Samplix ApS

Bregnerødvej 96, DK-3460 Birkerød

Annual Report for 2023

CVR No. 32 30 93 21

The Annual Report was presented and adopted at the Annual General Meeting of the company on 19/6 2024

Frans Rossen
Chairman of the general meeting

Contents

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Samplix ApS for the financial year 1 January - 31 December 2023.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Company and of the results of the Company operations for 2023.

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

Birkerød, 19 June 2024

Executive Board

Lars Kongsbak
CEO

Board of Directors

Erik Max Michael Obermayer Chairman	Rodney Weldon Turner	Lars Krogsgaard

Independent Auditor's report

To the shareholders of Samplix ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company´s operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Samplix ApS for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies (”the Financial Statements”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the ”Auditor’s responsibilities for the audit of the Financial Statements” section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without it having affected our opinion, we draw attention to the information in note 1 in which Management describes the uncertainty relating to the Company's ability to continue operations. As at present no binding agreements have been made with the Shareholders or others regarding additional funds to the continued operations. This matter indicates a material uncertainty which may give rise to considerable doubt as to whether the Company will be able to continue its operations.

Statement on Management’s Review

Management is responsible for Management’s Review.

Our opinion on the Financial Statements does not cover Management’s Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management’s Review and, in doing so, consider whether Management’s Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, in our view, Management’s Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management’s Review.

Management’s responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material 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.

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hillerød, 19 June 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Henrik Aslund Pedersen
State Authorised Public Accountant
mne17120

Company information

The Company	Samplix ApS Bregnerødvej 96 3460 Birkerød CVR No: 32 30 93 21 Financial period: 1 January - 31 December Municipality of reg. office: Rudersdal
Board of Directors	Erik Max Michael Obermayer, chairman Rodney Weldon Turner Lars Krogsgaard
Executive Board	Lars Kongsbak
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Milnersvej 43 DK-3400 Hillerød

Management's review

Key activities

DNA sequencing is instrumental in modern healthcare. Next Generation Sequencing makes it possible to decipher all genes of human beings, which may reveal genetic variations important for diagnosis and personalized treatment. In the past 10 years, sequencing has paved the way for astonishing discoveries within medicine.

Samplix has developed proprietary products for targeted single molecule enrichment of DNA. Samplix' technologies are based on advanced microfluidics which in a simple work process partitions millions of molecules in droplets thereby enabling high quality targeted enrichment of large fragments (more than 100 kb) for subsequent sequencing.

At Samplix we share the vision of better healthcare by providing genomics tools that help determine the genetic architecture of most human diseases and traits. Future healthcare will increasingly depend on accurate detection of genetic variations by genomic analyses.

Samplix' proprietary droplet technologies have proven to accurately validate gene therapy, identify unintended CRISPR edits, decipher complex genomics structures important for the development of many disease such as neurological disorders like ALS, Alzheimer's disease etc.

About Samplix

Samplix ApS empowers the life sciences and medical research communities with cutting-edge microfluidics-based solutions. At Samplix, our mission is to elevate the resolution and throughput of genomics, cell screening, and molecular engineering workflows, providing researchers with unparalleled insights into the intricate world of cells and genomes.

Our proprietary Samplix technology is meticulously crafted to offer targeted DNA and single-cell insights. Through the generation of highly stable microfluidic double-emulsion droplets, we encapsulate biological material with precision, including single cells, and single molecules. These microfluidic wonders pave the way for a myriad of high-resolution downstream analyses, ranging from assessments of single-cell functional heterogeneity to the acceleration of enzyme engineering, and seamlessly integrate with analysis through both flow cytometry and imaging methods.

At Samplix, we are more than just developers of solutions for cell and DNA analysis; we are dedicated partners ready to assist academic, corporate, and government researchers in achieving their goals. Our expertise extends across diverse fields such as human genomics, gene and cell therapy, and synthetic biology.

Development in the year

The income statement of the Company for 2023 shows a loss of DKK 44,399,472, and at 31 December 2023 the balance sheet of the Company shows a negative equity of DKK 21,446,525.

Product Development

In 2023, our dedicated efforts centred on formulating robust protocols for encapsulating single cells, enhancing our customer's ability to conduct functional analyses. Our initial emphasis is targeting the functional characterization of immune cells, recognizing their inherent functional diversity. Simultaneously, we successfully completed the development of an enhanced version of the Xdrop instrument for droplet generation. The inaugural unit of the upgraded Xdrop was successfully sold and installed at a customer's facility in December 2023.

The comparatively lower investment in product development, compared to the prior year, reflects a reduction in external product development activities, following the successful launch of the Xdrop Sort instrument. This allowed us to redirect resources towards consolidating and fortifying the performance of our products. Substantial improvements were made in the manufacturing of cartridges, significantly improving their efficiency. Additionally, the software controlling droplet formation underwent a major upgrade, ensuring more robust droplet formation and expanding compatibility with diverse cell types and media for droplet encapsulation.

Management's review

Commercial Initiatives

In 2023, we strategically appointed a Chief Commercial Officer to lead the development of our commercial organization. Additionally, we established a modest office in the US equipped with laboratory facilities for product demonstrations. As of now, the office accommodates only one employee, with expansion plans contingent upon securing future funding.

Our collaboration with Agilent on an integrated workflow combining our single-cell functional analysis with Agilent’s flow cytometry analysis marks a significant milestone in our commercial endeavours.

Success in commercializing our products hinges to a great degree on peer-reviewed publications by users, and as of early 2024, 13 such scientific publications have been released. Although we await the first publication on single-cell functional analysis, partnerships with key institutions, such as the National Center for Cancer Immune Therapy in Denmark (CCIT), aim to facilitate ground-breaking discoveries that can be published. The work conducted by the CCIT team in 2023 culminated in the submission, in early 2024, of the manuscript highlighting the use of Xdrop for the functional characterization of immune cells at a single-cell resolution, particularly in the context of cell therapy applications.

Organisational Development

At Samplix, our commitment to diversity is reflected in our workforce, comprising approximately 57% women and individuals from 13 different nations. Over half of our employees hold a Ph.D. degree, spanning diverse scientific disciplines such as microfluidics, hardware and software engineering, cell and molecular biology, and immunology.

Winning a Prestigious EU Grant

Having initiated the application process in 2022, we secured a European Innovation Council Accelerator Grant in 2023, amounting to €2.5 million for instrument and assay development and an additional €7.5 million in matched equity funding from the European Investment Bank. Outperforming 97% of the applicants, Samplix commenced the two-year Cellularity program on August 1, 2023, and received official approval for the €7.5 million matched equity funding in December 2023.

The Operational Focus for 2024

Our primary objective in 2024 centres on executing our commercial strategy, involving the expansion of our commercial team in the US and at our headquarters. To enhance market visibility, we aim to establish co-marketing agreements, akin to the successful partnership with Agilent, documenting integrated workflows across various applications within flow cytometry and imaging for functional cell analysis. Success in this rollout will also depend on additional peer-reviewed publications and the successful development of ready-to-use reagents for single-cell functional analysis using our droplets.

Financing

To pursue the aforementioned objectives, securing additional funding is imperative. On March 15, 2023, we established a convertible note amounting to €5,000,000. Subsequently, on August 1, 2023, we converted convertible notes established in 2022, including accrued interests, totalling €7,592,712 into equity.

Recognizing the ongoing financial needs, in February 2024, our existing shareholders established a simple loan of €1,000,000 to bridge the funding gap until the next equity financing opportunity.

Throughout the latter part of 2023, Samplix has actively engaged in investor outreach efforts, aiming to secure investors willing to match the €7.5 million funding to be provided by the European Investment Bank. We anticipate concluding these discussions in the first half of 2024, further fortifying our financial position to propel the company's growth and initiatives.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income statement 1 January - 31 December

	Note	2023	2022
		DKK	DKK
Gross profit		**6,431,109**	**2,089,110**
Distribution expenses	2	-11,408,987	-9,942,098
Development expenditure	2	-31,364,418	-25,944,114
Administrative expenses	2	-5,168,955	-5,274,366
Profit/loss before financial income and expenses		**-41,511,251**	**-39,071,468**
Financial income		47,698	0
Financial expenses		-8,435,919	-5,416,669
Profit/loss before tax		**-49,899,472**	**-44,488,137**
Tax on profit/loss for the year	3	5,500,000	5,500,000
Net profit/loss for the year		**-44,399,472**	**-38,988,137**

Distribution of profit

	2023	2022
	DKK	DKK
Proposed distribution of profit		
Retained earnings	-44,399,472	-38,988,137
	-44,399,472	**-38,988,137**

Balance sheet 31 December

Assets

	Note	2023	2022
		DKK	DKK
Completed development projects		20,035,631	22,500,539
Acquired patents		1,320,494	1,462,450
Intangible assets	4	**21,356,125**	**23,962,989**
Other fixtures and fittings, tools and equipment		4,705,193	4,597,177
Leasehold improvements		600,459	835,827
Property, plant and equipment	5	**5,305,652**	**5,433,004**
Deposits	6	585,208	567,565
Fixed asset investments		**585,208**	**567,565**
Fixed assets		**27,246,985**	**29,963,558**
Finished goods and goods for resale		11,722,593	6,858,328
Inventories		**11,722,593**	**6,858,328**
Trade receivables		351,401	3,850,133
Receivables from group enterprises		68,672	0
Other receivables		184,487	598,914
Corporation tax		5,500,000	5,500,000
Prepayments		102,470	457,781
Receivables		**6,207,030**	**10,406,828**
Cash at bank and in hand		**8,968,328**	**4,488,991**
Current assets		**26,897,951**	**21,754,147**
Assets		**54,144,936**	**51,717,705**

Balance sheet 31 December

Liabilities and equity

	Note	2023	2022
		DKK	DKK
Share capital		1,237,424	960,328
Reserve for development costs		15,627,794	17,550,422
Retained earnings		-38,311,743	-52,135,070
Equity		**-21,446,525**	**-33,624,320**
Convertible and profit-yielding instruments of debt		40,245,656	0
Lease obligations		142,957	328,795
Other payables		18,945,266	23,856,281
Long-term debt	7	**59,333,879**	**24,185,076**
Convertible and profit-yielding instruments of debt	7	0	53,418,704
Lease obligations	7	185,765	173,605
Trade payables		2,409,407	2,842,611
Other payables	7	11,010,868	4,651,010
Deferred income		2,651,542	71,019
Short-term debt		**16,257,582**	**61,156,949**
Debt		**75,591,461**	**85,342,025**
Liabilities and equity		**54,144,936**	**51,717,705**

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Statement of changes in equity

	Share capital	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	960,328	17,550,422	-52,135,070	-33,624,320
Cash capital increase	277,096	0	56,300,171	56,577,267
Depreciation, amortisation and impairment for the year	0	-1,922,628	1,922,628	0
Net profit/loss for the year	0	0	-44,399,472	-44,399,472
Equity at 31 December	**1,237,424**	**15,627,794**	**-38,311,743**	**-21,446,525**

Notes to the Financial Statements

1. Going concern

The going concern of the Company depends on continued contribution of liquidity. Up until now, operations have been financed by the shareholders. No binding agreement has been entered with the shareholders or other regarding additional funds to the continued operations. However, based on discussions with the shareholders, management assesses that it will be possible to obtain liquidity to finance the continued operations and consequently the financial statements have been prepared on going concern basis. This indicates a material uncertainty which may give rise to considerable doubts as to whether the Company will be able to continue its operations.

2. Staff

	2023	2022
	DKK	DKK
Wages and salaries	19,864,445	20,033,670
Pensions	2,058,217	1,942,113
Other social security expenses	574,091	576,733
	22,496,753	**22,552,516**
Average number of employees	**27**	**26**

81.312 warrants are issued by resolutions of general meetings on 27 August 2020 and 1 February 2022. The warrants may be exercised at any time up until 31 Februar 2027. The warrants may be exercised at a price from EUR 12 to EUR 27.40.

Incentive programmes are not recognised in the Financial Statements.

3. Income tax expense

	2023	2022
	DKK	DKK
Current tax for the year	-5,500,000	-5,500,000
	-5,500,000	**-5,500,000**

Notes to the Financial Statements

4. Intangible fixed assets

	Completed development projects	Acquired patents
	DKK	DKK
Cost at 1 January	24,644,592	2,051,904
Cost at 31 December	24,644,592	2,051,904
Impairment losses and amortisation at 1 January	2,144,053	589,454
Amortisation for the year	2,464,908	141,956
Impairment losses and amortisation at 31 December	4,608,961	731,410
Carrying amount at 31 December	**20,035,631**	**1,320,494**

Deveopment projects consist of development of products for which management evalutates a great market potential.

5. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improve-ments
	DKK	DKK
Cost at 1 January	6,809,004	1,147,634
Additions for the year	2,303,197	0
Cost at 31 December	9,112,201	1,147,634
Impairment losses and depreciation at 1 January	2,211,827	311,807
Depreciation for the year	2,195,181	235,368
Impairment losses and depreciation at 31 December	4,407,008	547,175
Carrying amount at 31 December	**4,705,193**	**600,459**
Including assets under finance leases amounting to	406,335	0

Notes to the Financial Statements

6. Other fixed asset investments

	Deposits
	DKK
Cost at 1 January	567,564
Additions for the year	17,644
Cost at 31 December	585,208
Carrying amount at 31 December	**585,208**

	2023	2022
	DKK	DKK

7. Long-term debt

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

The debt falls due for payment as specified below:

	2023	2022
Convertible and profit-yielding instruments of debt		
After 5 years	0	0
Between 1 and 5 years	40,245,656	0
Long-term part	40,245,656	0
Within 1 year	0	53,418,704
	40,245,656	**53,418,704**
Lease obligations		
After 5 years	0	0
Between 1 and 5 years	142,957	328,795
Long-term part	142,957	328,795
Within 1 year	185,765	173,605
	328,722	**502,400**

Notes to the Financial Statements

	2023	2022
	DKK	DKK
7. Long-term debt		
Other payables		
After 5 years	1,867,755	0
Between 1 and 5 years	17,077,511	23,856,281
Long-term part	18,945,266	23,856,281
Other short-term payables	11,010,868	4,651,010
	29,956,134	**28,507,291**

	2023	2022
	DKK	DKK
8. Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	1,062,765	1,557,780
Between 1 and 5 years	0	259,630
	1,062,765	**1,817,410**

Notes to the Financial Statements

9. Accounting policies

The Annual Report of Samplix ApS for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2023 are presented in DKK.

Recognition and measurement

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

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

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

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

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

Leases

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

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

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

Translation policies

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

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Notes to the Financial Statements

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

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

Incentive schemes

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

Income statement

Revenue

Revenue from the sale of goods comprises the sale of instruments and consumables is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company. If all risks and rewards have not been transferred, the revenue is recognised as deferred income until all components of the transaction have been completed.

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

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, production expenses and other operating income.

Distribution expenses

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

Development expenditure

Research and development expenses primarily include costs associated with the development of the Company's instrument and associated consumables including relted protocols. These expenses also include intellectual property prosecution and maintenance costs, and quality assurance expenses. The expenses primarily relates to salaries, benefits, outside product design and consulting services, laboratory supplies and equipment, costs of consumables and materials used in house for product development, and allocated facility and information technology costs. Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Administrative expenses

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

Other operating income and expenses

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

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

Financial income and expenses

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

Tax on profit/loss for the year

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

Balance sheet

Intangible fixed assets

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

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

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

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

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

Other intangible fixed assets

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

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

Notes to the Financial Statements

Property, plant and equipment

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

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

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

Other fixtures and fittings, tools and equipment 3-5 years	3-5 years
Leasehold improvements	3 years
Company instruments placed under rental reagent agreements	2-5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Other fixed asset investments

Fixed asset investments consist of deposits.

Inventories

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

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

The cost of goods for resale equals landed cost.

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

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Prepayments

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

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Financial liabilities

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

Deferred income

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