

# Citoxlab Scantox A/S

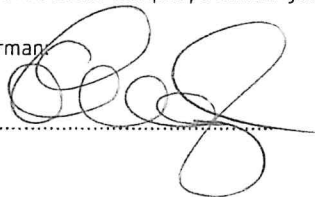
Hestehavevej 36A, 4623 Lille Skensved

CVR no. 83 09 04 13

## Annual report 2018

Approved at the Company's annual general meeting on 28 May 2019

Chairman



A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned above a dotted line.

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### Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Citoxlab Scantox A/S for the financial year 1 January - 31 December 2018.

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 2018 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2018.

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, 28 May 2019  
Executive Board:



Jeanet Løgsted Nielsen

Board of Directors:



Brian Bathgate  
Chairman

Birgit Girshick



Jeanet Løgsted Nielsen



Hanne Paltoft



Dorthe Metzker



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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.

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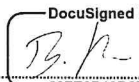
Copenhagen, 28 May 2019  
Executive Board:

  
Jeanet Løgsted Nielsen

Board of Directors:

.....  
Brian Bathgate  
Chairman

  
Hanne Paltoft

DocuSigned by:  
  
.....  
Birgit Girshick

  
Dorthe Metzker  
Jeanet Løgsted Nielsen

## Independent auditor's report

To the shareholders of Citoxlab Scantox A/S

### Opinion

We have audited the financial statements of Citoxlab Scantox A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations as well as the cash flows for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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.
- ▶ 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.

## Independent auditor's report

- ▶ 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, 28 May 2019

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Christian Schwenn Johansen

State Authorised Public Accountant

mne33234



## Management's review

### Company details

Name	Citoxlab Scantox A/S
Address, Postal code, City	Hestehavevej 36A, 4623 Lille Skensved
CVR no.	83 09 04 13
Financial year	1 January - 31 December
Board of Directors	Brian Bathgate, Chairman Birgit Girshick Jeanet Løgsted Nielsen Hanne Paltoft Dorthe Metzker
Executive Board	Jeanet Løgsted Nielsen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

## Management's review

### Financial highlights

DKK'000	2018	2017	2016	2015	2014
<b>Key figures</b>					
Revenue	117,598	91,110	93,612	92,927	81,241
Gross margin	77,073	59,964	62,408	62,454	53,858
Profit before interest, tax and amortisation of goodwill (EBITA)	10,360	1,575	-511	2,846	-6,781
Net financials	-1,317	-1,262	-576	-2,431	-2,609
Profit before tax	9,043	313	-1,087	415	-9,390
<b>Profit/loss for the year</b>	<b>10,973</b>	<b>313</b>	<b>-1,087</b>	<b>415</b>	<b>-9,390</b>
<b>Total assets</b>					
Total assets	97,257	90,006	90,175	96,782	96,523
Investment in property, plant and equipment	-4,429	-1,626	-1,824	-4,387	-2,362
<b>Equity</b>	<b>27,643</b>	<b>16,670</b>	<b>16,357</b>	<b>17,444</b>	<b>17,029</b>
<b>Financial ratios</b>					
Operating margin	8.8%	1.7%	-0.5%	3.1%	-8.3%
Gross margin	65.5%	65.8%	66.7%	67.2%	66.3%
Return on assets	11.1%	1.7%	-0.5%	2.9%	-6.9%
Current ratio	92.5%	79.2%	47.7%	65.4%	29.1%
Equity ratio	28.4%	18.5%	18.1%	18.0%	17.6%
Return on equity	49.5%	1.9%	-6.4%	2.4%	-59.7%
<b>Average number of employees</b>					
Average number of employees	124	120	131	129	143



## Management's review

### Business review

The Company performs laboratory studies on a contractual basis for the pharmaceutical industry, the medical device industry, the food and agricultural industries as well as the chemical industry. The studies are concentrated within the pharmacological and toxicological areas, and the Company is the only contract research organization in Scandinavia offering such a wide range of services. The purpose of the studies is to contribute to the protection of the public health and safety.

### Recognition and measurement uncertainties

#### *Deferred tax asset*

The Company recognises deferred tax assets, including the tax base of tax loss carry-forwards, if Management assesses that these tax assets can be offset against positive taxable income within a foreseeable future. This assessment is made on an ongoing basis and is based on budgets and business plans for the coming years, including planned commercial initiatives.

At 31 December 2018, the Company has recognised deferred tax assets of DKK 1,930 thousand (Unrecognised in 2017: DKK 3,916 thousand). Due to improvements in the expectations of the Company's future taxable profit and thereby the Company's ability to offset the tax assets against future taxable income, the Company has recognised the value of the deferred tax assets.

### Unusual matters having affected the financial statements

#### *Going concern*

In view of the excess of current liabilities over current assets of Citoxlab Scantox A/S for the year ended 31 December 2018, which indicates a liquidity shortage Management has received a letter of subordination from its Parent Company. The letter of subordination ensures that SAS Citoxlab Group will subordinate the loan account due by the Company until at least 31 December 2019.

### Financial review

In 2018, the Company's revenue amounted to DKK 117,598 thousand against DKK 91,110 thousand last year. The income statement for 2018 shows a profit of DKK 10,973 thousand against a profit of DKK 313 thousand last year, and the balance sheet at 31 December 2018 shows equity of DKK 27,643 thousand.

### Profit/loss for the year compared to previous expectations

In the annual report for 2017, Management expressed expectations of continuance of improvement in the performance in 2018. Actual revenue, profit and cash flow came in better than expected.

### Special risks

The Company's contracts with customers bind the Company to perform specific trials, usually at a fixed price.



## Management's review

### Events after the balance sheet date

On 13 February 2019 Charles River Laboratories International Inc., the world's largest preclinical Contract Research Organisation announced that it has signed a binding offer to acquire Citoxlab Group. The proposed transaction is expected to close in the second quarter of 2019.

### Outlook

In 2018 the Company obtained the best result in ten years with record sales, revenues and EBIDTA. Based on the ongoing merge with Charles River, the markets positive feed-back on the merge and a continuation of the generally high activity levels, management has positive expectations to the financial performance for 2019.



## Financial statements 1 January - 31 December

### Income statement

Note	DKK'000	2018	2017
	Revenue	117,598	91,110
	Cost of sales	-29,001	-21,140
	Other external expenses	-11,524	-10,006
	<b>Gross margin</b>	<b>77,073</b>	<b>59,964</b>
2	Staff costs	-60,044	-52,011
3	Amortisation/depreciation of intangible assets and property, plant and equipment	-6,669	-6,378
	<b>Profit before net financials</b>	<b>10,360</b>	<b>1,575</b>
4	Financial income	0	43
5	Financial expenses	-1,317	-1,305
	<b>Profit before tax</b>	<b>9,043</b>	<b>313</b>
6	Tax for the year	1,930	0
	<b>Profit for the year</b>	<b>10,973</b>	<b>313</b>

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	<u>2018</u>	<u>2017</u>
	<b>ASSETS</b>		
	Non-current assets		
7	Intangible assets		
	Acquired intangible assets	1,361	1,677
		<u>1,361</u>	<u>1,677</u>
8	Property, plant and equipment		
	Land and buildings	50,653	54,155
	Other fixtures and fittings, tools and equipment	7,440	5,505
		<u>58,093</u>	<u>59,660</u>
	Financial assets		
9	Deferred tax assets	1,930	0
		<u>1,930</u>	<u>0</u>
	<b>Total non-current assets</b>	<u>61,384</u>	<u>61,337</u>
	Current assets		
	Inventories		
	Raw materials and consumables	800	988
		<u>800</u>	<u>988</u>
	Receivables		
	Trade receivables	19,741	20,824
10	Work in progress for third parties	3,028	4,012
	Receivables from group entities	3,063	373
	Other receivables	252	218
	Prepayments	3,161	2,087
		<u>29,245</u>	<u>27,514</u>
	Cash	5,828	167
	<b>Total current assets</b>	<u>35,873</u>	<u>28,669</u>
	<b>TOTAL ASSETS</b>	<u>97,257</u>	<u>90,006</u>

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2018	2017
	<b>EQUITY AND LIABILITIES</b>		
	Equity		
11	Share capital	12,600	12,600
	Retained earnings	15,043	4,070
	<b>Total equity</b>	<b>27,643</b>	<b>16,670</b>
12	<b>Non-current liabilities</b>		
	Mortgage debt	20,015	21,221
	Lease liabilities	600	598
	Payables to group entities	10,215	15,304
	<b>Total non-current liabilities</b>	<b>30,830</b>	<b>37,123</b>
	<b>Current liabilities</b>		
	Mortgage debt	1,261	1,261
	Lease liabilities	262	215
	Other credit institutions	0	351
10	Work in progress for third parties	11,635	16,466
	Trade payables	7,297	5,900
	Payables to group entities	4,998	3,611
	Other payables	13,331	8,409
	<b>Total current liabilities</b>	<b>38,784</b>	<b>36,213</b>
	<b>Total liabilities</b>	<b>69,614</b>	<b>73,336</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>97,257</b>	<b>90,006</b>

- 1 Accounting policies
- 13 Contractual obligations and contingencies, etc.
- 14 Collateral
- 15 Related parties



## Financial statements 1 January - 31 December

### Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 January 2018	12,600	4,070	16,670
16	Transfer, see "Appropriation of profit"	0	10,973	10,973
	Equity at 31 December 2018	12,600	15,043	27,643

## Financial statements 1 January - 31 December

### Cash flow statement

Note	DKK'000	2018	2017
	Profit for the year	10,973	313
17	Adjustments	5,335	7,140
	Cash generated from operations (operating activities)	16,308	7,453
18	Changes in working capital	-55	3,883
	Cash generated from operations (operating activities)	16,253	11,336
	Interest received, etc.	0	43
	Interest paid, etc.	-596	-805
	<b>Cash flows from operating activities</b>	<b>15,657</b>	<b>10,574</b>
	Additions of intangible assets	-357	-398
	Additions of property, plant and equipment	-4,429	-1,626
	<b>Cash flows to investing activities</b>	<b>-4,786</b>	<b>-2,024</b>
	Repayments, debt to credit institutions	-1,508	-8,843
	Repayments, borrowings from group enterprises	-3,702	-909
	<b>Cash flows from financing activities</b>	<b>-5,210</b>	<b>-9,752</b>
	<b>Net cash flow</b>	<b>5,661</b>	<b>-1,202</b>
	Cash and cash equivalents at 1 January	167	1,369
	<b>Cash and cash equivalents at 31 December</b>	<b>5,828</b>	<b>167</b>

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Citoxlab Scantox A/S for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

#### Leases

Leases for fixed assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet as assets. On initial recognition, assets are measured at cost, corresponding to the lower of fair value and the present value of the future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are depreciated the same way as other similar fixed assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

#### Income statement

##### Revenue

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

Income from the sale of services is recognised when the total income and expenses related to the individual productions as well as the stage of completion at the balance sheet date can be made up reliably and it is probable that future economic benefits, including payment, will flow to the Company.

Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

##### Cost of sales

Cost of sales includes the costs of animals, feed and equipments used in generating the year's revenue.

##### Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

##### Staff costs

Staff costs include wages and salaries, including holiday pay and pensions, as well as other social security contributions, etc., made to the Company's employees. The item is net of refunds made by public authorities.

##### Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

Software 3-10 years

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Land and buildings	20-30 years
Plant and machinery	3-15 years
Other fixtures and fittings, tools and equipment	3-15 years

#### Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

#### 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

##### Intangible assets

Other intangible assets includes software licences.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

##### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Costs include the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

As regards property, plant and equipment in progress, costs include the costs of materials and labour, etc., directly relating to the assets.

##### Impairment of non-current assets

Every year, intangible assets and property, plant and equipment are reviewed for impairment. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount), if it is lower than the carrying amount. Where an impairment loss is recognised on a group of assets, a loss must first be allocated to goodwill and then to the other assets on a pro rata basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

#### Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

#### Receivables

Receivables are measured at amortised cost.

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

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.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Write-downs 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.

#### Work in progress for third parties

Ongoing service supplies and work in progress for third parties are measured at the market value of the work performed less advances received. The market value is calculated on the basis of the percentage of completion at the balance sheet date and the total expected income from the relevant contract. The percentage of completion is made up based on services performed to date as a percentage of the total services to be performed.

Where the outcome of contract work in progress cannot be estimated reliably, the market value is measured at the expenses incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

#### Prepayments

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent financial reporting years.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Cash

Cash comprise cash and short term marketable securities which are subject to an insignificant risk of changes in value.

##### Provisions

Provisions comprise expected expenses relating to guarantee commitments, losses on work in progress, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event at the balance sheet date and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

##### Corporation tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior year taxes and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended 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. 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 at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent recognition, 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. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

##### Lease liabilities

Lease liabilities are measured at the net present value of the remaining lease payments including any guaranteed residual value, if any, based on the interest rate implicit in the lease.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Deferred income

If the Company receives information after the reporting period, but prior to the date of the Board of Director's approval of the financial statements, about conditions that existed at the end of the reporting period, the Company assesses if the information affects the amounts recognised in the financial statements. The Company will adjust the amounts recognised in its financial statements to reflect any subsequent events after the reporting period and update the disclosures that relate to those conditions in the light of the new information.

For non-adjusting events after the reporting period, the Company will not change the amounts recognised in its financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

##### Cash flow statement

The cash flow statement shows the Company's net cash flows, broken down by operating, investing and financing activities, the year's changes in cash and cash equivalents and the Company's cash and cash equivalents at the beginning and the end of the year. Cash flow adjustment in relation to current year debt conversion has been presented as a non-cash adjustment.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject to an insignificant risks of changes in value.

##### Financial ratios

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

Operating margin	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$
Gross margin ratio	$\frac{\text{Gross margin} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$

## Financial statements 1 January - 31 December

### Notes to the financial statements

DKK'000	2018	2017
<b>2 Staff costs</b>		
Wages/salaries	51,526	43,889
Pensions	7,387	7,105
Other social security costs	981	869
Other staff costs	150	148
	<u>60,044</u>	<u>52,011</u>
Average number of full-time employees	<u>124</u>	<u>120</u>
With reference to section 98b(3)(ii) of the Danish Financial Statements Act, remuneration to Management is not disclosed.		
DKK'000	2018	2017
<b>3 Amortisation/depreciation of intangible assets and property, plant and equipment</b>		
Amortisation of intangible assets	673	709
Depreciation of property, plant and equipment	5,996	5,669
	<u>6,669</u>	<u>6,378</u>
<b>4 Financial income</b>		
Interest receivable, group entities	0	43
	<u>0</u>	<u>43</u>
<b>5 Financial expenses</b>		
Interest expenses, group entities	441	491
Other interest expenses	637	424
Exchange losses	84	80
Other financial expenses	155	310
	<u>1,317</u>	<u>1,305</u>
<b>6 Tax for the year</b>		
Deferred tax adjustments in the year	-1,930	0
	<u>-1,930</u>	<u>0</u>

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 7 Intangible assets

DKK'000	<u>Acquired intangible assets</u>
Cost at 1 January 2018	6,658
Additions in the year	357
Cost at 31 December 2018	<u>7,015</u>
Impairment losses and amortisation at 1 January 2018	4,981
Amortisation in the year	673
Impairment losses and amortisation at 31 December 2018	<u>5,654</u>
Carrying amount at 31 December 2018	<u>1,361</u>

#### 8 Property, plant and equipment

DKK'000	<u>Land and buildings</u>	<u>Other fixtures and fittings, tools and equipment</u>	<u>Total</u>
Cost at 1 January 2018	128,066	43,322	171,388
Additions in the year	576	3,853	4,429
Cost at 31 December 2018	<u>128,642</u>	<u>47,175</u>	<u>175,817</u>
Impairment losses and depreciation at 1 January 2018	73,911	37,817	111,728
Depreciation in the year	4,078	1,918	5,996
Impairment losses and depreciation at 31 December 2018	<u>77,989</u>	<u>39,735</u>	<u>117,724</u>
Carrying amount at 31 December 2018	<u>50,653</u>	<u>7,440</u>	<u>58,093</u>

Note 14 provides more details on security for loans, etc., regarding property, plant and equipment.

#### Impairment test

Management has carried out an impairment test covering assets. As a result of the impairment test, Management concluded that there is no basis for recognising impairment loss on intangible assets and property plant and equipment. The impairment test is conducted annually. In the impairment test, the discounted values of future cash flows are compared to the carrying amounts. Future cash flows are based on the budget for 2019 and forecasts for 2020-2023. Important parameters are sales, EBIT and growth assumptions in the terminal period. The budget is based on general parameters for growth rates. For discounted cash flow calculations, a discount rate of 10% has been applied as well as a growth rate of 1.5% in the termination period 2020-2023.

## Financial statements 1 January - 31 December

### Notes to the financial statements

DKK'000	2018	2017
<b>9 Deferred tax</b>		
Adjustment of the deferred tax charge for the year	-1,930	0
Deferred tax at 31 December	-1,930	0

At 31 December 2018, the Group recognised an asset totalling DKK 1,930 thousand. Based on the budgets, Management considers it convincing that there will be future taxable income against which non-utilised tax losses and tax deductions can be offset.

DKK'000	2018	2017
<b>10 Work in progress for third parties</b>		
Selling price of work performed	156,935	102,217
Invoicing on account	-165,542	-114,671
	-8,607	-12,454

recognised as follows:

Work in progress for third parties (assets)	3,028	4,012
Work in progress for third parties (liabilities)	-11,635	-16,466
	-8,607	-12,454

### 11 Share capital

Analysis of the share capital:

126,000 shares of DKK 100.00 nominal value each	12,600	12,600
	12,600	12,600

Analysis of changes in the share capital over the past 5 years:

DKK'000	2018	2017	2016	2015	2014
Opening balance	12,600	12,600	12,600	12,600	600
Capital increase	0	0	0	0	12,000
	12,600	12,600	12,600	12,600	12,600

### 12 Non-current liabilities

DKK'000	Total debt at 31/12 2018	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Mortgage debt	21,276	1,261	20,015	15,109
Lease liabilities	862	262	600	0
Payables to group entities	12,156	1,941	10,215	0
	34,294	3,464	30,830	15,109

The Company has received a letter of subordination from its Parent Company on the loan DKK 15,212 thousand.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 13 Contractual obligations and contingencies, etc.

##### Other financial obligations

Other rent and lease liabilities:

DKK'000	2018	2017
Rent and lease liabilities	118	364

#### 14 Collateral

As security for the Company's mortgage debt, a total amount of DKK 34.200 thousand (2017: DKK 34.200 thousand) has been put up as security in buildings.

The Company has granted a negative pledge comprising movables, unsecured claims, inventories, operating equipment, intangible rights and charges on claims in the amount of DKK 15 million (2017: DKK 15 million) as security for the balances with Danske Bank.

#### 15 Related parties

##### Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
SAS Citoxlab Group	Rue de Pacy 27930 Miseray France	At the Company's adress

##### Related party transactions

Citoxlab Scantox A/S was engaged in the below related party transactions:

DKK'000	2018	2017
Financial income from Associate	0	43
Financial expense to the Parent Company	441	664
Loan from Parent	0	4,122
Purchase of services from Associate	5,417	4,533
Purchase of services from the Parent Company	3,494	0
Repayment of loan to the Parent Company	6,035	5,476
Sale of services from Associate	7,997	6,030
Sale of services from the Parent Company	2,806	0

All transactions have been carried out on an arm's length basis.

The Company has received a letter of subordination from its Parent Company on the loan.

Receivables from group entities, DKK 3,063 thousand. Payables to group entites, DKK 15,213 thousand, consists of loan, DKK 12,157 thousand, and payables, DKK 3,056 thousand.

There are no intra-group transactions that have not been carried through on normal market terms.



## Financial statements 1 January - 31 December

### Notes to the financial statements

DKK'000	<u>2018</u>	<u>2017</u>
<b>16 Appropriation of profit</b>		
Recommended appropriation of profit		
Retained earnings	10,973	313
	<u>10,973</u>	<u>313</u>
<b>17 Adjustments</b>		
Amortisation/depreciation and impairment losses	6,669	6,378
Financial income	0	-43
Financial expenses	596	805
Deferred tax	-1,930	0
	<u>5,335</u>	<u>7,140</u>
<b>18 Changes in working capital</b>		
Change in inventories	1,172	-2,272
Change in receivables	-2,715	-3,115
Change in trade and other payables	101	1,685
Other changes in working capital	1,387	7,585
	<u>-55</u>	<u>3,883</u>