internal technology development.

Intellectual Property

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

- Core sensor technologies
- Core manufacturing technologies
- X-ray imaging systems with multiple functionality
- Image processing and tomosynthetic reconstruction

Remunerations to the Board of Directors and to key management

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

Personnel and environment

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

Outlook

2018 is looking promising as the 'gestation period' is now coming to an end. One of the challenges and frustrations in our business is that it typically takes 18 to 36 months or more from when we introduce a product to clients until the client then launches their products based on our product. Last year we expected a pick-up in revenue to kick-in during 2018 and we're now experiencing this. For the XCounter photon counting range the amount of deliveries for the first quarter 2018 is expected to be in line with the total revenue for the whole of 2017, and the second quarter is expected to be even higher. We still see a bit of lumpiness in the order book hence it is still difficult to provide guidance for the full year, but it definitely looks good. Currently, the growth is coming mostly from different industrial applications and we expect this trend to continue and be the driving force as we get into 2019 and 2020.

In late 2017 we signed a long-term supply agreement with a company in the medical field and we expect revenue to kick in during 2019 depending on when the customer gets regulatory approvals. We're also working with another leading healthcare company to provide them with a custom detector with the aim of bringing this to market during 2019.

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Significant risks and uncertainty factors

Financial risks

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

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

Customers and partners

The Group's five largest partners and customers together accounted for approximately 86% (2016: 82%) of net sales. Accordingly, the loss of a customer would have a significant effect on the earnings and position. Following the expected customer base increase and expansion of the operations, the proportion of sales to the largest partners and customers are expected to gradually decline.

Early stage of development

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

Technology change and existing competition

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

Product liability

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

Legislative and regulatory risks

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

Patents and proprietary rights

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

Third party dependence

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

Dependence on key personnel

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

Summary of the Company’s Financial Development

	2017	2016
Revenue, kSEK	119,596	117,718
Other operating income, kSEK	13,402	2,062
EBITDA, kSEK	22,387	16,155
Operating profit, kSEK	11,066	6,539
Net profit, kSEK	3,980	1,617
Net profit per share, SEK	0.25	0.11
Intangible assets, kSEK	103,661	91,039
Cash and cash equivalents, kSEK	35,927	23,252
Total number of shares at par value	16,302,452	15,338,714
Share capital, kSEK	81,512	76,694

Reduction of the statutory reserve to unrestricted reserve

Direct Conversion has not declared or paid any dividends on its shares since incorporation. The Directors’ believe that the Company could be in position to pay dividends in the foreseeable future and are proposing that the AGM does approve a transfer of the statutory reserve to the share premium reserve as this will allow us to pay dividends from 2019 onwards.

Proposed distribution of net results

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

Result brought forward and non-restricted equity	-264,378,313
Profit for the period	733,341
Total	**-263,644,972**

The Board and the Chief Executive Officer propose that the accumulated deficit, SEK -263,644,972 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 2018

The Annual General Meeting will be held on April 26th, 2018 at the Company’s office, Svärdvägen 23, Danderyd. Notice of the meeting will be announced and published to shareholders March 29th, 2018.

Participation in unlisted companies

Under the year of 2017 the company has acquired 1,000,000 shares in the unlisted related party Visuray PLC. The acquisition price was 1.5 euro per share and was unchanged by the end of the year. The carrying value of the holding is kSEK 14,036 (kEUR 1,500).

Consolidated Income Statement

(kSEK)	Note 1	January-December 2017	January-December 2016
Operating income			
Revenues	3, 4, 25	119,596	117,718
Other operating income	5	13,402	2,062
Total operating income		**132,998**	**119,780**
Work performed by the entity and capitalized			
Work performed by the entity and capitalized	13	20,043	25,622
Total work performed by the entity and capitalized		**20,043**	**25,622**
Operating expenses			
Raw material costs		-53,210	-47,913
Other external costs	9, 24, 25	-38,630	-41,666
Personnel costs	8	-38,814	-39,668
Depreciation of equipment and intangible assets	13, 14	-11,321	-9,616
Total operating expenses		**-141,975**	**-138,863**
Operating result		**11,066**	**6,539**
Result from financial items			
Financial income	10	1,061	898
Financial expenses	10	-3,501	-1,661
Total result from financial items		**-2,440**	**-763**
Result before taxes		**-8,626**	**5,776**
Income tax	11	-4,646	-4,159
Net result for the year		**3,980**	**1,617**
Parent Company shareholders		3,980	1,617
Result per share			
Result per share (SEK)	12	0.25	0.11
Weighted number of shares	12	15,887,303	15,080,167
Actual number of shares	20	16,302,452	15,338,714

Total Comprehensive Loss

(kSEK)	January-December 2017	January-December 2016
Net loss for the year	3,980	1,617
Other comprehensive loss for the year:		
Foreign currency translation difference of foreign operations	1,909	2,774
Total other comprehensive loss for the year	**1,909**	**2,774**
Total comprehensive loss for the year	**5,889**	**4,391**
Total comprehensive loss for the year attributable to:		
Parent Company shareholders	5,889	4,391

Consolidated Statement of Financial Position

(kSEK)	Note 1	31 Dec 2017	31 Dec 2016
Fixed assets			
Intangible fixed assets	13	103,661	91,039
Property, plant & equipment	14	5,183	3,366
Financial Assets	16	14,036	
Deferred tax assets	11	134	216
Total fixed assets		**123,014**	**94,621**
Current assets			
Inventories	17	23,319	17,823
Trade receivables	18	11,860	18,426
Other receivables	18	3,771	881
Prepaid expenses and accrued income	18	3,466	3,504
Cash and cash equivalents	19	35,927	23,252
Total current assets		**78,343**	**63,886**
Total assets		**201,357**	**158,507**
Equity			
Equity attributable to Parent Company shareholders			
Share capital	20	81,512	76,694
Additional paid in capital	20, 21	756,391	745,793
Translation reserve		-1,662	-3,569
Retained loss		-705,741	-713,044
Equity attributable to Parent Company shareholders		**130,501**	**105,874**
Total equity		**130,501**	**105,874**
Non-current liabilities			
Borrowings	22	35,088	22,819
Deferred tax liabilities	11	5,319	5,903
Total Non-current liabilities		**40,407**	**28,722**
Current liabilities			
Advance payment from customers		1,232	350
Trade payables		12,604	16,014
Other payables		16,613	7,547
Total current liabilities	23	**30,449**	**23,911**
Total liabilities		**70,856**	**52,633**
Total equity and liabilities		**201,357**	**158,507**

Consolidated Statement of Changes in Equity

(kSEK)	Share capital	Additional paid in capital	Translation reserve	Retained loss	**Total**
Balance at 1 January 2016	**71,681**	**736,003**	**-6,343**	**-714,662**	**86,679**
Total comprehensive loss for January - December 2016					
Net loss for the year	**-**	**-**	-	1,617	**1,617**
Total other comprehensive loss	**-**	**-**	2,774	-	**2,774**
Total recognized loss and expense for the year	**-**	**-**	**2,774**	**1,617**	**4,391**
New share issue	5,013	9,790	-	-	**14,803**
Balance at 31 December 2016	**76,694**	**745,793**	**-3,569**	**-713,044**	**105,874**
Total comprehensive loss for January - December 2017					
Net profit for the year	**-**	**-**	-	3,980	**3,980**
Total other comprehensive gains	**-**	**-**	1,909	-	**1,909**
Total recognized profit and gain for the year	**-**	**-**	**1,909**	**3,980**	**5,889**
Reversal of Share-based payment	-	-3,324	-	3,324	**-**
Ongoing New share issue	3,750	11,250	-	-	**15,000**
New share issue	1,068	2,671	-	-	**3,740**
Balance at 31 December 2016	**81,512**	**756,391**	**-1,662**	**-705,741**	**130,501**

Consolidated Statement of Cash Flow

(kSEK)	**Note 1**	**January-December 2017**	**January-December 2016**
Cash flows from/used in operating activities			
Profit/loss after financial items	11	8,626	5,776
Adjustments for non-cash items	27	14,263	9,532
Tax paid		-2,330	-2,474
Interest paid		-	463
Net cash from operating activities before change in working capital		**20,559**	**13,297**
Cash flow from change in working capital			
Advance payment from customers		-	-2,595
Inventories		-5,037	-3,357
Trade and other receivables		-718	-5,409
Liabilities		-396	-316
Change in working capital		**-6,151**	**-11,677**
Net cash from operating activities		**14,408**	**7,813**
Investing activities			
Acquisition of intangible assets	13	-25	-249
Acquisition of equipment	14	-4,270	-1,237
Acquisition of financial assets	16	-14,036	-
Capitalized expenditure for development	13	-20,043	-25,622
Net cash used in investing activities		**-38,374**	**-27,108**
Financing activities			
Change in other loans		19,699	9,567
Change in capital loans & convertible loans		-2,638	-3,736
Share issue		18,740	14,803
Net cash from financing activities		**35,801**	**20,634**
Cash flow of the year		**11,835**	**-4,854**
Cash and cash equivalents beginning of the year	19	**23,252**	**27,219**
Effect of exchange rate fluctuations on cash held		**840**	**887**
Cash and cash equivalents end of the year		**35,927**	**23,252**

Income Statement for the Parent Company

(kSEK)	Note 1	January-December 2017	January-December 2016
Operating income			
Revenues	3, 4, 25	15,492	14,675
Other operating income	5	5,819	-
Total operating income		**21,310**	**14,675**
Work performed by the entity and capitalized			
Work performed by the entity and capitalized	13	11,142	15,858
Total work performed by the entity and capitalized		**11,142**	**15,858**
Operating expenses			
Raw material costs		-4,766	-
Other external costs	9, 24, 25	-24,997	-29,839
Personnel costs	8	-9,929	-9,197
Depreciation and amortization of equipment and intangible assets	13, 14	-3,743	-2,393
Total operating expenses		**-43,435**	**-41,429**
Operating loss		**-10,983**	**-10,896**
Result from financial items			
Dividend		14,507	7,332
Other interest income and similar profit items	10	167	580
Interest expenses and similar profit items	10	-2,958	-379
Total result from financial items		**11,716**	**7,533**
Loss before taxes		**733**	**-3,363**
Income tax		-	-
Net loss for the year		**733**	**-3,363**

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

Balance Sheet Statement for the Parent Company

(kSEK)	Note 1	31 December 2017	31 December 2016
Fixed assets			
Intangible fixed assets	13	50,686	42,912
Property, plant & equipment	14	639	959
Financial assets			
Loan to subsidiary		3,344	2,496
Participations in unlisted companies	16	14,306	-
Participations in Group companies	15	59,805	59,805
Total fixed assets		**128,509**	**106,172**
Current assets			
Inventories	17	1,460	2,297
Trade receivables	18	3,374	824
Intercompany receivables	18	-	194
Other receivables	18	640	738
Prepaid expenses and accrued income	18	2,459	645
Cash and bank balances	19	14,407	770
Total current assets		**22,339**	**5,468**
Total assets		**150,848**	**111,640**
Equity			
Restricted equity			
Share capital	20	81,512	76,694
Statutory reserve	20	274,180	274,180
Reserve for Capitalized expenditure for development		27,000	15,858
Total restricted equity		**382,692**	**366,732**
Non-restricted equity			
Share premium reserve	20	482,211	468,290
Share-based payment	20, 21	-	3,324
Loss brought forward		-746,589	-735,409
Net loss for the year		733	-3,363
Total non-restricted equity		**-263,645**	**-267,158**
Total equity		**119,047**	**99,574**
Non-current liabilities			
Intercompany borrowings		26,105	4,811
Total non-current liabilities	**22**	**26,105**	**4,811**
Current liabilities			
Advance payment from customers		519	-
Trade payables		1,607	2,104
Intercompany payables		1,219	3,090
Other payables		2,351	2,062
Total current liabilities	23	**5,696**	**7,256**
Total equity and liabilities		**150,848**	**111,640**

Statement of Changes in Equity for the Parent Company

(kSEK)	Restricted equity			Non-restricted equity				
	Share capital	Statutory reserve	Reserve for Capitalized expenditure for development	Share premium reserve	Share-based payment	Retained loss	Net loss of the year	**Total equity**
Balance at 1 January 2016	**71,681**	**274,180**	**-**	**458,499**	**3,324**	**-705,404**	**14,145**	**88,134**
Distribution of net losses as resolved by the AGM	-	-	-	-	-	-14,145	14,145	-
Net loss for the year	-	-	-	-	-	-	-3,363	**-3,363**
Capitalized expenditure for development	-	-	15,858	-	-	-15,858	-	-
New share issue	5,013	-	-	9,791	-	-	-	**14,803**
Balance at 31 December 2016	**76,694**	**274,180**	**15,858**	**468,290**	**3,324**	**-735,409**	**-3,363**	**99,574**
Distribution of net losses as resolved by the AGM	-	-	-	-	-	-3,363	3,363	-
Net loss for the year	-	-	-	-	-	-	733	**733**
Capitalized expenditure for development	-	-	11,142	-	-	-11,142	-	-
Reversal on Share-based payment	-	-	-	-	-3,324	3,324	-	-
Ongoing New share issue	3,750	-	-	11,250	-	-	-	**15,000**
New share issue	1,068	-	-	2,671	-	-	-	**3,740**
Balance at 31 December 2017	**81,512**	**274,180**	**27,000**	**482,211**	**-**	**-746,589**	**733**	**119,047**

Cash Flow for the Parent Company

(kSEK)	Note 1	January-December 2017	January-December 2016
Cash flows used in operating activities			
Profit/loss after financial items	11	733	-3,363
Adjustments for non-cash items	27	-10,123	-5,149
Interest paid		905	-
Net cash used in operating activities before change in working capital		**-8,651**	**-8,512**
Cash flow from change in working capital			
Inventories		838	-2,297
Advance payment from customers		-	-2,595
Trade and other receivables		-4,071	1,150
Liabilities		-1,560	-1,019
Change in working capital		**-4,794**	**-4,761**
Net cash used in operating activities		**-13,445**	**-13,273**
Investing activities			
Capitalized expenditure for development	13	-11,142	-15,858
Acquisition of equipment	14	-55	-280
Dividend from subsidiary		14,507	7,332
Acquisition of financial assets	16	-14,036	-
Net cash used in investing activities		**-10,726**	**-8,806**
Cash flows from financing activities			
Raise of intercompany loans		-681	-535
Change of intercompany loans		19,749	5,675
Share issue		18,740	14,803
Net cash from financing activities		**37,807**	**19,943**
Cash flow of the year		**13,636**	**-2,136**
Cash and cash equivalents in the beginning of the year	19	**770**	**2,906**
Cash and cash equivalents end of the year		**14,407**	**770**

Notes on Consolidated Financial Statements for the Year Ended 2017

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

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

1. Basis if preparation

a) Statement of compliance

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

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

The consolidated financial statements were authorized for issue by the Board of Directors on 29 March 2018. 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 26 April 2018.

b) Basis of measurement

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

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

c) Functional and presentation currency

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

d) Use of estimates and judgments

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

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

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

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

e) New accounting policies applied by the Group in 2017

No standards, amendments or interpretations effective from the financial year beginning January 1, 2017 had a material impact on the consolidated financial statements.

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

A number of new standards and interpretations will come into effect for financial years beginning on or after January 1, 2017 and were not applied when preparing these financial statements. None of these are expected to have any material impact on the consolidated financial statements with the exception of the following:

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

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

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

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

g) Segment reporting

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

h) Consolidation principles and acquisitions

Basis of consolidation

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

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

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

Group companies

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

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

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

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

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

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

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

i) Transactions in foreign currency

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

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

j) Revenue recognition

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

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

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

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

k) Income tax

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

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

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

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

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

l) Financial instruments

Classifications and validations

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

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

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

Loans and receivables

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

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

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

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

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

m) Intangible assets

Goodwill

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

Research and Development / Capitalized expenditure

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

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

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use on a linear basis over its useful life. From 1 January 2017 the Group amortize over 10 years. Annual testing for impairment, in accordance with IAS 36.

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

Patents

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

Technology

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

Intellectual property

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

Other intangible assets

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

n) Inventories

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

o) Impairment of assets

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

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

The Company has no segment split for balance items.

p) Share capital

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

q) Earnings per share

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

r) Employee benefits

Defined contribution plan

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

Defined benefit plan

Commitments for old-age pensions and family pensions in Sweden are insured on the basis of pension insurance with Collectum (in accordance with the statement UFR 3 issued by the Swedish Financial Reporting Board) and are classified as multi-employer defined benefit plans. As regards the financial years presented, the Company has not had access to the type of information which would make it possible to report these plans as defined benefit plans. The pension plans according to ITP, which are secured on the basis of insurance with Collectum, are, therefore, reported as defined contribution plans. Fees for pensions insured with Collectum amount to kSEK 255 (2016: kSEK 221) for the year. Refunds from Collectum can be distributed to the insurance holders and/or the assured. At 31 December 2017 the total amount of refunds from Collectum due to information from Collectum, in the form of a collective consolidation level, amounted to 154% (2016: 149%) per cent. This collective consolidation level is comprised of the market value of the assets managed by Collectum as a percentage of insurance commitments, calculated according to Collectum's actuarial assumptions, which is not in accordance with IAS 19.

Termination benefits

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

Share-based payments

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

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

s) Trade receivables

Trade receivables are reported at the expected amount to be collected, based on individual assessment. One of the outstanding receivables at end of December 2017 was older than 1 month.

t) Provisions

Provisions for restructuring and other costs are recognized when:

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

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

u) Contingent liability

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

v) Property, plant and equipment

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

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

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

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

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

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

w) Borrowings

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

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

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

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

1.1. Parent company accounting policies

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

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

a) Classification and format

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

b) Property, plant and equipment

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

2. Financial risk management

a) Financial risk factors

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

b) Currency exchange risks

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

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

At December 2017 if the currency rate had weakened/strengthened by 10% against EUR with all other variables held constant, post-tax loss for the year would have been SEK 3.5m (EUR 0.36m) higher/lower (2016: SEK 3.2m (EUR 0.33m)). This is mainly a result of currency exchange gains/losses on translation differences for the AJAT acquisition on one side and on the other side currency gain/loss for purchases and the capital loan in YEN.

c) Liquidity risk

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

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

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

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

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

(kSEK) at 31 December 2017	Less then 1 year	Between 1 & 7 years	Total
Borrowings	6,087	35,088	41,175
Current liabilities	24,362	-	24,362
Total	**30,449**	**35,088**	**65,537**

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

d) Credit risk management

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

e) Cash flow and fair value interest rate risk

Interest rate risk pertains to the risk that changes in interest rates may adversely affect Direct Conversion's earnings. A majority of the Company's borrowing relates to the capital loan from a former shareholder, described in Note 22. The interest rate on this loan is fixed at 3% and accordingly Direct Conversion does not assess the exposure related to changes in interest rates as significant for the Company's result and financial position, see Note 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

(kSEK)	Group		Parent	
	2017	**2016**	**2017**	**2016**
Systems	-	6,057	-	-
Sensors	115,359	107,733	12,245	10,935
Exclusivity	249	995	249	995
Others	3,988	2,933	2,998	2,745
Total	**119,596**	**117,718**	**15,492**	**14,675**

4. Segment information

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

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

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

(kSEK)	31 December 2017			
	XCounter	**XC UK**	**AJAT**	**Direct Conversion**
Intangible assets	50,686	-	52,976	**103,661**
Tangible assets	639	912	3,632	**5,183**
Total	**51,324**	**912**	**56,608**	**108,844**

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

5. Other operating income

(kSEK)	Group		Parent	
	2017	**2016**	**2017**	**2016**
Other operating income	13,402	2,062	5,819	-
Total	**13,402**	**2,062**	**5,819**	**-**

6. Number of employees

	Group		Parent	
	2017	**2016**	**2017**	**2016**
Women	17	15	3	2
Men	43	43	9	9
Total	**60**	**58**	**12**	**11**

7. The Board of Directors' and Executive Management

	Group			
	2017		**2016**	
	No. at year-end	Whereof men	No. at year-end	Whereof men
The Board of Directors'	3	66%	3	66%
Executive Management	5	100%	5	100%

	Parent			
	2017		**2016**	
	No. at year-end	Whereof men	No. at year-end	Whereof men
The Board of Directors'	3	66%	3	66%
Executive Management	4	100%	3	100%

8. Personal expenses

(kSEK)	Group		Parent	
	2017	2016	2017	2016
Wages and salaries*	31,615	31,765	7,242	6,653
Social security costs	2,396	3,075	1,781	1,719
Pension costs - defined contribution plans**	4,803	4,828	906	825
Total	**38,814**	**39,668**	**9,929**	**9,197**

*Includes salaries and fees to The Board of Directors and the Chief Executive Officer in the Group amounting to kSEK 0 (2016: kSEK 7,582), whereof for the Parent kSEK 0 (2016: kSEK 5,513).

**Include pension costs for the Chief Executive Officer amounting to kSEK 0 (2016: kSEK 523), whereof for the Parent kSEK 0 (2016: kSEK 1).

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

For the year 2017

(kSEK)	Salary/Board fee	Pension	Other/ variable compensation	Total
Group and Parent				
Jean-Philippe Flament, Chairman	2,563	-	-	**2,563**
Dag Mosvold, Non-Executive Director	-	-	-	-
Ondine de Rothschild, Non-Executive Director	-	-	-	-
Thor Haugnaess, Non-Executive Director	-	-	-	-
Yngvar Hansen-Tangen, Non-Executive Director	-	-	-	-
Spencer Gunn, CEO	1,923	-	-	**1,923**
Rasmus Ljungwe, CFO/deputy CEO	825	1	-	**826**
Christer Ullberg, CTO	1,721	319	-	**2,040**
Pasi Laukka, General Manager	1,002	210	**14**	**1,226**
Total	**8,034**	**530**	**14**	**8,078**

For the year 2016

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

9. Auditors remuneration

(kSEK)	Group		Parent	
	2017	2016	2017	2016
PricewaterhouseCoopers AB				
Audit assignment	574	480	295	260
Audit business in addition to audit assignment	-	15	-	15
Thorne Lancaster Parker				
Audit assignment	40	40	-	-
Sum	**614**	**535**	**295**	**275**

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

10. Financial items

(kSEK)	Group		Parent	
	2017	2016	2017	2016
Exchange gain	1,059	898	-	389
Other interest income	2	-	167	191
Total	**1,061**	**898**	**167**	**580**
Exchange loss	-2,523	-1,445	-2,052	-352
Other interest expenses	-13	-111	-1	-
Other financial expenses	-404	-88	-	-1
Interest expenses on loans	-329	-314	-905	-27
Change in embedded derivative	-232	297	-	-
Total	**-3,501**	**-1,661**	**-2,958**	**-380**

11. Income tax expenses

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

(kSEK)	Group		Parent	
Consolidated income statement	**2017**	**2016**	**2017**	**2016**
Profit/Loss before tax from continuing operations	**8,626**	**5,776**	**733**	**-3,363**
Swedish corporation tax 22.0%	-1,898	-1,271	-161	740
Finnish corporation tax 20.0%	-4,602	-2,474	-	-
UK corporation tax 20.0%	134	216	-	-
Effects of:				
Deferred tax*	-177	-1,901	-	-
Unrecognized deferred tax assets on tax loss carryforwards	1,898	1,271	161	-740
Tax expense for financial year	**-4,646**	**-4,159**	**-**	**-**

* Deferred income tax of 20% at the amortization of acquired intangible assets for AJAT with the headings Technology, Intellectual property and Other intangible assets on note 13, for 2017 kSEK 4,225 (kEUR 439) (2016: kSEK 4,480 (kEUR 468)). It also relates to deferred tax of 20% on Capital loan in respect of the derivative and the difference between the lower fixed interest rate compared to assumed market interest rate. The Group has at 31 December 2017 tax deductible losses. Of the Tax expenses for financial is kSEK 4 602 (kEUR 478) 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.

11.1. Specification of deferred tax

(kSEK)	Group	
	2017	2016
Deferred income tax assets		
Tax loss from operations	134	216
	134	**216**
Deferred income tax liabilities		
Deferred tax liabilities related to temporary differences	-4,085	-4,193
Tax liabilities related to acquisition*	-1,126	-1,710
	-5,319	**-5,903**
Net value Tax assets and liabilities	**-5,185**	**-5,687**

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

12. Earnings per share

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

(kSEK)	Group	
	2017	2016
Profit/Loss attributable to equity holders of the Company	3,980	1,617
Weighted average number of ordinary shares before dilution	15,887,303	15,080,167
Profit/Loss per share before dilution, (SEK)	0.25	0.11

13. Intangible assets

(kSEK)	Group		Parent	
Capitalized expenditure for development	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Opening accumulated cost	**146,800**	**120,804**	**125,371**	**109,513**
Changes during the year				
Internally generated assets	20,043	25,622	11,142	15,858
Translation differences	719	374	-	-
Closing accumulated cost	**167,562**	**146,800**	**136,513**	**125,371**
Opening accumulated amortization	**-17,686**	**-15,306**	**-13,729**	**-11,632**
Changes during the year				
Amortization	-4,069	-2,380	-3,368	-2,097
Closing accumulated amortization	**-21,756**	**-17,686**	**-17,097**	**-13,729**
Opening accumulated impairment	**-70,479**	**-70,479**	**-68,730**	**-68,730**
Changes during the year				
Impairment loss	-	-	-	-
Closing accumulated impairment	**-70,479**	**-70,479**	**-68,730**	**-68,730**
Closing capitalized expenditure for development	**75,327**	**58,634**	**50,686**	**42,912**

(kSEK)	Group		Parent	
Patents & licenses	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Opening accumulated cost	**6,657**	**6,489**	**-**	**-**
Changes during the year				
Additions	25	249	-	-
Translation differences	93	-82	-	-
Closing accumulated cost	**6,774**	**6,657**	**-**	**-**
Opening accumulated amortization	**-3,523**	**-3,079**	**-**	**-**
Changes during the year				
Amortization	-747	-444	-	-
Closing accumulated amortization	**-4,270**	**-3,523**	**-**	**-**
Closing patents & licenses	**2,504**	**3,133**	**-**	**-**

(kSEK)	Group		Parent	
	31 Dec	**31 Dec**	**31 Dec**	**31 Dec**

Direct Conversion

Technology	2017	2016	2017	2016
Opening accumulated cost	**30,107**	**28,748**	-	-
Changes during the year				
Translation differences	890	1,359	-	-
Closing accumulated cost	**30,997**	**30,107**	-	-
Opening accumulated amortization	**-23,082**	**-19,165**	-	-
Changes during the year				
Amortization	-3,031	-2,980	-	-
Translation differences	-751	-936	-	-
Closing accumulated amortization	**-26,864**	**-23,082**	-	-
Closing technology	**4,133**	**7,025**	-	-

(kSEK)	Group		Parent	
Intellectual property	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Opening accumulated cost	**8,076**	**7,689**	-	-
Changes during the year				
Translation differences	253	387	-	-
Closing accumulated cost	**8,329**	**8,076**	-	-
Opening accumulated amortization	**-6,574**	**-5,460**	-	-
Changes during the year				
Amortization	-862	-848	-	-
Translation differences	-214	-267	-	-
Closing accumulated amortization	**-7,650**	**-6,574**	-	-
Closing intellectual property	**-679**	**1,501**	-	-

(kSEK)	Group		Parent	
Other intangible assets	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Opening accumulated cost	**7,500**	**7,162**	-	-
Changes during the year				
Translation differences	222	339	-	-
Closing accumulated cost	**7,722**	**7,500**	-	-
Opening accumulated amortization	**-6,951**	**-6,008**	-	-
Changes during the year				
Amortization	-332	-653	-	-
Translation differences	-213	-291	-	-
Closing accumulated amortization	**-7,496**	**-6,951**	-	-
Closing other intangible assets	**226**	**549**	-	-

(kSEK)	Group		P6arent	
Goodwill	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Opening accumulated cost	**20,196**	**19,284**	-	-
Changes during the year				
Translation differences	597	912	-	-
Closing accumulated cost	**20,793**	**20,196**	-	-
Closing goodwill	**20,793**	**20,196**	-	-

(kSEK)	Group		Parent	
Net intangible assets	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Capitalized expenditure for development	75,327	58,634	50,686	42,912
Patents & licenses	2,504	3,133	-	-
Technology	4,133	7,025	-	-
Intellectual property	679	1,501	-	-
Other intangible assets	226	549	-	-
Goodwill	20,793	20,196	-	-
Total net intangible assets	**103,661**	**91,039**	**50,686**	**42,912**

Of the generated assets for the Group kSEK 20,043 (2016: kSEK 25,622) is kSEK 20,043 (2016: kSEK 25,622) internal generated.

Of the generated assets for the parent company kSEK 11,142 (2016: kSEK 15,858) is kSEK 11,142 internal generated.

The acquisition of AJAT resulted in recognition of goodwill amounting to kSEK 20,793 at closing day 31 December 2017 (31 December 2016: kSEK 20,196).

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 (2016: 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 2018-2027 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 2027 and future on is assumed to 2.0 per cent (2016: 2.0 per cent).

14. Property, plant, and equipment

(kSEK)	Group		Parent	
Leasehold improvements	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Opening accumulated cost	**4,480**	**3,882**	**5**	**5**
Changes during the year				
Additions	527	597	-	-
Closing accumulated cost	**5,007**	**4,480**	**5**	**5**
Opening accumulated amortization	**-3,821**	**-2,573**	**-5**	**-2**
Changes during the year				
Depreciation	-616	-1,248	-	-3
Closing accumulated amortization	**-4,437**	**-3,821**	**5**	**-5**
Closing net book value	**570**	**659**	-	-

(kSEK)	Group		Parent	
Property, plant and equipment	**31 Dec 2017**	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Opening accumulated cost	**30,889**	**30,248**	**13,604**	**13,323**
Changes during the year				
Additions	3,743	640	55	280
Closing accumulated cost	**34,557**	**30,889**	**13,658**	**13,604**
Opening accumulated amortization	**-28,182**	**-26,835**	**-12,644**	**-12,349**
Changes during the year				
Depreciation	-1,663	-1,062	-375	-296
Exchange translation difference	-173	-284	-	-
Closing accumulated amortization	**-30,018**	**-28,182**	**-13020**	**-12,644**
Closing net book value	**4,613**	**2,707**	**639**	**959**
Property, plant and equipment net book value	**5,183**	**3,366**	**639**	**959**

15. Participation in Group Companies

2017

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

2017

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

2016

Company's name	Reg. no.	Location	Equity	Net result
XCounter Securities AB	556632-6137	Stockholm	86	-3
Direct Conversion Ltd.	09313012	London, UK	-1,870	-1,082
Oy AJAT Ltd	1735843-9	Espoo, FI	40,805	16,835

2016

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

16. Participation in unlisted companies

Under the year of 2017 the company has acquired 1,000,000 shares in the unlisted related party Visuray PLC. The acquisition price was 1.5 euro per share and was unchanged by the end of the year. The carrying value of the holding is kSEK 14,036 (kEUR 1,500).

17. Inventories

(kSEK)	Group		Parent	
	31 Dec 2017	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Raw material	13,989	10,892	768	2,173
Work in progress	5,669	3,028	-	-
Finished goods	3,661	3,903	692	124
Total	**23,319**	**17,823**	**1,460**	**2,297**

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

(kSEK)	Group		Parent	
	31 Dec 2017	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Trade receivables	11,860	18,552	3,374	824
Intercompany receivables	-	-	-	194
Total	**11,860**	**18,552**	**3,374**	**1,018**

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

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

(kSEK)	Group		Parent	
	31 Dec 2017	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
VAT recoverable	3,674	718	640	575
Other short term receivables	97	163	-	163
Total other receivables	**3,771**	**881**	**640**	**738**
Other prepaid expenses	3,466	3,504	2,459	645
Total prepaid expenses and accrued income	**3,466**	**3,504**	**2,459**	**645**

The total carrying value for assets categorized as Loans and receivables amounts to kSEK 55,024 (2016: kSEK 46,063), and relates to trade receivables, other receivables and bank deposits.

19. Cash and cash equivalents

(kSEK)	Group		Parent	
	31 Dec 2017	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Cash at bank and in hand	35,927	23,252	14,407	770
Total	**35,927**	**23,252**	**14,407**	**770**

20. Equity

(kSEK)				Additional paid in Capital	
Group & Parent	**No. of ordinary shares**	**Share capital**	**Statutory reserve**	**Share premium**	**Share-based payment**
Balance at 1 January 2017	**15,338,714**	**76,694**	**274,180**	**468,290**	**3,324**
Share issues	963,738	4,818	-	13,921	-
Share based payments	-	-	-	-	-3,324
Balance at 31 December 2017	**16,302,452**	**81,512**	**274,180**	**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 756,391 as additional paid in capital.

The Group also has an item for translation difference in equity in respect of the changes in currency ration between SEK and EUR/GBP regarding the acquisition of Oy AJAT Ltd., and the founding of Direct Conversion Ltd. 963,738 in placing completed during 2017.The par value is SEK 5.00.

21. Share-based payment arrangements

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

2012 ESOP/BSOP

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

The Company granted 185,000 options during 2012, which are subject to a three year vesting schedule and required the continued service of the option holder (as employee or Director, as the case may be). 1/3 of the options vested yearly at December every year, the first time on 1 December 2012. These options had a life time to 31 December 2017. One of the option holders ended his employment during 2013, and thus stops his earning. None of the granted programs from 2012 has reached strike price and are reversed to retained earnings.

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

	2012:1 ESOP	2012:2 ESOP
Exercise Price (SEK)	26.68	23.50
Volatility (%)	39.21%	39.21%
Risk-free rate (%)	-0.395%	-0.365%
Expected dividends	nil	nil
Estimated life	0.00	1.00
Fair value per option (SEK)	**-**	**-**

The volatility for the share is based on closing prices/day from February 2006 to December 2017.

Total expenses related to each of the plans above were recognized to zero during 2017 and 2016.

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

Outstanding options and warrants

2017

	Average exercise price in SEK per share	Warrants/ Options (thousands)
At 1 January	**23,68**	**53**
Expired	23,68	-53
At 31 December	**-**	**-**

2016

	Average exercise price in SEK per share	Warrants/ Options (thousands)
At 1 January	**24.26**	**53**
Expired	23.50	-
At 31 December	**23,68**	**53**

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

By the end of 2017 there is no outstanding warrants/options. Bu the end of 2016 it was 175,000 where none were exercisable.

As of 31 December 2017, no option program is outstanding in subsidiaries.

22. Loans and borrowings

The Group's borrowing of kSEK 40,564 (kEUR 4,118) in nominal value, included kSEK 34 (kEUR 3) of accrued interest and principle amounts due of kSEK 40,530 (kEUR 4,115). Carrying value at 31 December 2017 amounted to kSEK 41,175 (kEUR 4,180) (2016: kSEK 22,819 (kEUR 2,385)).

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

- A loan is denominated in Japanese YEN (YEN) and bears interest at a fixed rate of 0%. The agreement stipulates a currency cap/floor of +/- 15 % of the currency relation between YEN and EUR based on the exchange rate in place on 30 August 2002. The amount outstanding in nominal value was kSEK 7,848 (kEUR 797 (kYEN 107,575)) at 31 December 2017 (2016: kSEK 10,008 (kEUR 1,046 (kYEN 129,091))). The currency cap/floor is determined to be an embedded derivative and is treated separately from the host contract; see information below "Embedded derivative – fair value".
- Loan with TEKES, the main public funding organization for research, development and innovation in Finland. The loan bears interest at prime rate less 1% (Finnish government interest for these types of loans) and a minimum interest level of 3%. The prime rate during the period was 3%. The nominal amount outstanding at 31 December 2017 was kSEK 1,287 (kEUR 131) (2016: kSEK 1,512 (kEUR 158)).

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 2017 a repayment was made to all loan givers with a total of kSEK 1,893 (kEUR 194) (2016: 3,503 (kEUR 366)). The loan from Acrorad is interest free from September 2016 and shall be paid on a yearly basis until year 2022.

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

In 2016 Ajat got a loan facility from Nordea of kSEK 9,567 (kEUR: 1,000) and in 2017 Ajat got another loan facility from Nordea of kSEK 19,699 (kEUR: 2,000) the loans are in EUR. The annual interest charged on the loan is 2% units above the 3-month Euribor interest. The value of the Euribor rate is, however, always considered to be at least zero. The repayment amount is paid in equal instalments at the interval of 3 month(s) starting in October 2017 respectively October 2018. The repayment amount is kSEK 581 (kEUR 59). The amount does not include interest and the interest is paid in interval of 1 month starting November, 2016 and December, 2017. The loan shall be fully paid by October, 2021 and October 20222. The Company has an interest rate hedge over the loan that do not have a material effect 2017. The derivate at the end of 2017 was kSEK 188 (kEUR 19).

(kSEK)	Borrowings expiring within 1 yr	after 1 yr	Total
Net borrowings by 31 December 2016	2,506	22,819	**25,325**
Cash Flow	- 2,638	19,699	**17,061**
Exchange rate differences	132	-1,343	**-1,211**
Other non-cash items	6,087	-6,087	-
Net borrowings by 31 December 2017	**6,087**	**35,088**	**41,175**

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.

Currency derivative	Group 2017	2016
Opening balance	379	-676
Change in value (financial cost)	232	297
Closing balance	**611**	**379**

23. Trade and other payables

(kSEK)	Group 31 Dec 2017	31 Dec 2016	Parent 31 Dec 2017	31 Dec 2016
Current liabilities				
Advance payment from customers	**1,232**	**350**	**519**	**-**
Trade payables	**12,604**	**16,014**	**2,826**	**5,193**
Short term loan	6,087	2,506	-	-
Payroll related liabilities	859	1,073	170	293
Social security and other taxes	330	50	330	-152
Accrued payroll expense	1,010	399	478	399
Holiday pay liability	2,042	3,709	1,323	1,163
Accrued expenses	6,284	1,260	20	360
Other liabilities	**16,613**	**8,997**	**2,351**	**2,063**
Total current liabilities	**30,449**	**25,361**	**5,696**	**7,256**

24. Operating leases

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

The minimum lease rentals to be paid under non-cancellable operating leases at 31 December 2017 are as follows:

(kSEK)	Group 2017	2016	Parent 2017	2016
Within one year	2,690	3,632	1,055	1,020
Between one and five years	3,676	3,770	1,587	2,041
Total	**6,366**	**7,402**	**2,643**	**3,061**

25. Related parties

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

25.1. Sales to related parties

(kSEK)	Group 2016	2016	Parent 2015	2016
AJAT	-	-	5,819	2,559
VisuRay	447	464	447	464
Direct Conversion Ltd.	-	-	-	-
Total sales to related parties	**447**	**464**	**6,266**	**3,023**

25.2. Purchases from related parties

(kSEK)	Group 2017	2016	Parent 2017	2016
AJAT	-	-	4,072	3,546
Innovative Pivotal Applications Ltd.	2,670	2,528	2,670	1,481
Visuray	1,869	837	1,869	837
Whitehorse Investing Ltd.	2,601	2,774	2,601	2,774
XCounter (UK)	-	-	7,724	7,881
Total purchases from related parties	**7,140**	**6,138**	**18,936**	**16,518**

25.3. Other related party transactions

(kSEK)	Group 31 Dec 2017	31 Dec 2016	Parent 31 Dec 2017	31 Dec 2016
Capital loan from management	-	708	-	-
Participation in unlisted companies (Visuray PLC)	14,036	-	-	-
Total other related party transactions	**14,036**	**708**	**-**	**-**

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

(kSEK)	Group 31 Dec 2017	31 Dec 2016	Parent 31 Dec 2017	31 Dec 2016
AJAT (receivable)	-	-	-	-
AJAT (payable)	-	-	1,219	8,095
Innovative Pivotal Applications Ltd. (payable)	-	218	-	218
VisuRay (advance payment)	447	-	447	-
Whitehorse Investing Ltd. (payables)	-	440	-	440
Direct Conversion Ltd. (receivables)	-	-	3,344	2,496
Period-end balances	**447**	**658**	**4,563**	**11,249**

26. Pledged assets & contingent liabilities

The subsidiary Oy Ajat Ltd. has pledged assets of kSEK 36,929 (kEUR: 3,749) towards the company's mortgage.

Direct Conversion AB, parent company, has signed three agreements together with its subsidiary Oy AJAT Ltd with the lender where one of the loans is denominated in YEN and two in EUR where Direct Conversion guarantee AJAT´s debt of Capital loan if AJAT fail to repay each year of the repayment plan. Total amount for YEN denominated loan with principal part and interest until fully repaid end of August 2022 is calculated to kSEK 7,771 (kEUR 789) (2016: kSEK 9,898 (kEUR 1,035)). Total amount for EUR denominated loan with principal part and interest until fully repaid end of 2021 is calculated to kSEK 29,158 (kEUR 2,960) (2016: kSEK 9,567 (kEUR 1,003)).

27. Cash used in operations

(kSEK)	Group		Parent	
Adjustments for non-cash items	**2017**	**2016**	**2017**	**2016**
Amortization, intangibles	9,041	7,305	3,368	2,097
Depreciation, tangibles	2,279	2,310	375	296
Currency exchange gain/loss	2,613	-83	640	-83
Financial income	-12	-	-1	-155
Financial expense	342	-	1	28
Dividend	-	-	-14,507	-7,332
Total adjustments	**14,263**	**9,532**	**-10,123**	**5,149**

28. Other information and events after the balance sheet date

- At the extraordinary general meeting in January 2018 was Marc Sperschneider elected as Non-Executive Board Director for the period until the next annual general meeting.
- In the beginning of 2018 was Direct Conversion GmbH founded, a fully owned German subsidiary to the Swedish parent company. The German operations shall focus on the sales and customization of the groups products.

29. 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 2017 impairment assessment extends over the period from 2018 to 2027. Expected revenue is based on deliveries of x-ray sensors and year volumes is critical to cash flow forecasts, larger deviations of annual volume may cause impairment. Costs related to the sale of these goods are also included in these projections, as well as the strategy for manufacturing via significant outsourcing to qualified and selected suppliers.

The other critical assumption in the impairment test is the discount rate of 15.62% (2016: 15.62%) applied to the forecasts. Increasing the discount rate to 20.0% would reduce the total discounted cash flow with approx. SEK 40.6m (EUR 4.2m) (2016: SEK 17.4m (EUR 1.8m)). That would though not require any impairment loss.

b) Deferred tax

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

c) Share based payments

The 2016 employee stock option programs are subject to market conditions. Management has factored into the calculation of the fair value of these stock options, the probability of these vesting criteria being achieved. The fair value determination of the options according to IFRS 2 for this employee stock option program includes the management's best estimate of the fulfilment of the market based vesting criteria. Similarly, management estimate at each balance sheet date the expected number of options that will vest based on their expectation of employees with options that will still be in employment at the end of the vesting period. For further information, see Note 21.

d) Social security provisions

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

e) Going concern

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

30. Proposed distribution of net results

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

Result brought forward and non-restricted equity	-264,378,313
Result for the period	733,341
Total	**-263,644,972**

The Board and the Chief Executive Officer propose that the accumulated deficit, SEK -263,644,972 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.

31. The parent company

Direct Conversion AB (or "the Parent company") is active in development of photon counting and tomosynthesis based 3D X-ray sensors for dental, medical and industrial applications based on proprietary X-ray technologies. The current number of employee headcount is 12 at the end of December 2017. Today's business focus is to concentrate on the development activities and products with shortest time to market at the same time as usage of the Direct Conversion AB's resources is optimized.

January-December

- Net sales increased to SEK 15.5m (EUR 1.6m) (2016: SEK 14.7m (EUR 1.5m))
- Result for the period was SEK 0.7m (EUR 0.8m) (2016: SEK -3.4m (EUR -0.4m))
- Net cash at the end of the period of SEK 14.4m (EUR 1.5m) (2016: SEK 0.8m (EUR 0.1m))

32. Future upcoming reporting dates

Annual report 2018 latest 29 March 2019

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.

33. Annual general meeting 2018

The AGM is scheduled to be held April 26th, 2018 at the Company's office, Svärdvägen 23, Danderyd. Notice to the Annual General Meeting will be announced and published to all shareholders on the March 26th, 2018.

Approval of Financial Statements

Consolidated financial statements will be submitted to the annual general meeting April 29th, 2018 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, 29 March, 2018

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

Our Audit report was submitted on 29 March, 2018.

PricewaterhouseCoopers AB

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

Auditor's report

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Direct Conversion AB (publ) for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 5-22 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Basis for Opinions

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

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

Other Information than the annual accounts and consolidated accounts

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

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

A further description of our responsibility for the audit of the annual accounts 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 Directors and the Managing Director of Direct Conversion AB (publ) for the year 2017 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 Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Remark

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

Malmö 29th March 2018
PricewaterhouseCoopers AB

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