

Evolva Biotech A/S

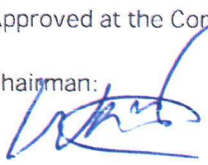
Fruebjergvej 3, 2100 København Ø, Denmark

CVR no. 25 53 25 38

Annual report 2018

Approved at the Company's annual general meeting on 27 June 2019

Chairman:


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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 2018.

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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

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, 27 June 2019
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 Evolva Biotech A/S

Opinion

We have audited the financial statements of Evolva Biotech A/S for the financial year 1 January - 31 December 2018, 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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 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 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.

Emphasis of matter in the financial statements

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.

Independent auditor's report

- ▶ 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 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, 27 June 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Christian Schwenn Johansen
State Authorised Public Accountant
mno33234

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 Helmuhs 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.

On 30 August 2017, Evolva Holding AG announced to the public that the Evolva 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 Evolva Biotech A/S have either been terminated or transferred to Evolva SA in Reinach Switzerland as of 31 December 2018.

Unusual matters having affected the financial statements

Going concern

As of 31 December 2018, the Company completed the transfer of all its activities to the Parent Company, Evolva 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.

Financial review

The income statement for 2018 shows a profit of DKK 241,386 against a loss of DKK 724,539 last year, and the balance sheet at 31 December 2018 shows equity of DKK 6,762,405.

Events after the balance sheet date

Subsequent to the balance sheet date, part of the intercompany receivable has been settled in order to allow the company to sufficiently pay its liabilities.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2018	2017
	Gross profit	2,917,430	49,857,024
4	Staff costs	-2,807,513	-39,390,074
	Depreciation and impairment of property, plant and equipment	0	-5,803,753
	Other operating expenses	0	-4,475,778
	Profit before net financials	109,917	187,419
5	Financial income	177,526	162,638
6	Financial expenses	-46,057	-1,074,596
	Profit/loss before tax	241,386	-724,539
	Tax for the year	0	0
	Profit/loss for the year	241,386	-724,539
	Recommended appropriation of profit/loss	241,386	-724,539
	Retained earnings/accumulated loss	241,386	-724,539

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2018	2017
	ASSETS		
	Fixed assets		
7	Property, plant and equipment		
	Fixtures and fittings, tools and equipment	0	3,739,321
		0	3,739,321
	Investments		
	Deposits, investments	6,000	0
		6,000	0
	Total fixed assets	6,000	3,739,321
	Non-fixed assets		
	Receivables		
	Receivables from group entities	7,946,602	9,999,109
	Other receivables	6,705	3,656,643
		7,953,307	13,655,752
	Cash	97,608	3,653,911
	Total non-fixed assets	8,050,915	17,309,663
	TOTAL ASSETS	8,056,915	21,048,984
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	4,311,583	4,311,583
	Retained earnings	2,450,822	2,209,436
	Total equity	6,762,405	6,521,019
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Current portion of long-term liabilities	0	806,490
	Other credit institutions	1,125	31,562
	Trade payables	82,652	1,727,674
9	Other payables	1,210,733	11,701,490
	Deferred income	0	260,749
		1,294,510	14,527,965
	Total liabilities other than provisions	1,294,510	14,527,965
	TOTAL EQUITY AND LIABILITIES	8,056,915	21,048,984

- 1 Accounting policies
- 2 Going concern uncertainties
- 3 Events after the balance sheet date
- 10 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 1 January 2018	4,311,583	2,209,436	6,521,019
Transfer through appropriation of profit	0	241,386	241,386
Equity at 31 December 2018	<u>4,311,583</u>	<u>2,450,822</u>	<u>6,762,405</u>

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Evolva Biotech A/S for 2018 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

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

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.

Gross profit

The items revenue, other operating income and external expenses have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Depreciation

The item comprises depreciation of property, plant and equipment.

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.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

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.

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 2018, the Company completed the transfer of all its activities to the Parent Company, Evolva 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

Subsequent to the balance sheet date, part of the intercompany receivable has been settled in order to allow the company to sufficiently pay its liabilities.

DKK	2018	2017
4 Staff costs		
Wages/salaries	2,233,726	36,506,426
Pensions	390,738	2,302,698
Other social security costs	125,339	390,930
Other staff costs	57,710	190,020
	<u>2,807,513</u>	<u>39,390,074</u>
Number of employees at the balance sheet date	<u>1</u>	<u>32</u>
5 Financial income		
Other interest income	119,112	121,575
Other financial income	58,414	41,063
	<u>177,526</u>	<u>162,638</u>
6 Financial expenses		
Interest expenses, associates	0	545,706
Other interest expenses	16,280	99,733
Exchange losses	29,777	46,955
Other financial expenses	0	382,202
	<u>46,057</u>	<u>1,074,596</u>
7 Property, plant and equipment		
DKK		Fixtures and fittings, tools and equipment
Cost at 1 January 2018		8,544,588
Disposals in the year		<u>-8,544,588</u>
Cost at 31 December 2018		0
Impairment losses and depreciation at 1 January 2018		4,805,267
Reversal of depreciation and impairment of disposals		<u>-4,805,267</u>
Impairment losses and depreciation at 31 December 2018		0
Carrying amount at 31 December 2018		<u>0</u>

Financial statements 1 January - 31 December

Notes to the financial statements

DKK	<u>2018</u>	<u>2017</u>
8 Share capital		
Analysis of the share capital:		
4,311,583 A shares of DKK 1.00 nominal value each	<u>4,311,583</u>	<u>4,311,583</u>
	<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.

9 Other payables		
Wages/salaries, salary taxes, social security contributions, etc.	1,704	4,935,378
Holiday provisions	221,962	3,463,857
Provisions for restructuring costs	0	2,798,300
Other accrued expenses	<u>987,067</u>	<u>503,955</u>
	<u>1,210,733</u>	<u>11,701,490</u>

10 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>2018</u>	<u>2017</u>
Assets sold to Evolve SA	1,279,725	5,059,294
Intercompany R&D fees from Evolve SA	2,351,286	67,871,022
Receivables from Evolve SA	6,315,098	9,694,415
Receivables from Evolve Inc.	672,561	304,694
Interest expenses to Evolve SA	0	545,706

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