

Glycom A/S

Diplomvej 373, 1. ø., 2800 Kgs. Lyngby

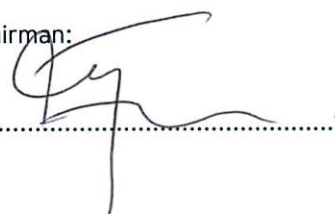
CVR no. 28 51 24 57



Annual report 2015

Approved at the annual general meeting of shareholders on 29 April 2016

Chairman:



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Building a better
working world



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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Glycom 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 consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2015 and of the results of the Group's and the Company's operations for the financial year 1 January - 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Lyngby-Taarbæk, 22 April 2016
Executive Board:



John Brett Theroux
CEO

Board of Directors:


Kim Bøttkjær
Chairman

Joachim Erich Thiem

Heiko Schipper


John Brett Theroux

Malcolm Hunter

Thomas Schweizer

Independent auditors' report

To the shareholders of Glycom A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of Glycom A/S for the financial year 1 January - 31 December 2015, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies for the group as well as the company. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent Company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements according to Danish audit regulations. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors considers internal control relevant to the Company's preparation of consolidated financial statements and parent company 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

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

Our audit has not resulted in any qualification.

Opinion

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

Independent auditors' report

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition 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 consolidated financial statements and the parent company financial statements.

Copenhagen, 22 April 2016
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR No. 30 70 02 28



Torben Bender
State Authorised Public Accountant



Søren Gammelgaard
state authorised public accountant

Management's review

Company details

Name	Glycom A/S
Address, Postal code, City	Diplomvej 373, 1. ø., 2800 Kgs. Lyngby
CVR No.	28 51 24 57
Established	22 March 2005
Registered office	Lyngby-Taarbæk
Financial year	1 January - 31 December
Website	www.glycom.com
E-mail	info@glycom.com
Telephone	+45 45 25 22 47
Board of Directors	Kim Bøttkjær, Chairman Joachim Erich Thiem Heiko Schipper John Brett Theroux Malcolm Hunter Thomas Schweizer
Executive Board	John Brett Theroux, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvold Helmuths Vej 4, P O Box 250, 2000 Frederiksberg, Denmark

Management's review

Operating review

The Group's business review

Principal activities of the Group

The Company's principal activity is to develop and sell Human Milk Oligosaccharides (HMOs) to the food and medical food and dietary supplement industries.

2015 developments

Financial year 2015 has seen Glycom entering the last phase of its transition from R&D to supply revenues.

After extensive screening and shortlisting to several leading contract manufacturers, one contract manufacturer was chosen at the end of 2014 by Glycom and its partner Nestlé to supply launch quantities of first generation HMOs. During 2015, Glycom and the chosen contract manufacturer worked together to industrialise Glycom technology.

In order to provide dual supply options to our customers and to continue to drive future technology leadership, Glycom established the fully-owned subsidiary Glycom Manufacturing A/S at the end of 2015. At the beginning of January 2016, Glycom Manufacturing A/S acquired the production facilities of VitaLys I/S, a Danish fermentation company specialising in lysine production. Capital resources for the acquisition of the assets and for a significant investment to configure the plant for HMO production was secured as part of the transaction. At the same time, a long-term supply agreement for supply of HMO volumes produced at Glycom Manufacturing A/S was concluded with Nestlé. A large engineering project is currently being executed to prepare the facility for production.

Foundation regulatory approvals have been secured for first generation HMOs in both Europe and the US, with other markets being targeted.

The development of our second-generation HMO product platform progressed substantially in 2015 and first trial batches have been delivered.

Significant progress was made in 2015 in establishing uses of HMOs outside of infant nutrition applications. Clinical trials have been completed, market research in key markets have determined the potential for the use of HMOs in selected applications, and market entry plans have been developed.

Financial review

Financial position and capital resources

Glycom incurred a consolidated operating loss of MDKK 26 and net loss of MDKK 2 in 2015. Development and patent costs of MDKK 50 have been capitalized for the year. Furthermore, a deferred tax asset primarily related to tax losses carried forward of MDKK 23 has been recognized as an income in 2015 on the basis of Management's updated forecasts. The cash position at the end of 2015 was MDKK 11, with equity standing at MDKK 46.

In order to meet the demand for additional liquidity at the Glycom parent company in the runup phase to supply revenues, a convertible loan of MEUR 10 was made available to Glycom A/S, which has secured sufficient financing for its activities throughout 2016. In addition, Glycom A/S has in January 2016 arranged a subordinated loan for MEUR 50 million, of which MEUR 25 million was drawn at the beginning of 2016, with additional tranches available during 2016 and 2017. Glycom Manufacturing A/S secured in January 2016 mortgage financing of MEUR14 and a Senior Loan Facility of MEUR 19 million.



Management's review

Operating review

Outlook

The financial resources available to Glycom are expected to be sufficient to upgrade and commission our manufacturing facility and enable us to start deliveries in late 2017/at the beginning of 2018. Until orders are placed for our own and licensed production, the Company will have significant use of cash, both for operations and investments in manufacturing. We expect an operating loss in 2016, and approach breakeven in 2017, depending on profit recognition. From 2018, we expect the Company to report operating profit.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Income statement

Note	DKK'000	Group		Parent company	
		2015	2014	2015	2014
	Gross profit/loss	509	11,095	-1,233	6,248
3	Staff costs	-19,090	-21,822	-17,950	-16,999
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-3,961	-3,200	-3,858	-2,935
	Other operating expenses	-3,481	0	0	0
	Operating profit/loss	-26,023	-13,927	-23,041	-13,686
	Income from investments in group entities	0	0	-2,982	-289
4	Financial income	128	993	128	1,016
5	Financial expenses	-3,347	-1,262	-3,347	-1,261
	Profit/loss before tax	-29,242	-14,196	-29,242	-14,220
6	Tax for the year	27,112	3,662	27,112	3,686
	Profit/loss for the year	-2,130	-10,534	-2,130	-10,534
	Proposed profit appropriation/distribution of loss				
	Net revaluation reserve according to the equity method			0	40
	Retained earnings/accumulated loss			-2,130	-10,574
				-2,130	-10,534

Consolidated financial statements and parent company financial statements for
the period 1 January - 31 December

Balance sheet

Note	DKK'000	Group		Parent company	
		2015	2014	2015	2014
		ASSETS			
		Non-current assets			
7	Intangible assets				
	Completed development projects	110,265	61,754	110,265	61,754
	Patents	1,946	1,047	1,946	1,047
	Software	6	130	6	123
		<u>112,217</u>	<u>62,931</u>	<u>112,217</u>	<u>62,924</u>
8	Property, plant and equipment				
	Fixtures and fittings, other plant and equipment	9,005	9,573	7,805	8,123
		<u>9,005</u>	<u>9,573</u>	<u>7,805</u>	<u>8,123</u>
9	Investments				
	Investments in subsidiaries	0	0	506	2,771
		<u>0</u>	<u>0</u>	<u>506</u>	<u>2,771</u>
	Total non-current assets	<u>121,222</u>	<u>72,504</u>	<u>120,528</u>	<u>73,818</u>
	Current assets				
	Receivables				
	Trade receivables	0	658	0	0
	Deferred tax assets	22,519	1,794	22,519	1,794
	Corporation tax receivable	5,875	5,738	5,875	5,738
	Other receivables	1,862	2,660	1,856	2,040
	Prepayments	345	788	345	788
		<u>30,601</u>	<u>11,638</u>	<u>30,595</u>	<u>10,360</u>
	Cash	<u>11,328</u>	<u>18,504</u>	<u>10,828</u>	<u>17,820</u>
	Total current assets	<u>41,929</u>	<u>30,142</u>	<u>41,423</u>	<u>28,180</u>
	TOTAL ASSETS	<u>163,151</u>	<u>102,646</u>	<u>161,951</u>	<u>101,998</u>

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	Group		Parent company	
		2015	2014	2015	2014
		EQUITY AND LIABILITIES			
		Equity			
10	Share capital	1,383	1,293	1,383	1,293
	Net revaluation reserve according to the equity method	0	0	0	2,682
	Exchange rate adjustments, foreign subsidiary	0	-236	0	0
	Retained earnings	44,409	35,405	44,409	32,487
	Total equity	45,792	36,462	45,792	36,462
	Liabilities other than provisions				
11	Non-current liabilities other than provisions				
	Payables to associates	93,407	45,644	93,407	45,644
		93,407	45,644	93,407	45,644
	Current liabilities other than provisions				
	Bank debt	173	109	173	109
	Trade payables	12,913	7,836	11,713	7,189
	Other payables	10,866	12,595	10,866	12,594
		23,952	20,540	22,752	19,892
	Total liabilities other than provisions	117,359	66,184	116,159	65,536
	TOTAL EQUITY AND LIABILITIES	163,151	102,646	161,951	101,998

- 1 Accounting policies
- 2 Events after the balance sheet date
- 12 Collateral
- 13 Contractual obligations and contingencies, etc.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK'000	Group			
	Share capital	Exchange rate adjustments, foreign subsidiary	Retained earnings	Total
Equity at 1 January 2014	1,278	-89	45,202	46,391
Capital increase	15	0	737	752
Profit/loss for the year	0	0	-10,534	-10,534
Adjustment of investments through foreign exchange adjustments	0	-147	0	-147
Equity at 1 January 2015	1,293	-236	35,405	36,462
Capital increase	90	0	11,160	11,250
Profit/loss for the year	0	0	-2,130	-2,130
Equity transfers to reserves	0	26	-26	0
Adjustment of investments through foreign exchange adjustments	0	210	0	210
Equity at 31 December 2015	1,383	0	44,409	45,792

DKK'000	Parent company			
	Share capital	Net revaluation reserve according to the equity method	Retained earnings	Total
Equity at 1 January 2014	1,278	2,140	42,973	46,391
Change of net revaluation following dissolution of subsidiary	0	649	-649	0
Capital increase	15	0	737	752
Profit/loss for the year	0	40	-10,574	-10,534
Adjustment of investments through foreign exchange adjustments	0	-147	0	-147
Equity at 1 January 2015	1,293	2,682	32,487	36,462
Capital increase	90	0	11,160	11,250
Profit/loss for the year	0	0	-2,130	-2,130
Adjustment of investments through foreign exchange adjustments	0	210	0	210
Other value adjustments of equity	0	-2,892	2,892	0
Equity at 31 December 2015	1,383	0	44,409	45,792

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Glycom A/S for 2015 has been presented in accordance with the provisions of the Danish Financial Statements Act as regards reporting class B enterprises.

The accounting policies applied by the Company are consistent with those of last year.

Pursuant to section 113 of the Danish Financial Statements Act, the Company has chosen to prepare consolidated financial statements. The consolidated financial statements are prepared in accordance with the provisions applying to class B enterprises under the Danish Financial Statements Act.

Pursuant to section 32 of the Danish Financial Statements Act, the Company has chosen not to disclose information on revenue.

Recognition and measurement in general

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 reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

Certain financial assets and liabilities are measured at amortised cost implying the recognition of a constant effective interest rate to maturity. Amortised cost is calculated as initial cost minus any principal repayments and plus or minus the cumulative amortisation of any difference between cost and nominal amount.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

Consolidation

The consolidated financial statements comprise the parent, Glycom A/S, and entities controlled by the parent. Control is presumed to exist when the parent owns, directly or indirectly, more than half of the voting power of an entity. Control may also exist by virtue of an agreement or articles of association or when the parent otherwise has a controlling interest in the subsidiary or actually exercises controlling influence over it.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether control exists.

The consolidated entities' financial statements are prepared in accordance with the accounting policies applied by the parent. The consolidated financial statements are prepared on the basis of the financial statements of the consolidated entities by adding together like items. Intra-group income, expenses, gains, losses, investments, dividends and balances are eliminated. Investments in consolidated entities are set off by the parent's proportionate share of the consolidated entity's fair value of assets and liabilities at the time of acquisition.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

Minority interests

Accounting items attributable to subsidiaries are recognised in full in the consolidated financial statements. Minority interests' share of subsidiaries' profit or loss for the year and equity is recognised as separate items in the income statement and the balance sheet.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Foreign subsidiaries and associates are considered separate entities. The income statements are translated at the average exchange rates for the month and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of intra-group balances with independent foreign subsidiaries which are considered part of the investment in the subsidiary are recognised directly in equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity.

On recognition of foreign subsidiaries which are integral entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at the historical exchange rates applying to the non-monetary items.

Income statement

Revenue

Revenue from the sale of patents and licences is recognised in the income statement provided that transfer of risk to the buyer has taken place before year end. Revenue is measured excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Other operating expenses

Other operating income comprises items secondary to the principal activities of the entity.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other external expenses

Other external costs comprise costs for distribution, sale, advertising, administration, premises, loss on bad debt, operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation/depre-ciation and impairment of intangible assets and property, plant and equipment

The item comprises amortisation/depre-ciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses comprise interest income and expense. Financial expenses regarding finance leases, realised and unrealised gains and losses on transactions denominated in foreign currencies, amortisation of financial assets and liabilities.

Tax

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to changes directly recognised in equity is recognised directly in equity. The tax expense recognised in the income statement relating to the extraordinary profit/loss for the year is allocated to this item whereas the remaining tax expense is allocated to the profit/loss for the year from ordinary activities.

Balance sheet

Intangible assets

Development costs and inter-group rights are recognised in the income statement as costs in the year of acquisition. However, development costs are capitalised if it is considered probable that these may be recovered.

Software is measured at cost less accumulated amortisation.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Software	3-5 years
Capitalised development costs	10 years
Capitalised patent costs	10 years

Gains and losses on the disposal of software are determined as the difference between the sales priceless disposal costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement under depreciation.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Property, plant and equipment

Fixtures and fittings, other plant, equipment and lab equipment are measured at cost less accumulated depreciation. Land is not depreciated.

The basis of depreciation is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Fixtures and fittings, other plant and equipment 3-5 years

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement under depreciation.

Investments in group entities

Investments in subsidiaries are measured under the equity method.

Investments in subsidiaries are measured at the proportionate share of the entities' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the acquisition method.

investments in subsidiaries with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such entities are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries is recognised in the reserve for net revaluation in equity under the equity method to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the annual report of Glycom A/S are not recognised in the reserve for net revaluation.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management.

Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective indication that a receivable or a group of receivables is impaired. If there is objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are tested for objective indication of impairment on a portfolio basis. The portfolios are primarily composed on the basis of debtors' domicile and credit ratings in accordance with the Company's risk management policy. The objective indicators used for portfolios are determined based on historical loss experience.

Write-downs are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent financial reporting years.

Equity

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and associates relative to cost. The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Corporation tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual liability in respect of finance leases.

Other liabilities are measured at net realisable value.

2 Events after the balance sheet date

At the beginning of January 2016, Glycom Manufacturing A/S acquired the production facilities of VitaLys I/S, a Danish fermentation company specializing in lysine production. Capital resources for the acquisition of the assets and for a significant investment to configure the plant for HMO production was secured as part of the transaction. At the same time, a long-term supply agreement for supply of HMO volumes produced at Glycom Manufacturing A/S was concluded with Nestle. A large engineering project is currently being executed to prepare the facility for production.

In January 2016, Glycom A/S arranged a subordinated loan of MEUR 50 million, of which MEUR 25 million was drawn at the beginning of 2016, with additional tranches available during 2016 and 2017. The subsidiary Glycom Manufacturing A/S secured in January 2016 mortgage financing of MEUR14 and a Senior Loan Facility of MEUR 19 million.

Other than as set out above, we are not aware of events subsequent to 31 December 2015, which are expected to have a material impact on the Group's or parent company financial position.

Consolidated financial statements and parent company financial statements for
the period 1 January - 31 December

Notes to the financial statements

DKK'000	Group		Parent company	
	2015	2014	2015	2014
3 Staff costs				
Wages/salaries	37,550	38,713	36,421	33,954
Other social security costs	194	279	183	215
Other staff costs	-18,654	-17,170	-18,654	-17,170
	<u>19,090</u>	<u>21,822</u>	<u>17,950</u>	<u>16,999</u>
Average number of full-time employees	<u>43</u>	<u>49</u>	<u>40</u>	<u>41</u>
The Other staff costs represent costs capitalised as development costs.				
4 Financial income				
Realised exchange gains	128	204	128	204
Unrealised exchange gains	0	786	0	812
Other financial income	0	3	0	0
	<u>128</u>	<u>993</u>	<u>128</u>	<u>1,016</u>
5 Financial expenses				
Realised exchange losses	308	273	308	272
Financial expenses	3,039	989	3,039	989
	<u>3,347</u>	<u>1,262</u>	<u>3,347</u>	<u>1,261</u>
6 Tax for the year				
Estimated tax charge for the year	-5,875	-5,714	-5,875	-5,738
Deferred tax adjustments in the year	-20,725	2,052	-20,725	2,052
Tax adjustments, prior years	-512	0	-512	0
	<u>-27,112</u>	<u>-3,662</u>	<u>-27,112</u>	<u>-3,686</u>

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

7 Intangible assets

DKK'000	Group			
	Completed development projects	Patents	Software	Total
Cost at 1 January 2015	61,754	1,047	1,089	63,890
Additions	48,511	951	0	49,462
Disposals	0	0	-46	-46
Cost at 31 December 2015	110,265	1,998	1,043	113,306
Impairment losses and amortisation at 1 January 2015	0	0	959	959
Amortisation for the year	0	52	117	169
Reversal of accumulated amortisation and impairment of assets disposed	0	0	-39	-39
Impairment losses and amortisation at	0	52	1,037	1,089
Carrying amount at 31 December 2015	110,265	1,946	6	112,217
Amortised over	10 years	10 years	3-5 years	
DKK'000	Parent company			
	Completed development projects	Patents	Software	Total
Cost at 1 January 2015	61,754	1,047	1,043	63,844
Additions	48,511	951	0	49,462
Cost at 31 December 2015	110,265	1,998	1,043	113,306
Impairment losses and amortisation at 1 January 2015	0	0	920	920
Amortisation for the year	0	52	117	169
Impairment losses and amortisation at	0	52	1,037	1,089
Carrying amount at 31 December 2015	110,265	1,946	6	112,217
Amortised over	10 years	10 years	3-5 years	

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Notes to the financial statements

8 Property, plant and equipment

	<u>Group</u>
	<u>Fixtures and fittings, other plant and equipment</u>
DKK'000	
Cost at 1 January 2015	17,702
Additions	4,548
Disposals	-2,269
Cost at 31 December 2015	<u>19,981</u>
Cost at	<u>0</u>
Value adjustments at 31 December 2015	<u>0</u>
Impairment losses and depreciation at 1 January 2015	8,129
Depreciation	3,770
Reversal of prior year impairment losses	-923
Impairment losses and depreciation at 31 December 2015	<u>10,976</u>
Carrying amount at 31 December 2015	<u>9,005</u>
Amortised over	<u>3-5 years</u>
	<u>Parent company</u>
	<u>Fixtures and fittings, other plant and equipment</u>
DKK'000	
Cost at 1 January 2015	15,433
Additions on merger/corporate acquisition	3,347
Cost at 31 December 2015	<u>18,780</u>
Cost at	<u>0</u>
Value adjustments at 31 December 2015	<u>0</u>
Impairment losses and depreciation at 1 January 2015	7,310
Depreciation	3,665
Impairment losses and depreciation at 31 December 2015	<u>10,975</u>
Carrying amount at 31 December 2015	<u>7,805</u>
Amortised over	<u>3-5 years</u>

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Notes to the financial statements

9 Investments

DKK'000	<u>Parent company</u> <u>Investments in subsidiaries</u>
Cost at 1 January 2015	90
Additions	506
Disposals	-90
Cost at 31 December 2015	<u>506</u>
Value adjustments at 1 January 2015	2,681
Foreign exchange adjustments	61
Profit/loss for the year	499
Reversal of revaluations of assets disposed	-3,241
Carrying amount at 31 December 2015	<u><u>506</u></u>

At 1 July 2015, the subsidiary Glycom Hungary Biotechnológiai Kft was divested.

All subsidiaries are considered separate entities.

DKK'000	<u>Domicile</u>	<u>Interest</u>	<u>Equity</u>	<u>Profit/loss</u>
Subsidiaries				
Glycom Manufacturing A/S	Esbjerg, Denmark	100.00 %	500	0

DKK	<u>Parent company</u>	
	<u>2015</u>	<u>2014</u>
10 Share capital		
The share capital consists of the following:		
359,435 A shares of DKK 1.00 each	359,435	336,035
123,192 B shares of DKK 1.00 each	123,192	115,182
406,460 C shares of DKK 1.00 each	406,460	380,000
493,568 D shares of DKK 1.00 each	493,568	461,438
	<u>1,382,655</u>	<u>1,292,655</u>

Analysis of changes in the share capital over the past 5 years:

DKK'000	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Opening balance	1,293	1,278	1,278	745	745
Capital increase	90	15	0	533	0
	<u>1,383</u>	<u>1,293</u>	<u>1,278</u>	<u>1,278</u>	<u>745</u>

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

11 Long-term liabilities

The long-term loan from Nestlé of DKK 93,407 thousand has a 10-year term and according to the terms, the loan will be repaid based on actual future sales volumes of HMO to Nestlé. The Company would therefore expect to have repaid the long-term loan within 5 years. The loan stipulates the possibility to convert to equity at a market price.

12 Collateral

The Group has chosen to undertake a negative pledge in favor of the loan lender.

13 Contractual obligations and contingencies, etc.

The parent company has entered into operating leases as follows:

Lease of premises with annual lease payments of DKK 3,298,525. The lease has a termination period of 3 months.

Lease of premises with annual lease payments of DKK 183,300. The lease will run out at 31 January 2016.

Lease of premises with annual lease payments of DKK 573,963. The lease has a termination period of 3 months.

Lease of premises with annual lease payments of DKK 160,860. The lease has a termination period of 3 months.

Lease of premises with annual lease payments of DKK 4,207,090 starting from 1 January 2017. The lease is non-terminable until 1 January 2020 with a subsequent notice period of 12 months.

Membership with an annual fee of DKK 1,546 per full-time employee starting from 1 January 2017. The membership is non-terminable until 1 January 2020 with a subsequent notice period of 12 months.