Brighter

# Interim report October - December 2017

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To the extent that there are differences in interpretation between the Swedish interim report and the English translation, it is the Swedish report that has interpretative precedents.

# From development to commercialization.

## Fourth quarter, October–December 2017.

- Net sales amounted to SEK 576 thousand (2,412).
- Capitalized expenditure for development work reached SEK 12,390 thousand (4, 774)
- Operating income amounted to SEK 13,827 thousand (7,330)
- Profit for the period amounted to SEK -9,514 thousand (-2,237).
- Earnings per share, before dilution amounted to SEK -0.13 (-0.09).
- Earnings per share after dilution SEK -0.13 (SEK -0.09).

## Full year, January–December 2017.

- Net sales amounted to SEK 1,377 thousand (SEK 3,303).
- Capitalized expenditure for development work reached SEK 29,754 thousand (21,698)
- Operating income amounted to SEK 32,825 thousand (25,351)
- Profit for the period amounted to SEK -27,292 thousand (-14,683).
- Earnings per share, before dilution amounted to SEK -0.40 (-0.32).
- Earnings per share after dilution SEK -0.40 (-0.32).

# Financial overview 3 years.

| KSEK | oct-dec 2017 | okt-dec 2016 | jan-dec 2017 | jan-dec 2016 | jan-dec 2015 |
|---|---|---|---|---|---|
| Net sales | 576 | 2 412 | 1 377 | 3 303 | 657 |
| Operating profit | -6 655 | -6 245 | -19 946 | -18 501 | -12 121 |
| Net financial items | -2 859 | 4 726 | -7 346 | 4 536 | -74 |
| Profit before tax | -9 514 | -1 519 | -27 292 | -13 965 | -12 195 |
| Total assets | 112 437 | 66 954 | 112 437 | 66 954 | 41 620 |
| Equity per share | 1,36 | 1,02 | 1,36 | 1,02 | 0,77 |
| Debt to equity | -48% | -85% | -61% | -73% | -75% |
| Solidity | 79% | 80% | 79% | 80% | 70% |

For definitions, see note 6.

# Significant events during the period.

- Brighter called upon a third and fourth tranche from L1 Capital totaling SEK 20 million, and issued additional free warrants to its existing shareholders.
- The number of shares in Brighter AB increased on several occasions. The total number of shares and votes increased from 62,410,093 till 64,964,545.
- Brighter secured SEK 5.3 million by exercising warrants in series TO3, which has now been completed. Brighter's management team, including the CEO and COO, and all of the company's Board members fully subscribed.
- Brighter strengthened its management team by recruiting Ann Zetterberg as its CFO.
- The Swedish Patent and Registration Office granted Brighter's patent application no. 1550571-2, regarding method and device for logging drug injections made by a medical device with injector.

# Significant events after the end of the period.

- The number of shares in Brighter AB has increased. The total number of shares and votes has increased from 64,964,545 till 65,165,437.
- The European Patent Office has granted Brighter's patent application no. 14864054.3, regarding method and device for logging drug injections made by a medical device with injector.
- Updated financial calendar
- First exercise period for TO4 took place February 22 – March 8.
- Brighter participated in the Swedish delegation of approximately 160 companies at the Mobile World Congress (MWC) in Barcelona. The delegation had its own pavilion this year.
- Brighter has called upon a fifth tranche of SEK 10 million from L1 Capital and issued additional free warrants to its existing shareholders.
- Brighter strengthened its management team by recruiting Petra Kaur as its Head of Marketing and Communication.
- Brighter informs of delay in CE certification process due to adjustments in production tools.

# A message from the CEO.

When I look back on 2017, I think of it as the year when Brighter put the final building blocks in place for the delivery of Actiste in 2018. Great solutions have even more impact when they are part of a strong ecosystem, so we put significant effort into build the right links and relationships.

In Q1, we announced a partnership agreement with the supply chain management expert Sonat. A key part of the Actiste offering is that our customers will automatically be re-stocked with all the equipment they need (needles, lancets, glucose test strips, etc.), and Sonat has the expertise and infrastructure to take care of this for Brighter. With Sonat as our logistics and customer care partner, Brighter will also be able to quickly enter new geographical markets. We will focus on developing the solution, and Sonat will help us to deliver it.

In Q1 we also saw the listing of digital health R&D company Camanio Care – in which Brighter is the largest shareholder – on Sweden's AktieTorget exchange. With the R&D partnerships it has around the world, Camanio Care is another key part of the broader ecosystem we are building.

We continued building out the ecosystem in Q2, signing a deal with mobile operator AIS in Thailand. AIS will provide the data-connected Actiste service over their network, helping Brighter bring better treatment to the estimated four million people in Thailand living with diabetes.

Also in Q2 we signed an agreement to contribute to the development of the Indonesia Mampu poverty alleviation and healthcare program. Brighter is working in an advisory role as part of the Mampu program's focus on diabetes prevention and treatment. We are honored to be the only med-tech company working with Mampu on diabetes.

The highlight of Q3 was definitely the granting of our key patent in the United States. Originally filed in 2007, this patent to check blood glucose and inject insulin from the same device had previously been granted in the EU and other parts of the world. Having it granted in the United States as well represents a major achievement for Brighter.

Later in Q4 we partnered with the managed services provider Arkessa to handle Brighter's data connectivity requirements in the markets where we do not have agreements with local telecom operators. We also signed a logistics agreement with Speed Group for the warehousing and inventory management of Actiste in Sweden.

When it comes to the Actiste solution itself, we had moved from the investment, product design and development phase, into production, sales, marketing and CE-certification by the end of

2017. It has been a long journey, and we could not have done it without the backing of our investors, the efforts of our fantastic coworkers, and the trust of our many partners around the world.  Thanks to all this support, Brighter is now on the verge of bringing the Actiste solution and its many benefits to diabetics around the world.

Truls Sjöstedt, Founder and CEO of Brighter AB.

# Comments on the financial results.

## Comments on the financial results October–December 2017.

### Income

Net sales amounted to SEK 576 thousand (2,412) for the fourth quarter of 2017. In 2017 this related mainly to consultancy revenue invoiced from Brighter to its associated company Camanio. The decrease in net sales from 2016 is due to Camanio Cares transfer from a subsidiary to an associate company in the fourth quarter of 2016. The Brighter Group is currently in a commercialization phase and still receives very limited revenue from external customers.

Other operating income for 2017 of SEK 861 thousand (1441) primarily comprised the compensation received from the dispute with the subcontractor HotSwap concerning defective deliveries in development work from before 2015.

### Operating profit

Operating profit for the fourth quarter amounted to SEK -6,655 thousand (-6,245). The external costs totaling SEK -17,531 thousand (-9,319) relate primarily to services for the development of intangible assets, financial and legal services related to the raising of capital and commercialization activities, and services to build up logistics and production for Actiste. External costs relating to development are reflected in revenue in the form of Capitalized production costs SEK 12,390 thousand (4,774) at the same amount, which means that they do not have any impact on earnings.

Staff costs reached SEK -2,877 thousand (-2,639) The number of employees were 13 at the end of 2017. A number of external consultants work for the Company, which has been recognized in external services.

Depreciation/amortization only relates to trademarks and material inventories. Other intangible assets, patents and development costs have not been amortized on a straight-line basis. The value of the intangible assets is valued continuously, and amortization will begin once the patents start to be used and when Actiste is commercially ready for the market.

### Camanio Care

Camanio was acquired in 2015 and was a subsidiary of the Group for most of 2016. In the fourth quarter of 2016, the company became an associated company when Camanio Care was capitalized through a new issue and Brighter's stake was diluted. In December 2016, a decision was made to distribute 1 733 672 shares in Camanio Care to Brighters shareholders. In the 2016 financial statements, the value of the unpaid dividend in the form of shares in Camanio Care is SEK 5.2 million. As of December 31, 2016, this amount was reported as dividend and current liabilities. Also the value of the shares subject to dividend has been revalued at fair value through profit and loss. This resulted in a positive effect of SEK 1.7 million. Brighter owns 26.51% (30.14%) of Camanio as of December 31. The ownership for 2017 includes 1 million shares that have been loaned to Recall Capital to facilitate Camanio's financing via L1 Capital. Camanio reported a loss in this quarter of SEK 5,733 thousand, with a share of earnings of SEK -1,520 thousand for the fourth quarter.

### Cash flow

At the start of the quarter, the company had cash in hand of SEK 6,472 thousand (1,902), increasing to SEK 10,017 thousand (1,733) by the end of the year. Cash flow from operating activities amounted to SEK -2,743 thousand (-1,940). The change in working capital was positive at SEK 3,962 thousand (3,478). Investments amounted to SEK -17,361 thousand (-4,633). Financing of SEK 23,649 thousand (6,404) was raised through new issues and loans during the period. L1 Capital was the main source of capital during the year. Brighter has a financing agreement for SEK 100 million, of which SEK 60 million was utilized as of December 31, 2017. For further information about the agreement with L1 Capital, see note 5.

The total cash flow for the period was SEK 3,545 thousand (-169).

## Financial results for January-December 2017.

### Income

Net sales amounted to SEK 1,377 thousand (SEK 3,303) for the full year in 2017. In 2017 this related mainly to consultancy revenue from the associated company Camanio. Camanio was treated as an associated company in 2017 and part of 2016. In the fourth quarter of 2016, Camanio changed from being a subsidiary to an associated company. The deviation in the net sales is mostly due to the fact that Camanio was no longer a Group company for any part of 2017.

Other operating income for 2017 of SEK 1,694 thousand (350) primarily comprised the compensation received from the dispute with the subcontractor HotSwap concerning defective deliveries in development work from before 2015.

### Operating profit

Operating profit for 2017 amounted to SEK -19,946 thousand (-18,501). The main reason for the higher loss was an increase in costs for external costs. The external services totaling SEK -43,384 thousand (-31,746) relate primarily to services for the development of intangible assets, financial and legal services related to the raising of capital and commercialization activities, and services to build up logistics and production for Actiste. External costs relating to development are reflected in revenue in the form of Capitalized production costs SEK 29,754 thousand (21,698) at the same amount, which means that they not have any impact on earnings.

Staff costs totaling SEK -9,153 thousand (-8,913) The number of employees amounted to 13 at the end of 2017. Also a number of consultants work for Brighter and this has been recognized in external services..

Depreciation/amortization only relates to trademarks and material inventories. Other intangible assets, patents and development costs have not been amortized on a straight-line basis. The value of the intangible assets is measured continuously, and amortization will begin once the patents start to be used and when Actiste is commercially ready for the market.

## Camanio Care

Camanio was acquired in 2015 and was a subsidiary of the Group for most of 2016. In the fourth quarter of 2016, the company became an associated company when Camanio Care was capitalized through a new issue and Brighter's stake was diluted. In December 2016, a decision was made to distribute 1,733,672 shares in Camanio Care to Brighters shareholders. In the 2016 financial statements, the value of the unpaid dividend in the form of shares in Camanio Care is SEK 5.2 milion. As of December 31, 2016, this amount was reported as dividend and current liabilities. Also the value of the shares subject to dividend has been revalued at fair value through profit or loss. This resulted in a positive effect of SEK 1.7 million. Brighter owns 26.51% (30.14%) of Camanio as of December 31. Camanio reported a loss of SEK 16,784 thousand, with a share of earnings of SEK -4,449 thousand for 2017.

## Financial position

Capitalized expenditure for development work amounted to SEK 29,754 thousand (21,698) which almost exclusively relates to the development of Actiste.

Property, plant and equipment totaled SEK 4,738 thousand (SEK 322 thousand). The increase in the equipment is almost exclusively from investments in the production line, tools and other production-related equipment for the production of Actiste. Depreciation of this equipment will start as soon as the production line is in full use.

As of 31 December the company had equity of SEK 87,389 thousand (52,543), an equity ratio of 78.5% (76.4%).

The company has no long-term liabilities. Current interest-bearing from L1 amounted to a nominal value of SEK 10 million. The debt is discounted to a net present value of SEK 8,437 thousands as of 31 December, 2017.

## Cash flow

At the start of the quarter, the company had cash of SEK 1,733 thousand (641), increasing to SEK 10,017 thousand (1,733) by the end of the year.

Cash flow from operating activities amounted to SEK -24,582 thousand (SEK -13,908 thousand). The change in working capital was negative by SEK -4,654 thousand (3,733). Investments amounted to SEK -34,897 thousand (-23,348). An increase of SEK 7,295 thousand in intangible assets in 2016, and SEK 4,583 thousand in property, plant and equipment mainly for production of Actise.

Financing of SEK 67,763 thousand (38,274) was raised through new issues and loans during the period. L1 Capital was the main source of capital during the year. The company has a financing agreement for SEK 100 million, of which SEK 60 million was utilized as of December 31, 2017. Financing through L1 Capital has been effected through current issues of convertible notes and at December 31, 2017, the counterparty had used the opportunity to convert the corresponding SEK 50 million in nominal value of issued convertible notes.
The warrants are issued free to L1 Capital and to all of the shareholders of Brighter AB in parallel with the utilization of convertible notes. In 2017 new shares corresponding to SEK 5.3 million were subscribed by utilization of these warrants. As of December 31, the company has SEK 40 million remaining to potentially utilize in convertible bonds in L1 Capital, and if all of the warrants within the framework of this agreement are issued and utilized to sub-

scribe to new shares, this will add around a further SEK 100 million. For further information about the agreement with L1 Capital, see note 5.

Total cash flow for the period amounted to SEK 8,284 thousand (1,092).

## Changes to Group Management

In order to meet the demands of Brighter in terms of commercialization and growth process in the best possible way, the management team has been expanded to include additional expertise.

On November 6, it was announced that Brighter had recruited Ann Zetterberg as CFO. Ann has extensive experience working as CFO and in financing from private equity. She has also been involved with rapidly-growing knowledge-intensive technology companies.

On March 9, 2018, Brighter announced that Petra Kaur Ljungman was appointed as Marketing and Communications Manager. Petra has extensive experience from executive roles in sales and marketing from companies in the pharmaceutical advertising and health care market and has been a member of the Brighter Board since 2014. Petra has resigned from the Board at the same time.

As of March 2018, Group management consists of Truls Sjöstedt (CEO), Henrik Norström (COO), Ann Zetterberg (CFO), Åsa Hallin Dahlberg (HDP), Nadezda Ershova (QA-RA Manager) and Petra Kaur Ljungman (CCO-CMO).

## CE marking, sales, production

Sales work is continuing in a positive vein both in Sweden and globally. The sales and business target aimed at expanding into markets with strong needs and the ideal conditions for implementing digitalized treatment and monitoring systems continues. Interest is still robust, and the collaborative relationships in the markets within which Brighter has actively created a network are being refined and advanced. The work by Sanmina, that was initiated in the autumn, in preparations for producing Aciste is progressing according to plan. In parallel with the production of the first 120 units, new effective solutions for automating the production line are being explored, including investigating the robotization steps as part of the packaging process. The CE marking process continues and involves a complex process that consists of multiple steps, including product, production and user tests, as well as reporting, which are all handled by external certification partners. There are many steps and the availability of time slots for tests are limited, which determines to a some extent when the approval can be completed.

## Future liquidity position.

The commercialization of Actiste, with an ambitious plan for development and growth, requires the company to have sufficient working capital to be able to finance both capital commitments in respect of future deliveries, inventory as well as the the production facility. Financing of the business is a very important part of the company's growth strategy, and the company's management and board are working continuously on financing issues.

The additional contracted financing volume from L1 Capital and the liquidity that outstanding warrants may potentially give in combination with the liquidity as at 31 December 2017 is not sufficient to finance the operations based on the current business plan and strategic direction decided upon. The Board and management therefore estimate that in 2018, the company will need additional funding to be able to carry out operations based on the strategic direction that has been decided.

Upon submission of this report, the company has not yet secured all funding. However, the Board and management estimate that the company's ongoing sales and financing activities, such as financing from customer agreements, combined with the additional liquidity that conversions of outstanding warrants will render, will likely finance the business for at least 12 months ahead.

# About Brighter.

Brighter develops health-tech solutions that simplify the flow of relevant and reliable treatment data between patients, their loved ones, and their care providers. With this data-driven global approach, our goal is a higher quality of life and better health outcomes for people living with a disease around the world.

Brighter is currently focused on diabetes care with our mobile-connected solution Actiste®. However, in the future we envision our solutions being used to assist in various healthcare scenarios, including the treatment of other chronic conditions.

The key to our solutions is a service for remote-monitoring and treatment that links the digital and physical collection of healthcare data (with the consent of the user). We call this The Benefit Loop®: an intellectual property platform that can be applied within a variety of clinical settings to create smart solutions for remotely monitoring and treating diseases.

Brighter AB (BRIG) is listed on the NASDAQ First North stock exchange. Brighter AB has one 100% owned subsidiary, Brighter One AB, which has no operations. Brighter One is the holder of issued warrants for financial and incentive purposes. Camanio Care AB is an associate company owned to 26.51% by Brighter AB on the 31st of December.

## Targeting diabetes.

Diabetes is a chronic disease that causes blood glucose to rise to unhealthy levels, either due to insufficient production of insulin by the pancreas, or due to the body's resistance to insulin produced. Left untreated, diabetes can cause a wide range of serious health complications.

The American Diabetes Foundation has calculated that diabetes affects some 370 million adults worldwide, a number that is expected to rise to 422 million by 2030 (almost 10% of the adult population). In addition to the personal suffering it causes, diabetes represents a massive burden on healthcare systems, many of which are already strained by ageing populations and a rise in the incidence of other chronic conditions too. In a 2016 study (published in The Lancet) by Imperial College London, Harvard University, the World Health Organization and some 500 researchers across the world, the global cost of treating diabetes was determined to be USD 825 billion per year. This calculation did not include the cost of work days lost due to diabetes.

Diabetics, their families, healthcare institutions, insurance companies, doctors and nurses all need a better way to administer and monitor diabetes treatment; a way that makes life easier for the people and families affected by diabetes, while also easing the burden on healthcare systems and care providers.

This is where Brighter comes in with our solution Actiste.

## The solution – Actiste.

Actiste is a diabetes treatment and monitoring solution that gives diabetics greater control over their condition, and provides healthcare providers with a clearer picture of a patient's health. Diabetics can use the Actiste device to record their blood sugar values, track meal information, administer insulin, and share their treatment data over-the-air with caregivers (such as family members, nurses and doctors).

By establishing a continuous flow of valid data between diabetics and their caregivers, Actiste improves patient adherence, eases concern among family members, allows doctors to quickly change treatment plans, and makes more efficient use of limited healthcare resources. By providing a clear and continuous picture of a patient's health, Actiste can help to reduce the often severe long-term physical effects of diabetes, which in turn reduces treatment costs for healthcare systems.

Actiste is also the world's first mobile-connected solution to combine the three essential components of daily diabetes care – a blood glucose meter, a lancet and an injection device – in a single device.

This simplifies daily life with diabetes by reducing the average number of treatment steps from 27 to 9 (a 67% reduction). The Actiste customer also has essential equipment (such as test strips, needles, lancets, etc.) automatically re-supplied when they begin to run low. This is another way in which Actiste helps to reduce the burden on healthcare systems.

## The Benefit Loop®

The Benefit Loop is Brighter's cloud-based service that processes, analyzes and returns health data in the treatment chain from various connected tools and apps. It has been developed to package and visualize relevant information, and send feedback to the user, in a smart and user-friendly way. The Benefit Loop is a key part of Brighter's vision of promoting behavioral change throughout the healthcare ecosystem. This means not only developing smart assistive devices, but also becoming a leading company in mobile health and data-driven healthcare.

## Market focus and target groups.

Brighter's products and solutions are targeted at a range of groups:

- Consumers and patients
- Mobile network operators
- Payers: healthcare providers, governments/authorities, insurance companies, consumers, companies/employers
- Clinical Research Organizations (CROs)
- Pharmaceutical companies
- R&D organizations, authorities, and academic bodies

## Future business opportunities.

Brighter is an entrepreneurial tech-based company that initializes and develops projects for value creation mainly in health-tech. The listed company Camanio Care – in which Brighter is a major shareholder – is one of our projects. Actiste is our main project, initially targeting diabetes, but with the potential to target several other chronic diseases. The health data generated through Actiste can also provide a base for further business opportunities in clinical research and similar areas.

# Summary of significant accounting policies.

The most significant accounting policies applied in the preparation of these consolidated accounts are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

## 1. Basis for the preparation of the statements

The consolidated accounts for Brighter have been prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Corporate Groups, as well as the International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Interpretations Committee (IFRS IC) as adopted by the EU. This interim report has been presented in accordance with IAS 34, Interim Financial Reporting, and the Swedish Annual Accounts Act.

These consolidated accounts for Brighter are the first to be prepared in accordance with IFRS. The consolidated accounts have been prepared in accordance with the cost method.

Preparing statements in compliance with IFRS requires the use of certain significant estimates for accounting purposes. Management is also required to make certain assessments in connection with the application of the consolidated accounting policies. The areas that entail a high degree of assessment, which are complex or of such a nature that assumptions and estimates are critical to the consolidated accounts, are specified in note 3.

The Parent Company applies RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act. Under RFR 2, the Parent Company is required to apply all EU-adopted IFRS and interpretations in the interim report for the legal entity insofar as this is possible under the Swedish Annual Accounts Act, the Pension Obligations Vesting Act and with regard to the relationship between accounting and taxation.

The Parent Company has transitioned to applying RFR 2 Accounting for Legal Entities in conjunction with the Group's transition to IFRS accounting for the consolidated accounts. The transition from previously applied accounting policies to RFR2 has had no effect on the income statement, the balance sheet, equity or cash flow.

Preparing statements in compliance with RFR 2 requires the use of certain significant estimates for accounting purposes. The management team is also required to make certain assessments in connection with application of the Parent Company's accounting policies. The areas that entail a high degree of assessment, which are complex or of such a nature that assumptions and estimates are critical to the annual report are specified in note 3 of the consolidated accounts.

The Parent Company applies different accounting policies to the Group for the areas stated below:

## Layout
The income statement and balance sheet are compliant with the layout stipulated in the Swedish Annual Accounts Act. Differences also arise in relation to designations, in comparison with the consolidated accounts, mainly concerning financial income/expense and equity.

## Shares in Group companies
Shares in subsidiaries are recognized at the acquisition cost less any impairment. The acquisition cost includes any costs related to the acquisition and any additional purchase prices.

A calculation of the recoverable amount is undertaken in the event of an indicator of impairment of shares in a Group company.  Should the recoverable amount be lower than the carrying amount, impairment is made. Impairments are recognized in "Profit from shares in Group companies".

## Financial instruments
IAS 39 is not applied to the Parent Company and financial instruments are measured at acquisition cost. Financial assets acquired for short-term holding will in subsequent periods be recognized at the lower of acquisition cost and market value. The convertible debt instruments are measured at amortized cost..

## Leases
All leasing agreements are accounted for as operating leases, irrespective of whether they are financial or operating leases.

Leasing whereby a significant part of the risks and benefits of ownership is retained by the lessor is classified as operational leasing. Payments made during the lease term (after deductions of any incentives from the lessor) are carried as an expense in the income statement on a straight-line basis over the term of the lease. Leases for property, plant and equipment where the Group has substantially all the financial risks and rewards of ownership are classified as financial leases. Financial leases are capitalized at the start of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. At this point in time the Group only has leasing agreements that are classified as operational leases.

## Appropriations
Group contributions are recognized as appropriations.

## 1.1 New standards and interpretations that have not yet been applied by the Group
A number of new standards and interpretations have come into force for the financial year starting on January 1, 2018 or later and have not been applied in the preparation of this financial report. Below is a preliminary assessment of the effects of the standards that are deemed relevant for the Group:

IFRS 9 "Financial instruments"  specify how a company should classify, measure and report financial assets and financial liabilities. It replaces the sections of IAS 39 relating to how a company should classify and measure financial instruments. IFRS 9  keeps a mixed valuation approach but simplifies the approach in certain aspects. There will be three valuation categories for financial assets: amortized cost, fair value through other comprehensive income, and fair value through the income statement. The way an instrument should be classified depends on the company's business model and the characteristics of the instrument. Investments in equity instruments should be measured at fair value through profit or loss, but may be measured at fair value through other comprehensive income on the first accounting date.  Should the instrument be sold, no reclassification will be made in the income statement. Financial liabilities should not be reclassified or remeasured unless the liability is measured at fair value through profit or loss based on fair value. The standard will be applied for financial years beginning on January 1, 2018, with earlier application permitted.

During the autumn of 2017 a project was carried out in which the classification and measurement of the Group's financial instruments were discussed and analyzed. Following these analyses, it has been established that the new classification and measurement rules will not significantly affect the Group's financial position on the transition date as the regulations will not change the measurement of the financial instruments included in the consolidated balance sheet at this time.

IFRS 9 introduces a new impairment model based on expected credit losses, rather than incurred credit losses, and takes forward-looking information into account. In the autumn, the Group analyzed the impact of introducing a new model for calculating the provisions for expected customer losses, which also includes accounts receivable where no loss event has occurred. As of the closing date, the Group has not reported any significant sales and therefore no significant credit risks for accounts receivable. The conclusion of the analysis was that the introduction of a new impairment model will not affect the Group's accounting and financial statements during the transition to IFRS 9. The Group does not apply hedge accounting in accordance with IAS 39, so the new rules in IFRS 9 governing hedge accounting will not impact the Group during the transition.

IFRS 15 "Revenue from Contracts with Customers" regulates how revenue should be reported. The policies on which IFRS 15 is based provide the user of financial statements with more useful information regarding the company's revenues. The extended duty of disclosure means that information must be disclosed about revenue types, timing of regulation, uncertainties linked to revenue recognition, and cash flow attributable to the Company's customer contracts. Revenues 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 item or services. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and the pertinent SIC and IFRIC.  IFRS 15 is effective from January 1, 2018, with earlier application permitted. In 2017 the Group analyzed the effects that this standard may have on the Group's results and financial position. On completion of the analysis, the Group determined that the new rules for classification and measurement will not have a material effect on the Group's financial position at the transition time, as the Group still only has limited revenues from external customers. The Group will apply IFRS 15 from January 1, 2018 and can after analysis state that there will be no translation effects for the comparison year 2017.

IFRS 16 "Leases". In January 2016, the IASB published a new leasing standard that will replace IAS 17 Leases and related interpretations, IFRIC 4, SIC-15 and SIC-27. The standard requires that assets and liabilities relating to all lease agreements, with some exceptions, are recognized in the balance sheet. This recognition is based on the view that the lessee has a right to use an asset for a specific period of time and at the same time an obligation to pay for this right. The recognition for the lessor will essentially remain unchanged. The standard will apply for financial years beginning January 1, 2019 or later, with earlier application permitted. The EU has not yet adopted this standard. In 2017 the Group started work on analyzing the effects that this standard may have on the Group's results and financial position. The Group has performed an initial analysis in order to identify the areas where there may be a potential difference and this forms the basis for the continued implementation work in 2018. According to the Group's preliminary assessment, IFRS 16 means that the Group's rental leases for premises will be recognized in the balance sheet as rights to use an asset. Corresponding amounts will initially be recognized as financial liabilities.

None of the other IFRS or IFRIC interpretations that have not yet entered into force are expected to have any material impact on the Group..

## 2. Consolidated accounts

### 2.2. Basic accounting policies Subsidiaries

Subsidiaries are all companies over which the Group has a controlling influence. The Group controls a company when it is exposed or entitled to a variable return from its holdings in the Company and is able to influence the return through its influence over the company. Subsidiaries are included in the consolidated accounts as of the date on which the controlling influence is transferred to the Group. They are excluded from the consolidated accounts as of the date on which the controlling influence ceases.

The purchase method is used for reporting the Group's business combinations. The purchase price for the acquisition of a subsidiary is the fair value of the transferred assets, the liabilities assumed by the Group to the former owners of the acquired company, and the shares issued by the Group. The purchase price also includes the fair value of all the liabilities that result from a contingent purchase price agreement. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values on the acquisition date. For each acquisition (i.e. acquisition by acquisition) the Group determines whether its holdings in the acquired company that do not confer control are reported at fair value or as their proportional share of the recognized value of the acquired company's identifiable net assets

### Acquisition-related costs are expensed as they occur.

Goodwill is initially measured as the amount by which the total purchase price and any fair value of non-controlling interests at the date of acquisition exceeds the fair value of identifiable net assets acquired. If the purchase price is lower than the fair value of the acquired company's net assets, the difference is recorded directly in the income statement.

Intra-Group transactions, balance sheet items, and revenue and expenses from transactions between Group companies are eliminated. Gains and losses resulting from intra-Group transactions that are recognized in assets are also eliminated. Where applicable, the accounting policies of subsidiaries have been amended to guarantee a consistent application of the Group's principles.

## Associated companies

Associated companies are all companies in which the Group has a significant, but not controlling, influence, which generally applies to shareholdings comprising between 20% and 50% of the votes. Holdings in associated companies are recognized according to the equity method. In accordance with the equity method, holdings in associated companies are initially recognized at cost in the consolidated balance sheet.

The carrying amount is subsequently increased or decreased to reflect the Group's share of the profit from its associated companies after the acquisition date.

The Group's share of profit is included in consolidated profit.

Dividends from associated companies are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associated company is the same amount as or exceeds the holding in this associated company (including all long-term receivables that in reality comprise part of the Group's net investment in this associated company), the Group no longer recognizes any additional losses unless the Group has undertaken to pay or made payments on behalf of the associated company.

Unrealized gains on transactions between the Group and its associated company are eliminated in relation to the Group's holding in the associated company. Unrealized losses are also eliminated, unless the transaction constitutes an indication of an impairment requirement in the transferred asset. The accounting policies for associated companies have been adjusted, where applicable, to ensure consistency with the Group's accounting policies..

# 3. Translation of foreign currency

## Functional currency and reporting currency

The different units of the Group, where such exist, have the local currency as their functional currency, as the local currency has been defined as the currency used in the primary economic environment in which the unit mainly operates. Swedish krona (SEK), the functional currency of the Parent Company and the reporting currency of the Group, is used in the consolidated accounts.

## Transactions and balance sheet items

Transactions in foreign currencies are translated to the functional currency at the exchange rates that apply on the transaction date. Foreign exchange gains and losses arising from payment of such transactions and upon translation of monetary assets and liabilities in foreign currencies at closing date rates are recognized in the statement of comprehensive income.

Foreign exchange gains and losses relating to loans and cash and cash equivalents are recognized as financial income or financial expenses in the statement of comprehensive income. All other foreign exchange gains and losses are recognized in the items "Other operating costs" and "Other operating income" respectively in the statement of comprehensive income.

## 4. Revenue recognition

Revenue is measured at the fair value of the consideration received or that will be received, and is equivalent to the amounts received for goods sold less discounts and value-added tax.

The Group recognizes revenue when the amount can be measured reliably, it is probable that future economic benefits will accrue to the company and specific criteria have been met for each of the Group's activities as described below.

### Sale of services

The Group sells services in the form of consultancy services within development.

When the outcome of an assignment cannot be calculated reliably, only the amount corresponding to the accrued assignment costs that will probably be paid by the client is recognized as revenue. When it is not probable that the assignment costs incurred will be recovered by the client, revenue is not recognized and the costs incurred are recognized as an expense.

For consulting assignments for work in progress, revenue is recognized in the period when the services are rendered.

### Interest income

Interest income is recognized using the effective interest method.

## 5. Leasing

The Group is a lessee (office premises and vehicles), but in 2016 and 2017 it was not a lessor.

Leasing whereby a significant part of the risks and benefits of ownership is retained by the lessor is classified as operational leasing (office premises). Payments made during the lease term (after the deduction of any incentives from the lessor) are carried as an expense in the statement of comprehensive income on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the financial risks and rewards of ownership are classified as financial leases (vehicles). Financial leases are capitalized at the start of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding payment liabilities, less financial expenses, are included in the balance sheet item "Liabilities financial leases" (long-term and current). Each lease payment is distributed between the interest and amortization of the liability. The interest is recognized in the statement of comprehensive income distributed throughout the term of the lease in order for each reporting period to be charged with an amount corresponding to a fixed interest rate for the reported liability during the period. Assets held under financial leases are depreciated over their useful life, or during the shorter of the useful life and the lease term, unless it can be reasonably determined that the ownership will be transferred to the lessee at the end of the lease period.

Leasing revenue from operating leasing where the Group is the lessor is recognized as revenue in the statement of comprehensive income on a straight-line basis over the term of the lease.

## 6. Remuneration to employees

### Short-term remuneration of employees

Liabilities for salaries and remuneration, including non-monetary benefits and paid leave, which are expected to be settled within 12 months of the end of the financial year, are recognized as current liabilities at the undiscounted amount expected to be paid when the liabilities are settled. The expense is recognized as the services are rendered by the employees. The liabilities are recognized as an obligation regarding remuneration to employees in the statement of financial position.

### Remuneration after concluded employment

The Group companies only have defined contribution pension plans. A defined contribution pension plan is a pension plan under which the Group pays fixed contributions into a separate legal entity. The Group has no legal or informal obligations to pay further contributions if this legal entity does not have sufficient assets to pay all employee benefits associated with the employees' service in current or prior periods. The contributions are recognized as a cost in the profit and loss for the year at the rate they are earned by employees providing service to the company during the period.

## 7. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is reported in the income statement, except when the tax refers to items reported in other comprehensive income or directly in equity. In that case the tax is also reported in other comprehensive income and equity respectively

Current tax is calculated on the taxable profit the period at the applicable tax rate. The current tax expense is calculated on the basis of the tax regulations enacted or substantively

enacted at the balance sheet date in the countries where the Parent Company and its subsidiaries operate and generate taxable income. Management regularly evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. When deemed appropriate, provisions are made for amounts expected to be paid to the tax authorities.

Deferred tax is recognized on all temporary differences arising between the taxable value of assets and liabilities and their reported values in the consolidated accounts. However, deferred tax is not recognized if it arises from the initial recognition of goodwill. Nor is deferred tax recognized if it arises as a result of a transaction that constitutes the initial

recognition of an asset or liability in a business acquisition that, at the time of the transaction, affects neither the accounting nor the taxable profit. Deferred tax is calculated applying tax rates (and legislation) determined or announced at the balance sheet date and which are expected to apply when the deferred tax assets in question are realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilized. The Group's tax assets amounted to SEK 17.4 million as of December 31, 2017. For precautionary purposes, these are not recognized as assets in the balance sheet, as there is uncertainty over the time frame in which they may be expected to be used.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets and tax liabilities, and when the deferred tax assets and tax liabilities relate to taxes charged by the same tax authority and relate to either the same tax subject or a different tax subject and there is an intention to settle the balances through net payments.

## 8. Intangible assets

### Capitalized expenditure for development work

Development costs that are directly attributable to the development of Actiste and other development costs related to Actiste or otherwise, are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the products so that they are ready for use;
- it is technically feasible to complete them so that they will be available for use or for sale;
- the conditions are in place to use or sell them;
- It can be shown they will generate probable future financial benefits, and that adequate technical, financial and other resources to complete the development and to use or sell them are available;
- the expenditure attributable to them during their development can be reliably measured.

Directly attributable costs that are capitalized as part of the development work for Actiste include costs for employees and fees for external consultants.

Other development expenditures that do not meet these criteria are recognized as an expense as they are incurred. Development costs that have been previously expensed are not capitalized in subsequent periods.

Capitalized development expenditure is recognized as intangible assets and amortization takes place from the time when the asset is ready to be used.

### Patents

Patents that have been acquired separately are recognized at the acquisition cost. Patents carry a fixed useful life and are recognized at the acquisition cost less accumulated amortization and impairment.  Patents are amortized from the time that they start to be used.

The useful lives for the Group's intangible assets are assessed on a case by case basis, based on their estimated life; primarily within the time periods given below.

| | |
|---|---|
| Capitalized expenditure for development work | 10 years |
| Patents | 10-20 years |
| Trademarks | 10 years |

## 9. Property, plant and equipment

Property, plant and equipment is recognized at cost less accumulated depreciation as well as any impairment loss. The acquisition cost includes costs directly attributable to the acquisition of the asset and to put it in place and in the right condition for the use for which it was acquired.

Additional expenses are added to the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the asset will accrue to the Group and the cost of the asset can be reliably measured. The carrying amount of a replaced part is removed from the statement of financial position. All other forms of repairs and maintenance are recognized as expenses in the statement of comprehensive income in the period in which they are incurred.

Depreciation is carried out on a straight-line basis over the estimated period of use, after deducting the estimated residual value of the asset. For property, plant and equipment that are held through financial leases, depreciation is carried out over the shortest of the useful life or the term of the lease.

The useful lives are as follows:

| | |
|---|---|
| Equipment, tools and installations | 3-5 years |

The assets' residual values and useful lives are reviewed, and adjusted if necessary, at the end of each reporting period.

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

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognized within "Other operating income" and "Other operating expenses" in the statement of comprehensive income..

## 10. Impairments of non-financial assets

Intangible assets that have an indefinite useful life (goodwill) or intangible assets not ready to use (capitalized expenditure for development work) are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of assets (other than goodwill) are reviewed for possible reversal at each reporting date..

## 11. Financial instruments – general

Financial instruments are included in various balance sheet items and are described below.

### a. Classification

The Group classifies its financial assets and liabilities in the following categories: loan receivables and accounts receivable, and other financial liabilities. The classification depends on the purpose for which the financial asset or liability was acquired.

### Loan receivables and accounts receivable

Loan receivables and accounts receivable are financial assets that do not constitute a derivative, that have fixed payments or payments that can be determined, and that are not listed on an active market. They are included in current assets, with the exception of items maturing later than 12 months from the balance sheet date, which are classified as fixed assets.

The Group's "loan receivables and accounts receivables" consist of deposits, accounts receivables, other current receivables, accrued income, and cash and cash equivalents.

### Other long-term securities

Other long-term securities holdings consist of unlisted shares. Investments are classified as financial assets that can be sold when they have no fixed maturities and fixed or determinable payments, and when management intends to hold them in the medium to long term. Financial assets are reported as non-current assets if they are not due within 12 months or the management intends to divest them within 12 months after the end of the reporting period.

### Other financial liabilities

Convertible loans (liability increment), long-term liabilities to credit institutions, long-term liabilities relating to financial leases, current liabilities relating to financial leases, current liabilities to credit institutions, overdraft, accounts payable, and other current liabilities and accruals that are financial instruments are classified as other financial liabilities.

### b. Recognition and measurement

Financial instruments are recognized initially at fair value plus transaction costs, which applies to all financial assets that are reported at fair value through profit and loss. Financial assets are removed from the statement of financial position when the right to receive cash flows from the instrument has expired or been transferred and the Group has transferred virtually all risks and benefits associated with the ownership. Financial liabilities are removed from the statement of financial position when the obligation in the agreement has been fulfilled or has otherwise expired.

Loan receivables and accounts receivable, as well as other financial liabilities, are recognized after the time of acquisition at amortized cost using the effective interest method.

### c. Offsetting financial instruments

Financial assets and liabilities are offset and recognized net in the statement of financial position, only when there is a legal right to offset the recognized amounts and the intention is to settle them as a net amount or simultaneously realize the asset and settle the liability.

### 12.4 Impairment of financial instruments

**Assets recognized at amortized cost**

At the end of each reporting period, the Group assesses whether there is objective evidence of a need for the impairment of a financial asset or group of financial assets. A financial asset or group of financial assets requires impairment and is written down only if there is objective evidence of a need for impairment as a result of one or more events occurring after the initial recognition of the asset and where this event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably.

The impairment is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The asset's carrying amount is written down and the impairment amount is recognized in the consolidated statement of comprehensive income under "Other external costs". If the need for impairment reduces in a subsequent

period and this reduction can be objectively related to an event occurring after the impairment was recognized, the previously recognized impairment is reversed in the consolidated statement of comprehensive income under the item "Other external costs".

## 12. Inventories

Inventories are recognized at the lower of acquisition cost and net realizable value, whereby the FIFO principle is applied. The net realizable value is the estimated selling price in the ongoing course of business, less applicable variable selling expenses. The acquisition cost for work in progress comprises materials, direct pay and other direct expenses. Borrowing costs are not included.

## 13. Accounts receivable

Accounts receivable are financial instruments that consist of amounts due from customers for goods and services sold in the operating activities. If payment is expected within one year or less, they are classified as current assets If not, they are recognized as assets.

Accounts receivable are reported initially at fair value and subsequently at amortized cost using the effective interest method, less provision for impairment..

## 14. Cash and cash equivalents

Cash and cash equivalents includes, both in the statement of financial position and in the statement of cash flows, cash in hand and bank deposits.

## 15. Share capital

Ordinary shares are classified as equity. Transaction costs that are directly attributable to the issue of new ordinary shares are recognized, net after tax, in equity as a deduction from the issue proceeds.

## 16. Borrowing

Borrowing is recognized initially at fair value, net of transaction costs. Borrowing is subsequently recognized at amortized cost and any difference between the amount received (net of transaction costs) and the amount repayable is recognized in the statement of comprehensive income over the term of the loan by applying the effective interest method.

This liability is classified as a current liability in the statement of financial position unless the Group has an unconditional right to postpone payment of the debt for at least 12 months after the end of the reporting period.

Borrowing is removed from the statement of financial position when obligations have been settled, annulled or has otherwise expired. The difference between the carrying amount of a financial liability (or a portion of a financial liability) that has been extinguished or transferred to another party and the compensation that has been paid, including transfers of assets that are not cash or assumed liabilities, is recognized in profit or loss for the period.

The combined instruments issued by the Group comprise convertible debt instruments that the holder can have converted into shares and where the number of shares to be issued does not vary with changes in the fair value.

The fair value of the liability increment of a convertible debt instrument is calculated using a discount interest rate that comprises the market interest rate of a debt with the same terms but without the right to be converted into shares. The amount is recognized as a liability at amortized cost up until the time that the debt is converted or expires. The right to be converted into shares is initially recognized as the difference between the fair value of the entire combined financial instrument and the fair value of the liability increment. This is recognized in equity net after tax. Any directly attributable transaction costs are allocated to the respective liability and equity components in proportion to their initial carrying amounts.

## 17. Borrowing expenses

Borrowing costs are recognized as expenses in the period in which they are incurred. The Group does not have any qualifying assets that would require borrowing expenses to be capitalized, i.e. assets that necessarily take a significant amount of time to complete for their intended use or sale.

## 18. Accounts payable

Accounts payable are a financial instrument and relate to obligations to pay for goods and services acquired in operating activities from suppliers. If payment is expected to be made within one year, they are classified as current liabilities, if not they are recognized as long-term liabilities.

### 19. Cash flow statement
The cash flow statement is prepared using the indirect method. The recognized cash flow only comprises transactions which result in payment inflows and outflows.

### 20. Earnings per share

#### Earnings per share before dilution
Earnings per share before dilution is calculated by dividing:

- profit attributable to the Parent Company's shareholders.
- with a weighted average number of shares outstanding during the period, adjusted for the bonus issue element of shares issued during the year and excluding repurchased shares held in treasury by the Parent Company.

#### Earnings per share after dilution
When calculating earnings per share after dilution, amounts used for calculating earnings per share before dilution are adjusted by taking into account:

- the effect, after tax, of dividends and interest expenses on potential shares, and
- the weighted average number of the additional shares that would have been outstanding following the conversion of all potential shares.

### 21. Shares as dividends in associated companies
Dividends of shares in the associated company Camanio Care to existing shareholders in Brighter have been handled in accordance with IFRIC 17. This has meant that the shares that have been distributed are revalued at fair value through profit or loss and that the dividend decided is reported as a liability to shareholders at fair value.

## Certified Adviser.
Brighter (BRIG) is listed on the NASDAQ First North stock exchange. The Brighter Certified Adviser on Nasdaq First North is Remium Nordic AB.

## Annual General Meeting.
Brighter's Annual General Meeting 2018 will be held on Wednesday, May 16, at 11:00 at Norgegatan 2, 164 32 Stockholm. The annual report is expected to be available on Brighter's website, www.brighter.se, within four weeks of the Annual General Meeting..

## Nominating committee.
In consultation with its major owners, the Chairman of the Board of Brighter AB has established a nominating committee for the 2018 Annual General Meeting. The Nominating Committee comprises Gert Westergren, Truls Sjöstedt and Henrik Norström. The Nominating Committee has appointed Henrik Norström as its Chairman.

The Nominating Committee is tasked with proposing to the Annual General Meeting the Chairman and other members of the Board, and fees and other remuneration for Board assignments for each of the Board members. The Nominating Committee submits proposals for the selection and fees for the auditors as well. The Nominating Committee also submits proposals for the process to appoint a nominating committee for the 2019 Annual General Meeting.

## Future financial reports.

Interim report Jan–Mar 2018: 5/15/2018

Half-year report Jan-June 2018: 8/24/2018

Interim report Jan–Sept 2018: 11/15/2018

## Company audit.

This interim report has been audited by the company's auditors. The audit report is appended as the last page to this report.

# Submission of interim report.

Stockholm, March 23, 2018.
Brighter AB (publ).

The Board of Directors and the CEO certify that the interim report for the period January–December 2017 provides a fair view of the operations, financial position and results of the Parent Company and Group, and describes material risks and uncertainties facing the Parent Company and the companies included in the Group..

Truls Sjöstedt
CEO

Gert Westergren
Chairman of the Board

Afsaneh Ghatan Bauer
Board Member

Sara Murby Forste
Board Member, Deputy Chairman

Lars Flening
Board Member

Jan Stålemark
Board Member

# Financial statements

## Consolidated statement of comprehensive income

| Amounts in SEK thousand | Note | Oct-Dec 2017 | Oct-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 |
|---|---|---|---|---|---|
| Net sales | | 576 | 2 412 | 1 377 | 3 303 |
| Capitalized production costs | | 12 390 | 4 774 | 29 754 | 21 698 |
| Other operating income | | 861 | 144 | 1 694 | 350 |
| **Total operating income** | | **13 827** | **7 330** | **32 825** | **25 351** |
| Raw materials and consumables | | 0 | -604 | 0 | -911 |
| Other external costs | | -17 531 | -9 319 | -43 384 | -32 592 |
| Staff costs | | -2 877 | -2 639 | -9 153 | -8 913 |
| Depreciation/amortization of tangible and intangible assets | | -52 | -899 | -202 | -1 197 |
| Other operating costs | | -22 | -114 | -32 | -239 |
| **Total operating costs** | | **-20 482** | **-13 575** | **-52 771** | **-43 852** |
| **Operating profit** | | **-6 655** | **-6 245** | **-19 946** | **-18 501** |
| Profit from shares in associated companies and jointly controlled companies | | -1 520 | 4 056 | -4 449 | 4 056 |
| Other financial income | | 38 | 0 | 40 | 15 |
| Financial expenses | | -1 377 | -48 | -2 937 | -253 |
| **Net financial items** | | **-2 859** | **4 008** | **-7 346** | **3 818** |
| Profit before tax | | -9 514 | -2 237 | -27 292 | -14 683 |
| Income tax | | 0 | 0 | 0 | 0 |
| **Profit for the period** | | **-9 514** | **-2 237** | **-27 292** | **-14 683** |
| **Other comprehensive income:** | | | | | |
| Other comprehensive income for the period | | 0 | 0 | 0 | 0 |
| **Total comprehensive income for the period** | | **-9 514** | **-2 237** | **-27 292** | **-14 683** |
| Attributable to the parent company's shareholders | | -9 514 | -1 519 | -27 292 | -13 965 |

| Amounts in SEK | Oct-Dec 2017 | Oct-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 |
|---|---|---|---|---|
| Earnings per share before dilution | -0,13 | -0,09 | -0,40 | -0,32 |
| Earnings per share after dilution | -0,13 | -0,09 | -0,40 | -0,32 |

# Consolidated statement of financial position

| **Amounts in SEK thousand** | **Note** | **Jan-Dec 2017** | **Jan-Dec 2016** |
|---|---|---|---|
| Capitalized expenditure for development work | | 73 327 | 43 674 |
| Concessions, patents, licenses, trademarks and similar rights | | 3 467 | 2 886 |
| **Total intangible assets** | | **76 794** | **46 560** |
| Equipment, tools and installations | | 4 738 | 322 |
| **Total property, plant and equipment** | | **4 738** | **322** |
| Shares in associated companies and jointly controlled companie | | 2 965 | 15 114 |
| Other long-term securities | | 464 | 441 |
| Other long-term receivables | | 0 | 273 |
| **Total financial assets** | | **3 429** | **15 828** |
| **Total fixed assets** | | **84 961** | **62 710** |
| Accounts receivable | **5** | 757 | 308 |
| Current tax assets | **5** | 169 | 70 |
| Other current receivables | | 15 005 | 3 652 |
| Prepayments and accrued income | | 445 | 261 |
| **Total current receivables** | | **16 376** | **4 291** |
| Cash and cash equivalents | **4,5** | 10 017 | 1 733 |
| **Total current assets** | | 26 393 | 6 024 |
| **TOTAL ASSETS** | | **111 354** | **68 734** |

## Consolidated statement of financial position cont.

| Amounts in SEK thousand | Note | Jan-Dec 2017 | Jan-Dec 2016 |
|---|---|---|---|
| Share capital | | 3 248 | 2 601 |
| Other contributed equity | | 171 071 | 109 580 |
| Profit carried forward | | -59 638 | -44 955 |
| Attributable to the parent company's shareholders | | -27 292 | -14 683 |
| **Total equity attributable to the parent company's shareholders** | | **87 389** | **52 543** |
| | | | |
| Accounts payable | | 10 824 | 5 725 |
| Current tax liabilities | | 326 | 239 |
| Convertible loans | **5** | 8 437 | 0 |
| Other current liabilities | | 1 776 | 2 748 |
| Liability relating to dividend Camanio | | 0 | 5 201 |
| Accruals and deferred income | | 2 602 | 2 278 |
| **Total current liabilities** | | **23 965** | **16 191** |
| **TOTAL EQUITY AND LIABILITIES** | | **111 354** | **68 734** |

# Consolidated statement of changes in equity

| Amounts in SEK thousand | Share Capital | Other contributed equity | Profit carried forward (including profit for the period) | Minority shareholding | Total equity |
|---|---|---|---|---|---|
| Balance at start of year, January 1, 2016 | 1 878 | 67 227 | -40 160 | 5 | 28 950 |
| Profit for the year | | | -14 683 | | -14 683 |
| Other comprehensive income | | | 0 | | 0 |
| **Total comprehensive income** | | | **-14 683** | | **-14 683** |
| **Transactions with shareholders** | | | | | |
| New share issue | 723 | 43 180 | | | 43 903 |
| Issue costs | | -827 | | | -827 |
| Dividend in kind – shares in Camanio | | | -5 201 | | -5 201 |
| **Transactions with minority** | | | **406** | **-5** | **401** |
| **Total transactions with shareholders** | **723** | **42 353** | **-4 795** | **-5** | **38 276** |
| **Balance at end of year, December 31, 2016** | **2 601** | **109 580** | **-59 638** | **0** | **52 543** |
| Balance at start of year, January 1, 2017 | 2 601 | 109 580 | -59 638 | 0 | 52 543 |
| Profit for the year | | | -27 292 | | -27 292 |
| Other comprehensive income | | | 0 | | 0 |
| **Total comprehensive income** | | | **-27 292** | | **-27 292** |
| **Transactions with shareholders** | | | | | |
| Issue of convertible debt instruments | | 9 397 | | | 9 397 |
| Issue costs attributable to convertible debt instruments | | -1 209 | | | -1 209 |
| Conversion of convertible debt instruments | 501 | 42 564 | | | 43 065 |
| New issues, cash and offsetting | 146 | 11 582 | | | 11 728 |
| Issue costs | | -843 | | | -843 |
| Total transactions with shareholders | 647 | 61 491 | 0 | 0 | 62 138 |
| **Balance at end of year, December 31, 2017** | **3 248** | **171 071** | **-86 930** | **0** | **87 389** |

# Consolidated statement of cash flows

| Amounts in SEK thousand | Note | Oct-Dec 2017 | Oct-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 |
|---|---|---|---|---|---|
| Operating profit | | -6 655 | -6 245 | -19 946 | -18 501 |
| Adjustment for items not included in the cash flow | | -7 | 902 | 202 | 1 197 |
| Interest received | | 38 | 0 | 40 | 15 |
| Interest paid | | -54 | -48 | -125 | -253 |
| Income tax paid | | -27 | -27 | -99 | -99 |
| **Cash flow from operating activities before change in working capital** | | **-6 705** | **-5 418** | **-19 928** | **-17 641** |
| Increase/decrease in inventories | | 0 | -129 | 0 | 0 |
| Increase/decrease in operating receivables | | 549 | 6 665 | -6 404 | 456 |
| Increase/decrease in operating liabilities | | 3 413 | -3 058 | 1 750 | 3 277 |
| **Total change in working capital** | | **3 962** | **3 478** | **-4 654** | **3 733** |
| **Cash flow from operating activities** | | **-2 743** | **-1 940** | **-24 582** | **-13 908** |
| Investments in intangible assets | | -14 245 | -4 546 | -30 269 | -22 974 |
| Investments in property, plant and equipment | | -3 071 | 0 | -4 583 | 0 |
| Investment in financial assets | | -45 | -87 | -45 | -300 |
| **Cash flow from investing activities** | | **-17 361** | **-4 633** | **-34 897** | **-23 274** |
| Loans raised | | 20 000 | 0 | 60 000 | 0 |
| New share issue | | 3 649 | 6 404 | 7 763 | 38 274 |
| **Cash flow from financing activities** | | **23 649** | **6 404** | **67 763** | **38 274** |
| **Cash flow for the period** | | **3 545** | **-169** | **8 284** | **1 092** |
| Opening cash and cash equivalents | | 6 472 | 1 902 | 1 733 | 641 |
| Closing cash and cash equivalents | | 10 017 | 1 733 | 10 017 | 1 733 |

# Parent company´s income statement

| Amounts in SEK thousand | Note | Oct-Dec 2017 | Oct-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 |
|---|---|---|---|---|---|
| Net sales | | 576 | 1 209 | 1 185 | 1 209 |
| Capitalized production costs | | 12 390 | 4 774 | 29 754 | 21 698 |
| Other operating income | | 840 | 20 | 1 694 | 170 |
| **Total operating income** | | **13 806** | **6 003** | **32 633** | **23 076** |
| Raw materials and consumables | | 0 | -63 | 0 | -63 |
| Other external costs | | -17 531 | -7 717 | -43 191 | -29 817 |
| Staff costs | | -2 877 | -2 846 | -9 153 | -7 371 |
| Depreciation/amortization of tangible and intangible assets | | -52 | -49 | -202 | -192 |
| Other operating costs | | -22 | -119 | -32 | -243 |
| **Total operating costs** | | **-20 482** | **-10 794** | **-52 578** | **-37 685** |
| **Operating profit** | | **-6 676** | **-4 791** | **-19 945** | **-14 609** |
| Other interest income and similar income | | 38 | 3 | 40 | 3 |
| Interest expenses and similar expenses | | -1 377 | -34 | -2 937 | -125 |
| **Total profit from financial items** | | **-1 339** | **-31** | **-2 897** | **-122** |
| **Profit after financial items** | | **-8 015** | **-4 822** | **-22 842** | **-14 730** |
| Appropriations | | 0 | 0 | 0 | 0 |
| Tax on profit for the period | | 0 | 0 | 0 | 0 |
| **Profit for the period** | | **-8 015** | **-4 822** | **-22 842** | **-14 730** |

# Parent Company´s balance sheet

| Amounts in SEK thousand | Note | Jan-Dec 2017 | Jan-Dec 2016 |
|---|---|---|---|
| Capitalized expenditure for development work | | 73 327 | 43 674 |
| Concessions, patents, licenses, trademarks and similar rights | | 3 467 | 2 886 |
| **Total property, plant and equipment** | | **76 794** | **46 560** |
| Equipment, tools and installations | | 4 738 | 322 |
| **Total property, plant and equipment** | | **4 738** | **322** |
| Shares in Group companies | | 50 | 15 457 |
| Shares in associated companies | | 9 396 | 0 |
| Other long-term securities | | 464 | 441 |
| Other long-term receivables | | 0 | 273 |
| **Total financial assets** | | **9 911** | **16 172** |
| **Total fixed assets** | | **91 443** | **63 053** |
| Accounts receivable | | 757 | 308 |
| Receivables from Group companies | | 110 | 147 |
| Current tax assets | | 169 | 70 |
| Other receivables | | 15 005 | 3 652 |
| Prepayments and accrued income | | 407 | 261 |
| **Total current receivables** | | **16 448** | **4 438** |
| Cash at bank and in hand | | 9 825 | 1730 |
| **Total current assets** | | **26 164** | **6 168** |
| **TOTAL ASSETS** | | **117 716** | **69 221** |

## Parent company´s balance sheet cont.

| **Amounts in SEK thousand** | **Note** | **Jan-Dec 2017** | **Jan-Dec 2016** |
|---|---|---|---|
| Share capital | | 3 248 | 2 601 |
| Share premium | | 227 647 | 109 580 |
| Profit carried forward | | -114 305 | -42 998 |
| Profit for the period | | -22 842 | -14 730 |
| **Total equity** | | **93 749** | **54 452** |
| | | | |
| Trade payables | | 10 806 | 5 872 |
| Amounts owed to Group companies | | 0 | 92 |
| Convertible loans | | 8 437 | 0 |
| Current tax liabilities | | 326 | 234 |
| Other liabilities | | 1 795 | 6 293 |
| Accruals and deferred income | | 2 603 | 2 278 |
| **Total current liabilities** | | **23 858** | **14 769** |
| **TOTAL EQUITY AND LIABILITIES** | | **117 716** | **69 221** |

# Notes

## Note 1 Accounting policies

For more detailed information about the accounting policies, see page 15 to page 27 in this interim report.

## Note 2 General information

Brighter AB (publ.) corporate registration number 556736-8591 is a parent company registered in Sweden, with its head office in Stockholm, at Norgegatan 2, SE-164 32 Kista, Sweden.

## Note 3 Important estimations and assumptions for accounting purposes

Estimations and assumptions are evaluated regularly based on historical experience and other factors, including expectations of future events which may be deemed reasonable under prevailing circumstances.

The Group makes estimates and assumptions about the future. The estimates for accounting purposes that result from these will, by definition, rarely match the actual outcome. The estimates and assumptions that give rise to a material risk of significant adjustments of the carrying amounts of assets and liabilities during the following financial year are outlined below.

### Capitalized expenditure for development work

The value of capitalized expenditure for development work is measured continuously based on future benefit. There is assessed to be considerable potential in this future benefit, based on the known market conditions relating to, inter alia, the development of diabetes in the world. Actiste is about to start its commercialization phase and in conjunction with this, the development costs will start to be amortized/depreciated continually based on the estimated useful life. The amortization/depreciation period will start once Actiste is complete. No depreciation/amortization was carried out in 2016 or 2017.

### Tax assets

The precautionary principle has been adopted for the historic losses of the commercial activities. As of December 31, 2017, the Group had SEK 79.2 million in accumulated losses. They have not been carried as an asset in the balance sheet, as it is unclear when the Group will be able to use this asset as a deduction against tax on profit.

## Note 4 Financial instruments

| SEK thousand | 31 dec 2017 | 31 dec 2016 |
|---|---|---|
| **Loan and accounts receivable:** | | |
| Accounts receivable and other receivables, excluding interim claims | 15 931 | 3 983 |
| Cash and cash equivalents | 10 017 | 1 733 |
| **Total** | **25 948** | **5 716** |
| **Other financial liabilities:** | | |
| Convertible bonds | 8 437 | 0 |
| Accounts payable and other liabilities, excluding non-financial liabilities | 12 926 | 8 712 |
| **Total** | **21 363** | **8 712** |

## Note 5 Borrowing and net liabilities

| SEK thousand | 31 dec 2017 | 31 dec 2016 |
|---|---|---|
| **Short-term** | | |
| Liabilities relating to convertible debt instruments | 8 437 | 0 |
| **Total borrowing** | **8 437** | **0** |
| Cash and cash equivalents | 10 017 | 1 733 |
| Net debt interest-bearing liabilities | -1 580 | -1 733 |
| Equity | 87 389 | 52 543 |
| Debt to equity ratio | -1,8% | -3,3% |

### Convertible debt instruments

On April 25, 2017 Brighter signed an agreement for an investment of up to SEK 100 million. This capital will be used for the production and launch of Actiste. This transaction involves the issuance of convertible bonds with associated warrants in up to eight stages, known as tranches, over a period of 36 months. The tranches are subscribed by a fund managed by L1 Capital Pty, Ltd, which is a fund manager based in Melbourne, Australia. When the convertible bonds are issued, Brighter also issues free warrants to existing shareholders, to protect them against dilution. The shareholders' warrants have the same characteristics as those of the investor.

The terms and conditions for the convertible bonds and the warrants are available on Brighter's website, which also contains updates on the status of the convertible bonds and warrants within the framework of the L1 Capital agreement.

**The remaining exercise periods for the warrants in warrant program TO3 are as follows:**
April 11, 2018 up to April 25, 2018;

October 11, 2018 up to October 25, 2018;

April 11, 2019 up to April 25, 2019;

October 11, 2019 up to October 25, 2019;

April 10, 2020 up to April 24, 2020.

**The remaining exercise periods for the warrants in warrant program TO4 are as follows:**
August 25, 2018 up to September 8, 2018;

February 22, 2019 up to March 8, 2019;

August 25, 2019 up to September 8, 2019;

February 22, 2020 up to March 8, 2020;

August 25, 2020 up to September 8, 2020.

## The convertible bonds:

The principle amount per convertible bond is SEK 100,000. The convertible bonds are interest-free. Their maturity is 18 months

The conversion price is discounted 6% over the reference price. The reference price is the lowest daily volume weighted average price (VWAP) over the past 15 trading days.

Brighter is entitled to choose between repaying with cash and converting to shares. As of December 31, 2017, SEK 60 million of the SEK 100 million had been utilized.

## The warrants:

Their maturity is three (3) years. The strike price is the reference price of the tranche plus 30%. TO3 has a strike price of SEK 4 per share, while TO4 has a strike price of SEK 6.01 per share.

## Tranche structure:

The issuance of tranches is at Brighter's discretion. The tranche's reference price is the lowest daily volume weighted average price (VWAP) over the past 15 trading days. The number of convertible bonds per tranche is the tranche amount divided by 100,000. The number of warrants per tranche to the investor is the tranche amount divided by (strike price multiplied by two). As close as possible to 130% of warrants are issued to Brighter's shareholders per tranche as a protection mechanism against dilution.

The convertible bonds are discounted during the accounting process. This discounting is based on an assessment of what rate would be received for an equivalent loan without the security of today's market. This has been assessed as being 12%.

## Note 6 Financial performance indicators

### Definition of performance indicators

| | |
|---|---|
| Net sales | Sales to external customers |
| Operating profit in SEK thousand | Profit before financial items |
| Profit for the period | Profit after financial items |
| Earnings per share | Equity through the weighted average number of outstanding shares before dilution |
| Operating margin % | Total income through operating profit |
| Solidity | Equity through balance sheet total |
| Debt to equity ratio | Interest-bearing liabilities in relation to equity |
| Net debt | Interest-bearing debt less interest-bearing assets including cash |

## Note 7 Transactions with affiliated parties

Transactions with affiliated parties in the form of remuneration in addition to the Board fee were carried out with the following Board members in 2017. Petra Kaur Ljungman received a fee of SEK 194,388 for marketing services performed at the beginning of 2017 before she started working for the company. Afsaneh Ghatan Bauer received a fee of SEK 84,350 for legal services. Lars Flening received a fee of SEK 120,000 for consultancy services. All amounts are exclusive of VAT. All transactions were carried out on a commercial basis.

## Note 8 Risks associated with the sector and the business

Brighter is a company at an early stage of commercialization.

Brighter is at an early stage of commercialization. So far, it has only generated limited sales revenue and expects to report a loss over the next few years. This means that the Company is far more dependent on successful development and commercialization work than an established company with established sales. If the commercialization of the Company's products is delayed, becomes more expensive or fails, it would have a significant impact on the Group's operations, financial position and results. This commercialization will require considerable investment costs.

### Demand and market acceptance.

It cannot be ruled out that the market will not show the level of demand for Brighter's products and services that is needed for the company's expected sales growth and pricing, and other expectations to be met. There is also a risk that the market reception for Brighter's products or services could be negative, which could prevent the Company from becoming a profitable enterprise. There is a risk that the Company's commercialization will not be successful, for example, because of unfavorable results from ongoing studies or if the Company's product is not accepted in new markets.

If Brighter’s commercialization fails either completely or in part, this could have a significant adverse impact on the Company’s operations, financial position and results.

## Regulatory environment and official approval.

Brighter’s Actiste is classed as a medical device from a regulatory perspective. Medical devices are subject to extensive regulations around the world and the Company is monitored by authorities. Medical devices are subject to extensive regulations, with regulatory requirements covering all parts of the Company’s operations. The costs involved in observing regulations, requirements and guidelines can be considerable, and failure to comply with requirements can result in sanctions, for examples, fines, product confiscation or recalls, part-suspension of production and prosecution. The Company may also have problems retaining the permits and approvals that the Company has. If any of these risks occurred, it could result in higher costs, the delayed commercialization of products, and a limited ability to generate revenue and achieve profitability, which could have a significant adverse impact on the Company’s operations, results and financial position.

## Risks related to the regulatory process for launching products on the market.

Brighter carries out research and development. Brighter follows strict quality, documentation and risk management requirements, and has its own organization and process in place to deal with this as effectively as possible. Brighter follows ISO 13485.

Actiste is currently involved in a CE marking process and may only be marketed for use when this process is complete. If Actiste does not pass the tests involved in CE labeling, either completely or in part, this could delay the time when the product can be sold to the market, and it could have a significant adverse impact on the Company’s operations, financial position and results.

Brighter intends to further extend the area of application of Actiste for use against other chronic diseases in addition to diabetes, which would require the Company to extend the scope of the marketing approvals that it has received. The Company is also planning to launch new products in the future, which will require the Company to obtain new product and marketing approvals.

The process for obtaining product and marketing approvals is costly and time-consuming, and it is difficult to predict the results of an application and the time when an approval may be obtained. Every authority can set their own requirements and require additional information before issuing an approval, even if authorities in other jurisdictions have already issued approvals. Approval processes can also change as a result of new regulations or new interpretations of existing regulations, which risks incurring higher costs or a delayed market entry for current products within new indications, or for future products. There is also a risk that applications for extended or future product and marketing approvals will not be approved.

If Brighter has any problems obtaining new permits, or if the process for obtaining approvals is substantially delayed or becomes much more expensive, it could have a significant adverse impact on Brighter’s operations, results and financial position.

## Remuneration system and commercialization.

One key requirement for widespread use of the Company's products in some markets can be that the people who use the Company's products receive remuneration from national and private insurance systems. There is a risk that the Company's products will not be able to achieve or maintain the requirements that are placed in order to receive remuneration from national insurance systems in the various markets in which Brighter operates. There is also a risk that the level of remuneration from these national insurance systems will not be high enough, and that the systems will not pay this remuneration within a specific period of time. Every market has its own process for cost remuneration, and the amount of data and the time it takes to receive this can vary.

If no remuneration is received from the insurance systems in some markets, this could have an adverse impact on future sales growth and therefore the Company's operations, results and financial position.

Brighter's operations are based on a high percentage of the Company's future sales taking place outside Sweden. International expansion is linked with uncertainty, placing major demands on the organization and resources. There are considerable costs associated with establishing the Company's own local sales companies, if this is determined to be the correct strategy.

## Patents and other intellectual property rights and their protection.

Brighter is dependent on the ability to register and maintain patents, and to protect other intellectual property rights and specific knowledge. Brighter continually applies for patents and brand protection for the method and the products that the Company is developing on selected markets, if it deems this to be important for the future development of the Company. There is a risk that current or future patent applications will not result in approved patents.

There is always a risk that Brighter's competitors may infringe on the Company's patents, either intentionally or otherwise. If required, the Company will protect its patents and other intellectual property rights through legal processes. However, there is a risk that Brighter will not be able to fully enforce its rights in legal proceedings. This would then have a significant adverse impact on the Company's operations, results and financial position.

There is also a risk that Brighter may unintentionally infringe the patents and/or intellectual property rights of others. In addition to this, there is a risk that Brighter may be taken to court by competitors for alleged infringement of the patents or other rights of the competitors. Infringement disputes, as with disputes in general, can be costly and time-consuming, and can therefore have a significant adverse impact on the Company's operations, results and financial position.

The industry in which Brighter works is also characterized by rapid technological development. This means that there is always a risk of new technologies and products being developed that bypass or replace the Company's current and future patents or other intellectual property rights.

Brighter is also dependent on know-how and trade secrets. The company strives to protect this information, inter alia, through confidentiality agreements with employees, consultants and partners. However, it is impossible to fully protect the Company against the unauthorized dissemination of information, which risks competitors discovering and benefiting from the know-how that has been developed by Brighter.

## Economic climate.

Brighter's sales are to a certain extent dependent on the general economic climate. Brighter's sales development is particularly sensitive to changes in the economic climate in markets where the Company's methods have yet to be included in the national clinical guidelines. A downturn in the economy in the markets where the Company operates could reduce demand for the Company's products, which could have an adverse impact on the Company's operations, results and financial position.

## Dependency on key people.

Brighter is highly dependent on a number of key people. Losing one or more of them could delay the Company's product development and commercialization of products or make this more expensive. The company's ability to retain and recruit qualified employees is important to secure the level of competence in Brighter. There is a risk that the Company will not be able to retain these key people, and losing any of them could have an adverse impact in the short term on the Company's operations, results and financial position.

## Dependency on subcontractors and distributors.

Brighter is and will in the future be dependent on collaborating with other parties in the production of the Company's products. If one or more of the Company's suppliers were to stop their collaboration with Brighter, or if disruptions to production, such as delayed deliveries, delays in the automation of the manufacturing process of the electrodes, or quality issues, this could cause problems for Brighter's obligations with its customers. This could damage Brighter's reputation, resulting in a loss of customers and worse gross margins and revenue.

Having distribution agreements for selling the Company's products also carries the risk of the distributor not meeting its obligations or these agreements being terminated. If an agreement is terminated, it could result in an unforeseen drop in sales and therefore an adverse impact on the Company's operations, results and financial position. There is also a risk that the distributors of the Company's products will not show the focus needed to achieve sufficient sales growth in the future.

## Delay of the launches.

Brighter is working continually on further developing its product offering and introducing it in new markets. Any delay in the development and marketing activities, or in receiving regulatory approvals could also delay the launch of the Company's current and future products. When the Company develops new products, it often does this in collaboration with other parties, which means that the performance and results of these trials, and therefore the risk of delays, are partly outside the Company's control. There is therefore a risk that these kinds of delays could occur, which could have an adverse impact on Brighter's future operations, results and financial position.

## Disputes.

There is a risk of the Company being involved in legal proceedings associated with its operations. These legal proceedings could concern disputes over an infringement of intellectual property rights, the validity of certain patents and commercial disputes. It could also involve disputes relating to people who have used the Company's products.

Any disputes and claims can be time-consuming, disrupt day-to-day operations, involve considerable sums of money and significant issues, and incur significant expenses and affect the Company's operations, results and financial position.

## Product liability and insurance cover.

Brighter's operations involve developing, testing, marketing and selling medical devices, which means that Brighter risks being forced to remedy, replace, recall or repurchase products that do not work as they should. There is a risk of the Company receiving product liability claims if a product causes damage to a person or property. There is always a risk that the Company's current or future insurance cover will not be sufficient to cover any potential claims relating to product liability. There is therefore a risk that these claims could have an adverse impact on Brighter's operations, results and financial position. It may also be shown that the Company's insurance cover is insufficient, and that the Company may not be fully insured against all risks, which could have an adverse impact on Brighter's operations, results and financial position.

## Permits and legislation.

As Brighter's research and development work, production and marketing are subject to continual supervision from authorities, there is a risk that the Company's current permits will not be renewed in the future under the same terms and conditions as before. There is also a risk that future permits could be withdrawn or restricted. Changes to legislation, insurance systems or permit regulations, or the discovery of problems with a product or at a manufacturer could therefore have an adverse impact on Brighter's operations, results and financial position.

## New methods.

Considerable resources are currently being invested in identifying new methods of treating diabetes, and new methods may be developed that could compete with the Company's method for treating and controlling diabetes. This could impact Brighter's operations, results and financial position.

## Competition.

There are competitors in the Company's area of business, and there is a risk of new companies being set up with more capital and a higher level of competence than Brighter. Tougher competition could contribute to lower prices and therefore worse conditions for Brighter. This could impact Brighter's operations, results and financial position.

## Foreign exchange risks related to transaction and translation exposure.

There is a foreign exchange risk as changes in the exchange rate can affect the Company's results and equity. There is exposure to foreign exchange from cash flows in a different currency to the Company's functional currency, i.e. Swedish krona (transaction exposure). At the moment the Group's currency exposure relates primarily to purchases from suppliers in EUR and USD. Negative exchange rate fluctuations in EUR and USD could therefore have an impact on the Company's earning capacity, results and financial position.

## Credit risk.

When Brighter sells its products to its customers, there is a risk that it will not receive payment. These credit risks could result in an adverse impact on the Company's operations, results and financial position. Brighter intends to cover such risks as far as possible using bank guarantees or insurance solutions.

## Liquidity risk.

A liquidity risk is the risk that Brighter will not be able to fulfill its financial obligations or will be less able to conduct its operations effectively due to a shortage of cash and cash equivalents. Brighter's liquidity is affected, inter alia, by payment terms and conditions for credit to customers and credits from suppliers. It can also be affected by the ability to raise external financing through a new issue or loan, as well as the ability to finance customer agreements and customer orders. It cannot be ruled out that the Company will have a shortage of cash and cash equivalents as a result of unknown events, which in turn could have an adverse impact on the Company's operations, results and financial position.

## Risks associated with future capital needs.

Although the agreement with L1 Capital for SEK 100 million strengthens Brighter's financial position, it cannot be ruled out that the Company will require additional financing in the future. Access to additional financing is affected by several factors such as market conditions, general access to credits, and Brighter's credit rating and credit capacity. Also disruptions and uncertainty to the credit and capital markets can restrict access to additional capital. There is also a risk that the Company will not have sufficient income or a positive cash flow to maintain its operations in the future. If the Company does not have access to financing on terms that are acceptable to Brighter, this could have a significant adverse impact on the Company's operations, financial positions and results.

## Tax risk.

Brighter AB and Brighter One AB have accumulated tax losses (loss carryforwards) from previous tax years. The Group's opportunity to utilize such losses may be restricted, either wholly or in part, by a change in ownership that changes the controlling influence of Brighter. There is a risk that the Swedish Tax Agency will reassess declarations from previous years, which could result in loss carryforwards being reduced. Notification of this kind of reassessment could be made within six years of the end of the calendar year when the tax year ended. The opportunities to use loss carryforwards could also be affected by a change in legislation or legal practice.

The Group has not recorded any tax assets resulting from these losses. However, it should be noted that the Group may need to start paying tax earlier than expected if the opportunity to utilize accumulated deductions is restricted.

# Auditor’s report

Brighter AB (publ) corp. reg. no. 556736-8591

**Introduction**
We have reviewed the condensed interim financial information (interim report) of Brighter AB (publ) as of 31 December 20107 and the 12-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

**Scope of Review**
We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**
Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

**Emphasis of matter**
Without qualifying our above conclusion, we wish to draw attention to the section on future liquidity development in the interim report. This states that the company is in need of additional funding in order to finance both the company's long-term and short-term liquidity needs. The company's liquidity requirement depends on the success of the commercialization of the product, Actiste, in combination with whether the financing of the current business can be secured by external funding. In order to ensure the company's continued operation, it is of importance that the financing is carried out according to the alternatives determined to be likely by the Board and the management.

Stockholm, 23 March 2018
Öhrlings PricewaterhouseCoopers AB

Magnus Lagerberg
Authorized Public Accountant


Brighter
www.brighter.se