

Annual financial report for the year ended December 31, 2020

Life Technologies Europe B.V.

Statutory seat:
Address:

Nieuwerkerk ad Ijssel
Kwartsweg 2
2665 NN Bleiswijk

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Directors' report

The directors of Life Technologies Europe B.V. (the Company) present their annual report together with the audited annual accounts of the Company for the financial year ended December 31, 2020.

Principal activities

Life Technologies Europe B.V. and its subsidiaries sell life science instruments and systems, reagents, and services used by pharmaceutical, biotechnology, agricultural, clinical, government and academic scientific customers to make biodiscovery research techniques more effective and efficient. The company sells instruments, reagents and services directly to customers both domestically and abroad. The countries of the European Union are the most important market in this respect.

As a sales organisation, the company benefits from centralised procedures in terms of marketing and distribution, internal control of processes and procedures, quality control, and internal and external provision of information.

Research and Development activities

The company is not active in Research and Development and is not planning on incurring any significant Research and Development costs in the future.

Group structure

Life Technologies Europe B.V. in Bleiswijk, the Netherlands, has active subsidiaries in Belgium, Denmark, Finland, Ireland, Italy, Portugal, Sweden and Switzerland and dormant branches in Dubai, Germany, Iceland, Norway and the United Kingdom. Life Technologies Europe B.V. is located at Kwartsweg 2, Bleiswijk, the Netherlands.

Life Technologies Europe B.V. is a wholly owned subsidiary of Life Technologies International B.V., Bleiswijk. The ultimate parent is Thermo Fisher Scientific Inc.

Corporate Social Responsibility

The corporate social responsibility strategy is built on the three key pillars of: business sustainability; employee involvement and philanthropic giving with overall mission of making the world healthier, cleaner and safer.

The most profound example of this is our role in addressing the global health crisis. Thanks to our unique culture, our understanding of science, and our close customer relationships, we saw the need and we moved into action with speed at scale. Throughout the pandemic, we have worked closely with the highest levels of governments and healthcare institutions around the world, as well as with the pharmaceutical and biotech industry to support efforts in research, diagnostic testing, development and production of vaccines and treatments, and personal protection.

Principal risks and uncertainties

| Risk category | Risk appetite | Risk description | Internal response |
|---------------|---------------|---|---|
| Covid-19 | Medium | Risks and uncertainties associated with the COVID-19 global pandemic that developed rapidly in 2020 has affected the company's operations through 2020 and the start of 2021. The extent and duration of such impacts are uncertain and may require changes to estimates in 2021. Actual results could differ from those estimates. | Analysis of operational impacts of COVID-19 on supply chains, revenues, profitability and liquidity; knowledge and awareness of changes in regulations; impairment and going concern assessment taking the impact of COVID-19 into account. |

| | | | |
|-----------|-----|--|--|
| | | <p>The main risks that could result from the current uncertain situation regarding COVID-19 impact:</p> <ul style="list-style-type: none"> - <u>Supply chain</u>: We have not experienced any significant supply chain interruption. Main supply comes from the European Distribution Centre in Netherlands to the company's branches. The risk is low as European borders remained open for truck deliveries. There are multiple global supply lanes into the EDC so there is no reliance on a single source. The primary risk is perceived to be risk of delay rather than supply not being met. The risk of delay is mitigated by holding safety stocks to ensure any delays are covered. Any delays experienced are attributable to high demand for COVID SKUs as opposed to supply chain risks. - <u>Revenues</u>: while some business units may see a decline in revenues from existing customers, these are more than offset by increased revenues in the Life Sciences entities from the sale of COVID-19 test kits throughout Europe. - <u>Profitability</u>: there is low risk due to the company's participation in transfer pricing agreements that secure a fixed operating margin. - <u>Impairments</u>: Investments are held in Life Sciences Group entities and therefore the risk of impairment is low - <u>Liquidity</u>: The aforementioned COVID-19 impact implies that there is little risk on cash flow. - <u>Going concern</u>: Refer to Outlook and Subsequent Events sections within this Directors' report, as well as note 6.7. No material uncertainty exists around going concern due to the positive impact of the sale of COVID-19 test kits. | |
| Strategic | Low | <p>Competitive Risks - The markets for our products and services are very competitive and price sensitive. Our competitors have significant financial, operational, sales and marketing resources, and experience in research and development. Our competitors could develop new technologies that compete with our products and services or even render our products and services obsolete. If a competitor develops superior technology or cost-effective alternatives to our products</p> | <p>Price competition; Brands</p> <p>Benchmarking Strengthening</p> |

| | | | |
|------------------------|-----|---|---|
| | | <p>and services, our business could be seriously harmed.</p> <p>The markets for some of our products are also subject to specific competitive risks. These markets are highly price competitive. Our competitors have competed in the past by lowering prices on certain products. If they do so again, we may be forced to respond by lowering our prices and thereby reducing our revenues and profits. Failure to anticipate and respond to price competition may hurt our competitive position.</p> | |
| Operational activities | Low | <p>Economic Risks - The global economy still has economic challenges. In the event of worsening economic conditions in the businesses or geographic areas in which we sell our products, and/or services, demand for our products, and/or services, could be reduced and result in a decrease in sales volume that could have a negative impact on our results of operations. Global credit and capital markets continue to experience volatility and disruption.</p> <p>Funding Risks - Our customers include researchers at pharmaceutical and biotechnology companies, academic institutions, government laboratories and private foundations. Fluctuations in the research and development budgets of these researchers and their organisations could have a significant effect on the demand for our products. Budgets may fluctuate due to mergers of pharmaceutical and biotechnology companies, site consolidations or relocations to other parts of the globe, spending priorities, general economic conditions and institutional and governmental budgetary policies.</p> | Analysis of economic developments; Diversifying customer segment portfolio |
| Financial position | Low | The company's operations expose it to a variety of financial risks that include the effects of currency risk and credit risk. Activities that need to be performed from a risk perspective are laid out in the Corporate policies. | The company operates foreign currency bank accounts in order to offset foreign currency receipts and payments; The company has implemented policies that require appropriate credit checks on potential customers before a sale is made. The amount of exposure |

| | | | |
|----------------------|-----|--|--|
| | | | to any individual counterparty is subject to a limit, which is continually reviewed by the senior management team. |
| Financial reporting | Low | <p>Revenue Recognition – risk of inappropriate revenue recognition around the financial year end.</p> <p>Investment Value – risk of impairment of investment values.</p> | <p>Revenue Recognition - Sales orders are reviewed to ensure 1) Persuasive evidence of an arrangement exists 2) Delivery of products occurred or services rendered 3) The selling price is fixed or determinable 4) Collectability is reasonably assured</p> <p>Investment Value - Investments are reviewed annually based on net assets and future net income. Where an impairment trigger is identified an analysis is performed based on a market adjusted discount rate.</p> |
| Laws and regulations | Low | A changing legislative and regulatory environment increases the cost of doing business, tax levels and the complexity of our operations | Knowledge and awareness of regulations; Monitoring, review and reporting of changes; Operational procedure and guidance. |

The financial risk is also disclosed in note 5.

Objectives and policies for risk management

It is Life Technologies Europe B.V.'s objective to assess risk on a regular basis. Activities that need to be performed from a risk perspective are laid out in the Corporate policies. Currently Life Technologies Europe B.V. has assessed the currency risk and has determined not to hedge these currency risks. These risks mainly result from positions in currencies outside the Euro zone. With regard to price risk the Board of Directors has assessed that limited risk exists since the valuation of securities relates only to cash at bank and in hand. The Board of Directors has assessed the interest rate risk and has determined not to enter into financial derivatives. To manage credit risk customers are assessed for their credit worthiness.

All employees and those connected must comply with the Codes of Conduct of the Ultimate Parent (Thermo Fisher Scientific Inc.):

<https://ir.thermofisher.com/investors/corporate-governance/code-of-business-conduct-and-ethics/default.aspx>.

Financing and Investments

The company is mainly financed through equity. No major investments or financing needs are expected for the coming year. Given the positive equity and access to group funding the Company prepares the financial statements based on the going concern assumption.

Result for the period

The net profit of the Company for the financial year was EUR 22,238,000 (2019: EUR 4,069,000 loss). The gross margin percentage for the financial year was 18% (2019: 13%). The reduction in margin is due to the 70% increase in revenue which was primarily driven by Consumables due to COVID-19 – which has a lower margin than other revenue streams.

The company paid dividends of EUR nil during the year (2019: EUR nil) and received dividends of EUR nil (2019: EUR nil). The directors recommend the net profit be allocated to retained earnings. Total assets as at December 31, 2020 total EUR 870,008,000 (2019: EUR 667,301,000).

During the period, the investment in Prionics AG was sold for the proceeds of EUR 30,086,000 resulting in a gain on sale of EUR 3,668,000.

Number of employees

The average number of employees in 2020 amounted to 443 (2019: 419).

Unequal distribution of seats in respect of management board and supervisory board

According to the Articles of Association, the Management Board must consist of one or more members. The size and composition of the Management Board and the combined experience and expertise of its members should reflect the best fit for the profile and strategy of the Company. This aim for the best fit, in combination with the availability of qualifying candidates, has resulted in the company currently having a Management Board in which two members are male. In order to increase gender diversity on the Management Board, the Company pays close attention to the gender diversity in the process of recruiting and appointing new Management Board members.

Outlook

The directors aim to maintain the management policies which have resulted in the Company's continued growth over the past few years.

The Transfer Pricing policy of the group provides procedures, so that distributor companies earn an operating margin which has been determined to be arm's-length when benchmarked against similar unaffiliated distribution companies.

The company plans to fulfil its strategy through further efficiencies and utilising its current business potential. No significant investments or change in headcount are expected in the next financial year.

The Organisation (Thermo Fisher Scientific Inc.) has mobilized to support the global novel strain of coronavirus (COVID-19) response with products and services that help analyse, diagnose and protect from the virus. As explained in note 6.7 of the financial statements, for the company, Life Technologies Europe BV, this reduction in customer activity has been more than offset by the sales of COVID-19 products through the Life Technologies sales channels and we see year on year revenues increase consistently in and including Q1 and to May of 2021.

The extent and duration of the impacts are uncertain and dependent in part on customers returning to work and economic activity ramping up. The company believes its long-term prospects remain excellent given the attractive markets served, its industry-leading position and proven growth strategy. It is possible that the large volume sale of COVID-19 testing kits will continue throughout 2021.

Unusual events on projections

There are no special events that should be taken into account for the financial statements.

Subsequent events

In January 2021, LSBioscienses PA was acquired by Life Tech Europe BV for EUR 6,473,000.

Bleiswijk, 27th July 2021

Board of Directors,

A handwritten signature in black ink, appearing to be 'M. Riemens', with a red wax seal impression to its left.

M. Riemens

A handwritten signature in black ink, appearing to be 'P. van der Zande', with a red wax seal impression to its left.

P. van der Zande

Annual accounts

Balance sheet as at December 31, 2020

(after proposed appropriation of result)

| | | December 31, 2020 | December 31, 2019 |
|---|------|-------------------|-------------------|
| | Note | EUR'000 | EUR'000 |
| Fixed assets | | | |
| Intangible fixed assets | 4.1 | 4,554 | 5,488 |
| Tangible fixed assets | 4.2 | 5,088 | 3,742 |
| Financial fixed assets | 4.3 | 441,321 | 399,178 |
| | | <u>450,963</u> | <u>408,408</u> |
| Current assets | | | |
| Inventories | 4.4 | 6,777 | 5,993 |
| Receivables | 4.5 | 403,786 | 243,084 |
| Cash at banks and in hand | 4.6 | 15,152 | 9,816 |
| | | <u>425,715</u> | <u>258,893</u> |
| Total assets | | <u>876,678</u> | <u>667,301</u> |
| Shareholder's equity | | | |
| Share capital | 4.7 | 32 | 32 |
| Share premium | | 333,023 | 213,341 |
| Currency translation reserve | | (4,686) | (5,461) |
| Other reserves | | (3,512) | (3,394) |
| Retained earnings | | 423,943 | 290,670 |
| | | <u>748,800</u> | <u>495,188</u> |
| Provisions | 4.8 | 3,187 | 3,107 |
| Current liabilities | 4.9 | <u>124,691</u> | <u>169,006</u> |
| Total Shareholder's Equity and Liabilities | | <u>876,678</u> | <u>667,301</u> |

Profit and loss account for the year ended December 31, 2020

| | | 2020 | 2019 |
|--|------|------------------|------------------|
| | Note | EUR'000 | EUR'000 |
| Net turnover | 5.1 | 674,866 | 396,750 |
| Cost of sales | | <u>(586,084)</u> | <u>(323,576)</u> |
| Gross margin | | 88,782 | 73,174 |
| Selling expenses | 5.3 | (41,901) | (35,605) |
| General and administrative expenses | | <u>(26,815)</u> | <u>(29,126)</u> |
| Costs | | <u>(68,716)</u> | <u>(64,731)</u> |
| Net sales margin | | 20,066 | 8,443 |
| Other income (expense) | 5.2 | 4,839 | (1,830) |
| Financial income and expenses | 5.6 | 1,552 | (807) |
| Impairment from fixed financial assets | 4.3 | <u>-</u> | <u>(8,347)</u> |
| Result before taxation | | 26,457 | (2,541) |
| Taxation | 5.7 | <u>(4,219)</u> | <u>(1,528)</u> |
| Result after taxation | | <u>22,238</u> | <u>(4,069)</u> |

Notes to the balance sheet and profit and loss account

1 General

1.1 Activities

Life Technologies Europe B.V. and its branches sell life science instruments and systems, reagents, and services used by pharmaceutical, biotechnology, agricultural, clinical, government and academic scientific customers to make biosdiscovery research techniques more effective and efficient. The company sells services and reagents directly to the customer and acts as an agent on behalf of Applied Biosystems International Inc. for instruments. Sales are made both domestically and abroad. The countries of the European Union are the most important market in this respect.

1.2 Group structure

Life Technologies Europe B.V. in Bleiswijk, the Netherlands, has active subsidiaries in Belgium, Denmark, Finland, Ireland, Italy, Portugal, Sweden and Switzerland and dormant subsidiaries in Dubai, Germany, Iceland, Norway and the United Kingdom. Life Technologies Europe B.V. is located at Kwartsweg 2, Bleiswijk, the Netherlands.

Life Technologies Europe B.V. is a wholly owned subsidiary of Life Technologies International B.V., Bleiswijk. The ultimate parent is Thermo Fisher Scientific Inc, Waltham, USA.

The company is registered at the chamber of commerce under number 29040249. The company statutory seat is Nieuwerkerk ad IJssel

1.3 Consolidation

In accordance with Article 408 of Part 9 of Book 2 of the Netherlands Civil Code consolidated accounts are not prepared. The consolidated annual accounts of Thermo Fisher Scientific Inc., in which the financial data of Life Technologies Europe B.V. and its subsidiaries are consolidated, are filed at the Chamber of Commerce in Den Haag under number 29040249.

1.4 Cash flow statement

In conformity with the exemption provisions of the Guidelines for Annual Reporting in the Netherlands (RJ360-104), a cash flow statement is not presented. Accordingly, the consolidated annual accounts of Thermo Fisher Scientific Inc., in which Life Technologies Europe B.V. and its subsidiaries are consolidated, are filed at the Chamber of Commerce in Den Haag under number 29040249.

1.5 Offsetting

Assets and liabilities are only offset in the financial statements if and to the extent that:

- An enforceable legal right exists to offset the assets and liabilities and settle them simultaneously and
- The positive intention is to settle the assets and liabilities on a net basis or simultaneously.

1.6 *Related parties*

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control the Company are considered to be a related party. In addition, statutory directors, other key management of Life Technologies Europe B.V. or the ultimate parent company and close relatives are regarded as related parties.

Transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

1.7 *Estimates*

In applying the principles and policies for drawing up the financial statements, the directors of Life Technologies Europe B.V. make different estimates and judgments that may be essential to the amounts disclosed in the financial statements. If it is necessary in order to provide the transparency required under Book 2, article 362, paragraph 1, the nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item.

1.8 *Going concern*

The Company prepared the financial statements on a going concern basis. Management is not aware of any material uncertainties related to events or conditions which may cause significant doubt upon the entity's ability to continue as a going concern. Please refer to Note 6.7 for further information on managements going concern assessment.

2 Principles of valuation of assets and liabilities

2.1 *General*

The financial statements are drawn up in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

Assets and liabilities are generally valued at historical cost, production cost or fair value at the time of acquisition. If no specific valuation principle has been stated, valuation is at historical cost. In the balance sheet and income statement, references are made to the notes.

2.2 *Functional currency*

The financial statements are presented in euros, which is the functional and presentation currency of the company.

2.3 *Foreign activities*

Assets and liabilities of foreign activities with a functional currency different from the presentation currency are translated at the rate of exchange prevailing at the balance sheet date; income and expenses are translated at average exchange rates during the financial year. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of these branches and translated at the closing rate. Any resulting exchange differences are taken to the legal reserve for translation differences within equity.

2.4 *Comparison with prior year*

The valuation principles and methods used in determining the result are the same as those used in the prior year.

2.5 Foreign currencies

Transactions, receivables and debts

Transactions denominated in foreign currencies in the reporting period are recognised in the financial statements at the exchange rate ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date. Exchange differences resulting from settlement and translation are recognised through profit or loss.

Non-monetary assets valued at historical cost in a foreign currency are converted at the exchange rate on the transaction date.

Non-monetary assets valued at fair value in a foreign currency are converted at the exchange rate on the date on which the fair value was determined.

Exchange differences on foreign-currency loans contracted to finance a net investment in a foreign operation are recognised in the statutory reserve for translation differences if and when such loans effectively hedge the exchange rate exposure on that net investment in a foreign operation.

2.6 Intangible fixed assets

Intangible fixed assets are stated at historical cost less amortisation. Impairments are taken into consideration; this is relevant in the event that the carrying amount of the asset (or of the cash-generating unit to which the asset belongs) is higher than its realisable value.

With regard to determination as to whether an intangible fixed asset is subject to an impairment, please refer to note 2.9 'Impairment of fixed assets and its recognition'.

2.6.1 Customer Lists

Costs of intangible assets other than those internally generated, including patents and licences, are valued at acquisition cost and amortised on a straight-line basis over their estimated future useful life of five years.

2.6.2 Goodwill

Goodwill resulting from acquisitions and calculated in accordance with section "Acquisition and disposal of group companies" is capitalised and amortised on a straight-line basis over the estimated economic life.

Negative goodwill is released in the income statement to the extent that charges and losses occur, where it is taken into account in the allocation of the acquisition and these charges and losses can be measured reliably. If expected charges and losses have not been taken into account, the negative goodwill is released based on the weighted average of the remaining life of the acquired amortisable assets. Insofar as the negative goodwill exceeds the fair value of the non-monetary assets identified, the surplus is recognised directly in the income statement.

2.7 *Tangible fixed assets*

Buildings are valued at acquisition cost plus additional expenses less straight-line depreciation over the estimated useful economic life. Permanent impairment of assets as at balance sheet date is taken into account.

Other fixed assets are valued at acquisition or manufacturing cost plus additional expenses less straight-line depreciation over the estimated useful economic life and impairments.

Tangible fixed assets are depreciated on a straight-line basis over their estimated useful economic lives, taking into account the residual value, as follows:

- Buildings are depreciated over 20 years
- leasehold improvements are depreciated over the life of the relevant financial lease
- Machinery and equipment are depreciated in five to twenty years.

No provision has been recognized for future major maintenance costs for the buildings.

2.8 *Financial fixed assets*

Financial fixed assets concern investments in subsidiaries and pension assets. Pursuant to Sub-Section 9 of Section 389 and Subsection 1 of Section 408, Book 2, of the Dutch Civil Code, investments in subsidiaries over whose operating and financial activities the Company may exercise significant influence are carried at cost rather than in accordance with the equity method. Investments are stated at cost, less provision for any permanent diminution in value. Dividends are recorded when declared.

Group companies

Group companies and other participating interests in which the company exercises significant influence are stated at cost. The company is considered to exercise significant influence if it holds at least 20% of the voting rights.

2.9 *Impairment of fixed assets and its recognition*

On the balance sheet date, the company tests whether there are any indications of an asset which could be subject to impairment. If there are such indications, the legal entity should estimate the recoverable amount of the asset concerned. If this is not possible, the recoverable amount of the cash-generating unit to which the asset belongs, is identified. An asset is subject to impairment if its book value is higher than its realisable value; the realisable value is the highest of the recoverable value and the value in use. An impairment is recognised as an expense in the profit and loss account immediately.

The realisable value is initially based on a binding sale agreement; if there is no such agreement, the realisable value is determined based on the active market, whereby usually the prevailing bid price is taken as market price. The costs deducted in determining net realisable value are based on the estimated costs that are directly attributable to the sale and are necessary to realise the sale. For the determination of the value in use, an estimate is made of the future net cash flows.

If it is established that an impairment that was recognised in the past no longer exists or has reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset concerned had been reported. An impairment of goodwill cannot be reversed.

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the impairment loss is determined and recognised in the income statement.

2.9 *Impairment of fixed assets and its recognition (Continued)*

If an impairment loss has been incurred on an investment in an equity instrument carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The impairment loss shall be reversed only if the evidence of impairment is objectively shown to have been removed.

2.10 *Inventories*

Inventories are valued at purchase price based on the FIFO method (first in, first out) or lower realisable value.

The realisable value is the estimated sales price less directly attributable sales costs. In determining the realisable value the obsolescence of the inventories is taken into account.

2.11 *Receivables*

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. Interest gains are recognised using the effective interest method. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

2.12 *Cash at banks and in hand*

Cash at banks and in hand represent cash in hand, bank balances and deposits with terms of less than twelve months. Overdrafts at banks are recognised as part of debts to lending institutions under current liabilities. Cash at banks and in hand is carried at nominal value.

2.13 *Provisions*

General

Provisions are recognised for legally enforceable or constructive obligations that exist at the balance sheet date, and for which it is probably that an outflow of resources will be required and a reliable estimate can be made.

Provisions are measured at the best estimate of the amount that is necessary to settle the obligation as per the balance sheet date. Provisions for pension are valued on the basis of actuarial principles. The other provisions are carried at the nominal value of the expenditure that is expected to be necessary in order to settle the obligation, unless stated otherwise.

If obligations are expected to be reimbursed by a third party, such reimbursement is included as an asset in the balance sheet if it is probable that such reimbursement will be received with the obligation is settled.

Pension provision

The company has a number of pension schemes, including a number of defined benefit schemes. These provide defined pension benefits to staff upon reaching retirement age; the amount of which depends on age, salary and years of service.

The premium payable during the financial year is charged to the result. Prepaid contributions are recognised as deferred assets if these lead to a refund or reduction of future payments. Contributions that are due but have not yet been paid are presented as liabilities.

2.13 Provisions (continued)

Pension provisions are calculated using the valuation methodology under ASC 715 (US GAAP) with the exception of the Italian TFR plan where IFRS (IAS19 R) is used. For materiality reasons, no US GAAP figures are provided for this scheme, but the impact is deemed to be limited.

The pension provision/asset carried on the balance sheet is the present value of the pension benefit obligations under the defined benefit scheme net of the fair value of plan assets. The required pension provision is measured annually by independent actuaries using the actuarial method known as the 'Projected Unit Credit' method. The present value of the obligation is computed by discounting estimated future cash flows, using interest rates applying to high-quality corporate bonds with a term roughly consistent with the term of the related pension obligation.

Actuarial gains and losses arising from changes in actuarial assumptions exceeding 10% of the higher of pension benefit obligations and the fair value of plan assets at the start of the financial year are credited or charged to the profit and loss account over the expected average future years of service of the employees concerned.

Unrecognised past-service costs are taken directly to the profit and loss account unless the changes in the pension scheme depend on the employees remaining in service for a specific period (the qualifying period). In that case, the past-service costs are recognised on a straight-line basis over the qualifying period.

2.14 Deferred tax assets and liabilities

All taxes for the Netherlands (except for foreign taxes from the branches) are disclosed in the financial accounts of Applied Biosystems B.V. given Applied Biosystems B.V. forms the head of the fiscal unity in which Life Technologies Europe B.V. is included. Deferred tax assets and liabilities are included in respect of the timing differences in valuation of assets and liabilities for annual account purposes and tax purposes. The deferred tax assets and liabilities are calculated based on tax rates prevailing at the year-end or applicable future tax rates, insofar as already decreed by law. Deferred tax assets, including those resulting from loss carry-forwards, are valued if it can be reasonably assumed that these will be realised. The deferred tax assets and liabilities are included at face value.

2.15 Current liabilities

On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at the amortised cost price, being the amount received, taking into account premiums or discounts, less transaction costs. This usually is the nominal value.

2.16 Operational leasing

The company may have lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of nor incurred by the company. The lease contracts are recognised as operational leasing. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the income statement for the duration of the contract.

3 Principles of determination of result

3.1 General

The result represents the difference between the value of the goods delivered/services rendered and the costs and other charges for the year. The results on transactions are recognised in the year they are realised; losses are taken as soon as they are foreseeable.

3.2 Exchange rate differences

Exchange rate differences arising upon the settlement of monetary items are recognised in the profit and loss account in the period they arise. Exchange rate differences on long-term loans relating to the financing of foreign participations are directly taken to shareholder's equity.

3.3 Net turnover

Net turnover represents the amounts charged/chargeable to third parties for goods delivered/services rendered in the reporting year less discounts and excluding VAT.

Revenues from the goods supplied are recognised when all significant risks and rewards in respect of the goods have been transferred to the buyer.

Revenues from the services rendered are recognised in proportion to the services delivered, based on the services rendered up to the balance sheet date in proportion to the total of services to be rendered.

3.4 Cost of sales

Cost of sales represents the direct and indirect expenses attributable to turnover.

3.5 Costs

Costs are recognised at the historical cost convention and are allocated to the reporting year to which they relate.

Depreciation on buildings is based on acquisition cost; depreciation on other fixed assets is based on purchase price or manufacturing cost. Land is not depreciated. Depreciation is provided by the straight-line method over the estimated useful economic life.

3.6 Selling expenses

Selling expenses concern the direct expenses of the sales activities. Selling expenses also include warehouse charges for finished goods and trade goods and the transport costs relating to the sales transactions as well as the costs of personnel involved with sales transactions.

3.7 General and administrative expenses

General and administrative expenses include the expenses of the non-sales departments.

3.8 *Personnel remuneration*

Regular payments

Salaries, wages and social security costs are charged to the profit and loss account when due, and in accordance with employment contracts and obligations.

Pensions

The company has a defined benefit plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is calculated by estimating the amount of future benefits that employees have earned in the current and past periods, discounting that amount and deducting the fair value of any plan assets. The discount rate is the yield at the reporting date of high-quality (AA-credit rated) corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The calculation is performed by qualified independent actuaries using the projected unit credit method.

3.9 *Amortisation of intangible fixed assets*

Amortisation costs are not presented as a separate item in the income statement. These costs have been recognised in other components of the income statement, i.e. general and administrative expenses. For a specification, reference is made to the relevant note.

Intangible assets, including goodwill, are amortised over their estimated useful lives as from the moment they are ready for use.

Future amortisation is adjusted if there is a change in estimated future useful life.

3.10 *Commission income*

Commission income represents the amounts charged/chargeable to the principal for goods delivered in the reporting year.

3.11 *Other income*

Other income results are recognized which are not directly linked to the supply of goods or services as part of the normal, non-incident operations. The other income consists mainly of intercompany service management income.

3.12 *Interest*

Interest income is recognised pro rata in the profit and loss account, taking into account the effective interest rate for the asset concerned, provided the income can be measured and the income is probable to be received.

Interest expenses are allocated to successive financial reporting periods in proportion to the outstanding principal. Premiums and discounts are treated as annual interest charges so that the effective interest rate, together with the interest payable on the loan, is recognised in the profit and loss account, with the amortised cost of the liabilities being recognised in the balance sheet. Period interest charges and similar charges are recognised in the year in which they fall due.

3.13 Taxation

The company forms part of a fiscal unity with its parent company Life Technologies International B.V. and the parent company of Life Technologies International B.V., Applied Biosystems B.V. The Dutch corporate income tax is accounted for in Applied Biosystems B.V., who pays the taxes on behalf of the fiscal unity. The taxes calculated in the branches are calculated in accordance with the legislation in the country of the branch.

Tax on the result is calculated based on the result before tax in the income statement, taking account of the losses available for set-off from previous financial years (to the extent that they have not already been included in the deferred tax assets) and exempt profit components and after the addition of non-deductible costs. Due account is also taken of changes which occur in the deferred tax assets and deferred tax liabilities in respect of changes in the applicable tax rate.

4 Notes to the balance sheet

4.1 Intangible fixed assets

| | Customer lists | Goodwill | Total |
|---|---------------------------|-----------------|--------------|
| | EUR'000 | EUR'000 | EUR'000 |
| Balance as at January 1, 2020 | | | |
| Historical costs | 933 | 7,558 | 8,491 |
| Cumulative impairment losses and amortisation | (673) | (2,365) | (3,038) |
| Cumulative currency translation impact | (31) | 66 | 35 |
| | <u>229</u> | <u>5,259</u> | <u>5,488</u> |
| Movements 2020 | | | |
| Investments | - | - | - |
| Amortisation | (184) | (767) | (951) |
| Currency translation | 1 | 16 | 17 |
| | <u>46</u> | <u>4,508</u> | <u>4,554</u> |
| Balance as at December 31, 2020 | | | |
| Balance as at December 31, 2020 | | | |
| Historical costs | 933 | 7,558 | 8,491 |
| Cumulative impairment losses and amortisation | (857) | (3,132) | (3,989) |
| Cumulative currency translation impact | (30) | 82 | 52 |
| | <u>46</u> | <u>4,508</u> | <u>4,554</u> |
| Amortisation rates | 20% | 10% | |

EUR 527,000 of the intangible asset balance relates to the 2016 acquisition of the intangible assets of LSBioscience GmbH (2019: EUR 806,000).

The remaining balance of EUR 4,027,000 (2019: EUR 4,682,000) relates to the 2017 Affymetrix business transfer. The goodwill arising from this transfer is amortised over 10 years.

4.2 Tangible fixed assets

| | Buildings and leasehold improvements | Machinery and equipment | Total |
|--|---|--|--------------|
| | EUR'000 | EUR'000 | EUR'000 |
| Balance as at January 1, 2020 | | | |
| At cost | 2,623 | 3,974 | 6,597 |
| Accumulated decreases in value and depreciation | (973) | (1,882) | (2,855) |
| Book value | <u>1,650</u> | <u>2,092</u> | <u>3,742</u> |
| Movements 2020 | | | |
| Additions | 248 | 1,500 | 1,748 |
| Disposals – cost | - | - | - |
| Transfers – cost | - | - | - |
| Exchange rate differences at cost | 9 | 8 | 17 |
| Depreciation | (153) | (253) | (406) |
| Disposals – accumulated depreciation | - | - | - |
| Transfers – accumulated depreciation | - | - | - |
| Exchange rate differences on accumulated decreases in value and depreciation | (5) | (8) | (13) |
| Balance as at 31 December 2020 | <u>1,749</u> | <u>3,339</u> | <u>5,088</u> |
| Balance as at 31 December 2020 | | | |
| At cost | 2,864 | 5,469 | 8,333 |
| Accumulated decreases in value and depreciation | (1,115) | (2,130) | (3,245) |
| Book value | <u>1,749</u> | <u>3,339</u> | <u>5,088</u> |
| Depreciation rates | 3-8% | 5-20% | |

There is no obligation to repair buildings and leasehold improvements after its use.

4.3 Financial fixed assets

An overview of the movements of the financial fixed assets is shown below:

| | Receivables from group companies | Investments | Total |
|---------------------------------|---|--------------------|----------------|
| | EUR'000 | EUR'000 | EUR'000 |
| Balances as at January 1, 2020 | 1,500 | 397,678 | 399,178 |
| Additions | - | 120,695 | 120,695 |
| Disposals (*) | - | (78,552) | (78,552) |
| Impairment | - | - | - |
| Balance as at December 31, 2020 | 1,500 | 439,821 | 441,321 |

(*) Impairment of investment in Prionics AG release as the investment was disposed of in December 2020 for the proceeds of EUR 30,086,000 resulting in a gain on sale of EUR 3,668,000. The investment in Applied Biosystems BV of EUR 52,134,000 has been eliminated upon merging into Life Technologies Europe BV.

| | Proportion of issued capital held | |
|---|--|------------------------------|
| | December 31, 2020 | December 31, 2019 |
| | % | % |
| List of significant participations | | |
| Life Technologies AS, Oslo, Norway | 100.0 | 100.0 |
| Life Technologies SAS, Saint Aubin, France | 100.0 | 100.0 |
| Life Technologies SA, Madrid, Spain | 100.0 | 100.0 |
| Life Technologies s.r.o, Bratislava, Slovakia | 100.0 | 100.0 |
| BAC B.V., Naarden, Netherlands | 100.0 | 100.0 |

The financial fixed assets are carried at cost, less provision for any permanent diminution in value.

Receivables from group companies include a principal loan amount due from BAC B.V. of EUR 1,500,000 (2019: EUR 1,500,000). This bears interest at an average rate of 0.89% (2019: 0.89%). Amounts borrowed under this agreement are due and payable on February 28, 2023.

4.4 Inventories

| | December 31, 2020 | December 31, 2019 |
|--|------------------------------|------------------------------|
| | EUR'000 | EUR'000 |
| Finished products and goods for resale | 6,777 | 5,993 |

4.5 Receivables

| | December 31, 2020 | December 31, 2019 |
|----------------------------------|------------------------------|------------------------------|
| | EUR'000 | EUR'000 |
| Due within one year: | | |
| Trade debtors | 173,097 | 78,664 |
| Receivables from group companies | 228,959 | 161,230 |
| Prepayments | <u>1,730</u> | <u>3,190</u> |
| Balance as at December 31 | <u><u>403,786</u></u> | <u><u>243,084</u></u> |

The average intercompany balances due within one year bear interest at 0% per annum (2019: 0%). Nothing has been agreed in respect of repayment and securities.

The fair value of the receivables approximates the carrying amount, given the current character of the receivables and the fact that provisions for bad debt are recognised, where necessary.

4.5.1 Trade debtors

| | December 31, 2020 | December 31, 2019 |
|------------------------------|------------------------------|------------------------------|
| | EUR'000 | EUR'000 |
| Trade debtors | 173,756 | 79,033 |
| Less: provision for bad debt | <u>(659)</u> | <u>(369)</u> |
| | <u><u>173,097</u></u> | <u><u>78,664</u></u> |

4.6 Cash at banks and in hand

Cash at banks is available on demand.

4.7 Shareholder's equity

Share capital

The authorised share capital of Life Technologies Europe B.V. as at December 31, 2020 amounts to EUR 162,722 and consists of 16,272,240 ordinary shares of EUR 0.01 each. The number of shares which have been issued and fully paid totals 3,254,448.

Life Technologies International B.V., Bleiswijk, is registered as the sole shareholder at December 31, 2020.

Share capital

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|-------------|-------------|
| | EUR'000 | EUR'000 |
| Balance as at January 1 & December 31 | <u>32</u> | <u>32</u> |

Share premium

| | <u>2020</u> | <u>2019</u> |
|---------------------------|----------------|----------------|
| | EUR'000 | EUR'000 |
| Balance as at January 1 | 213,341 | 213,341 |
| Issued* | <u>119,682</u> | <u>-</u> |
| Balance as at December 31 | <u>333,023</u> | <u>213,341</u> |

* EUR 119,682,000 was contributed to Life Technologies AS.

Other reserves

| | <u>2020</u> | <u>2019</u> |
|----------------------------------|----------------|----------------|
| | EUR'000 | EUR'000 |
| Balance as at January 1 | (3,394) | (3,391) |
| Movement in relation to pensions | <u>(118)</u> | <u>(3)</u> |
| Balance as at December 31 | <u>(3,512)</u> | <u>(3,394)</u> |

Currency translation reserve

| | <u>2020</u> | <u>2019</u> |
|---------------------------|----------------|----------------|
| | EUR'000 | EUR'000 |
| Balance as at January 1 | (5,461) | (5,887) |
| Translation differences | <u>775</u> | <u>426</u> |
| Balance as at December 31 | <u>(4,686)</u> | <u>(5,461)</u> |

Retained earnings

| | 2020 | 2019 |
|---------------------------|----------------|----------------|
| | EUR'000 | EUR'000 |
| Balance as at January 1 | 290,670 | 294,739 |
| Acquired/ Merged* | 111,035 | - |
| Result after taxation | 22,238 | (4,069) |
| | <hr/> | <hr/> |
| Balance as at December 31 | <u>423,943</u> | <u>290,670</u> |

*EUR 111,035,000 was acquired due to the merger between Applied Biosystems BV and Life Tech Europe BV.

4.8 Provisions

| | December 31, 2020 | December 31, 2019 |
|-------------------|------------------------------|------------------------------|
| | EUR'000 | EUR'000 |
| Pension liability | 3,187 | 3,107 |
| | <hr/> | <hr/> |
| | 3,187 | 3,107 |

An amount of EUR 3,187,000 of the provisions can be classified as non-current (longer than one year).

Pension liability

The pension liability relates to the employees of the Netherlands branch and also the Italian branch regarding the Italian Termination Indemnity scheme ('Trattamento di Fine Rapporto'; TFR). The institution of TFR states that severance pay is due to all employees in case of termination of the employment contract. See also note 5.8.

4.9 Current liabilities

| | December 31, 2020 | December 31, 2019 |
|---|------------------------------|------------------------------|
| | EUR'000 | EUR'000 |
| Debts to suppliers and trade creditors | 2,728 | 3,180 |
| Accounts payable to group companies | 75,645 | 133,292 |
| Tax and social insurance | 17,077 | 9,721 |
| Other liabilities, accruals and deferred income | 29,241 | 22,813 |
| | <hr/> | <hr/> |
| | 124,691 | 169,006 |

All current liabilities fall due within one year. The fair value approximates the book value due to the short-term character.

The average intercompany balances bear interest at 0% per annum (2019: 0%). Nothing has been agreed in respect of repayment and securities.

4.10 Contingencies and commitments

Contingent liabilities

The company has issued bank guarantees amounting to EUR 4,771,735 (2019: EUR 2,855,778).

Fiscal unity

As described in note 3.12 Taxation, the company forms part of a fiscal unity. The company is jointly and severally liable for the taxes payable by the fiscal unity.

Operational leasing

Future minimum lease payments are as follows:

| | EUR'000 |
|----------------------------|---------|
| Obligations to pay: | |
| Within one year | 3,449 |
| Between one and five years | 8,455 |
| After five years | 995 |

During the year under review, an operating lease expense of EUR 2,967,040 (2019: EUR 3,620,852) was recognised in the income statement.

5 Notes to the profit and loss account

5.1 Net turnover

An analysis of net turnover by geographic location is presented below:

| | <u>2020</u> | <u>2019</u> |
|--------------------------|----------------|----------------|
| | EUR'000 | EUR'000 |
| The Netherlands | 94,166 | 79,578 |
| Other EU countries | 444,198 | 220,591 |
| Other European countries | 136,461 | 96,581 |
| Rest of World | 41 | - |
| | <u>674,866</u> | <u>396,750</u> |

Net turnover by category is presented as follows:

| | <u>2020</u> | <u>2019</u> |
|-------------------|----------------|----------------|
| | EUR'000 | EUR'000 |
| Sales of goods | 640,812 | 380,880 |
| Sales of services | 34,054 | 15,870 |
| | <u>674,866</u> | <u>396,750</u> |

5.2 Other income (expense)

Income in relation to recharges made to other companies within the Thermo Fisher Scientific group in 2020 totalled an EUR 4,839,000 (2019: expense of EUR 1,830,000).

5.3 Wages, salaries and social security costs

The selling and administration expenses include wages and salaries, and social security costs. These can be broken down as follows:

| | <u>2020</u> | <u>2019</u> |
|-----------------------------|---------------|---------------|
| | EUR'000 | EUR'000 |
| Wages and salaries | 37,365 | 35,275 |
| Pension costs | 1,431 | 2,815 |
| Other social security costs | 6,221 | 6,039 |
| | <u>45,017</u> | <u>44,129</u> |

The wages, salaries and social-security costs are categorised as follows:

| | <u>2020</u> | <u>2019</u> |
|--|---------------|---------------|
| | EUR'000 | EUR'000 |
| Within selling expenses | 38,202 | 38,056 |
| Within general and administrative expenses | 6,815 | 6,073 |
| | <u>45,017</u> | <u>44,129</u> |

The pension costs are determined based on the premiums payable in respect of the financial year and the proportionately calculated purchase prices to redeem the past-service liabilities incurred in the financial year and premiums.

During 2020, 443 employees were employed on a full time basis (2019: 419 employees). Of these employees, 279 were employed outside the Netherlands (2019: 271).

5.4 Depreciation of tangible fixed assets

The selling and general administration expenses include depreciation of tangible fixed assets, amounting to EUR 406,000 (2019: EUR 362,000).

5.5 Amortisation of intangible fixed assets

The selling and general administration expenses include amortisation of intangible fixed assets, amounting to EUR 951,000 (2019: EUR 949,000).

5.6 Financial income and expenses

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|--------------|--------------|
| | EUR'000 | EUR'000 |
| Interest income – related companies | - | 12 |
| Interest income | - | 4 |
| Interest expenses – related companies | (851) | (1,052) |
| Interest expense | (14) | (2) |
| Foreign exchange differences | (1,167) | 237 |
| Other miscellaneous expense | (84) | (6) |
| Gain on sale of Prionics | 3,668 | 0 |
| | <u>1,552</u> | <u>(807)</u> |

5.7 Taxation

The total tax burden in the financial year of EUR 4,219,000 can be determined as follows:

| | | <u>2020</u> | <u>2019</u> |
|--|-----------------------------|----------------|--------------|
| | EUR'000 | EUR'000 | EUR'000 |
| Result before taxation in the annual accounts | | 26,456 | (2,541) |
| Permanent differences | (3,668) | | |
| Netherlands Taxable Profit Position Reported in Fiscal Unity | (4,483) | | |
| | <u> </u> | | |
| Total permanent and timing differences | | <u>(8,151)</u> | <u>9,176</u> |
| Taxable amount | | <u>18,305</u> | <u>6,635</u> |
| Income tax payable | | 4,219 | 1,528 |
| Change in deferred income tax | | <u>-</u> | <u>-</u> |
| Total tax burden | | <u>4,219</u> | <u>1,528</u> |
| Effective tax rate | | <u>16%</u> | <u>-60%</u> |

The average legal tax rate in the Netherlands amounts to 25%. The results above are included in the Dutch fiscal unity and calculated in Applied Biosystems B.V. and the income tax payable relates to income taxes paid for the foreign branches.

The main drivers of the change in the effective tax rate compared to prior year has been the overall increase in profitability from a loss position in the prior year of underlying operations within Life Technologies Europe BV and its overseas branches along with the reversal of the impairment of investment in Prionics AG.

5.8 Pensions

As from July 1, 2005 the Company applies a new accounting policy for pensions. Obligations are recognised for the defined benefit schemes on the basis of the accounting policies described. The company uses the option provided in Dutch Accounting Standards Board Guideline 271 to apply ASC 715 - Employers' Accounting for Pensions (former FAS 87).

The company has two defined benefit schemes in place. One defined benefit scheme for the employees of the Italian branch and one defined benefit scheme for the employees employed from the Netherlands. Until 2017, the company had a defined benefit scheme for the employees of the Switzerland branch. Given their different characteristics these defined benefit schemes are separately disclosed.

Obligations and funded status – Dutch defined benefit scheme

| | <u>2020</u> | <u>2019</u> |
|--|---------------|---------------|
| | EUR'000 | EUR'000 |
| Change in benefit obligations | | |
| Defined benefit obligation at January 1 | 40,117 | 34,368 |
| Service cost (net of employee contributions) | - | - |
| Actual employee contributions | - | - |
| Plan curtailments | - | - |
| Interest cost | 482 | 641 |
| Actual benefit payments | (629) | (582) |
| Actuarial losses/(gains) | 7,278 | 5,690 |
| Expenses paid | - | - |
| | <u>47,248</u> | <u>40,117</u> |
| Change in plan assets | | |
| Fair value of plan assets at January 1 | 37,987 | 32,095 |
| Actual employer contributions | - | 186 |
| Actual employee contributions | - | - |
| Actual return/(loss) on assets | 7,609 | 6,288 |
| Actual benefit payments | (629) | (582) |
| Expenses paid | - | - |
| | <u>44,967</u> | <u>37,987</u> |
| Fair value of plan assets at December 31 | | |
| Unfunded status | (2,281) | (2,130) |
| Unrecognised prior service costs | - | - |
| Unrecognised net actuarial loss | <u>3,387</u> | <u>3,261</u> |
| Prepaid pension cost | <u>1,106</u> | <u>1,131</u> |

The final pay accrual is 1.657% (2019: 1.657%), and the ceiling of the pensionable salary is EUR 105,125 (2019: EUR 105,125).

Components of net periodic benefit cost – Dutch defined benefit scheme

| | <u>2020</u> | | <u>2019</u> | |
|------------------------------------|-------------|-----------|-------------|-----------|
| | EUR'000 | EUR'000 | EUR'000 | EUR'000 |
| Service cost (gross) | | - | | - |
| Interest cost | | 482 | | 641 |
| Expected return on plan assets | | (457) | | (601) |
| Amortisation amounts | | | | |
| 1. Prior-service cost | - | | - | |
| 2. Curtailments | - | | - | |
| Total amortisation | | - | | - |
| Curtailment (gain)/loss recognised | | - | | - |
| Net periodic benefit cost | | <u>25</u> | | <u>40</u> |

Allocation of actuarial results – Dutch defined benefit scheme

Cumulative gains and losses in excess of 10% of the greater of the pension benefit obligation or market-related value of plan assets are amortised over the expected average remaining future service of the current active membership.

Assumptions – Dutch defined benefit scheme

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-----------------------------------|------------------------------|------------------------------|
| | % | % |
| 1. Discount rate | 0.69 | 1.52 |
| 2. Salary increase | 0.69 | 1.52 |
| 3. Expected return on plan assets | 0.51 | 1.21 |
| 4. Mortality table | Prognosetafel AG2020 | Prognosetafel AG2019 |

The expected rate of return was determined by modelling the expected long-term rates of return for broad categories of investments held by the plan against a number of various potential economic scenarios.

Merit increase – Dutch defined benefit scheme

The merit increase can amount up to 3% up to age 30, 2% up to age 40 and 1% up to age 50.

Plan assets – Dutch defined benefit scheme

The company's pension plan weighted-average assets allocations at December 31 by asset category are as follows:

| | <u>2020</u> | <u>2019</u> |
|---------------------------|-------------|-------------|
| Asset category | % | % |
| Equity securities | - | - |
| Real estate | - | - |
| Cash and cash equivalents | - | - |
| Other | <u>100</u> | <u>100</u> |
| Total | <u>100</u> | <u>100</u> |

Assets are valued at surrender value taking into account the guarantee of the insurance contract.

The company's investment strategy for its defined benefit pension plans is to maximise long-term rate of return on plan assets within an acceptable level of risk in order to minimise the cost of providing pension benefits. The investment policy establishes a target allocation range for each asset class and the fund is managed within those ranges.

Contributions – Dutch defined benefit scheme

The company expects to contribute EUR 119,692 to its pension plan in 2020 (2019: EUR 183,000).

Obligations and funded status – Italian defined benefit scheme

| | <u>2020</u> | <u>2019</u> |
|--|--------------|--------------|
| | EUR'000 | EUR'000 |
| Change in benefit obligations | | |
| Defined benefit obligation at January 1 | 977 | 1,011 |
| Service cost (net of employee contributions) | - | - |
| Actual employee contributions | - | - |
| Interest cost | 7 | 15 |
| Actual benefit payments | (107) | (71) |
| Actuarial losses/(gains) | 28 | 22 |
| Amendments | - | - |
| | <u>905</u> | <u>977</u> |
| Defined benefit obligation at December 31 | | |
| Unfunded status | (905) | (977) |
| Unrecognised prior service costs | - | - |
| | <u>(905)</u> | <u>(977)</u> |
| Accrued pension cost | <u>(905)</u> | <u>(977)</u> |

The accrued pension costs are recognised under provisions (reference is made to note 4.8).

Components of net periodic benefit cost – Italian defined benefit scheme

| | <u>2020</u> | <u>2019</u> |
|---------------------------|-------------|-------------|
| | EUR'000 | EUR'000 |
| Service cost (gross) | - | - |
| Interest cost | 7 | 15 |
| | <u>7</u> | <u>15</u> |
| Net periodic benefit cost | <u>7</u> | <u>15</u> |

Assumptions – Italian defined benefit scheme

| | December 31, 2020 | December 31, 2019 |
|--|------------------------------|------------------------------|
| | % | % |
| 1. Discount rate | 0.25 | 0.75 |
| 2. Annual inflation rate | 1.50 | 1.75 |
| 3. Annual increase rate of Italian Termination Indemnity | 2.62 | 3.00 |

The accrued pension costs are recognised under provisions (reference is made to note 4.8).

5.9 Financial Instruments

Currency risk

Life Technologies Europe B.V. is exposed to a foreign exchange rate risk regarding the receivables. This risk is partly offset by means of internal controls such as credit limits and monitoring of outstanding debts.

Life Technologies Europe B.V. also incurs currency risk given the different currencies used within the different branches. However, given the entity only operates within the European Economic Area, this risk is considered to be limited.

Price risk

Life Technologies Europe B.V. incurs no risk regarding the valuation of securities as the company maintains only cash at bank and in hand, included under current assets.

Interest rate risk

Life Technologies Europe B.V. incurs interest rate risk on interest-bearing receivables on related companies (in particular those included under receivables, receivables from group companies) and on interest-bearing current liabilities (in particular those included under current liabilities, accounts payable to group companies).

Where variable-interest loans are concerned, Life Technologies Europe B.V. incurs risk regarding future cash flows. Life Technologies Europe B.V. has not entered into market risk on fixed-interest receivables and debt, as a result no market risk incurs from fixed-interest receivables and debts. No financial derivatives for interest rate risk are contracted with regard to the receivables.

Liquidity risk

Cash forecasts are drawn up regularly. The group manages liquidity risk through interim monitoring and by making adjustments where necessary. The cash forecasts allow for limited availability of cash at bank and in hand, including bank guarantees and margin calls relating to derivatives entered into.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is continually reviewed by the senior management team.

6 Supplementary information

6.1 Employees

During 2020, an average of 443 employees were employed by the company (2019: 419 employees). All employees are employed within the LSG division.

| | <u>2020</u> | <u>2019</u> |
|---------|-------------|-------------|
| Sales | 288 | 271 |
| Support | 140 | 139 |
| Other | <u>15</u> | <u>9</u> |
| | <u>443</u> | <u>419</u> |

The number of employees as at December 31, 2020 was 472 (2019: 444).

6.2 Directors and supervisory directors

There were no charges for the year ending December 31, 2020 or the prior year ending December 31, 2019.

6.3 Related parties

All group companies mentioned in note 1.2 Group structure are considered to be related parties. Amounts receivable from group companies, accounts payable to group companies, commission income and to a large extent interest income and expense are the result of related party transactions. Related party transactions also include the purchase of goods from group companies which are purchased on an arm's length basis.

6.4 Audit fees

The following audit fees were expensed in the income statement in the reporting period:

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|-------------|-------------|
| | EUR'000 | EUR'000 |
| Audit of the financial statements | 205 | 183 |
| Other audit services | 51 | 20 |
| Tax services | 30 | 49 |
| Other non-audit services | <u>-</u> | <u>-</u> |
| | <u>286</u> | <u>252</u> |

These fees relate to the audit of the 2020 financial statements, regardless of whether the work was performed during the financial year.

The fees listed above relate only to the procedures applied to the Company and its consolidated group entities by accounting firms and independent external auditor as referred to in Section 1(1) of the Dutch Accounting Firms Oversight Act (Dutch acronym: Wta).

6.5 Proposed profit appropriation

According to article 18 of the Articles of Association, the General Meeting is authorised to determine the destination of profits and to determine the distributions, to the extent the net assets exceed the reserves which must be maintained under the law or these Articles of Association.

Following the proposed profit appropriation of the Board of Directors and pursuant to article 18 of the Articles of Association it is proposed to add the profit to the retained earnings.

| | <u>2020</u> |
|-------------------------------|---------------|
| | EUR'000 |
| Transfer to retained earnings | <u>22,238</u> |
| Net profit | <u>22,238</u> |

The proposed reduction to retained earnings has already been recognised.

6.6 Subsequent Events

In January 2021, LSBioscienses PA was acquired by Life Tech Europe BV for EUR 6,473,000.

6.7 Going concern

To support the going concern assessment of Life Technologies Europe BV, we have assessed the entity's current cash and net asset position as at the financial year end, which are both strong at EUR 15,152,000 and EUR 748,799,000 respectively. Due to the positive impact of the sale of COVID-19 test kits on revenues in 2021, we deem that there is no risk around going concern. In addition to this the directors have received a letter of support from Thermo Fisher Scientific Inc. and have an expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

Conclusion

Whilst uncertain, we do not believe, however, that the impact of the COVID-19 pandemic would have a material adverse effect on our financial condition or liquidity.

Bleiswijk, 27th July 2021

Board of Directors of Life Technologies Europe B.V.,



M. Riemens



P. van der Zande

Other information

Profit appropriation according to the Articles of Association

According to article 18 of the Articles of Association any profit realised in the financial year is at the disposal of the General Meeting. The General Meeting can declare dividends out of the free reserves to the extent legally allowed.

Branches

Life Technologies Europe B.V. - Denmark
Life Technologies Europe B.V. - Sweden
Life Technologies Europe B.V. - Belgium
Life Technologies Europe B.V. - Italy
Life Technologies Europe B.V. - Switzerland
Life Technologies Europe B.V. - Finland
Life Technologies Europe B.V. - Ireland
Life Technologies Europe B.V. - Portugal
Life Technologies Europe B.V. - Dubai
Life Technologies Europe B.V. - Germany
Life Technologies Europe B.V. - Iceland
Life Technologies Europe B.V. - Norway
Life Technologies Europe B.V. - United
Kingdom

Report of the independent auditor

The independent auditor's report has been attached on the following page.