

Evolve Biotech A/S

Lersø Parkallé 42-44, 2100 Copenhagen Ø

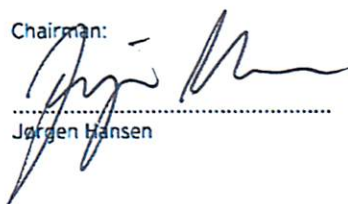
CVR no. 25 53 25 38



Annual report 2015

Approved at the annual general meeting of shareholders on 9 May 2016

Chairman:



Jørgen Hansen



Building a better
working world



Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditors' report	3
Management's review	4
Company details	4
Operating review	5
Financial statements for the period 1 January - 31 December	6
Income statement	6
Balance sheet	7
Statement of changes in equity	8
Notes	9



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 Evolve Biotech A/S for the financial year 1 January - 31 December 2015.

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

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

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

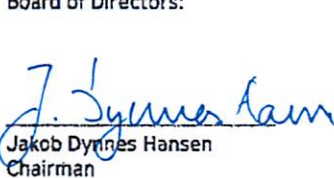
We recommend the adoption of the annual report at the annual general meeting.

Copenhagen, 9 May 2016
Executive Board:



Jørgen Hansen

Board of Directors:



Jakob Dynnes Hansen
Chairman

Jørgen Hansen

Bo Danner Henriksen

Independent auditors' report

To the shareholders of Evolva Biotech A/S

Independent auditors' report on the financial statements

We have audited the financial statements of Evolva Biotech A/S for the financial year 1 January - 31 December 2015, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements according to Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of financial statements that give a true and fair view. The purpose is to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by Management as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.


Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 9 May 2016
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR No. 30 70 02 28



Christian S. Johansen
state authorised public accountant



Management's review

Company details

Name	Evolva Biotech A/S
Address, Postal code, City	Lersø Parkallé 42-44, 2100 Copenhagen Ø
CVR No.	25 53 25 38
Registered office	Copenhagen
Financial year	1 January - 31 December
Board of Directors	Jakob Dynnes Hansen, Chairman Jørgen Hansen Bo Danner Henriksen
Executive Board	Jørgen Hansen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuhs Vej 4, P O Box 250, 2000 Frederiksberg, Denmark
Bankers	Danske Bank, Holmens Kanal 2, 1090 Copenhagen



Management's review

Operating review

The Company's business review

The Company's purpose is to carry on research and development, manufacturing and sales of ingredients and processes related to food, nutrition and personal care and to provide services to companies in Denmark and abroad as well as other related activities.

Financial review

The Company's income statement for the year ended 31 December 2015 shows a loss of DKK 1,051,709, and the balance sheet at 31 December 2015 shows equity of DKK 7,865,091.

Post balance sheet events

No events have occurred after the financial year-end which could significantly affect the Company's financial position.

Financial statements for the period 1 January - 31 December

Income statement

Notes	DKK	2015	2014
	Revenue	47,695,083	39,427,862
	Other operating income	5,001	0
	Other external expenses	-15,416,750	-11,022,369
	Gross profit	32,283,334	28,405,493
2	Staff costs	-27,718,777	-23,907,484
	Amortisation/depreciation of intangible assets and property, plant and equipment	-4,554,296	-2,869,941
	Operating profit	10,261	1,628,068
3	Financial income	72,131	949,019
4	Financial expenses	-1,134,101	-748,625
	Profit/loss for the year	-1,051,709	1,828,462
	Proposed profit appropriation/distribution of loss		
	Retained earnings/accumulated loss	-1,051,709	1,828,462
		-1,051,709	1,828,462

Financial statements for the period 1 January - 31 December

Balance sheet

Notes	DKK	2015	2014
	ASSETS		
	Non-current assets		
5	Property, plant and equipment		
	Fixtures and fittings, tools and equipment	14,631,257	5,880,986
	Leasehold improvements	6,213,849	2,136,768
	Property, plant and equipment in progress	133,650	5,188,986
		<u>20,978,756</u>	<u>13,206,740</u>
	Investments		
	Other receivables	5,984,744	5,698,932
		<u>5,984,744</u>	<u>5,698,932</u>
	Total non-current assets	<u>26,963,500</u>	<u>18,905,672</u>
	Current assets		
	Receivables		
	Other receivables	1,491,903	1,366,787
6	Prepayments	368,072	38,316
		<u>1,859,975</u>	<u>1,405,103</u>
	Cash	13,314,680	8,963,584
	Total current assets	<u>15,174,655</u>	<u>10,368,687</u>
	TOTAL ASSETS	<u>42,138,155</u>	<u>29,274,359</u>
	EQUITY AND LIABILITIES		
	Equity		
7	Share capital	4,311,583	4,311,583
	Retained earnings	3,553,508	4,605,217
	Total equity	<u>7,865,091</u>	<u>8,916,800</u>
	Liabilities other than provisions		
	Non-current liabilities other than provisions		
	Lease liabilities	6,464,293	4,687,121
	Payables to group entities	18,242,920	8,661,864
		<u>24,707,213</u>	<u>13,348,985</u>
	Current liabilities other than provisions		
	Current portion of long-term liabilities	1,834,221	456,620
	Other credit institutions	174,937	147,093
	Trade payables	3,094,376	2,186,834
	Other payables	4,456,744	3,513,049
	Deferred income	5,573	704,978
		<u>9,565,851</u>	<u>7,008,574</u>
	Total liabilities other than provisions	<u>34,273,064</u>	<u>20,357,559</u>
	TOTAL EQUITY AND LIABILITIES	<u>42,138,155</u>	<u>29,274,359</u>

1 Accounting policies

8 Contractual obligations and contingencies, etc.

9 Related parties

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2015	4,311,583	4,605,217	8,916,800
Profit/loss for the year	0	-1,051,709	-1,051,709
Equity at 31 December 2015	4,311,583	3,553,508	7,865,091

Financial statements for the period 1 January - 31 December

Notes

1 Accounting policies

The annual report of Evolva Biotech A/S for 2015 has been presented in accordance with the provisions of the Danish Financial Statements Act as regards reporting class B enterprises.

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

Reporting currency

The financial statements are presented in Danish kroner.

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 at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and 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 at 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.

Income statement

Revenue

Revenue comprises fees from collaboration partners and group entities for the performance of research and development activities. Revenue is recognised in the income statement if the general recognition criteria are met, implying that the services concerned have been provided and that the amount can be measured reliably and is expected to be received. Revenue is recognised in accordance with the terms and conditions set out in the collaboration agreements. VAT, indirect taxes and discounts are excluded from revenue.

Other operating income

Other operating income comprise items of a secondary nature relative to the entity's core activities, including gains or losses on the sale of fixed assets.

Other external expenses

Other external expenses include expenses related to lab operations, administration and premises, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation/depreciation of intangible assets and property, plant and equipment

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Leasehold improvements	5 years years
Other fixtures and fittings, tools and equipment	3-5 years years

Financial statements for the period 1 January - 31 December

Notes

1 Accounting policies - continued

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that concern the financial year. Net financials include interest income and expenses as well as exchange rate adjustments.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Balance sheet

Property, plant and equipment

Property, plant and equipment comprise leased assets, leasehold improvements, plant under construction and other fixtures, fittings, tools and equipment. Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Receivables

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

Receivables with no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily composed on the basis of debtors' domicile and credit ratings in accordance with the Company's risk management policy. The objective indicators used for portfolios are determined based on historical loss experience.

Prepayments

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

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities which are subject to an insignificant risk of changes in value.

Corporation tax

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.

Financial statements for the period 1 January - 31 December

Notes

1 Accounting policies - continued

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

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Lease liabilities

Lease liabilities are measured at the net present value of the remaining lease payments, including a guaranteed residual value, if any, based on the interest rate implicit in the lease.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

DKK	2015	2014
2 Staff costs		
Wages/salaries	25,451,533	21,323,630
Pensions	1,749,377	1,405,270
Other social security costs	288,994	211,331
Other staff costs	228,873	967,253
	27,718,777	23,907,484
3 Financial income		
Other interest income	62,519	101,490
Exchange adjustments	0	847,529
Other financial income	9,612	0
	72,131	949,019

Financial statements for the period 1 January - 31 December

Notes

DKK	2015	2014
4 Financial expenses		
Interest expenses, associates	776,454	567,497
Other interest expenses	91,967	25,543
Exchange adjustments	0	11,910
Exchange losses	30,579	74,197
Other financial expenses	235,101	69,478
	<u>1,134,101</u>	<u>748,625</u>

5 Property, plant and equipment

kr.	Fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
Cost at 1 January 2015	12,023,553	5,017,087	5,188,986	22,229,626
Additions in the year	11,863,536	345,725	133,650	12,342,911
Disposals in the year	-21,450	0	0	-21,450
Transfer from other accounts	0	5,188,986	-5,188,986	0
Cost at 31 December 2015	<u>23,865,639</u>	<u>10,551,798</u>	<u>133,650</u>	<u>34,551,087</u>
Impairment losses and depreciation at 1 January 2015	6,142,567	2,880,319	0	9,022,886
Impairment losses in the year	3,096,816	1,457,630	0	4,554,446
Reversal of amortisation/depreciation and impairment of disposals	-5,001	0	0	-5,001
Impairment losses and depreciation at 31 December 2015	<u>9,234,382</u>	<u>4,337,949</u>	<u>0</u>	<u>13,572,331</u>
Carrying amount at 31 December 2015	<u>14,631,257</u>	<u>6,213,849</u>	<u>133,650</u>	<u>20,978,756</u>
Property, plant and equipment include finance leases with a carrying amount totalling	<u>7,390,430</u>	<u>0</u>	<u>0</u>	<u>7,390,430</u>

6 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years.

DKK	2015	2014
7 Share capital		
The share capital consists of the following:		
4,311,583 A- shares of DKK 1.00 each	4,311,583	4,311,583
	<u>4,311,583</u>	<u>4,311,583</u>

The Company's share capital has remained DKK 4,311,583 over the past 5 years.

Financial statements for the period 1 January - 31 December

Notes

8 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK	2015	2014
Rent and lease liabilities	2,440,621	2,756,338

Rent liabilities include rent obligations of DKK 712,026 relating to cancellable rent and DKK 1,679,833 relating to rent agreements that are non-cancellable until 1 July 2017.

Lease liabilities of DKK 48,762 relating to agreements that are non-cancellable until 1 April 2018.

DKK 4,750,000 has been provided as security to a leasing company in connection with a lease agreement. The amount is recognised under "Other receivables".

9 Related parties

Evolve Biotech A/S' related parties comprise the following:

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent's consolidated financial statements
Evolve SA	Basel, Switzerland	http://www.evolve.com/media/downloads

Ownership

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

Name	Domicile
Evolve SA	Basel, Switzerland