Glycom Manufacturing A/S

Limfjordsvej 4, 6715 Esbjerg N

CVR no. 37 20 77 13

Annual report 2018

Approved at the Company's annual general meeting on 26 April 2019

Chairman:

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Building a better working world

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Glycom Manufacturing A/S for the financial year 1 January - 31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

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

Hørsholm, 11 April 2019
Executive Board:

Jesper Mørk

Board of Directors:

John Brett Theroux Chairman	Thomas T. Kabel	Jesper Mørk
Odd Erik Hansen	Niels Axel Stockholm Banke	Kjeld R. Kjeldsen

Statement by the Board of Directors and the Executive Board

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Hørsholm, 11 April 2019
Executive Board:

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Board of Directors:

John Brett Theroux Chairman	Thomas T. Kabel	Jesper Mørk
Odd Erik Hansen	Niels Axel Stockholm Banke	Kjeld R. Kjeldsen

Independent auditor's report

To the shareholder of Glycom Manufacturing A/S

Opinion

We have audited the financial statements of Glycom Manufacturing A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including 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 financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 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 the 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 our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for 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 rules and requirements.

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

- 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.

Independent auditor's report

- 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 Company'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 Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, 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's review

Management is responsible for the Management's review.

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

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 11 April 2019
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender	Søren Gammelgaard
State Authorised Public Accountant	State Authorised Public Accountant
mne21332	mne31403

Management's review

Company details

Name	Glycom Manufacturing A/S
Address, Postal code, City	Limfjordsvej 4, 6715 Esbjerg N
CVR no.	37 20 77 13
Established	5 November 2015
Financial year	1 January - 31 December
Board of Directors	John Brett Theroux, Chairman Thomas T. Kabel Jesper Mørk Odd Erik Hansen Niels Axel Stockholm Banke Kjeld R. Kjeldsen
Executive Board	Jesper Mørk
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights

DKK'000	2018	2017	2016
Key figures			
Revenue	252,457	5,010	0
Gross margin	126,690	-19,998	-3,193
Operating profit/loss	10,881	-47,172	-6,659
Net financials	-19,746	-5,133	-1,031
Profit/loss for the year	**-6,158**	**-40,622**	**-5,998**
Non-current assets	625,326	664,400	410,968
Current assets	75,225	28,727	25,474
Total assets	**700,551**	**693,127**	**436,442**
Share capital	111,516	111,516	74,350
Equity	**367,428**	**354,978**	**179,127**
Non-current liabilities	176,332	81,967	87,939
Current liabilities	156,791	256,182	169,376
Financial ratios			
Return on assets	1.6%	-8.4%	-1.5%
Equity ratio	52.4%	51.2%	41.0%
Average number of employees	**85**	**73**	**47**

The key figures for 2016 covers the period from founding 5.11.2015 - 31.12.2016.

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios. For terms and definitions, please see the accounting policies.

Management's review

Business review

2018 marked the end of the most important transition period in the Group' history and the first year of a new Glycom. We finalised the move from HMO research and development to HMO industrial supply, with our Esbjerg facility in its first full year of operation reaching expected production. The HMO project moved from R&D to commercial operations, with an extremely successful rollout in more than 35 countries so far. We moved from investigation of the benefits of HMOs in adults and older children to confidence that our products will make a major contribution in the wider world. Our first non-infant HMO products for the US market have been formulated: Holigos™ IBS and Holigos™ Digestive Health. Taken together, these developments represent the realisation of long held aspirations of the Glycom community.

Industrial HMO supply

Glycom Manufacturing's production team made remarkable strides in mobilising production in its first full year of operation. They solved hundreds of start-up challenges in the new facility and ramped up production to achieve expected output for the year, with a significantly higher run rate by the year end. Product quality met or exceeded stringent standards. The plant operated safely, with no accidents requiring lost work days. The production team implemented a number of new production methods aimed at increasing capacity and improving cost. Achieving these milestones after an extremely fast facility construction and commissioning schedule has been a truly impressive job by the manufacturing team led by Jesper Mørk and Kjeld Kjeldsen.

Nestle rollout success

The Nestle HMO rollout has exceeded all expectations. Nestlé's comments in its latest (2018) annual review give some indication of its outstanding success, which is the result of an extremely close Nestle/Glycom collaboration spanning more than 10 years:

"The rollout of our ground-breaking Human Milk Oligosaccharide (HMO) products accelerated in 2018 and now extends to 36 countries across multiple brands. The NAN with HMO launch is one of the most successful in Nestlé's 150-year history. It is an example of Nestlé's commitment to long-term fundamental research."

Financial review

Revenues in 2018 were 252,5 mDKK, EBITDA 62,7 mDKK and a net loss of 6,2 mDKK. In line with expectations, production output has been increased significantly and positive earnings before net financials and tax generated in the first full year of production.

In February 2018, Glycom Manufacturing expanded its mortgage facilities in the plant. Cash and cash equivalents (including credit lines) at the end of the year was 27,5 mDKK and equity is 367,4 mDKK.

In 2019, Glycom Manufacturing will continue to increase its production output and deliver to the infant market, as well as products for the non-infant market. Resultingly, Glycom Manufacturing expects positive net income for the year.

Glycom Manufacturing will continue to be generating revenues from the production of HMOs. As in the previous year with production orders secured, the main focus for Glycom Manufacturing in the coming year is to secure continued successful operation and ramp-up of its production plant in Esbjerg.

Management's review

Knowledge resources

Glycom Manufacturing employs several highly skilled team members And retention of key employees and employee satisfaction are therefore important, and so is being able to attract new highly skilled employees.

Within Glycom Manufacturing production, the company relies on several technicians, engineers and other highly skilled employees, which are key to the running and continuous optimization of the production processes, and for the quality of our product. Across the production departments, employee surveys are regularly held to ensure a high level of employee satisfaction. At the latest employee satisfaction survey, a high employee satisfaction score was observed. Generally, a very low employee turnover rate has been maintained in Glycom Manufacturing.

Special risks

Operational risks

Glycom Manufacturing's operational risk is mainly connected to its production facility in orderto meet supply orders. To this end, it will be important to ensure that any process issues areefficiently resolved, and that there is minimum unplanned downtime in the factory. In terms of equipment failure risk, the vast majority of the equipment remain newly acquired or renovated during the reconfiguration of the plant. Strategic spare parts are also kept in stock should a failure occur. Appropriate service agreements and insurances are also maintained.

Financial risks

Given that the majority of Glycom Manufacturing's sale is made to customers abroad, the company's earnings, cash-flows and equity is influenced by the development in other currencies. The vast majority of the currency exposure is towards the euro, which is pegged to the Danish krone. For this reason, Glycom Manufacturing does not hedge against currency fluctuation as these are immaterial at current.

Furthermore, Glycom Manufacturing has significant exposure to the general interest rate as the majority of the company's loans have variable interest rates. As such, an increase in the general interest level would negatively affect the company.

Impact on the external environment

Glycom Manufacturing's production takes place at its facility in Esbjerg. In the first full year of operation, Glycom Manufacturing A/S made several improvements within the environmental area. All the terms contained in the approvals related to Glycom Manufacturing A/S has been implemented and documented in 2018. Noise measurements have been completed with positive results and the company's waste-sorting has improved significantly with several waste factions for recycling. Air pollution control has been completed with positive outcome.

The company's water and energy consumption were mapped for the entire production by process in order to get focus on improvement opportunities. Projects related to recycling of water from the largest consumption areas has intense focus and an energy project related to one of our biggest energy-consuming processes has been started.Glycom continues to have a very positive and constructive dialog with the all the relevant departments of The Danish Environmental Protection Agency about possible continuous improvements.

Management's review

Research and development activities

Within the Glycom group, all research and development activities are carried out in the parent company Glycom A/S. As contract manufacturer for the parent company, the future revenue of Glycom Manufacturing is depend on the result of such research and development. Hence we have for informational purposes included the below description of the activities carried out by Glycom A/S.

Second generation HMO developments

Our second-generation pipeline of HMOs represents 50% of the HMO fraction in normal human milk, and the program to prepare them for commercialisation is progressing rapidly. Low cost production technology has been developed, one ton of clinical trial material has been produced, toxicology studies have been completed, the first regulatory applications have been filed, and additional filings are imminent. Nestlé has initiated an infant clinical trial with the new HMOs and is eager to commercialise the blend in order to further differentiate itself in the marketplace.

Looking further down the road, the Glycom R&D team has already identified pathways to 85% of the HMO fraction, and in the coming years we will continue to commercialise additional HMOs beyond our second-generation platform.

Non-infant HMO application development

Over the last 4 years Glycom has invested in clinical and preclinical studies to investigate the potential value of HMOs for use in ages above infants. The results of an extensive preclinical program, 4 clinical trials, and a 1,500 person HMO trial program have demonstrated that HMOs have a substantial opportunity to contribute to health in many fields in people of all ages. Several initial application areas appear particularly promising, and the first HMO target - IBS - has shown substantial improvements in Glycom clinical studies. As a result of these positive indications, our first non-infant HMO products for the US market have been formulated: Holigos™ IBS and Holigos™ Digestive Health.Supply chain arrangements have been implemented for distribution of these products and marketing plans outlined. We look forward to beginning the development of substantial commercial operations for these non-infant HMO products in 2019 and beyond.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2018	2017
	Revenue	252,457	5,010
	Cost of sales	-93,342	-13,581
	Other operating income	183	254
	Raw materials and consumables	-4,306	-644
	Other external expenses	-28,302	-11,037
	Gross margin	126,690	-19,998
2	Staff costs	-63,935	-14,211
3	Amortisation/depreciation of intangible assets and property, plant and equipment	-51,691	-12,710
	Profit/loss before net financials	11,064	-46,919
4	Financial expenses	-19,746	-5,133
	Profit/loss before tax	-8,682	-52,052
5	Tax for the year	2,524	11,430
	Profit/loss for the year	-6,158	-40,622

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2018	2017
	ASSETS		
	Non-current assets		
6	**Intangible assets**		
	Acquired intangible assets	604	886
		604	886
7	**Property, plant and equipment**		
	Land and buildings	182,880	190,725
	Plant and machinery	429,643	458,166
	Fixtures and fittings, other plant and equipment	6,597	6,925
	Property, plant and equipment under construction	2,296	645
		621,416	656,461
	Financial assets		
	Deferred tax assets	3,306	7,053
		3,306	7,053
	Total non-current assets	625,326	664,400
	Current assets		
	Inventories		
	Raw materials and consumables	10,582	4,536
	Work in progress	9,142	0
	Finished goods	2,439	2,336
		22,163	6,872
	Receivables		
	Trade receivables	3,856	0
	Receivables from group enterprises	31,988	0
	Receivables from associates	7,066	4,438
	Joint taxation contribution receivable	6,285	4,857
	Other receivables	3,120	3,937
		52,315	13,232
	Cash	747	8,623
	Total current assets	75,225	28,727
	TOTAL ASSETS	700,551	693,127

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2018	2017
	EQUITY AND LIABILITIES		
	Equity		
8	Share capital	111,516	111,516
	Retained earnings	255,912	243,462
	Total equity	367,428	354,978
9	**Non-current liabilities**		
	Mortgage debt	176,332	81,967
	Total non-current liabilities	176,332	81,967
	Current liabilities		
	Mortgage debt	13,984	6,042
	Bank debt	114,757	142,623
	Trade payables	18,399	32,110
	Payables to group enterprises	0	67,636
	Other payables	9,651	7,771
	Total current liabilities	156,791	256,182
	Total liabilities	333,123	338,149
	TOTAL EQUITY AND LIABILITIES	700,551	693,127

1 Accounting policies
10 Contractual obligations and contingencies, etc.
11 Collateral
12 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 January 2018	111,516	243,462	354,978
	Capital increase	0	18,608	18,608
13	Transfer, see "Appropriation of profit/loss"	0	-6,158	-6,158
	Equity at 31 December 2018	111,516	255,912	367,428

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Glycom Manufacturing A/S for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company Glycom A/S.

Reporting currency

The financial statements are presented in thousand Danish kroner (DKK'000).

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Income from the sale of goods for resale and finished goods, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of non-current assets.

Raw materials and consumables, etc.

Raw materials and consumables include expenses relating to raw materials and consumables used in generating the year's revenue.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, administration, premises, payments under operating leases, etc.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Staff costs

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

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The cost net of the expected residual value for software is amortised over the expected useful life.

The basis of amortisation/depreciation, which is calculated as cost less any residual value, is amortised/depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Acquired intangible assets	3-5 years
Buildings	10-20 years
Plant and machinery	10-15 years
Fixtures and fittings, other plant and equipment	5-10 years

Land is not depreciated.

Financial expenses

Financial expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with the parent company. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Financial statements 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Balance sheet

Intangible assets

Other intangible assets include other acquired intangible rights, including software licences & computer systems.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

The cost of self constructed assets includes the cost of direct materials, finance expenses and labour, etc. directly used in the production process and a portion of the relating production overheads.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Impairment of non-current assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

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

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

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

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the cost price.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

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

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses 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.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. 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. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. 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. On subsequent recognition, 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.

Other liabilities are measured at net realisable value.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Return on assets	$\dfrac{\text{Profit/loss from operating activites x 100}}{\text{Average assets}}$
Equity ratio	$\dfrac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$

Financial statements 1 January - 31 December

Notes to the financial statements

	DKK'000	2018	2017
2	**Staff costs**		
	Wages/salaries	63,204	46,901
	Other social security costs	731	440
	Other staff costs	0	-33,130
		63,935	14,211

The other staff cost at parent level represent costs capitalized as fixed assets.

		2018	2017
	Average number of full-time employees	85	73

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

		2018	2017
3	**Amortisation/depreciation of intangible assets and property, plant and equipment**		
	Amortisation of intangible assets	286	68
	Depreciation of property, plant and equipment	51,405	12,642
		51,691	12,710

The difference from the fixed asset notes to the P&L amount is due to depreciations capitalized as indirect production costs in inventory (1,238 t.kr.)

		2018	2017
4	**Financial expenses**		
	Interest expenses, group entities	1,435	585
	Other interest expenses	17,623	11,532
	Exchange losses	688	529
	Cost capitalised as property, plant and equipment	0	-7,513
		19,746	5,133
5	**Tax for the year**		
	Estimated tax charge for the year	-4,613	-2,845
	Deferred tax adjustments in the year	3,885	-6,573
	Tax adjustments, prior years	-124	0
	Refund in joint taxation	-1,672	-2,012
		-2,524	-11,430

Financial statements 1 January - 31 December

Notes to the financial statements

6 Intangible assets

DKK'000	Acquired intangible assets
Cost at 1 January 2018	954
Additions	4
Cost at 31 December 2018	958
Impairment losses and amortisation at 1 January 2018	68
Amortisation for the year	286
Impairment losses and amortisation at 31 December 2018	354
Carrying amount at 31 December 2018	**604**

7 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Property, plant and equipment under construction	Total
Cost at 1 January 2018	195,188	467,075	7,376	645	670,284
Additions	1,602	12,440	1,262	2,296	17,600
Transferred	0	645	0	-645	0
Cost at 31 December 2018	196,790	480,160	8,638	2,296	687,884
Revaluations at 1 January 2018	0	0	0	0	0
Revaluations at 31 December 2018	0	0	0	0	0
Impairment losses and depreciation at 1 January 2018	4,463	8,909	451	0	13,823
Depreciation	9,447	41,608	1,590	0	52,645
Impairment losses and depreciation at 31 December 2018	13,910	50,517	2,041	0	66,468
Carrying amount at 31 December 2018	182,880	429,643	6,597	2,296	621,416
Recognised interest	3,133	9,152	0	0	

8 Share capital

Analysis of changes in the share capital over the past 3 years:

DKK'000	2018	2017	2016
Opening balance	111,516	74,350	0
Capital increase	0	37,166	73,850
	111,516	111,516	73,850

9 Non-current liabilities

DKK'000	Total debt at 31/12 2018	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Mortgage debt	190,316	13,984	176,332	104,991
	190,316	13,984	176,332	104,991

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10 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with its parent, Glycom A/S, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes for the income year 2016 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment.

Other financial obligations

The Company has liabilities under operating leases for IT equipment and trucks totalling 566 tDKK, with remaining contract terms of 0-6 years.

11 Collateral

As security for the Company's mortgage debt, the Company has provided security or other collateral in fixed assets for a total amount of 190 mDKK. The total carrying amount of these assets is 183 mDKK.

The Company has secured bank debt of 115 mDKK with the pledge of 100% of its shares and a joint and several guarantee by the parent company Glycom A/S (selvskyldnerkaution).

12 Related parties

Glycom Manufacturing A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Glycom A/S	2970 Hørsholm, Denmark	100% Shareholder

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Glycom A/S	2970 Hørsholm, Denmark	www.cvr.dk

Related party transactions

Glycom Manufacturing A/S was engaged in the below related party transactions:

DKK'000	2018	2017
Income from associate	239,712	5,010
Income from parent	5,321	0
Financial expenses to parent	-1,435	-586
Fees to parent	-7,450	-7,450
Receivables from associates	7,066	4,438
Receivables from parent	31,988	0
Payables to parent	0	-67,636

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Notes to the financial statements

13 **Appropriation of profit/loss**

Recommended appropriation of profit/loss

Retained earnings/accumulated loss	-6,158	-40,622
	-6,158	-40,622