

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

Annual report 2017

The Annual General Meeting adopted the annual report on 08.03.2018

Chairman of the General Meeting

Name: Jan Boeg Hansen

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Income statement for 2017	8
Balance sheet at 31.12.2017	9
Statement of changes in equity for 2017	11
Notes	12
Accounting policies	15

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: 01.01.2017 - 31.12.2017

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

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 01.01.2017 - 31.12.2017.

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 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

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, 08.03.2018

Executive Board

Henrik Busch-Larsen
CEO

Jesper Halling Pedersen
CFO

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 01.01.2017 - 31.12.2017, 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 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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, 08.03.2018

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

Development in activities and finances

Gross loss for the year amounted to DKK 2,313k (profit of DKK 1,142k for 2016). The post-tax loss for the year amounted to DKK 12,906k (post-tax loss of DKK 5,551k for 2016). The loss for the year is related to costs associated with the operation of the Company's pilot plant in Lyngby and 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 2017 amounted to DKK 15,755k (DKK 14,661k at the end of 2016). The Company generated 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 applications for further new patents in 2017.

Late 2016, the Company opened its 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. During 2017, the plant showed promising results and attracted high interest from around the world and product samples were delivered to potential buyers.

In 2016, the company entered into its first two licence agreements with technology customers. During 2017, the first customer nearly completed the first full scale commercial plant. In the coming years, the customers are expected to build full-scale commercial plants as the first steps of a planned global roll-out. The Company is continuously experiencing significant interest in its technology and in UniProtein® from around the world.

In 2017, 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 14,000k. Also in 2018, the parent company expects to add to the share capital as necessary for operations to continue as planned.

Outlook

In 2018, the Company expects to continue gaining valuable experience from operating its own production and demonstration plant in Kalundborg, Denmark. Furthermore, during 2018 the Company expects the completion of its first full-scale production plant under one of its current licence agreements. Thereby the Company also expects to gain experience from operations of the first full-scale commercial plant.

Management commentary

Uncertainty relating to recognition and measurement

In a subsidiary, an amount of DKK 1,977k 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 2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Gross loss		(2.313)	1.142
Staff costs	2	(11.614)	(7.309)
Depreciation, amortisation and impairment losses	3	<u>(2.306)</u>	<u>(944)</u>
Operating profit/loss		(16.233)	(7.111)
Other financial income		0	3
Other financial expenses		<u>(309)</u>	<u>0</u>
Profit/loss before tax		(16.542)	(7.108)
Tax on profit/loss for the year	4	<u>3.636</u>	<u>1.557</u>
Profit/loss for the year		<u>(12.906)</u>	<u>(5.551)</u>
Proposed distribution of profit/loss			
Transferred to other reserves		184	326
Retained earnings		<u>(13.090)</u>	<u>(5.877)</u>
		<u>(12.906)</u>	<u>(5.551)</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Completed development projects		2.815	3.170
Acquired patents		2.372	2.572
Development projects in progress		<u>0</u>	<u>0</u>
Intangible assets	5	<u>5.187</u>	<u>5.742</u>
Plant and machinery		18.525	12.601
Other fixtures and fittings, tools and equipment		<u>106</u>	<u>75</u>
Property, plant and equipment	6	<u>18.631</u>	<u>12.676</u>
Investments in group enterprises		<u>100</u>	<u>100</u>
Fixed asset investments		<u>100</u>	<u>100</u>
Fixed assets		<u>23.918</u>	<u>18.518</u>
Raw materials and consumables		<u>381</u>	<u>0</u>
Inventories		<u>381</u>	<u>0</u>
Receivables from group enterprises		1.353	2.935
Deferred tax		1.349	1.417
Other receivables		1.387	1.506
Income tax receivable	7	3.636	2.917
Prepayments	8	<u>339</u>	<u>173</u>
Receivables		<u>8.064</u>	<u>8.948</u>
Cash		<u>1.957</u>	<u>1.580</u>
Current assets		<u>10.402</u>	<u>10.528</u>
Assets		<u>34.320</u>	<u>29.046</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017</u> <u>DKK'000</u>	<u>2016</u> <u>DKK'000</u>
Contributed capital		2.716	2.421
Reserve for development expenditure		510	326
Retained earnings		<u>12.529</u>	<u>11.914</u>
Equity		<u>15.755</u>	<u>14.661</u>
Debt to other credit institutions		<u>6.840</u>	<u>0</u>
Non-current liabilities other than provisions	9	<u>6.840</u>	<u>0</u>
Payables to other credit institutions		0	3
Trade payables		3.571	2.337
Other payables	10	3.380	3.489
Deferred income	11	<u>4.774</u>	<u>8.556</u>
Current liabilities other than provisions		<u>11.725</u>	<u>14.385</u>
Liabilities other than provisions		<u>18.565</u>	<u>14.385</u>
Equity and liabilities		<u>34.320</u>	<u>29.046</u>
Uncertainty relating to recognition and measurement	1		
Unrecognised rental and lease commitments	12		

Statement of changes in equity for 2017

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	2.421	326	11.914	14.661
Increase of capital	295	0	13.705	14.000
Profit/loss for the year	0	184	(13.090)	(12.906)
Equity end of year	2.716	510	12.529	15.755

Notes

1. Uncertainty relating to recognition and measurement

In a subsidiary, an amount of DKK 1,977k 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.

	2017	2016
	DKK'000	DKK'000
2. Staff costs		
Wages and salaries	10.585	6.732
Pension costs	100	0
Other social security costs	138	81
Other staff costs	791	496
	11.614	7.309
Average number of employees	19	12

	2017	2016
	DKK'000	DKK'000
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	1.109	944
Depreciation of property, plant and equipment	1.197	0
	2.306	944

	2017	2016
	DKK'000	DKK'000
4. Tax on profit/loss for the year		
Current tax	(3.636)	(2.917)
Change in deferred tax	0	1.360
	(3.636)	(1.557)

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	3.964	4.231	3.000
Additions	554	0	0
Cost end of year	4.518	4.231	3.000
Amortisation and impairment losses beginning of year	(794)	(1.659)	(3.000)
Amortisation for the year	(909)	(200)	0
Amortisation and impairment losses end of year	(1.703)	(1.859)	(3.000)
Carrying amount end of year	2.815	2.372	0
		Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000
6. Property, plant and equipment			
Cost beginning of year		12.601	192
Additions		7.097	55
Disposals		0	(12)
Cost end of year		19.698	235
Depreciation and impairment losses beginning of year		0	(117)
Depreciation for the year		(1.173)	(24)
Reversal regarding disposals		0	12
Depreciation and impairment losses end of year		(1.173)	(129)
Carrying amount end of year		18.525	106

7. Income tax receivable

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

Notes

8. Prepayments

Prepayments consist of incurred costs related to subsequent financial years.

	Outstanding after 5 years DKK'000
9. Liabilities other than provisions	
Debt to other credit institutions	3.648
	3.648

	2017 DKK'000	2016 DKK'000
10. Other payables		
VAT and duties	0	621
Wages and salaries, personal income taxes, social security costs, etc payable	1.504	1.209
Other costs payable	1.876	1.659
	3.380	3.489

In other cost payable a liability concerning a project on Trinidad & Tobago is included in the 2016-figures with DKK 1,125k. The liability is considered unlikely to be payable due to the development in the company's activities in 2017 and is transferred to the income statement in 2017 with a positive effect of DKK 1,125k before tax.

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 on the development projects.

12. Unrecognised rental and lease commitments

The Company has entered three lease contracts concerning office rent and other rents. Two of the contracts 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 2017 amount to DKK 420k.

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.