

Scandinavian Micro Biodevices ApS

Gammelgårdsvej 87C

3520 Farum

CVR no. 10 01 92 65

Annual report for the period 1 January to 31 December 2015

The annual report was presented and
adopted at the annual general meeting of
the Company on 2 February 2016

Jarne Elleman
Chairman

Contents

	Page
Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	
Company details	5
Management's review	6
Financial Statements	
Accounting policies	8
Income statement	13
Balance sheet	14
Notes	16

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Scandinavian Micro Biodevices ApS for the financial year 1 January - 31 December 2015.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2015 and of the result of the Company's operations for the financial year 1 January - 31 December 2015.

In our opinion, the Management's review includes a fair review of the development in the Company's operations and financial conditions, the results for the year and the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Farum, 2 February 2016

Executive Board

Niels Kristian Bau-Madsen

Ole Kring

Supervisory Board

Jarne Elleholm
Chairman

Vladimir Esteban Ostoich
Campusano

Søren Peter Hovgaard

John Riis Mortensen

Ole Øhlenschläger Madsen

Independent auditor's report

To the Shareholders of Scandinavian Micro Biodevices ApS

Independent auditor's report on the financial statements

We have audited the financial statements of Scandinavian Micro Biodevices ApS for the financial year 1 January - 31 December 2015. The financial statements comprise accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent auditor's report

Emphasis of matter

Without modifying our opinion, we draw attention to the information given in note 10 about uncertainty regarding recognition and measurement of development projects.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 2 February 2016

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no.: 25 57 81 98

Benny Lyng Sørensen
State Authorised Public Accountant

Management's review

Company details

Company	Scandinavian Micro Biodevices ApS Gammelgårdsvej 87C 3520 Farum Denmark
	Telephone: +45 70 20 73 03 Fax: +45 70 20 73 04
	CVR no.: 10 01 92 65 Financial year: 1 January - 31 December Registered office: Furesø

Supervisory Board	Jarne Elleholm, Chairman Vladimir Esteban Ostoich Campusano Søren Peter Hovgaard John Riis Mortensen Ole Øhlenschläger Madsen
--------------------------	---

Executive Board	Niels Kristian Bau-Madsen Ole Kring
------------------------	--

Auditor	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28 2100 Copenhagen Ø Denmark CVR no.: 25 57 81 98
----------------	---

Bank	Danske Bank Munkeengen 30, 1 3400 Hillerød Jyske Bank Slotsgade 19 3400 Hillerød
-------------	---

General meeting	The annual general meeting is held on 2 February 2016.
------------------------	--

Management's review

Main activity

Scandinavian Micro Biodevices ApS (SMB) designs, develops, produces and sells diagnostic products to the veterinarian field consisting of analyzers with Lab-on-a-chip based cartridges.

Development in activities and financial position

Sales of our Analyzer marketed under the names QuickVet™ and VSpro™ continues to grow together with the cartridges developed specific to the platform.

SMB has since the introduction of the QuickVet™ and VSpro™ platform experienced a Compound Annual Growth Rate (CAGR) of 31%, in sales with a significant growth in Profit before tax.

Our net result in 2015 was 10.3 million DKK up from 2014 with 123% .

This positive development has been fueled both by expansion into new markets and by introduction of new cartridges to the QuickVet™ and VSpro™ platform. In 2015 SMB introduced Feline blood typing A, B and AB cartridges. SMB was approved as manufacture in the important Japanese market where we expect to start up sales in 2016 via our distributor.

The company has maintained a strike cost control which also has contributed to the increased profitability. The Company has in 2015 continued its strategy of investing in new products and platforms within the Company's technology base. On the QuickVet platform we are developing two cartridges which will add value to the veterinarian clinics and strengthen the customer loyalty to QuickVet. SMB had good progress in 2015 developing a new platform within Immunodiagnostic tests which we expect to introduce in 2016. This new platform is expected to place the company in a strong position for continued growth in the coming years.

SMB has had the honor to be elected Gazelle Company 2015 by the Danish business newspaper Børsen. The Gazelles list cover those companies in Denmark that has had more than 100 % growth in the last 4 years.

At the end of the year, the Company had 34 employees.

With a net result of 10.3 million DKK the Management considers the year very satisfactory.

Expectations to 2016

2016 is an investment year for SMB. We plan to invest heavily in new markets, products and also in a significant expansion of our production lines to cover the demand for the existing platform and for our Immunodiagnostic platform. We plan therefore to expand with new employments in Sales and Marketing, Production and Development.

Management's review

Subsequent events

There have been no events after the balance sheet date which could materially affect the assessment of the annual report 2015.

Financial statements 1 January - 31 December

Accounting policies

The annual report of Scandinavian Micro Biodevices ApS for 2015 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

General

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company and the value of the liability can be reliably measured.

On initial recognition assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each item

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

Income Statement

Gross profit

Gross profit/loss comprises revenue and costs incurred to achieve revenue for the year, other operating income and other external costs.

Revenue

Revenue from the sale of goods for resale and finished goods are recognised in the income statement if the risk has been transferred to the buyer before the year end. Revenue is measured ex. VAT. All discounts granted are recognised in revenue.

Financial statements 1 January - 31 December

Accounting policies

Signing and option fees, etc.. received the award of development contracts are recognized in revenue when the contract is signed. Development contracts of the supply of plants with a high degree of customization are recognized in revenue as the development work is done, which corresponds to the sales value of the work in progress.

Other external costs

Other external costs comprise costs for production, distribution, sales, marketing, administration, premises, loss on debtors, operating lease costs, etc.

Staff costs

Staff costs comprise salaries and wages, including holiday allowance, pension and other social security costs, etc. to the Company's employees excluding refunds from public authorities.

Financial income and expenses

Financial income and expenses comprise interest income and expense, realised and unrealised gains and losses in respect of payables and transactions denominated in foreign currencies as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit for the year

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance Sheet

Development projects, patents and licences

Development costs comprise cost including wages and salaries and amortisation that directly can be attributed to the company's development activities and fulfil the recognition requirements. Capitalised development costs are measured at the lower of cost less accumulated amortisation and recoverable amount.

Capitalised development costs are amortised on a straight-line basis after completion of the development work over the estimated useful life. The amortisation period is 5- 10 years. Patents and licences are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over the remaining term of the patent and licences are amortised over the contract period.

Development costs not fulfilling the requirement for recognition in the balance sheet are charged to expenses in the year when they are paid.

Financial statements 1 January - 31 December

Accounting policies

Public grants

Public grants comprise grants and financing of development projects. Grants are recognised when there is reasonable assurance that they will be received.

Grants for acquisition of development projects recognised in the balance sheet, are recognised as other operating income in the income statement in the period the costs, for which the grants relates, have occurred.

Property, plant and equipment

Production plant and machinery as well as fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation.

The basis of depreciation is cost less expected residual value at the end of the useful life. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value as follows:

Leasehold improvements	4	years
Production, plant and Machinery	4-10	years
Fixtures and fittings, tools and equipment	4	years

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement under depreciation.

Leases

Leases for non-current assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are initially recognised in the balance sheet at the lower of fair value and the net present value of future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other non-current assets.

The capitalised residual lease obligation is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

Financial statements 1 January - 31 December

Accounting policies

All other leases are treated as operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed in contingencies, etc .

Impairment of non-current assets

The carrying amount of property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net cash flows from the use of the asset or the group of assets.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables and salaries and indirect production overheads.

The net realisable value of inventories is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses to net realisable value.

Prepayments

Prepayments comprise costs incurred in relation to subsequent financial years.

Financial statements 1 January - 31 December

Accounting policies

Equity

Dividend

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised on the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity.

Deferred tax is measured according to the tax rules and at the tax rate applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Change in deferred tax as a result of changes in tax rates is recognised in the income statement.

Financial liabilities

Liabilities are measured at net realisable value.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Financial statements 1 January - 31 December

Income statement

	<u>Note</u>	<u>2015</u> DKK	<u>2014</u> DKK
Gross profit		29,864,982	26,856,895
Staff costs	1	-17,336,292	-16,024,247
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	<u>-5,637,389</u>	<u>-6,081,221</u>
Profit before financial income and expenses		6,891,301	4,751,427
Financial income		9	1,318
Financial costs		<u>-152,098</u>	<u>-129,368</u>
Profit before tax		6,739,212	4,623,377
Tax on profit for the year	3	<u>3,576,642</u>	<u>0</u>
Profit for the year		<u>10,315,854</u>	<u>4,623,377</u>
 Proposed distribution of profit			
Retained earnings		<u>10,315,854</u>	<u>4,623,377</u>
		<u>10,315,854</u>	<u>4,623,377</u>

Financial statements 1 January - 31 December

Balance sheet

	Note	2015 DKK	2014 DKK
Assets			
Completed development projects		12,577,559	17,351,459
Other intangible assets		2,203,235	1,744,918
Development projects in progress		18,946,465	9,442,372
Intangible assets	4	33,727,259	28,538,749
Plant and machinery		3,668,867	3,253,666
Other fixtures and fittings, tools and equipment		373,671	159,944
Leasehold improvements		46,019	82,427
Tangible assets	5	4,088,557	3,496,037
Other receivables		652,066	615,398
Fixed asset investments		652,066	615,398
Non-current assets		38,467,882	32,650,184
Stocks		3,573,392	3,033,152
Trade receivables		5,492,880	2,307,820
Other receivables		988,894	1,447,766
Receivable from shareholders and Management		8,750	0
Prepayments		0	235,900
Receivables		6,490,524	3,991,486
Cash at bank and in hand		2,839,479	2,030,673
Total current assets		12,903,395	9,055,311
Total assets		51,371,277	41,705,495

Financial statements 1 January - 31 December

Balance sheet

	<u>Note</u>	<u>2015</u> DKK	<u>2014</u> DKK
Equity and liabilities			
Share capital		66,238,265	65,538,265
Share premium account		700,000	0
Retained earnings		-19,942,699	-30,248,372
Total equity	6	<u>46,995,566</u>	<u>35,289,893</u>
Lease obligations		<u>1,235,055</u>	<u>658,458</u>
Long-term debt	7	<u>1,235,055</u>	<u>658,458</u>
Lease obligation	7	267,034	97,682
Trade payables		872,241	678,328
Prepayments received recognised in debt		0	3,279,562
Other payables		<u>2,001,381</u>	<u>1,701,572</u>
Short-term debt		<u>3,140,656</u>	<u>5,757,144</u>
Total debt		<u>4,375,711</u>	<u>6,415,602</u>
Total equity and liabilities		<u><u>51,371,277</u></u>	<u><u>41,705,495</u></u>
Contingent assets, liabilities and other financial obligations	8		
Charges and securities	9		
Disclosure of uncertainties regarding recognition and measurement	10		

Financial statements 1 January - 31 December

Notes

	<u>2015</u>	<u>2014</u>
	DKK	DKK
1 Staff costs		
Wages and salaries	15,773,658	14,498,639
Pensions	1,324,275	1,264,332
Other social security costs	166,911	190,672
Other staff costs	<u>71,448</u>	<u>70,604</u>
	<u>17,336,292</u>	<u>16,024,247</u>
Average number of employees	<u>31</u>	<u>28</u>
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Depreciation intangible assets	4,846,425	5,392,417
Depreciation tangible assets	790,964	721,304
Gain/loss on disposal	<u>0</u>	<u>-32,500</u>
	<u>5,637,389</u>	<u>6,081,221</u>
which breaks down as follows:		
Completed development projects	4,773,898	5,392,417
Acquired patents	72,527	0
Plant and machinery	680,790	559,134
Other fixtures and fittings, tools and equipment	39,166	96,228
Leasehold improvements	71,008	65,942
Loss/(profit) on sale of property, plant and equipment	<u>0</u>	<u>-32,500</u>
	<u>5,637,389</u>	<u>6,081,221</u>

Financial statements 1 January - 31 December

Notes

3 Tax on profit for the year

Tax credit for development costs	-297,080	0
Tax credit development costs regarding prior years	-3,279,562	0
Adjustment of deferred tax concerning previous years	0	0
	<u>-3,576,642</u>	<u>0</u>

Financial statements 1 January - 31 December

Notes

4 Intangible assets

	Completed development projects	Other intangible assets	Development projects in progress	Total
	DKK	DKK	DKK	DKK
Cost at 1 January 2015	35,619,888	1,744,918	9,442,372	46,807,178
Additions for the year	0	530,843	9,504,093	10,034,936
Cost at 31 December 2015	35,619,888	2,275,761	18,946,465	56,842,114
Impairment losses and depreciation at 1 January 2015	18,268,429	0	0	18,268,429
Depreciation for the year	4,773,900	72,526	0	4,846,426
Impairment losses and depreciation at 31 December 2015	23,042,329	72,526	0	23,114,855
Carrying amount at 31 December 2015	12,577,559	2,203,235	18,946,465	33,727,259

Financial statements 1 January - 31 December

Notes

5 Tangible assets

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	DKK	DKK	DKK	DKK
Cost at 1 January 2015	15,261,199	2,066,251	4,943,704	22,271,154
Additions for the year	1,095,592	252,893	34,600	1,383,085
Disposals for the year	0	0	0	0
Cost at 31 December 2015	<u>16,356,791</u>	<u>2,319,144</u>	<u>4,978,304</u>	<u>23,654,239</u>
Impairment losses and depreciation at 1 January 2015	12,007,533	1,906,307	4,861,277	18,775,117
Depreciation for the year	680,391	39,166	71,008	790,565
Reversal of impairment and depreciation of sold assets	0	0	0	0
Impairment losses and depreciation at 31 December 2015	<u>12,687,924</u>	<u>1,945,473</u>	<u>4,932,285</u>	<u>19,565,682</u>
Carrying amount at 31 December 2015	<u>3,668,867</u>	<u>373,671</u>	<u>46,019</u>	<u>4,088,557</u>
Value of leased assets	<u>1,489,551</u>	<u>225,618</u>	<u>0</u>	

Financial statements 1 January - 31 December

Notes

6 Equity

	Share capital	Share premium account	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January 2015	65,538,265	0	-30,248,372	35,289,893
Cash capital increase	700,000	700,000	-10,181	1,389,819
Net profit/loss for the year	0	0	10,315,854	10,315,854
Equity at 31 December 2015	66,238,265	700,000	-19,942,699	46,995,566

The share capital is specified as follows:

26,238,265 A shares of nom. DKK 1 each	26,238,265
40,000,000 B shares of nom. DKK 1 each	40,000,000
	66,238,265

Changes in share capital are specified as follows:

	2015	2014	2013	2012	2011
	DKK	DKK	DKK	DKK	DKK
Share capital at 1 January 2015	65,538,265	65,538,265	65,411,765	55,600,000	55,600,000
Additions for the year	700,000	0	126,500	9,811,765	0
Share capital at 31 December 2015	66,238,265	65,538,265	65,538,265	65,411,765	55,600,000

7 Long term debt

	2015	2014
	DKK	DKK
Lease obligations		
Between 1 and 5 years	1,235,055	658,458
Non-current portion	1,235,055	658,458
Within 1 year	267,034	97,682
	1,502,089	756,140

Financial statements 1 January - 31 December

Notes

8 Contingent assets, liabilities and other financial obligations

Contingent assets

The tax value of the Company's unutilised tax losses, plus deferred tax on other items, calculated with a tax rate of 22%, is approximately DKK 4.8 million (2014: 7.1).

Contingens liabilities

The Company has entered into operating leases and rental contracts. The lease period is 3-60 months. The obligation totals DKK 1,281 thousand.

The Company has entered into a development contract with a third party. The contract holds certain development commitments for the Company.

The Company has entered into a foreign exchange agreement with the bank to hedge its exposure towards USD. The contract covers the period until 6 January 2017 and according to the agreement the Company will be obliged to sell USD 2.4 million to the bank at a DKK/USD rate of 6.87 should the actual DKK/USD rate exceed 7,19.

Should the DKK/USD rate fall below 6.57 the Company will be able to sell USD to the bank at 6.57 DKK/USD.

9 Charges and securities

The Company has provided a company charge as security for the cash credit of DKK 6 million with the Company's bank. Security is given in unsecured claims, raw materials, consumables and finished goods as well as property, plant and equipment and intellectual property rights.

10 Disclosure of uncertainties regarding recognition and measurement

In accordance with its accounting policies, the Company has recognised direct costs for development projects less depreciations in the amount of DKK 31,524 thousand since these costs are incurred for the development of specific products already launched (DKK 12,578 thousand) or expected to be launched on a test marked and globally in 2016 (DKK 18,946 thousand).

Management therefore believes that this year's development costs meet the criteria for being recognised in the balance sheet under assets.

The value of development cost is associated with uncertainty because the value depends on the future earnings from the product developed to cover the production, selling and administrative expenses and development cost.

Based on the estimated sales forecast, Management estimates that the future revenue from the product developed will exceed production, selling and administrative expenses and development cost.

Financial statements 1 January - 31 December

Notes