

Atonomics A/S

CVR no. 25 64 85 87

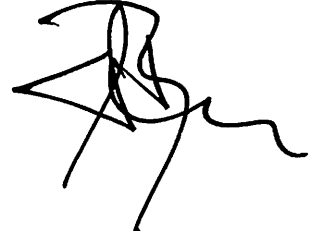
Annual report 2013

13th financial year

The following is a translation of an original Danish document. The original Danish document is the governing document for all purposes, and in case of any discrepancy, the Danish wording will be applicable.

Annual general meeting held on 31 May 2014

Dirigent
Lars Bangsgaard



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Company details

Atonomics A/S

CVR no. 25 64 85 87

Established: 5 October 2000

Registered office: Copenhagen

Ownership

The Company's shares are held by:

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

Board of Directors

Ashok Dhanrajgir (chairman)
Melanie Weikert
Julian Pieters
Jørgen Drejer

Executive Board

Thomas Warthoe

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Torben Kristensen
State Authorised Public Accountant

Bank

Nykredit Bank

Annual general meeting

The annual general meeting will be held on 31 May 2014

Management's review

In recent years, Atonomics A/S has developed several diagnostic platforms which are designed for near-patient diagnostic testing in hospitals, at general practitioners and specialists and for home diagnostics testing.

Atolyzer™ performs immuno, enzymatic and molecular diagnostic testing on a drop of blood. The blood is transferred to a small cassette, which is then inserted in the instrument; a few minutes later, the test result is shown on the screen and may be transferred via Wi-Fi to a data management system for medical follow-up.

Atolyzer™ provides test results within 5-15 minutes dependent on the application, which makes the system suitable for diagnosing diseases where rapid test results may be critical to correct therapeutic or other medical treatment.

In 2013, Atonomics completed the verification of its enzymatic diagnostic platform, and the Company will seek regulatory approval of the system in 2014.

In the fall 2013, Atonomics received a capital contribution from a Japanese diagnostics company, which may handle the distribution of the system once it has been approved.

Atonomics has designed a flexible business model in order to be able to enter into various types of agreements. In 2014, Management expects to enter into one or more commercial agreements which will ensure further capital contributions for the financing of the Company's continued development leading to the marketing of its first product and operational profitability.

In 2013, the Company's development activities resulted in a loss of DKK 10,216,916 after capitalisation of the development costs incurred in the period amounting to DKK 10,831,489.

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

Transferred from previous years	DKK -70,925,742
Operating loss for the year	DKK -10,216,916

Transferred to next year	DKK -81,142,658

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

Atonomics A/S' Management considers the realised results, both technological and operational, for 2013 very satisfactory.

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

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Atonomics A/S for the financial year 1 January – 31 December 2013.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2013 and of the results of its operations for the financial year 1 January – 31 December 2013.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Copenhagen, 31 May 2014

Executive Board:


Thomas Warthoe

Board of Directors:


Ashok Dhanrajgir


Melanie Weikert


Jørgen Drejer

Julian Pieters

Independent auditors' report

To the shareholders of Atonomics A/S

Independent auditors' report on the financial statements

We have audited the financial statements of Atonomics A/S for the financial year 1 January – 31 December 2013. The financial statements comprise accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility 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 that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

Qualification

Basis for adverse opinion

The financial statements are prepared on a going concern basis. The Company has not been able to obtain financing for its future operations and necessary investments in 2014. As a result, it is our opinion that the Company cannot be considered a going concern and that it is not relevant to prepare the financial statements on a going concern basis. In our opinion, the financial statements should reflect that the assets should be recognised at net realisable values and recognition of additional liabilities that may arise. These adjustments are most likely material, but it is not possible for us to determine the monetary effect on the financial statements with a reasonable degree of accuracy.

Independent auditors' report

Adverse opinion

In our opinion, because of the significance of the matter described in the basis for adverse opinion paragraph, the financial statements do not give a true and fair view of the Company's financial position at 31 December 2013 and of the results of its operations for the financial year 1 January – 31 December 2013 in accordance with the Danish Financial Statements Act.

We recommend that the general meeting do not approve the financial statements.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 31 May 2014

KPMG

Statsautoriseret Revisionspartnerselskab



Torben Kristensen

State Authorised Public Accountant

Accounting policies

The annual report of Atonomics A/S for 2013 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

Pursuant to section 110 of the Danish Financial Statements Act, consolidated financial statements have not been prepared.

The accounting policies used in the preparation of the financial statements are consistent with those of previous years.

Recognition and measurement

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

Liabilities are recognised in the balance sheet when an outflow of economic resources is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

Foreign currency translation

Transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose is recognised in the income statement as financial income or financial expenses.

Non-current assets acquired in foreign currencies are measured at the exchange rate at the transactions date.

Income statement

Revenue

Income in the form of milestone payments is recognised in the income statement when the Company has obtained the right to the milestone payments and provided the income can be reliably measured and is expected to be received.

Accounting policies

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

Development costs

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

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

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

Other external costs

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

Staff costs

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

Financial income and expenses

Financial income and expenses comprise interest income and expense, realised and unrealised gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

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

Tax on profit/loss for the year

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

Accounting policies

Balance sheet

Intangible assets

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

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

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

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

Property, plant and equipment

Plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation.

The basis of depreciation is cost less expected residual value at the end of the useful life.

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

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

Plant and machinery	5 years
Fixtures and fittings, tools and equipment	5-7 years
Cars	3 years

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

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

Investments

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

Accounting policies

Receivables

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

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity – dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, e.g. regarding shares, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

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

Other liabilities are measured at net realisable value.

INCOME STATEMENT

Year 2013

	<u>Note</u>	<u>DKK</u>	<u>2012 DKK'000</u>
Revenue		0	0
Direct development costs	1	-5.627.539	-5.402
Other external costs		-3.932.113	-5.040
Staff costs	2	-8.859.875	-12.808
Depreciation and amortisation	5,6	<u>-453.874</u>	<u>-621</u>
Total development costs		-18.873.402	-23.871
Operating loss		-18.873.402	-23.871
Capitalised development costs	4	10.831.489	14.543
Profit/loss from investments in subsidiaries	7	4.494	-64
Financial income		0	3
Financial expenses		<u>-3.429.498</u>	<u>-2.851</u>
Loss before tax		-11.466.916	-12.240
Tax on loss from ordinary activities	3	<u>1.250.000</u>	<u>0</u>
LOSS FOR THE YEAR		<u>-10.216.916</u>	<u>-12.240</u>

BALANCE SHEET AT 31 DECEMBER 2013

ASSETS	Note	DKK	31/12 2012 DKK'000
NON-CURRENT ASSETS			
Intangible assets			
Development costs	4	<u>143.914.229</u>	<u>133.083</u>
Total intangible assets		<u>143.914.229</u>	<u>133.083</u>
 Property, plant and equipment			
Leasehold improvements	5	15.744	24
Plant and equipment	6	<u>802.511</u>	<u>1.170</u>
Total property, plant and equipment		<u>818.255</u>	<u>1.193</u>
 Investments			
Investments in group enterprise	7	<u>651.577</u>	<u>647</u>
Total investments		<u>651.577</u>	<u>647</u>
 TOTAL NON-CURRENT ASSETS		<u>145.384.060</u>	<u>134.923</u>
 CURRENT ASSETS			
Receivables			
Receivables from group enterprises		7.119	0
Other receivables		<u>160.942</u>	<u>163</u>
Total receivables		<u>168.061</u>	<u>163</u>
 Cash at bank and in hand		<u>5.487.885</u>	<u>15.756</u>
 TOTAL CURRENT ASSETS		<u>5.655.945</u>	<u>15.919</u>
 TOTAL ASSETS		<u>151.040.006</u>	<u>150.842</u>

BALANCE SHEET AT 31 DECEMBER 2013

			31/12 2012
EQUITY AND LIABILITIES	Note	DKK	DKK'000
EQUITY			
Share capital	8	29.158.247	28.584
Share premium	8	183.082.023	176.207
Retained earnings	8	-81.142.658	-70.926
Total equity		131.097.612	133.865
LIABILITIES			
Current liabilities			
Convertible loan		16.997.641	13.544
Trade payables		1.687.609	1.567
Payables to group enterprises		0	116
Other payables		1.257.144	1.751
Total current liabilities other than provisions		19.942.394	16.978
TOTAL LIABILITIES		19.942.394	16.978
TOTAL EQUITY AND LIABILITIES		151.040.006	150.842
 Related parties	9		
 Contingent liabilities	10		
 Mortgages and collateral	11		

Notes to the financial statements

Note 1 Development costs

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

Note 2 Staff costs

Total staff costs comprise:

	<u>2013</u>	<u>2012</u> <u>DKK'000</u>
Wages and salaries	9.144.791	12.828
Other social security costs	73.034	116
Adjustment of holiday pay obligation	-469.700	-248
Remuneration of the Board of Directors	<u>111.750</u>	<u>112</u>
	<u>8.859.875</u>	<u>12.808</u>

Note 3 Tax

The Company has no tax liabilities.

	<u>2013</u>	<u>2012</u> <u>DKK'000</u>
Income from the Tax Credit Scheme	<u>1.250.000</u>	<u>0</u>
	<u>1.250.000</u>	<u>0</u>

At the balance sheet date, the Company had a deferred tax asset of DKK 20,151 thousand, which has not been provided for in the financial statements.

No corporation tax has been paid during the financial year.

Notes to the financial statements

Note 4 Development costs

In 2013, the Company continued its work on developing its biosensor technology, which is expected to generate income during 2015.

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

In 2014, it is the goal to make the Atolyzer instrument operational so that it will be ready for production in the end of 2015. Clinical tests will commence in July 2014 in cooperation with the Company's development partners.

Considering the Company's utilisation prospects, the costs incurred during the period for raw materials, wages and salaries and depreciation on laboratory equipment, etc., have been capitalised and will be amortised over the useful life of the product; however, not exceeding five years.

Acquisition	<u>2013</u>	<u>2012</u> DKK'000
Cost at 1 January 2013	133.082.739	118.539
Addition for the period – development costs	10.831.489	14.544
Acquisition cost – rights	<u>0</u>	<u>0</u>
Acquisition cost at 31 December 2013	<u>143.914.229</u>	<u>133.083</u>

Note 5 Leasehold improvements

Acquisition	<u>2013</u>	<u>2012</u> DKK'000
Balance at 1 January 2013	109.234	109
Additions for the period	<u>0</u>	<u>0</u>
Acquisition cost at 31 December 2013	<u>109.234</u>	<u>109</u>

Depreciation and impairment losses

Balance at 1 January 2013	85.618	77
Depreciation for the period	<u>7.872</u>	<u>8</u>
Depreciation and impairment losses at 31 December 2013	<u>93.490</u>	<u>85</u>
Carrying amount at 31 December 2013	<u>15.744</u>	<u>24</u>

Notes to the financial statements

Note 6 Plant and equipment

Acquisition	2013	2012 DKK'000
	<u>2013</u>	<u>DKK'000</u>
Balance at 1 January 2013	4.656.925	4.595
Additions for the period	<u>78.630</u>	<u>62</u>
Acquisition cost at 31 December 2013	<u>4.735.555</u>	<u>4.657</u>
Depreciation, amortisation and impairment losses		
Balance at 1 January 2013	3.487.041	2.874
Depreciation for the period	<u>446.003</u>	<u>613</u>
Depreciation and impairment losses at 31 December 2013	<u>3.933.044</u>	<u>3.487</u>
Carrying amount at 31 December 2013	<u>802.511</u>	<u>1.170</u>

Note 7 Investments in group enterprise

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

	2013	2012 DKK'000
	<u>2013</u>	<u>DKK'000</u>
Cost, shares	<u>1.153.404</u>	<u>1.153</u>
Value adjustments at 1 January 2013	-506.321	-442
Operating profit/loss for 2013	<u>4.494</u>	<u>-64</u>
Value adjustments at 31 December 2013	<u>-501.827</u>	<u>-506</u>
Investments in group enterprises at 31 December 2013	<u>651.577</u>	<u>647</u>

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

Notes to the financial statements

Note 8 Equity

The Company's share capital comprises 78,299,495 shares of EUR 0.05 each, totalling EUR 3,914,975, corresponding to DKK 29,158,247.

Share capital

	<u>2013</u>	<u>2012</u> <u>DKK'000</u>
Share capital at 1 January 2013	28.583.707	26.900
Capital contribution in 2013	<u>574.540</u>	<u>1.684</u>
Share capital at 31 December 2013	<u>29.158.247</u>	<u>28.584</u>

Share premium

	<u>2013</u>	<u>2012</u> <u>DKK'000</u>
Share premium at 1 January 2013	176.206.563	152.875
Premium on capital contribution in 2013	<u>6.875.460</u>	<u>23.332</u>
Share premium at 31 December 2013	<u>183.082.023</u>	<u>176.207</u>

Retained earnings

	<u>2013</u>	<u>2012</u> <u>DKK'000</u>
Retained earnings at 1 January 2013	-70.925.742	-58.686
Retained earnings according to distribution of loss for 2013	<u>-11.446.916</u>	<u>-12.240</u>
Retained earnings at 31 December	<u>-82.372.658</u>	<u>-70.926</u>

At the general meetings on 31 December 2002 and 24 March 2003, it was decided to issue warrants for the subscription of A shares in the Company at specified terms. At the same time, the general meetings made a decision as to the cash capital increase related to the warrants amounting to nom. EUR 28,750.

At 31 December 2012, 575,000 warrants had been issued for the subscription of A shares, of which no warrants have been exercised to subscribe for shares in the Company.

No consideration has been paid for the warrants.

Notes to the financial statements

Note 8 Equity (continued)

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

The subscription price has been determined at 100.

At the general meeting on 6 December 2005, it was decided to issue warrants for the subscription of B shares in the Company at specified terms. At the same time, the general meetings made a decision as to the cash capital increase related to the warrants amounting to nom. EUR 11,500.

At 31 December 2013, 50,000 warrants had been issued for the subscription of B shares, of which no warrants have been exercised to subscribe for shares in the Company.

No consideration has been paid for the warrants.

The warrants may be exercised from 31 December 2007 to 31 December 2015.

The subscription price has been determined at 460.

Note 9 Related parties

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

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

Neurosearch A/S, Pederstrupvej 93, DK-2750 Ballerup

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

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

Beckman Coulter, Inc. 250 South Kraemer Boulevard, Brea CA 92821, USA

Note 10 Contingent liabilities

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

Note 11 Mortgages and collateral

Intangible assets with a carrying amount of DKK 11,175 thousand out of the total carrying amount at 31 December 2013 of development costs of DKK 143,914 thousand have been provided as collateral for a convertible loan of DKK 16,998 thousand.