


LaboGene ApS

CVR No. 32 25 91 54



Annual report for the year ended 31 December 2014

Approved at the annual general meeting of shareholders on 21 May 2015

Chairman:

.....
Jan Sørensen



Building a better
working world

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Company details

Name	LaboGene ApS
Address, Postal code, City	Industrivej 6, 3540 Lyngø
CVR No.	32 25 91 54
Established	4 June 2009
Financial year	1 January - 31 December
Tel.	+45 39 40 25 66
Board of Directors	Niels Boel Sørensen, Chairman Susanne Lervad Jan Sørensen
Executive Board	Stig Lumbye, CEO
Auditors	Ernst & Young, Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P O Box 250, 2000 Frederiksberg, Denmark

Operating review

The Company's business review

During the year, the principal activities of LaboGene ApS consisted of manufacturing, marketing and selling basic laboratory equipment for hospitals, the pharmaceutical industry, research institutions and other pharmaceutical companies working with animals, chemicals, microbiology, cytostatics, genetic products, etc.

The Company's products are marketed and sold all over the world, and the export share amounts to approx. 88%.

The products are sold to the end users in the respective markets through a network of distributors.

The products are marketed and sold under the trademarks: ScanLaf (Laminar flow equipment), ScanVac (freeze drying equipment), ScanSpeed (centrifuges) and ScanCool (Ultra low temperature freezers).

Recognition and measurement uncertainties

No special circumstances have affected recognition and measurement.

In recognising and measuring assets and liabilities, any predictable 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. In the opinion of Management, there is therefore no material uncertainties related to the recognition and measurement of assets and liabilities that have not been considered.

Financial review

The results realised by LaboGene ApS are not satisfactory but better than in 2013.

In 2013, extensive turnaround measures were initiated in the Company with special focus on streamlining procurement, inventory management, logistics and production.

The implementation of the projects and initiatives continued in 2014.

As part of the strengthening of equity and financing, the Company's owner, ScanLaf Holding A/S, made a total debt conversion of approx. DKK 10 million during the year. As described in note 2 to the financial statements, the Company has received a commitment of financing from the ultimate parent, Kontiki Holding ApS.

The total liquidity in LaboGene ApS developed as expected.

An impairment loss on land and buldings of approx. DKK 3 million has incurred during the year.

Post balance sheet events

No significant events have occurred after the balance sheet date.

Management expects that, in 2015, the financing and equity base will be sufficient for LaboGene ApS to meet its liabilities for a period of at least 12 months after the preparation of the annual report.

Outlook

Management expects that, in 2015, the Company will improve its earnings and results and that, from 2016, the Company will realise a profit.

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 LaboGene ApS for the financial year 1 January - 31 December 2014.

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 Company's financial position at 31 December 2014 and of the results of the Company's operations for the financial year 1 January - 31 December 2014.

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

We recommend the adoption of the annual report at the annual general meeting.

Lynge, 21 May 2015

Executive Board:

.....
Stig Lumbye

Board of Directors:

.....
Niels Boel Sørensen
Chairman

.....
Susanne Lervad

.....
Jan Sørensen

To the shareholders of LaboGene ApS

Independent auditors' report on the financial statements

We have audited the financial statements of LaboGene ApS for the financial year 1 January - 31 December 2014, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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. Further, Management is responsible for such internal control as it 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 according to Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of financial statements that give a true and fair view. The purpose is to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by Management as well as 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 audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2014 and of the results of its operations for the financial year 1 January - 31 December 2014 in accordance with the Danish Financial Statements Act.

Emphasis-of-matter paragraph concerning matters in the financial statements

Without modifying our opinion, we draw attention to note 2 to the financial statements where it is stated that a commitment has been obtained for the necessary financing of the Company's operations, and consequently, the financial statements have been prepared on a going concern basis.

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, 21 May 2015
ERNST & YOUNG
Godkendt Revisionspartnerselskab

Peter Gath
state authorised public accountant

Income statement for the year ended 31 December

Notes	2014 DKK	2013 DKK
Revenue	53,845,956	76,148,914
Cost of sales	-31,367,850	-51,569,953
Other operating income	0	5,499,803
Other external expenses	<u>-10,941,307</u>	<u>-13,424,578</u>
Gross profit	11,536,799	16,654,186
3 Staff costs	-16,914,510	-18,323,212
Depreciation and impairment of property, plant and equipment	-3,204,036	-206,189
Write-down of current assets except for current financial assets	<u>0</u>	<u>-2,611,531</u>
Operating profit/loss	-8,581,747	-4,486,746
4 Financial income	246,776	200,261
5 Financial expenses	<u>-1,590,077</u>	<u>-2,840,467</u>
Profit/loss before tax	-9,925,048	-7,126,952
6 Tax for the year	<u>2,993,917</u>	<u>0</u>
Profit/loss for the year	<u>-6,931,131</u>	<u>-7,126,952</u>
Recommended appropriation of the profit/loss for the year		
Retained earnings	<u>-6,931,131</u>	<u>-7,126,952</u>
	<u>-6,931,131</u>	<u>-7,126,952</u>

Balance sheet at 31 December

Notes	2014 DKK	2013 DKK
	<u> </u>	<u> </u>
Assets		
Fixed assets		
Land and buildings	3,600,000	6,849,061
Other fixtures and fittings, tools and equipment	<u>373,945</u>	<u>289,041</u>
7 Property, plant and equipment	<u>3,973,945</u>	<u>7,138,102</u>
Total fixed assets	<u>3,973,945</u>	<u>7,138,102</u>
Current assets		
Raw materials and consumables	7,289,022	10,378,274
Work in progress	241,381	544,683
Manufactured goods and goods for resale	<u>921,575</u>	<u>961,418</u>
Inventories	<u>8,451,978</u>	<u>11,884,375</u>
Trade receivables	10,875,281	8,144,071
Receivables from group entities	235,000	164,375
Income taxes receivable	2,993,917	110,000
Other receivables	<u>661,424</u>	<u>1,358,736</u>
Receivables	<u>14,765,622</u>	<u>9,777,182</u>
Cash	<u>2,352,643</u>	<u>3,442,208</u>
Total current assets	<u>25,570,243</u>	<u>25,103,765</u>
Total assets	<u>29,544,188</u>	<u>32,241,867</u>

Balance sheet at 31 December

Notes	2014 DKK	2013 DKK
Equity and liabilities		
Equity		
Share capital	125,000	125,000
Retained earnings/Accumulated loss	<u>6,023,457</u>	<u>2,228,374</u>
Total equity	<u>6,148,457</u>	<u>2,353,374</u>
Provisions		
Other provisions	<u>500,000</u>	<u>0</u>
Total provisions	<u>500,000</u>	<u>0</u>
Liabilities		
Lease liabilities	<u>0</u>	<u>368,099</u>
Long-term liabilities	<u>0</u>	<u>368,099</u>
Current portion of long-term liabilities	0	1,531,304
Bank debt	14,946,427	16,296,020
Trade payables	5,412,281	8,173,665
Payables to group entities	0	66,652
Deferred income	0	304,178
Other payables	<u>2,537,023</u>	<u>3,148,575</u>
Short-term liabilities	<u>22,895,731</u>	<u>29,520,394</u>
Total liabilities	<u>22,895,731</u>	<u>29,888,493</u>
Total equity and liabilities	<u><u>29,544,188</u></u>	<u><u>32,241,867</u></u>

Statement of changes in equity

(DKK)	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at 1/1 2013	125,000	-25,393,094	-25,268,094
Capital increase	0	34,748,420	34,748,420
Profit/loss for the year, cf. appropriation of profit/loss		<u>-7,126,952</u>	<u>-7,126,952</u>
Equity at 1/1 2014	125,000	2,228,374	2,353,374
Capital increase	0	10,726,214	10,726,214
Profit/loss for the year, cf. appropriation of profit/loss		<u>-6,931,131</u>	<u>-6,931,131</u>
Equity at 31/12 2014	<u>125,000</u>	<u>6,023,457</u>	<u>6,148,457</u>

1. Accounting policies

The annual report of LaboGene ApS has been presented in accordance with the provisions of the Danish Financial Statements Act as regards reporting class B enterprises.

The accounting policies applied by the Company are consistent with those of last year.

Recognition and measurement in general

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 benefits 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.

Certain financial assets and liabilities are measured at amortised cost implying the recognition of a constant effective interest rate to maturity. Amortised cost is calculated as initial cost minus any principal repayments and plus or minus the cumulative amortisation of any difference between cost and nominal amount.

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.

Reporting currency

The financial statements are presented in Danish kroner.

Leases

Leases for non-current assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet as assets. On initial recognition, assets are measured at estimated 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 non-current assets.

The capitalised residual lease obligation 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.

All other leases are considered operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed in contingent liabilities, etc.

Income statement

Revenue

Income from the sale of goods and finished goods is recognised in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be made up reliably and is expected to be received.

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.

All discounts granted are recognised in revenue.

1. Accounting policies - continued

Cost of sales

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

Other external expenses

Other external expenses include the year's expenses relating to the entity'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 compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Depreciation and impairment of property, plant and equipment

The item comprises depreciation and impairment of property, plant and equipment.

Property, plant and equipment are depreciated on a straight-line basis over the expected useful life of each individual asset. The depreciation basis is the cost plus revaluations.

The expected useful lives of the assets are as follows:

	<u>Useful life (year)</u>
Buildings	25
Other fixtures and fittings, tools and equipment	3

Land is not depreciated.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities and associates, dividends declared from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

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.

The entity and its Danish group entities are taxed on a joint basis. The Danish income tax charge is allocated between profit-making and loss-making Danish entities in proportion to their taxable income (full allocation method).

Balance sheet

Property, plant and equipment

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

As regards self-produced fixed assets, the cost includes the cost of materials and labour, etc., directly relating to the production.

1. Accounting policies - continued

Gains or losses arising from the sale of items of property, plant and equipment are recognised in the income statement under 'Other operating income' or 'Other operating expenses', respectively. Gains and losses are calculated by reference to the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Impairment of fixed assets

Every year, 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.

Inventories

Inventories are measured at the lower of cost, measured by reference to the FIFO method, and net realisable value.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs as well as other costs directly attributable to the acquisition.

Work in progress and finished goods are measured at manufacturing cost, which includes the cost of raw materials, consumables and direct payroll costs plus production overheads.

Production overheads comprise the indirect cost of material and labour as well as maintenance and amortisation/depreciation of intangible assets and property, plant and equipment used in the production process.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other costs directly attributable to the acquisition.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Provisions are made to the lower of the net realisable value and the carrying amount.

Prepayments

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

Equity

Proposed dividends

Dividends proposed for the financial year are presented as a separate item under 'Equity'.

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date).

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.

Guarantee commitments comprise expected cost of repairs within the guarantee period and are recognised based on previous experience with work performed under guarantees.

Corporation tax

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

1. Accounting policies - continued

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

Deferred tax is measured according to the taxation rules and taxation rates in the respective countries applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities within the same jurisdiction.

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. Interest-bearing debt is subsequently measured at amortised cost, using the effective interest rate method. Borrowing costs, including capital losses, are recognised as financing costs in the income statement over the term of the loan.

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 a guaranteed residual value, if any, based on the interest rate implicit in the lease.

2. Uncertainty as to going concern

Capital and Liquidity

In 2014, the Company strengthened its capital base and re-established its share capital through remission of debt from group entities and other owners, totalling DKK 10,7 million.

Owing to the outlook for the coming year, the future cash flows and the commitment for financing from Kontiki Holding ApS of the Company's operations and necessary investments in the coming years through bridge financing with group enterprises, in the opinion of the Executive Board, it is appropriate to base the financial reporting on the going concern assumption.

3. Staff costs

Analysis of staff costs:

	<u>2014</u> DKK	<u>2013</u> DKK
Wages/salaries	16,689,519	17,900,201
Pensions	0	129,051
Other social security costs	<u>224,991</u>	<u>293,960</u>
	<u><u>16,914,510</u></u>	<u><u>18,323,212</u></u>

Notes

	2014 DKK	2013 DKK
4. Financial income		
Other financial income	<u>246,776</u>	<u>200,261</u>
	<u><u>246,776</u></u>	<u><u>200,261</u></u>
5. Financial expenses		
Interest expenses, group entities	316,214	841,081
Other financial expenses	<u>1,273,863</u>	<u>1,999,386</u>
	<u><u>1,590,077</u></u>	<u><u>2,840,467</u></u>
6. Tax for the year		
Estimated tax charge for the year	-1,717,400	0
Tax adjustments, prior years	<u>-1,276,517</u>	<u>0</u>
	<u><u>-2,993,917</u></u>	<u><u>0</u></u>

The estimated tax charge for the year and the tax adjustments in prior years includes tax refunds between jointly taxed entities.

7. Property, plant and equipment

(DKK)	<u>Land and buildings</u>	<u>Other fixtures and fittings, tools and equipment</u>	<u>Total</u>
Cost			
Balance at 1/1 2014	7,235,043	1,343,295	8,578,338
Additions in the year	143,600	181,600	325,200
Disposals in the year	<u>-299,320</u>	<u>-597,835</u>	<u>-897,155</u>
Cost at 31/12 2014	<u>7,079,323</u>	<u>927,060</u>	<u>8,006,383</u>
Depreciation and impairment losses			
Balance at 1/1 2014	385,982	1,054,254	1,440,236
Depreciation in the year	24,251	96,746	120,997
Impairment losses in the year	3,069,090	0	3,069,090
Depreciation and impairment losses, disposals	<u>0</u>	<u>-597,885</u>	<u>-597,885</u>
Depreciation and impairment losses at 31/12 2014	<u>3,479,323</u>	<u>553,115</u>	<u>4,032,438</u>
Carrying amount at 31/12 2014	<u>3,600,000</u>	<u>373,945</u>	<u>3,973,945</u>

8. Security for loans

A company charge in the form of ordinary debt, tools and equipment has been provided as collateral for bank debt of DKK 6,689 thousand, however, limited to DKK 6,000 thousand.

9. Contingent liabilities and other financial obligations

Other contingent liabilities

As security for the receivable from factoring company, collateral has been provided in the Company's trade receivables. At 31 December 2014, receivables charged amounted to tDKK 7,428. As collateral, an amount of tDKK 1,523 has been deposited in collateral account.

The Company is jointly taxed with its ultimate parent, Kontiki Holding ApS, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes.

Other financial obligations

Rental and lease obligations (operating leases) totalling DKK 703 thousand (2013: DKK 461 thousand) fall due within four years.

10. Related parties

Information about consolidated financial statements:

Parent	Domicile	Requisitioning of the parent's consolidated financial statements
Kontiki Holding ApS	Lindevej 14, 1877 Frederiksberg C	A copy of the consolidated financial statements can be obtained from the Company.

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

Name	Domicile
ScanLaf Holding A/S	Industrivej 6, 3540 Lyngø