

Unibio A/S
Niels Bohrs Allé 17
5230 Odense M
Business Registration No
26110262

Annual report 2018

The Annual General Meeting adopted the annual report on 24.05.2019

Chairman of the General Meeting

Name: Jan Boeg Hansen

Contents

	<u>Page</u>
Entity details	2
Statement by Management on the annual report	2
Independent auditor's report	2
Management commentary	2
Income statement for 2018	2
Balance sheet at 31.12.2018	2
Statement of changes in equity for 2018	2
Notes	2
Accounting policies	2

Entity details

Entity

Unibio A/S
Niels Bohrs Allé 17
5230 Odense M

Central Business Registration No (CVR): 26110262

Founded: 01.07.2001

Registered in: Odense

Financial year: 01.01.2018 - 31.12.2018

Board of Directors

Jan Boeg Hansen
Henrik Busch-Larsen
Sten Bay Jørgensen
Jeppe Høier

Executive Board

Henrik Busch-Larsen, CEO
Jakob Brix Christensen, CFO

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 01.01.2018 - 31.12.2018.

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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

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, 24.05.2019

Executive Board

Henrik Busch-Larsen
CEO

Jakob Brix Christensen
CFO

Board of Directors

Jan Boeg Hansen

Henrik Busch-Larsen

Sten Bay Jørgensen

Jeppe Høier

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 01.01.2018 - 31.12.2018, 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 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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, 24.05.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Lars Leopold Larsen
State Authorised Public Accountant
Identification No (MNE) mne33229

Management commentary

Primary activities

Unibio is a Danish biotechnology company with core competences in methane-gas-to-liquids fermentation technologies. The company is the developer of an innovative Single Cell Protein ("SCP") production technology that converts methane into a highly concentrated protein – Uniprotein® – for sustainable feed production, targeting both food ingredient and animal compound feed markets. The microbiological processes occur in nature every day, and Unibio has succeeded in transferring the process into a feasible bio-industrial setting using the U-Loop® fermentor patented by Unibio.

Development in activities and finances

Unibio has taken significant steps towards its vision to become a leading SCP producer. The company established in 2016 a pilot facility at the Technical University of Denmark (DTU) and a demonstration plant in Kalundborg, Denmark. In 2018, Unibio's licensee completed the construction of the first full-scale plant, which has four 30-metre high U-Loop® fermentors, and the parties expect to commission it in 2019. The plant has an expected production capacity of 6,350 tonnes per annum, and it is the first of a number of plants planned to be constructed in the near future. Hence, the technology has undergone an incremental upscaling process over the past three years.

With the recent development, management believes that Unibio is now in a key position to become one of the major players within the industry of producing large quantities of protein in an industrial setting as Unibio's technology has been proved to have a number of attractive attributes:

- Unibio offers a unique alternative to existing sources of protein by using an abundant raw material
- Unibio's technology is highly scalable and can provide protein at a very large scale
- Unibio's technology is demonstrated at full scale
- Unibio decouples protein production from agriculture and fishing

The market for animal feed and pet food is worth more than 1,000 million tonnes, and it is a market with high growth rates driven by the growing world population and the increased demand for meat products in developing countries. Unibio has a multi-track business development strategy involving co-investing in production facilities alongside its strategy to sell process and production licences to its patented technology enhanced by product placing strategies based on innovation and valorization of Uniprotein®.

Gross loss for the year amounted to DKK 7,448k (gross loss of DKK 2,313k for 2017). The post-tax loss for the year amounted to DKK 19,953k (post-tax loss of DKK 12,906k for 2017). The loss for the year is related to costs associated with the operation of the Company's pilot plant in Lyngby and its 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 end-2018 amounted to DKK 15,801k (DKK 15,754k at end-2017). The Company generated turnover related to the delivery of the technology to its first Licensee.

Management commentary

Outlook

During 2019 Unibio's partner and licensee is expected to begin the commissioning of the full-size commercial U-Loop® fermentor, and in parallel Unibio expects to initiate preparations to execute on a second signed licence agreement and is negotiating with other potential technology partners/licensees, with the aim of having clients ready for the global roll-out of the technology.

Simultaneously, Unibio will also continue to build its customer pipeline in 2019, with the intention of signing off-take agreements and taking part in product trials and research aimed at creating value-added products.

In 2019, Unibio A/S's parent company, Unibio International plc, has planned to raise capital and increase the Company's equity to add to the share capital, which is necessary for operations to continue as planned and to accelerate commercialization of its proprietary U-Loop® technology.

Uncertainty relating to recognition and measurement

In a subsidiary, an amount of DKK 1,956k is recognised as a receivable. The amount relates to the implementation of the full scale commercial plant currently being completed under the Company's first license agreement. The amount falls due upon completed commissioning of the plant. As this is the first full scale commercial plant, there is uncertainty related to this amount.

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

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.

Income statement for 2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Gross loss		(7.449)	(2.313)
Staff costs	2	(14.830)	(11.614)
Depreciation, amortisation and impairment losses	3	<u>(2.672)</u>	<u>(2.306)</u>
Operating profit/loss		(24.951)	(16.233)
Other financial income		6	0
Other financial expenses		<u>(625)</u>	<u>(309)</u>
Profit/loss before tax		(25.570)	(16.542)
Tax on profit/loss for the year	4	<u>5.617</u>	<u>3.636</u>
Profit/loss for the year		<u>(19.953)</u>	<u>(12.906)</u>
Proposed distribution of profit/loss			
Retained earnings		<u>(19.953)</u>	<u>(12.906)</u>
		<u>(19.953)</u>	<u>(12.906)</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Completed development projects		2.089	2.815
Acquired patents		2.172	2.372
Development projects in progress		<u>0</u>	<u>0</u>
Intangible assets	5	<u>4.261</u>	<u>5.187</u>
Plant and machinery		21.294	18.526
Other fixtures and fittings, tools and equipment		<u>180</u>	<u>106</u>
Property, plant and equipment	6	<u>21.474</u>	<u>18.632</u>
Investments in group enterprises		<u>100</u>	<u>100</u>
Fixed asset investments		<u>100</u>	<u>100</u>
Fixed assets		<u>25.835</u>	<u>23.919</u>
Raw materials and consumables		<u>433</u>	<u>381</u>
Inventories		<u>433</u>	<u>381</u>
Receivables from group enterprises		2.042	1.353
Deferred tax		3.422	1.349
Other receivables		1.192	1.385
Income tax receivable	7	7.174	3.636
Prepayments	8	<u>318</u>	<u>339</u>
Receivables		<u>14.148</u>	<u>8.062</u>
Cash		<u>4.016</u>	<u>1.957</u>
Current assets		<u>18.597</u>	<u>10.400</u>
Assets		<u>44.432</u>	<u>34.319</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018</u> <u>DKK'000</u>	<u>2017</u> <u>DKK'000</u>
Contributed capital		3.137	2.716
Reserve for development expenditure		494	510
Retained earnings		<u>12.170</u>	<u>12.528</u>
Equity		<u>15.801</u>	<u>15.754</u>
Debt to other credit institutions		<u>6.863</u>	<u>6.840</u>
Non-current liabilities other than provisions	9	<u>6.863</u>	<u>6.840</u>
Payables to other credit institutions		4	0
Trade payables		1.943	3.571
Payables to group enterprises		7.516	0
Other payables	10	2.752	3.380
Deferred income	11	<u>9.553</u>	<u>4.774</u>
Current liabilities other than provisions		<u>21.768</u>	<u>11.725</u>
Liabilities other than provisions		<u>28.631</u>	<u>18.565</u>
Equity and liabilities		<u>44.432</u>	<u>34.319</u>
Uncertainty relating to recognition and measurement	1		
Unrecognised rental and lease commitments	12		

Statement of changes in equity for 2018

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	2.716	510	12.528	15.754
Increase of capital	421	0	19.579	20.000
Other entries on equity	0	(16)	16	0
Profit/loss for the year	0	0	(19.953)	(19.953)
Equity end of year	3.137	494	12.170	15.801

Notes

1. Uncertainty relating to recognition and measurement

In a subsidiary, an amount of DKK 1,956k is recognised as a receivable. The amount relates to the implementation of the full scale commercial plant currently being completed under the Company's first license agreement. The amount falls due upon completed commissioning of the plant. As this is the first full scale commercial plant, there is uncertainty related to this amount.

Deferred tax has been capitalized and amounts to DKK 3,422k as of 31.12.2018. The recognised amount is expected to be used within 3-5 years according to forecasts.

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

	2018	2017
	DKK'000	DKK'000
2. Staff costs		
Wages and salaries	13.698	10.585
Pension costs	313	100
Other social security costs	222	138
Other staff costs	597	791
	14.830	11.614
Average number of employees	26	19

	2018	2017
	DKK'000	DKK'000
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	1.104	1.109
Depreciation of property, plant and equipment	1.568	1.197
	2.672	2.306

	2018	2017
	DKK'000	DKK'000
4. Tax on profit/loss for the year		
Current tax	(3.538)	(3.636)
Change in deferred tax	(2.073)	0
Adjustment concerning previous years	(6)	0
	(5.617)	(3.636)

Notes

	Completed develop- ment projects DKK'000	Acquired patents DKK'000	Develop- ment projects in progress DKK'000
5. Intangible assets			
Cost beginning of year	4.518	4.231	3.000
Additions	178	0	0
Cost end of year	4.696	4.231	3.000
Amortisation and impairment losses beginning of year	(1.703)	(1.859)	(3.000)
Amortisation for the year	(904)	(200)	0
Amortisation and impairment losses end of year	(2.607)	(2.059)	(3.000)
Carrying amount end of year	2.089	2.172	0

Completed development projects relate to the project at DTU that is related to the EFPRO2-project. The completed development projects are expected to generate a positive cash flow for the company through license agreements. The Executive Board expect that the positive cash flow will increase through new license agreements.

	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000
6. Property, plant and equipment		
Cost beginning of year	19.699	235
Additions	4.301	109
Cost end of year	24.000	344
Depreciation and impairment losses beginning of year	(1.173)	(129)
Depreciation for the year	(1.533)	(35)
Depreciation and impairment losses end of year	(2.706)	(164)
Carrying amount end of year	21.294	180

Notes

7. Income tax receivable

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

8. Prepayments

Prepayments consist of incurred costs related to subsequent financial years.

	Outstanding after 5 years DKK'000	
	2018 DKK'000	2017 DKK'000
9. Liabilities other than provisions		
Debt to other credit institutions		2.748
		2.748
10. Other payables		
Wages and salaries, personal income taxes, social security costs, etc payable	2.193	1.504
Other costs payable	559	1.876
	2.752	3.380

11. Deferred income

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

12. Unrecognised rental and lease commitments

The Company has entered four lease contracts concerning office rent and other rents. The contracts can be terminated with a 3 - 6 months' notice. The last two contracts is timelimited with end at 31 March 2019 and 30 June 2020. Total lease obligations at 31 December 2018 amount to DKK 467k.

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.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Accounting policies

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.

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.