Sophion Bioscience A/S

Baltorpvej 154
2750 Ballerup
Denmark

Annual report 2016

Contents

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 Sophion Bioscience A/S for the financial year 1 January - 31 December 2016

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

In our opinion, the financial statements give a true and fair view of the Company's assets liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position

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

Ballerup, 19 May 2017
Executive Board

Thais Taaning Johansen
CEO

Board of Directors

Gustaf Peter Reinhold von Ehrenheim Chairman	Jeanne Eintoft	Thais Taaning Johansen

KPMG

Independent auditor's report

To the shareholder of Sophion Bioscience A/S

Opinion

We have audited the financial statements of Sophion Bioscience A/S for the financial year 1 January – 31 December 2016 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

KPMG

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statement users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 19 May 2017
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Per Ejsing Olsen
State Authorised
Public Accountant

Management's review

Company details

Sophion Bioscience A/S
Baltorpvej 154
2750 Ballerup
Denmark

Telephone:	+45 44 60 88 00
Website:	www.sophion.com
E-mail:	info@sophion.com
CVR no.:	10 02 10 65
Established:	7 February 2000
Registered office:	Ballerup
Financial year:	1 January – 31 December

Board of Directors

Gustaf Peter Reinhold von Ehrenheim (Chairman)
Jeanne Eintoft
Thais Taaning Johansen

Executive Board

Thais Taaning Johansen (CEO)

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 København Ø
Denmark

Management's review

Financial highlights

DKK'000	2016	2015	2014	2013	2012
Revenue	70,257	87,841	82,997	83,365	83,899
Operating profit/loss	-10,132	5,196	18,347	21,426	18,630
Profit/loss from financial income and expenses	2,517	4,290	2,958	-826	-505
Profit/loss for the year	**-17,250**	**8,732**	**9,858**	**18,327**	**40,383**
Total assets	131,551	146,275	131,170	122,683	106,564
Investment in property, plant and equipment	888	200	0	4,796	918
Equity	**107,380**	**124,415**	**115,683**	**105,825**	**87,498**
Return on invested capital	-7.5%	3.7%	14.5%	18.7%	21.1%
Solvency ratio	79.1%	85.1%	88.2%	86.3%	82.1%
Return on equity	-14.9%	7.3%	8.9%	19.0%	60.0%

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's review

Operating review

Principal activities of the Company

The Company's principal activities consist of development, production and sale of solutions to streamline the research phase of drug discovery in the pharmaceutical industry. The Company's activities are based on the so-called Patch Clamp technique, where the impact of new drug candidates on the ion flow through the membrane of living cells is measured. The Company's resources are mainly used on the commercialisation of these new and novel high throughput screening systems, where Patch Clamp measurements may be performed in parallel and miniaturised, enabling a more than 1,000 times higher screening rate compared with the classical manual method. Additionally, the Company offers services and biology in relation to the screening system.

Development in activities and financial position

Throughout the financial year, the Company has primarily continued sales of its commercial products QPatch and Qube at a number of pharmaceutical and other companies around the world. The systems include a screening station conducting 16 or 48 simultaneous measurements for QPatch and 364 simultaneous measurements for Qube, as well as consumables used in the operation of the systems. The company has a full Suite of products serving the entire Drug Discovery value chain from secondary screening, lead optimisation and safety screening in the pharmaceutical industry as well as high throughput capabilities for drug screening.

Sales and support in North America are still carried out by the wholly-owned subsidiary Sophion Bioscience Inc., in the state of New Jersey, USA, whereas the wholly-owned subsidiary Biolin Scientific KK manages sales in Japan. The Company now has distributors in Japan, India, South Korea, Singapore and Australia/New Zealand.

Revenue for 2016 was 20% lower than for 2015.

Loss before tax for 2016 amounted to DKK 7.6 million (2015: profit of DKK 8.7 million). The loss before tax for 2016 represents a 295% decrease compared to the profit for 2015. The decrease is mainly due to lower activation and amortisation of development projects in 2016.

Outlook

In 2017, the focus on sales and marketing and support will be further strengthened in both Europe and China as well as in America and Japan through the subsidiaries.

The Company expects growth and positive net results (EBIT) for 2017.

Management's review

Operating review

Research and development activities

In 2016, the Company has mainly focused the development resources on further strengthening the existing product platform.

The total activated development costs in 2016 amounted to DKK 4.9 million (2015: DKK 3.0 million).

Uncertainty regarding recognition and measurement

Recognition and measurement of development projects and deferred tax assets include Management's estimates.

Events after the balance sheet date

The owner of Sophion Bioscience A/S, Sophion Holding AB, has entered into an agreement to divest all of its shares in Sophion Bioscience A/S to Sapphire Bioscience Holding ApS, a newly established company controlled by Thais Johansen, CEO of Sophion Bioscience A/S. Closing of the transaction is expected to take place in June 2017. On 11 May 2017 the shared capital has been written down from DKK 135 million to DKK 50 million and the write down of DKK 85 million is transferred to retained earnings. Before closing of the transfer of the shares, it is the intention to provide an extraordinary dividend of approximately DKK 22 million to Sophion Holding AB.

Except for this, No events have occurred after the balance sheet date that may materially affect the Company's financial position.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2016	2015
Revenue		70,257	87,841
Production costs	2	-24,641	-31,826
Gross margin		45,616	56,015
Development costs	2	-15,801	-15,023
Sales and distribution costs	2	-20,974	-19,940
Administrative expenses	2	-18,973	-15,856
Operating profit		-10,132	5,196
Value adjustment from equity investments in subsidiaries		-215	-754
Financial income	3	4,367	7,088
Financial expenses	4	-1,850	-2,798
Profit/loss before tax		-7,830	8,732
Tax on profit/loss for the year	5	-9,420	0
Profit/loss for the year	6	-17,250	8,732

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2016	2015
ASSETS			
Non-current assets			
Intangible assets	7		
Intellectual property rights		750	783
Development projects in progress		54,824	55,886
		55,574	56,669
Property, plant and equipment	8		
Plant and machinery		842	1,379
Fixtures and fittings, tools and equipment		1,176	662
Leasehold improvements		434	870
		2,452	2,911
Investments			
Equity investments in subsidiaries	9	0	0
		0	0
Total non-current assets		58,026	59,580
Current assets			
Inventories		21,145	17,040
		21,145	17,040
Receivables			
Trade receivables		9,785	11,735
Receivables from group entities		26,361	28,853
Receivables from affiliates		0	0
Deferred tax assets	10	11,170	20,590
Other receivables		2,293	2,512
Prepayments		1,975	1,023
		51,584	64,713
Cash at bank and in hand		581	4,942
Total current assets		73,310	86,695
TOTAL ASSETS		131,336	146,275

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	2016	2015
EQUITY AND LIABILITIES			
Equity			
Share capital	11	135,444	135,444
Reserve for development costs		4,651	0
Retained earnings		-32,930	-11,029
Total equity		107,165	124,415
Provisions			
Warranty provisions	12	806	90
Total provisions		806	90
Liabilities other than provisions			
Non-current liabilities other than provisions			
Lease commitments	13	433	851
		433	851
Current liabilities other than provisions			
Current portion of non-current liabilities other than provisions	13	418	399
Prepayments received from customers		2,749	5,696
Trade payables		8,782	9,703
Payables to affiliates		4,590	1,242
Other payables		6,393	3,879
		22,932	20,919
Total liabilities other than provisions		23,365	21,770
TOTAL EQUITY AND LIABILITIES		131,336	146,275

Contractual obligations, contingencies, etc.	14
Mortgages and collateral	15
Related parties	16

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Share capital	Reserve for develop-ment costs	Retained earnings	Total
Equity at 1 January 2016	135,444	0	-11,029	124,415
Profit for the year	0	4,651	-21,901	-17,250
Equity at 31 December 2016	135,444	4,651	-32,930	107,165

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Sophion Bioscience A/S for 2016 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015. This has entailed the following changes to recognition and measurement:

— Going forward, dividends from equity investments in subsidiaries recognised at cost are always recognised in the income statement. In case of indication of impairment, an impairment test is conducted. Indication of impairment exists if distributed dividend exceeds profit for the year or if the carrying amount of equity investments exceeds the consolidated carrying amounts of the net assets in the subsidiary. Previously, cost was reduced to the extent that distributed dividend exceeded accumulated earnings after the acquisition date.

— Going forward, the residual value of intangible assets and property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.

The changes have no monetary effect on the income statement or the balance sheet for 2016 or for the comparative figures.

Except for the two points mentioned above the accounting principles remain unchanged compare to prior year.

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of the Company and its subsidiaries are included in the consolidated financial statements of Ratos AB.

Pursuant to Section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The cash flows of the Company are included in the consolidated cash flow statement of Ratos AB.

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

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

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, 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.

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk have taken place before year end. Revenue is recognised excluding VAT and net of discounts relating to sales.

Production costs

Production costs comprise costs incurred to generate revenue for the year. Production costs include direct as well as indirect production costs that are used in the production of the goods and services of the Company.

Development costs

Development costs include salaries and other costs, including patent costs, depreciation and amortisation, which are attributable to the Company's development activities. Costs related to the development of test equipment have been recognised under development costs.

Sales and distribution costs

Sales and distribution costs include salaries for salesmen, advertising costs, etc., distribution of goods and services of the Company.

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Company, including expenses for administrative staff, management, office premises, office expenses and depreciation.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

Tax for the year comprises current tax for the year and changes in deferred tax, including changes in tax rates. 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

Intangible assets

Intellectual property rights

Intellectual property rights acquired are measured at cost less accumulated amortisation and impairment losses. These rights are amortised on a straight-line basis over 10 years.

Development projects

Development costs comprise costs, wages, salaries and amortisation directly and indirectly attributable to development activities.

Development projects that are clearly defined and identifiable where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Company intends to produce, market or use the project are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses as well development costs. Other development costs are recognised in the income statement as incurred.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Development costs recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Upon completion of development work, development costs are amortised on a straight-line basis over the estimated useful lives. The amortisation period is usually 5 years, however, not exceeding 20 years.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as operating income or operating costs, respectively.

Property, plant and equipment

Plant and machinery, fixtures and fittings, tools and equipment as well as leasehold improvements are measured at cost accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The depreciable amount, which is calculated as cost less any projected residual values after the end of the useful life, is depreciated on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Plant and machinery	5-10 years
Fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5-10 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Depreciation is recognised in the income statement as development costs, sales and distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Leases

On initial recognition, leases for non-current assets that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet at the lower of fair value and the net present value of future lease payments. When the net present value is calculated, 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 lease obligation is recognised in the balance sheet as a liability at amortised cost, allowing the interest element of the lease payment to be recognised in the income statement over the term of the lease.

All other leases are operating leases. Payments relating to operating leases and 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 as contractual obligations, etc.

Impairment of assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

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 forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Equity investments

In the financial statements of the Parent Company, equity investments in subsidiaries are measured at the lower of cost and fair value. Impairment losses are recognised in the income statement.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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 raw materials 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, direct wages and salaries as well as indirect production costs. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and 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 where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Prepayments

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in 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 based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes, office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

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. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement and equity, respectively.

Provisions

Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value or fair value if the obligation is expected to be settled in the distant future.

Liabilities other than provisions

Other liabilities are measured at net realisable value.

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios have been calculated as follows:

Return on invested capital $$\frac{\text{Operating profit/loss x 100}}{\text{Average invested capital}}$$

Solvency ratio $$\frac{\text{Equity ex. non-controlling interests at year end x 100}}{\text{Total equity and liabilities at year end}}$$

Return on equity $$\frac{\text{Profit/loss from ordinary activities after tax x 100}}{\text{Average equity}}$$

Financial statements 1 January – 31 December

Notes

	DKK'000	2016	2015
2	**Staff costs**		
	Wages and salaries	31,189	30,332
	Other social security costs	427	427
		31,616	30,759
	Capitalised staff costs	-1,401	-1,363
		30,215	29,396

Staff costs are recognised as follows in the financial statements:

Production costs	2,577	2,507
Development costs	8,816	8,577
Sales costs	13,695	13,324
Administrative expenses	5,127	4,988
	30,215	29,396
Average number of employees	48	43

Staff costs include remuneration of Executive Management, DKK 4,172 thousand (2015: DKK 2,362 thousand).

The amount has increased this year due to the termination of the former VP Operations.

	DKK'000	2016	2015
3	**Financial income**		
	Intra-group interest	2,201	2,027
	Foreign exchange gains	2,166	5,061
		4,367	7,088
4	**Financial expenses**		
	Intra-group interest	49	67
	Interest expenses to banks	6	7
	Other interest expense	22	58
	Foreign exchange losses	1,773	2,666
		1,850	2,798

Financial statements 1 January – 31 December

Notes

	DKK'000	2016	2015
5	**Tax on profit/loss for the year**		
	Adjustments related to prior years	0	0
	Deferred tax adjustment for the year	9,420	0
		9,420	0

		2016	2015
6	**Proposed profit appropriation/distribution of loss**		
	Retained earnings	-17,250	8,732
		-17,250	8,732

7 **Intangible assets**

DKK'000	Intellectual property rights	Develop-ment projects in progress	Total
Cost at 1 January 2016	17,019	61,604	78,623
Additions	162	4,871	5,033
Cost at 31 December 2016	17,181	66,475	83,656
Amortisation and impairment losses at 1 January 2016	-16,236	-5,718	-21,954
Amortisation	-195	-5,933	-6,128
Amortisation and impairment losses at 31 December 2016	-16,431	-11,651	-28,082
Carrying amount at 31 December 2016	750	54,824	55,574

Financial statements 1 January – 31 December

Notes

8 Property, plant and equipment

DKK'000	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Total
Cost at 1 January 2016	5,276	3,480	3,051	11,807
Additions	0	888	0	888
Disposals	0	0	0	0
Cost at 31 December 2016	5,276	4,368	3,051	12,695
Depreciation and impairment losses at 1 January 2016	-3,897	-2,818	-2,181	-8,896
Depreciation	-537	-374	-436	-1347
Depreciation on disposals	0	0	0	0
Depreciation and impairment losses at 31 December 2016	-4,434	-3,192	-2,617	-10,243
Carrying amount at 31 December 2016	842	1,176	434	2,452

9 Equity investments

DKK'000	Equity invest-ments in subsidia-ries
Cost at 1 January	0
Additions	
Cost at 31 December	0
Value adjustments at 1 January	0
Value adjustments for the year	0
Value adjustments at 31 December	0
Carrying amount at 31 December	0

Financial statements 1 January – 31 December

Notes

9 **Equity investments (continued)**

Investments in subsidiaries are specified as follows:

Name	Place of register-ed office	Owner-ship	Equity	Profit for the year
			DKK'000	DKK'000
Sophion Bioscience Inc.	USA	100%	-18,941	76
Sophion Bioscience KK.	Japan	100%	-377	275

The Parent Company has also made a write-down of receivables from subsidiaries of DKK 19,318 thousand (2015: DKK 19,103 thousand). Subsequently, receivables from subsidiaries have been recognised at DKK 3,051 thousand (2015: DKK 6,484 thousand).

DKK'000	2016	2015
10 **Deferred tax**		
Deferred tax asset at 1 January	20,590	20,590
Deferred tax adjustment for the year	-9,420	0
	11,170	20,590

11 **Share capital**

There have been no changes to the share capital in the last five years.

DKK'000	2016	2015
The share capital consists of:		
A shares, 6,282,623 shares of nom. DKK 1 each	6,283	6,283
B shares, 129,161,490 shares of nom. DKK 1 each	129,161	129,161
	135,444	135,444

Financial statements 1 January – 31 December

Notes

12 Warranty provision

The Company has provided warranties of one year on its products. Provisions for warranties have been recognised at DKK 711 thousand (2015: DKK 90 thousand) for expected warranties during the warranty period.

13 Liabilities other than provisions

DKK'000	Total debt at 31/12 2016	Repayment initial year	Outstanding debt after 5 years
Lease obligations	851	418	0
	851	418	0

14 Contractual obligations, contingencies, etc.

Joint taxation obligation

The Company is jointly taxed with other Danish group entities. As a group entity, the Company has unlimited and joint liability for Danish corporation tax and withholding tax on dividends, interest and royalties within the joint taxation scheme.

Operating lease obligations

The Company's lease comprising laboratory and office facilities at Baltorpvej 154, Ballerup, can be terminated at six months' notice. The lease commitment amounts to DKK 1,224 thousand.

15 Mortgages and collateral

The Company has not provided mortgage on or other security in its assets.

Financial statements 1 January – 31 December

Notes

16 Related party disclosures

Sophion Bioscience A/S' related parties comprise the following:

- Subsidiary, Sophion Bioscience Inc., 671a US Highway One, North Branswick, NJ 08902, USA.
- Subsidiary, Sophion Bioscience KK., 1011, Nishitomitda Honjo-shi, Saitama 367-0035, Japan.

Related party transactions

The Company has chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98c(7) of the Danish Financial Statements Act.