

# Illumina Denmark ApS


Ørestads Boulevard 73, 2300 København S

CVR no. 34 08 74 23

## Annual report 2019

Approved at the Company's annual general meeting on 3 June 2020

Chairman:

  
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## Contents

Statement by the Executive Board	2
Independent auditor's report	3
Management's review	5
Financial statements 1 January - 31 December	7
Income statement	7
Balance sheet	8
Statement of changes in equity	9
Notes to the financial statements	10

## Statement by the Executive Board

Today, the Executive Board has discussed and approved the annual report of Illumina Denmark ApS for the financial year 1 January - 31 December 2019.

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 of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

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

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

Copenhagen, 3 June 2020  
Executive Board:

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Mark James Robinson

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Paula Lynn Dowdy

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Rebecca Jane Edwards

## Independent auditor's report

To the shareholders of Illumina Denmark ApS

### Opinion

We have audited the financial statements of Illumina Denmark ApS for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We 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 the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

### 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 as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements 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 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.

## Independent auditor's report

- ▶ 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 note 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 on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Copenhagen, 3 June 2020  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Rasmus Bloch Vespersen  
State Authorised Public Accountant  
mne35503

## Management's review

### Company details

Name Illumina Denmark ApS  
Address, Postal code, City Ørestads Boulevard 73, 2300 København S

CVR no. 34 08 74 23  
Registered office Copenhagen  
Financial year 1 January - 31 December

Executive Board Mark James Robinson  
Paula Lynn Dowdy  
Rebecca Jane Edwards

### Financial highlights

DKK	2019	2018	2017	2016	2015
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#### Key figures

Gross profit	16,552,928	16,728,869	16,150,584	13,521,375	15,461,606
Operating profit/loss	6,335,711	5,089,869	5,350,871	3,356,949	6,092,730
Net financials	1,504,961	1,472,039	-3,315,004	778,766	2,011,343
Profit before tax	7,840,672	6,561,908	2,035,867	4,135,715	8,104,073
Profit for the year	6,071,960	5,079,404	1,537,215	3,165,339	6,154,489

Non-fixed assets	83,932,113	63,665,705	39,019,258	32,569,941	45,680,555
Total assets	83,932,113	63,665,705	39,019,258	32,569,941	45,680,555
Share capital	80,000	80,000	80,000	80,000	80,000
Equity	29,893,659	23,821,699	18,742,296	17,205,079	14,039,740
Non-current liabilities other than provisions	1,565,214	2,905,307	3,906,940	1,361,593	1,688,542
Current liabilities other than provisions	52,473,240	36,938,699	16,370,022	13,579,983	29,952,273

#### Financial ratios

Return on assets	8.6%	9.9%	14.9%	8.6%	14.9%
Current ratio	160.0%	172.4%	238.4%	239.8%	152.5%
Equity ratio	35.6%	37.4%	48.0%	52.8%	30.7%
Return on equity	22.6%	23.9%	8.6%	20.3%	43.8%

Average number of employees	11	11	11	10	9
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Financial ratios are calculated in accordance with the Danish Finance Society's recommendations. For terms and definitions, please see the accounting policies.

## Management's review

### Business review

The Company's main activities are sales of tools and integrated systems for large-scale analyses of genetic variation and function to customers in Denmark.

### Financial review

The income statement for 2019 shows a profit of DKK 6,071,960 against a profit of DKK 5,079,404 last year, and the balance sheet at 31 December 2019 shows equity of DKK 29,893,659.

Management considers the Company's financial performance in the year satisfactory.

### Impact on the external environment

The market which the company operates in is highly competitive. As such constant R&D is being undertaken by an Illumina entity to ensure that the products remain attractive to the market. The R&D activities are not being undertaken by Illumina Denmark ApS.

### Events after the balance sheet date

Management expects the COVID-19 pandemic to have a negative impact on sales and results of operations in 2020, however the size and duration of the impact is not currently predictable. The gross profit for 2020 is therefore expected to be within a range of -4% to 6% of the result achieved in 2019. Given the Company's liquidity and financial strength such effects are not expected to affect the Company's ability to meet its obligations in 2020.

### Outlook

The Company's Gross Profit for 2020 is expected to develop by approx. -4-6% due to the continued growth in the Company's core markets in Northern Europe. The duration of the before mentioned pandemic is not currently predictable.

## Financial statements 1 January - 31 December

### Income statement

Note	DKK	2019	2018
	Gross profit	16,552,928	16,728,869
2	Staff costs	-10,217,217	-11,639,000
	Profit before net financials	6,335,711	5,089,869
3	Financial income	2,157,715	1,579,929
4	Financial expenses	-652,754	-107,890
	Profit before tax	7,840,672	6,561,908
	Tax for the year	-1,768,712	-1,482,504
	Profit for the year	6,071,960	5,079,404



# Financial statements 1 January - 31 December

## Balance sheet

Note	DKK	2019	2018
	ASSETS		
	Non-fixed assets		
	Receivables		
	Trade receivables	46,328,527	55,257,084
	Receivables from group entities	0	3,946,283
	Other receivables	239,047	0
		<u>46,567,574</u>	<u>59,203,367</u>
	Cash	37,364,539	4,462,338
	Total non-fixed assets	<u>83,932,113</u>	<u>63,665,705</u>
	TOTAL ASSETS	<u>83,932,113</u>	<u>63,665,705</u>
	EQUITY AND LIABILITIES		
	Equity		
5	Share capital	80,000	80,000
	Retained earnings	29,813,659	23,741,699
	Total equity	<u>29,893,659</u>	<u>23,821,699</u>
	Liabilities other than provisions		
	Non-current liabilities other than provisions		
	Other payables	459,686	0
6	Deferred income	1,105,528	2,905,307
		<u>1,565,214</u>	<u>2,905,307</u>
	Current liabilities other than provisions		
	Trade payables	1,362,942	524,908
	Payables to group entities	5,428,096	1,993,138
	Income taxes payable	1,554,493	445,394
	Other payables	12,153,309	14,702,976
6	Deferred income	31,974,400	19,272,283
		<u>52,473,240</u>	<u>36,938,699</u>
	Total liabilities other than provisions	<u>54,038,454</u>	<u>39,844,006</u>
	TOTAL EQUITY AND LIABILITIES	<u>83,932,113</u>	<u>63,665,705</u>

- 1 Accounting policies
- 7 Contractual obligations and contingencies, etc.
- 8 Collateral
- 9 Related parties
- 10 Appropriation of profit

## Financial statements 1 January - 31 December

### Statement of changes in equity

Note	DKK	Share capital	Retained earnings	Total
	Equity at 1 January 2018	80,000	18,662,295	18,742,295
10	Transfer, see "Appropriation of profit"	0	5,079,404	5,079,404
	Equity at 1 January 2019	80,000	23,741,699	23,821,699
10	Transfer, see "Appropriation of profit"	0	6,071,960	6,071,960
	Equity at 31 December 2019	80,000	29,813,659	29,893,659

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Illumina Denmark ApS for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

In 2019, the company has changed reporting class under the Danish Financial Statement Act from reporting class B to reporting class C for medium sized entities. The change in reporting class has impacted presentation and disclosures. The accounting policies are consistent with those of prior years.

#### Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the Danish company, as its' cash flows are reflected in the consolidated cash flow statement for the parent company.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK).

#### Foreign currency translation

On initial recognition, 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 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 rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

#### Income statement

##### Revenue

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

The Company's revenue is generated primarily from the sale of products and services. Product revenue primarily consists of sales of instruments and consumables used in genetic analyses. Service and other revenue primarily consist of revenue generated from instrument service contracts.

The Company recognises revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the seller's price to the buyer is fixed or determinable, and collectibility is reasonably assured. In instances where final acceptance of the product or system is required, revenue is deferred until all the acceptance criteria have been met.

All revenue is recorded net of discounts and sales taxes collected on behalf of governmental authorities.

Revenue from product sales is recognised generally upon transfer of title to the customer, provided that no significant obligations remain and collection of the receivable is reasonably assured. Revenue from instrument service contracts is recognised as the services are rendered, typically evenly over the contract term.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

The Company regularly enters into contracts where revenue is derived from multiple deliverables including products or services. These products or services are generally delivered within a short-time frame, approximately three to six months, after the contract execution date. Revenue recognition for contracts with multiple deliverables is based on the individual units of accounting determined to exist in the contract. A delivered item is considered a separate unit of accounting when the delivered item has value to the customer on a stand-alone basis. Items are considered to have stand-alone value when they are sold separately by any vendor or when the customer could resell the item on a stand-alone basis.

For transactions with multiple deliverables, consideration is allocated at the inception of the contract to all deliverables based on their relative selling price.

#### Gross profit

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue' to and including 'Other external expenses' are consolidated into one item designated 'Gross margin'.

#### Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

#### Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, bad debts, lease payments under operating leases, etc.

#### Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

#### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

### Balance sheet

#### Receivables

Trade accounts receivable are recorded at the net invoice value and are not interest bearing.

The Company considers receivables past due based on the contractual payment terms. The Company reserves specific receivables, if collectibility is no longer reasonably assured. The Company also reserves a percentage of its trade receivable balance based on collection history and current economic trends that might impact the level of future credit losses. The Company re-evaluates such reserves on a regular basis and adjusts its reserves as needed. Once a receivable is deemed to be uncollectible, such balance is charged against the reserve.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

#### Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

#### Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Provisions for deferred tax are calculated, based on the liability method, of all temporary differences between carrying amounts and tax bases, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income.

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. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

#### Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. Interest-bearing debt is subsequently measured at amortised cost, using the effective interest rate method. Other debt is subsequently measured at amortised cost corresponding to the nominal unpaid debt.

Other liabilities are measured at amortised cost, which, essentially, corresponds to the fair value.

#### Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

#### Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
Return on assets	$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

Equity ratio

$$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$$

Return on equity

$$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$$

## Financial statements 1 January - 31 December

### Notes to the financial statements

DKK	2019	2018
2 Staff costs and incentive programmes		
Wages/salaries	8,849,373	10,260,087
Pensions	795,801	814,938
Other staff costs	572,043	563,975
	<u>10,217,217</u>	<u>11,639,000</u>
Average number of full-time employees	11	11
Number of employees at the balance sheet date	11	11

Total remuneration to Management: 2019 DKK'000 769.287 (2018: DKK'000 1.009.967)

### Incentive programmes

The Company introduced an incentive plan aimed at members of The Executive Board/Board of Directors/Board of Representatives. Share options are granted subject to the fulfilment of certain performance targets, both in the short and in the long run. The Board of Executives and other individuals employed by the company are participating in an Employee Stock Purchase Plan (ESPP) of the ultimate parent company, Illumina, Inc. The ESPP is established with the purpose of providing employees with an opportunity to purchase common stock in Illumina, Inc. through payroll deductions. The purchase price for the common stocks is determined by reference to the closing selling price of the common stock on an established stock exchange and adjusted for a contractual discount. The duration of each ESPP offering period is 12 months.

3 Financial income		
Other interest income	1,012,955	551,387
Exchange gain	1,144,760	1,028,542
	<u>2,157,715</u>	<u>1,579,929</u>
4 Financial expenses		
Interest surcharges and tax recognised under net financials	74,502	18,475
Bank fees	106,413	86,547
Other financial expenses	471,839	2,868
	<u>652,754</u>	<u>107,890</u>
5 Share capital		
Analysis of the share capital:		
800 shares of DKK 100.00 nominal value each	80,000	80,000
	<u>80,000</u>	<u>80,000</u>

The Company's share capital has remained DKK 80,000 over the past 5 years.

- 6 Deferred income  
Deferred income comprises payments relating to sales that will not be recognised as income until in the following financial year once the recognition criteria are satisfied.
- 7 Contractual obligations and contingencies, etc.

## Financial statements 1 January - 31 December

## Notes to the financial statements

## Other financial obligations

## Other rent and lease liabilities:

Rent and lease liabilities	<u>71,461</u>	<u>134,977</u>
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- ▶ Rent and lease liabilities include a rent commitment totalling DKK 2,652 and operating leases concerning cars totalling DKK 68,809 with a remaining term of 13 months.

## 8 Collateral

No security for loans had been placed at 31 December 2019.



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 9 Related parties

Illumina Denmark ApS' related parties comprise the following:

##### Parties exercising control

Related party	Domicile	Basis for control
Parent company Illumina Inc.	5200 Illumina Way, San Diego, CA 92122, USA	Ultimate parent
Parent company Illumina Cambridge Ltd.	19 Granta Park, Great Abington, Cambridge, CB21 6DF, UK	Shareholder's agreement
Parent company Illumina Netherlands B.V.	Freddy van Reimsdijkweg 15, 5667 EE Eindhoven, NL	Shareholders' agreement

##### Related party transactions

Illumina Denmark ApS was engaged in the below related party transactions:

DKK	2019
Cost Of Goods Sold	131,909,698
Other administrative cost	12,365,117

Other than the above, the Company has transactions related to trade (cost of goods sold) with other group entities. With reference to the Company's application of section 32 of the Danish Financial Statements Act, disclosure of such transactions are not included in the above.

The Company has entered into a reseller agreement with an affiliated company. Cost of sales are adjusted to reflect the defined operating margin range in the Company and the group's TP policy and intercompany agreements.

##### Ownership

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

Name	Domicile
Illumina Netherlands BV	Freddy van Reimsdijkweg 15, 5657 EE, Eindhoven, Netherlands

DKK	2019	2018
10 Appropriation of profit		
Recommended appropriation of profit		
Retained earnings	6,071,960	5,079,404
	6,071,960	5,079,404