Inbicon A/S

Annual Report for 2015

Kraftværksvej 53, 7000 Fredericia

CVR no. 27 03 66 35

(13th financial year)

The annual report was presented and adopted at the annual general meeting of the company on 15/04 2016

Ulrik Jarlov
Chairman

Contents

Statement by the Executive Board and the Board of Directors

The Board of Directors and the Executive Board have today considered and approved the Annual Report of Inbicon A/S for the financial year 1 January - 31 December 2015.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair presentation of the company's assets, equity and liabilities and financial position at 31 December 2015 and of the results of the company's operations for the financial year 1 January - 31 December 2015.

In our opinion, the management's review provides a true and fair presentation of the matters adressed.

We recommend that the Annual Report be adopted at the annual general meeting

Skærbæk, 18 March 2016

Executive Board

Anna-Lena Elisabet Jeppsson
Director

Board of Directors

Thomas Dalsgaard Chairman	Niels Henriksen Deputy Chairman	Jacob Moesgaard

Independent Auditor’s Report

To the Shareholder of Inbicon A/S

Report on the Financial Statements

We have audited the Financial Statements of Inbicon A/S for the financial year 1 January - 31 December 2015, which comprise summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management’s Responsibility 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 the Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Companys’s preparation of Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Financial Statements gives a true and fair view of the financial position at 31 December 2015 of the Company and of the results of the Company's operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent Auditor's Report

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, it is our opinion that the information provided in the Management's Review is consistent with the Financial Statements.

Copenhagen, 18 March 2016

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-no.33 77 12 31

Rasmus Friis Jørgensen
State Authorised Public Accountant

Claus Damhave
State Authorised Public Accountant

Company information

The company	Inbicon A/S Kraftværksvej 53 Skærbæk 7000 Fredericia	
	Telephone:	99 55 11 11
	Fax:	99 55 00 02
	Website:	www.dongenergy.com
	CVR no.:	27 03 66 35
	Financial Period:	1 January - 31 December
	Incorporated:	10 February 2003
	Reg. office:	Fredericia
Board of Directors	Thomas Dalsgaard, Chairman Niels Henriksen, Deputy Chairman Jacob Moesgaard	
Executive Board	Anna-Lena Elisabet Jeppsson, Director	
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup	
Consolidated Financial Statements	The company is included in the Consolidated Financial Statement of the ultimate parent company, DONG Energy A/S, Fredericia, CVR no. 36 21 37 28 The Annual Report of DONG Energy A/S, Fredericia, CVR no. 36 21 37 28 can be downloaded at the following address: www.dongenergy.com	

Management's review

Core activity

Inbicon A/S is a member of the DONG Energy Group and a subsidiary of DONG Energy New Bio Solutions Holding A/S, Fredericia. Reference is made to the annual report of DONG Energy A/S.

The company's objects are to develop and sell technology for the utilization of biomass and to establish and operate plants based on this technology and its production as well as other activities related thereto.

Development in the year

The company's income statement for the year ended 31 December 2015 shows a loss of tDKK 35,128, and the company's balance sheet at 31 December 2015 shows equity of tDKK 63,886.

The past year and follow-up on development expectations from last year

The net loss for the year is consistent with the expectations. The loss reflects the continued focus on the development and marketing of the Inbicon technology until the company is ready for full commercial operation.

In 2015 the Company continued the commercial marketing in China, Malaysia and Brazil. During the second half of the year, the focus was narrowed down to projects in Europe, where regulation to promote 2nd generation bioethanol was adopted by the EU, resulting in an increasing market interest in the Inbicon technology.

For the time being activities in other markets have been suspended, due to the slow progress on necessary regulatory framework.

Capital resources

During the year the Company received a capital contribution of tDKK 40,000. The purpose of the capital contribution was to strengthen the financial position.

Uncertainty relating to recognition and measurement

Recognition and measurement in the annual report have not been subject to any uncertainty.

Unusual events

The company´s assets, equity and liabilities and financial position at 31 December 2015 and the results of the company operations for the financial year 2015 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the annual report have occurred after the balance sheet date.

Accounting policies

The Annual Report of Inbicon A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied remain unchanged from previous years.

The Annual Report for 2015 is presented in tDKK.

Recognition and measurement

Revenue is recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to generate the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changed accounting estimates of amounts previously recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost, and subsequently as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the term. Amortised cost is calculated as original cost less any repayments of principal and plus or minus the cumulative amortisation of any difference between cost and nominal amount. In this way, capital losses and gains are spread over the terms of the assets and liabilities.

Recognition and measurement take into account gains, losses and risks occurring before the presentation of the Annual Report and which confirm or invalidate conditions existing at the balance sheet date.

Government grants

Government grants comprise grants for environment-friendly generation and for funding of research and development projects. Government grants are recognised when there is reasonable assurance that they will be received.

Grants for electricity generation are recognised as revenue in step with the recognition of the related electricity revenue.

Grants for research and development costs which are recognised directly in the income statement are recognised as other operating income in step with the costs to which the grants relate being incurred.

Accounting policies

Grants for production assets and development projects are recognised in the balance sheet as deferred income and transferred to other operating income in the income statement in step with the depreciation and amortisation of the assets to which the grants relate.

Income statement

Gross profit

With reference to Section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Gross profit is an aggregation of revenue, changes in inventories of finished goods and work in progress as well as other operating income less expenses for raw materials an consumables used and other external expenses.

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk to the buyer have taken place before year-end. Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Other external costs

Other external costs comprise expenses for research, maintenance of production facilities, rent, external consultants, sales, advertising, administration, premises, bad debts, operating leases, etc..

Other external costs also include research and development costs that do not qualify for capitalisation.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses comprise depreciation, amortisation and impairment of property, plant and equipment and intangible assets.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the onaccount taxation scheme.

Accounting policies

Tax on profit/loss for the year

Tax on profit/loss for the year, consisting of current tax for the year and deferred tax for the year, is recognised in the income statement to the extent that it relates to the net profit/loss for the year and directly in equity to the extent that it relates to entries directly in equity. The company is subject to the Danish rules on compulsory joint taxation of the DONG Energy Group's Danish companies, and the ultimate parent company, DONG Energy A/S, has also elected international joint taxation with the Group's foreign subsidiaries. Subsidiaries are included in the joint taxation from the date they are included in the consolidation in the consolidated financial statements and up to the date on which they are no longer included in the consolidation.

The ultimate parent company, DONG Energy A/S, is the administration company for the joint taxation and consequently settles all income tax payments with the tax authorities.

In connection with the settlement of joint taxation contributions, current Danish income tax is allocated among the jointly taxed Danish enterprises in proportion to their taxable income. Further to this, Danish subsidiaries with tax losses receive joint taxation contributions from the parent company equivalent to the tax base of the tax losses utilised (full allocation), while enterprises that utilise tax losses in other Danish enterprises pay joint taxation contributions to the parent company equivalent to the tax base of the utilised losses. The tax recognised in the income statement is classified as tax on ordinary activities and tax on extraordinary items, respectively.

Balance sheet

Intangible assets

Acquired patents

Patents and licences are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over the remaining patent term, and licences are amortised over the contract period, although no more than 8 years.

Impairment of non-current assets

The carrying amounts of intangible assets and property, plant and equipment and investments in subsidiaries are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If there are indications of impairment, an impairment test is carried out for each asset or group of assets. Impairment is made to the lower of the recoverable amount and the carrying amount.

Accounting policies

The recoverable amount of the asset is calculated as the higher of the net selling price and value in use. The value in use is calculated as the recoverable amount of expected net cash flows from use of the asset or asset group and expected cash flows from the sale of the asset or asset group at the end of its useful life.

Assets, for which revaluations have previously been made, are impaired in equity, however, not exceeding the value of the ravaluation reserve.

Inventories

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

The net realisable value of inventories is determined as the selling price less costs of completion and costs to sell and allowing for marketability, obsolescence and development in the expected selling price.

Receivables

Receivables are recognised at amortised cost, which normally corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

Prepayments comprise expenses incurred in respect of subsequent financial years.

Deferred tax assets and liabilities

Current tax payable and current tax receivable are recognised in the balance sheet as tax calculated on the taxable income for the year, adjusted for tax on previous years' taxable income and taxes paid on account.

Deferred tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination against tax on future earnings or by set-off against deferred tax liabilities.

Accounting policies

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Where the tax base can be determined applying alternative tax rules, deferred tax is measured on the basis of the intended use of the asset or settlement of the liability, respectively.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement. For the current year, a tax rate of 22% has been applied.

Payables

Other payables are measured at amortised cost, corresponding to nominal value.

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Income Statement for the year ended 31 December

	Note	2015	2014
		tDKK	tDKK
Gross profit		**-43.216**	**-61.409**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-621	-621
Profit before financial income and expenses		**-43.837**	**-62.030**
Financial income	1	109	60
Financial costs	2	-979	-951
Profit before tax		**-44.707**	**-62.921**
Tax on profit/loss for the year	3	9.579	17.486
Net profit for the year		**-35.128**	**-45.435**
Retained earnings		-35.128	-45.435
		-35.128	**-45.435**

Balance Sheet at 31 December

	Note	2015 tDKK	2014 tDKK
Assets			
Acquired patents		7.432	8.053
Intangible assets		**7.432**	**8.053**
Total non-current assets		**7.432**	**8.053**
Raw materials and consumables		639	639
Inventories		**639**	**639**
Trade receivables		228	1.826
Receivables from group enterprises		19.594	39.190
Other receivables		10.748	11.933
Deferred tax asset		15.808	16.767
Receivables corporation tax		34.515	34.357
Prepayments		1.963	320
Receivables		**82.856**	**104.393**
Total current assets		**83.495**	**105.032**
Total current assets		**90.927**	**113.085**

Balance Sheet at 31 December

	Note	2015	2014
		tDKK	tDKK
Liabilities and equity			
Share capital		23.000	22.000
Retained earnings		40.886	37.014
Total equity	4	**63.886**	**59.014**
Payables to group enterprises		20.000	40.000
Non-current debt	5	**20.000**	**40.000**
Trade payables		1.507	4.788
Payables to group enterprises		2.177	6.187
Other payables		3.357	3.096
Current debt		**7.041**	**14.071**
Total liabilities other than provisions		**27.041**	**54.071**
Total liabilities and equity		**90.927**	**113.085**
Contingencies etc.	6		
Related parties and ownership	7		

Statement of changes in equity

	Share capital	Share premium account	Retained earnings	Total
	tDKK	tDKK	tDKK	tDKK
Equity at 1 January	22.000	0	37.014	59.014
Cash capital increase	1.000	39.000	0	40.000
Net profit for the year	0	0	-35.128	-35.128
Transfer from share premium account	0	-39.000	39.000	0
Equity at 31 December	**23.000**	**0**	**40.886**	**63.886**

Notes to the Annual Report

		2015	2014
		tDKK	tDKK
1	**Financial income**		
	Interest received from group enterprises	0	3
	Other financial income	0	2
	Exchange gains	109	55
		109	**60**
2	**Financial costs**		
	Interest paid to group enterprises	894	718
	Other financial costs	3	83
	Exchange loss	82	150
		979	**951**
3	**Tax on profit/loss for the year**		
	Current tax for the year	-34.515	-34.357
	Deferred tax for the year	22.489	17.018
	Adjustment of tax concerning previous years	23.977	5.411
	Adjustment of deferred tax concerning previous years	-21.530	-5.558
		-9.579	**-17.486**

Notes to the Annual Report

4 Equity

The share capital consists of 23,000 shares of a nominal value of tDKK 1. No shares carry any special rights.

The share capital has developed as follows:

	2015	2014	2013	2012	2011
	tDKK	tDKK	tDKK	tDKK	tDKK
Share capital at 1 January	22.000	21.500	21.000	20.000	10.000
Additions for the year	1.000	500	500	1.000	10.000
Disposals for the year	0	0	0	0	0
Share capital at 31 December	**23.000**	**22.000**	**21.500**	**21.000**	**20.000**

5 Long term debt

	2015	2014
	tDKK	tDKK
Payables to group enterprises		
Between 1 and 5 years	20.000	40.000
Long-term part	20.000	40.000
Other short-term debt to group enterprises	2.177	6.187
Short-term part	2.177	6.187
	22.177	**46.187**

Notes to the Annual Report

6 Contingencies etc.

Contingent assets

The Group's Danish companies are jointly and severally liable for tax on the Group's jointly taxed income, etc. references is made to the annual report DONG Energy A/S, the company responsible for the administration of the joint taxation arrangement.

Operating leases

The company has entered into operating leases that include leases of office premises. In 2015, the lease obligations total tDKK 756 (2014: tDKK 751).The leases contain no significant restrictions.

7 Related parties and ownership

	Basis
Controlling interest	
DONG Energy A/S, Kraftværksvej 53, 7000 Fredericia	Ultimate parent company, 100% owned

Ownership

The following shareholders are recorded in the company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

DONG Energy New Bio Solutions Holding A/S, Fredericia