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# ***Samplix ApS***

Bregnerødvej 96, DK-3460 Birkerød

## **Annual Report for 1 January - 31 December 2021**

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CVR No 32 30 93 21

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
16/6 2022

Frans Rossen  
Chairman of the General  
Meeting



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# 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 2021.

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 2021 of the Company and of the results of the Company operations for 2021.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Birkerød, 16 May 2022

## Executive Board

Lars Kongsbak  
CEO

## Board of Directors

Erik Max Michael Obermayer  
Chairman

Ole Kring

Lars Krogsgaard

Rodney Weldon Turner

# 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 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 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 2021, 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Statement on 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, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

## 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 misstate-

# Independent Auditor's Report

ment, 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 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

# Independent Auditor's Report

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.

Hillerød, 16 May 2022

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Henrik Aslund Pedersen

statsautoriseret revisor

mne17120

## Company Information

### **The Company**

Samplix ApS  
Bregnerødvej 96  
DK-3460 Birkerød

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

### **Board of Directors**

Erik Max Michael Obermayer, Chairman  
Ole Kring  
Lars Krogsgaard  
Rodney Weldon Turner

### **Executive Board**

Lars Kongsbak

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Milnersvej 43  
DK-3400 Hillerød

# Management's Review

## Key activities

Samplix® ApS supports the life sciences and medical research communities with proprietary microfluidics-based solutions and services that boost the resolution and throughput of genomics, cell screening, and molecular engineering workflows.

Samplix technology is designed to give targeted DNA and single-cell insights. It generates highly stable microfluidic droplets for encapsulating biological material, including single cells, organelles, and single molecules, for a range of high-resolution downstream analyses. Applications include assessments of single-cell enzyme activity, acceleration of enzyme engineering, characterization of edits in engineered genes, targeted gap closing in unknown regions of the genome, targeted long- and short-read sequencing, and low-bias whole genome amplification.

As a leading developer of microfluidics solutions and services, Samplix stands ready to help academic, corporate and government researchers reach their goals in areas as diverse as human genomics, gene and cell therapy, plant genomics, and synthetic biology.

## Development in the year

The income statement of the Company for 2021 shows a loss of DKK 30,599,385, and at 31 December 2021 the balance sheet of the Company shows equity of DKK 5,363,817.

## 2021: A transformative year

Since our market introduction in 2020 and thanks to our active collaborations with leading research centers, Samplix has gained a significantly broader understanding of the unmet market needs that our technology can address. This insight shaped our 2021 pipeline

Through 2021, Samplix developed technologies for high-throughput sorting of droplets containing target cells or DNA, and for encapsulation of living mammalian cells.

### *Encapsulation and sorting on a single instrument*

Xdrop Sort and the new Xdrop DE20 Sort Cartridge have been well received by partners. It has an unprecedented capacity for generating and sorting droplets containing DNA or small cells: up to 1 billion droplets in just one working day. The new instrument launched in January 2022, and we have extensive plans for its marketing throughout the year.

### *Mammalian cell encapsulation*

The new Xdrop DE50 Cartridge is designed for use on Xdrop or Xdrop Sort. The capacity to encapsulate single living mammalian cells facilitates unique and advanced testing. The cells can grow in the droplets, allowing for extended testing times, and can easily be recovered for secondary analyses or further expansion. Crucially, this new solution allows for single-cell assessment of secreted proteins and other molecules, which otherwise is hard to assess. The cartridge's market launch will be in 2022.

# Management's Review

## ***Bioinformatics support for genomics customers***

In 2021, Samplix also concluded the development of an advanced bioinformatics solution for analysis of sequencing data produced from the Xdrop workflow. This software package is available to all our customers, showing our commitment to the success of their research.

## ***Crucial partnerships***

To further expand the applications of our droplet technology, Samplix has established collaborations with several globally renowned institutions, including Harvard University, Stanford University, Aachen University, Bar-Ilan University, and Rensselaer Polytechnic Institute, as well as several biotech and pharmaceutical companies.

## ***Internal developments***

Samplix moved into new and bigger facilities in Birkerød which provided Samplix with the needed laboratory facilities to perform advanced DNA and single-cell product and application development. This included the creation of dedicated cell biology laboratories.

We continued to grow as a team, reaching 36 employees from 14 different countries by the end of 2021. Our diverse team ensures the broader perspective that is essential in contemporary R&D, marketing, sales, and services processes.

## ***Financing***

On January 7, 2021, Samplix established a COVID-19 Syndication Loan from Vækstfonden with the principal amount of DKK 20 million. On August 25, 2021, Samplix established a loan from the existing shareholders with the principal amount of €2.0 million.

At the extraordinary assembly held on February 1, 2022, the Board of Directors was authorized to establish a convertible bond amounting up to €6.7 million. As of February 2022, the holders of the €2.0 million shareholder loan decided to convert the loan into the convertible bond and provide Samplix with additional €2.5 million in capital under the convertible note.

## ***Subsequent events***

Except for the additional financing in 2022 no events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

## Income Statement 1 January - 31 December

	Note	2021 DKK	2020 DKK
<b>Gross profit/loss</b>		<b>3,632,667</b>	<b>8,639,633</b>
Sales and marketing expenses	2	-8,439,411	-8,538,946
Research and development expenses	2	-22,060,527	-19,654,104
General and administrative expenses	2	-7,049,658	-6,792,179
<b>Operating profit/loss</b>		<b>-33,916,929</b>	<b>-26,345,596</b>
<b>Profit/loss before financial income and expenses</b>		<b>-33,916,929</b>	<b>-26,345,596</b>
Financial income		17,155	0
Financial expenses		-2,199,487	-3,107,204
<b>Profit/loss before tax</b>		<b>-36,099,261</b>	<b>-29,452,800</b>
Tax on profit/loss for the year	3	5,499,876	5,328,222
<b>Net profit/loss for the year</b>		<b>-30,599,385</b>	<b>-24,124,578</b>

## Distribution of profit

	2021 DKK	2020 DKK
<b>Proposed distribution of profit</b>		
Retained earnings	-30,599,385	-24,124,578
	<b>-30,599,385</b>	<b>-24,124,578</b>

# Balance Sheet 31 December

## Assets

	Note	2021 DKK	2020 DKK
Completed development projects		5,329,727	5,995,943
Acquired patents		1,604,404	1,746,362
Acquired licenses		9,267	87,315
Development projects in progress		17,111,081	8,412,673
<b>Intangible assets</b>	4	<b>24,054,479</b>	<b>16,242,293</b>
Other fixtures and fittings, tools and equipment		2,126,541	657,151
Leasehold improvements		692,190	50,448
<b>Property, plant and equipment</b>	5	<b>2,818,731</b>	<b>707,599</b>
Deposits		682,980	340,740
<b>Fixed asset investments</b>	6	<b>682,980</b>	<b>340,740</b>
<b>Fixed assets</b>		<b>27,556,190</b>	<b>17,290,632</b>
<b>Inventories</b>		<b>7,471,856</b>	<b>5,568,524</b>
Trade receivables		838,773	765,876
Other receivables		667,239	203,754
Corporation tax		5,500,000	5,328,222
Prepayments		342,957	145,985
<b>Receivables</b>		<b>7,348,969</b>	<b>6,443,837</b>
<b>Cash at bank and in hand</b>		<b>11,975,112</b>	<b>17,156,591</b>
<b>Currents assets</b>		<b>26,795,937</b>	<b>29,168,952</b>
<b>Assets</b>		<b>54,352,127</b>	<b>46,459,584</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2021 DKK	2020 DKK
Share capital		960,328	960,328
Reserve for development costs		17,503,831	11,238,721
Retained earnings		-13,100,342	23,764,153
<b>Equity</b>		<b>5,363,817</b>	<b>35,963,202</b>
Lease obligations		151,359	0
Other payables		23,761,015	1,881,147
<b>Long-term debt</b>	7	<b>23,912,374</b>	<b>1,881,147</b>
Lease obligations	7	64,054	0
Trade payables		4,049,987	3,236,973
Other payables	7	20,927,606	5,006,185
Deferred income		34,289	372,077
<b>Short-term debt</b>		<b>25,075,936</b>	<b>8,615,235</b>
<b>Debt</b>		<b>48,988,310</b>	<b>10,496,382</b>
<b>Liabilities and equity</b>		<b>54,352,127</b>	<b>46,459,584</b>
Going concern	1		
Contingent assets, liabilities and other financial obligations	8		
Accounting Policies	9		

## Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	960,328	11,238,721	23,764,153	35,963,202
Development costs for the year	0	6,784,758	-6,784,758	0
Depreciation, amortisation and impairment for the year	0	-519,648	519,648	0
Net profit/loss for the year	0	0	-30,599,385	-30,599,385
<b>Equity at 31 December</b>	<b>960,328</b>	<b>17,503,831</b>	<b>-13,100,342</b>	<b>5,363,817</b>

# Notes to the Financial Statements

## 1 Going concern

On January 7, 2021, Samplix established a COVID-19 Syndication Loan from Vækstfonden with the principal amount of DKK 20 million. On August 25, 2021, Samplix established a loan from the existing shareholders with the principal amount of €2.0 million.

At the extraordinary assembly held on February 1, 2022, the Board of Directors was authorized to establish a convertible bond amounting up to €6.7 million. As of February 2022, the holders of the €2.0 million shareholder loan decided to convert the loan into the convertible bond and provide Samplix with additional €2.5 million in capital under the convertible note.

	2021 DKK	2020 DKK
<b>2 Staff</b>		
Wages and Salaries	19,082,564	19,717,856
Pensions	2,167,754	1,744,015
Other social security expenses	502,396	428,035
Other staff expenses	921,383	386,750
	<b>22,674,097</b>	<b>22,276,656</b>
<b>Average number of employees</b>	<b>27</b>	<b>27</b>

68,648 warrants are issued by resolution of the general meeting on 27 August 2020. The warrants may be exercised at any time up until 28 Februar 2024. The warrants may be exercised at a price from EUR 12 to EUR 25.

Incentive programmes are not recognised in the Financial Statements.

	2021 DKK	2020 DKK
<b>3 Tax on profit/loss for the year</b>		
Current tax for the year	-5,499,876	-5,328,222
	<b>-5,499,876</b>	<b>-5,328,222</b>

# Notes to the Financial Statements

## 4 Intangible assets

	Completed development projects DKK	Acquired pa- tents DKK	Acquired licenses DKK	Development projects in progress DKK
Cost at 1 January	6,662,159	2,051,904	260,546	8,412,673
Additions for the year	0	0	0	8,698,408
Cost at 31 December	6,662,159	2,051,904	260,546	17,111,081
Impairment losses and amortisation at 1 January	666,216	305,542	173,231	0
Amortisation for the year	666,216	141,958	78,048	0
Impairment losses and amortisation at 31 December	1,332,432	447,500	251,279	0
<b>Carrying amount at 31 December</b>	<b>5,329,727</b>	<b>1,604,404</b>	<b>9,267</b>	<b>17,111,081</b>

Development projects consist of development of products for which management evaluates a great market potential.

## 5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost at 1 January	1,728,116	105,453
Additions for the year	2,360,061	763,685
Disposals for the year	-519,295	-84,327
Cost at 31 December	3,568,882	784,811
Impairment losses and depreciation at 1 January	1,070,965	55,005
Depreciation for the year	449,068	87,996
Reversal of impairment and depreciation of sold assets	-77,692	-50,380
Impairment losses and depreciation at 31 December	1,442,341	92,621
<b>Carrying amount at 31 December</b>	<b>2,126,541</b>	<b>692,190</b>
Including assets under finance leases amounting to	307,144	0

# Notes to the Financial Statements

## 6 Fixed asset investments

	Deposits DKK
Cost at 1 January	340,740
Additions for the year	536,950
Disposals for the year	-194,710
Cost at 31 December	<u>682,980</u>
<b>Carrying amount at 31 December</b>	<b><u>682,980</u></b>

## 7 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2021 DKK	2020 DKK
<b>Lease obligations</b>		
Between 1 and 5 years	151,359	0
Long-term part	<u>151,359</u>	<u>0</u>
Within 1 year	<u>64,054</u>	<u>0</u>
	<b><u>215,413</u></b>	<b><u>0</u></b>
<b>Other payables</b>		
Between 1 and 5 years	23,761,015	1,881,147
Long-term part	<u>23,761,015</u>	<u>1,881,147</u>
Other short-term payables	<u>20,927,606</u>	<u>5,006,185</u>
	<b><u>44,688,621</u></b>	<b><u>6,887,332</u></b>

## 8 Contingent assets, liabilities and other financial obligations

### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Rental obligation, 26 months (2020: 6 months)	3,225,326	362,784
Leasing obligation, 7 - 11 months (2020: 19 - 23 months)	<u>70,893</u>	<u>378,069</u>
	<b><u>3,296,219</u></b>	<b><u>740,853</u></b>

# Notes to the Financial Statements

## 9 Accounting Policies

The Annual Report of Samplix ApS for 2021 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 accounting policies applied remain unchanged from last year.

The Financial Statements for 2021 are presented in DKK.

### Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

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.

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.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

# Notes to the Financial Statements

## 9 Accounting Policies (continued)

### Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

### Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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 in 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.

### Incentive schemes

The value of share-based payment, including share option and warrant plans that do not involve an out-flow of cash and cash equivalents, offered to the Executive Board and a number of senior employees is not recognised in the income statement. The most significant conditions of the share option plans are disclosed in the notes.

# 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.

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

#### 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 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, gross profit/loss is calculated as a summary of revenue, cost of sales, other operating income.

#### 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.

# Notes to the Financial Statements

## 9 Accounting Policies (continued)

### 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 relate to 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. Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

### 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.

### Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

#### Government grants

Government grants are recognised as other income 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 other income 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 recognised as deferred income over the useful lives of the related assets.

### 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.

# Notes to the Financial Statements

## 9 Accounting Policies (continued)

### 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.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item "Reserve for development costs". The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

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 10 years and is 5 years for other assets.

Patents and licences are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Patents are amortised over the remaining patent period or a shorter useful life. The amortisation period is 20 years. Software licences are amortised over the period of the agreement.

#### **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.

# Notes to the Financial Statements

## 9 Accounting Policies (continued)

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	2-5 years
Other fixtures and fittings, tools and equipment	3 - 5 years
Leasehold improvements	3 years

The fixed assets' residual values are determined at nil.

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.

### Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

### 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. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

# Notes to the Financial Statements

## 9 Accounting Policies (continued)

### 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.

### 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.

### Deferred income

Deferred income comprises payments received in respect of income in subsequent years. Deferred income primarily relates to government grants prepayments.