

Aktieselskabet Dansk Gærings-Industri

Annual report 2016/17

The annual report was presented and adopted at the
Company's annual general meeting on

10 May 20 17



chairman

CVR no. 24 21 41 17
Bredstrupvej 33
DK-8500 Grenaa

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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 Aktieselskabet Dansk Gærings-Industri for the financial year 1 February 2016 - 31 January 2017.

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

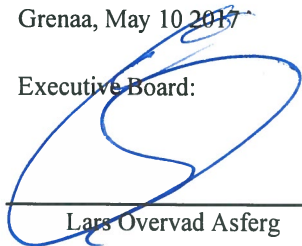
It is our opinion that the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 January 2017 and of the results of the Company's operations for the financial year 1 February 2016 - 31 January 2017.

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

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

Grenaa, May 10 2017

Executive Board:



Lars Overvad Asferg

Board of Directors:



Nicolai Francis Jensen



Lars Overvad Asferg

Finn Jeff Lernø



Jørgen Eybye



Independent auditors' report

To the shareholders of Aktieselskabet Dansk Gærings-Industri

Opinion

We have audited the financial statements of Aktieselskabet Dansk Gærings-Industri for the financial year 1 February 2016 – 31 January 2017, comprising income statement, balance sheet and notes, including accounting policies. The financial statements are 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 assets, liabilities and financial position at 31 January 2017 and of the results of the Company's operations for the financial year 1 February 2016– 31 January 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibility for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Independent auditors' report

Auditor's responsibilities for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.



Independent auditors' report

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

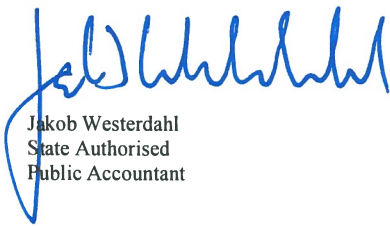
Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 10 May 2017

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98


Michael Stenskov
State Authorised
Public Accountant


Jakob Westerdahl
State Authorised
Public Accountant

Management's review

Company details

Aktieselskabet Dansk Gærings-Industri
Bredstrupvej 33
DK-8500 Grenaa

Telephone: +45 87 58 24 00

CVR no.: 24 21 41 17
Established: 13 September 1918
Registered office: Grenaa

Financial year: 1 February – 31 January

Board of Directors

Nicolai Francis Jensen, Chairman
Lars Overvad Asferg
Finn Jeff Lernø
Jørgen Eybye

Executive Board

Lars Overvad Asferg

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
DK-8210 Aarhus V

Management's review

Operating review

Principal activities

The Company's most significant activities comprise the development and technology adaptation of industrial fermentation processes for manufacturing fermentation products. The Company's research activities are carried out at the premises in Grenaa.

These financial statements cover the period 1 February 2016 – 31 January 2017

Research activities

In general, costs for research activities are financed by means of foundation grants.

The research costs are recharged to the companies benefiting from the research projects.

Outlook

The Company's activities will still be limited to research activities.

Financial statements 1 February 2016 – 31 January 2017

Income statement

| DKK | Note | 2016/17 | 2015/16 |
|-----------------------------|------|----------|----------|
| Gross loss | | -171.430 | -454.321 |
| Administrative expenses | | -82.794 | -92.834 |
| Other operating income | | 229.764 | 161.667 |
| Operating loss | | -24.460 | -385.489 |
| Financial income | 2 | 3.498 | 6.906 |
| Financial expenses | 3 | -5.364 | -750 |
| Loss before tax | | -26.327 | -379.332 |
| Tax on loss for the year | | 11.127 | 99.478 |
| Loss for the year | | -15.200 | -279.854 |
| Distribution of loss | | | |
| Retained earnings | | -15.200 | -279.854 |
| | | -15.200 | -279.854 |

Financial statements 1 February 2016 – 31 January 2017

Balance sheet

| DKK | Note | <u>2016/17</u> | <u>2015/16</u> |
|--------------------------------------|------|------------------|------------------|
| ASSETS | | | |
| Fixed assets | | | |
| Property, plant and equipment | | | |
| Plant and machinery | | <u>62.857</u> | <u>109.641</u> |
| Total fixed assets | | <u>62.857</u> | <u>109.641</u> |
| Current assets | | | |
| Receivables | | | |
| Receivables from group entities | | 277.225 | 712.256 |
| Deferred tax asset | | 6.069 | 78.522 |
| Other receivables | | <u>558.338</u> | <u>358.424</u> |
| | | <u>841.632</u> | <u>1.149.202</u> |
| Cash at bank and in hand | | <u>823.798</u> | <u>1.105.216</u> |
| Total current assets | | <u>1.665.430</u> | <u>2.254.418</u> |
| TOTAL ASSETS | | <u>1.728.287</u> | <u>2.364.059</u> |

Financial statements 1 February 2016 – 31 January 2017

Balance sheet

| DKK | Note | 2016/17 | 2015/16 |
|--|------|------------------|------------------|
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | | 1.000.000 | 1.000.000 |
| Retained earnings | | 204.657 | 219.856 |
| Total equity | | 1.204.657 | 1.219.856 |
| Liabilities | | | |
| Payables to group entities | | 492.530 | 1.116.203 |
| Other payables | | 31.100 | 28.000 |
| | | 523.630 | 1.144.203 |
| Total liabilities | | 523.630 | 1.144.203 |
| TOTAL EQUITY AND LIABILITIES | | 1.728.287 | 2.364.059 |
| Contingent liabilities and collateral | 4 | | |
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Financial statements 1 February 2016 – 31 January 2017

Notes

1. Accounting policies

The annual report of Aktieselskabet Dansk Gærings-Industri for 2016/17 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

As from 1 February 2016, the Company has implemented Act no. 738 of June 2015.

This has entailed the following changes to recognition and measurement:

Going forward, the residual value of intangible assets and property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.

The changes have no monetary effect on the income statement or the balance sheet for 2016/17 or for the comparative figures.

Joint taxation and deferred tax in the balance sheet have been reclassified compared to previous years. Comparative items have been adjusted.

Apart from the above, the accounting policies used in the preparation of the financial statements are consistent with those of last year.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

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

Financial statements 1 February 2016 – 31 January 2017

Notes

1. Accounting policies (continued)

Income statement

Gross Profit

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Revenue

Income from the sale of goods comprising special fermentation products, is recognised in revenue when delivery and transfer of risk to the buyer have taken place, the income may be reliably measured and is expected to be received.

Revenue is measured at the fair value of the agreed remuneration excluding VAT and taxes charged on behalf of third parties. All discounts granted are included in revenue.

Production costs

Production costs comprise development costs, including depreciation, incurred to generate revenue for the year.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for administration, supplies, etc.

Other operating income

Other operating costs comprise foundation grants and income secondary to the Company's principal activity. Foundation grants are recognised as revenue in the financial year when it is probable that the grants will be received.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Financial income and expenses comprise interest income and expense, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Financial statements 1 February 2016 – 31 January 2017

Notes

1. Accounting policies (continued)

Tax on profit/loss for the year

The Company is covered by the Danish rules on compulsory joint taxation and is therefore jointly taxed with all Danish entities in the Lallemand Group.

The current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Plant and machinery

Plant and machinery are measured at cost less accumulated depreciation and impairment losses.

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

The depreciable amount, which is calculated as cost less any projected residual values after the end of the useful life, is depreciated on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

| | |
|---------------------|------------|
| Plant and machinery | 3-10 years |
|---------------------|------------|

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

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

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of projected cash flows, including the realisable value of any collateral received.

Financial statements 1 February 2016 – 31 January 2017

Notes

1. Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of change in value.

Equity

Dividends

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

Corporation tax and deferred tax

The Company is part of the joint taxation with all Danish entities in the Lallemand Group.

Joint taxation contributions payable and receivable are recognised in the balance sheet under balances with group entities.

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

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

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a setoff against deferred tax liabilities in the same legal tax entity.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystalize as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement.

Liabilities other than provisions

Liabilities other than provisions are measured at net realisable value.

Financial statements 1 February 2016 – 31 January 2017

Notes

| | <u>2016/17</u> | <u>2015/16</u> |
|------------------------------------|----------------|----------------|
| 2 Financial income | | |
| Interest from group entities | 3.498 | 6.906 |
| | <u>3.498</u> | <u>6.906</u> |
| 3 Financial expenses | | |
| Interest expense to group entities | 4.514 | 0 |
| Other financial expenses | 850 | 750 |
| | <u>5.364</u> | <u>750</u> |

4 Contingent liabilities and collateral

The Company is jointly taxed with all Danish entities in the Lallemand group. The Company has unlimited joint and several liability for Danish corporation taxes and withholding taxes on dividends and interest under the joint taxation scheme. The jointly taxed companies' total net liability to the Danish tax authorities is recognized in the consolidated Financial Statements of Lallemand Denmark A/S. Any subsequent corrections of the taxable jointly taxed income or withholding taxes, etc., may entail an increase in the Company's liability.

5 Related party disclosures

Lallemand Human Nutrition A/S is part of the consolidated financial statements of Lallemand Denmark A/S, which is the smallest group in which the Company is included as a subsidiary.

The consolidated financial statements of Lallemand Denmark A/S can be obtained by contacting the Company on the website of the Danish business authorities.

Lallemand Human Nutrition A/S is part of the consolidated financial statements of Lallemand inc, Canada, which is the largest group in which the Company is included as a subsidiary.

The consolidated financial statements of Lallemand Inc. can be obtained by contacting the Company.