Leica Microsystems A/S

Åkandevej 21, 2700 Brønshøj

CVR no. 20 28 83 96

Annual report for 2018

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 16.05.19

Markus Vornhagen
Dirigent

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Company information etc.

The company

Leica Microsystems A/S
Åkandevej 21
2700 Brønshøj
Tel.: 44 54 01 01
Registered office: Copenhagen
CVR no.: 20 28 83 96
Founded: 30. juli 1997
Financial year: 01.01 - 31.12

Executive Board

Melanie Hammerschmidt-Broman

Board Of Directors

Melanie Hammerschmidt-Broman
Markus Vornhagen
Albertus Van Doornik

Auditors

Ernst & Young
Godkendt Revisionspartnerselskab

Statement of the Board of Directors and Executive Board on the annual report

We have on this day discussed and approved the annual report for the financial year 01.01.18 - 31.12.18 for Leica Microsystems A/S.

The annual report is presented in accordance with 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 as at 31.12.18 and of the results of the company's activities for the financial year 01.01.18 - 31.12.18.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Copenhagen, May 16, 2019

Executive Board

Melanie Hammerschmidt-Broman

Board Of Directors

Melanie Hammerschmidt-Broman	Markus Vornhagen	Albertus Van Doornik

Independent auditor's report

To the Shareholder of Leica Microsystems A/S

AUDITORS'S REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Leica Microsystems A/S for the financial year 1 January – 31 December 2018, which comprise income statement, balance sheet 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 financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibility for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the 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.

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 additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can 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 users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and 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 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.

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 regarding the management's review

Management is responsible for Management's review.

Our opinion on the financial statements does not cover 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 Management's review and, in doing so, consider whether 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 Management's review provides the information required under the Danish Financial Statements Act.

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

Report on other legal and regulatory requirements

Violation of the danish bookkeeping act

In our opinion, the Company has not complied with the requirements of the Danish Bookkeeping Act regarding storing of accounting records abroad. Management may incur liability in this respect.

Copenhagen, May 16, 2019

Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30700228

Henrik Kronborg Iversen	Rasmus Bloch Jespersen
State Authorized Public Accountant	State Authorized Public Accountant
MNE-no. 24687	MNE-no. 35503

Primary activities

The Company is active in the field of Sales and Techinal Service of products for microscopy, specimen preparation, image analysis, laser scanningmicroscopy and medical technology.

The products and services of the Company are sold mainly in Denmark.

The Company is part of the International Leica Microsystems Group, with Leica Microsystems Holdings GmbH, D-3530 Wetzlar, Germany, as parent company, which is ultimately owned by Danaher Corporation US.

Development in activities and financial affairs

The income statement for the period 01.01.18 - 31.12.18 shows a profit/loss of DKK 913,624 against DKK 1,193,553 for the period 01.01.17 - 31.12.17. The balance sheet shows equity of DKK 27,128,284.

As s result of a strategic business decision that was made at the Leica group level in 2018, the operations, activities, and sales also from the Leica Microsystems (LMS) division which previously were facilitated by the respective sales entities, including Leica Microsystems A/S were re-assigned to one international distributor. As a result, Leica Microsystems A/S level of activities changed from a direct to a distributor business in 2018.

The results of the Company were as expected.

The results of the Company for 2018 are considered satisfactory.

Subsequent events

No significant events have occurred after the end of the financial year.

Income statement

Note		2018 DKK	2017 DKK
	Gross profit	**2,215,780**	**3,634,491**
1	Staff costs	-968,404	-1,951,450
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	**1,247,376**	**1,683,041**
	Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment	-5,726	-34,353
	Profit/loss before net financials	**1,241,650**	**1,648,688**
2	Financial income	6,093	0
3	Financial expenses	-72,342	-82,616
	Profit/loss before tax	**1,175,401**	**1,566,072**
4	Tax on profit or loss for the year	-261,777	-372,519
	Profit/loss for the year	**913,624**	**1,193,553**

Proposed appropriation account

Retained earnings	913,624	1,193,553
Total	**913,624**	**1,193,553**

Balance sheet

ASSETS

Note		31.12.18 DKK	31.12.17 DKK
	Other fixtures and fittings, tools and equipment	0	77,295
	Total property, plant and equipment	**0**	**77,295**
	Total non-current assets	**0**	**77,295**
	Manufactured goods and goods for resale	543,735	177,956
	Total inventories	**543,735**	**177,956**
	Trade receivables	6,801,657	5,213,025
	Receivables from group enterprises	35,724,526	34,206,136
	Deferred tax asset	0	879
	Other receivables	0	8,000
	Prepayments	3,864	57,332
	Total receivables	**42,530,047**	**39,485,372**
	Total current assets	**43,073,782**	**39,663,328**
	Total assets	**43,073,782**	**39,740,623**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.18 DKK	31.12.17 DKK
	Share capital	610,000	610,000
	Retained earnings	26,518,284	25,604,660
	Total equity	**27,128,284**	**26,214,660**
	Trade payables	293,712	513,002
	Payables to group enterprises	12,370,925	9,508,596
	Income taxes	260,898	351,538
	Other payables	1,935,707	1,855,630
	Deferred income	1,084,256	1,297,197
	Total short-term payables	**15,945,498**	**13,525,963**
	Total payables	**15,945,498**	**13,525,963**
	Total equity and liabilities	**43,073,782**	**39,740,623**

5 Contingent liabilities
6 Related parties

Statement of changes in equity

Figures in DKK	Share capital	Retained earnings	Total equity
Statement of changes in equity for 01.01.17 - 31.12.17			
Balance as at 01.01.17	610,000	24,411,107	25,021,107
Net profit/loss for the year	0	1,193,553	1,193,553
Balance as at 31.12.17	610,000	25,604,660	26,214,660
Statement of changes in equity for 01.01.18 - 31.12.18			
Balance pr. 01.01.18	610,000	25,604,660	26,214,660
Net profit/loss for the year	0	913,624	913,624
Balance as at 31.12.18	610,000	26,518,284	27,128,284

	2018 DKK	2017 DKK

1. Staff costs

	2018 DKK	2017 DKK
Wages and salaries	878,367	1,715,508
Other social security costs	3,030	25,704
Other staff costs	87,007	210,238
Total	968,404	1,951,450
Average number of employees during the year	1	3

2. Financial income

	2018 DKK	2017 DKK
Foreign currency translation adjustments	6,093	0

3. Financial expenses

	2018 DKK	2017 DKK
Interest, group enterprises	15,496	21,424
Other interest expenses	14,792	22,684
Foreign currency translation adjustments	42,054	38,508
Total	72,342	82,616

	2018 DKK	2017 DKK

4. Tax on profit or loss for the year

Current tax for the year	260,898	351,538
Adjustment of deferred tax for the year	879	-1,597
Adjustment of tax in respect of previous years	0	22,578
Total	261,777	372,519

5. Contingent liabilities

Other contingent liabilities

The company is taxed jointly with Danaher Tax Administration ApS and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

6. Related parties

Leica Microsystems A/S is included in the consolidated financial statements of the parent Danaher Corporation, 2200 Pennsylvania Avenue NW, Suit 800W Washington, DC 20037, USA. Requisitioning of the parents consolidated financial statements can be seen at http://investors.danaher.com/2018-Annual-Report/HTML1/tiles-twopage.htm

7. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for enterprises in reporting class B with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

7. Accounting policies - continued -

INCOME STATEMENT

Gross profit

Gross profit comprises revenue and cost of sales and other external expenses.

Revenue

The company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Income from the sale of goods and services is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid.

The net revenue from rendering of services is recognised in the income statement as the services are rendered.

Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Cost of sales

Costs of sales comprise finished goods for resale and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of finished goods for resale and consumables are also recognised under finished goods for resale and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff cost include wages and salaries, including compensated absence and pensions, as well as other social security contributions etc. made to the entity's employees. The item is net of refunds made by public authorities.

7. Accounting policies - continued -

Depreciation and impairment losses

The depreciation of property, plant and equipment aim at systematic depreciation over the expected useful lives of the assets. Assets are depreciated according to the straight-line method based on the following expected useful lives and residual values:

	Useful life, year	Residual value DKK
Other plant, fixtures and fittings, tools and equipment	3-5	0

The basis of depreciation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in financial income and financial expenses as applicable.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

7. Accounting policies - continued -

BALANCE SHEET

Property, plant and equipment

Property, plant and equipment comprise other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the ‘Depreciation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

7. Accounting policies - continued -

Inventories

Inventories primarily consist of finished goods for resale and consumables, which are held by the sales force in the field both for sales and demonstration purposes.

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

Inventories are measured at the lower of cost under standard cost method and net realisable value. Provisions are made for slow-moving and obsolete items. The net realisable value of inventories is calculated as the sales amount less costs necessary to make the sale and is determined considering marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

The company has chosen IAS 39 as interpretation for impairment of financial assets.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Current and deferred tax

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

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

7. Accounting policies - continued -

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.