
Samplix ApS

Mileparken 28, DK-2730 Herlev

Annual Report for 1 January - 31 December 2017

CVR No 32 30 93 21

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
16/4 2018

Hans Henrik Chrois
Christensen
Chairman



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Company Information	
Company Information	5
Financial Statements	
Income Statement 1 January - 31 December	6
Balance Sheet 31 December	7
Statement of Changes in Equity	9
Notes to the Financial Statements	10

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Samplix ApS for the financial year 1 January - 31 December 2017.

The Annual Report is 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 at 31 December 2017 of the Company and of the results of the Company operations for 2017.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Herlev, 29 January 2018

Executive Board

Lars Kongsbak
CEO

Hans Henrik Chrois
Christensen
CFO

Board of Directors

Erik Max Michael Obermayer
Chairman

Anders Weber

Karl Anders Henrik Barsk

Independent Auditor's Report

To the Shareholders of Samplix ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Samplix ApS for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

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

Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to note 1 in which Management describes the uncertainty relation to the Company's ability to continue operations. As at present no agreement has been made with the Shareholders or others concerning provision of the necessary credit facility, these matters indicate a material uncertainty which may give rise to considerable doubt as to whether the Company will be able to continue its operations.

Management's responsibilities 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 as 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 about 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 applicable in Denmark will always

Independent Auditor's Report

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 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 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.

Independent Auditor's Report

Hellerup, 29 January 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Aslund Pedersen

statsautoriseret revisor

mne17120

Company Information

The Company

Samplix ApS
Mileparken 28
DK-2730 Herlev

CVR No: 32 30 93 21
Financial period: 1 January - 31 December
Municipality of reg. office: Herlev

Board of Directors

Erik Max Michael Obermayer, Chairman
Anders Weber
Karl Anders Henrik Barsk

Executive Board

Lars Kongsbak
Hans Henrik Chrois Christensen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Income Statement 1 January - 31 December

	Note	2017 DKK	2016 DKK
Gross profit/loss		1,486,503	124,342
Sales and marketing expenses		-83,505	-37,195
Research and development expenses	3	-7,881,082	-3,977,774
General and administrative expenses	3	-1,240,165	-1,032,461
Operating profit/loss		-7,718,249	-4,923,088
Financial income		40,042	12,706
Financial expenses		-26,075	-93,213
Profit/loss before tax		-7,704,282	-5,003,595
Tax on profit/loss for the year	4	1,696,674	1,691,203
Net profit/loss for the year		-6,007,608	-3,312,392

Distribution of profit

Proposed distribution of profit

Retained earnings	-6,007,608	-3,312,392
	-6,007,608	-3,312,392

Balance Sheet 31 December

Assets

	Note	2017 DKK	2016 DKK
Acquired licenses		9,998	26,966
Development projects in progress		2,463,000	2,463,000
Intangible assets	5	2,472,998	2,489,966
Other fixtures and fittings, tools and equipment		179,872	299,358
Property, plant and equipment	6	179,872	299,358
Deposits		187,320	186,000
Fixed asset investments	7	187,320	186,000
Fixed assets		2,840,190	2,975,324
Trade receivables		34,669	78,503
Other receivables		328,311	13,304
Deferred tax asset		486,813	462,398
Corporation tax		1,672,259	987,632
Prepayments		70,602	2,683
Receivables		2,592,654	1,544,520
Cash at bank and in hand		5,368,886	957,333
Currents assets		7,961,540	2,501,853
Assets		10,801,730	5,477,177

Balance Sheet 31 December

Liabilities and equity

	Note	2017 DKK	2016 DKK
Share capital		949,219	555,397
Retained earnings		8,526,739	4,145,323
Equity		9,475,958	4,700,720
Trade payables		565,812	140,244
Other payables		759,960	636,213
Short-term debt		1,325,772	776,457
Debt		1,325,772	776,457
Liabilities and equity		10,801,730	5,477,177
Going concern	1		
Key activities	2		
Contingent assets, liabilities and other financial obligations	8		
Accounting Policies	9		

Statement of Changes in Equity

	Share capital DKK	Retained earnings DKK	Total DKK
Equity at 1 January	555,397	4,145,323	4,700,720
Cash capital increase	393,822	10,389,024	10,782,846
Net profit/loss for the year	0	-6,007,608	-6,007,608
Equity at 31 December	949,219	8,526,739	9,475,958

Notes to the Financial Statements

1 Going concern

Many financial statement items cannot be measured, but must be estimated. Such estimates comprise judgments made on the basis of the most recent information available at the reporting date. It may be necessary to change previous estimates as a result of changes to the assumptions on which the estimates were based or due to supplementary information, additional experience or subsequent events.

Most notably, Samplix' accounts are prepared on a going concern basis based on a strategy with accompanying budgets which inherently are subject to a number of assumptions and uncertainties including most notably an assumption of continued financing of the Company's work towards completion of instruments and associated consumables for sale, and a uncertainties relating to the nature of the markets, which the Company plans to address.

Executive Management acknowledges that there are risks associated with executing the planned strategy and achieving the budget approved by the Board of Directors of the Company. Executive Management is, however, convinced that the Company will receive sufficient capital resources and liquidity to support the current strategy from its parent company, Samplix s.a.r.l., even if one or more budget assumptions fail, and that measures can be taken to ensure that sufficient capital resources are available as may be required both in the short and medium run.

These matters indicate a material uncertainty, which may give rise to considerable doubt as to whether the company will be able to continue its operations. However, Executive Management expects that the requirement for additional capital will be covered by the capital increase planned for Q1 2018 under recent authorizations to the Board of Directors of the Company's parent company, Samplix s.a.r.l.

2 Key activities

The objective of the Company is to develop, produce, license, and sell reagents, cartridges, and instruments for treatment and analysis of DNA in connection to research and development within the scientific, pharmaceutical, and medical area and to engage in collaborations with domestic and international companies, hospitals, and research institutions with interest in this area.

Notes to the Financial Statements

	2017 DKK	2016 DKK
3 Staff		
Wages and Salaries	4,628,575	3,117,567
Other social security expenses	45,188	33,515
Other staff expenses	86,437	77,057
	4,760,200	3,228,139
Wages and Salaries, other social security expenses and other staff expenses are recognised in the following items:		
Cost of sales	369,731	233,362
Research and development expenses	3,752,908	2,614,484
General and administrative expenses	637,561	380,293
	4,760,200	3,228,139
Average number of employees	6	4
4 Tax on profit/loss for the year		
Current tax for the year	-1,672,259	-770,003
Deferred tax for the year	-24,415	-921,200
	-1,696,674	-1,691,203

Notes to the Financial Statements

5 Intangible assets

	Acquired licenses DKK	Development projects in progress DKK
Cost at 1 January	50,900	2,463,000
Cost at 31 December	50,900	2,463,000
Impairment losses and amortisation at 1 January	23,934	0
Amortisation for the year	16,968	0
Impairment losses and amortisation at 31 December	40,902	0
Carrying amount at 31 December	9,998	2,463,000

Development projects relate to development of products. A prototype is under development and is expected ready for sales in the end of 2018.

6 Property, plant and equipment

		Other fixtures and fittings, tools and equipment DKK
Cost at 1 January		504,595
Additions for the year		53,627
Cost at 31 December		558,222
Impairment losses and depreciation at 1 January		205,237
Depreciation for the year		173,113
Impairment losses and depreciation at 31 December		378,350
Carrying amount at 31 December		179,872
	2017 DKK	2016 DKK
Depreciation and impairment of property, plant and equipment are recognised in the following items:		
Research and development expenses	173,113	140,188
	173,113	140,188

Notes to the Financial Statements

7 Fixed asset investments

	Deposits DKK
Cost at 1 January	186,000
Additions for the year	<u>1,320</u>
Cost at 31 December	<u>187,320</u>
Carrying amount at 31 December	<u>187,320</u>

8 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

	2017 DKK	2016 DKK
Rental obligation, 9 months (2016: 21 months)	148,500	346,500
Leasing obligation, 29 months (2016: 41 months)	<u>347,710</u>	<u>491,590</u>
	<u>496,210</u>	<u>838,090</u>

Notes to the Financial Statements

9 Accounting Policies

The Annual Report of Samplix ApS for 2017 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 rules applying to reporting class C.

The Financial Statements for 2017 are presented in DKK.

Changes in accounting policies

The accounting policies have been updated and explanations detailed in preparation of the future commercial stage of the Company and the broader group of shareholders expected to invest in the Company's parent. Except for a change in the presentation of the Income Statement, whereas expenses are classified by function and not as in prior years by nature, the accounting policies applied remain unchanged from last year. The comparable figures in the Income Statements has been adjusted accordingly.

At the time of approval of this annual report, the following Standards and Interpretations (IFRS/IAS) have not become effective:

- IFRS 9 Financial Instruments: The new standard is effective for financial years beginning 1 January 2018.
- IFRS 15 Revenue from Contracts with customers: The new standard is effective for financial years beginning 1 January 2018.
- IFRS 16 Leases: The new standard is effective for financial years beginning 1 January 2019

When the abovementioned IFRS standards become effective, these may affect the Danish Financial Statements Act / Danish GAAP.

The Company expects that adoption of these Standards and Interpretations will have no material impact on the annual reports for the coming financial years.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, provisions and adjustments as a consequence of changes to accounting estimates.

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

Notes to the Financial Statements

9 Accounting Policies (continued)

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 measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised as financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

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

Notes to the Financial Statements

9 Accounting Policies (continued)

Income Statement

Revenue

Product sales:

Revenue from the sale of goods comprises the sale of instruments and consumables is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company. If all risks and rewards have not been transferred, the revenue is recognised as deferred income until all components of the transaction have been completed. In addition to offering instruments for sale, the Company also places instruments with customers through reagent rental agreements, under which the Company retains title to the instrument and customers commit to purchasing minimum quantities of consumables in the form of cartridges and reagents over a defined period of time; typically, 2-3 years. All of these reagent rental agreements are operating leases. Instead of rental payments, the Company recovers the cost of providing the instrument in the amount charged for consumables. Revenue is recognized over the defined contract term as consumables are shipped. The depreciation costs associated with the instrument are expensed to cost of sales on a straight-line basis over the estimated life of the instrument. The costs to maintain instruments in the field are charged to cost of sales as incurred.

Government grants:

Government grants are recognised as revenue when there is reasonable assurance that the Company will comply with the conditions attached to them and receive the grants. Government grants for expenses incurred are recognised as revenue over the periods in which Samplix recognises as expenses the related costs for which the grants are intended to compensate. Government grants for the purchasing of property, plant and equipment are recognized as deferred income over the useful lives of the related assets.

Service Sales:

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Notes to the Financial Statements

9 Accounting Policies (continued)

Cost of sales

Cost of goods sold includes the cost of materials, direct labor and manufacturing, overhead costs used in the manufacture and supply chain handling of instruments and consumables, including royalties on product sales. Cost of goods sold also includes depreciation on revenue generating instruments that have been placed with the Company's customers under a reagent rental agreement, cost of instruments sold to customers, amortization of licenses related to products and other costs such as product technical support. The Company procures both instruments and consumables from contract manufacturers and expects cost of goods sold to increase as the Company places additional instruments and consumables. Gross margins related to all products, however, the Company expects will increase as a percentage of sales as products mature and production volumes increase.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Sales and marketing expenses

Sales and marketing expenses include costs associated with the Company's direct sales force, sales management, marketing, technical support, business development activities and shipping and handling. These expenses primarily consist of salaries, commissions, benefits, travel, advertising, promotions, product samples and trade show expenses in addition to the costs of product shipments. The Company expects sales and marketing expenses to increase when the Company builds a commercial organisation and increases efforts to expand the Company's customer base.

Research and development expenses

Research and development expenses primarily include costs associated with the development of the Company's instrument and associated consumables including related protocols. These expenses also include intellectual property prosecution and maintenance costs, and quality assurance expenses. The expenses primarily consist of salaries, benefits, outside product design and consulting services, laboratory supplies and equipment, costs of consumables and materials used in house for product development, and allocated facility and information technology costs. In accordance with industry practice, the company has assessed that there is insufficient certainty that the detailed criteria for capitalization will be met for ongoing product development with project development largely being performed by contract manufacturers at their facilities. All research and development costs are therefore expensed in the periods in which they are incurred.

Notes to the Financial Statements

9 Accounting Policies (continued)

General and administrative expenses

The Company's general and administrative expenses include expenses related to the board of directors, executive management, accounting and finance, information technology, legal, facilities, human resource, administrative and investor related activities. These expenses consist primarily of salaries, benefits, independent auditor costs, legal and consulting fees, travel, and insurance costs.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on account taxation scheme.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance Sheet

Intangible assets

Development projects, patents and licences

Costs of acquired development projects and intellectual property comprise salaries, amortisation and other expenses directly or indirectly attributable to such assets.

As of the date of completion, capitalised development costs are amortised on a straight line basis over the period of the expected economic benefit from the assets. The amortisation period for acquired intellectual property rights is equal to the patent term and is 5 years for other assets.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Company instruments placed under rental reagent agreements 5 years

Notes to the Financial Statements

9 Accounting Policies (continued)

Other fixtures and fittings, tools and equipment 3-5 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Fixed asset investments

Fixed asset investments consist of deposits.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Notes to the Financial Statements

9 Accounting Policies (continued)

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.