

ANNUAL REPORT
2017

Dynamic glass leads to global environmental gains

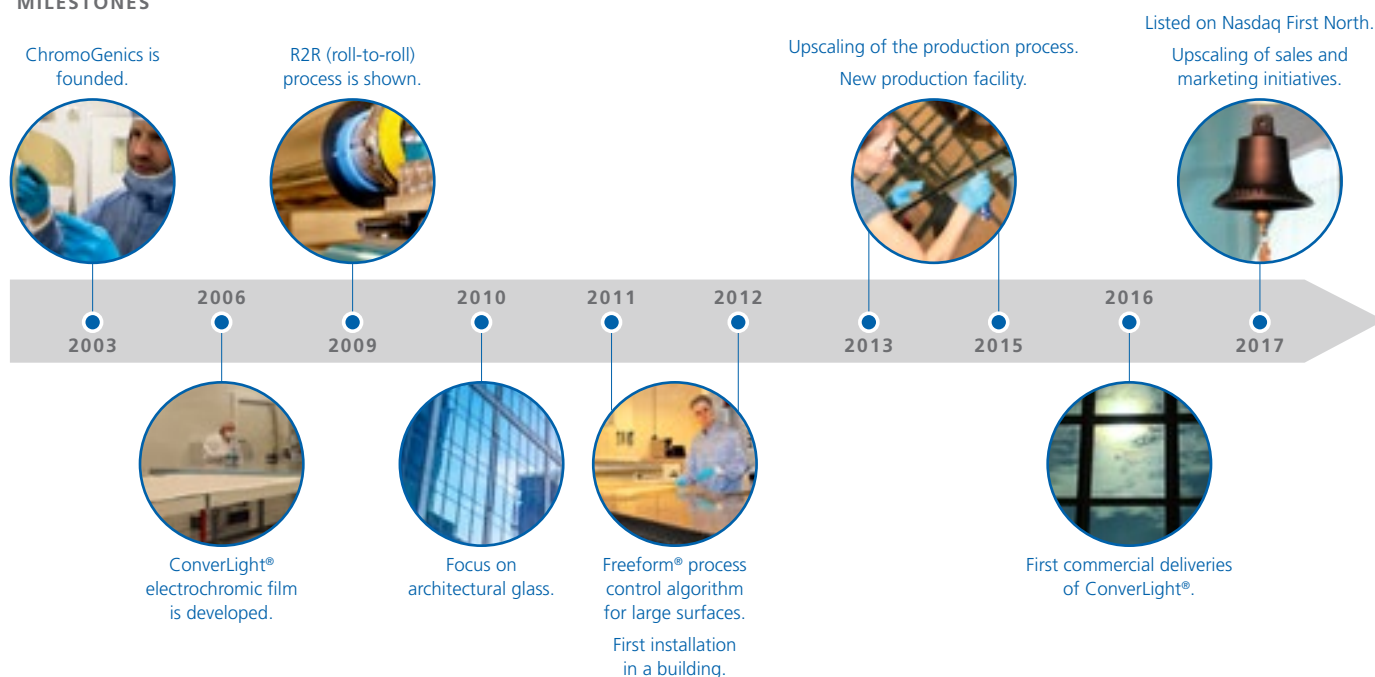
ChromoGenics offers dynamic glass with controllable heat- and light transmission. The company's unique technology ConverLight® provides sustainable solar control for increased indoor comfort and energy efficiency. ConverLight® also contributes to Green Building certifications. In 2016 the company started commercial sales to real estate projects in Scandinavia.

ChromoGenics is located in Uppsala, Sweden, and the technology is derived from the world leading research center at Ångström Laboratory at Uppsala University. The plant has been partly financed by a conditional loan from the Swedish Energy Agency. ChromoGenics share (CHRO) is listed on Nasdaq First North Stockholm with G&W Fondkommission as Certified Adviser. www.chromogenics.com

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Annual General Meeting

The Annual General Meeting of ChromoGenics AB (publ), 556630-1809, will be held on May 16, 2018, at 2:00 PM CET, at the offices of Advokatfirman Lindahls on Vaksalagatan 10 in Uppsala, Sweden. Read more on page 24.

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Every care has been taken in the translation of this document. In the event of discrepancies, the Swedish original will supersede the English translation.

ChromoGenics in brief

2017 in brief

An intense year during which we established the base for an aggressive market expansion!

Net sales amounted to **SEK 6.9 (3.0) million**.

Earnings for the year after tax amounted to **SEK -57.2 (-49.5) million**.

The company has taken the next step in its transformation from being a development company to conducting **fully commercial operations** with production and sales to real estate projects on the Scandinavian market.

During the year, challenges of establishing a new business caused several replacement deliveries, which resulted in very high costs.

The challenges have been identified and resolved. The company has **strengthened its organization** and is better equipped going into 2018.

Cash and cash equivalents as at December 31, 2017 amounted to **SEK 38.5 million**.

In January 2018, the company raised approximately **SEK 33 million** gross via a preferential rights issue in preparation for its aggressive market expansion.

Important events

- During the year, ChromoGenics invoiced and completed deliveries of dynamic glass to Faberge's project at Grand Central Sundbyberg in Stockholm, the head office of the Swedish Energy Agency, and the first partial delivery in Atrium Ljungberg's project Gränbystaden in Uppsala.



- In February 2017, ChromoGenics announced that it was applying for a listing on Nasdaq First North and published a prospectus with the intention of conducting a new share issue of SEK 117.3 million.
- In March 2017, ChromoGenics announced the outcome of the new share issue, which raised SEK 119 million for the company, of which SEK 117.3 million corresponded to the basic offer. Trading of the share and warrants started on March 23 on Nasdaq First North Stockholm.



- In June 2017, ChromoGenics held its first Dynamic Glass Academy, an event to spread knowledge about the benefits with dynamic glass among customers and stakeholders.



- During the fall of 2017, ChromoGenics named Michael Felthaus as Business Developer in Denmark and Åsa Stroöfe assumed the role of Chief Marketing Officer. Åsa joined the management team as of November 1, 2017.
- In November 2017, ChromoGenics announced a more aggressive market expansion and thus an increased need for capital. A preferential rights issue of units was made public.

ConverLight® dynamic glass – for property owners and architects at the forefront with focus on sustainability

Improved indoor comfort and greater flexibility in the use of different spaces in premises.

Cost effective alternative to investments in air conditioning system and exterior solar protection with **lower maintenance costs**.

Greater **architectural freedom** in the design of buildings and facades.

The analysis firm n-tech Research forecasts that the market for smart glass containing electrochromic technology will grow from USD 200 million to **USD 8 billion** over the next 10 years.

Improved energy efficiency through **reduced heat radiation** and reduced need for energy-intensive cooling.

ConverLight® helps reach a **higher level of environmental certification** of buildings, such as Sweden Green Building Council, LEED and BREEAM.

In total, approximately SEK 0.5 billion has been invested in the company since it was founded in 2003. The company's technology is protected by a **broad patent portfolio**.

Comments from the CEO

Five questions to Thomas Almesjö

How do you summarize 2017?

It was an intensive year that has been both challenging and instructive. Our technology ConverLight® has been installed in a number of reference projects and is deployed in several different types of commercial- and service buildings such as hotels, offices, schools and libraries. The orders and deliveries during 2017 have provided very valuable experience in our production and in our systematic quality work. We have resolved the initial challenges we have identified. At the same time, in the transition from development phase to commercialization phase, it has clearly been confirmed that there is a market demand for our dynamic glass. The positive response on the market has strengthened our conviction that our product ConverLight® is right in time and that we are on the right track.

During the first half of the year, we strengthened the organization in production and logistics. We have also built a base for our continued market expansion and the marketing efforts has gradually been intensified. In November, Åsa Stroöfe assumed the role as Chief Marketing Officer. By end of the year, we also strengthened the organization within sales to build a competent sales team with the capacity to meet market demand. Something that should have been in place earlier during the year.

What was the most important thing that happened?

The **positive response from industry, market and customers** was clearly the most important. It is the foundation for creating long-term value for our owners and other stakeholders. We received orders of over 1,000 sqm to important initial reference projects for reputable customers in the industry. And in March we carried through an Initial Public Offer (IPO) and got listed on Nasdaq First North in Stockholm, which added ChromoGenics 117 MSEK and over 2,000 shareholders. The challenges of establishing a new business in 2017 have been identified, resolved and quality-assured heading into 2018. Now we know the requirements it takes to deliver with quality.

How do you see the market trends develop?

Energy-efficient buildings stand high on the global environmental agenda and corporate sustainability efforts. Improved indoor comfort will be an important competitive advantage for property owners. We operate in a market with very good growth opportunities, whether it is new production or retro fit. Sustainable solutions are on demand by all stakeholders in all markets and the **market for electrochromic glass is expected to grow sharply** over the next ten years.

What are the largest opportunities and challenges for achieving annual deliveries of 100,000 sqm over a five-year term?

Let me start with the opportunities that are many and great. First of all, we operate in a market for energy-efficient buildings driven by a global necessity to reduce carbon dioxide emissions. This becomes particularly clear when we get a very good response in meetings with industry representatives and other stakeholders. Not least when we spread our customer references and initial reference projects where customers are satisfied with the functionality of our product. **ConverLight® proves its purpose with increased energy efficiency and indoor comfort, contributes to environmental certification and reduces maintenance costs.** Property owners choose ConverLight® as a cost-effective alternative to investment in air conditioning systems and exterior solar protection. Uppsala Municipality's real estate company IHUS will be an interesting customer reference where we will install ConverLight® in one of two identical buildings during spring 2018, which will provide interesting comparative data.

When it comes to challenges, **time is our biggest challenge.** With that, I mean the time it takes to introduce a new technology to the market. In addition, the lead time in the construction and real estate industry is long. This requires additional marketing and customer references and that we have the right competencies and resources in all key positions.

What is the strategy to reach the goal?

We have chosen to have a clear **focus on commercial- and service buildings** with the need for cost-effective solutions for solar control. And to support customers' environmental and sustainability efforts.

We also focus on **retro-fit projects, where installed glass is upgraded to ConverLight®.** These projects have shorter lead times than new constructions. In our offensive market expansion, we are proud to launch and clarify our product's many benefits for property owners, architects and other stakeholders in the design stage within the construction and real estate industry.

Finally, but probably most importantly, we are humble about the task ahead of us. We are significantly better equipped with experiences and lessons learned together with a strengthened organization and we look forward to the year 2018 and the following years with confidence.

Thomas Almesjö, CEO

A full-page photograph of Thomas Almesjö, CEO of ChromoGenics. He is a middle-aged man with light brown hair, a beard, and glasses, wearing a dark suit jacket over a white shirt. He is standing in front of a large, modern building with a glass facade and metal framework. The background is slightly blurred, showing the structural elements of the building.

“ChromoGenics is targeting an offensive upscale of both its sales and production with the goal of reaching annual deliveries of more than 100,000 sqm of ConverLight® in a five-year term”

Thomas Almesjö,
CEO ChromoGenics



Market

A growing market with strong focus on sustainability

Growth in the glass industry is driven largely by the developments in the construction industry, but also by improvements in energy-efficiency in existing properties, i.e. "retro-fit". This industry in turn is largely driven by the GDP, government decisions and investments, population growth and the rate of urbanization. Economic growth also leads to an increase in consumption of glass for various building purposes. The global glass market is expected to amount to approximately 10 billion sqm by 2018 with turnover of USD 100 billion according to a study conducted by The Freedonia Group, Inc.

Since glass and finished glass products are relatively bulky and costly to ship, the market for insulated glass is relatively fragmented, with many local companies and manufacturers delivering to nearby customers.

Energy-efficiency a strong driver

Buildings represent around 35 percent of global energy consumption, 25 percent of water consumption and 40 percent of global resources, and it is estimated that one-third of global emissions of greenhouse gases comes from buildings, according to the United Nations Environment Programme's Sustainable Building and Climate Initiative (UNEP-SBCI). If nothing is done to improve the building sector's energy-efficiency, global energy consumption is expected to increase by 50 percent by 2050¹. The market is characterized by a policy-driven environmental and energy safety perspective as well as issues related to energy efficiency from a pure cost and investment perspective.

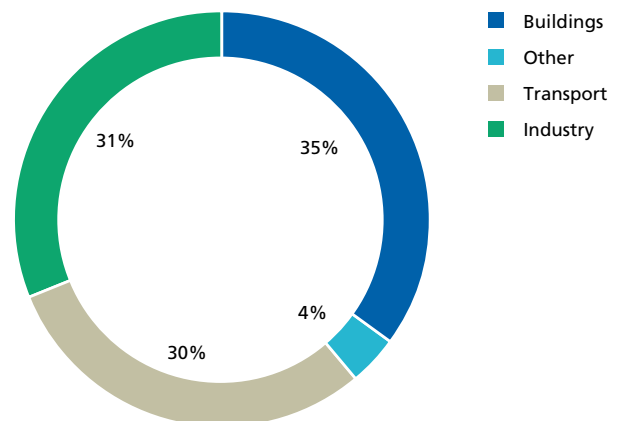
There is widespread political consensus regarding the need to reduce emissions of greenhouse gases and thus also total energy consumption. The scenario consisting of only a two-degree temperature increase up to 2050 is expected to require relatively comprehensive measures at the global level. The EU's target to reduce emissions of greenhouse gases by 20 percent in 2020 have also been strong contributors to the comprehensive investments in improved energy-efficiency.

As energy prices rise, or there is a risk that energy prices will rise, building energy-efficient buildings becomes a rational choice for contractors or parties funding and/or investing in buildings. Reduced energy consumption can also be politically desirable from both an energy safety perspective and a microeconomic perspective. The political themes are often implemented via international, national and local regulations and requirements that are placed on the companies and organizations active in the market and aim to steer investments to raise the level of energy efficiency and reduce the environmental impact.

Market for active dynamic glass

ChromoGenics' primary market is the active dynamic glass market for buildings and usually is included in the broader market for architecture glass. Architecture glass is glass that is used as a building material, which often includes windows or transparent facade material in the outer envelope of buildings. The outer envelope is one of the most important aspects when it comes to creating energy-efficient buildings, whether in a cold or a warm climate. A well-performing outer envelope in a cold climate consumes only 20–30 percent of the energy that is

GLOBAL ENERGY CONSUMPTION PER SECTOR¹



required to warm up an average building. In warmer climates, the energy requirements for cooling are only 10–40 percent of what would be the case for one of today's commonly occurring building envelopes¹.

Dynamic glass is glass that can change, for example, its transparency properties with the goal of regulating the amount of sunlight and heat that is let into a building. Dynamic glass is usually divided into active and passive technologies. Active technologies are those where the functionality can be actively controlled. Passive technologies are those where the function reacts to heat (thermochromic technology) or light (photochromic technology). The greatest opportunities for dynamic glass in the future are judged to be the opportunities for control flexibility and will be crucial for broad market growth².

Even if one of the major drivers behind using dynamic glass is energy efficiency, comfort is an equally important parameter. The positive effects of greater comfort are often apparent relatively quickly, while reduced energy consumption has a more long-term effect – both on the environment and the return on the investment made in the building.

Dynamic glass normally includes not only insulated glass but also the same functionality that is found in exterior solar protection, such as exterior slats, curtains and awnings. Dynamic glass offers customers the advantages of exterior solar protection, such as higher comfort levels and energy efficiency, without the disadvantages of an obstructed view and maintenance costs resulting from the repair of solar protection due to wind. Dynamic glass is best suited for the market segment that has a strong sustainability commitment and a central focus on requirements on energy efficiency and comfort.

Architects, construction companies and property owners/companies continuously evaluate new technologies for energy savings and improved indoor environments, both for new construction and for the replacement of existing glass and windows with more energy-efficient solutions, i.e. retro-fit.

¹ International Energy Agency, Transition to Sustainable Buildings, Executive Summary, 2013
² n-tech Research, Smart Windows Markets 2016-2025

The primary competitors to ChromoGenics that have been identified in the international market for electrochromic glass are SageGlass in the USA, View in the USA and EControl-Glas in Germany. A joint venture between AGC Asahi Glass and Tokyo based Kinestral Technologies and Hayward in California and Taipei has established itself as new player in the market. These three primary competitors have one thing in common – they manufacture electrochromic insulated glass. ChromoGenics, on the other hand, can deliver a flexible electrochromic film. There are also other potential competitors in different technologies, such as mechanical solar protection, SPD and PDLC technologies, and passive technologies such as thermo-chroma solutions that are manufactured by Pleotint in the US as well as other companies.

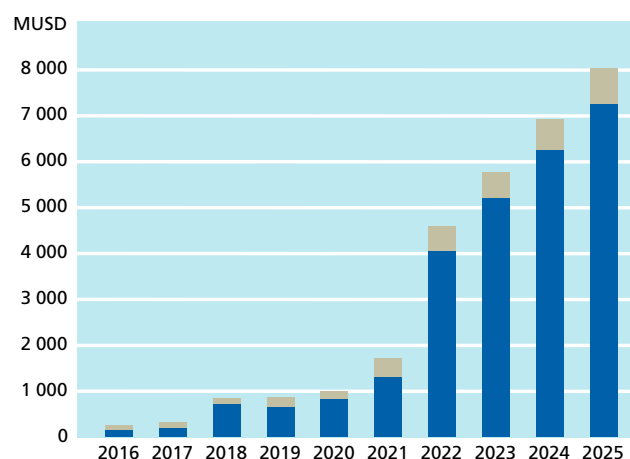
ChromoGenics' initial market focus

Dynamic glass is most suitable for developed markets, where there is a greater desire to invest in technologically advanced solutions, than in less developed markets, where static and/or dynamic exterior solar protection is common (blinds, slats, curtains, awnings, skylights). The more developed markets constitute most of the urban centers in Europe, North America and Asia, where strict regulations also encourage investments in energy efficiency, both for new construction and for upgrading of existing windows for more energy-efficient solutions, i.e. retrofit.

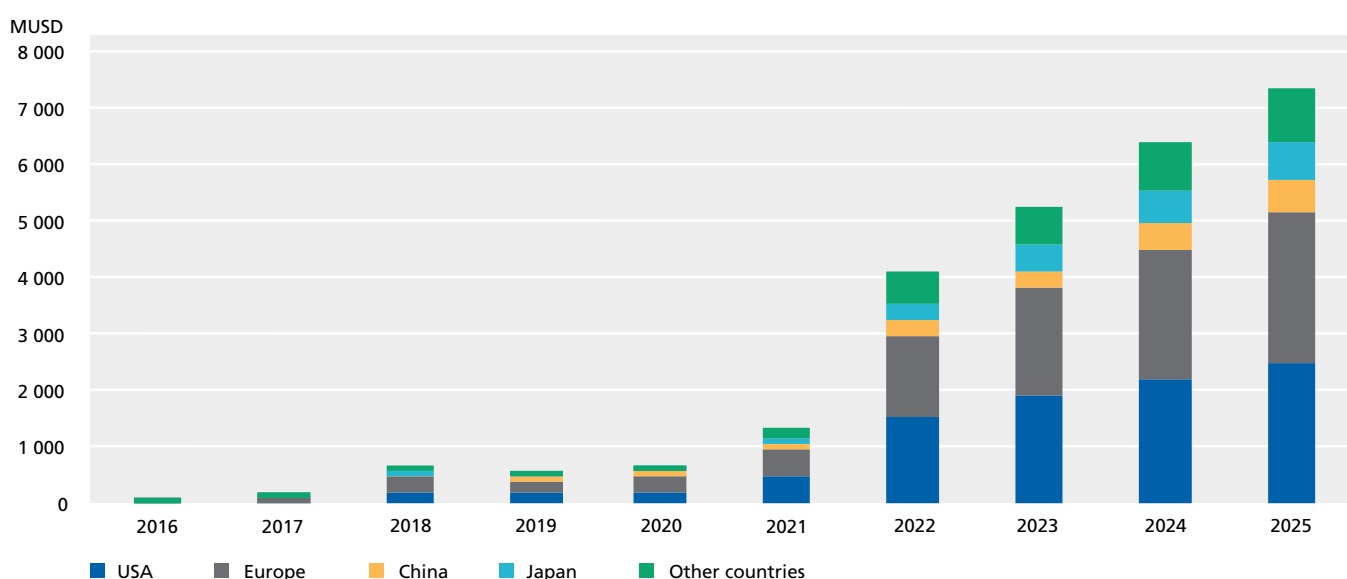
The primary markets for ChromoGenics are currently urban centers in developed countries in the OECD, and, given the initially limited sales and production capacity, a decision was made to first focus ChromoGenics resources on a market establishment in Europe within both new construction and retro-fit. Furthermore, the market in Europe is also predicted to undergo strong growth in active dynamic glass in the focus segments of construction and real estate¹.

ChromoGenics makes the assessment that penetration into the market for dynamic glass (windows, facade and roof) starts in commercial properties and service business (schools, care facilities, etc.). These segments are showing the greatest need with potential and capacity to generate growth and profitability. However, the technology has many possible application areas other than glass in buildings, for example windows in cars, trains, buses, work vehicles, airplanes and ships. Consumer products such as ski goggles and visors for motorcycle helmets could become relevant in the future. The company's strategic direction and focus, though, will continue to be on dynamic glass for the construction sector.

ESTIMATED WORLD MARKET FOR ACTIVE DYNAMIC GLASS PER SECTOR¹ (MUSD)



ESTIMATED WORLD MARKET FOR ACTIVE DYNAMIC GLASS BY REGION IN CONSTRUCTION AND REAL ESTATE¹ (MUSD)



¹In-tech Research, Smart Windows Markets 2016-2025



Grand Central Sundbyberg **– unique windows offer environmental gains**

ChromoGenics is delivering dynamic glass to Faberge's project Grand Central Sundbyberg in Stockholm, Sweden. The project is aiming to meet the requirements for environmental certification according to BREEAM-SE: Very Good, and ChromoGenics' dynamic glass is contributing with improved energy efficiency and indoor comfort. The deliveries started in first half of 2017, and the building is planned to be inaugurated in second half of 2018.



Baldergymnasiet, Skellefteå Municipality – sustainable technology for optimal indoor environments

When secondary school Baldergymnasiet in Skellefteå, Sweden, was going to modernize its buildings, which date back to 1940, the choice fell to ConverLight® dynamic glass to secure energy savings and avoid potential investments in cooling systems. ConverLight®, which controls the heat and light transmission while maintaining daylight and an unimpaired view, has saved energy, created a more comfortable interior environment with higher well-being for people spending time in the buildings and reduced maintenance costs for Skellefteå Municipality.

Operations

Reduced energy consumption for a better environment

If the EU is to be able to meet its climate target of a 20-percent reduction in energy consumption and greenhouse gas emissions by 2020, one of the key components will be to make buildings more energy-efficient. One major contribution to this can be to make commercial buildings more energy-efficient since they consume approximately 40 percent more energy than residential properties.

The ConverLight® technology makes it possible to reduce the consumption of energy to cool buildings by up to 50 percent. In reverse, the technology also offers the advantage of being able to let in the light and heat of the sun on colder days. By reducing the need for cooling and heating in buildings, it is possible to realize significant savings in the operating costs of the building as well as considerable environmental gains in the form of reduced energy consumption and thus also reduced emission of greenhouse gases.

Greater comfort and well-being

Windows let out heat when it is cold and let in heat when it is warm. This is a problem from an energy-efficiency perspective – both in cold and hot areas. Most buildings need to offer comfortable indoor environments with access to daylight and contact with the surroundings so individuals in the building will feel good and perform well.

Smart windows can significantly decrease the need for cooling in buildings by blocking heat radiance while allowing daylight and contact with surroundings. Together with low costs for operations and maintenance, products like ConverLight® become very cost effective solutions compared to traditional exterior solar protection, which often blocks the view and, for mechanical systems, come with costs for maintenance and reparation (for example awnings or external curtains that are damaged by wind and must be replaced).





Swedish Energy Agency – dynamic glass from ChromoGenics from a life cycle perspective

The Swedish Energy Agency considers the entire life cycle analysis when choosing technology and materials. While the Agency's offices should be modern and pleasant, the environment and sustainability are also high on the list of demands. When the head office in Eskilstuna, Sweden, was going to be redone, the Agency chose ConverLight® for the employees' health and well-being as well as for the energy savings and reduced environmental footprint.

Strategic focus on commercial premises

In order to succeed with the market launch and the transformation from a development company to a commercial business, ChromoGenics has limited its operational focus to the market for dynamic glass for commercial buildings, which believed to have the largest market potential. To be able to maintain necessary quality control during the production and delivery process, ChromoGenics also has made the strategic decision to focus on sales and own production of ConverLight®.

ChromoGenics' initial commercialization of ConverLight® primarily targeted Sweden and the rest of the Nordic countries. With a strengthened organization in place and a competitive product that quickly and relatively cheaply can be transported to already established companies in the distribution chain, such as insulated glass manufacturers (IGU) manufacturers and local window and facade manufacturers on attractive markets, the ambition is to expand the sales and marketing initiatives to include the European market. ChromoGenics has also taken steps to prepare in the long-term for being able to establish FreeForm® hubs, i.e. facilities for cutting and glass lamination that will be established on various main markets with the aim of coming geographically closer to final production and installation and thus reducing distribution and logistics costs.

Business model

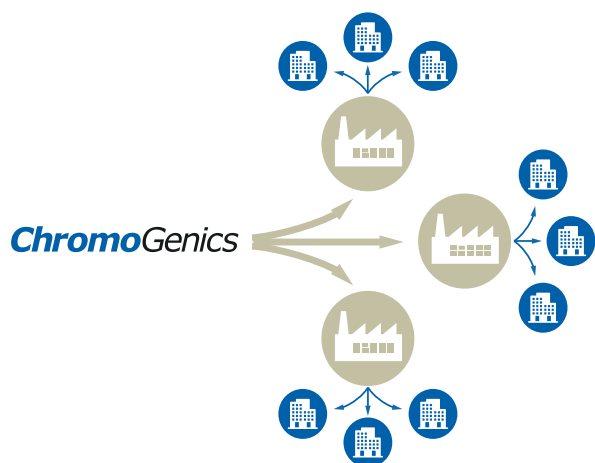
ChromoGenics delivers a single pane glass, that is a glass laminate, to various manufacturers of insulated glass (IGU), which produces a complete IGU and then deliver the final glass product for installation.

This cooperation with glass manufacturers should be viewed as an integral part of the marketing and distribution strategy. By working together with companies and logistics chains that are already established, ChromoGenics can focus on offering its strength, i.e. competitive dynamic glass that also enhances that offer of the insulated glass manufacturer. Cooperation with insulated glass manufacturers also makes it possible to establish a local market presence significantly faster than by building proprietary distribution and marketing channels for different geographic markets. At the same time, scalability in manufacturing improves if focus can be on the expansion of film manufacturing instead of insulated glass manufacturing.

Sales

Sales initiatives target property owners and actors in the market that are considered to have a strong influence in the decision processes that result in a building being equipped with electrochromic glass. In many cases, they are not direct orderers (end customer) of a new build or renovation project; rather, they affect the design and parameters of the project. This can include, for example, architects, energy consultants, project developers, window manufacturers or facade contractors. By taking a broad approach with all stakeholders, we believe that ChromoGenics can reach out to a wide section of the market. At the same time, the cooperation strategy with glass manufacturers will mean significant logistics advantages compared to the production and delivery being managed in-house. ChromoGenics does not compete with IGU producers but co-operates with them. Competitors are IGU producers themselves.

CHROMOGENICS' DISTRIBUTION MODEL

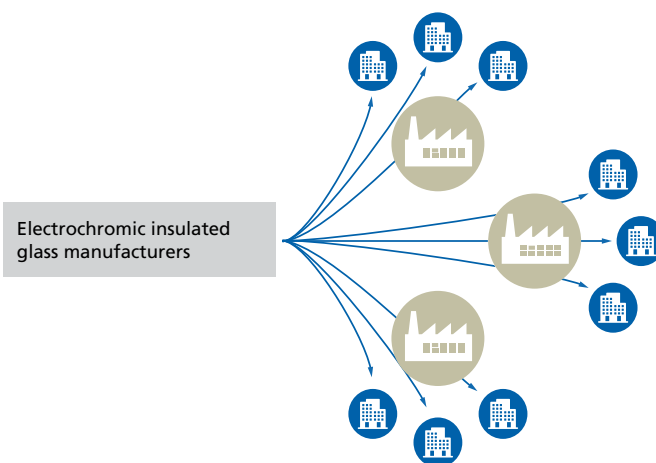


Insulated glass manufacturers, facade manufacturers, etc.



Building/building site

COMPETITORS' DISTRIBUTION MODELS



Products and technologies

ChromoGenics' primary product is ConverLight®, an electrochromic glass with dynamic solar control characteristics that can be used in all types of glass solutions, from single glass to insulating glass with multi-functional features. Glass facades equipped with ConverLight® can be broken down into sections, which makes it possible to control light inflow and reduce light and energy transmission in different parts of the property or premises.

By using a structure that is based on several layers of different material encased in two layers of plastic film, ChromoGenics successfully created a lightweight, flexible film, which in turn allows considerable freedom to choose the form, size and type of glass that the product will ultimately be integrated with and then installed.

Another benefit of ChromoGenics' technology is that ConverLight® only requires electricity when the light transmission changes. The required voltage is also very low (2 volts). Energy consumption for control of transparency is therefore very small.

The control system that controls the smart functions is easy to handle and at the same time offers the user a large number of options. The system can be regulated either automatically via standardized and established building automation systems or manually via, for example, a computer, cell phone or tablet. The system can be programmed to meet certain needs in defined zones and times depending on the requirements placed on the individual building and the users' needs. The system is built with standard components and has been tested in accordance with EMC according to EN 6000-6 and personal safety according to EN 60950 in order to assure quality.

Production process

ChromoGenics' production process, which was developed in-house, is based on extensive research, development and tests, and one of the largest advantages is that the product is a flexible electrochromic foil. This means that the production process does not need to initially take into consideration the final window's size or shape. The process enables the production of foil and glass laminate that covers up to 90 percent of the estimated size needs on the market. The process results in a foil that can be cut and laminated between single panes of glass either by ChromoGenics in its manufacturing facility in Uppsala or in the future at the company's FreeForm® hubs. The finished product is delivered to manufacturers of insulating glass and other glass products for delivery and installation at the end customer. One benefit of delivering foil is that the transport cost can be kept to a minimum, since glass in comparison is heavy and fragile and thus expensive to transport and handle.

Quality assurance and delivery precision

To ensure a successful launch and commercialization of ConverLight®, ChromoGenics decided to certify a number of select insulating glass manufacturers. The building process often means large investments with long planning, and delivery precision is an important factor. ChromoGenics' production model enables the production of larger amounts of foil without having defined the final glass's size or shape. This minimizes the lead time to a finished ConverLight® glass laminate.





Atrium Ljungberg's project Gränbystaden in Uppsala – energy-efficient dynamic glass

People need daylight and contact with their surroundings to feel good. ChromoGenics delivers approximately 600 sqm of dynamic glass to Atrium Ljungberg's project Gränbystaden in Uppsala, Sweden. With a highly technical solar control that offers large energy savings and improved indoor comfort, ChromoGenics' dynamic glass takes smart windows to the next level and contributes to Atrium Ljungberg's project with a focus on sustainable building.

Patent protection

ChromoGenics has worked with intangible rights and patents (IP) in a structured manner since the company was founded. The strategy is based on an evaluation of potential competition benefits. Since patent registration requires publication of details in critical areas, such as material specifications, certain innovations have not been patented in order to instead be classified as know-how.

Decisions regarding a patent application shall be submitted based on an assessment of several factors, such as the probability of achieving a relevant patent protection, the risks related to avoiding a received patent and patent costs compared to potential competition advantages.

The technology behind ConverLight® is covered by a broad patent base that can be adapted and used with considerable flexibility in a number of different areas, for example with regard to size and form. During its many years as a development company, ChromoGenics built up a patent portfolio that covers significant material, processes and applications in eighteen patent families, of which the last expires in 2036. Additional patents are being processed. The brands are: CONVERLIGHT and FREEFORM registered in the EU.

Research & Development

ChromoGenics is at the forefront of the development of dynamic glass that uses electrochromic technology, which is backed by roughly 30 years of research and development. Even if primary focus in the future will be on the continued commercialization, market establishment and production efficiency of ConverLight® to achieve profitability, the development work will continue, albeit at a different scope than before.

ChromoGenics' R&D work will focus in the future on areas where the commercial exchange can be assumed to lie in the relatively near future. This includes:

- simplification of installation and connection of control systems, i.e. Plug and Play;
- windows connected to the Internet (Internet of Things, "IoT"), where an alarm system can be added;
- solar panel-driven shifts between dark and light status;
- more color neutrality in the glass.

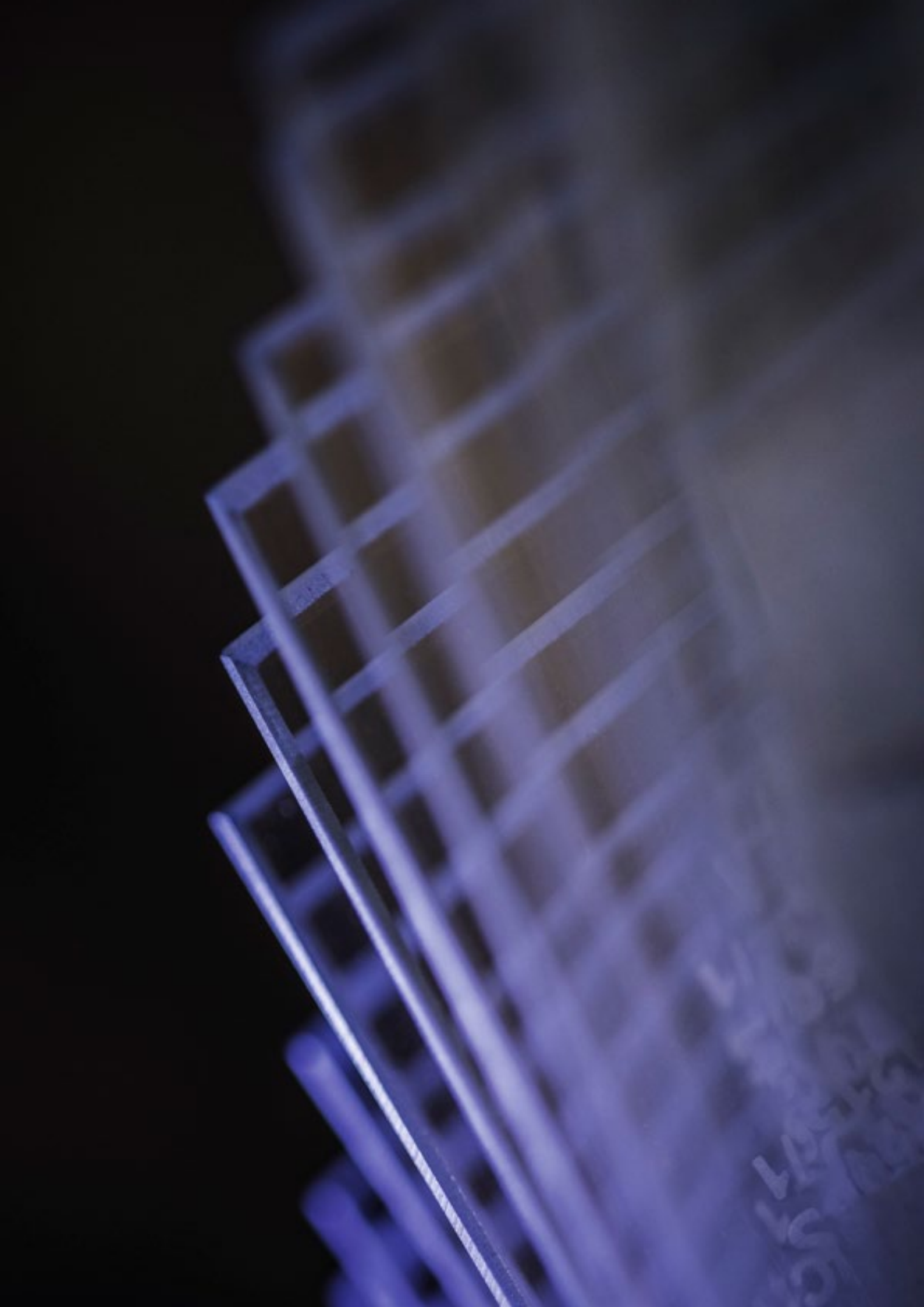
In addition to the above points, the development work will focus on continuing to secure the production process in the reference facilities in Uppsala in conjunction with completed customer deliveries.





Saldeen Real Estates – energy-smart windows make tenants happy

Saldeen Real Estates' offices in Uppsala, Sweden, had extensive problems with dazzling sun and high heat radiation. ChromoGenics' energy-effective technology lowered the need to cool the building, and the indoor climate has become much more comfortable once the windows were installed. Through toning in the glass, ConverLight® reduces excess heat transmission by up to 90 %, and Saldeen Real Estate's tenants are happy.



Administration Report

The Board and Chief Executive Officer of ChromoGenics AB (publ) hereby issues the annual report for the 2017 fiscal year.

Information about the business

ChromoGenics was founded in 2003 as a spin-off from the Ångström Laboratory at Uppsala University by its founders, Uppsala universitets utveckling AB (UUAB) and Innovationsbron i Uppsala (acquired by Almi invest AB). The company has its head office in Uppsala with approximately 30 employees, including temporary staffing by the year end shift 2017/2018..

ChromoGenics' ConverLight® dynamic glass offers property owners, architects, building companies and players in the glass industry a cost-effective and sustainable solar control system for greater energy efficiency and indoor comfort. ConverLight® controls how much heat and light is let in while still offering daylight and a full view of the surroundings, which raises comfort and well-being. ConverLight® also helps properties meet environmental certification. With ConverLight®, customers are able to lower their maintenance costs more than with traditional exterior solar protection, which is exposed to sun and wind and thus requires maintenance. In addition to lower maintenance expenses, an investment in ConverLight® can also strongly reduce the need to invest in an air conditioning system. ChromoGenics' technology and business model also facilitate efficient, sustainable deliveries around the world.

If you want to maximize a building's energy efficiency, it should not have windows, glass facades or glass ceilings. But what we are seeing today is that the trend in architecture is moving in the opposite direction toward more windows and glass. People need daylight and contact with their surroundings to feel good, and property owners and project developers want to offer attractive properties. ChromoGenics' dynamic glass offers cost-efficient control of light and heat transmission, which means that energy consumption for cooling can be reduced by up to 50 percent while at the same time enabling architectural freedom and contact with the surroundings.

Market surveys show that the market for dynamic glass could dramatically increase in the next few years due to the focus on energy efficiency and new opportunities, such as the Internet of Things (IoT). ChromoGenics finds itself in a very interesting situation in that the company is facing good conditions to establish itself as a leader in the market.

ChromoGenics is in a phase where it is transforming from a development company to a sales and production company. During 2016 ChromoGenics started a commercialization and the first orders of ConverLight® glass laminate were delivered to customers in Norway and Sweden.

In 2017, ChromoGenics installed a number of reference projects. The projects consisted of deliveries of both new production and retro-fit projects, where existing windows in buildings were upgraded to ConverLight®. ConverLight® is now operational in newly built commercial premises such as offices and hotels as well as service buildings such as libraries and schools. The year was marked by new-business challenges, which resulted in a number of replacement deliveries and very high costs. The company is transitioning from being a development company

to running pure commercial operations that include both production and delivery of highly technical products to customers with high demands. Difficulties in 2017 have been identified on an ongoing basis and resolved. The company brings valuable experience from 2017 to the coming year's continued improvement work.

Customer response has been positive. The customers are satisfied with the functionality of ConverLight® – greater energy efficiency and indoor comfort as well as reduced maintenance costs. ConverLight® has also proven itself to be a cost-efficient alternative to an investment in the air conditioning system.

Total sales amounted to SEK 6.9 (3.0) million. Costs of goods sold amounted to SEK 29.4 (15.0) million. Costs continued to be initially very high since material consumption and process costs are higher before the yield is fully optimized, and negotiated volume discounts have not yet had an impact. A number of deliveries had to be replaced during the year due to challenges in establishing the new business. The challenges derive from defects in input material, disruptions in production processes – primarily external processes such as those with insulating glass manufacturers – and even complications during installation and commissioning at end customer. These new-business challenges have been identified, resolved and quality-assured heading into 2018.

The organization was not sufficiently equipped at the beginning of 2017 for the orders of about 1,000 sqm that arrived during the first sixth months. During the first half year, the company's organization in production, supply and logistics was strengthened to secure quality and delivery capacity. At the end of second half the product development, marketing and sales organization was strengthened to increase the sales capacity. The company also took its first step into the Danish market. In November, Åsa Stroofe assumed her role as Chief Marketing Officer and joined the management team. During the year, the company's presence on the market was increased, and the company is significantly better equipped heading into 2018 to increase sales and delivery volume as well as to reduce costs.

In March 2017, ChromoGenics was introduced on Nasdaq First North and received approximately SEK 117.3 million before issue expenses. In November 2017, the Board of Directors decided to strengthen the finances in preparation for an aggressive market expansion, and in February 2018, a preferential share issue was completed which raised SEK 33 million for the company before issue expenses and approximately SEK 25 million after issue expenses.

Earnings

Net sales amounted to SEK 6.9 (3.0) million. ConverLight® was commercialized during the year and is still in its initial sales stage.

Costs of goods sold amounted to SEK 29.4 (15.0) million. Costs have initially been very high due to:

- high costs for material consumption and production processes until the production yield is optimized,
- negotiated volume discounts have not yet come into effect, and
- a number of replacement deliveries during the year due to challenges in establishing the new business.

Depreciation/amortization and impairment amounted to SEK 6.2 (7.3) million. This decrease is primarily due to an impairment loss of SEK 1.0 million in 2016 for capitalized expenditure in R&D related to a test system where the company chose a different solution.

Selling and marketing expenses amounted to SEK 11.0 (5.5) million. The increase is primarily due to the establishment of a sales and marketing unit and its activities to commercialize ConverLight®. Administrative expenses amounted to SEK 9.5 (6.2) million. This increase is due primarily to the securing of procedures in preparation for the IPO and ongoing costs related to a listed company, including investor activities and increased activity in general. The year was also burdened by consulting fees related to the transformation work (from development company to sales and production company) as well as an increase in the number of Board members and the Board's fees.

Development expenditure amounted to SEK 14.1 (26.1) million. The reduction is primarily due to a decrease in personnel, primarily engineers in process development, from the end of 2016. Other product development work also continued and intensified during second half of 2017.

The company's operating loss amounted to SEK -57.0 (-49.3) million.

Net financial income/expense amounted to SEK -0.2 (-0.2) million.

Tax expense for the year amounted to SEK 0 (0) million.

Cash flow and financial position

Cash flow from the operating activities including change in working capital amounted to SEK -55.5 (-39.9) million.

Net cash flow from investing activities amounted to SEK -1.3 (-0.5) million. The investment is related to part of a pressure chamber that is called an autoclave and was previously outsourced. Through the investment, the company will shorten delivery lead times and also have the option of bringing in external work if there is surplus capacity. Part of the investment is expected to burden cash flow in Q1 2018.

Net cash flow from financing activities amounted to SEK 86.7 (38.0) million. In March, a new share issue was issued for gross SEK 117.3 million in connection with the IPO on Nasdaq First North. In 2016, short-term financing was secured from the primary owners for a total of SEK 23 million, which was converted to shares within the framework of the above-mentioned new share issue. The company received SEK 86.7 million net after settlements to primary owners, issue expenses and guarantee fees.

Cash and cash equivalents amounted to SEK 38.5 million on December 31, 2017, compared to SEK 8.5 million on December 31, 2016.

On the closing date, the company did not have sufficient liquidity to cover its needs for the next 12 months. The company has initial income in its current commercialization phase, but this revenue does not yet cover the company's total costs. More information is available under the section, Significant risks and uncertainty factors. The company raised approximately SEK 33 million gross through a preferential share issue in January 2018. The company therefore has sufficient liquidity to cover its needs for at least the next 12 months.

Non-current interest-bearing liabilities amounted to SEK 49.3 (50.0) million at December 31, 2017. Current interest-bearing liabilities amounted to SEK 0.3 (0.0) million at December 31, 2017. The loans are conditional loans from the Swedish Energy Agency. See Note 13 for more information.

At the end of the period, equity amounted to SEK 7.5 million, compared to SEK -36.0 million on December 31, 2016.

The Board of Directors prepared a balance sheet for liquidation purposes on July 31, 2014, since the reported equity was negative. Among the company's liabilities is a conditional loan from the Swedish Energy Agency which, according to the loan agreement and the regulations set out in the Companies Act (25:14), may be eliminated upon preparation of a balance sheet for liquidation purposes. The utilized conditional loan from the Swedish Energy Agency amounted to SEK 48.8 million of the total credit line of SEK 63.8 million. Due to a change in the business plan, it will not be possible to utilize additional funds. The 2016 annual report shows that in the light of the terms and conditions for the conditional loan that equity, taking into consideration the conditional loan, that adjusted equity amounted to SEK 12.7 million, thus there was no obligation to establish a balance sheet for liquidation purposes. Following the issue conducted in March 2017 the company has reported a positive equity notwithstanding the conditional loan.

Investments

The company's investments are primarily in machinery for production and capitalization of R&D expenditure and patents. An investment related to a pressure chamber that is called an autoclave was started at the end of 2017 and is expected to be completed in Q1 2018. Net cash flow from investing activities amounted to SEK -1.3 (-0.5) million.

Research & Development

ChromoGenics is at the forefront of the development of dynamic glass that uses electrochromic technology. This technology is backed by roughly 30 years of research and development. The management of intellectual property (IP) is a very important part of the general business strategy and ChromoGenics has been working with IP in a structured manner since its start. During the company's many years of development work, it has built up a patent portfolio that is considered to cover significant materials, processes and applications in eighteen patent families.

The development work in 2017 primarily focused on securing the product and the production process in the reference facilities in conjunction with the initial customer deliveries in 2017.

Environmental impact

In 2017, the company continued with its environmental work in the form of self-controls without any remarks.

Employees

On average, there were 13 (18) employees (FTE) during the period January-December 2017. There were on average 27 employees (FTE) including temporary staffing and consultants in the fourth quarter.

There were 16 (21) employees as at December 31, 2017. After the end of the period, an additional 3 staff members were recruited.

Board of Directors

The Board of Directors has had 19 recorded meetings during the year, of which five were per capsulam. The work of the Board of Directors primarily targeted the company's operations and the financing of the company's business plan.

Material events during the financial year

- In 2016, short-term financing was secured from the primary owners for a total of SEK 23.0 million, which was converted to shares within the framework of the new share issue for SEK 117.3 million in March 2017.
- At an Extraordinary General Meeting held on January 12, 2017, resolution was passed on the following:
 - Change in company category from a private to a public limited liability company.
 - 2:1 reverse split.
 - New Articles of Association.
- On February 8, 2017, the company announced that it was applying for a listing on Nasdaq First North and published a prospectus with the intention of conducting a new share issue for institutional investors and the general public in Sweden of SEK 117.3 million, excluding a potential over-allocation option of SEK 12.7 million. In conjunction with this announcement, subscription commitments from principal owners and guarantees via a guarantee consortium corresponding to 82 percent of the issue, or SEK 96 million, had been received.
- On February 21, 2017, it was announced that a large order had been received to provide dynamic glass to Fabeg's project Grand Central Sundbyberg, Stockholm.
- On February 22, 2017, a Supplement to the Prospectus was published dated February 8, 2017.
- On March 3, 2017, ChromoGenics announced that the new issue was oversubscribed and brought in approximately SEK 119 million to the company, of which SEK 117.3 million corresponds to the basic offer. The cash was paid to the company on March 8, 2017, excluding issue expenses and settlements of shareholder loans and guarantee fees. No allocation was made to the consortium, which guaranteed the issue with approximately SEK 41 million, in addition to subscription commitments, up to a 90 percent subscription rate.
 - As a result of the new issue, the company gained more than 2,000 new shareholders. The number of outstanding shares in ChromoGenics increased through the basic offer from 9,414,326 to 23,214,326.
 - Trading of the share and warrants started on March 23, 2017, on Nasdaq First North Stockholm.

- At the General Meeting of Shareholders on May 10, 2017, Anders Brännström was re-elected Chair of the Board and Poul Erik Schou-Pedersen, Claes-Göran Granqvist and Jerker Lundgren were re-elected members of the Board. Peter Gustafson and Mari Broman were elected members of the Board. The Meeting resolved to release the Board of Directors and the CEO from liability for the 2016 financial year.
- On November 1, 2017, Åsa Stroöfe assumed her role as Chief Marketing Officer and joined the management team.
- At an Extraordinary General Meeting on December 15, 2017, a resolution was passed to adopt new Articles of Association and to conduct a preferential rights issue of up to SEK 40.6 million.

Material events after the end of the financial year

- On January 3, 2018, a rights issue of up to SEK 40.6 million was announced that would be guaranteed up to 80 percent, or approximately SEK 33 million, by a guarantee consortium.
- On January 5, 2018, a Prospectus was published for the subscription period January 8-22, 2018, related to the preferential rights issue.
- On January 26, 2018, an outcome of 80 percent, or approximately SEK 33 million, of the share issue was announced.
- On January 31, 2018, Poul Erik Schou-Pedersen stepped down from the Board of Directors at his own request to take on an operational role as CEO of a Danish company, thus no longer allowing him to set aside the time for the Board work.
- On February 21, 2018, the rights issue was registered with the Swedish Companies Registration Office. After the issue, share capital amounted to SEK 8,437,799 represented by 42,188,995 shares, each with a quotient value of SEK 0.2.

Expected future development

The great international interest for dynamic glass/glass facades based on chromogenic technology makes ConverLight® a competitive offering. Market surveys show that the market for dynamic glass could dramatically increase in the next few years due to the focus on energy efficiency and new opportunities, such as the Internet of Things (IoT).

In 2018, sales are expected to increase, which will contribute positively to the company's financing, but since the company is at the start of a commercialization phase, income is not expected to cover the company's expenses/costs in 2018. Some material costs were negotiated during second half 2017, which will have some impact in 2018. In the long term, material costs will decrease once volume increases in production and sales.

In January 2018, a preferential rights issue was completed for approximately SEK 33 million. The cash was paid in March 2018 to the company, excluding rights issue expenses and guarantee fees. The company has thereby secured cash for at least the next 12 months.

Significant risks and uncertainty factors

The company is exposed to a number of financial risks: liquidity risk, credit risk and currency risk. The Board of Directors and the company's management team strive to manage these risks by identifying, evaluating and where appropriate mitigating them. Risk factors and important conditions that are judged to be of significance for the company's future development are described below in no particular order and with no claim of the list being comprehensive.

Risks related to ChromoGenics and its operations

Technology and product development

The technological development of the area in which ChromoGenics is conducting business is continuing to progress. There is a risk that dynamic glass of the type developed by the company may be subject to technological development that cannot be foreseen today, and that the company's products, production processes, know-how and/or market position, in full or in part, may be negatively affected. It is very important that the company have sufficient financial resources to invest in required technological and production development with the aim of even in the future being able to provide an attractive offering and range of products to customers. The company makes the assessment that it is to a large extent possible to adapt the existing products and production processes in the event new types of products were to be introduced. However, there is a risk that this type of change would have a more negative effect on the company's operations than what the company expects today.

Dependence on suppliers and installers

ChromoGenics uses a number of suppliers who are important for the company's ability to produce products in sufficient scope and with sufficient quality and delivery accuracy. ChromoGenics is also dependent on ordered products being delivered and installed with sufficient reliability and quality with the aim of maintaining developed customer relationships, achieving sufficient profitability in each project and creating a reputation as a stable supplier that is able to deliver quality products. This is particularly important during the build-up and market establishment phase in which the company currently finds itself. In this respect, the installers hired by the company play an important role. If one or several of these companies were not to discharge their duties with sufficient reliability, this would have a negative impact on the business through re-deliveries, higher costs, warranty commitments or impaired reputation on the market. This could also have a negative impact on the company's ability to be profitable, and also could create requirements for additional future capital infusion through, for example, new share issues.

Purchasing production material

ChromoGenics' operations require that the company produce adequate forecasts of expected sales and order volumes. Should these forecasts be deficient, based on improper assumptions or influenced by changes in the external environment, there is a risk that the company will buy in production material for a greater number of products than what the company will be able to sell to its customers. There is also a risk that the company will purchase too little material, which could make it difficult to deliver. The financial position can thus be influenced negatively by

greater capital tied up and costs for obsolescence or loss of revenue. The company could also be affected by claims for non-delivery or delayed deliveries. If the company misjudges its order volumes, or if it fails to make deliveries to customers or experiences delays in deliveries, the company's relationships with its customers and the company's operations, earnings and financial position may be affected negatively.

Risks related to protection of intellectual property rights

There is a risk that the company's current intellectual property rights protection and the assessment of the possibilities and need for additional intellectual property rights protection are insufficient. Other companies in the sector could also be considered to hold intellectual property rights upon which ChromoGenics' business may be claimed is encroaching. Defense of the company's rights or remuneration to third parties for infringement and/or use of a third party's intellectual property rights may result in lower revenue or higher costs until the infringement is settled, the licensing fees paid or permission obtained to use the third party's intellectual property rights. Uncertainty as a result of patent lawsuits or other processes that have been started and are being carried out may have a significant negative impact on ChromoGenics' competitiveness, profitability and capital need.

ChromoGenics could also lose a case regarding infringement on a third party's intellectual property rights, which would mean that the company's right to the intellectual property right ceases. In addition, the infringement of one or more of the company's intellectual property rights may damage the company's reputation on the market. All of these factors may have a significant impact on the company's operations, earnings and financial position.

Ownership of the intellectual property rights generated by employees within the framework of the company's business as a rule flows to the company in accordance with applicable legislation and existing agreements. In the event the company does not succeed in the future to claim its intellectual property rights, this may have negative effects on the company's operations, earnings and financial position.

What distinguishes ChromoGenics' products from others' products consists not insignificantly of know-how. There is a risk that such information will be disclosed to external parties or used by previous employees or engaged consultants in operations that compete with the company's. There is furthermore a risk that know-how corresponding to that of ChromoGenics may be developed independently by a third party and used in a competing business. This could have a negative impact on the company's operations, earnings and financial position.

Product responsibility and warranties

ChromoGenics' products are subject to both product liability and warranty commitments. Suppliers and installers in general have limited compensation obligation to ChromoGenics in the event of errors in delivered and installed products. Compensation claims can be targeted to ChromoGenics by both the company's customers and independent persons suffering damages from production, handling or use of the company's products. There is a risk that the company will incur this compensation liability but not be able to transfer the claim in full to

a third party. There is thus a risk that ChromoGenics' earnings and financial position would be negatively affected by warranty claims or the actualization of product liability and that such is not fully covered by the company's insurance or recourse options.

Product development

ChromoGenics develops its technology, production processes and production using in-house resources. If the company's development activities would not achieve acceptable results or if other circumstances were to arise that would significantly affect the development, this could have a negative impact on the company's business. Acceptance of new products or applications may take longer than expected, which could also have a negative impact on the business.

Delivery accuracy as volume grows

ChromoGenics is currently in a market establishment phase and is planning for extensive volume growth in the next few years. However, its current ability to produce and deliver is limited, and the company is in a build-up phase. Higher sales and delivery volumes will place considerable demands on the organization, the capability of subcontractors, the need for working capital, etc. A sudden increase in demand could create problems related to delivery times and quality levels. There is thus a risk that the company will not be able to sufficiently meet its delivery commitments, which could lead to impaired relationships with customers. In financial terms, there is a risk that growth would be so capital-intensive that the company would suffer liquidity problems. As a whole, there is thus a risk that a rapid increase in volume could cause problems for the company, which could have a negative impact on the development of the company.

Risks related to marking and certification

ChromoGenics' products are subject to various requirements on mandatory marking and must meet industry standards and certifications. The company is also required to prepare technological documentation for its products and issue various declarations regarding agreement with the criteria for marking, certification, etc. If ChromoGenics cannot meet the requirements for receiving the necessary marking or certification, this could have a negative effect on the company's operations, earnings and financial position.

Insurance and product liability

ChromoGenics carries corporate insurance that includes property damage and interruptions losses, legal protection and production liability as well as general liability. Even if the company makes the assessment that its operations are adequately covered, the insurance cover's scope and compensation are limited. The company's corporate insurance also includes product liability, but there is a risk that ChromoGenics will incur losses or claims for damages that are not covered in full or in part by the insurance, which could have a negative impact on the operations, earnings and financial position.

Disputes

The company may become involved in disputes within the framework of its normal operations, and it may be subject to claims regarding contract issues, product liability and alleged errors in deliveries of the company's

products. Such disputes and claims can be time-intensive, disrupt normal operations, relate to large amounts and introduce significant costs. Furthermore, the outcome of complex disputes can be difficult to predict. As a result, serious disputes could have a significant impact on the company's operations, earnings and financial position.

Legislative and legal risks

New laws or rules or changes in the application of existing laws or rules may have a negative effect on the company, its customers or its suppliers.

Third-party risks

It is conceivable that third parties or independent persons may be harmed by production, handling or use of the company's products or equipment related thereto. There is a risk that any such claims will not be fully covered by the insurance and thus will have negative economic consequences for the company.

Partners

Cooperation with various partners in production, distribution and installation processes is an integral part of ChromoGenics' operations and business model. These collaborations are established with partners chosen by ChromoGenics that are judged to meet the quality requirements considered necessary to be able to maintain ChromoGenics' requirements on quality and delivery accuracy. However, there is a risk that these parties will not fulfill their commitments in the required manner or that other external factors will affect their ability to maintain quality and delivery commitments. If this were to happen, this would have a negative impact on ChromoGenics' operations and ability to report a profit and thus even on the company's financial situation.

Competition

ChromoGenics is and may be exposed to additional competition from existing or new companies with operations in the area of dynamic glass or other products and technologies where the function of the product directly or indirectly competes with the function that dynamic glass is intended to achieve for the customer. In the future, competition may also come from other companies that decide to target a broader group in the segment or expand their existing customer offer to include products or solutions that compete with ChromoGenics. These companies may also have significantly deeper financial resources than ChromoGenics. Tougher competition could mean that the company would not reach its growth targets due to price pressure or lower order intake. There is a risk that this could have a negative impact on the company's operations, earnings and financial position.

Customer dependence

During its initial market establishment phase, ChromoGenics' revenue will most likely derive from a limited number of customers. Future sales during this phase could thus be affected to a relatively large extent by one or several customers becoming insolvent, selecting another supplier or in any other way being affected such that they must cease making payments to the company.

Confidentiality

ChromoGenics strives to protect such information that is central for the company's products and success through, for example, confidentiality agreements with employees, consultants and partners. However, there is no assurance that such agreements sufficiently protect against the disclosure of confidential information and the rights of employees, consultants and partners to intellectual property rights or that agreements provide sufficient penalties in the event of a breach of contract. The company's business secrets may also in another way become known to or developed independently by competitors. If ChromoGenics' internal information and knowledge cannot be protected, the operations will be negatively affected.

Changes in the industry could make the company's products obsolete

The industry is characterized by rapid technological changes, new scientific and technological achievements and constant improvements in industrial know-how. As a result, future success will largely depend on ChromoGenics' ability to adapt to such external factors, to adapt its offers and to develop new and competitively priced products that meet the amended requirements from customers and the competition that may arise from new technologies or businesses.

Dependence on key personnel

ChromoGenics is highly dependent on a number of key staff members. If one or several of these staff members were to leave the company, this could delay and/or complicate continued development. ChromoGenics' success is also dependent on being able to attract and keep qualified employees. Furthermore, there is a risk that the company will not successfully attract and keep qualified personnel or that this cannot occur at terms beneficial to the company. If it were not possible for this to occur, this would have a negative impact on the company's earnings and its possibilities to carry out the commercialization and market establishment required to achieve sufficient profitability.

Operational risk factors

ChromoGenics is exposed to different risks in its day-to-day operations. The management team is primarily responsible for managing operational risks. In addition to operational, financial and insurable risks, there is also a risk that management, the Board of Directors or the shareholders do not receive the correct information that enables them to make proper decisions in various situations or that they will not receive information on time.

Financial operational risks

Earnings capacity and future capital needs

The company to date has been operating at a loss and is still missing sufficient income to be profitable. There is a risk that it will take longer than expected for the company to achieve the earnings and cash flows that are required. There is a risk that the company will not successfully generate substantial and recurrent income, and there is also a risk that the company will not achieve a profit in the future. A failure to generate sufficient profits could have a negative effect on the company's market value. The company has used its capital in the past, which resulted in

the preparation of a number of balance sheets for liquidation purposes. There is a risk that the company will not be able to generate sufficient funds through its activities to finance continued operations, and there is thus a risk that the company will once again find itself in a financial situation where it must prepare a balance sheet for liquidation purposes. As a result, there is also a risk that ChromoGenics may need to seek new, external capital even in the future. Future financing measures may dilute ownership in the company for the shareholders who choose not to participate in any future new issues. There is a risk that company will not be able to obtain the necessary funding or that such funding cannot be obtained at beneficial terms for existing shareholders. A failure to obtain additional financing at the right point in time may result in the company needing to postpone, reduce or terminate activities.

Financing risk

There is a risk that the financing agreement in place for various reasons may be terminated. The company has been entirely dependent on shareholders and other external financiers for its financing. Some shareholders, by subscribing to shares in preferential issues and new issues, financed the company at the rate that was needed to prevent a capital shortage from arising. It cannot be assumed that shareholders in the company will contribute to the company's financing in the same manner going forward. The now completed issue of approximately SEK 33 million before issue expenses is expected to cover the company's financing needs for at least the next 12 months. The Board of Directors' overall assessment is that the company's financing has been secured. If the company's capital contribution from the completed preferential share issue does not cover the financing need up until the company achieves a positive cash flow from the operating activities and the company cannot obtain additional capital contributions, there is a risk that a liquidity deficit may arise. There is then a risk that the company could be wound down.

Credit risks

There is a risk that the company may suffer credit losses. This could occur following the improper assessment of a counterparty, a counterparty's changed circumstances or impaired financial situation, etc. This could have a negative effect on the company's financial position.

Exchange rate changes

The company is currently in a development and market establishment phase, and at the time of annual report 2017 the majority of the company's sales are in SEK. A significant percentage of the material and process costs currently occur in USD and EUR, which are translated into SEK on each payment day. If these currencies appreciate against SEK, this could have a negative impact on the company's earnings and future capital need. In conjunction with the company's future development and establishment of sales in markets other than just the Swedish market, a larger portion of sales could occur in currencies other than SEK. If these currencies depreciate against SEK, this could have a negative impact on the company's sales and earnings. The company is primarily dependent on the exchange rate changes for USD and EUR in respect of SEK.

Tax-related risks

ChromoGenics has an accumulated tax deficit. A change in ownership of the company may entail changes in the entitlement to utilize this deficit, in part or in full. Such a change in ownership and the tax rules that then become applicable must be taken into consideration by the company. These rules are also important to consider in income declarations to avoid improper handling of the deficit. There is also a risk that there will be future changes to the tax legislation that may affect the possibility to utilize the accumulated tax deficit in the company.

Annual General Meeting 2018

The Annual General Meeting will be held on May 16, 2018, at 2:00 PM CET, at the offices of Advokatfirman Lindahls on Vaksalagatan 10 in Uppsala, Sweden. Information about the Annual General Meeting is available at, for example, www.chromogenics.com

Proposed dividend

Given the company's earnings, financial position and need for capital to grow, the Board of Directors is not proposing a dividend for the 2017 financial year.

Share capital

At an Extraordinary General Meeting on January 12, 2017, a resolution was passed on a 2:1 reverse split. In March, a new share issue was completed for SEK 117.3 million. As a result, the company gained 13,800,000 new shares and 13,921,312 warrants (TO1), which were partially registered with the Swedish Companies Registration Office on March 20, 2017, and fully registered on April 7, 2017. Every fourth warrant (TO1) is entitled to subscribe to one new share for SEK 10.20 during the period May 1-31, 2018. Both the shares and warrants (TO1) have been traded on Nasdaq First North Stockholm since March 23, 2017.

On December 31, 2017, share capital amounted to SEK 4,642,865 represented by 23,214,326 shares, each with a quotient value of SEK 0.2. At an Extraordinary General Meeting on December 15, 2017, a resolution was passed on a preferential share issue that was completed in January 2018 and raised the company SEK 33 million before issue expenses. Following the issue, the company gained 18,974,669 shares and 18,974,669 warrants (TO2). One warrant (TO2) entitles the holder to the subscription of one new share at SEK 3.50 during the period January 10-31, 2020. As a result of the share issue, the warrants (TO1) from the IPO in March 2017 were recalculated so that each warrant entitles the holder to the subscription of 0.26 shares at a subscription price of SEK 9.87 during the period May 1-31, 2018.

After the issue was registered with the Swedish Companies Registration Office on February 21, 2018, share capital amounted to SEK 8,437,799 represented by 42,188,995 shares, each with a quotient value of SEK 0.2.

Proposed appropriation of losses

The following funds are at the disposal of the Annual General Meeting:

<i>amounts in SEK</i>	
Share premium reserve	321,582,773
Accumulated net income	-261,810,386
Net income for the year	-57,220,794
	2,551,593
The Board proposes to carry forward	2,551,593
	2,551,593

Other information

Multi-year overview

The information in the multi-year overview has not affected the valuation during the transition to the K3 regulation in the 2013 financial year.

<i>amounts in TSEK</i>	2017	2016	2015	2014	2013
Net sales	6,857	3,042			
Operating income after financial items	-57,221	-49,486	-43,536	-31,789	-37,403
Balance sheet total	71,410	34,717	45,023	58,091	68,639
Average number of employees	13	18	17	17	16
Equity/assets ratio, %	neg	neg	neg	13.6	41.4

The key performance indicators are defined in Note 1.

The company delivered its first orders in 2016.

Share

At an Extraordinary General Meeting on January 12, 2017, a resolution was passed on a 2:1 reverse split.

In March, a new share issue was completed for SEK 117.3 million. As a result, the company gained 13,800,000 new shares and 13,921,312 warrants, which were partially registered with the Swedish Companies Registration Office on March 20, 2017, and fully registered on April 7, 2017. Every fourth warrant is entitled to subscribe to one new share for SEK 10.20 during the period May 1-31, 2018. Both the shares and warrants have been traded on Nasdaq First North Stockholm since March 23, 2017.

On December 31, 2017, share capital amounted to 4,642,865 represented by 23,214,326 shares, each with a quotient value of SEK 0.2. Reported equity amounted to SEK 7.5 million on December 31, 2017, compared to SEK -36.0 million on December 31, 2016.

In January 2018, a preferential rights issue was completed that raised approximately SEK 33 million for the company before issue expenses and approximately SEK 25 million after issue expenses. Following the issue, the company gained 18,974,669 shares and 18,974,669 warrants (TO2).

One (1) warrant (TO2) entitles the holder to the subscription of one (1) new share at SEK 3.50 during the period January 10-31, 2020. As a result of the share issue, the warrants (TO1) from the IPO in March 2017 were recalculated so that each warrant entitles the holder to the subscription of 0.26 shares at a subscription price of SEK 9.87 during the period May 1-31, 2018.

After the share issue, as at February 21, 2018, the share capital amounts to SEK 8,437,799 represented by 42,188,995 shares, each with a quotient value of SEK 0.2.

The share has been listed on Nasdaq First North Stockholm since March 23, 2017, and G&W Fondkommission is the Certified Adviser. The ticker symbol is CHRO, ISIN code: SE0009496268. The warrants' ticker symbols are CHRO TO1, ISIN code SE0009554470 and CHRO TO2, ISIN code: SE0010662395. The company's Legal Entity Identifier (LEI) is 549300ULK252K60BG25.

Ownership

As at December 31, 2017, there were about 2,000 shareholders in ChromoGenics. The largest shareholders in the company are presented in the following table.

SHAREHOLDERS AS PER DECEMBER 31, 2017	NUMBER OF SHARES	HOLDINGS %
K-svets Venture AB	5,112,350	22.0 %
New Energy Solutions II K/S	4,481,468	19.3 %
Nordnet Pensionsförsäkring AB	690,321	3.0 %
Bengt Josefsson Utveckling AB	558,800	2.4 %
Volvo Group Venture Capital	504,467	2.2 %
Försäkringsaktiebolaget, Avanza Pension	388,204	1.7 %
Handelsbanken Liv	361,425	1.6 %
Castab AB	354,555	1.5 %
Danske Bank	300,001	1.3 %
Danske Bank International S.A./CLIENT	300,000	1.3 %
Other	10,162,735	43.8 %
Total	23,214,326	100.0 %

Financial reports

Income Statement

<i>amounts in TSEK</i>	NOTE	2017	2016
Net sales	3	6,857	3,042
Costs of goods and services sold		-29,375	-14,974
Gross operating income		-22,518	-11,932
Selling expenses		-11,033	-5,548
Administrative expenses		-9,506	-6,202
R&D expenses		-14,147	-26,053
Other operating income and expenses	3, 4	194	441
Operating income	5, 6, 7, 8	-57,010	-49,294
Operating income from financial items			
Financial income		0	0
Financial expenses		-211	-193
Total operating income from financial items		-211	-193
Operating income after financial items		-57,221	-49,486
Net income		-57,221	-49,486
Average number of shares, before dilution ¹		18,067,042	6,511,604
Outstanding shares, after dilution ¹		18,067,042	6,511,604
Outstanding options ¹	5	13,936,932	15,621
Earnings per share, basic, SEK ¹		-3.17	-7.60

¹ Adjusted after a 2:1 reverse split registered in January 2017. A new share issue was conducted in Q1 2017, which brought 13,800,000 new shares and 13,921,312 warrants to the company, of which 12,677,040 shares and warrants were registered with the Swedish Companies Registration Office on March 20, 2017, and 1,122,960 shares and 1,244,272 options were registered with the Swedish Companies Registration Office on April 7, 2017.

Statement of Financial Position

<i>amounts in TSEK</i>	NOTE	12/31/2017	12/31/2016
Assets			
Non-current Assets			
Intangible assets			
Patents and similar rights	9	3,696	3,950
Capitalized development expenditure	9	6,365	9,149
		10,061	13,099
<u>Property, plant and equipment</u>			
Improvement work on third party property	10	3,146	4,332
Machinery and other plant and machinery	10	4,412	6,029
Equipment, tools, fixtures and fittings	10	286	292
Constructions in progress and advances regarding property, plant and equipment	10	981	0
		8,825	10,653
Total fixed assets		18,886	23,752
Current assets			
<u>Inventory, etc.</u>			
Work in progress		6,124	0
<u>Current receivables</u>			
Trade receivables		1,981	319
Current tax assets		0	308
Other current receivables		3,097	751
Prepaid expenses and accrued income	11	2,860	1,070
		7,938	2,448
Cash and cash equivalents		38,462	8,516
Total current assets		52,524	10,965
Total assets		71,410	34,717

Statement of Financial Position

<i>amounts in TSEK</i>	NOTE	12/31/2017	12/31/2016
Equity and liabilities			
Equity	5, 12		
<u>Restricted equity</u>			
Share capital		4,643	1,883
Fund, development expenses		298	298
		4,941	2,181
<u>Non-restricted equity</u>			
Share premium reserve		321,582	223,620
Accumulated net income		-261,810	-212,324
Net income		-57,221	-49,486
		2,551	-38,190
Total equity		7,492	-36,009
Non-current liabilities			
Non-current interest-bearing liabilities	13	49,327	49,670
Total non-current liabilities		49,327	49,670
Current liabilities			
Trade payable		7,427	2,076
Tax liabilities		105	0
Liabilities to shareholders	15	0	14,000
Other current liabilities		1,097	363
Accrued expenses and deferred income	14	5,962	4,617
Total current liabilities		14,591	21,056
Total equity and liabilities		71,410	34,717

Statement of Changes in Equity

<i>amounts in TSEK</i>	SHARE CAPITAL	FUND, DEVELOPMENT EXPENSES	SHARE PREMIUM RESERVE	ACCUMULATED PROFIT/LOSS AND PROFIT/LOSS FOR THE YEAR	TOTAL EQUITY
Equity 12/31/2015	26,515	0	200,535	-237,559	-10,509
Reduction of share capital	-25,533	-	-	25,533	-
New share issues	900	-	23,120	-	24,020
Refund of de-registered warrants	-	-	-35	-	-35
Fund, development expenses	-	298	-	-298	-
Net income for the year	-	-	-	-49,485	-49,485
Equity 12/31/2016	1,882	298	223,620	-261,809	-36,009
New share issues	2,761	-	114,839	-	117,600
New share issues fees	-	-	-16,877	-	-16,877
Net income for the year	-	-	-	-57,221	-57,221
Equity 12/31/2017	4,643	298	321,582	-319,031	7,492

Statement of Cash Flows

amounts in TSEK

	2017	2016
Operating activities		
Operating income	-57,010	-49,293
Financial income and expenses	-211	-193
Depreciation/amortization and impairment	6,178	7,300
Capitalization of R&D expenditure	0	0
Cash flow from operating activities before changes in working capital	-51,043	-42,186
Increase/decrease inventories	-6,123	1,146
Increase/decrease trade receivables	-1,662	-319
Increase/decrease other current receivables	-3,828	260
Increase/decrease trade payables	5,351	424
Increase/decrease other current liabilities	1,841	768
Cash flow from operating activities	-55,464	-39,906
Investing activities		
Acquisition of intangible assets	0	-313
Acquisition of property, plant and equipment	-1,313	-166
Sale of property, plant and equipment	0	0
Cash flow from investing activities	-1,313	-480
Financing activities		
New share issue	77,723	24,022
Borrowings	9,000	14,000
Refund of de-registered warrants	0	-35
Cash flow from financing activities	86,723	37,987
Cash flow for the year	29,946	-2,399
Cash and cash equivalents at the start of the year	8,516	10,915
Cash and cash equivalents at the end of the year	38,462	8,516

Notes

NOTE 1 ACCOUNTING PRINCIPLES

ChromoGenics has prepared its annual accounts in accordance with the Swedish Annual Accounts Act and the general guidelines of the Swedish Accounting Standards Board set out in BFNAR 2012:1, Annual Accounts and Consolidated Accounts (K3).

The accounting principles have not changed compared to the previous year.

The income statement is classified by function.

Foreign currencies

Assets and liabilities in foreign currency are measured at the exchange rate on the balance sheet date. Transactions in foreign currency are translated in accordance with the spot price on the transaction date.

Equity ratio

Equity ratio is calculated as equity / balance sheet total.

Income

The sale of goods is reported when products are delivered to the customer in accordance with the terms and conditions of the sale. The sale is reported net after VAT, discounts and exchange rate differences following sales in foreign currency.

Interest income earned is recognized as revenue in accordance with effective yield.

Borrowing costs

The company reports all borrowing costs as costs in the period to which they refer.

Income tax

Reported income tax includes tax that must be paid or received for the current year, adjustments for the current tax from previous years and the share in the tax of associated companies.

Tax liabilities/assets are measured at what in the assessment of the company will be paid to or received from the Swedish Tax Agency. This assessment is based on the tax rules and tax rates that have been decided or announced and with considerable assurance will be decided.

For items reported in the income statement, related tax effects are also reported in the income statement. Tax effects of items that are reported directly to equity are reported to equity.

Given that the company historically has not reported a taxable surplus and that there is some uncertainty that arises in the presence of a taxable surplus, no deferred tax asset attributable to the deficit deductions in the income statements and balance sheet will be reported.

The total unutilized deficit amounts to SEK 386 269 thousand (327 498 thousand).

Intangible assets

Research & Development

Research expenditure is expensed immediately. Expenditure for development projects (attributable to construction and tests of new or improved products) is capitalized in the company as intangible assets to the extent that this expenditure is expected to generate future economic benefits. Other development expenditure is expensed as it is incurred. Development expenditure that was previously expensed is not capitalized as an asset in later periods.

Developmental expenditure that has been capitalized is amortized on a straight-line basis over the period that the expected benefits are expected to flow to the company and from the date on which commercial production began. The amortization period is five years.

Patents and similar rights

Expenditure for acquired patents is capitalized and amortized on a straight-line basis over the contractual useful life, which is estimated at 20 years.

Property, plant and equipment

Property, plant and equipment is reported at cost less depreciation. Expenditure for improvements to the performance of assets in excess of their original level raises the asset's carrying amount. Expenditure for reparation and maintenance is reported as cost. Some borrowing costs are capitalized, see the section on borrowing costs.

The company reports all borrowing costs as costs in the period in which they are incurred.

Property, plant and equipment are depreciated systematically over the estimated useful life of the asset. When the assets' depreciable amount is determined, the asset's residual value is taken into consideration where relevant. The depreciation expense is allocated by function based on usage.

Straight-line depreciation is used for all types of fixed assets. The following depreciation schedules are applied:

Improvement work on a third party property	5 years	Length of rental contract
Machinery and other plant and machinery	5 years	
Equipment, tools, fixtures and fittings	5 years	

Impairment losses

When there is an indication that an asset or group of assets has depreciated in value, they are tested for their carrying amount. In the event the carrying amount exceeds the estimated recoverable value, the carrying amount is immediately written down to the recoverable amount.

State subsidies

State subsidies are reported at fair value when there is reasonable assurance that the subsidy will be paid and that the company will meet all related terms and conditions.

State subsidies attributable to expected costs are reported as deferred income. The subsidy is recognized as revenue in the period in which the costs that the state subsidy is intended to offset are incurred.

State subsidy for the acquisition of property, plant and equipment reduces the asset's carrying amount.

Leasing contract

All leases, regardless of whether they are finance or operating leases, are reported as rental contracts (operating leases). The leasing fee is expensed on a straight-line basis over the term of the lease.

Financial non-current assets

Financial assets that are intended for long-term holding are reported at cost. If a financial non-current asset has a lower amount on the balance sheet date than the carrying amount, the asset is written down to the lower amount if it can be assumed that the fall in value is permanent.

Financial instruments

Financial instruments reported in the balance sheet include securities, other financial receivables, accounts receivable, accounts payable, leasing liabilities and loans.

Trade receivables

Trade receivables are reported as current assets at the amount that is expected to be paid following deductions for individually assessed bad debts.

Securities and financial receivables

Securities and financial receivables acquired with the intent to be held in the long term are reported initially at fair value and thereafter at amortized cost less any reserves for impairment.

Securities acquired with the intent to be held in the short term are reported at the lower of cost and market value.

All transactions with securities are reported on the day of settlement.

Borrowings

Borrowings are reported initially at the amount received after deductions for transaction expenses. If the carrying amount differs from the amount that shall be repaid on the maturity date, the difference is allocated as interest expense or income over the term of the loan. In this way, at the date of maturity, the carrying amount will agree with the amount that must be repaid.

The termination of the reporting of financial liabilities occurs first when the liabilities have been settled through repayment or after the liabilities have been waived.

All transactions are reported on the day of settlement.

Transaction exposure

Trade receivables and trade payable in foreign currency are measured at the price on the balance sheet date.

Inventories

For work-in-progress and finished products, cost includes raw materials and direct wages. The lower of net realizable value and cost is applied.

Remuneration to employees**Pension commitments**

The company only has defined-contribution pension plans.

As part of these plans, the company pays set fees to a separate legal entity and has no obligation to pay additional fees. The company's earnings are burdened by costs as the benefits are earned.

NOTE 2 ESTIMATES AND ASSESSMENTS

ChromoGenics makes accounting estimates and assessments about the future. By definition, these estimates for accounting purposes seldom correspond to the actual outcome. In December, a provision of SEK 2.3 million was made relating to replacement deliveries to a couple of the company's first commercial projects. Otherwise, none of the accounting estimates entail a significant risk of material adjustments to carrying amounts for assets and liabilities over the coming year.

NOTE 3	DISTRIBUTION OF REVENUE	2017	2016
<i>amounts in TSEK</i>			
Net sales include revenue from:			
	Goods	6,856	3,042
Total		6,856	3,042
Other operating income and expenses include income and expenses from:			
	Exchange differences	117	61
	Other incidental revenue	109	0
	Sold machinery and equipment	-129	0
	Insurance compensation	97	381
Total		194	441

NOTE 4	EXCHANGE DIFFERENCES	2017	2016
	<i>amounts in TSEK</i>		
	Other operating income includes exchange differences for current receivables, current liabilities and investments in accordance with the following:		
	Exchange differences that are operational in nature:		
	Exchange gains	311	117
	Exchange losses	-194	-56
	Total	117	61

NOTE 5	WARRANT PROGRAMS							
ALLOCATION DATE	MATURITY DATE	TOTAL NUMBER OF WARRANTS	PURCHASE PRICE, SEK	REDEMPTION PRICE, SEK	OPENING BALANCE NUMBER OF WARRANTS 1/1/2017	REDEEMED	PAST DUE	CLOSING BALANCE NUMBER OF WARRANTS 12/31/2017
2/16/2015	12/31/2019	7,657	0.00	5.40	7,657	0	0	7,657
7/23/2015	6/30/2020	7,963	0.00	5.40	7,963	0	0	7,963
Total					15,620	0	0	15,620

All warrants have been adjusted after a 2:1 reverse split registered in January 2017.

Both warrant programs are part of a unit issue with the right to subscribe to one share and one warrant that targets key persons within the company and some owners.

ALLOCATION DATE	MATURITY DATE	TOTAL NUMBER OF WARRANTS	PURCHASE PRICE, SEK	REDEMPTION PRICE, SEK	OPENING BALANCE NUMBER OF WARRANTS 1/1/2017	REDEEMED	PAST DUE	CLOSING BALANCE NUMBER OF WARRANTS 12/31/2017
3/2/2017 ¹	5/31/2018	13,921,312	0.00	10.20	0	0	0	13,921,312
Total as at 12/31/2017					0	0	0	13,921,312

¹ Warrants were issued in combination with the new share issue that was completed during the first quarter in combination with the listing on Nasdaq First North. 12,677,040 warrants were registered at Bolagsverket March 20, 2017 and 1,244,272 warrants were finally registered at Bolagsverket on April 7, 2017. Possession of four (4) TO1 entitles the holder to subscribe for one (1) new share in ChromoGenics at the rate of SEK 10.20 during the period 1 to 31 May, 2018. The warrants are traded at Nasdaq First North Stockholm since March 23, 2017. As a result of the rights issue performed in January 2018, the warrants (TO1) has been recalculated so that each warrant entitles to subscription of 0,26 shares at a redemption price of 9,87 SEK during the period May 1-31, 2018.

ALLOCATION DATE	DATE OF EXERCISE	TOTAL NUMBER OF WARRANTS	PURCHASE PRICE, SEK	REDEMPTION PRICE, SEK	OPENING BALANCE NUMBER OF WARRANTS 1/1/2018	REDEEMED	PAST DUE	CLOSING BALANCE NUMBER OF WARRANTS 02/21/2018
2/3/2017	5/31/2018	13,921,312	0.00	9.87	13,921,312	0	0	13,921,312
1/26/2018 ²	1/31/2020	18,974,669	0.00	3.50	0	0	0	18,974,669
Total as at 2/21/2018					13,921,312	0	0	32,895,981

² Warrants were issued in combination with a rights issue performed during January 2018. 18,974,669 warrants (TO2) were registered at the Swedish Companies Registration Office on February 21, 2018. One (1) warrant (TO2) entitles to subscription of one (1) new share to the price of 3,50 SEK during the period January 10-31, 2020.

NOTE 6	DEPRECIATION/AMORTIZATION	2017	2016
<i>amounts in TSEK</i>			
Depreciation/amortization of property, plant and equipment and intangible non-current assets		-6,178	-6,336
Impairment of property, plant and equipment and intangible non-current assets		0	-964
		-6,178	-7,300

NOTE 7	OPERATING LEASE EXPENSES	2017	2016
<i>amounts in TSEK</i>			
The nominal value of the future minimum leasing fees attributable to non-terminable leases are distributed as follows:			
Falls due for payment within one year		3,012	2,724
Falls due for payment between 1 and 5 years		4,805	7,265
		7,817	9,989
Lease expenses and lease income for operating leases amount during the year to the following:			
Lease expenses		2,324	2,179

An operating lease for the use of premises in the Librobäck 19:2 property was signed on 7/1/2015 and runs until 6/30/2020, and an agreement to expand the premises was signed on 12/15/2017 and runs until 12/14/2020. If the contracts are not terminated during the term of the agreement, the agreement is extended each time by three years. The size of the future lease fees for the rented premises are influenced by the developments on the consumer price index.

NOTE 8 EMPLOYEES AND PERSONNEL COSTS

2017	BASIC SALARY/ BOARD FEES	VARIABLE REMUNERATION	OTHER BENEFITS	PENSION EXPENSES	OTHER REMUNERATION	TOTAL
<i>amounts in TSEK</i>						
Chairperson of the Board of Directors, Anders Brännström ¹	133					133
Board Member, Claes-Göran Granqvist					180	180
Board Member, Jerker Lundgren, Mari Broman, Peter Gustafson ¹	250				107	357
CEO, Thomas Almesjö	1,805	180		444		2,429
Other senior management	4,217	205	92	790		5,304
Other employees	5,202	156		400		5,758
Total	11,607	541	92	1,634	287	14,161
Social security expenses in accordance with laws and agreements						3,964
Total						18,125

¹ Board members are entitled to invoice via companies or sole-proprietorships with additional social security contributions. Regardless of the method, it is cost-neutral for the company.

The 2017 Annual General Meeting resolved to pay fees of SEK 100,000 for regular members and SEK 150,000 for the Chairperson of the Board of Directors, on the condition that the persons are not:

1. Employed by the company, **2.** Founders or principal owners in the company, **3.** Appointed by or related parties to founders or principal owners in the company.

2016	BASIC SALARY/ BOARD FEES	VARIABLE REMUNERATION	OTHER BENEFITS	PENSION EXPENSES	OTHER REMUNERATION	TOTAL
<i>amounts in TSEK</i>						
Chairperson of the Board of Directors, Anders Brännström ¹	116					116
Board Member, Claes-Göran Granqvist					180	180
CEO, Thomas Almesjö	1,646			392		2,038
Other senior management ²	3,480		91	565		4,136
Other employees	7,028			556		7,584
Total	12,303		91	1,513	180	14,054
Social security expenses in accordance with laws and agreements						4,177
Total						18,231

¹ Board members are entitled to invoice via companies or sole-proprietorships with additional social security contributions. Regardless of the method, it is cost-neutral for the company.

² A new management group was appointed in November 2016.

The 2016 Annual General Meeting resolved to pay fees of SEK 50,000 for regular members and SEK 100,000 for the Chairperson of the Board of Directors, on the condition that the persons are not:

1. Employed by the company, **2.** Founders or principal owners in the company, **3.** Appointed by or related parties to founders or principal owners in the company.

NOTE 8 **CONT'D. EMPLOYEES AND PERSONNEL COSTS**

BOARD MEMBERS AND SENIOR MANAGEMENT	2017	2016
Number of Board members on the balance sheet date		
Men	5	4
Women	1	0
Total	6	4
Number of CEOs and other senior management on the balance sheet date		
Men	4	5
Women	2	1
Total	6	6

In November 2016, the management team changed as two persons left and one person joined.

In November 2017, the management team changed as one person joined. At the end of the year, the management team consisted of four men and two women. They are presented on page 49.

AVERAGE NUMBER OF EMPLOYEES	2017	2016
Men	9	13
Women	4	5
Total	13	18

NOTE 9 INTANGIBLE FIXED ASSETS

amounts in TSEK

	PATENTS AND SIMILAR RIGHTS	CAPITALIZED DEVELOPMENT EXPENSES	TOTAL INTANGIBLE NON-CURRENT ASSETS
As per January 1, 2016			
Cost or remeasured amount	5,564	14,885	20,449
Accumulated depreciation/amortization	-1,634	-1,987	-3,621
Accumulated impairment	0	0	0
Carrying amount	3,930	12,898	16,828
2016 Financial Year			
Opening carrying amount	3,930	12,898	16,828
Acquisitions	313	0	313
Depreciation/amortization	-293	-2,784	-3,077
Impairment losses	0	-964	-964
Closing carrying amount	3,950	9,149	13,099
As per December 31, 2016			
Cost or remeasured amount	5,877	14,885	20,762
Accumulated depreciation/amortization	-1,927	-4,771	-6,698
Accumulated impairment	0	-964	-964
Carrying amount	3,950	9,149	13,099
2017 Financial Year			
Opening carrying amount	3,950	9,149	13,099
Acquisitions	41	0	41
Depreciation/amortization	-295	-2,785	-3,080
Impairment losses	0	0	0
Closing carrying amount	3,696	6,365	10,061
As per December 31, 2017			
Cost or remeasured amount	5,918	14,885	20,803
Accumulated depreciation/amortization	-2,222	-7,556	-9,778
Accumulated impairment	0	-964	-964
Carrying amount	3,696	6,365	10,061

NOTE 10 **PROPERTY, PLANT AND EQUIPMENT**

	IMPROVEMENT WORK ON THIRD PARTY PROPERTY	MACHINERY AND OTHER PLANT AND MACHINERY	EQUIPMENT, TOOLS, FIXTURES AND FITTINGS	CONSTRUCTIONS IN PROGRESS AND ADVANCES REGARDING PROPERTY, PLANT AND EQUIPMENT	TOTAL PROPERTY, PLANT AND EQUIPMENT
<i>amounts in TSEK</i>					
As per January 1, 2016					
Cost or remeasured amount	7,922	33,500	1,073	0	42,495
Accumulated depreciation/amortization	-2,372	-24,820	-738	0	-27,930
Accumulated impairment	-70	-748	0	0	-818
Carrying amount	5,480	7,932	335	0	13,747
2016 Financial Year					
Opening carrying amount	5,480	7,932	335	0	13,747
Acquisitions	37	51	77	0	165
Depreciation/amortization	-1,185	-1,953	-121	0	-3,259
Impairment losses	0	0	0	0	0
Closing carrying amount	4,332	6,029	292	0	10,653
As per December 31, 2016					
Cost or remeasured amount	7,959	33,551	1,150	0	42,660
Accumulated depreciation/amortization	-3,557	-26,773	-859	0	-31,189
Accumulated impairment	-70	-748	0	0	-818
Carrying amount	4,332	6,029	292	0	10,653
2017 Financial Year					
Opening carrying amount	4,332	6,029	292	0	10,653
Acquisitions	0	187	94	981	1,262
Depreciation/amortization	-1,186	-1,805	-99	0	-3,090
Impairment losses	0	0	0	0	0
Closing carrying amount	3,146	4,412	286	981	8,825
As per December 31, 2017					
Cost or remeasured amount	7,959	33,738	1,244	981	43,922
Accumulated depreciation/amortization	-4,743	-28,578	-958	0	-34,279
Accumulated impairment	-70	-748	0	0	-818
Carrying amount	3,146	4,412	286	981	8,825

NOTE 11	PREPAID EXPENSES AND ACCRUED INCOME	12/31/2017	12/31/2016
<i>amounts in TSEK</i>			
Prepaid rent		666	655
Prepaid insurance premiums		263	213
Prepaid issue expenses		1,661	0
Other items		270	202
		2,860	1,070

NOTE 12	SHARE CAPITAL							
YEAR	EVENT	NUMBER OF SHARES	TOTAL NUMBER OF SHARES	NOMINAL VALUE SEK	SHARE CAPITAL SEK	SHARE PREMIUM RESERVE	STATU- TORY RESERVE	RECORD DATE
2016	New share issue	3,703,704	13,524,182	0.1	1,352,418	9,629,631		6/10/2016
2016	New share issue	1,400,397	14,924,579	0.1	1,492,458	3,641,032		6/15/2016
2016	New share issue	2,921,472	17,846,051	0.1	1,784,605	7,595,827		11/16/2016
2016	Exercising of warrants	982,602	18,828,653	0.1	1,882,865	2,554,765		11/17/2016
2017	2:1 reverse split	-9,414,327	9,414,326	0.2	1,882,865			1/20/2017
2017	New share issue	12,677,040	22,091,366	0.2	4,418,273	105,219,432		3/20/2017
2017	New share issue	1,122,960	23,214,326	0.2	4,642,865	9,320,568		4/7/2017
Total 12/31/2017			23,214,326	0.2	4,642,865	321,582,773		
2018	Preferential rights issue	18,974,669	42,188,995	0.2	8,437,799	29,410,737		2/21/2018
Total 2/21/2018			42,188,995	0.2	8,437,799	350,993,510		

Share development during the year

On January 20, 2017, a 2:1 reverse split was registered following a resolution by an extraordinary general meeting on January 12, 2017. As of January 31, 2017, the total amount of outstanding shares amounted to 9,414,326, corresponding to share capital of 1,882,865:30 SEK with a nominal value of 0,2 SEK.

In February 2017, ahead of a public announcement of a Prospectus, a decision was taken on a new share issue of total 13,800,000 shares and 13,921,312 warrants. The main owners prepaid their subscriptions of shares in December 2016 of a total of 9 MSEK and in January 2017 of a total of 9 MSEK. The new share issue was registered, only by a part, at Bolagsverket on March 20, 2017 and finally registered at Bolagsverket on April 7, 2017. As per September 30, 2017, the total number of share was 23,214,326 equivalent to a share capital of 4,642,865 SEK with a nominal value of 0,2 SEK.

In July 2016, a loan was raised totaling SEK 5 million from K-svets Venture AB at an interest rate of 5%. The loan was off-set against shares at the issue of new shares that was completed at the beginning of March 2017.

In January 2018, a rights issue was performed on a 1-1 basis to a unit price of 1,75 SEK/unit. The rights issue brought 18,974,669 new shares to the company. The rights issue was registered on February 21, 2018. After registration, total amount of outstanding shares amounted to 42,188,995 equivalent to a share capital of 8,437,799 SEK with a nominal value of 0,2 SEK.

NOTE 13	INTEREST-BEARING LIABILITIES	12/31/2017	12/31/2016
<i>amounts in TSEK</i>			
Non-current liabilities			
IUC Södertälje i Mälardalen AB ¹		120	120
Swedish Energy Agency ²		800	800
Swedish Energy Agency ³		48,407	48,750
Total non-current interest-bearing liabilities		49,327	49,670
Current liabilities			
Swedish Energy Agency ³		343	0
Total current interest-bearing liabilities		343	0

Maturities

All non-current liabilities have a conditional repayment obligation.

¹ Loan with conditional repayment obligation. The repayment occurs in the form of royalties as 5 % of the capital received from the sale of business resulting from the development project less VAT, any commission and shipping costs. The maximum repayment amount is calculated as the loan at a rate of 1.5 % plus the Riksbank's reference rate per year over ten years calculated from the first payment.

² Loan with conditional repayment obligation. Repayment occurs at 4 % of the net invoiced amount upon proprietary manufacture and/or sale of goods and/or services that according to the Swedish Energy Agency are attributable to the project and its results. If revenue refers to license compensation, amortization of 10 % shall apply to resulting compensation. The loan is interest-free until the final report is approved, at which time it is then subject to a rate of 6 % plus the Riksbank's reference rate. Interest is paid in arrears every sixth month starting six months after the date the final report is approved.

³ Loan with conditional repayment obligation. Repayment occurs at 5 % of the net invoiced amount upon proprietary manufacture and/or sale of goods or services (including rentals), which in the opinion of the Swedish Energy Agency is attributable to the ConverLight® project and its results. Net invoiced amount refers to the invoiced amount excluding customs, VAT, shipping costs, etc. If revenue refers to license compensation, amortization of 35 % shall apply to resulting compensation. The amortization obligation arises first when net invoicing or licensing compensation arises that is attributable to the project. Amortization shall then occur annually on the last day of the ninth month after the end of the financial year, starting the year after the financial year during which the amortization obligation arose. The loan is interest-free until the amortization of the loan has begun. The loan is then subject to a rate of 6 % plus the Riksbank's reference rate. Interest is paid in arrears every third month starting three months after the amortization of the loan has begun.

The conditional loan may be eliminated given the preparation of a balance sheet for liquidation purposes according to the lending agreement and the rules in the Companies Act (25:14).

NOTE 14	ACCRUED EXPENSES AND DEFERRED INCOME	12/31/2017	12/31/2016
<i>amounts in TSEK</i>			
Accrued salaries		853	742
Accrued pensions		0	81
Accrued vacation pay		812	797
Accrued social security expenses		494	779
Accrued special employer's contribution		0	353
Accrued expenses for redeliveries		2,305	0
Other items		1,498	1,866
Total		5,962	4,617

NOTE 15	PLEDGED ASSETS AND CONTINGENT LIABILITIES	12/31/2017	12/31/2016
<i>amounts in TSEK</i>			
Floating charges ¹		0	5,000
Blocked bank funds ²		50	0
Total pledged assets		50	5,000

¹ In conjunction with the new share issue in 2017, a loan was converted to shares. At the same time, the floating charges issued to K-Svets Venture AB of SEK 5 million were returned.

² In connection with the IPO in March 2017, bank funds totaling SEK 50,000 were blocked for Euroclear.

NOTE 16 **TRANSACTIONS WITH RELATED PARTIES**

Transactions between the company and the company's primary owners

In July 2016, a loan was raised totaling SEK 5 million from K-Svets Venture AB at an interest rate of 5 %. The loan was converted to shares in the new issue that was completed at the beginning of March 2017.

In December 2016 a bridge financing agreement was concluded to finance the Company until a planned issue of new shares would be concluded ahead of a planned listing at Nasdaq First North. The bridge loans were financed by the main owners K-Svets Venture AB and New Energy Solutions II K/S, by SEK 9,0 million each, of which half paid in December 2016 and the remaining half paid by end of January 2017. The loans were at an interest rate of 5%. The loans and interest were off-set against shares at the issue of new shares that was completed at the beginning of March 2017.

Transactions between the company and members of the Board of Directors

Claes-Göran Granqvist is invoicing the company a consulting fee of SEK 15,000 per month, totaling SEK 180,000 for the period January-December 2017.

Peter Gustafson has invoiced ChromoGenics through his own company for consulting fees of SEK 107,420 for extra consulting services during the financing/issue during the period October-December 2017.

NOTE 17 SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

- ChromoGenics raised approximately SEK 33 million gross in conjunction with the preferential rights issue that was completed in January 2018, and thus has ensured financing for at least 12 months prior to the company's aggressive market expansion. After the issue, the total number of shares and votes amounts to 42,188,995.
- Poul Erik Schou-Pedersen resigned from the Board January 31, 2018, at his own request due to that he enters an operational role as CEO of a Danish company and thus no longer can set aside time.

Signatures

The income statement and balance sheet will be presented to the Annual General Meeting on May 16, 2018 for adoption.

Uppsala March 21, 2018

Anders Brännström
Chairperson of the Board of Directors

Claes-Göran Granqvist

Jerker Lundgren

Mari Broman

Peter Gustafson

Thomas Almesjö
CEO

Our Auditor's Report was submitted on March 21, 2018.
Öhrlings PricewaterhouseCoopers AB

Leonard Daun
Authorized Certified Public Accountant
Auditor-in-charge

Niclas Bergenmo
Authorized Certified Public Accountant



Auditor's Report

To the Annual General Meeting of ChromoGenics AB, CIN 556630-1809

Report on the annual accounts

Statements

We have audited the annual accounts of ChromoGenics AB for the year 2017. The annual accounts of the company are included on pages 19-44 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present, in all material respects, a true and fair view of the position of the company as of December 31, 2017 and its financial performance and cash flow for the year in accordance with the Annual Accounts Act. The Administration Report is consistent with the other parts of the annual accounts.

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

Basis for the statements

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility under these standards are described in more detail in the section, Auditor's Responsibility. We are independent of ChromoGenics AB in accordance with generally accepted auditing standards in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Information other than the annual accounts

This document also contains information other than the annual accounts and can be found on pages 1-18. The Board of Directors and the CEO are responsible for this information.

Our statement regarding the annual accounts does not include this information and we make no statement confirming this information.

In connection with our audit of the annual accounts, it is our responsibility to read the information identified above and consider if the information to a material extent is inconsistent with the annual accounts. In this review we also take into account the information we collected otherwise during the audit and assess if the information otherwise appears to contain material misstatements.

If we draw the conclusion based on the work we have done regarding this information that the information contains a material misstatement, we are obliged to report it. We have nothing to report in this respect.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and that they provide a true and fair view according to the Annual Accounts Act. The Board and CEO are also responsible for the internal control that they consider to be necessary to prepare annual accounts that do not contain any material misstatement, whether due to error or fraud.

In preparing the annual accounts, the Board and CEO are responsible for the assessment of the company's ability to continue as a going concern. They disclose, when appropriate, matters that may affect the going concern and use the going concern assumption. However, the going concern assumption is not applied if the Board and CEO intend to liquidate the company, cease operations or have no realistic alternative than to do so.

Auditor's responsibility

Our goal is to achieve a reasonable degree of certainty whether or not the annual accounts as a whole contain any material misstatements, whether due to error or fraud, and to provide an audit report that contains our statements. Reasonable certainty is a high degree of certainty but is no guarantee that an audit done according to ISA and generally accepted auditing standards in Sweden will always discover a material misstatement if such exists. Misstatements can arise due to fraud or error and are considered to be material if they individually or together can reasonably be expected to affect financial decisions that users make based on the annual report.

Further description of our responsibility for the audit of the annual report is available at the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the Auditor's Report.

Report on other legal and regulatory requirements

Statements

In addition to our audit of the annual accounts, we have also reviewed the Board's and the CEO's management of ChromoGenics AB for 2017 and the proposed appropriation of the company's profit or loss.

We recommend to the general meeting of shareholders that the loss be allocated in accordance with the proposal in the Administration Report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Basis for the statements

We have conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibility according to these standards is described in more detail in the section, Auditor's Responsibility. We are independent of ChromoGenics AB in accordance with generally accepted auditing standards in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal on the appropriation of the company's profit or loss. In the event of a proposed dividend, this includes an assessment of whether the dividend is justifiable considering the requirements set by the company's nature of operations, scope and risks on the size of the company's equity, and considering the company's consolidation requirements, liquidity and position otherwise.

The Board is responsible for the company's organization and the management of its affairs. This includes continuously assessing the company's financial situation and ensuring that the company's organization is structured so that accounting, asset management and the company's financial affairs otherwise are controlled in a satisfactory manner. The CEO shall take care of the operating management according to the Board's guidelines and instructions and take the actions necessary for the company's bookkeeping to be performed in accordance with law and for asset management to be managed in a satisfactory manner.

Auditor's responsibility

Our responsibility regarding the audit of the management, and thereby our statement regarding discharge from liability, is to collect audit evidence to be able to assess with a reasonable degree of certainty if any Board member or the CEO in any material respect:

- took any action or committed any negligence that may lead to a liability to pay damages to the company,
- in any other way acted counter to the Swedish Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective regarding the audit of the proposed appropriation of the company's profit or loss, and thereby our statement regarding this, is to assess with a reasonable degree of certainty if the proposal is consistent with the Swedish Companies Act.

Reasonable certainty is a high degree of certainty, but no guarantee that an audit done in accordance with generally accepted auditing practices in Sweden will always discover actions or negligence that can lead to a liability to pay damages to the company, or that a proposed appropriation of the company's profit or loss is not consistent with the Swedish Companies Act.

Further description of our responsibility for the audit of the management is available at the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the Auditor's Report.

Uppsala, March 21, 2018

Leonard Daun
Authorized Certified
Public Accountant
Auditor-in-charge

Niclas Bergenmo
Authorized Certified
Public Accountant

Board of Directors



Anders Brännström

Ph.D. (Born 1945)

Chair of the Board since 2010

EDUCATION: Ph. D from Chalmers University of Technology. Master's of Science in Economics from Gothenburg University. **PREVIOUS ASSIGNMENTS:** CEO of Volvo Technology Transfer AB, senior management positions at SKF AB, CEO for start-up companies. CEO Götaverken

Energy AB, etc. **OTHER ASSIGNMENTS:** Chairman of the Board of Icomera AB, Micvac AB, Kvarnstrands Verktyg AB, Zeropoint Technologies AB, Luxbright AB, Revibe AB, Volvos Forsknings- och Utbildningsstiftelser and Board member of Blue Mobile Systems AB and USC AB. **NUMBER OF SHARES:** 277,573 (own and via the company Ergonor AB).



Peter Gustafson

(Born 1960)

Board member since May 2017

EDUCATION: B.Sc. Business Administration and Economics, Lund University, Management Education in Business and Administration, Harvard University, Officer in the Reserve, The Swedish Infantry Officer's School. **PREVIOUS ASSIGNMENTS:** Partner, Ice Capital

Securities AB, Director and Head of Real Estate Corporate Finance Nordic Region, HSH Nordbank AG, Partner Deloitte, Partner Arthur Andersen, Head of Business Development Nordic Countries, Catella AB, Chairman of the Board and Board member MSC Group AB, Board member Kungsleden AB. **OTHER ASSIGNMENTS:** Managing Director Green Capital Partners AB, Senior Advisor Evli Bank. **NUMBER OF SHARES:** 0.



Mari Broman

(Born 1951)

Board member since May 2017

EDUCATION: MSc Urban Planning, University of Gothenburg. **PREVIOUS ASSIGNMENTS:** Vice President Riksborgen, Deputy Mayor City of Gothenburg. Chair of the Board of Chalmersfastigheter, etc. 30+ years of experience from senior management

positions and as chair or board member in the urban development sector. **OTHER ASSIGNMENTS:** Chair of the Board of Marginalen Bank, IQ Samhällsbyggnad and Sharing Capabilities. Board member of Serneke Group AB, Forserum Safety Glass AB. Chair of Program Board "Energy, IT and Design". **NUMBER OF SHARES:** 0.



Claes-Göran Granqvist

Prof. Em. (Born 1946)

Board member since February 2003

EDUCATION: Ph. D and Dr. h.c. **PREVIOUS ASSIGNMENTS:** Professor of Solid State Physics at Uppsala University and one of the founders of ChromoGenics. 30+ years of experience including more than 550 scientific articles, and numerous books. World-leading position in research

on electrochromism. **OTHER ASSIGNMENTS:** Senior Professor of Solid State Physics at Uppsala University. Member of the Royal Swedish Academy of Science and the Royal Swedish Academy of Engineering Sciences. Fellow of the international Society of Optical Engineering, member of several learned societies, and recipient of prizes and distinctions. **NUMBER OF SHARES:** 9,019.



Jerker Lundgren

(Born 1964)

Board member since June 2016 previously board member Jun 2010 to Jun 2015)

EDUCATION: M.Sc. Civil engineering, construction, Lund Institute of Technology. **PREVIOUS ASSIGNMENTS:** 20+ years of experience within the construction and glass industry, including project

management. Founder and CEO of Skandinaviska Glassystem AB since 1994. **OTHER ASSIGNMENTS:** MD, Hancap Façade and CEO of Hancap's subsidiary Skandinaviska Glassystem AB. **NUMBER OF SHARES:** 27,000 via the company, Kreativ AB.



Poul Erik Schou-Pedersen

(Born 1953)

Board member since May 2008. Resigned at his own request January 31, 2018.

EDUCATION: MSc AE Danish Technical University, Copenhagen. **PREVIOUS ASSIGNMENTS:** 20+ years of experience as CEO of international growth-companies in the electronics industry. Served as

a chairman or board member of more than 30 technology and sales companies in Europe and USA. **OTHER ASSIGNMENTS:** Board member GPV International A/S, Baumer A/S, GreenOil ApS, NES II K/S, NES GP A/S, Atraverda Inc., Ebonex Ltd., Advisor to the Danish State Growth-Fund. **NUMBER OF SHARES:** 27 485 and via New Energy Solutions II K/S 4 481 468.

Management



Thomas Almesjö

(Born 1958)

CEO since February 2009

EDUCATION: Bachelor of Business Administration. **PREVIOUS ASSIGNMENTS:** CEO of Aerocrine, 20+ years experience in international management positions in large corporations, e.g. Pfizer (Pharmacia) and Chiron. Considerable experience in commercializing novel technologies. **NUMBER OF SHARES:** 103,751.



Peter Lundh

(Born 1965)

Head of Sales since October 2015

EDUCATION: Degree in Marketing management & economics DIHM. **PREVIOUS ASSIGNMENTS:** 20+ years of experience in Sales & Marketing and Business development, of which past 10 years from large multinational leading corporations within the building and

glass industry, Saint-Gobain and Sapa Building Systems. **NUMBER OF SHARES:** 3,704.



Micael Hamberg

(Born 1962)

COO since November 2016

EDUCATION: M.Sc. Physics, MBA international business. **PREVIOUS ASSIGNMENTS:** CEO of Protender AB, 20+ years of experience of management positions in international high-tech corporations mainly within Operations, e.g. Banqit AB, Medtronic Inc., Advanced

Medical Optics, Munters AB, XCounter AB. **NUMBER OF SHARES:** 50,000 via the company Hambiz AB and 20,000 own.



Susanne Andersson

(Born 1971)

CFO & Head of Communication since March 2016

EDUCATION: Bachelor of Business Administration. **PREVIOUS ASSIGNMENTS:** VP Head of IR PostNord, CFO Nordic Mines and 15+ years of international experience of various finance and management roles within Ericsson and the telecom industry. **NUMBER OF SHARES:** 24,519.



Greger Gregard

(Born 1974)

Co-founder & CTO since February 2003

EDUCATION: M.Sc., Master Thesis on electrochromics. **PREVIOUS ASSIGNMENTS:** Dept. of Solid State Physics of Ångström Laboratory at Uppsala University, where he founded ChromoGenics together with five other researchers. Since 2005 he has

been working mainly with material and product development and IP at ChromoGenics. **NUMBER OF SHARES:** 19,576.



Åsa Stroöfe

(Born 1968)

CMO since November 2017

EDUCATION: B.Sc. in Physiological Science, Master Classes in Marketing Management & Global Marketing. **PREVIOUS ASSIGNMENTS:** More than 20 years of international experience in various strategic and tactical marketing positions. Prior to joining ChromoGenics,

Åsa worked at companies such as Thermo Fisher Scientific, Agilent Technologies, Aerocrine, Siemens and Medtronic. **NUMBER OF SHARES:** 0.



ChromoGenics

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ChromoGenics AB

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