

**Unibio A/S**  
Niels Bohrs Alle 17  
DK-5230 Odense M  
Central Business Registration No  
26110262

## **Annual report 2016**

The Annual General Meeting adopted the annual report on 10.02.2017

### **Chairman of the General Meeting**

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Name: Henrik Busch-Larsen

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## Entity details

### Entity

Unibio A/S

Niels Bohrs Alle 17

DK-5230 Odense M

Central Business Registration No: 26110262

Founded: 01.07.2001

Registered in: Odense

Financial year: 01.01.2016 - 31.12.2016

### Board of Directors

Jan Boeg Hansen, Chairman

Jeppe Høier

Sten Bay Jørgensen

Henrik Busch-Larsen

### Executive Board

Henrik Busch-Larsen, CEO

Jesper Halling Pedersen, CFO

Leif Jacobsen, COO

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Tværkajen 5

Postboks 10

5100 Odense C

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Unibio A/S for the financial year 01.01.2016 - 31.12.2016.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Odense, 10.02.2017

### Executive Board

Henrik Busch-Larsen  
CEO

Jesper Halling Pedersen  
CFO

Leif Jacobsen  
COO

### Board of Directors

Jan Boeg Hansen  
Chairman

Jeppe Høier

Sten Bay Jørgensen

Henrik Busch-Larsen

# Independent auditor's report

## To the shareholders of Unibio A/S

### Opinion

We have audited the financial statements of Unibio A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 about 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 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:

## Independent auditor's report

- 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial statements Act.

## Independent auditor's report

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

Odense, 10.02.2017

### **Deloitte**

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Lars Leopold Larsen

State Authorised Public Accountant

## Management commentary

### Primary activities

Unibio A/S is a biotech company focused on research and development.

### Development in activities and finances

Gross profit for the year amounted to DKK 1,141k (loss of DKK 2,688k for 2015). The post-tax loss for the year amounted to DKK 5,552k (post-tax loss of DKK 4,631k for 2015). The loss for the year is related to costs associated with the establishment of the Company's industrial demonstration plant in Kalundborg and to costs associated with the Company shaping its organization to cope with the commercial roll-out of its technology. Management considers the loss for the year satisfactory in light of the Company's expectations for the future. Equity at the end of 2016 amounted to DKK 14,661k (DKK 7,213 at the end of 2015). The Company generated its first turnover related to the delivery of the technology to its first Licensee.

The mission of Unibio A/S is to develop and market fermentation technology under the U-Loop® brand enabling the conversion of natural gas into single cell protein branded UniProtein®. Know-how in relation to conversion processes was patented in previous years, and the Company filed an application for another new patent in 2016.

In 2016 the Company reached a number of important milestones. One important milestone was the opening of the Company's own industrial demonstration plant in Kalundborg, Denmark. Besides serving as a production plant, the plant will also serve as a site for technology upscaling and implementation and as a showcase plant. In November 2016 HRH Prince Joachim of Denmark officially opened the new facility at the Grand Opening Ceremony which hosted many important stakeholders including Licensees, potential Licensees and potential UniProtein® customers. The construction of the plant was financially supported by Innovation Fund Denmark and the Danish Green Investment Fund.

Other important milestones were the signing of the company's first two licence agreements with technology customers. In the coming years, these customers are expected to build full-scale commercial plants as the first steps of a planned global roll-out. The Company is currently experiencing significant interest in its technology and in UniProtein® from around the world.

In 2016 Unibio A/S's parent company, Unibio International plc, raised capital from private investors and increased the Company's equity twice, adding a total of DKK 13,000k. Also in 2016, the parent company added the share capital necessary for operations to continue as planned.

### Outlook

In 2017 the Company expects to gain valuable experience from operating its own production and demonstration plant in Kalundborg, Denmark, as well as from starting distribution of protein to its partner, Vestjyllands Andel. Furthermore, during 2017 the Company expects the completion of its first full-scale production plant under one of its current licence agreements.



## **Management commentary**

### **Events after the balance sheet date**

After the end of the financial year, no events have occurred which will significantly affect the financial position of the Company.

### **Uncertainty relating to recognition and measurement**

In Management's view there is no specific uncertainty about the recognition or measurement of any items in the financial statements.

## Income statement for 2016

	<u>Notes</u>	<u>2016</u> <u>DKK'000</u>	<u>2015</u> <u>DKK'000</u>
<b>Gross profit</b>		<b>1.141</b>	<b>(2.687)</b>
Staff costs	1	(7.309)	(3.261)
Depreciation, amortisation and impairment losses	2	<u>(944)</u>	<u>(225)</u>
<b>Operating profit/loss</b>		<b>(7.112)</b>	<b>(6.173)</b>
Other financial income		3	2
Other financial expenses		<u>0</u>	<u>(2)</u>
<b>Profit/loss before tax</b>		<b>(7.109)</b>	<b>(6.173)</b>
Tax on profit/loss for the year	3	<u>1.557</u>	<u>1.542</u>
<b>Profit/loss for the year</b>		<b><u>(5.552)</u></b>	<b><u>(4.631)</u></b>
<b>Proposed distribution of profit/loss</b>			
Transferred to other reserves		326	0
Retained earnings		<u>(5.878)</u>	<u>(4.631)</u>
		<b><u>(5.552)</u></b>	<b><u>(4.631)</u></b>

## Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Completed development projects		3.170	318
Acquired patents		2.572	2.772
Development projects in progress		<u>0</u>	<u>3.189</u>
<b>Intangible assets</b>	4	<b><u>5.742</u></b>	<b><u>6.279</u></b>
Plant and machinery		12.601	0
Other fixtures and fittings, tools and equipment		<u>75</u>	<u>0</u>
<b>Property, plant and equipment</b>	5	<b><u>12.676</u></b>	<b><u>0</u></b>
Investments in group enterprises		<u>100</u>	<u>0</u>
<b>Fixed asset investments</b>		<b><u>100</u></b>	<b><u>0</u></b>
<b>Fixed assets</b>		<b><u>18.518</u></b>	<b><u>6.279</u></b>
Receivables from group enterprises		2.935	0
Deferred tax		1.416	2.776
Other receivables		1.506	909
Income tax receivable	6	2.917	1.301
Prepayments	7	<u>173</u>	<u>37</u>
<b>Receivables</b>		<b><u>8.947</u></b>	<b><u>5.023</u></b>
<b>Cash</b>		<b><u>1.580</u></b>	<b><u>293</u></b>
<b>Current assets</b>		<b><u>10.527</u></b>	<b><u>5.316</u></b>
<b>Assets</b>		<b><u>29.045</u></b>	<b><u>11.595</u></b>

## Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016</u> <u>DKK'000</u>	<u>2015</u> <u>DKK'000</u>
Contributed capital		2.421	2.147
Reserve for development expenditure		326	0
Retained earnings		<u>11.914</u>	<u>5.067</u>
<b>Equity</b>		<b><u>14.661</u></b>	<b><u>7.214</u></b>
Payables to other credit institutions		3	6
Trade payables		2.337	1.715
Payables to group enterprises		0	84
Other payables	8	3.488	1.872
Deferred income	9	<u>8.556</u>	<u>704</u>
<b>Current liabilities other than provisions</b>		<b><u>14.384</u></b>	<b><u>4.381</u></b>
<b>Liabilities other than provisions</b>		<b><u>14.384</u></b>	<b><u>4.381</u></b>
<b>Equity and liabilities</b>		<b><u>29.045</u></b>	<b><u>11.595</u></b>
Unrecognised rental and lease commitments	10		

## Statement of changes in equity for 2016

	<b>Contributed capital DKK'000</b>	<b>Reserve for development expenditure DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Total DKK'000</b>
Equity beginning of year	2.147	0	5.067	7.214
Increase of capital	274	0	12.725	12.999
Profit/loss for the year	0	326	(5.878)	(5.552)
<b>Equity end of year</b>	<b>2.421</b>	<b>326</b>	<b>11.914</b>	<b>14.661</b>

## Notes

	<b>2016</b>	<b>2015</b>	
	<b>DKK'000</b>	<b>DKK'000</b>	
<b>1. Staff costs</b>			
Wages and salaries	6.732	3.061	
Other social security costs	81	41	
Other staff costs	496	159	
	<b>7.309</b>	<b>3.261</b>	
Average number of employees	<b>12</b>	<b>6</b>	
	<b>2016</b>	<b>2015</b>	
	<b>DKK'000</b>	<b>DKK'000</b>	
<b>2. Depreciation, amortisation and impairment losses</b>			
Amortisation of intangible assets	944	225	
	<b>944</b>	<b>225</b>	
	<b>2016</b>	<b>2015</b>	
	<b>DKK'000</b>	<b>DKK'000</b>	
<b>3. Tax on profit/loss for the year</b>			
Tax on current year taxable income	0	(1.301)	
Change in deferred tax for the year	(1.557)	(136)	
Adjustment concerning previous years	0	(105)	
	<b>(1.557)</b>	<b>(1.542)</b>	
	<b>Completed</b>	<b>Develop-</b>	
	<b>development</b>	<b>ment</b>	
	<b>projects</b>	<b>projects in</b>	
	<b>DKK'000</b>	<b>progress</b>	
	<b>DKK'000</b>	<b>DKK'000</b>	
<b>4. Intangible assets</b>			
Cost beginning of year	368	4.231	6.189
Transfers	3.189	0	(3.189)
Additions	407	0	0
<b>Cost end of year</b>	<b>3.964</b>	<b>4.231</b>	<b>3.000</b>
Amortisation and impairment losses beginning of year	(50)	(1.459)	(3.000)
Amortisation for the year	(744)	(200)	0
<b>Amortisation and impairment losses end of year</b>	<b>(794)</b>	<b>(1.659)</b>	<b>(3.000)</b>
<b>Carrying amount end of year</b>	<b>3.170</b>	<b>2.572</b>	<b>0</b>

## Notes

### Development projects in progress

Development projects in progress have been completed in 2016 and transferred to "Completed development projects" or "Property, plant and equipment" respectively.

	<b>Plant and machinery DKK'000</b>	<b>Other fixtures and fittings, tools and equipment DKK'000</b>
<b>5. Property, plant and equipment</b>		
Cost beginning of year	0	117
Additions	<u>12.601</u>	<u>75</u>
<b>Cost end of year</b>	<b><u>12.601</u></b>	<b><u>192</u></b>
Depreciation and impairment losses beginning of the year	<u>0</u>	<u>(117)</u>
<b>Depreciation and impairment losses end of the year</b>	<b><u>0</u></b>	<b><u>(117)</u></b>
<b>Carrying amount end of year</b>	<b><u>12.601</u></b>	<b><u>75</u></b>

### 6. Income tax receivable

Income tax receivable relates to repayments in accordance with Danish tax legislation § 8X.

### 7. Prepayments

Prepayments consist of incurred costs related to subsequent financial years.

	<b>2016 DKK'000</b>	<b>2015 DKK'000</b>
<b>8. Other payables</b>		
VAT and duties	621	0
Wages and salaries, personal income taxes, social security costs, etc payable	1.208	496
Other costs payable	<u>1.659</u>	<u>1.376</u>
	<b><u>3.488</u></b>	<b><u>1.872</u></b>

In other cost payable a liability concerning a project on Trinidad & Tobago at DKK 1,125k is included. The liability is not expected to result in cash payments within the next 12 months, unless a new development in the project occurs.

## Notes

### **9. Deferred income**

Deferred income consist of grants to development project in progress. The amount will be transferred to the income statement in line with depreciation on the development projects.

### **10. Unrecognised rental and lease commitments**

The Company has entered three lease contracts concerning office rent and other rents. Two of the contracts have been signed in 2016 and can be terminated in September 2018 and November 2018. The third contract can be terminated with a 3 months' notice. Total lease obligations at 31 December 2016 amount to DKK 696k.



## Accounting policies

### Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied for these financial statements are consistent with those applied last year.

### Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

### Income statement

#### Gross profit or loss

Gross profit or loss comprises revenue and other operating income less cost of raw materials and consumables and external expenses.

#### Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer.

## Accounting policies

Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

### **Other operating income**

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including rental income and gains from the sale of intangible assets and property, plant and equipment.

### **Costs of raw materials and consumables**

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary write-downs of the relevant inventories.

### **Other external expenses**

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

### **Staff costs**

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

### **Depreciation, amortisation and impairment losses**

Amortisation, depreciation and impairment losses relating to intangible assets and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

### **Other financial income**

Other financial income comprises payables and transactions in foreign currencies etc.

### **Other financial expenses**

Other financial expenses comprise interest expenses, including interest expenses on trade payables and payables and transactions in foreign currencies etc.

### **Tax on profit/loss for the year**

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income.

## Accounting policies

### Balance sheet

#### Intellectual property rights etc

Intellectual property rights etc. comprise development projects in progress with related patents.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred.

Acquired patents and completed development projects are amortised over 5-15 years.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

#### Property, plant and equipment

Property, plant and equipment, other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years
Industrial demonstration plant, Kalundborg	15 years

Equipment is written down to the lower of recoverable amount and carrying amount.

#### Investments in group enterprises

Investments in group enterprises are measured at cost and are written down to the lower of recoverable amount and carrying amount.

#### Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

#### Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

## Accounting policies

### **Income tax payable or receivable**

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

### **Prepayments**

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

### **Cash**

Cash comprises bank deposits.

### **Other financial liabilities**

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

### **Deferred income**

Deferred income comprises received income for recognition in subsequent financial years. Deferred income is measured at cost.