

ANNUAL REPORT 2017



“We’re imaging the future
of quantitative MRI”

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"It's a game changer"

Suraj Serai, Assistant Professor of Radiology,
Cincinnati Children's Hospital Medical Center



SyntheticMR Intro

SyntheticMR develops innovative software solutions for Magnetic Resonance Imaging (MRI) that supports shorter exam times and delivers more information to the clinician.

SyntheticMR's unique technology measures the absolute properties of the brain and delivers adjustable contrast images, automatic biomarker segmentation and quantitative data in a single MR scan.

SyntheticMR's product SyMRI is sold through partner agreements with Siemens Healthineers, Philips and Sectra. A client-specific version is sold by GE Healthcare.

The company was founded by Dr Marcel Warntjes in 2007 based on innovations developed at Center for Medical Image Science and Visualisation (CMIV) in Linköping, Sweden. SyntheticMR has 16 employees and is based in central Linköping.

CEO COMMENTS

"Another year of strong growth"

I am pleased to summarize a successful quarter and a strong year 2017. We delivered significant sales growth and higher result compared to the corresponding period last year. Sales in the fourth quarter increased to SEK 13.1M, an improvement of 45 percent compared to the same period last year. Total sales in 2017 amounted to SEK 35.6M which represents an increase of 88 percent. While the company displays a growth in sales, the operating profit increased from SEK 3.2M to SEK 11.1M, which means an improvement in the operating margin from 17 to 31 per cent for the whole year of 2017.

We have capitalized development expenditure of SEK 3M during 2017, which is in line with the last two years. These investments are attributable to existing and new products. The depreciations of last year is in parity with our capitalized development expenditure, which means that together they have a minor effect on the cash flow.

SyntheticMR's business model, with sales of licenses through partners, is proven to work well. Net profit after tax have increased by approximately SEK 6M while liquid assets increased by about SEK 7.7M, which means we have a strong cash conversion.

The company's financial development and position confirm the market's increased demand for our products.

Sales of MAGiC through GE Healthcare has developed well in 2017. We are continuously working on developing our joint business and have this last period focused our cooperation on making the MAGiC functionality available in the reading-room where the radiologist views the images. We have now agreed on the terms and the first sales to this customer segment are expected in the latter part of 2018.

We still see some delays in our sales through Philips, and we continue to improve upon our shared processes. We have received a positive response to our efforts from all parties. My assessment is therefore that we will see increased interest from Philips' customers in 2018.

Last summer we signed an additional agreement with Siemens prior to the launch of their Digital Ecosystem. Our product SyMRI will be available at launch via Siemens' visualization tool, syngo.via OpenApps,

which is part of the Digital Ecosystem. We are working intensely to achieve successful market introduction with initial sales in 2018, with successive revenue growth in the coming years.

A number of interesting studies have been published in well-known journals last year, which show how SyMRI can be applied in practice. One large study shows that the synthetic images in SyMRI have similar quality compared to conventional images, but are acquired in half the scan time. Another study uses the volume measurements in SyMRI to calculate normative curves of brain volume in children. Both studies display the great potential of the quantitative data in SyMRI.

A noticeable trend this last year is that the number of independent studies have increased. The number of independent studies is a good indication that SyMRI is achieving a stronger foothold on the market.

After the end of the year, SyMRI NEURO was cleared by the US authority FDA. The clearance covers our entire product package, including volume calculations and segmentation of myelin, for clinical use on the US market. This means we can now offer clinics in the United States a tool that supports a faster and more reliable diagnosis of their patients.

The aging population and the increased prevalence of age-related diseases is a global challenge. The society needs to increase the quality of healthcare and at the same time reduce the costs. We see two clear trends on the market: a drive toward increased efficiency and a demand for objective decision support with quantitative MRI. SyntheticMR's products are well positioned to meet these needs by supporting shorter investigation times, more reliable diagnosis and improved treatment follow-up. This way we can contribute to increased efficiency at the clinic and greater patient satisfaction.

I'm looking forward to 2018 where we will continue to show the clinical benefit of SyMRI, deepen our partner collaborations and continue to establish SyMRI on markets around the world.

Stefan Tell, CEO SyntheticMR AB

The year in brief



Milestones



Strategy and vision

SyntheticMR's vision is to create a paradigm shift within MRI and lead the development of quantitative MRI. With SyMRI, the clinician is offered objective decision support which can lead to a faster and more reliable diagnosis of their patients. The more efficient workflow can contribute to shorter waiting times and less time spent in the MR scanner, which leads to an improved patient experience. This increases the productivity and patient satisfaction at the customer's clinic, which generates long-term profitability for SyntheticMR and its shareholders.

The company's core competence is to develop and commercialize products based on the latest research within our field. This is done in close collaboration with selected clinics and hospitals to ensure that the products correspond to market needs and requirements.

Quality policy

In order to deliver high quality products and meet our customers' expectations, it is of utmost importance that we comply with applicable requirements and maintain the efficiency of our quality management system.

Sales strategy

SyntheticMR's strategy is to reach a broad, global market through collaborations and partnership with leading MR manufacturers.

SyntheticMR has a license agreement with GE Healthcare since 2014, one of the market leading MR manufacturers, which gives GE Healthcare the right to sell an integrated, customer specific version of SyMRI directly to their customers.

SyntheticMR also has cooperation and co-marketing agreements with Philips since 2015 and Siemens Healthineers since 2016, which makes SyMRI compatible with their MR-scanners. SyMRI is also sold as a plug-in to Sectra's PACS and will be offered through the Siemens Healthineers Digital Ecosystem, syngo.via Open Apps, scheduled to launch in 2018.

SyntheticMRs products are primarily sold by retailers through our partners, but SyntheticMR also has close collaboration with several internationally recognized reference sites that conduct research within radiology and neurology.

CASE STUDY

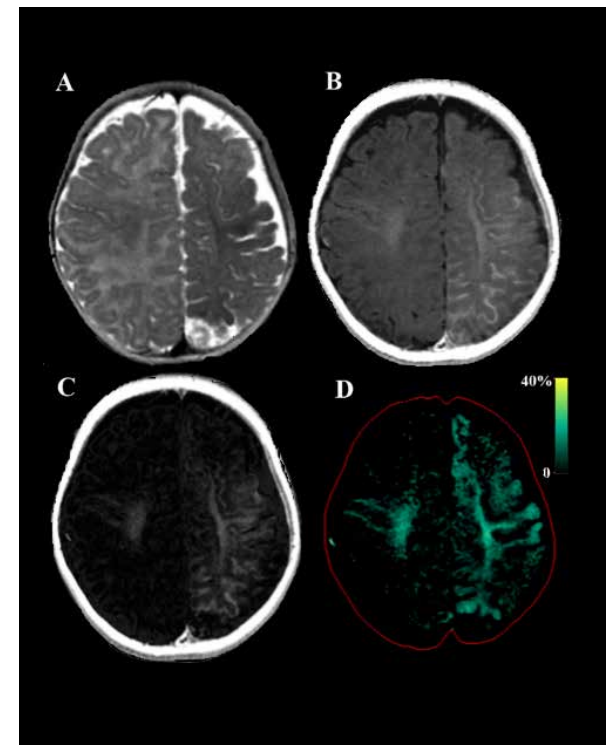
Sturge-Weber syndrome

A four-month-old boy was brought into the Juntendo University Hospital, Tokyo, Japan, after he had experienced a few episodes of twitching in his left leg. He had a port wine stain on the right side of his face and weakness in his left leg. These are all common symptoms of Sturge-Weber syndrome, a rare neurological and skin disorder.

The boy was examined and referred for a neurological MRI scan with SyMRI. The radiologists had to adjust MRI settings since a child's brain contains more water and requires a higher image contrast. Since SyMRI only needs one sequence to deliver multiple contrasts, there was no scan time penalty to do so.

The MR images clearly showed myelinated white matter, and this was confirmed by the volume measurements included in SyMRI NEURO. The data showed a clear difference between the two halves of the brain – 7.9 ml of myelin in the right half compared to 4.2 ml in the left half of the brain. These results indicated hypermyelination in the right half of the brain, another common finding in children with Sturge-Weber syndrome.

These volume measurements and the rapid, adjustable high-contrast images thus facilitated the diagnosis of Sturge-Weber syndrome without increasing the scan time and the boy could quickly receive anti-epileptic treatment. This can hopefully improve his prognosis and quality of life in the future.



The image shows the T2-weighted (A), T1-weighted (B) and Double Inversion Recovery (C) contrast images for a 4-month-old baby with Sturge-Weber syndrome. The myelin map (D) shows the hypermyelination in the right half of the brain.

Sturge-Weber syndrome is a rare neurological and skin disorder that affects 1 in 50,000 individuals. The syndrome is characterized by a facial birthmark and neurological abnormalities called leptomeningeal angiomas. It is often linked to developmental delays, learning problems, attention deficit and hyperactivity disorder, glaucoma, seizures and paralysis. Sturge-Weber syndrome is caused by a non-inherited genetic mutation and although it's not life-threatening, the patient's quality of life depends on how well the symptoms, such as seizures, can be controlled or prevented.

ABOUT THE TECHNOLOGY

Magnetic Resonance Imaging

Magnetic resonance imaging (MRI) is an advanced form of medical image diagnostics where the magnetic field of the MR scanner is used to create images of internal structures and organs. MRI provides better contrasts and higher resolution images of soft tissues compared to other techniques, which makes it especially useful for imaging the brain, the heart and muscle tissue.

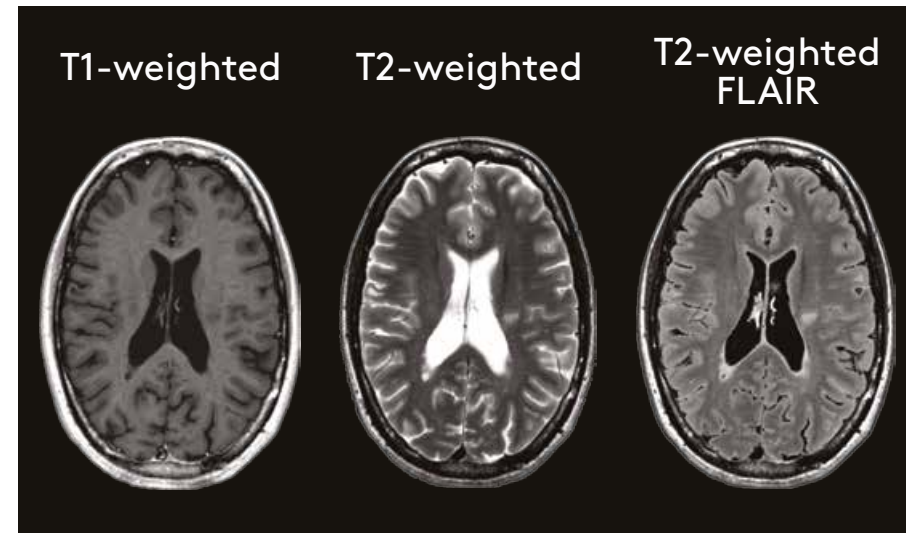
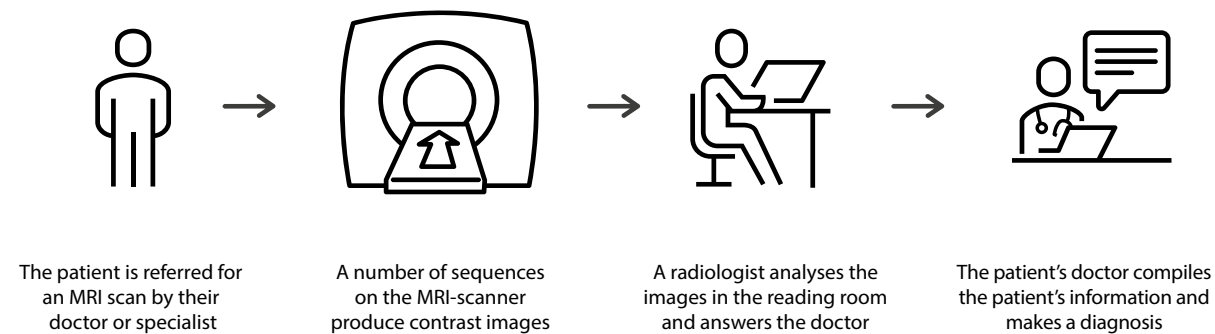
A regular MRI exam involves several sequences with different settings for repetition time (TR) and echo time (TE), where each sequence generates a static contrast image that highlights tissue types differently (see next page). The more contrast images the radiologist requires, the more sequences are run on the MR scanner.

The sequences are run in order, which means the patient may have to spend a long time in the MR scanner. This can be very uncomfortable for the patient, but also leads to long wait times and high costs for the clinic.

Unlike x-ray, CT, PET and SPECT, MRI does not expose the patient to ionizing radiation, but the high costs and long wait times often mean other imaging modalities are used instead.

The diagnoses following MRI scans are often subjective, since important parameters and measurements are estimated by the radiologist using the naked eye. Manually measuring volumes is difficult and requires a lot of skill and experience. It is therefore difficult to make a fast diagnosis, follow the course of a disease, or to measure the effects of treatment. There is a great need for ways to measure volumes in order to diagnose and monitor patients in an efficient and reliable way.

About the technology:



In a T1-weighted image (left) fat-rich tissue is bright and fluids dark. In a T2-weighted image (centre) fat-rich tissue is dark while fluids are bright. In a T2-weighted Fluid Attenuated Inversion Recovery (right) the fat-rich tissue is dark, fluids bright but normal fluids are nulled.

ABOUT THE TECHNOLOGY

How it works

The hydrogen nuclei (protons) in the body's water molecules act as spinning magnets. When they enter the powerful magnetic field inside an MRI scanner, they align according to the field and spin in a specific frequency. When a radio frequency is added the direction of the protons changes in relation to the magnetic field. Because this happens to all protons at the same time they spin at the same rate, and a weak magnetic field can be measured which provides an image of the inside of the body.

The time it takes for the protons to recover and realign with the MRI scanner is called T1. The time it takes for the spin to dephase so the signal disappears is called T2.

In a T1-weighted contrast image, the magnetization is allowed to recover by changing the repetition time (TR) before measuring the MRI signal. In a T2-weighted image the magnetization is allowed to decay by changing the echo time (TE) before measuring the MR signal.

Tissue in the brain have different T1 and T2 relaxation times and proton density, which means they are highlighted differently with different contrast images. In the T1-weighted image tissue that contains a lot of fat is bright and fluids are dark, while gray matter is darker than white matter. In a T2-weighted image, fluids are bright but fat-rich tissue is dark, and gray matter is brighter than white matter. In a T2-weighted Fluid Attenuated Inversion Recovery (FLAIR) contrast a set inversion time (TI) suppresses normal fluids, which helps the radiologist discover pathologies.



SYNTHETIC MRI AND SyMRI

Synthetic MRI

SyntheticMR uses a unique scanning sequence that measures the absolute tissue properties of the brain. Based on this data, the software synthetically recreates contrast images, segmentations and parametric maps of the patient.

Adjustable contrasts

The contrast images in SyMRI are synthetically created from quantitative data, which enables the user to adjust the contrasts once the MRI examination is finished and the patient has gone home. This reduces the risk of having to recall the patient since the clinician can fine-tune images and recreate contrasts after the scan is performed.

The ability to adjust the images is particularly useful within pediatrics, as it can be difficult to know beforehand which contrast to use on a brain that is still in development.

Biomarker segmentation

SyMRI provides automatic segmentations and volume calculations for white matter (WM), gray matter (GM) and cerebrospinal fluid (CSF), which offers objective decision support to the clinician.

SyMRI is also the first product on the market to provide segmentation and volume measurements of myelin.

Myelin is a substance that forms an isolating layer around the axons in the brain and speeds up the transmission of nerve signals. It is especially important to measure myelin within pediatrics, where measurements beyond normal are linked to a number of diseases such as Sturge-Weber syndrome, ADHD and autism, but also in patients with neurodegenerative diseases such as dementia and multiple sclerosis (MS).

The software automatically calculates the brain parenchymal fraction, which can be used to follow up brain atrophy caused by, for example, MS. The clinician may also select areas of interest to measure volumes in for example lesions or tumors.

The biomarker segmentation offers a quick overview of the patient and may contribute to a faster diagnosis and a more efficient patient follow-up.

Parametric maps

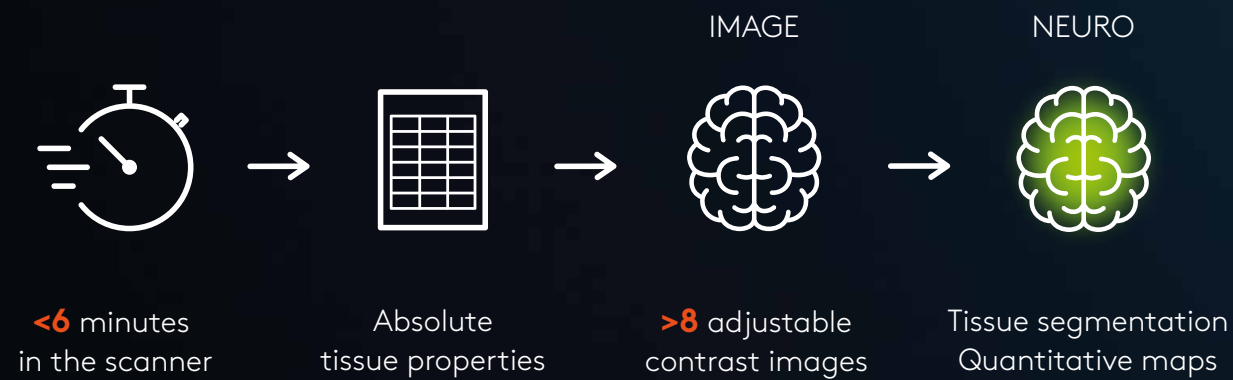
SyMRI also contains advanced parametric maps that display relaxation values for brain tissue in terms of T1, T2 and PD. These quantitative measurements are independent of scanner brands and offer large potential for clinical research. Some product packages include exportable maps to external formats, for use in advanced research within neurology and neuroradiology.

PRODUCT PACKAGES

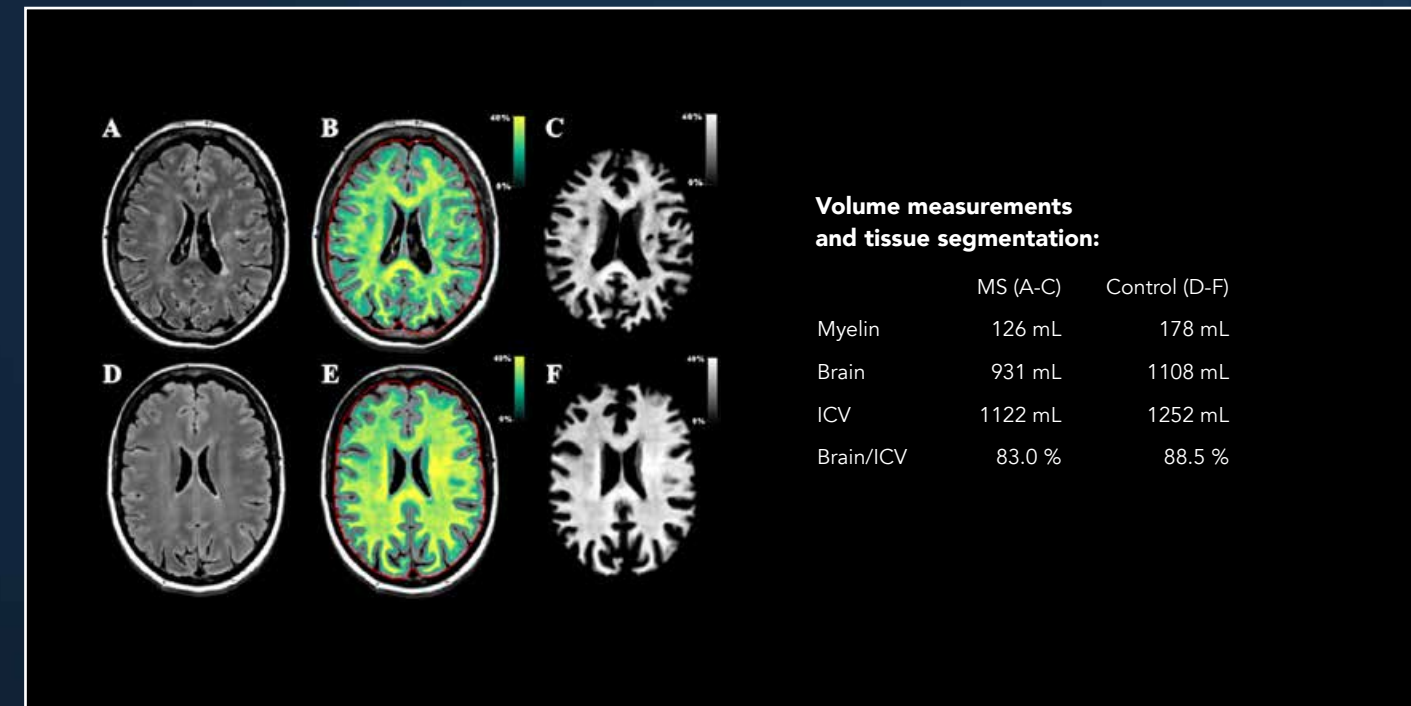
SyMRI is available in several product packages

- SyMRI IMAGE**
 – Faster workflow. Multiple contrast images.
 This product package delivers multiple contrast images in a single 6-minute scan. The package is especially designed to speed up the workflow and increase patient throughput.
- MAGiC** is a customer-specific version of SyMRI IMAGE marketed and sold by GE Healthcare under a licence agreement.
- SyMRI NEURO – Objective decision support. Automatic segmentation.**
 The more advanced product package SyMRI NEURO includes contrast images as well as biomarker segmentation, volumetric measurements of brain tissues and quantitative parametric maps. The product is designed to offer the clinician more information than conventional MRI and provide objective decision support for the diagnosis and follow-up of patients.
- SyMRI Research Edition – Quantitative Data. Advanced research**
 This research tool includes contrast images, volumetric measurements and quantitative maps to provide more information to the researcher. The parametric maps are also exportable for further analysis.

How it works:



SyMRI NEURO – Objective data for clinical examinations

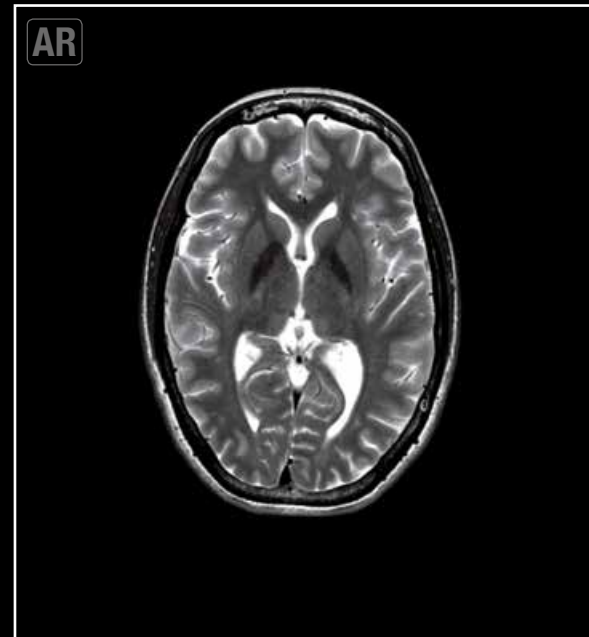


The volume measurements in SyMRI NEURO offers objective decision support to the clinician. Changes in volumes can be measured over time or, as in this case, be compared to a control group. Measurements of brain volume, intracerebral volume and the ratio between the two can point towards atrophy, that is, shrinking of the brain. It is an important measurement in the diagnosis and follow-up of patients with neurodegenerative disorders, in this case multiple sclerosis.

Augmented Reality Experience

Learn more about our products through our AR-experience

Download the app SyMRI AR from Appstore or Google Play and aim the camera at the markers on this page. Each image will play a different video describing our products. Turn on sound for the best result.



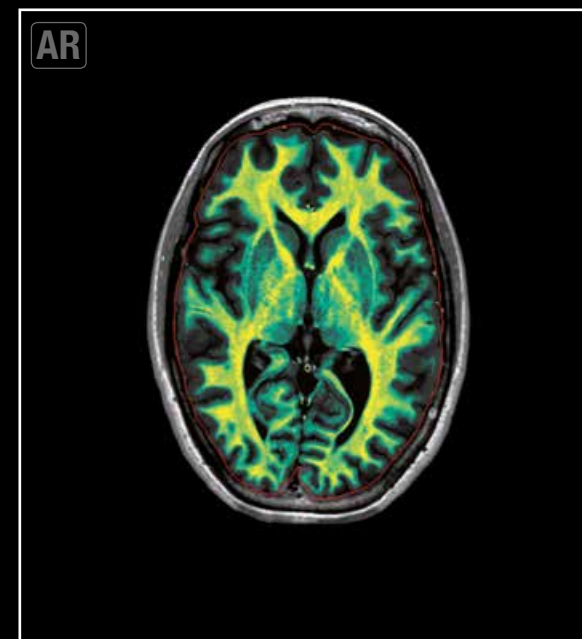
Adjustable contrasts



Available in multiple locations worldwide



Faster scans



Biomarker segmentation

CASE STUDY

Cincinnati Children's Hospital Medical Center

The volume measurements in SyMRI NEURO can provide new opportunities in clinical practice by aiding the diagnostic process and facilitating communication between the radiologists and the referring clinicians. One study in particular highlighted the potential with quantitative data, in this case within pediatrics.

A team of researchers at Cincinnati Children's Hospital Medical Center used the volume measurements in SyMRI NEURO to estimate typical volumes of brain tissue during development. The study involved 122 healthy children aged between 0 and 21 years old.

Suraj Serai, Assistant Professor of Radiology at Cincinnati Children's Hospital Medical Center and one of the attributed authors of the study explained: "We were able to use SyntheticMR software to quantify white matter, gray matter, CSF and myelin. We plotted the quantitative values versus age and now we have the normative curves for these children."

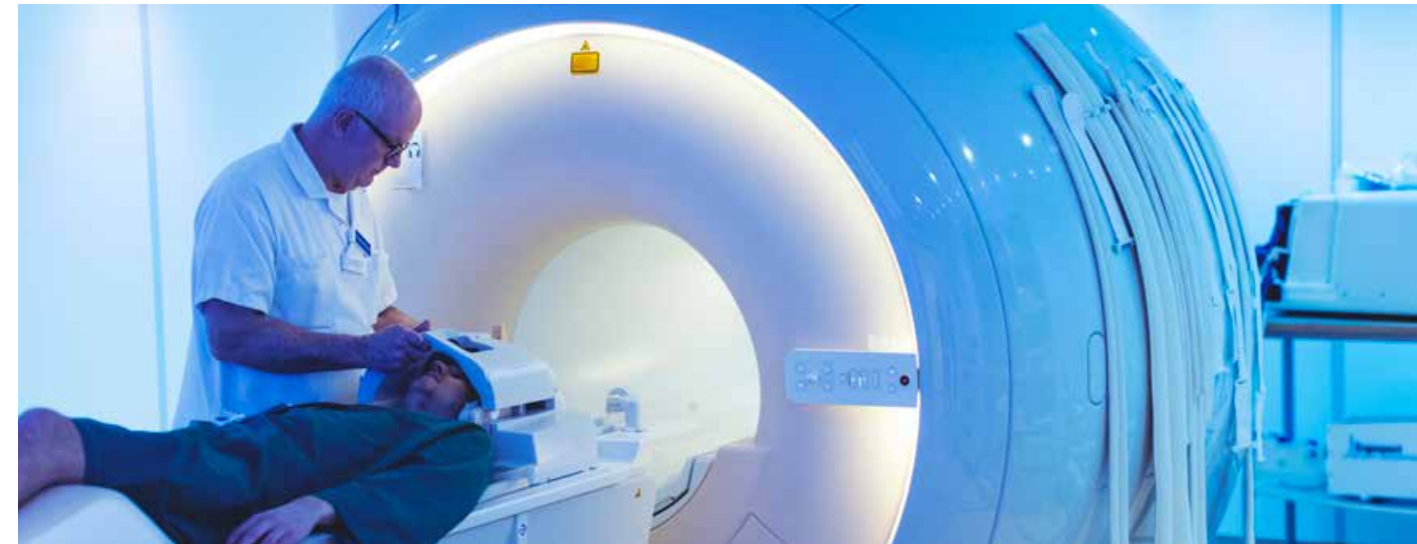
Radiology exams have traditionally been qualitative, and sometimes there is a doubt whether there is hypomyelination, hypermyelination or underdeveloped

white matter as per the age criteria. There is a great need for reference values, and brain tissue quantification plays a key role.

"In children, white matter develops with age and myelination happens as the child grows," Suraj said. "There might be situations where we are unsure whether the development is normal or not. Now we can plot the patient's values alongside the normative curves to see if it falls outside of this range. This aids in a better diagnosis and helps the radiologist prepare and answer the referring doctor confidently."

The study is an important milestone as it shows the potential value of using quantitative data rather than contrast images in clinical practice. It also forms a basis of reference for studies to come.

Cincinnati Children's Hospital is a large pediatric hospital in Cincinnati, Ohio. The hospital was ranked third best Honor Roll hospital in the country in U.S. News & World Report 2017-2018. Cincinnati Children's has worked with SyMRI since 2015.



CLINICAL APPLICATIONS

"I am a strong believer in this way of approaching quantitative MRI"

Hubert Raeymaekers, Ph.D. Head of MRI Department, UZ Brussels

- A study published in the American Journal of Neuroradiology evaluated MAGiC on 109 patients by 7 neuroradiologists. The study showed that synthetic MR images were similar to conventional on diagnostic quality, and the acquisition was accomplished in half the time.¹
- The fact that SyMRI can measure myelin was used by Hagiwara et al in a study where they were able to evaluate damage to white matter in patients with multiple sclerosis.²
- A study by Warntjes et al showed that the myelin segmentation in SyMRI correlated with the myelin in 12 cadavers stained by a marker specific for myelin.³
- A large study from Cincinnati Children's Hospital Medical Center, published in American Journal of Neuroradiology, used SyMRI to calculate normative curves of brain volumes in children during development. The curves show normal volumes of white matter, gray matter, cerebrospinal fluid and myelin, which new patients can be compared to for a more efficient diagnosis and follow-up.⁴
- A study by Blystad et al published in PLOS One shows that quantitative analysis using SyMRI can be used to discover tissue changes in patients with malignant glioma that cannot be visualized in conventional MR images.⁵
- A comprehensive overview of the potential of synthetic MR imaging in clinical practice is provided by Hagiwara et al. The study points out that SyMRI has been evaluated for multiple sclerosis, brain metastases, Sturge-Weber syndrome, hydrocephalus, meningitis and post-mortem imaging with promising results.⁶



THE MARKET

The MRI market

The use of MRI in healthcare is steadily increasing today. Approximately 70–80 million MRI scans are performed each year globally, a third of which are brain examinations.

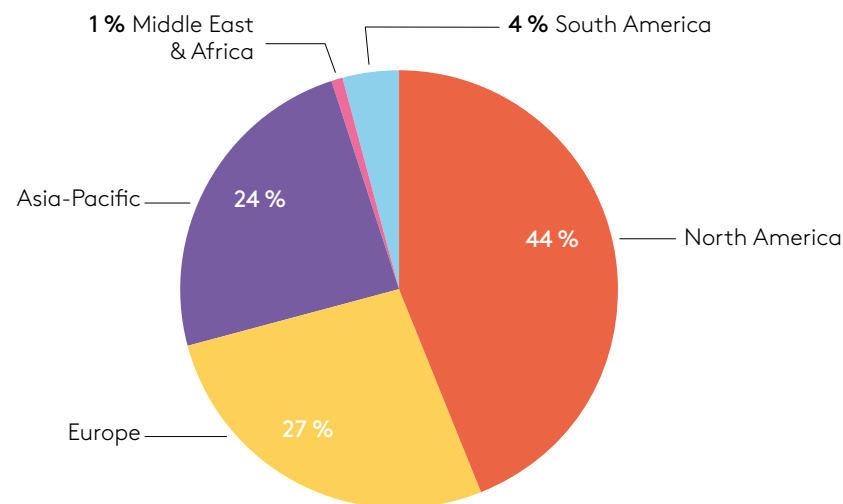
The global MRI market is estimated at approximately 6.6 billion USD by 2017 with an annual growth of approximately 6,6%. The estimated installed base is approximately 33,000 units in 2017. (Mordor Intelligence 2017)

The market is driven by a growing number of public and private diagnostic centers. The aging population and an increase in chronic illnesses lead to a greater need for diagnosis and follow-up. The rapid technological advances enable new application areas and improved diagnostic support. At the same time a growing number of people have access to advanced diagnostic technology as public healthcare and private medical insurance becomes available.

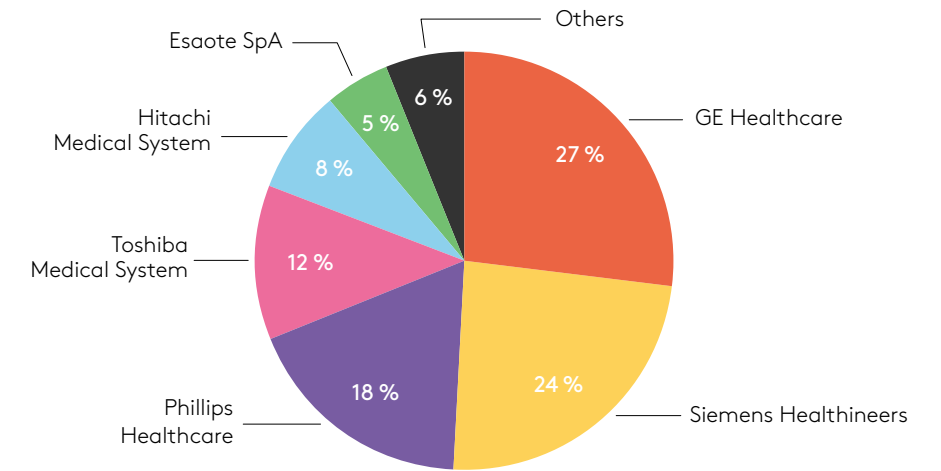
The three largest markets are North America, Europe and China, while Japan has the most MR scanners per capita. APAC and Latin America are growing markets, where a large population base, improved healthcare and increased adoption rates for MRI systems drive the development.

The market is highly consolidated and the five leading players Siemens, Philips, GE Healthcare, Toshiba and Hitachi have an 89 percent market share. (Mordor Intelligence 2017)

Geographical distribution



Market shares MR manufacturers



Partners

GE Healthcare

GE Healthcare is one of the world's leading MR manufacturers with a market share of approximately 27 percent. SyntheticMR and GE Healthcare have a license agreement since 2014 which gives GE Healthcare the right to sell an integrated and customized version of the software directly to their customers globally.

The agreement is a non-exclusive agreement which gives GE Healthcare the right to offer a customized version of SyMRI IMAGE as an option to their customers. The customized version of SyMRI IMAGE is marketed under the name of MAGiC.

Philips

Philips has a global market share of approximately 18 percent. SyntheticMR and Philips signed a collaboration and co-marketing agreement in 2015 which makes SyMRI compatible with most MR scanners sold by Philips. SyMRI is sold as a stand-alone product except on the Japanese market, where it is sold as a plug-in integrated into Sectra's PACS.

Siemens Healthineers

Siemens Healthineers is one of the leading MR manufacturers with a market share globally of 24 percent. SyntheticMR signed an agreement with Siemens Healthineers in 2016 which makes SyMRI compatible with most Siemens MR scanners. The collaboration with Siemens Healthineers was further developed in 2017 when SyntheticMR became one of the first partners to be sold in syngo.via Open Apps, Siemens' integrated image visualization software scheduled to launch in 2018.



PACS

A Picture Archiving and Communications System (PACS) is a digital imaging technology that clinics use to store, manage, distribute and present images from examinations. The PACS system is most often used in the radiology department, but can also be used by other departments or external systems.

The PACS system is also an analysis- and visualization tool linking different modalities such as CT and MRI in the same user interface. This allows radiologists to study the images where they make the analysis or diagnosis, which is usually not where the image was taken. The visualization tools often contain advanced applications designed for different investigations such as neurology, cardiology or oncology.

PACS systems are available from several different suppliers, including the major MRI manufacturers. Examples include the IntelliSpace Portal from Philips, syngo from Siemens and AW from GE Healthcare. They are all capable of reading images from different modalities and different manufacturers, which is necessary to fit into the clinical workflow since a hospital rarely purchases modalities from just one supplier. Visualization tools are most often integrated into the PACS to streamline the workflow.

The PACS market

The global sales of PACS systems was estimated at 4,7 billion USD during 2015. The market is expected to increase to 6 billion USD in 2018 and 7 billion in 2020, with an annual growth rate of approximately 8,4 percent. The largest PACS market is in the USA, while the remaining share is equally distributed between Japan, Europe and Asia-Pacific (Global Industry Analysts 2015).

The large MR-manufacturers that also offer PACS solutions cover 30 percent of the global PACS market. GE Healthcare dominate the US market while AGFA Healthcare is the largest supplier on the European market. Fujifilm Medical Systems and Fujitsu dominate the Japanese market. The Scandinavian market is dominated by the Swedish company Sectra. There are also several other companies offering PACS solutions, such as McKesson Corp., Vepro, Esaote and Neusoft Medical Systems (Global Industry Analysts 2015).

PACS Partners

SyMRI can be integrated into the hospital's own PACS system and the clinical workflow. Besides this, SyntheticMR has agreements with PACS suppliers to support an efficient integration into their systems.

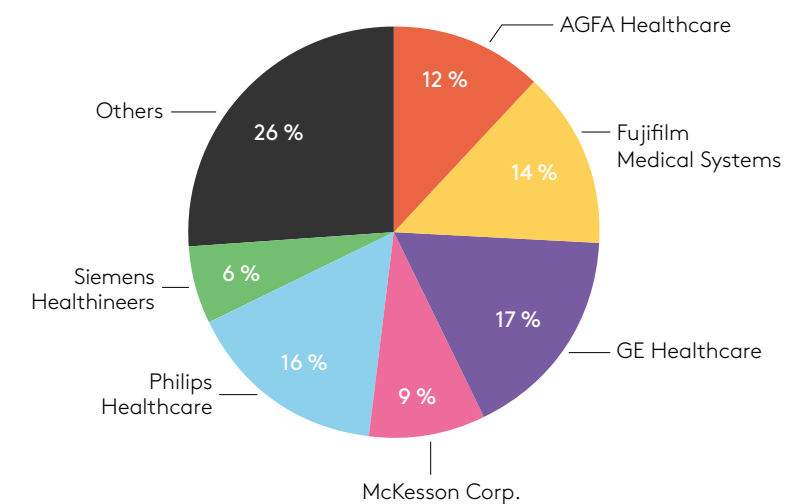
Sectra

Sectra is a PACS provider based in Linköping, Sweden. SyntheticMR and Sectra has a partner agreement since 2008 which means Sectra offers SyMRI as a plug-in into their PACS. This means that for Sectra PACS customers, SyMRI can be fully integrated into the clinical workflow.

Syngo.via

syngo.via is Siemens Healthineers' own imaging visualization software. syngo.via Open Apps connects Siemens' integrated system with partner apps so customers can easily try and buy products directly from their workstations. Through an agreement with Siemens Healthineers in 2017, SyMRI will be available to customers in this app store as a fully integrated feature in the clinical workflow.

Market shares PACS



Annual Report 2017

Organization

SyntheticMR has broad competences within magnetic resonance imaging, systems- and algorithm development, regulatory affairs, marketing and sales. Most within the senior management team have previous experience from leading MRI and PACS suppliers.

Management

Stefan Tell, CEO

Stefan has a wide experience in finance, business development and strategy, including strategic planning for a global business unit within Siemens. He also has a background as an entrepreneur, as well as an MBA from Henley Business School, University of Reading, London, England.

Dr Marcel Warntjes, CTO and Board Member

Marcel (theoretical physics, PhD in molecular spectroscopy) is the founder and former CEO of SyntheticMR. Previously system architect at Philips Healthcare, he has several years of experience of Research and Development in magnetic resonance imaging. Marcel also works as a clinical scientist at Centre for Medical Image Science and Visualization (CMIV) in Linköping.

Fredrik Jeppson, CFO and Head of Investor Relations

Fredrik Jeppsson was most recently Group Business Controller at Teracom, Boxer Group, where he worked with forecasts as well as financial follow-up and analysis. He has also worked as an Authorized Accountant at PwC, which included responsibility for audits of listed companies.

Jonas Hurtig, Head of Marketing and Commercial Affairs

Jonas joined SyntheticMR from Saab, where he most recently was VP Head of Brand Management and Marketing Communication. He also has a background as an entrepreneur and as VP Sales and Marketing at Eckerud Scandinavian Group AB.

Magnus Lundqvist, Head of Research and Development

Magnus joined SyntheticMR from Philips Healthcare where he most recently was Business Manager with responsibility for Mammography and Advanced Visualization in the Nordic region. He has worked with product launch on the US market and also has a background from Sectra.

Lisa Warnroth, Head of QA/RA

Lisa Warnroth joined SyntheticMR from Sanofi Pasteur MSD where she worked with product safety and clinical trials for vaccines. She was also responsible for some quality management.

Board

Staffan Persson

Chairman of the Board since 2013

Year of birth: 1956

Professional background: Investors and entrepreneurs with long experience of board work in listed and unlisted companies.

Education: Examination Pol. Mag, Umeå University. Studies in Business Administration, C-level, Uppsala University. Law studies at Uppsala and Stockholm University.

Other assignments: Board member as well as CEO of Swedia Capital AB, Piteå Stadshotell AB and Vrå Gård Förvaltning AB. Board member also Chairman of the Board of Sveab Holding AB, Swedia Fastigheter AB and Darkathlon AB. Board Member in Nortal Capital AB, Nortal Investments AB, Swedia HighPAB, Nortal Forest AB, The Lexington Company AB (declined re-election), Quizz Golf AB, Dooba Holdings Ltd, Zimbrine Holding BV., Cinnober (declined re-election), Oscar Properties Holding AB, Fieldspring AB, Fieldspring Holding AB and 24Storage AB. Deputy Board of Directors of Jiver River AB and Vilka Invest AB

Holdings in SyntheticMR: 8,707 shares

Related Holdings in SyntheticMR: 1,390,531 shares

Issued call options: 88,000

Yvonne Mårtensson

Board member since 2016

Year of birth: 1953

Professional background: More than 30 years of experience from leading positions in fast-growing companies primarily in medtech and diagnostic industry, including as President and CEO of CellaVision AB for 16 years.

Education: Master of Science, Linköping University of Technology.

Other assignments: Chairman of the Board of Elos Medtech AB, Board member of Biotage AB, 3Brain AG and SwedenBio.

Holdings in SyntheticMR: none

Related Holdings in SyntheticMR: 1,000

Note: Presented holding of shares refers to December 31, 2017

Johan Sedihh

Board member since 2011

Year of birth: 1965

Professional background: 25 years of experience in the medical technology industry. Leading positions within the Elekta Group, of which the latest as Chief Operating Officer (COO).

Education: Master of Science, Industrial Economics, Linköping University of Technology. Leadership Training, Captain Level, Air Force.

Other assignments: Chairman of the Board of Sedvisor Limited and Shanghai Elekta Oncology Systems.

Holdings in SyntheticMR: 232,775 shares

Marcel Warntjes

Board member since 2007, CTO since 2011

Year of birth: 1973

Professional background: Founder of SyntheticMR AB and former CEO. Background as a system architect at Philips Healthcare. Many years of experience in research in the field of MRI.

Education: PhD physics

Other assignments: CTO (Chief Technology Officer) at SyntheticMR and Clinical Scientist at CMIV, Linköping University.

Holdings in SyntheticMR: 376,000 shares and 10,000 call options

Reidar Gårdebäck

Board member since 2014

Year of birth: 1963

Professional background: 28 years of experience in the medical technology industry with employment in Siemens-Elema, Elekta, ProAct, GE Healthcare and Medtronic. On the latter two in the role of CEO Sweden.

Education: MSc in Engineering Physics from KTH

Other assignments: Chairman of Nordic Servicia Medical AB and SMILE – Life Science Incubator in Lund. Program Director of the National Strategic Innovation Program Medtech4Health. Consultancy assignments in Life science.

Holdings in SyntheticMR: none

Related Holdings in SyntheticMR: 700



SyntheticMR – The share

Share capital

The share capital at year-end amounted to SEK 896,897.316 and the number of shares to 4,040,078. All shares have equal rights to the company's assets and profits. One share brings 1 vote. The quota value amounts to SEK 0.222.

Shareholder

The number of shareholders in SyntheticMR at December 31, 2017 amounted to 2,028 (1,614).

Dividend

For the fiscal year 2017, the Board of Directors of SyntheticMR proposes that no dividend be paid.

Analyst coverage

Andreas Kvist – Redeye
Oscar Stjerngren och Carolina Elvind – Danske Bank
Christian Lee – Pareto Security

Share capital development

Year	Transaction	Change in No. of shares	Increase in share capital (SEK)	Total Share capital (SEK)	No. of shares	Quotient value
2007	Formation	100 000	100 000	100 000	100 000	1
2008	New issue	5 000	5 000	105 000	105 000	1
2008	Stock dividend issue	-	244 650	349 650	105 000	3.33
2008	New issue	48	159.84	349 809.84	105 048	3.33
2008	Reverse stock split 1:36	-102 130	-	349 809.84	2 918	119.88
2008	New issue	1 301	155 963.88	505 773.72	4 219	119.88
2008	Split of shares 270:1	1 134 911	-	505 773.72	1 139 130	0.444
2008	New issue	12 500	5 550.00	511 323.72	1 151 630	0.444
2009	New issue	38 750	17 205.00	528 528.72	1 190 380	0.444
2009	Split of shares 20:1	22 617 220	-	528 528.72	23 807 600	0.022
2012	New issue	4 328 654	96 096.1188	624 624.84	28 136 254	0.022
2013	New issue	6 492 981	144 144.1782	768 769.0170	34 629 235	0.022
2013	Equalization issue	5	0.1110	768 769.1280	34 629 240	0.022
2013	Reverse stock split 1:10	-31 166 316	-	768 769.128	3 462 924	0.222
2014	New issue	577 154	128 128.188	896 897.316	4 040 078	0.222

SyntheticMRs 10 largest share holder

Per 2017-12-31	Tot. No of shares	Tot. No of votes	Votes, %	Capital,%
Staffan Persson, including related persons	1 390 531	1 390 531	34.42 %	34.42 %
Jan (Marcel) Warntjes	376 000	376 000	9.31 %	9.31 %
State Street Bank & Trust	266 515	266 515	6.60 %	6.60 %
Swedbank Robur	238 919	238 919	5.91 %	5.91 %
Johan Sedih	232 775	232 775	5.76 %	5.76 %
Thord Wilkne, including related persons	190 000	190 000	4.70 %	4.70 %
Försäkringsaktiebolaget, Avanza Pension	116 621	116 621	2.89 %	2.89 %
BNYM RE Ensign Peak Advisors Inc.	96 395	96 395	2.39 %	2.39 %
Aither AB	82 613	82 613	2.04 %	2.04 %
Handelsbanken Svenska Småbolagsfond	69 964	69 964	1.73 %	1.73 %
Total	3 060 333	3 060 333	75.75 %	75.75 %
Other share holders	979 745	979 745	24.25 %	24.25 %
TOTAL	4 040 078	4 040 078	100.00 %	100.00 %

Administration report

The Board of Directors and Managing Director of SyntheticMR AB (publ), organization number 556723-8877, hereby issue the annual report for the financial year 2017. SyntheticMR AB is listed on Aktietorget. The company has approximately 2,000 shareholders (1,600). Comparisons listed in brackets refer to the corresponding period of the previous year.

SyntheticMR in brief

SyntheticMR develops innovative software solutions for Magnetic Resonance Imaging (MRI) that supports shorter exam times and delivers more information to the clinician.

SyntheticMR's unique technology measures the absolute properties of the brain and delivers adjustable contrast images, automatic biomarker segmentation and quantitative data in a single MR scan.

SyntheticMR's product SyMRI is sold through partner agreements with Siemens, Philips and Sectra. A client-specific version is sold by GE Healthcare.

The company was founded by Dr Marcel Warntjes in 2007 based on innovations developed at Center for Medical Image Science and Visualization (CMIV) in Linköping, Sweden. SyntheticMR has 16 employees and is based in Linköping.

SyMRI

SyntheticMR's software SyMRI delivers multiple contrast images, biomarker segmentation and quantitative data in a single MR scan. SyMRI can significantly shorten examination times while at the same time providing more information to the diagnosing clinician. Through shorter MR examinations, reduced waiting times and more reliable diagnosis, SyMRI can support a more efficient workflow and improved patient satisfaction.

Product packages

SyMRI is available in various product packages. Through partner agreements, SyMRI is compatible

with MR-scanners from the three leading manufacturers worldwide, GE Healthcare, Philips and Siemens.

SyMRI IMAGE delivers multiple, fully adjustable, contrast images in a single 6-minute scan. This product package is especially designed to speed up the workflow and increase patient throughput.

MAGiC is a customer-specific version of SyMRI IMAGE marketed and sold by GE Healthcare under a licence agreement.

SyMRI NEURO includes contrast images, biomarker segmentation, volumetric measurements of brain tissues and quantitative parametric maps. This product is designed to provide the clinician with more information than a conventional MRI scan and provides objective decision support for the diagnosis and follow-up of patients.

SyMRI Research Edition includes contrast images, volumetric measurements and quantitative maps to provide more information to the researcher. The parametric maps are also exportable for a further analysis and research.

Significant events during 2017

Market and sales

A major study from the Cincinnati Children's Hospital Medical Center was published in the American Journal of Neuroradiology (AJNR), where they calculated normative curves of brain tissue in children. A future potential use is to more easily detect anomalies and pathologies in children.

SyntheticMR has received clearance from the American authority FDA for the company's software SyMRI. The clearance concerns SyMRI IMAGE, which means that this product package can now be offered to new segments in hospitals and clinics on the US market.

SyntheticMR has signed an additional agreement regarding Siemens' Digital Ecosystem. The agreement

means that Siemens customers will be able to license a more integrated version of SyMRI than before. Revenues from the agreement is expected to the later part of 2018, when the system has been launched on the market.

SyntheticMR's function REMyDI, automatic volume determination of myelin in the brain, is CE-marked for clinical use in Europe. Being able to quantify myelin enables the physician to follow the myelination process in the brain in children as well as degeneration of myelin associated with neurodegenerative diseases in adults, such as multiple sclerosis (MS) and Parkinson's disease.

Significant events after the balance sheet date

See note 25

Organization

The company's office is located in Linköping. At year-end, the number of employees in SyntheticMR was 16 (14).

Revenues and result

Net sales for the full year amounted to SEK 35,645 thousand, an increase of 88 percent (19,004) compared to the previous year. Sales include sold licenses, as well as service and upgrade agreements. The increase for the full year 2017 is largely explained by the fact that the business with GE Healthcare has increased in volume.

Operating expenses amounted to SEK 26,858 thousand which is SEK 7,317 thousand higher than the corresponding period last year (19,540). The increase is mainly due to the fact that the company's organization has continued to expand, mainly within marketing and sales.

Operating profit for the year 2017 amounted to SEK 11,117 thousand (3,161), corresponding to an operating margin of 31 percent (17). Profit after tax amounted to SEK 8,361 thousand (2,394). This resulted in

earnings per share before and after dilution of SEK 2.07 (0.59) for the full year 2017.

Tax

Tax on profit amounted to SEK -2,724 thousand (-721) and refers to the change in deferred tax assets on valued loss carryforwards. Deferred tax loss carry forwards amount to SEK 13,090 thousand (25,473)

Cash flow and liquidity

For the full year, the cash flow from operating activities was SEK 10,655 thousand (4,476). The increase is explained by an improved operating profit. The increased working capital for the full year is largely explained by increased accounts receivable due to revenue growth during the fourth quarter. Accounts receivable at the end of the period amounted to 30.0 percent (27.9 percent) of net sales for the full year.

Cash flow from investment activities amounted to SEK 2,984 thousand (3,315) of which investments in intangible fixed assets amounted to SEK -2,984 thousand (-3,263). Investments in intangible assets relate to capitalized development expenditure and patents.

Cash flow for the year was SEK 7,671 thousand (1,121) and at 31 December 2017, the company's cash assets amounted to SEK 16,989 thousand (9,318).

The company has an overdraft facility of SEK 3,000 thousand which was unused during the year. As a security for this facility, a chattel mortgage of SEK 3,000 thousand has been provided.

Financial position

The company's total assets amounted to SEK 39,066 thousand (28,606) at December 31, 2017 and the equity/assets ratio was 82.5 Percent (83.4). At December 31, 2017, current receivables totaled SEK 11,609 thousand (6,201). The receivables mainly comprised accounts receivables and the increase is largely explained by increased sales growth.

Shareholders' equity

Shareholders' equity at the end of the period amounted to SEK 32,227 thousand (23,866), with an equity ratio of 82.5% (83.4).

Research and Development

Advanced research and development within the company is a prerequisite for the continued commercialization of the SyMRI® product. The company estimates that its products, projects and the recruited staff meet the potential for continued progress.

Patents

SyntheticMR has seven registered patents at the patent office in the United States, one in Japan and two in China. The approved patents cover both the functionality related to SyMRI IMAGE as well as SyMRI NEURO. The patents cover the technical solution that allows us to segment different tissues in the brain based on absolute values from the MR camera, as well as visualization of quantitative MR images and data. In addition to this, there are ten patent applications submitted to patent offices in different countries. These patents cover the collection, processing, and presentation of data. The patent protection extends until 2029 and beyond. Patenting is done together with established patent offices.

Share Information

Share capital at December 31, 2017 amounted to SEK 896,897.316 and the number of shares to 4,040,078. All shares have equal rights to the company's assets and profits. One share brings 1 vote. The quotient value amounts to SEK 0.222.

Share holders

The largest owners of SyntheticMR are Staffan Persson with companies, Jan (Marcel) Warntjes and State Street Bank & Trust. These shareholders together represent about 50.3 percent of the votes.

Dividend

For the fiscal year 2017, the Board of Directors of SyntheticMR proposes that no dividend be paid.

Annual General Meeting

All shareholders who are registered in the shareholder register and report their participation to the company according to the issued notice are entitled to participate in negotiations at the Annual General Meeting. The Annual General Meeting for the financial year 2017 takes place on April 25, 2018 at 18:00, Storgatan 11, Linköping.

Board of director's work during 2017

SyntheticMR's Board of directors consists of five members, elected by the shareholders at the AGM on April 25, 2017. The Board held eight meetings in 2017. The work of the Board is governed by a formal work plan where decision-making structure between the Board and the Managing Director is included. Issues that have been addressed include, among other things, a review of the strategy where greater focus will now be on sales through the company's partners as well as organization, and communication issues. The Board also deals with cooperation agreements, interim reports, Year-end reports, auditing and budget issues.

In addition to the CEO as rapporteur at the Board meetings, other employees of the company also attend, if necessary. In addition to board meetings with minutes, the Chairman and other Board members have had continuous contact with the company's CEO.

Remuneration and benefits to the CEO for the 2017 fiscal year have been decided by the Board. The Board has no Remuneration Committee and no Nomination Committee.

The company's auditors participate annually at at least one of the Board's meetings.

Corporate governance

SyntheticMR's corporate body consists of the Annual General Meeting, the Board of Directors, the Managing Director and the Auditor. These are governed by the corporate governance rules specified in the Swedish Companies Act, the Articles of Association and the listing agreement with Aktietorget.

SyntheticMR is currently not covered by the Swedish Corporate Governance Code, as the company's share is traded on Aktietorget. Nor has the company decided to apply the code on a voluntary basis. The Board will follow developments and, if necessary, may introduce the parts that apply to a company of its size.

Remuneration principles

The chairman of the board and board members receive remuneration according to the decision of the AGM. The Board determines the CEO's remuneration which consists of salary, pension and bonus.

Auditor

The auditor shall review SyntheticMR's annual reports and financial statements, as well as the Board and the Managing Director management of the company. After each financial year, the auditor shall submit an audit report to the AGM. Auditor of SyntheticMR is BDO Mälardalen AB. Chief Accountant is Jörgen Lövgren, Authorized Public Accountant and Member of FAR.

Expectations regarding future developments

It is essential for SyntheticMR's future profitability and financial position that SyMRI and the products that the Company may develop in the future be commercialized in a successful manner. Commercialization takes place largely through partnerships with global and leading MRI manufacturers.

Risks and uncertainties

See note 3

Proposal on disposition of the company's results
The following is at the disposal of the AGM, amount in SEK:

Retained earnings	1 105 508
Other contributed capital	17 761 503
Profit for the year	8 361 054
Total	27 228 065

The Board proposes that the profit be allocated as follows:

Carried forward	27 228 065
Total	27 228 065

Multi-year overview

Below is a financial overview of the company's last five fiscal years.

The comparative year for 2013 has not been recalculated according to RFR 2.

Overview Income statement

TSEK	2017	2016	2015	2014	2013
Net sales	35 645	19 004	6 199	1 848	1 320
Own work capitalized	2 272	3 142	3 012	2 531	3 154
Other income	58	555	427	301	318
Total income	37 975	22 701	9 638	4 680	4 792
Operating expenses	-26 857	-19 540	-15 920	-11 324	-9 508
Operating profit	11 117	3 161	-6 264	-6 644	-4 716
Net financial income/expense	-32	-46	17	30	-11
Net profit for the period from continuing operations	11 085	3 115	-6 247	-6 614	-4 727
Tax on net profit for the period	-2 724	-721	6 325	-	-
Net profit for the year	8 361	2 394	78	-6 614	-4 727

Overview Balance sheet

TSEK	2017-12-31	2016-12-31	2015-12-31	2014-12-31	2013-12-31
Fixed assets	10 468	13 087	13 109	6 316	6 050
Current assets	28 598	15 519	12 124	17 082	8 327
– where of cash balance	16 989	9 318	8 197	15 928	7 116
Total assets	39 066	28 606	25 233	23 398	14 377
Shareholders equity	32 227	23 866	21 472	21 394	13 185
Longterm liabilities	0	0	0	40	136
Short term liabilities	6 839	4 740	3 761	1 964	1 057
Total liabilities and shareholders equity	39 066	28 606	25 233	23 398	14 377

Overview cash flow

TSEK	2017	2016	2015	2014	2013
Cash flow from operating activities	10 655	4 476	-4 680	-3 337	-3 544
Cash flow from investing activities	-2 984	-3 315	-2 955	-2 531	-3 154
Cash flow from financing activities	0	-40	-96	14 681	10 283
Cash flow for the period	7 671	1 121	-7 731	8 813	3 585
Cash, opening balance	9 318	8 197	15 928	7 116	3 531
Cash, closing balance	16 989	9 318	8 197	15 928	7 116

Key ratios

	2017	2016	2015	2014	2013
Net sales. TSEK	35 645	19 004	6 199	1 848	1 320
Sales growth. %	88%	207%	236%	40%	100%
Operating profit. TSEK	11 117	3 161	-6 264	-6 644	-4 716
Operating margin. %	31%	17%	neg.	neg.	neg.
Net profit. TSEK	8 361	2 394	78	-6 614	-4 727
Cash flow from operating activities. TSEK	10 655	4 476	-4 680	-3 337	-3 544
Shareholders equity. TSEK	32 227	23 866	21 472	21 394	13 185
Total assets. TSEK	39 066	28 606	25 233	23 398	14 377
Equity/assets ratio. %	82.5%	83.4%	85.1%	91.4%	91.7%
Return on equity. %	30%	11%	0%	neg.	neg.
No. of employees	14	12	10	7	6
No. of shares at balance sheet date before/after dilution	4 040 078	4 040 078	4 040 078	4 040 078	3 462 924
Average No. of shares before/after dilution	4 040 078	4 040 078	4 040 078	3 543 347	2 998 631
Data per aktie					
Profit/loss before/after dilution. SEK	2.07	0.59	0.02	-1.87	-1.58
Cash flow from operating activities. SEK	2.64	1.11	-1.16	-0.83	-1.02
Equity before/after dilution. SEK	7.98	5.91	5.31	5.30	3.81
Dividend per share	-	-	-	-	-

Definitions of key ratios

Sales growth – The change in net sales compared with the year-earlier period expressed as a percentage.

Operating margin % – Operating profit/loss expressed as a percentage of net sales.

Equity/assets ratio % – Equity expressed as a percentage of total assets.

Return on equity, % – Profit/loss for the period as a percentage of average equity. Average equity is calculated as the sum of equity at the end of the period plus equity at the end of the year-earlier period, divided by two.

Profit/loss per share – Profit/loss for the period as a percentage of average number of shares.

Cash flow per share from operating activities – Cash flow from operating activities as a percentage of average number of shares during the period

Equity per share – Equity divided by number of shares at the end of the period.

Income Statement

and Statement of Comprehensive Income

SEK thousand	Note	2017	2016
Operating income			
Net sales	4,5	35 645	19 004
Own work capitalized		2 272	3 142
Other income	6	58	555
Total income		37 975	22 701
Operating expenses			
Other external expenses	7,8	-8 621	-5 919
Employee benefit costs	9	-14 598	-10 759
Depreciation of tangible and intangible assets	14,15,16	-2 879	-2 617
Other expenses	10	-760	-245
Operating profit		11 117	3 161
Result from financial items			
Financial income	11	0	1
Financial expense		-32	-47
Net financial income/expense		-32	-46
Net profit for the period from continuing operations		11 085	3 115
Tax on net profit for the period	12	-2 724	-721
Net profit for the period		8 361	2 394
Statement of Comprehensive Income			
Net profit for the period		8 361	2 394
Other comprehensive income		-	-
Comprehensive income for the year		8 361	2 394
Earnings per share before dilution	13	2,07	0,59
Earnings per share after dilution	13	2,07	0,59

Balance sheet

Assets

SEK thousand	Note	2017-12-31	2016-12-31
FIXED ASSETS			
Intangible fixed assets			
Capitalized development expenditure	14	6 694	6 711
Patent	15	874	735
Total intangible fixed assets		7 568	7 446
Property, plant and equipment			
Equipment, fixtures and fittings	16	20	37
Total tangible fixed assets		20	37
Other fixed assets			
Deferred tax assets	17	2 880	5 604
Total other fixed assets		2 880	5 604
TOTAL FIXED ASSETS		10 468	13 087
CURRENT ASSETS			
Other receivables			
Accounts receivable	18	10 685	5 293
Other receivables		45	529
Prepaid expenses and accrued income	19	879	379
Total other receivables		11 609	6 201
Cash and bank balances	20	16 989	9 318
TOTAL CURRENT ASSETS		28 598	15 519
TOTAL ASSETS		39 066	28 606

Balance sheet

Equity and Liabilities

SEK thousand	Note	2017-12-31	2016-12-31
SHAREHOLDERS' EQUITY			
Restricted equity			
Share capital	22	897	897
Fund for development expenditures		4 101	2 670
Unrestricted equity			
Other paid-in capital		17 762	17 762
Retained earnings		1 106	144
Profit of the year		8 361	2 394
TOTAL SHAREHOLDERS' EQUITY		32 227	23 866
Current liabilities			
Accounts payable	21	1 534	686
Tax liabilities		299	
Other liabilities		344	384
Accrued expenses and prepaid income	23	4 662	3 670
Total current liabilities		6 839	4 740
TOTAL EQUITY AND LIABILITIES		39 066	28 606

Statement of cash flow

SEK thousand	2017	2016
OPERATING ACTIVITIES		
Operating profit	11 117	3 161
Adjustments for non-cash items		
Depreciation of tangible and intangible assets	2 879	2 617
Received interest		1
Paid interest	-31	-47
Income tax paid	-233	-176
Cash flow from operating activities before changes in working capital	13 731	5 556
Changes in accounts receivable	-5 392	-2 322
Changes in other receivable	128	222
Changes in accounts payable	848	41
Changes in other receivable	1 341	979
Cash flow from operating activities	10 655	4 476
INVESTING ACTIVITIES		
Investment in intangible assets	-2 984	-3 263
Investment in tangible assets		-52
Cash flow from investing activities	-2 984	-3 315
FINANCING ACTIVITIES		
Amortization of loans	-	-40
Cash flow from financing activities	-	-40
Cash flow for the period	7 671	1 121
Cash, opening balance	9 318	8 197
CASH, CLOSING BALANCE	16 989	9 318

Statement of changes in equity

SEK thousand	Restricted equity		Unrestricted equity			Total equity
	Share capital	Fund for development expenditures	Other contributed capital	Retained earnings	Net profit	
Opening balance January 1, 2016	897	-	17 762	2 736	78	21 472
Allocation according to AGM resolution				78	-78	0
Allocation fund for development expenditures		2 979		-2 979		0
Reversal of depreciation		-309		309		0
Comprehensive income for the year					2 394	2 394
Closing balance December 31, 2016	897	2 670	17 762	144	2 394	23 866

SEK thousand	Restricted equity		Unrestricted equity			Total equity
	Share capital	Fund for development expenditures	Other contributed capital	Retained earnings	Net profit	
Opening balance January 1, 2017	897	2 670	17 762	144	2 394	23 866
Allocation according to AGM resolution				2 394	-2 394	0
Allocation fund for development expenditures		2 271		-2 271		0
Reversal of depreciation		-840		840		0
Comprehensive income for the year					8 361	8 361
Closing balance December 31, 2017	897	4 101	17 762	1 106	8 361	32 227

Notes

Note 1 Accounting policies

General information

The financial statements of SyntheticMR AB (publ), as of December 31, 2017, have been approved by the Board of Directors and the CEO on March 26, 2018 and will be submitted to the AGM on April 25, 2018 for approval. SyntheticMR AB (publ) with organization number 556723-8877 is a Swedish-registered limited company with its registered office in Stockholm. The visiting address of the company's office is Storgatan 11, 582 23 Linköping. The company's shares are listed on AktieTorget. The company's activities are described in the administration report.

Compliance with standards and laws

The financial statements have been prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Recommendation RFR 2, Accounting for Legal Entities. The main rule of the recommendation is that legal persons should apply International Financial Reporting Standards (IFRS) as applied by groups as far as possible within the framework of the Annual Accounts Act and with regard to the relationship between accounting and taxation. The recommendation specifies which exceptions and additions to be made from IFRS. By following RFR 2, the company applies IFRS as approved by the EU.

In addition to financial data as defined in IFRS, specific key ratios, so-called alternative key figures, are presented to reflect the results of the underlying business and increase the comparability between different periods. These alternative key ratios do not replace financial data as defined in IFRS.

Assumptions when preparing the financial statements

The functional currency is Swedish kronor (SEK), which also represents the reporting currency. This means that the financial statements are presented in

Swedish kronor. All amounts, unless otherwise stated, are rounded to the nearest thousand.

Assets and liabilities are reported at historical cost unless otherwise stated below. Preparing the financial statements in accordance with RFR2 requires that management make assessments and estimates as well as make assumptions that affect the application of the accounting principles and the reported amounts of assets, liabilities, income and expenses. The actual outcome may differ from these estimates and assessments.

Estimates and assumptions are reviewed on a regular basis. Changes in estimates are recognized in the period in which the change is made if the change has only affected this period or during the period the change is made and future periods if change affect both the current period and future periods.

Assessments made by management in the application of RFR2 that have a significant impact on the financial statements and estimates that may result in significant adjustments in subsequent financial statements are described in more detail in Note 2 – Significant estimates and assessments.

The following accounting principles for the company have been applied consistently to all periods presented in the company's financial statements, unless otherwise stated below.

Revised or new accounting standards for the year

No new or revised IFRS has been applied early. The same accounting principles have been applied as in the most recent annual report.

A few new or updated accounting recommendations and interpretations are valid for fiscal years beginning January 1, 2017. The rules in IFRS that have entered into force for the fiscal year that began on January 1, 2017 have not affected the company's financial reports.

New IFRS and interpretations not yet applied

A number of new or revised IFRS standards will come into effect January 1st, 2018 and have not been applied in advance for the preparation of these financial statements. Other news or changes with future application are not planned to be applied soon. Below are the standards that are expected to have an impact or may have an impact on the company's financial reports. In addition to the standards described below, other news that IASB has approved will not affect the company's financial statements.

IFRS 9 Financial instruments

IFRS 9 will replace IAS 39 Financial Instruments: Accounting and Valuation. It contains rules for the classification and valuation of financial assets and liabilities, impairment of financial instruments and hedge accounting. The company's financial instrument consists solely of accounts receivables and loan receivables. These will continue to be classified and valued in the category of accrued acquisition value, and the transition to IFRS 9 will thus have no effect on the company. SyntheticMR will apply this standard as of January 1, 2018 when the standard will come into effect.

IFRS 9 also introduces a new model for making provisions for credit losses, which takes into account forward-looking information. The new impairment model is not expected to have an impact on the company's financial position based on historical and forward-looking information regarding bad debts. Customers are well-known companies and their ability to pay is not expected to change.

Other parts of the new standard will have no impact on the company's financial statements.

IFRS 15 Revenue from Contracts with customers

IFRS 15 regulates how accounting of revenue should be done. The principles that IFRS 15 relies on will provide users of financial statements with more useful information about the company's revenue. The increased disclosure obligation means that information about revenue types, timing of recognition, uncertainties linked to revenue recognition and cash flow attributable to the company's customer contracts shall be disclosed. An income must be reported in accordance

with IFRS 15 when the customer obtains control of the sold item or service and is able to use and receive the benefit from the goods or services. IFRS 15 replaces IAS 18 Revenue and IAS 11 and related interpretations (IFRIC and SIC). IFRS 15 will come into effect on 1 January 2018.

The company has evaluated the effects of the implementation of the standard. SyntheticMR's main revenue comes from the sale of licenses and associated service and support. The contracts with customers are sometime specific and, in some contracts, the transaction price decreases with the volume of licenses that customers purchase. This variable pricing will have a certain impact on revenues as the transaction price will be leveled over time. Other contracts will not affect the accounting as compared with the previous date of transition to IFRS 15. SyntheticMR will apply this standard from January 1, 2018 with retroactive transition application by recognize the total effect as an adjustment of the opening balance for retained earnings as of January 1, 2018. This amount will be SEK 821 thousand after consideration of deferred tax. For further information see note 26.

IFRS16 Leasing

In January 2016, the IASB published a new lease standard that will replace IAS 17 Leases and associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities attributable to all leases, with some exceptions, are reported in the balance sheet. This model indicates that, at the beginning of the lease, a leaseholder is entitled to use an asset during a specific period of time and at the same time an obligation to pay for this right. IFRS 16 clarifies that a leaseholder must distinguish between leasing components and service components in an agreement and that accounting requirements apply only to leasing components. The new guidance on what constitutes a lease agreement may also affect lessors, for example, agreements that contain services.

The accounting of the lessor will essentially remain unchanged. The standard should be applied for fiscal years beginning January 1, 2019 or later. Early application is allowed. The EU has not yet approved the standard. At present, the standard would not have any

effect on the company as the company applied the special rule according to RFR 2.

Other standards

No other IFRS standards or IFRIC interpretations that have not yet come into force are expected to have a significant impact on the Group.

Segment reporting

A reportable segment is a part of the company that operates from which it can generate revenues and incur costs and for which there is independent financial information available. The operating profit of a business segment is further monitored by the company's highest executive decision maker, which is identified by the company as the CEO. The management has determined the segments based on the information being dealt with by the CEO and used as a basis for allocating resources and evaluating results. In this internal reporting, the company as a whole is a segment.

Classification

Fixed assets consist essentially of amounts that are expected to be recovered after more than twelve months from the balance sheet date. Current assets and current liabilities consist essentially of amounts expected to be recovered or paid within twelve months from the balance sheet date.

Foreign currency

Transactions in foreign currency are translated to the functional currency at the exchange rate prevailing on the transaction date. Functional currency is Swedish kronor. Monetary assets and liabilities denominated in foreign currency are converted to the functional currency at the exchange rate prevailing on the balance sheet date. Exchange rate differences arising from the translation are recognized in the profit and loss for the year.

Revenues

The company's net sales consist mainly of revenue from licenses as well as revenue from service and support of software and sales of installations. Licenses are sold both through partners and directly to end customers. When selling through partners, the partner

is responsible for the installation to the end customer. For direct sales to end customers, the company is responsible for installation. Revenue is recognized in the profit and loss when it is probable that the future economic benefits will flow to the company and these benefits can be reliably measured. All revenue is recognized at the fair value of the consideration received or receivable, minus discounts granted and value added tax.

Revenue are recognized as follows:

- In cases where sales are made through partners, sales of the license will be recognized when the software is delivered.
- In cases where sales are made directly to the end customer, the sale of the license is recognized as revenue when the software is installed.
- Consultancy services in connection with implementation as well as service and support are recognized as revenue throughout the delivery period.

Government contribution

SyntheticMR has received contributions from the government in the form of wage subsidies for a certain period of the year. Contributions are received monthly in arrears and are reported as other operating income. There is no repayment obligation for state aid.

Financial income and expenses

Financial income and expenses comprise interest income on bank accounts and financial expenses consist of credit interest on unutilized check credit.

Financial instruments

SyntheticMR has chosen, in accordance with RFR 2, to apply IAS 39 to legal entity. Financial instruments recognized in the balance sheet include other receivables, accounts receivable and cash and cash equivalents. Liability includes trade payables and other current liabilities.

A financial asset or financial liability is recognized in the balance sheet when the company becomes a party to the instrument's contractual terms.

Trade receivables are recognized in the balance sheet when the invoice has been sent. Liabilities are incurred when the counterparty has performed, and contractual obligation is payable, even if the invoice has not yet been received. Trade payables are recognized when the invoice is received.

A financial asset is derecognized from the balance sheet when the rights in the agreement are realized, expire or the company loses control of them. A financial liability is derecognized from the balance sheet when the obligation in the agreement is fulfilled or otherwise terminated.

IAS 39 classifies financial instruments in categories. The classification depends on the intention of the acquisition of the financial instrument. Management determines classification at the time of acquisition. The following categories are held by the company.

Loans and accounts receivables

Loans and accounts receivables are financial assets that have determined or determinable payments and are not listed on an active market. Valuation is made after the initial recognition at amortized cost using the effective interest rate method. Accounts receivable are recognized as current assets with the exception of expiration dates more than 12 months after the balance sheet date, which are classified as non-current assets. Accounts receivable are recognized to the amount that is expected to be paid after deduction of individually assessed doubtful receivables.

Cash and cash equivalents consist of cash and immediately available balances with banks and equivalent institutions.

Financial liabilities measured at cost

Includes financial liabilities not held for trading. The company's trade payables are included in this category. Trade payables have a short-expected maturity and are measured at cost.

Cash flow statement

The cash flow statement has been prepared in accordance with the indirect method, which means that the result is adjusted for transactions that did not result in

payments or payments during the period, as well as any income or expenses attributable to investment or financing activities.

Remuneration to employees

Short-term remuneration

Short-term employee remuneration such as salary, paid holiday, paid sick leave, bonus, are calculated without discounting and are expensed when the related services have been received.

A provision is recognized for the expected cost of bonus payments when the company has a current legal or informal obligation to make such payments as a result of receiving services from employees and the obligation can be measured reliably.

Pensions

Pension plans are classified as defined contribution plans. The company has only defined contributions pensions. Defined contribution plans define the plans in which the company's obligation is limited to the fees the company undertakes to pay. In that case, the size of the employee's pension depends on the fees paid by the company to privately-administered pension insurance plans and the return on capital that the fees give. Consequently, it is the employee who bears the actuarial risk (that remuneration will be lower than expected) and the investment risk (that the invested assets will be insufficient for the expected remuneration).

The company's commitments to the plans are expensed against profit for the year as they are vested by the employees performing services for the company for a period. The company's obligation for each period is determined by the amounts that the company will contribute for the actual period.

The company also has a retirement pension that is fully covered by a company owned endowment insurance. In accordance with IAS 19, the retirement pension has been classified as defined contribution pension plan, which means that the endowment insurance and retirement benefit are netted.

Compensation for termination

A provision associated with the termination of employment is recognized only if the company is demonstrably obliged to terminate an employment before the normal date or when compensation is given as an offer to encourage voluntary resignation.

Leased assets

Lease agreements are classified in the financial statements either as finance or operating lease. A finance lease exists when the financial risks and benefits associated with ownership are substantially transferred to the lessee. If this is not the case, it is an operating lease. Operating lease means that the leasing fee is expensed over the term of the loan based on the use, which may differ from what was de facto paid as leasing fee during the year. Significant leases include office furnishings (contracts expire on 2020-01-31), computer equipment and benefit vehicles.

SyntheticMR has reported all current leases as operating leases in accordance with the exception in RFR 2.

Tangible fixed assets

Tangible fixed assets are recognized in the company at cost less accumulated amortization and any impairments. Cost includes the purchase price and any expense directly attributable to the asset to put it in place and in order to be utilized in accordance with the purpose of the acquisition. Accounting principles for impairment are described below.

The carrying amount of a tangible fixed asset is derecognized upon disposal or divestment or when no future economic benefits are expected from use or disposal / disposal of the asset. Gains or losses arising from the sale or disposal of an asset is the difference between the selling price and the asset's carrying amount less direct selling expenses. Profit and loss is reported as other operating income / expense.

Depreciation principles

Depreciation is based on original cost minus any residual values. Depreciation is applied directly over the estimated useful life of the asset. Estimated useful lives:

- Fixtures, tools and installations 5 years

An asset's residual value and useful life is tested annually.

Intangible fixed assets

Research and development

Expenditure for research activities that relate to obtaining new scientific or technical knowledge is recognized as an expense as incurred.

Expenditure for development activities, whereby the research results or other knowledge are applied to achieve new or improved products, are recognized as an asset in the balance sheet when the company can demonstrate that the product is technically useful, the asset is expected to generate future economic benefits and the expenses can be measured reliably. Finally, the company must have sufficient resources to complete development and then use or sell the intangible asset.

The carrying amount includes directly attributable personnel costs. Other development expenses are recognized in profit and loss when they occur. Reported development expenses in the balance sheet are recognized at cost less accumulated amortization and any impairments.

Other intangible assets

Expenditure, in the form of fees and consultancy expenses, for future patents are recognized as an asset in the balance sheet to the extent that these are deemed to lead to completed patents.

Amortization principles

Depreciation is recognized in profit or loss on a direct basis over the estimated useful lifespan of intangible assets. The useful lifespan is reviewed at least annually. Capitalized development expenditure for which depreciation has not commenced is tested for impairment annually or as soon as indications arise that indicate that the asset in question may be impaired. Intangible assets with determinable useful lives are derecognized from the date when they are available for use. The estimated useful lives are:

- Capitalized development expenditure 5 years
- Patent 5 years

Impairment losses

At each balance sheet date, an assessment is made if there are any indication of impairment of the company's assets. If it is not possible to determine significant independent cash flows for an individual asset, when assessing impairment requirements, assets are grouped to the lowest level where it is possible to identify significant independent cash flows, a cash-generating unit. If any indication exists, the asset's recoverable amount is calculated as the maximum of value in use and fair value minus selling costs. Utilization value is the present value of future cash flows discounted by an interest rate based on a risk-free interest rate adjusted for the risk associated with the specific asset. Impairments are made if the recoverable amount is less than the carrying amount.

Impairment losses are reversed if a subsequent increase in the recoverable amount is objectively attributable to an event that occurred after the impairment was made. An impairment loss is reversed only to the extent that the asset's reported value after reversal does not exceed the carrying amount that the asset would have had if no impairment had been made.

Taxes

Income taxes consist of current tax and deferred tax. Income taxes are recognized in the profit for the year except when underlying transactions are reported in other comprehensive income or in equity, and the associated tax effect is recognized in other comprehensive income or in shareholders equity.

Current tax is tax payable or received in respect of the current year, applying the tax rates that are decided or actually determined by the balance sheet date. Current tax also includes adjustment of current tax attributable to previous periods.

Deferred tax is calculated using the balance sheet method based on temporary differences between the carrying amounts of assets and liabilities and amounts used for taxation purposes. The valuation of deferred tax is based on how underlying assets or liabilities are expected to be realized or settled. Deferred tax is calculated using the tax rates and tax rules that have been decided or in practice decided on the balance sheet date.

Deferred tax assets relating to deductible temporary differences and loss carryforwards are reported only to the extent that they are likely to be utilized. The value of deferred tax assets is reduced when it is no longer deemed likely that they can be utilized.

Provisions

Provisions are recognized in the balance sheet when the company has an obligation (legal or informal) due to an event occurring and it is likely that an outflow of resources associated with financial benefits will be required to fulfill the obligation and the amount can be measured reliably. Provisions are also made for events after the balance sheet date to the extent that they confirm conditions that existed at the balance sheet date, such as court rulings relating to disputes. If the company expects to receive a compensation equivalent to a provision made, for example through an insurance contract, the compensation is recognized as an asset in the balance sheet when it is almost certain that the compensation will be received. If the effect of the time value of the future payment is assessed as significant, the value of the provision is determined by calculating the estimated future payment at present with a discount factor before tax reflecting the market's current valuation of the time value and any risks attributable to the liability. The gradual increase in the assigned amount that the present value calculation entails is reported as an interest expense in the income statement.

Contingent liabilities

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

Note 2 Significant estimates and assessments

In order to prepare the financial statements, SyntheticMR must make assessments and assumptions that affect asset and liability items, respectively revenue and expense items recognized in the financial statements. The estimates and assessments for accounting purposes discussed in this section are those deemed to be the most important for an understanding of the financial statements.

Recovering the value of development expenditure

The company invests in research and development, of which parts are reported as intangible assets, see further Note 14. The reporting of development expenditure as an asset requires that the product is expected to be technically and commercially useful in future and that future economic benefits are likely. Amortization of capitalized development expenditure takes place over an estimated useful life of a maximum of 5 years. The estimated sales volume and useful life period may be reviewed, which may lead to impairment.

Valuation of deferred tax asset

Significant assessments are made to determine the value of deferred tax assets. In doing so, the company must assess the likelihood that deferred tax assets will be used for settlement against future taxable profits. The actual result may deviate from these assessments, inter alia, due to changed future business climate, changed tax rules or the outcome of the authorities' unfinished review of declared declarations. The company's tax loss carryforwards amount to SEK 13,090 thousand.

Note 3 Risks and risk management

Financial risks

Through its operations, the company is exposed to various types of financial risks. Financial risks refer to fluctuations in the company's earnings and cash flow as a result of changes in exchange rates, financing and credit risks.

Currency risk

Currency risk is the risk of fluctuations in the value of a financial instrument due to changes in exchange rates. SyntheticMR is exposed to transaction exposure which arises in connection with business transactions with currencies other than Swedish kronor. The company relies on the development of the US dollar and the Euro against the Swedish krona, since the majority of its revenue is in US dollars and euros, while most of the expenses are in Swedish kronor.

The company does not use hedging instruments in terms of futures or options to hedge currency risks, which means that exchange rate effects are recognized in profit and loss.

Transaction exposure

The company's net transaction exposure converted to SEK thousand is divided into the following currencies net:

TSEK	2017	2016
USD	30 984	16 879
EUR	1 891	889
Total	32 875	17 768

The company's income statement includes exchange rate gains and exchange rate losses of SEK -760 thousand (77) in operating profit and SEK 0 (0) in net financial items. Transaction exposure has not been hedged.

Sensitivity analysis

The company relies on the development of the US dollar and the Euro against the Swedish krona, since most of the billing takes place in US dollars and Euros, while most of the expenses are in Swedish kronor.

In 2017, revenue was recognized in US dollars at an average rate of SEK 8.50, compared to SEK 8.72 in 2016. In 2017, the revenues in Euro was recorded at an average rate of 9.73 SEK, compared to 9.50 SEK/EUR in 2016. Currency effects have had a negative effect on sales. With unchanged exchange rates, sales had increased by 92 percent for the full year 2017 compared with the previous year.

A sensitivity analysis of currency exposure shows that the effect on operating profit in 2017 of a change in the US dollar rate by +/- 10 percent is approximately +/- SEK 3.1M (1.6) and that the corresponding effect of a change in the Euro rate by +/- 10 percent is approximately +/- SEK 0.1M (0.1).

The company's translation exposure relating to balance sheet items in foreign currency is distributed among the following currencies.

TUSD	2017	2016
Accounts receivable	1 113	474
Accounts payable	38	-
Total	1 151	474
TEUR	2017	2016
Accounts receivable	122	96
Accounts payable	8	-
Total	130	96

A sensitivity analysis of the currency exposure on the above balance sheet items shows that the effect on operating profit in 2017 of a change in the US dollar exchange rate at +/- 10 percent is +/- SEK 916 T. (431) and that the corresponding effect of a change in the Euro rate by +/- 10 percent is +/- SEK 121 T (92).

Financial risk (liquidity risk)

SyntheticMR will continue to be dependent on financing market launch of existing products and developing new products. Funding is done either through self-financing or through partner financing. It cannot be assured that SyntheticMR will be able to find expansion capital in the future. SyntheticMR may therefore need additional capital and it cannot be ruled

out that the availability of additional capital is limited at the time when this is needed, which may adversely affect the company's market value and / or its ability to capitalize on investment opportunities.

The company actively monitors cash flow and continuously updates forecasts of the expected liquidity trend. This enables any necessary actions to be handled in good time. Based on the present conditions, the assessment is that the company has sufficient liquidity to conduct its business in accordance with current plans.

Credit risk

The company's credit risk is related mainly to accounts receivable from commercial partners (e.g. Philips, Siemens and GE Healthcare), which sold the company's products, as well as specific hospitals to which the company sold SyMRI directly. The company estimates that credit risk will still be very low, and that credit quality is high and is not expected to change. See Note 18.

Operational risks

Qualified personnel

The company relies heavily on key personnel and qualified employees, both in the management and in the operational activities. If any of these leaves the Company, this could delay and / or obstruct market penetration of current products as well as continued product development. In addition, it is crucial for SyntheticMR's success to be able to attract and retain qualified employees. Although it is SyntheticMR's view that the company will be able to attract and retain qualified employees, it cannot be assumed that this can be done on satisfactory terms, with which the Company may face difficulties in maintaining or developing the business. A large number of the Company's employees are holders of call options.

Intellectual properties

The values in SyntheticMR are partly dependent on the company's ability to obtain and defend patents and other intellectual property rights. Patent protection for medical and medical technology projects, innovations and companies can be uncertain and include complex legal and technical issues. Patents must be applied for

and maintained in different jurisdictions and it cannot be taken for granted that registered patents provide long-term protection since registered patents can be contested, voided and circumvented. It cannot be taken for granted that the company's filed patent applications will be granted. It cannot be ensured that the technical height of the registered patent and any patent granted in the future is sufficient to provide the necessary protection or is sufficient to obtain the expected market shares. Nor can it be excluded that new patents in the field or new discoveries may affect SyntheticMR's potential for market success. Such negative impact on market performance can in turn have a negative impact on SyntheticMR's financial position and future earnings performance. Insofar as SyntheticMR uses technology that is patented or will be patented within the framework of product development, owners of these patents may claim patent infringement. The uncertainty associated with patents implies that it is difficult to predict the outcome of such disputes.

Functionality and quality of the product

For a business like SyntheticMRs, it is essential to show that the products that the company has developed or will develop can be successfully commercialized within the company's market segments. It cannot be assured that commercialization of the company's technologies will be successful, and it cannot be taken for granted that the company will receive acceptance for its technologies and products by industrial partners or end customers.

Product liability and insurance

In the healthcare industry there is always a risk of product liability. Marketing and sales within the company's market area involve a significant risk of product liability and may result in SyntheticMR being held liable. Product liability insurance is a proven method of seeking to cope with such possible risks, but it cannot be taken for granted that such insurance will cover future claims against the company. Claims for product liability can lead to significant expenses of litigation and damages. A claim against SyntheticMR in addition to the available insurance cover or claim that leads to significant negative exposure may adversely affect SyntheticMR's operations, results and financial position. It can also not be ensured that suitable insurance can be obtained

at an acceptable premium or that such insurance can at all be obtained.

Competition

The importance of each product's competitiveness is crucial to SyntheticMR's success. In addition, the risk that competing methods or projects may be more effective, safer or less expensive than those developed by SyntheticMR. Nor can it be ruled out that competitors have or will have access to significantly greater economic, technical and personal resources than SyntheticMR. This could mean that competitors to the company can launch competing products faster than SyntheticMR. Nor can it be ruled out that SyntheticMR's competitors may also have access to greater production capabilities (as appropriate) and distribution than SyntheticMR. Thus, it cannot be assumed that SyntheticMR's current or future products reach market success in competition with other similar products or solutions.

Co operations

SyntheticMR's market strategy is based on effective collaborations with partners both in the early development phase and in the latter phase of product development, marketing, sales and distribution. This means that the Company in each individual project and at all phases of the project is strongly dependent on its partners, as well as the forms and organization of this cooperation. SyntheticMR cannot be assumed, in the necessary stages of the development of each project, to attract the right kind of partner, to find the right forms and organization for cooperation with such partners or to enter into sufficiently beneficial agreements with such partners. Nor can it be taken for granted that the company is able to retain existing partners.

Regulatory approvals/Authority's approvals

SyntheticMR and its partners rely on national and international authority approvals for market launch. It cannot be ensured that the company, in its operations, or through its partners, receives such approvals, which in turn may affect the company's earnings and future development.

Note 4 Segment reporting

A reportable segment is a part of the company that operates from which it can generate revenues and incur expenses and for which there is independent financial information available. The operating profit of a business segment is further monitored by the company's highest executive decision maker, which is identified by the company as the CEO. The management has determined the segments based on the information being dealt with by the CEO and used as a basis for allocating resources and evaluating results. In this internal reporting, the company is a segment.

Geographic distribution of net sales

TSEK	2017	2016
Sweden	689	1 215
Other countries	34 956	17 789
Total	35 645	19 004

The company has a customer whose turnover exceeds 10 percent of the company's total net sales.

Note 5 Income distribution

TSEK	2017	2016
Licenses	34 779	18 360
Service and Support	867	644
Other	-	-
Total	35 646	19 004

Note 6 Other operating income

TSEK	2017	2016
Exchange-rate gains on operating receivables/liabilities	-	323
Contributions received	58	232
Total	58	555

Note 7 Auditors' fee and compensation for expenses

Audit assignments refers to the audit of the annual report and the accounting, as well as the administration

of the board and the managing director. Auditing activities in addition to the audit assignment imply other quality assurance services that are to be performed in accordance with the constitution, articles of association, statutes or agreements. Tax advisory services include both advice and review of tax compliance. Other services are other assignments.

TSEK	2017	2016
BDO		
Auditing assignments	167	171
Audit activities other than audit assignment	1	-
Other services	12	31
Total	180	202

Note 8 Leasing

SyntheticMR reports all leases as operational as specified in RFR2. Leases for operating leases are expensed over the lease period.

Significant leasing agreements include lease contracts, furniture and other office furnishings, computer equipment and company cars.

The company's lease for office premises is valid from March 1, 2016. The agreement was originally 3 years old but after the end of the period it has been extended for another year, meaning the earliest termination is February 28, 2020. The nominal rent amount amounts to SEK 666T per year, with a minimum index of 1, 5 percent plus property tax. The lease for former office premises in Stockholm has been terminated as of February 2017.

TSEK	2017	2016
Leasing fees of the year	1 068	990
Contracted future leasing fees for contracts due for payment		
Within 1 year	1 040	935
Later than 1 year but within 5 years	1 227	1 190
Later than 5 years	-	-
Total	2 267	2 125

Note 9 Employees, personnel costs and remuneration to senior executives

Average number of employees

In the company, the average number of employees was 14 (12) persons, of whom 11 (9) men and 3 (3) women. At year-end, the number of employees was 16 (14).

Gender distribution in company management

There is one female senior executive in the company and one woman in the board.

TSEK	2017		2016	
	Senior executives and Board members	Other employees	Senior executives and Board members	Other employees
Salaries and other remuneration	5 021	4 355	3 960	3 182
Social security costs	3 644	1 535	2 002	1 113
(of which pension costs)	(1 663)	(607)	(610)	(415)
Total	8 664	5 890	5 962	4 295

Salaries and other remuneration of board members¹ and group management

2017	Basic salary, board fees	Variable remuneration	Other benefits	Pension costs	Total
Chairman of the board Staffan Persson	188	-	-	-	188
Board member Yvonne Mårtensson	121	-	-	-	121
Board member Johan Sedih	121	-	-	-	121
Board member Reidar Gårdebäck	121	-	-	-	121
Board member Marcel Warntjes	719	-	-	159	878
CEO Stefan Tell	1 093	540	79	324	2 036
Other senior executives (4)	1 933	185	7	1 180	3 304
Total	4 296	725	86	1 663	6 769

¹The Board fees is recognized from the Annual General Meeting to the Annual General Meeting, which is unchanged from the previous year. Board members Reidar Gårdebäck, Yvonne Mårtensson and Johan Sedih have invoiced the Board fees through companies during the year.

2016	Basic salary, board fees	Variable remuneration	Other benefits	Pension costs	Total
Chairman of the board Staffan Persson	124	-	-	-	124
Board member Yvonne Mårtensson	83	-	-	-	83
Board member Johan Sedih	83	-	-	-	83
Board member Reidar Gårdebäck	83	-	-	-	83
Board member Marcel Warntjes	545	-	-	88	633
CEO Stefan Tell	909	150	70	207	1 336
Other senior executives (3)	1 911	73	4	315	2 302
Total	3 773	223	74	610	4 644

Variable remuneration

The variable remuneration of the CEO was maximized in 2017 to 50 percent of the annual gross salary. The variable remuneration was based on company goals determined by the Board.

Pensions

All pension commitments are defined contribution plans. The retirement age for the CEO and senior executives is 65 years and the pension premium correspond to the ITP plan. The company has a retirement pension that is fully covered by the company's endowment insurance. In accordance with IAS 19, the retirement pension has been classified as defined contribution pension plan, which means that the endowment insurance and retirement benefit are net reported. No other pension obligations exist.

Severance pays

For the CEO, a notice period of three months applies if terminated by himself, and in the case of termination by the company its 4 months. In either case, the CEO is not entitled to special severance pay, but in either case he receives salary during the period of notice.

Between the company and other senior executives, a mutual notice period of two months applies, unless the law in force prescribes longer notice period. Salary is paid during the notice period. No severance pay is paid to Board members.

Board fee

According to decision at the Annual General Meeting's 2017, remuneration to the members of the Board elected at the Annual General Meeting for the period up to the end of the Annual General Meeting 2018 shall be paid as follows: The Chairman of the Board receives SEK 195 thousand and other members who are not employed in the Company receive SEK 125 thousand.

Note 10 Operating expenses

TSEK	2017	2016
Exchange-rate losses operating receivables/liabilities	760	245
Total	760	245

Note 11 Financial income and expenses

TSEK	2017	2016
Interest income on cash	-	1
Other interest income/expenses	-32	-47
Net	-32	-46

Note 12 Tax on profit for the year

TSEK	2017	2016
Current tax expense		
Tax expense for the period	-	-
Deferred tax expense/income		
Deferred tax attributable to loss carryforwards	-2 724	-721
Total tax expense/income recognized	-2 724	-721
Recognized profit before tax	11 085	3 115
Tax at current tax rate of 22 %	-2 439	-685
Effect of non-deductible costs	-285	-36
Effect of non-taxable income	0	0
Reported effective tax	-2 724	-721

Note 13 Dividend per share, earnings per share and number of shares

	2017	2016
Proposed dividend per share	-	-
Total number of shares at beginning of the year	4 040 078	4 040 078
Of which treasury stock	-	-
Number of shares outstanding at beginning of the year	4 040 078	4 040 078
Number of shares outstanding at year-end	4 040 078	4 040 078
Average number of shares outstanding during the period	4 040 078	4 040 078
Earnings per share before/after dilution	2,07	0,59
Profit/loss for the year	8 361	2 394

Note 14 Capitalized development expenditure

TSEK	2017	2016
Opening balance	16 616	13 566
Internally developed assets	2 547	3 050
Closing balance	19 163	16 616
Opening balance, accumulated amortization	-9 905	-7 625
Amortization for the year	-2 564	-2 280
Closing balance	-12 469	-9 905
Closing carrying amount	6 694	6 711

Capitalized development expenditures relate to the development of new versions of SyntheticMR's software products. These development expenditure is capitalized and depreciated over 5 years after the product is released on the market and the asset can thus be considered to contribute to the company's revenue.

An impairment test for proprietary intangible asset is conducted annually for those projects where depreciation hasn't started and when indications of an

impairment loss prevail. The recoverable amount for cash-generating units is determined based on value in use.

For all capitalized expenses, depreciation has begun. An evaluation has been made as to whether there are any indications of impairment losses. Based on the company's financial development in 2017, the expected growth rate and the amount of assets capitalized, no formal impairment test has been performed.

Note 15 Patent

TSEK	2017	2016
Opening balance	2 264	2 051
New acquisitions	437	213
Closing balance	2 701	2 264
Opening balance, accumulated amortization	-1 529	-1 212
Amortization for the year	-298	-317
Closing balance	-1 827	-1 529
Closing carrying amount	874	735

Note 16 Equipment and fittings

TSEK	2017	2016
Opening balance	163	111
New acquisitions	0	52
Closing balance	163	163
Opening balance, accumulated amortization	-126	-107
Amortization for the year	-17	-19
Closing balance	-143	-126
Closing carrying amount	20	37

Note 17 Deferred taxes

TSEK	2017	2016
Unutilized loss carryforwards	2 880	5 604
Total	2 880	5 604

See also Note 2 – Essential estimates and assessments

Note 18 Accounts receivable

As of December 31, 2017, the company has no reserves for bad debts. Given the creditworthiness and other circumstances of the customers, the company assesses that credit risk will still be very low and that there is no uncertainty about past due accounts. The company has not recognized any customer losses that are charged to the profit in 2017.

TSEK	2017	2016
Age analysis carrying amount		
Not overdue	10 117	5 229
Past due 0-30 days	568	64
Past due 30-90 days	-	-
Past due more than 90 days	-	-
Total	10 685	5 293

Note 19 Prepaid expenses and accrued income

TSEK	2017	2016
Prepaid rent	256	245
Accrued income	-	64
Other items	623	70
Total	879	379

Note 20 Cash and cash equivalents

TSEK	2017	2016
The following sub- components are included in cash and cash equivalents:		
Cash and bank balances	16 989	9 318
Total	16 989	9 318

Cash and cash equivalents consist of bank deposits. In addition, the company has an overdraft facility of SEK 3 M. The entire amount is unutilized.

Note 21 Financial instruments

All financial assets and liabilities have short maturities. Hence, the fair values of all financial instruments are estimated to correspond to reported values.

2017	Loan receivables/ accounts receivable	Financial liabilities	Total reported value	Fair value
Cash and cash equivalents	16 989	-	16 989	16 989
Accounts receivable	10 685	-	10 685	10 685
Other receivables	132	-	132	132
Total assets	27 806	-	27 806	27 806
Accounts payable	-	1 534	1 534	1 534
Total liabilities	-	1 534	1 534	1 534

2016	Loan receivables/ accounts receivable	Financial liabilities	Total reported value	Fair value
Cash and cash equivalents	9 318	-	9 318	9 318
Accounts receivable	5 293	-	5 293	5 293
Other receivables	242	-	242	242
Total assets	14 853	-	14 853	14 853
Accounts payable	-	686	686	686
Total liabilities	-	686	686	686

Note 22 Share capital

As of December 31, 2017, the registered share capital amounted to SEK 896,897.31, divided into 4,040,078 shares. SyntheticMR has only one type of share. The shares are represented by one vote each and are entitled to equal shares of distributable earnings. For additional information, see section SyntheticMR – The Share, page 30.

Note 23 Accrued expenses and deferred income

TSEK	2017	2016
Vacations costs	1 173	759
Accrued board fee	428	371
Accrued salaries	552	438
Accrued social security expenses	676	467
Upplupen löneskatt	-	465
Deferred income	1 355	1 098
Other items	478	72
Total	4 662	3 670

Note 24 Related parties

For description of transactions with senior executives and directors refer to Note 9. Other than that, consultancy fees, incl. expenses have been charged by Board member Johan Sedih for a total of SEK 44 thousand. Transaction price has been set to market value.

Note 25 Events after balance sheet date

SyntheticMR has received clearance from the FDA regarding its software SyMRI NEURO. Together with the FDA's clearance from August 2017, this means that SyMRI as a whole can now be offered to clinics and hospitals on the US market. SyMRI NEURO is also the first product on the market that includes volume calculation and segmentation of myelin. Quantification of myelin may be useful in, for example, monitoring of patients with neurodegenerative diseases such as multiple sclerosis and dementia.

Note 26 Transitional effects on accounting in accordance with IFRS 15

From January 1, 2018, the Company will apply IFRS 15 as described in Note 1. This will be done retroactively by applying the total effect as an adjustment of the opening balance of retained earnings as of January 1, 2018. This amount will be SEK 821 thousand after consideration of deferred tax. See below for effects on the company's financial reports.

The company's business is solely licensing as well as service and support of the company's software SyMRI. The contract includes performance commitments to deliver a license as well as providing service and support over the duration of the contract. Licenses are sold both through partners and directly to end customers with varying contract lengths. To use the company's software, no specific customization is required, which means that the performance commitment is met at a given time. Revenue from license sales is reported in the income statement as before when the license is delivered to partners or end customers. Service and Support is another performance commitment in the contract, where revenue is recognized over time when the performance is performed. This is also the same principle that applies before transition to IFRS 15.

Concerning the determination of transaction prices, the financial statements affects from the fact that single agreements contain a component that reduces the transaction price with the volume of purchased licenses. The recognition of revenue for other agreements will not affect due to the transition to IFRS 15.

SEK thousand	2017-12-31	Effect from IFRS 15	2018-01-01
FIXED ASSETS			
<i>Capitalized development expenditure</i>			
Patent	6 694		6 694
Equipment, fixtures and fittings	874		874
Deferred tax assets	20		20
Total tangible fixed assets	2 880	231	3 111
Summa anläggningstillgångar	10 468	231	10 699
Current assets			
Accounts receivable	10 685		10 685
Other receivables	45		45
Prepaid expenses and accrued income	879		879
Cash and bank balances	16 989		16 989
Total current assets	28 598	0	28 598
TOTAL ASSETS	39 066	231	39 297
EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>			
Share capital	897		897
Fund for development expenditures	4 101		4 101
Other paid-in capital	17 762		17 762
Retained earnings	1 106	-821	285
Profit of the year	8 361		8 361
Total shareholders' equity	32 227	-821	31 406
<i>Current liabilities</i>			
Accounts payable	1 534		1 534
Tax liabilities	299		299
Other liabilities	344		344
Accrued expenses and prepaid income	4 662	1 052	5 714
Total current liabilities	6 839	1 052	7 891
TOTAL EQUITY AND LIABILITIES	39 066	231	39 297

The Board of Directors and the Managing Director ensure that this annual report has been prepared in accordance with generally accepted accounting principles and gives a true and fair view of the company's position and results. The administration report provides a true and fair view of the development of the company's operations, position and results, and describes significant risks and uncertainties faced by the Company.

Stockholm March 26, 2018

Staffan Persson
Chairman of the board

Stefan Tell
CEO

Yvonne Mårtensson
Board member

Marcel Warntjes
Board member

Johan Sedih
Board member

Reidar Gårdebäck
Board member

Our audit report was submitted on March 26, 2018
BDO Mälardalen AB

Jörgen Lövgren
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders
of Synthetic MR AB (publ)
Corporate identity number 556723-8877

Report on the annual accounts

Opinions

We have audited the annual accounts of Synthetic MR AB (publ) for the year 2017. The annual accounts of the company are included on pages 32-60 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 Synthetic MR AB (publ) as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act and International Financial Reporting Standards (IFRS), with the exceptions stated in RFR2. The statutory administration report is consistent with the other parts of the annual accounts.

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

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 Synthetic MR AB (publ) 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

The Board of Directors and the Managing Director

are responsible for the other information. The other information is found on pages 1–31.

Our opinion on the annual 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, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual 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 that they give a fair presentation in accordance with the Annual Accounts Act and in accordance with IFRS with the exceptions stated in RFR 2. 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 that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company'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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or condi-

tions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Synthetic MR 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 profit be appropriated 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 Synthetic MR AB (publ) 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 type of operations, size and risks place on the size of the company'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 financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

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

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

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Stockholm March 26, 2018
BDO Mälardalen AB

Jörgen Lövgren

Authorized Public Accountant

Information to the shareholders

The Annual General Meeting will be held on Wednesday April 25, 2018, at 18.00 in Linköping, Storgatan 11.

SHAREHOLDERS WHO WANT TO PARTICIPATE SHOULD

- Be recorded in the Euroclear Sweden AB share register on April 19, 2018
- Notify its intention to attend the Annual General Meeting to the company at the latest. 16:00 Thursday 19 April 2018.

NOTICE

The notification must be made either by mail to SyntheticMR AB, Storgatan 11, 582 23 Linköping, tel. +46 (0) 72 303 13 39 or by e-mail to info@syntheticmr.com. Enter the text *“Registration AGM SyntheticMR AB”* at the time of notification.

At registration, shareholders must state name, address, telephone number (daytime), civic registration number / corporate identity number, number of shares represented, and any representatives and assistants to attend. Power of attorney, registration certificates and other authorization documents should, in order to facilitate the Annual General Meeting, be submitted to the Company by Thursday 19 April 2018. Please note that any power of attorneys must be provided in original.

Shareholders of nominee-registered shares held through a bank or other custodian must request temporary registration under their own names in the share register at Euroclear Sweden AB in order to be entitled to participate in the meeting. Such re-registration, must be completed no later than Thursday, April 19, 2018, which means that shareholders must notify their nominee well in advance of this.

FINANCIAL REPORTS 2018

- Quarterly report for January–March 2018 will be published on April 25, 2018.
- Quarterly report for January–June 2018 will be published on August 22, 2018.
- Quarterly report for January–September 2018 will be published on November 16, 2018.
- Year-end report for 2018 will be published on 21 February 2019.

The reports will be available on SyntheticMR's website www.syntheticmr.com these dates under the heading Investor Relations.

For further information,

Contact **Fredrik Jeppsson**, CFO and Head of Investor Relations, +46 72 30 313 39 or **Stefan Tell**, CEO, +46 73 37 340 90 SyntheticMR AB.

Sources

¹ Synthetic MRI for Clinical Neuroimaging: Results of the Magnetic Resonance Image Compilation (MAGiC) Prospective, Multicenter, Multireader Trial. Tanenbaum LN et al. American Journal of Neuroradiology 2017; 38(6)

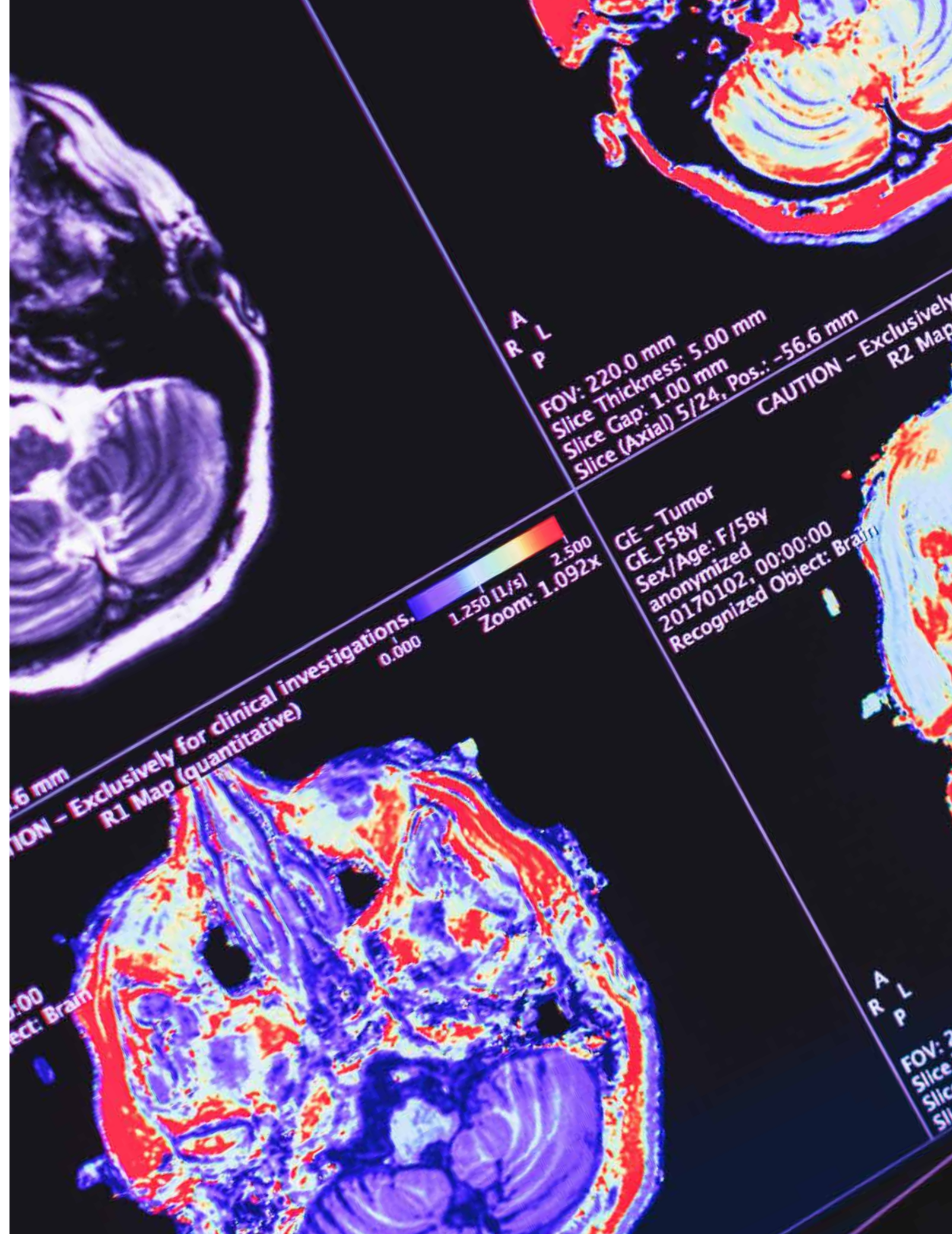
² Analysis of White Matter Damage in Patients with Multiple Sclerosis via a Novel In Vivo MR Method for Measuring Myelin, Axons and G-Ratio. Hagiwara A et al. American Journal of Neuroradiology 2017; 38(10)

³ Myelin Detection Using Rapid Quantitative Imaging Correlated to Macroscopically Registered Luxol Fast Blue-Stained Brain Specimens. Warntjes JBM et al. American Journal of Neuroradiology 2017; 38(6)

⁴ Quantitative Synthetic MRI in Children: Normative Intracranial Tissue Segmentation Values during Development. McAllister A et al. American Journal of Neuroradiology 2017; 38(12)

⁵ Quantitative MRI for analysis of peritumoral edema in malignant gliomas. Ida Blystad. PLoS ONE 2017; 12(5)

⁶ SyMRI of the Brain – Rapid Quantification of Relaxation Rates and Proton Density, with Synthetic MRI, Automatic Brain Segmentation and Myelin Measurement. Hagiwara A et al. Investigative Radiology 2017; 52(10)





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