

Emotra AB (publ)

Year-end report

January 1 – December 31, 2018

The Board and CEO of Emotra AB herewith present the year-end report for the financial year 2018.

- Net sales in 2018 were 7 kSEK (0)
- Operating loss was -6,946 kSEK (-9,282)
- Loss per share after dilution was -0.50 SEK (-0.79)
- At the end of the period, liquid assets amounted to 967 kSEK (8,251)
- Agreements signed with clinics in Poland and Germany
- Agreement for a 6-month evaluation at a psychiatric hospital in London
- Patent protection in Japan has been granted
- Research findings show the strength of using hyporeactivity as a biomarker for suicide risk
- Research findings explain the biological mechanism behind hyporeactivity
- Rights issue carried out in the fourth quarter

Summary of the period October to December 2018

- Net sales were 4 kSEK (0)
- Operating loss was -2,014 kSEK (-2,540)
- Loss per share after dilution was -0.14 SEK (-0.18)

Significant Events After Closing of Books

- Research results indicate new potential application areas for the Emotra method
- No other significant events have occurred after the reporting period.

Comments from our CEO

- *Summary and analysis of significant events in 2018*
- Our first commercial agreement was signed with a private Warsaw clinic that is associated with one of the university clinics that participated in EUDOR-A. The clinic's testing operations were initiated in the second quarter of 2018

- Our first customer in Germany started their use of EDOR on October 17 through training of physicians and test leaders
- Marketing efforts were redirected towards privately run psychiatric hospitals and hospital chains in a number of major European cities
- Meetings with clinics, clinic groups and seminars have been carried out in a number of these cities
- A leading British psychiatric hospital invited Emotra to present EDOR to physicians and specialists working at various psychiatric hospitals and clinics in London
- Emotra's patent application in Japan was approved by the Japanese patent office at the end of July, 2018
- In collaboration with a biostatistician, Lars-Håkan Thorell, Emotra's Chief of Research and the inventor of EDOR®, has published strong scientific findings which, briefly speaking, state that previously obtained findings in blind studies cannot be a coincidence and that the suicide risk is about 25 times higher in the patient group identified by Emotra's test
- In October, Emotra appointed a new CEO
- Research results show that hyporeactivity is a strong biomarker for suicide risk
- Research findings verify the biological mechanism and explain how specific damage in the brain leads to hyporeactivity and increased suicide risk
- Rights issue completed in November providing the Company with 10.15 MSEK before issue expenses
- Research findings indicate broader application areas for EDOR within psychiatry
- The manuscript for a scientific article presenting the findings of our EUDOR-A study was completed in the fourth quarter of 2018. A special publication committee is responsible for writing the article, but researchers from all of the involved clinics will be providing their feedback on the article before we send it for publication.

- **Marketing/market strategy**

In 2018, we have been working the market with a strict geographical focus on a few major metropolitan areas in Europe that feature a high concentration of psychiatric clinics and hospitals. Our marketing efforts are primarily aimed at privately run hospitals and hospital chains in London. This region features clinics that normally charge patients the full price for the care they provide. The psychiatrists, psychologists and therapists affiliated with these clinics often participate in local networks through which information and experiences of new methods and developments are shared. Emotra's activities are aimed at establishing a first platform of users within these networks, which by and by will allow the company to achieve a wider clinical use.

The high number of psychiatric clinics in these cities allow a small organisation to reach clinics with large patient groups in an easy way, as information about new innovations spread from such clinics through local networks and then on to the rest of the country.

In the autumn of 2018, Emotra has trained and helped the first German and English psychiatric hospitals get up and running. A leading psychiatric hospital in London has signed an agreement saying that the hospital is to investigate the conditions for implementing EDOR in their day-to-day clinical care. Closing a commercial agreement takes time due to the fact that the physicians with whom we have reached an agreement must secure acceptance of this new method in day-to-day practice both upwards and downwards in their organisation. However, the Company is convinced that it is just a matter of time before our first commercial deal in Great Britain is sealed. After that, we will continue our efforts with other privately-run psychiatric clinics in London and then in other parts of the country. Judging by the positive response Emotra has received, the chances are good that we will be able to secure a sufficient number of psychiatric clinics that can act as spearheads and role models for other clinics and help our method gain market traction.

We will be marketing EDOR® as a method for identifying a biologically-based factor for suicide risk. Since the clinical diagnostic work aims to identify psychological and social risk factors, the information obtained from EDOR is an excellent supplement to the information gained from patient interviews. When used the right way, this information can effectively identify high suicide-risk patients, and that is the premise on which we at Emotra intend to base our product sales efforts. We have further developed the company's web site during the spring and autumn and this work will continue. Our web site is now to a greater extent aimed at customers who will be buying and using EDOR. In all our communications with potential customers, Emotra now uses the structured description that we developed in the autumn of 2017. This description includes the Company's EDOR method, the research which the method is based upon and the method's results and value in clinical practice. In parallel with our efforts to contact and visit clinics in different, large European metropolitan areas, we conduct local seminars in collaboration with clinics that already have experience of using the EDOR method. One change is that Emotra is now responsible for arranging these training seminars.

- **Research, development and studies**

We have made important advances in our research over the past year. For the first time, we have been able to demonstrate how high the suicide risk is among hyporeactive patients compared with normally reactive patients. The results were published in the online magazine "EC Psychology and Psychiatry", Volume 7, Issue 10, October 01, 2018. Many studies show that damage to the CA3 region of the hippocampus is related to increased suicide risk. Previous psychophysiological research has shown that the reactivity that EDOR measures is generated in the same neuron in the hippocampus as the suicide-related damage demonstrated in this biological research. A science-based, biological explanatory model will facilitate our communication with potential customers. Research findings that have not yet been published indicate new possible application areas for EDOR. They show a potential for broader use of the test, considering hyporeactivity's probable connection to various clinical challenges in patients diagnosed with depressions. The company is now investigating the conditions for patent protection of this broader application. Several other important research projects are ongoing and we will be reporting on them in the future. Among these is the article from our completed multi-centre study, EUDOR-A. This manuscript is now being compiled by a group of researchers who participated in the study. Over 1,500 patients have been tested using EDOR® in our non-blind naturalistic European multi-centre study, EUDOR-A. The study was performed without control groups or comparative populations, and all the clinics were immediately informed of the results of the tests completed. "A soon-to-be-compiled report for publication will contribute with knowledge about what happens when EDOR is used in a near-routine, clinical practice application." As we have previously stated, some of the most important observations are that the clinics took serious consideration to the test results, and the study produced a much lower suicide frequency compared with earlier blind or partially blind studies. The Company's efforts to make analyses of the test results computer-based continue. Our goal is to make the vast majority of these analyses computer-based and that manual assessments will be required only as a complement in exceptional cases.

- **Patent approved by PRV, patent applications and trademark protection**

At the end of July, 2018, the Japanese patent office informed Emotra that our Japanese patent application number 2016-516080, "A DEVICE FOR USE IN THE EVALUATION OF SUICIDE RISK", had been approved. Before that, PRV, the Swedish Patent and Registration Office, had notified Emotra of

their approval of Emotra's patent application, No. 1300614-3, "Apparatur för användning vid bedömning av självmordsrisk" (Apparatus for use in the evaluation of suicide risk).

Further patent applications have been submitted in the EU, USA and Canada. Emotra has received another objection to our patent application from the US patent office to which Emotra has already responded. There is no reason why the previously granted patent that the US patent office's objection is based upon should block Emotra's patent.

In 2016, EUIPO (the EU trademark authority) also announced that Emotra would be granted EU-wide trademark protection for EDOR®.

- ***The Problem of Suicide***

Suicide is the most common cause of death for people aged 15–44. In the last 20 years, the number of suicides worldwide has amounted to almost 1 million per year, and almost 1,500 in Sweden. The vast majority of people who try to commit suicide often suffer from depression and have been in contact with a health care provider, in many cases shortly before the suicide attempt. The average direct treatment cost for the health care system of each suicide attempt is 0.9 MSEK in Sweden (Source: Räddningsverket, 2004). The proportion of the general population that suffers from depression is relatively the same throughout the industrialised world. Each year, about 150,000 Swedes and between 5 and 10 million people in Europe and the USA respectively, are treated for depression.

- ***Earlier clinical studies***

The results of earlier studies uniformly show that the suicide rate is significantly higher among patients whose test results showed they were hyporeactive than among normally reactive patients. More recent results of trials on 783 German patients, published in September 2013 in the Journal of Psychiatric Research, confirm our previously achieved good results.

- ***EDOR®, test and product***

The electro-dermal measurements that are made using the Emotra method, EDOR®, examine the skin's (derma) variable, sweat-dependent conductivity of low-voltage current. The more a person reacts to a signal, the higher the conductivity. The areas that are most sensitive to external events such as sound signals are the sweat glands in the skin between the fingers and toes. By emitting carefully selected sound stimuli at well-tested intervals and in a well-defined test situation, key survival reactions in the brain can be measured as a short and unnoticeable increase in perspiration of the fingers. By testing patients' reactions to these signals, we can determine which patients are electrodermally hyporeactive. Once we have determined that a patient is hyporeactive, we can assume this condition will last for at least 1–2 years and can be very long-term. Hyporeactivity, in combination with serious depression, implies a significantly higher risk of suicide. The test itself takes 15 minutes, while the entire examination, including preparation and closing, takes less than 30 minutes to carry out. Together with the rest of the risk evaluation, these objectively measured values provide valuable information about the extent to which a tested person will need special suicide-prevention measures.

The EDOR® product is a complete measuring system comprised of a measuring instrument, the “EDOR Box”, headphones, a specially-equipped laptop computer and proprietary software, as well as training packages and expert services via the Internet.

The EDOR® Box is the size of an eyeglass case. It is placed on the table in front of the person being tested. The top of the box has sensors for measuring electro-dermal activity and blood flow in the fingers. The product is designed so that the patient does not need to be moved to a psychophysiological lab, which is often the case, with the increased suicide risk that such a move poses. The product system’s design is based on many years’ research and experience in the field.

Göteborg, February 21, 2019
Daniel Poté, CEO

Advantages of EDOR®

- The test enables the high-precision identification of patients who are at risk of attempting suicide
- Suicide prevention measures are directed at those who are at risk
- Objective and quantitative measurement results
- Many lives can be saved
- Reduced health care costs
- Leading researchers behind the method
- Quick and easy test
- Clinical proof published

Income Statement summary

KSEK	Oct. – Dec.		Jan. – Dec.	
	2018	2017	2018	2017
Net sales	4	0	7	0
Operating costs	-2,018	-2,540	-6,953	-9,282
Operating loss	-2,014	-2,540	-6,946	-9,282
Net financial items	-	-	-2	-2
Loss before taxes	-2,014	-2,540	-6,948	-9,284
Taxes	40	40	158	158
Net loss of the period	-1,974	-2,500	-6,790	-9,126
Earnings per share, SEK	-0.14	-0.18	-0.50	-0.79
Earnings per share after dilution, SEK	-0.14	-0.18	-0.50	-0.79
Average number of shares	13,702,259	13,702,259	13,702,259	11,561,317
Potential shares from ongoing share issue	12,687,500	0	12,687,500	0

Balance sheet summary

kSEK	Dec. 31, 2018	Dec. 31, 2017
Assets		
<i>Fixed assets</i>		
Total fixed assets	200	942
<i>Current assets</i>		
Inventories	773	728
Other receivables	2,816	413
Cash and cash equivalents	967	8,251
Total current assets	4,556	9,394
Total assets	4,756	10,336
Shareholders' equity and liabilities		
<i>Shareholders' equity</i>		
Total shareholders' equity	1,201	7,991
Provisions	39	197
Non-current liabilities	0	35
Current liabilities	3,516	2,113
Total shareholders' equity and liabilities	4,756	10,336

Changes in shareholders' equity	Share capital	Revaluation reserve	Share premium reserve	Accumulated loss brought forward	Total shareholders' equity
kSEK					
Shareholders' equity on Dec. 31, 2016	1,761	1,097	-5	1,897	4,750
Earnings appropri. acc. to shareholder resolution			5	-5	
Dissolution of write-up		-488		488	0
Net profit (loss) for the year				-9,126	-9,126
New share issue	774		13,035		13,809
Issue expenses			-1,442		-1,442
Shareholders' equity on Dec. 31, 2017	2,535	609	11,593	-6,746	7,991
Earnings appropri. acc. to shareholder resolution			-11,593	11,593	
Dissolution of write-up		-487		487	
Net profit (loss) for the year				-6,790	-6,790
Shareholders' equity on Dec. 31, 2018	2,535	122	0	-1,456	1,201
Cash-flow analysis, an overview					
kSEK					
				<i>Jan. – Dec. 2018</i>	<i>Jan. – Dec. 2017</i>
Profit (loss) after financial items				-6,948	-9,284
Adjustment for items not included in the cash flow				743	770
Cash flow from current operations before changes in working capital				-6,205	-8,514
Cash flow from changes in working capital				-1,009	-193

Cash flow from operating activities	-7,214	-8,707
Cash flow from investing activities	-	-22
Cash flow from financing activities	-70	12,296
Cash flow of the year	-7,284	3,567
Liquid assets on January 1	8,251	4,684
Liquid assets on December 31	967	8,251

Key ratios	Oct. – Dec. 2018	Oct. – Dec. 2017	Jan. – Dec. 2018	Jan. – Dec. 2017
Net sales, kSEK	4	0	7	0
Operating loss, kSEK	-2,014	-2,540	-6,946	-9,282
Result of the period, kSEK	-1,974	-2,500	-6,790	-9,126
Earnings per share, SEK	-0.14	-0.18	-0.50	-0.79
Shareholders' equity per share, SEK	0.09	0.58	0.09	0.58
Return on equity, %	Neg.	Neg.	Neg.	Neg.
Equity ratio in %	25.3	77.3	25.3	77.3
Average number of employees	4	4	3	3
Average number of shares	13,702,259	13,702,259	13,702,259	11,561,317
Potential shares from ongoing share issue	12,687,500	0	12,687,500	0
Number of shares at end of period	13,702,259	13,702,259	13,702,259	13,702,259

Key Ratio Definitions

Return on equity, %	Profit/loss after taxes as a percentage of average of equity.
Equity ratio in %	Shareholders' equity as a per cent of total assets.
Earnings per share, SEK	Earnings after tax in relation to the average number of outstanding shares.
Shareholders' equity per share, SEK	Equity in relation to the number of outstanding shares at end of period.

Net sales

In 2018, sales of test analyses, service and maintenance generated 7 kSEK in revenue.

Operating loss

In 2018, the Company's costs decreased to about 2.3 MSEK less than the year before. One important difference compared to previous years is that our marketing efforts now stand for the lion's share of the company's costs. Our other external costs have decreased as the costs associated with our EUDOR-A clinical study have ceased. Our personnel costs increased in 2018 after we recruited a Marketing Manager.

As we have previously announced, one of the Company's suppliers forwarded a claim in 2017 amounting to 1,7 MSEK for unpaid consultancy work. The Board of Directors' opinion is that Emotra has paid the consultant in full for everything agreed in our written agreements. The Company has asked the consultant to submit specifications and supporting records for the invoiced amount and has stopped certain payments until the requested records have been submitted. Only a portion of this amount has been expensed.

Rights issue and financial status

The Company's new share issue, carried out in November 2018, has given Emotra the financial resilience needed for the continued commercialisation of EDOR[®]. The subscription rate for our rights issue, which was registered in January 2019, was about 53 percent. 12,687,500 new shares were issued, providing Emotra with 10.15 MSEK before issue expenses, which are estimated to amount to about 3.2 MSEK including underwriter costs. 5,643,967 shares (which corresponds to 44% of the shares issued) were assigned to rights owners. 6,519,099 shares (which corresponds to about 51% of the shares issued) were assigned to underwriters. The remaining 524,434 shares (5%) were assigned to subscribers without rights.

Even if our marketing and R&D costs are relatively low considering the fact that the Company's operations are focused on a select few high-priority activities, it is the Board of Directors' judgement that the Company does not possess sufficient funds to finance the long-term development and a broad, international market introduction of EDOR[®]. The Board is presently discussing how the Company shall secure additional capital in order to ensure its continued operations, as well as the financing of a long-term international market introduction of EDOR[®].

Risks and Uncertainties

Emotra's operations are subject to both operational and financial risks. Identifying potential risks and evaluating how to manage them is a continuous process within the Company. The markets for Emotra's products are characterised by lengthy sales processes. The Company is active on markets with great potential, but with erratic sales growth. The section "Riskfaktorer" (Risk Factors) in our 2017 Annual Report and our Memorandum from 2018, which can be found on the Company's web site and also obtained from the Company, contains a complete description of the risks the Company has identified and how we have chosen to manage them.

Number of Shares Outstanding

At the end of 2018, the number of shares outstanding were 13,702,259. After registration in January 2019 of the rights issue carried out in November 2018, the number of shares will total 26,389,759. The share capital amounts to 2,534,917.92 SEK and will total 4,882,105.415 SEK after registration of the issue. Each share's quota value is 0.185 SEK. The Company is listed at Spotlight Stockmarket (www.spotlightstockmarket.com) with the share code EMOT.

Accounting principles

The same accounting principles and methods of valuation as were used in our last annual report have been applied in this interim report. The interim report, in line with previous financial reports, has been compiled on the principle of a going concern. The Company follows the accounting rules and principles laid out in the Annual Accounts Act as well as the General Recommendations issued by the Swedish Accounting Standards Board.

Audit

This year-end report has not been subject to audit by the Company's auditor.

Dividend recommendation

The Board recommends no dividend be declared for the financial year 2018.

Future Reports

Interim report for January – March, 2019	May 15, 2019
Interim report for January – June, 2019	August 23, 2019
Interim report for January – September, 2019	October 24, 2019
Year-end report for 2019	February 21, 2020

The Annual General Meeting will be held in Göteborg at 11 am on May 15, 2019. The Annual Report will be available at the Company's web site www.emotra.se at least three weeks before the meeting and can also be ordered from the company by e-mail addressed to daniel@emotra.se.

Certification

The Board of Directors and the Chief Executive Officer do hereby certify that this year-end report contains a fair representation of the Company's operations, financial position and results, as well as describes any significant risks and uncertainties the Company faces. All statements of a forecasting nature in this report are based on the Company's best assessments on the report's publishing date. As with all forecasts, such statements contain risks and uncertainties and the actual results can differ.

Göteborg, February 21, 2019
Emotra AB (publ)

The Board of Directors and CEO

For further information, please contact: Daniel Poté, CEO, telephone: +46 732 34 41 93, E-mail: daniel@emotra.se

This information is the type of information that Emotra AB is legally obliged to publish in accordance with the EU market abuse regulation and the Securities Market Act. This information was submitted for publication on February 21, 2019 under the above contact's supervision.

Emotra AB (publ) is a medical technology company that carries out research, development, clinical studies and marketing in the area of mental health. The Company's method, EDOR®, is a proprietary and objective psychophysiological test for detecting if patients suffering from depression are hyporeactive.