

# Evolva Biotech A/S

Fruebjergvej 3, 2100 København Ø, Denmark

CVR no. 25 53 25 38

## Annual report 2017

Approved at the Company's annual general meeting on 22 May 2018

Chairman:



Alessandro Del Fabro





## Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Financial statements 1 January - 31 December	7
Income statement	7
Balance sheet	8
Statement of changes in equity	9
Notes to the financial statements	10

### Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Evolva Biotech A/S for the financial year 1 January - 31 December 2017.

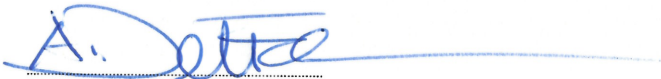
The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 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.

Copenhagen, 22 May 2018  
Executive Board:

  
Alessandro Del Fabro

Board of Directors:

  
Oliver Patrick Walker  
Chairman  
Nic Bürgin  
Alessandro Del Fabro

## Independent auditor's report

To the shareholder of Evolve Biotech A/S

### Opinion

We have audited the financial statements of Evolve Biotech A/S for the financial year 1 January - 31 December 2017, which comprise 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.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group 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.

### Management's responsibilities 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 as 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.

### 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 applicable in Denmark will always detect a material misstatement when it exists. Misstatements can 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 users taken on the basis of the 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 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.

## Independent auditor's report

- ▶ 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 note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Copenhagen, 22 May 2018  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Christian Schwenn Johansen  
State Authorised Public Accountant  
MNE no.: mne33234



## Management's review

### Company details

Name	Evolva Biotech A/S
Address, Postal code, City	Fruebjergvej 3, 2100 København Ø, Denmark
CVR no.	25 53 25 38
Registered office	Copenhagen
Financial year	1 January - 31 December
Board of Directors	Oliver Patrick Walker, Chairman Nic Bürgin Alessandro Del Fabro
Executive Board	Alessandro Del Fabro
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvold Helmutsh Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	Danske Bank, Holmens Kanal 2, 1090 Copenhagen, Denmark



## Management's review

### 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

In 2017, the Company's revenue amounted to DKK 69,884,999 against DKK 59,907,653 last year. The income statement for 2017 shows a loss of DKK 724,539 against a loss of DKK 619,532 last year, and the balance sheet at 31 December 2017 shows equity of DKK 6,521,019.

On 30 August 2017, Evolve Holding AG announced to the public that the Evolve Group would undertake a major site consolidation of its research and development activities in the remaining months of 2017.

As a result of this consolidation, all R&D activities in Evolve Biotech A/S have either been terminated or transferred to Evolve SA in Reinach Switzerland as of 31 December 2017.

### Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

The Company is in the process of transferring all its tangible assets to the Parent Company, Evolve SA, whose carrying amount is approximately DKK 9,000 thousand at year-end before the transfer. Approximately half of the assets was transferred during December 2017 and the other half of the assets was transferred in January 2018.



## Financial statements 1 January - 31 December

### Income statement

Note	DKK	2017	2016
	Revenue	69,884,999	59,907,653
	Other operating income	10,500	0
	Other external expenses	-20,038,475	-18,031,519
	<b>Gross margin</b>	<b>49,857,024</b>	<b>41,876,134</b>
4	Staff costs	-39,390,074	-35,986,410
	Depreciation and impairment of property, plant and equipment	-5,803,753	-5,707,501
5	Other operating expenses	-4,475,778	0
	<b>Profit before net financials</b>	<b>187,419</b>	<b>182,223</b>
6	Financial income	162,638	221,913
7	Financial expenses	-1,074,596	-1,023,668
	<b>Profit/loss before tax</b>	<b>-724,539</b>	<b>-619,532</b>
	Tax for the year	0	0
	<b>Profit/loss for the year</b>	<b>-724,539</b>	<b>-619,532</b>
	<b>Recommended appropriation of profit/loss</b>		
	Retained earnings/accumulated loss	-724,539	-619,532
		-724,539	-619,532





## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK	2017	2016
	<b>ASSETS</b>		
	Fixed assets		
8	Property, plant and equipment		
	Fixtures and fittings, tools and equipment	3,739,321	12,544,352
	Leasehold improvements	0	4,762,439
	Property, plant and equipment in progress	0	883,751
		<u>3,739,321</u>	<u>18,190,542</u>
	Investments		
	Deposits	0	6,035,481
		<u>0</u>	<u>6,035,481</u>
	<b>Total fixed assets</b>	<u>3,739,321</u>	<u>24,226,023</u>
	Non-fixed assets		
	Receivables		
	Receivables from group entities	9,999,109	0
	Other receivables	3,656,643	1,536,079
	Prepayments	0	100,971
		<u>13,655,752</u>	<u>1,637,050</u>
	Cash	3,653,911	5,700,470
	<b>Total non-fixed assets</b>	<u>17,309,663</u>	<u>7,337,520</u>
	<b>TOTAL ASSETS</b>	<u>21,048,984</u>	<u>31,563,543</u>
	<b>EQUITY AND LIABILITIES</b>		
	Equity		
9	Share capital	4,311,583	4,311,583
	Retained earnings	2,209,436	2,933,975
	<b>Total equity</b>	<u>6,521,019</u>	<u>7,245,558</u>
	Liabilities other than provisions		
	Non-current liabilities other than provisions		
	Lease liabilities	0	5,335,431
	Payables to group entities	0	9,731,964
		<u>0</u>	<u>15,067,395</u>
	Current liabilities other than provisions		
	Current portion of long-term liabilities	806,490	1,836,850
	Other credit institutions	31,562	105,224
	Trade payables	1,727,674	1,688,529
10	Other payables	11,701,490	5,619,987
	Deferred income	260,749	0
		<u>14,527,965</u>	<u>9,250,590</u>
	<b>Total liabilities other than provisions</b>	<u>14,527,965</u>	<u>24,317,985</u>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<u>21,048,984</u>	<u>31,563,543</u>

- 1 Accounting policies
- 2 Going concern uncertainties
- 3 Events after the balance sheet date
- 11 Contractual obligations and contingencies, etc.
- 12 Related parties



## Financial statements 1 January - 31 December

### Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2017	4,311,583	2,933,975	7,245,558
Transfer through appropriation of loss	0	-724,539	-724,539
Equity at 31 December 2017	4,311,583	2,209,436	6,521,019

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Evolve Biotech A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies used in the preparation of the financial statements have not been impacted by the restructuring and closedown of activities in the year why they are consistent with those of last year.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK).

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate 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 and payables and other monetary items denominated in foreign currencies are translated at the exchange rate 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 most recent financial statements is recognised in the income statement as financial income or financial expenses.

#### Public grants

Public grants to cover expenses are recognised in the income statement when it is deemed likely that all grant criteria have been met. Grants which must be repaid under certain circumstances are recognised only where they are not expected to be repaid.

### 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 and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the Company'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 pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Depreciation

The item comprises depreciation of 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 of the assets are as follows:

Fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

##### 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 and 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 is 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.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

##### Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

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



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 2 Going concern uncertainties

As of 31 December 2017, the Company has transferred all its activities to the Parent Company, Evolve SA, as part of the group-wide consolidation of the research and development activities in Reinach, Switzerland.

As a consequence of the transfer of activities, it is Management's intention is to liquidate the Company in the nearest future.

#### 3 Events after the balance sheet date

The Company is in the process of transferring all its tangible assets to the Parent Company, Evolve SA, which amount approximately to DKK 9,000 thousand at year-end before the transfer. Approximately half of the assets was transferred during December 2017 and the other half of the assets was transferred in January 2018.

DKK	2017	2016
<b>4 Staff costs</b>		
Wages/salaries	36,506,426	32,802,334
Pensions	2,302,698	2,123,055
Other social security costs	390,930	357,150
Other staff costs	190,020	703,871
	<u>39,390,074</u>	<u>35,986,410</u>

As part of the restructuring within the Group, all employees have been terminated by year-end. The terminated employees received severance pay amounting to DKK 5,162 thousand, which is included in the wages/salaries line above.

	2017	2016
Average number of full-time employees	<u>57</u>	<u>56</u>
Number of employees at the balance sheet date	<u>32</u>	<u>63</u>

#### 5 Other operating expenses

Other operating expenses include losses on the sale of property, plant and equipment, including other operating equipment, totalling DKK 4,476 thousand.

DKK	2017	2016
<b>6 Financial income</b>		
Other interest income	121,575	141,660
Other financial income	41,063	80,253
	<u>162,638</u>	<u>221,913</u>

## Financial statements 1 January - 31 December

### Notes to the financial statements

DKK		2017	2016		
<b>7</b>	<b>Financial expenses</b>				
	Interest expenses, associates	545,706	552,142		
	Other interest expenses	99,733	51,447		
	Exchange losses	46,955	94,199		
	Other financial expenses	382,202	325,880		
		<u>1,074,596</u>	<u>1,023,668</u>		
<b>8</b>	<b>Property, plant and equipment</b>				
		<b>Fixtures and fittings, tools and equipment</b>	<b>Leasehold improvements</b>	<b>Property, plant and equipment in progress</b>	<b>Total</b>
	DKK				
	Cost at 1 January 2017	25,532,695	10,650,389	883,751	37,066,835
	Additions in the year	1,312,742	385,710	0	1,698,452
	Disposals in the year	-18,300,849	-11,036,099	-883,751	-30,220,699
	Cost at 31 December 2017	<u>8,544,588</u>	<u>0</u>	<u>0</u>	<u>8,544,588</u>
	Impairment losses and depreciation at 1 January 2017	12,988,343	5,887,950	0	18,876,293
	Depreciation in the year	4,308,241	1,495,512	0	5,803,753
	Reversal of depreciation and impairment of disposals	-12,491,317	-7,383,462	0	-19,874,779
	Impairment losses and depreciation at 31 December 2017	<u>4,805,267</u>	<u>0</u>	<u>0</u>	<u>4,805,267</u>
	Carrying amount at 31 December 2017	<u>3,739,321</u>	<u>0</u>	<u>0</u>	<u>3,739,321</u>
	Property, plant and equipment include finance leases with a carrying amount totalling	<u>474,261</u>	<u>0</u>	<u>0</u>	<u>474,261</u>
DKK		2017	2016		
<b>9</b>	<b>Share capital</b>				
	Analysis of the share capital:				
	4,311,583 A shares of DKK 1.00 nominal value 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 1 January - 31 December

### Notes to the financial statements

DKK	<u>2017</u>	<u>2016</u>
<b>10 Other payables</b>		
Wages/salaries, salary taxes, social security contributions, etc.	4,935,378	51,467
Holiday provisions	3,463,857	5,173,998
Provisions for restructuring costs	2,798,300	0
Other accrued expenses	503,955	394,522
	<u>11,701,490</u>	<u>5,619,987</u>
<b>11 Contractual obligations and contingencies, etc.</b>		
<b>Other financial obligations</b>		
Other rent and lease liabilities:		
DKK	<u>2017</u>	<u>2016</u>
Rent and lease liabilities	0	1,331,861

### 12 Related parties

#### Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
Evolve SA	Reinach, Switzerland	Available on the Company's website.

#### Related party transactions

Evolve Biotech A/S was engaged in the below related party transactions:

DKK	<u>2017</u>	<u>2016</u>
Assets sold to Evolve SA	5,059,294	0
Intercompany R&D fees from Evolve SA	67,871,022	57,910,673
Receivables from Evolve SA	9,694,415	0
Receivables from Evolve Inc.	304,694	0
Loan from Evolve SA	0	9,731,964
Interest expenses to Evolve SA	545,706	552,142

#### 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:

<u>Name</u>	<u>Domicile</u>
Evolve SA	Reinach, Switzerland