



Extract from annual report 2017/18

Analysis and counting of cells. ChemoMete offers high-quality equipment for cell counting and cell analysis within, among other, life science research and development and production of pharmaceuticals.

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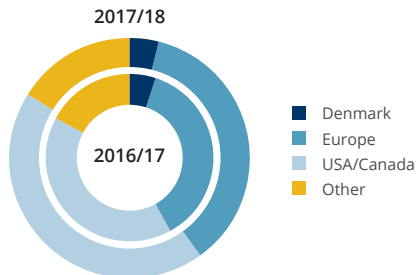
This extract contains information and data taken from the ChemoMetec Annual Report 2017/18. It does not constitute the official version of the document filed with the Danish authorities. The full version of the ChemoMetec Annual Report 2017/18 in Danish serves as the official version of the ChemoMetec Annual Report 2017/18 in accordance with the requirements of the Danish authorities.

Key points in 2017/18 and expectations for 2018/19

Economic results

- ChemoMetec's turnover counted DKK 112.7 million in 2017/18, corresponding to an increase of 25% compared to 2016/17. The revenue has been increasing in all regions.
- The revenue from analytical instruments increased by 22% while sales of consumer goods increased by 26%.
- The operating profit (EBITDA) was DKK 30.1 million compared to DKK 15.9 million in 2016/17, while EBIT was DKK 24.3 million compared to DKK 10.4 million in 2016/17.
- The profit of the year was DKK 18.2 million compared to DKK 7.5 million in 2016/17.
- Both the revenue and EBITDA are significantly higher than the expectations published in connection with the annual report of 2016/17.

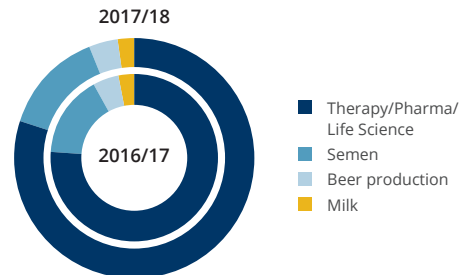
Turnover by market segments



Product development

- During the financial year, significant resources were still used for the further development of Xcyto 10.
- Xcyto 5 - "little brother" to Xcyto 10 - was planned for sale in a narrow segment, geographically and customer-wise, by the end of 2017.
- There has been worked on preparing a broader launch of both Xcyto 10 and Xcyto 5 - e.g. production of scientific articles to support sales.
- In the financial year of 2016/17, an upgrade of the most selling cell counter NC-200 was initiated. It as been named NucleoCounter NC-202 and is expected to be released for sale in November 2018.

Omsætning fordelt på markedssegmenter



Turnover in 2017/18
113 MIO. DKK

Growth in 2017/18
25%

EBIT-margin
22%

Market value
1,1 MIA. DKK

Expectations for 2018/19

- In the financial year 2018/19 ChemoMetec expects continued growth in sales to customers in life science research, cell-based immunotherapy and pharmaceutical production and quality control.
- It is expected that the new products NC-202, Xcyto 10 and Xcyto 5 will contribute to the growth in the sale of instruments.
- ChemoMetec expects a revenue in the range of DKK 127-133 million and an operating profit (EBITDA) of DKK 29-33 million in 2018/19.
- ChemoMetec expects to invest DKK 30 million. in product development, patents and production facilities in 2018/19.

ChemoMetec in short

ChemoMetec is specialised in development, production and sale of high-quality analysis equipment, used for counting and analysing cells in a broad range of areas. Our analysis tools are based on a patented, unique technology platform, which ensures a high-quality of analysis results, operational reliability, cost effectiveness and simple use.



Our technology and products

Our main technology consists in photographing a prepared liquid sample through a specially developed microscope and hereafter performing an automatic counting and/or analysis of the cells using digital imaging. This technology allows for counting and analysis of large numbers of cells with extremely high precision and at competitive prices.

ChemoMetec analysis equipment consists primarily of analytical instruments and related disposable articles (plastic cassettes and glass cavities) in which the sample is prepared and stored during measurement.

ChemoMetec is continuously working on further developments of its technology platform and on finding new applications. We have recently launched the high-end image cytometer Xcyto 10, as well as Xcyto 5, which is a reduced variant of Xcyto 10. At the same time, we have continued developing a cell counting instrument with high analytical capacity, and we have started upgrading the NC-200 based on the Xcyto technology platform.



Our clients

Our analysis equipment is sold to an increasingly large customer group, among other, within cell-based immuno-therapy, cancer and stem cell research, drug development and production as well as production and quality control of a range of products such as beer, animal semen and milk.

Over a number of years, we have built strong, long-term relations with important customer groups and we continuously work to strengthen our customer service – not least through our local organisations that have expanded significantly in recent years.

We have a close collaboration with our customers and experts within cell counting and analysis in order to develop our technical expertise and adapt our products to customer needs.



Our goal

is to develop products that make complex analytical processes more simple, robust and cost-effective. We do this by using the latest technologies and advanced components for the development of complete, innovative solutions within our field.



96% of our sales are exported and we sell our analysis equipment to customers in approx.

100 countries

Our headquarters are in Allerød, north of Copenhagen, and we have our own sales companies in USA, France and Germany as well as our own sales organisation in England and Holland. We have approx. 70 full-time employees..

ChemoMetec's business model

ChemoMetec's business model reflects our goal of developing products that make complex analytical processes more simple, robust and cost-effective. At the same time, it is our goal to build close, long-term relations with customers and end users.



Innovation

Developing new innovative products and improvements of existing ones within cell counting and -analysis is the core of ChemoMetec's business and is crucial for value creation in the company.



Production

Production of the NucleoCounter and Xcyto products is carried out in accordance with the needs and requirements of customers and end users.

The production of analysis instruments and disposable cassettes takes place at ChemoMetec while subcontractors supply a number of parts and components



Support

ChemoMetec is continuously working to strengthen its market position and has built up local organisations in a number of important markets, which serve customers and end users in collaboration with the headquarters.



Sales and distribution

Sales and distribution of ChemoMetec's products is carried out within our own sales organisations in the largest markets, while collaborating with distributors in a number of other markets primarily in Asia.



Customers

ChemoMetec's end users are typically in the field of life science, cell therapy, clinical diagnostics and production and quality control in the pharmaceutical and food industries.

ChemoMetec's products

Our product palette includes the latest Xcyto products for advanced cell analysis, which give our customers completely new opportunities, and partly the NucleoCounter products, which consist of automatic cell counting and cell analysis tools.

Xcyto 10 and Xcyto 5

With the development of the first Xcyto products, ChemoMetec has created a new technology platform that will be used in the development of a number of new instruments in the future.

Xcyto 10

Xcyto 10 is an advanced image-based cell analyser, that sets a new standard within cell analysis. What is unique about Xcyto 10 is that the instrument can analyse both cells in suspension, i.e. cells contained in an aqueous solution, as well as adherent cells that grow on solid surfaces.

Xcyto 10 is at least as sensitive as the best flow cytometers – and can automatically identify and mark the individual cells and their propagation as well as provide accurate information about where the various fluorescent markers are located inside the cell. The pictures also contain information about the shape, size, lump rate etc. of the cells. At the same time, Xcyto 10 can also analyse specific DNA, RNA and protein molecules in individual cells.

The main market areas for Xcyto 10 are life science research.

Xcyto 5

Xcyto 5 is a reduced edition of Xcyto 10 and, like Xcyto 10, it is technologically based on a combination of fluorescence microscopy and advanced image and data processing. Xcyto 5 can primarily analyse cells in suspension, but the instrument can – as opposed to flow cytometers – perform certain types of analyses on adherent cells.

The markets, initially addressed with Xcyto 5, are cell-based immunotherapy and pharmaceutical production- and quality control, in which the NC-200 already has an attractive market position.





NucleoCounter NC-3000

NucleoCounter NC-3000 is a very user-friendly and flexible analysis platform based on fluorescence microscopy, CCD camera technology, image analysis and low magnification. Unlike flow cytometers, NucleoCounter NC-3000 allows you to qualify the analytical results by help of visual inspection of the photographed cells.

The instrument can easily be used to perform relatively simple and time consuming cell analyses as well as cell counts.

The instrument is used by a number of leading companies and institutions worldwide in cancer research, immunology, toxicology and pharmaceutical production.



NucleoCounter NC-250

NucleoCounter NC-250 is a competitive top product that offers fast and cost-effective viability cell counting with high precision as well as assays for cell analysis.

NucleoCounter NC-250 uses glass slides with two or eight chambers for viability cell counting. In addition, NucleoCounter NC-250 can perform cell cycle analysis and an apoptotic assay via a vitality analysis of the cells.

NucleoCounter NC-250 primarily addresses the markets for life science research, stem cell therapy and pharmaceutical quality control and production.



NucleoCounter NC-200

NucleoCounter NC-200 offers the fastest and easiest viability cell count in the market for cell counting instruments.

The instrument can perform a cell count and viability analysis using only one cassette without manual addition of dye or auxiliary reagents. The analyses also provide information about the average cell size and lump rate.

NucleoCounter NC-200 primarily addresses the markets for life science research, stem cell therapy and pharmaceutical quality control and production.



NucleoCounter 100-series

The NucleoCounter 100 Series provides a wide range of companies and institutions with attractive opportunities for cell counting and viability analysis within their respective business areas.

NucleoCounter NC-100 series includes NC-100 (used primarily in life science research and production- and quality control in the pharmaceutical industry), SP-100 (production- and quality control of semen for breeding programmes), YC-100 (sold primarily for breweries to ensure optimal quality of brewing yeast) and SCC-100 (measurement of somatic cells in milk). Approx. 2,400 instruments have been sold to companies and organisations worldwide.


CEO letter: The market for cell-based immunotherapy drives the growth.

2017/18 has been a good year for ChemoMetec, and we have achieved significant revenue growth and almost a doubling of the operating profit. Alongside the great activity within sales, we have been working on preparing the new Xcyto products for broader marketing, and on developing more new products that will strengthen our overall offer to the customers.

New interesting area of growth – immune based cell therapy

The growth in the past year has primarily been driven by sales to US customers operating within cell-based immunotherapy. It is an area of rapid development, and we have achieved a unique position in this market with the NC-200 cell counter. Cell-based immunotherapy appears to be an effective treatment in which severely ill cancer patients can be cured with the help of their own cells. Several of the treatments have now been approved by the US Health Authorities (FDA) and many more are expected to be approved in the coming years – this also includes China, Japan and Europe. Everything points towards significant growth in this exciting area and we have therefore chosen to allocate the necessary resources for this.

In cell-based immunotherapy, ChemoMetec's products are primarily used for cell counts and viability analysis. However, many other analyses are performed on the cells in this area and we will try to get in close dialogue with customers to chart



It is crucial for ChemoMetec to have both the right products and to be able to seize the opportunities that occur within our business areas – that is to be both agile and market-oriented. Cell-based immunotherapy in specific is an example of a new growth area that we have focused on and where we have achieved a very favourable market position.

Michael Eising
CEO

their needs and find out if we can offer them other than cell counting products. For example, it is possible that Xcyto 5 – in its current form or as a variant – could replace or supplement cell therapy customers using flow cytometers.

Market orientation and agility in focus

Our overall goal is to generate progress within revenue and earnings both in the short and in the long term. In order to meet this goal, it is crucial to a company as ChemoMetec to have both the right products and to be able to seize the opportunities that arise within our business areas – that is, to be both agile and market-oriented. The development within cell-based immunotherapy is an example of precisely such a new possibility. Therefore, we decided early in the past financial year to change our strategic sales focus – and to focus intensively on servicing our customers within cell-based immunotherapy and oppositely use less resources on the marketing of the new Xcyto products.

The establishment of a solid foundation for the marketing of Xcyto products

The decision regarding the marketing of the Xcyto products should also be seen in the light of the fact that it has proved more difficult than initially assumed to enter the market with the Xcyto products. The customers require scientific articles, customer references and other documentation before purchasing the product. They also want additional product measures, which we have not finished yet, but which we are working on completing. The goal – and expectation – is, within a reasonable time frame, to create the basis needed to kickstart sales while maintaining the product prices that we consider to be optimal in the long term. At the beginning of the new financial year, we took an important step with the sale of the first Xcyto instrument.

The fact that things take longer than originally expected does not change our future expectations of the potential of the new products that address a large and growing market for

advanced cell analysis and which is a direct competitor to the widely used flow cytometers.

Maintaining the development strategy: The most advanced first

In connection with the development of Xcyto 10, we developed a completely new technology platform, which we now also use for the further development of our product palette. At the same time, we are working on the completion of some new features for Xcyto 10, in order for it to be marketed to a wider group of customers.

It is also important to note that with the development of Xcyto 10 we developed a completely new technology platform, which we already use in the development of new products. Also, we did that earlier in connection with the development of the NC-3000.

A little simplified, you could argue that we, technologically speaking, have started from the top with the development of Xcyto 10, and then we are developing new products by scaling down from Xcyto 10. The “little brother” to Xcyto 10, Xcyto 5, was released for sale at the end of 2017, and the ongoing upgrade of the NC-200, which is our most selling product through time, is also based on Xcyto technology. The new version, NC-202, is expected to be released for sale later in 2018. Also, the upcoming XcytoMatic is based on Xcyto technology, and the same applies to additional Xcyto-derived products that are under development.

We are aware that the time-to-market is longer when we set out with the advanced model, rather than developing a less complicated product first and then further developing the

technology. However, our experience shows that we are able to cost-effectively develop very good products, such as the NC-200 cell counter and the future NC-202, when we have a technological profit available in the form of a kind of technological buffet from an already existing advanced platform.

Focus on both existing and new products

In the coming year, we will continue focusing on maintaining the growth in sales of our existing cell counting products, especially in cell-based immunotherapy. Naturally, we are also looking forward to the release of NC-202 later in 2018, and the plan is that this product will initially be introduced to our core customers within life science research, cell-based immunotherapy and pharmaceutical production- and quality control, and especially to customers in cell-based immunotherapy. In addition, the development department will focus on completing the product improvements of Xcyto 10 and Xcyto 5, just as work will be put into completing XcytoMatic.

Of course, we also believe and hope that the sales of Xcyto products will gradually increase.

At the same time, we will work on developing the entire organisation so that we are equipped to exploit growth opportunities and to handle the challenges that accompany the expected growth.

I would like to thank everyone in ChemoMetec for, with great and committed effort, contributing to good results in the past year and to strengthen the foundation for further development of ChemoMetec for the benefit of all our stakeholders.

Thanks to our customers for another year of good partnership and thanks to our shareholders for their support for ChemoMetec.

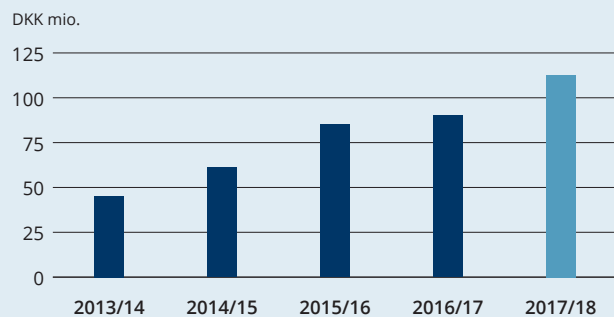
Michael Eising
CEO

Financial highlights

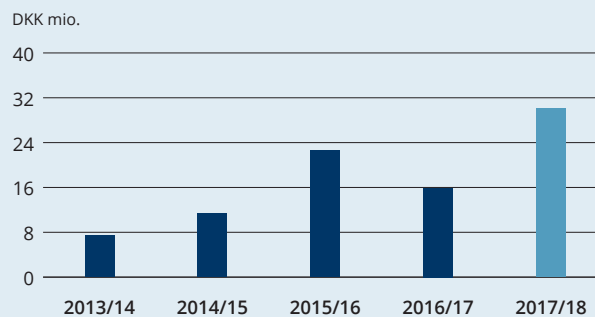
T.DKK	2017/18	2016/17	2015/16	2014/15	2013/14
Main figures					
Net sales	112.687	90.329	85.232	61.239	45.229
Earnings before Interest Taxes Depreciation and Amortization (EBITDA)	30.072	15.865	22.628	11.399	7.393
Operating profit (EBIT)	24.284	10.419	15.897	5.828	1.646
Profit from financial items	-982	-1.767	-2.125	844	-496
Net profit	18.215	7.486	10.483	7.948	1.150
Total income	18.204	7.528	10.499	8.110	1.297
Equity	73.010	64.377	56.849	46.350	44.530
Total balance	113.995	97.620	90.379	63.466	51.350
Investments in material fixed assets	5.513	3.042	22.285	4.523	1.236
Investments in intangible fixed assets	10.949	7.548	7.606	4.463	5.886
Net working capital	20.448	17.450	12.346	9.093	10.244
Invested capital	82.880	72.689	62.771	30.479	34.398
Net interest-bearing debt	10.203	9.675	8.351	-3.060	-5.098

	2017/18	2016/17	2015/16	2014/15	2013/14
Key figures					
Profit margin (EBIT-margin) (%)	21,5	11,5	18,7	9,5	3,6
Return on invested capital (%)	31,2	15,4	33,6	18,0	5,1
Revenue/Invested capital	1,4	1,2	1,3	1,9	1,4
Net interest-bearing debt/EBITDA	0,3	0,6	0,4	-0,3	-0,7
Financial gearing	0,1	0,2	0,1	-0,1	-0,1
Return on equity (%)	26,5	12,4	20,3	17,8	3,0
Net profit per share, EPS (DKK)	1,17	0,48	0,67	0,50	0,07
Net asset value per share (DKK)	4,2	3,7	3,0	2,7	2,6
Stock price per share by end of year (DKK)	61,0	32,5	33,8	17,3	3,8
Avg. number of employees	69	65	46	39	35

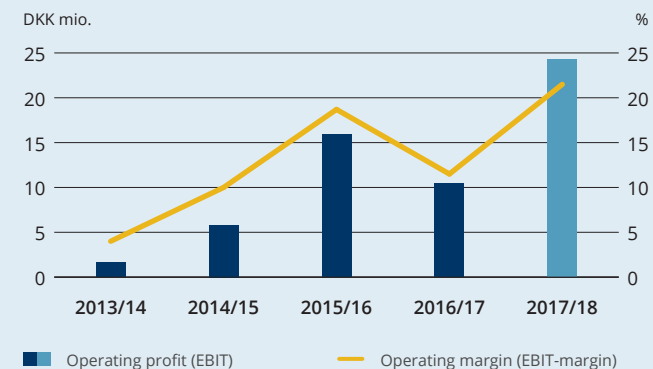
Net sales



Earnings (EBITDA)



Operating profit (EBIT) and operating margin (EBIT-margin)







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