

Atonomics A/S

CVR no. 25 64 85 87

Annual report for 2015

(15. financial year)

Adopted at the annual general meeting on 12 July 2016

Lars Banggaard
Chairman

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Statement by management on the annual report

Today, the board of directors and the executive board have discussed and approved the annual report of Atonomics A/S for the financial year 1 January - 31 December 2015.

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 financial position at 31 December 2015 and of the results of its operations for the financial year 1 January - 31 December 2015.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

We recommend the adoption of the annual report at the annual general meeting.

Copenhagen, 12 July 2016

Executive Board

Thomas Warthoe

Supervisory Board

Julian Pieters
chairman

Gunnar Weikert

Thomas Warthoe

Company details

The company

Atonomics A/S
Vestre Teglgade 10
2450 Copenhagen SV

CVR no.: 25 64 85 87

Financial year: 1 January - 31 December

Incorporated:

Domicile: Copenhagen

Board of directors

Julian Pieters, chairman
Gunnar Weikert,
Thomas Warthoe

Executive board

Thomas Warthoe

Shareholders

Inventages Venture Capital Investment Inc., Bahama
Neurosearch A/S, Danmark
Sunstone Capital A/S, Danmark
PeTeL Holding A/S, Danmark
MuRata Manufacturing Co. Ltd., Japan
Beckman Coulter Inc., USA
Omron Healthcare Co. Ltd.

Bank

Nykredit Bank

Management's review

The company's business activities

Over the past years Atonomics A/S has developed TRACE, which is a diagnostic device designed and priced for home testing.

With the first tests - cholesterol and HbA1c - the TRACE platform focuses on Type2 diabetes patients, who are monitored for these two parameters quarterly.

The test is carried out on the basis of blood sample taken from a jab in the finger. The The test is carried out on the basis of a blood sample taken from a jab in the finger. The blood sample is transferred from the finger into a small test cartridge, which is then inserted into the TRACE device, and the results of the test are available 3 minutes later.

The results of the test are transferred at the same time via Wi-Fi to a database which the patient's GP has access to for medical follow-up.

TRACE device prototype is completed June 2016 and Atonomics is aiming for CE marking at the end of the year while at the same time performing production maturity work, with planned production and marketing at the end of 2016.

Atonomics is seeking to enter into a contract with a diagnostics company which can market the product via established sales channels.

In 2015, the Company's development activities resulted in a loss of DKK 2.497.915 after capitalisation of the development costs incurred in the period amounting to DKK 8.737.048.

The Board of Directors proposes that the Company's operating loss should be distributed as follows:

Transferred from previous years	DKK	-86.375.918
Operating loss for the year	DKK	- 2.497.915
Transferred to next year	DKK	-88.873.833

Apart from the information already disclosed, it is the Board of Directors' opinion that no events have occurred after the balance sheet date which may affect the assessment of the financial statements.

Atonomics A/S' Management considers the realised results, both technological and operational, for 2015 very satisfactory, however there are some uncertainty in achieving sufficient funds for finalizing the development.

Atonomics' Management would like to take the opportunity to thank all business partners and employees for the loyalty and cooperation they have shown.

Accounting policies

The annual report of Atonomics A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected provisions as regards larger entities.

The accounting policies applied are consistent with those applied last year.

The annual report for 2015 is presented in Danish kroner

In pursuance of section 110(1), of the Danish Financial Statements Act, consolidated financial statements have not been prepared.

Basis of 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 an outflow of economic resources is probable and when 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 individual 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.

Foreign currency translation

Transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at 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 at the date at which the receivable or payable arose is recognised in the income statement as financial income or financial expenses

Fixed assets acquired in foreign currencies are measured at the exchange rate at the transaction date.

Accounting policies

Income statement

Revenue

Income in the form of milestone payments, which are not made in connection with capital increases, is recognised in the income statement when the Company has obtained the right to the milestone payments and provided the income can be reliably measured and is expected to be received.

Revenue is measured at fair value of the agreed consideration ex VAT and taxes charged on behalf of third parties.

Development cost

Development costs comprise wages and salaries, costs and amortisation relating to the Company's development activities.

Development costs are expensed in the year when they are incurred unless they are specific product development costs where there is sufficient assurance that the developed products will generate revenue which can cover both production costs and amortisation of product development costs.

Development costs are amortised from the date when the development work is utilised either through sale of products or in connection with the conclusion of agreements regarding the utilisation of the technology developed in connection with the development work.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for the Company's employees. Refunds received from public authorities are deducted from staff costs.

Other external expenses

Other external costs comprise costs for distribution, sale, advertising, administration, premises, bad debt losses, operating leases, etc.

Accounting policies

Financial income and expenses

Financial income and expenses comprise interest income and expense, realised and unrealised 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.

Dividend from investments in subsidiaries is recognised as income in the financial year when the dividend is declared.

Tax on profit/loss for the year

Tax for the year comprises current tax for the year and changes in deferred tax. 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. The tax expense recognised in the income statement relating to the extraordinary profit/loss for the year is allocated to this item whereas the remaining tax expense is allocated to the profit/loss for the year from ordinary activities.

Balance sheet

Intangible assets

Product development costs are measured at cost less accumulated amortisation and impairment losses.

Costs for leasehold improvements are recognised at cost less accumulated amortisation. Costs are amortised on a straight-line basis over a period of 5 years.

Rights, patents and licences are measured at cost less accumulated amortisation. Patents are amortised over the remaining patent period, and rights and licences are amortised over the contract period, although not exceeding five years.

Rights and licences are amortised from the date when the rights and licences are utilised either through sale of products or in connection with the conclusion of agreements regarding the utilisation of the technology developed in connection with the development work.

Property, plant and equipment

Plant and machinery and 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.

Accounting policies

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

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Plant and machinery	5 years
Fixture and fittings, other plant and equipment	5 - 7 years
Cars	3 years

Property, plant and equipment are written down to their recoverable amount if this is lower than the carrying amount.

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

Investments

Investments in subsidiaries and associates are measured at the proportionate share of the enterprises' net asset value determined based on the parent company's accounting policies. Net revaluations of investments in subsidiaries and associates are transferred to the net revaluation reserve according to the equity method in so far as the carrying amount exceeds the acquisition cost.

Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses after an individual assessment of receivables.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity - Dividend

Dividend proposed for the year is recognised as a liability at the date it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is shown as a separate item in equity.

Accounting policies

Corporate income 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 statement of financial position liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities.

Where alternative tax rules can be applied to determine the tax base, e.g. regarding shares, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to 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 due to changes in the tax rate are recognised in the income statement.

Deferred tax assets are recognised provided that they are expected to be utilised within 3-5 years from the balance sheet date.

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received less transaction costs incurred. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Other debts are measured at net realisable value.

Income statement 1 January - 31 December

	<u>Note</u>	<u>2015</u> kr.	<u>2014</u> kr.
Work performed by the enterprise and capitalised		8.737.049	8.163.201
Other external expenses		<u>-6.058.962</u>	<u>-7.178.507</u>
Gross profit		2.678.087	984.694
Staff costs	2	<u>-5.368.694</u>	<u>-3.725.139</u>
Earnings before interest, tax, depreciation and amortisation		-2.690.607	-2.740.445
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		<u>-222.633</u>	<u>-231.345</u>
Profit/loss before financial income and expenses		-2.913.240	-2.971.790
Income from investments in subsidiaries		-6.485	-6.828
Financial costs		<u>-2.358.610</u>	<u>-3.504.642</u>
Profit/loss before tax		-5.278.335	-6.483.260
Tax on profit/loss for the year	3	<u>2.780.421</u>	<u>1.250.000</u>
Net profit/loss for the year		<u>-2.497.914</u>	<u>-5.233.260</u>
Retained earnings		<u>-2.497.914</u>	<u>-5.233.260</u>
		<u>-2.497.914</u>	<u>-5.233.260</u>

Balance sheet at 31 December

	<u>Note</u>	<u>2015</u> kr.	<u>2014</u> kr.
Assets			
Development projects in progress		<u>160.814.479</u>	<u>152.077.430</u>
Intangible assets	4	<u>160.814.479</u>	<u>152.077.430</u>
Other fixtures and fittings, tools and equipment		364.278	579.039
Leasehold improvements		<u>0</u>	<u>7.872</u>
Tangible assets	5	<u>364.278</u>	<u>586.911</u>
Investments in subsidiaries	6	<u>638.264</u>	<u>644.749</u>
Fixed asset investments		<u>638.264</u>	<u>644.749</u>
Fixed assets total		<u>161.817.021</u>	<u>153.309.090</u>
Other receivables		163.414	159.277
Receivable from shareholders and management		0	531.832
Prepayments		<u>30.000</u>	<u>30.000</u>
Receivables		<u>193.414</u>	<u>721.109</u>
Cash at bank and in hand		<u>2.109.583</u>	<u>2.436.704</u>
Current assets total		<u>2.302.997</u>	<u>3.157.813</u>
Assets total		<u>164.120.018</u>	<u>156.466.903</u>

Balance sheet at 31 December

	<u>Note</u>	<u>2015</u> kr.	<u>2014</u> kr.
Liabilities and equity			
Share capital		13.159.378	2.987.161
Share premium account		237.165.727	217.205.984
Retained earnings		<u>-88.873.832</u>	<u>-86.375.918</u>
Equity total	7	<u>161.451.273</u>	<u>133.817.227</u>
Trade payables		1.567.869	1.401.672
Payables to subsidiaries		236.245	0
Payables to joint ventures		0	20.396.703
Other payables		<u>864.631</u>	<u>851.301</u>
Short-term debt		<u>2.668.745</u>	<u>22.649.676</u>
Debt total		<u>2.668.745</u>	<u>22.649.676</u>
Liabilities and equity total		<u>164.120.018</u>	<u>156.466.903</u>
Continued operation and development cost	1		
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Notes to the annual report

1 Continued operation and development cost

The Company's Management has prepared the financial statements based on a going concern assumption. This assumption is dependent on the Company's ability to obtain financing for its future operations and the development of the Trace device. If the Company is not able to obtain financing, the capitalised development costs must be adjusted to net realizable value, which is lower than the current carrying amount

Development costs

Development costs comprise the purchase of chemicals, reagents, licences and rights as well as small apparatuses used for the biological development of the selected disease applications. In addition, development costs comprise expenses for the entities and business partners with which Atonomics A/S develops the biosensor instrument. Moreover, expenses for patenting are also included in development costs.

	<u>2015</u> kr.	<u>2014</u> kr.
2 Staff costs		
Wages and salaries	5.230.153	3.686.062
Pensions	97.979	0
Other social security costs	<u>40.562</u>	<u>39.077</u>
	<u>5.368.694</u>	<u>3.725.139</u>
3 Tax on profit/loss for the year		
Adjustment of tax concerning previous years	<u>-2.780.421</u>	<u>-1.250.000</u>
	<u>-2.780.421</u>	<u>-1.250.000</u>

At the balance date, the Company had a deferred tax asset of DKK 9.209 thousand, which has not been provided for the financial statement.

No corporation tax has been paid during the financial year.

Notes to the annual report

4 Intangible assets

	<u>Development projects in progress</u>
Cost at 1 January 2015	152.077.430
Additions for the year	<u>8.737.049</u>
Cost at 31 December 2015	<u>160.814.479</u>
Af-og nedskrivninger at 1 January 2015	<u>0</u>
Af-og nedskrivninger at 31 December 2015	<u>0</u>
Carrying amount at 31 December 2015	<u><u>160.814.479</u></u>

In 2015, the Company continued its work on developing its biosensor technology, which is expected to generate income end of 2016.

The objective of the Company is to develop applications for diagnosing various diseases; partly in cooperation with diagnostics companies and partly own applications.

In 2016, it is the goal to make the Atolyzer instrument ready for production.

Considering the Company's utilisation prospects, the costs incurred during the period for raw materials, wages and salaries and depreciation on laboratory equipment, have been capitalised and will be amortised over the useful life of the product.

5 Tangible assets

	<u>Other fixtures and fittings, tools and equipment</u>	<u>Leasehold improvements</u>
Cost at 1 January 2015	4.735.555	109.234
Net effect from change of accounting policy	-179.999	0
Disposals for the year	<u>-239.585</u>	<u>0</u>
Cost at 31 December 2015	<u>4.315.971</u>	<u>109.234</u>

Notes to the annual report

5 Tangible assets (Continued)

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	<u> </u>	<u> </u>
Revaluations at 1 January 2015	0	0
Revaluations at 31 December 2015	<u>0</u>	<u>0</u>
Impairment losses and depreciation at 1 January 2015	4.156.516	101.362
Net effect from change of accounting policy	-179.999	0
Impairment losses for the year	0	7.872
Depreciation for the year	214.761	0
Impairment and depreciation of sold assets for the year	<u>-239.585</u>	<u>0</u>
Impairment losses and depreciation at 31 December 2015	<u>3.951.693</u>	<u>109.234</u>
Carrying amount at 31 December 2015	<u>364.278</u>	<u>0</u>

6 Investments in subsidiaries

Cost at 1 January 2015	<u>1.153.404</u>	<u>1.153.404</u>
Cost at 31 December 2015	<u>1.153.404</u>	<u>1.153.404</u>
Revaluations at 1 January 2015	-508.655	-501.827
Net profit/loss for the year	<u>-6.485</u>	<u>-6.828</u>
Revaluations at 31 December 2015	<u>-515.140</u>	<u>-508.655</u>
Carrying amount at 31 December 2015	<u>638.264</u>	<u>644.749</u>

On 28 June 2004, the Company acquired all the shares in Azign Bioscience A/S, Copenhagen.

The value of the shares in the subsidiary has been determined at the Company's net asset value at the balance sheet date.

Notes to the annual report

7 Equity

	<u>Share capital</u>	<u>Share premium account</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2015	2.987.161	217.205.984	-86.375.918	133.817.227
Cash capital increase	10.172.217	19.959.743	0	30.131.960
Net profit/loss for the year	0	0	-2.497.914	-2.497.914
Equity at 31 December 2015	<u>13.159.378</u>	<u>237.165.727</u>	<u>-88.873.832</u>	<u>161.451.273</u>

The Company's share capital comprises 35.327.189 shares of EUR 0.05 each, totalling EUR 1.766.359, corresponding to DKK 13.159.378.

At the general meetings on 31 December 2002 and 24 March 2003, it was decided to issue warrants for the subscription of A shares in the Company at specified terms. At the same time, the general meetings made a decision as to the cash capital increase related to the warrants amounting to nom. EUR 28.750.

At 31 December 2012, 575.000 warrants had been issued for the subscription of A shares, of which no warrants have been exercised to subscribe for shares in the Company.

No consideration has been paid for the warrants.

The warrants may be exercised from 31 December 2003 to 31 December 2025.

The subscription price has been determined at 100.

At the general meeting on 10 November 2014, it was decided to issue 2.150.000 warrants for the subscription of C shares in the Company at specified terms. At the same time, the general meetings made a decision as to the cash capital increase related to the warrants amounting to nom. EUR 107.500.

The warrants may be exercised from 1 August 2015 to 1 November 2019.

The subscription price has been determined at 0,093.

Notes to the annual report

8 Contingencies, etc.

Apart from the information already disclosed in the financial statements, the Company has not assumed any liabilities other than what is normal in the industry.

9 Collateral and security

The company has not placed any assets or other security for loans at 31 December 2015.

10 Related parties

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the share capital:

PeTeL Holding A/S, Willemoesgade 54, DK-2100 Copenhagen Ø

Sunstone Capital A/S, Lautrupsgade 7, 5, DK-2200 Copenhagen

Inventages Venture Capital Investments Inc., Wintherbotham Place, Marlborough & Queen Streets, P.O. Box N-3026, Nassau, the Bahamas