

Annual report 2018/19
(Financial year September 1, 2018 – August 31, 2019)

BacThera Denmark A/S
Køge Allé 6
DK-2970 Hørsholm

Business registration no: 40 69 73 22

The Annual General Meeting adopted the annual report on December 10, 2019

Chairman of the General Meeting: Jens W. Hansen

Table of content

	Page
Company information	2
Management commentary	3
Statement by Management on the annual report	5
Independent Auditor's Report	7
Income statement, September 1 – August 31, 2019	9
Balance sheet at August 31, 2019	10
Statement of changes in the Equity	12
Notes to the Income statement	13

Company information

BacThera Denmark A/S
Kogle Alle 6
DK-2970 Hørsholm
Denmark
Phone: +45 53 39 23 59
www.Bacthera.com
Business registration no.: 40 69 73 22

Board of Directors: Søren Westh Lonning, Chairman
Stefan Heinz Stoffel
Eytan Abraham
Christian Barker
Thomas Schafer
Jean-Christophe Pierrick Hyvert

Executive Board: Christian Bigum, CEO

Auditors: PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Management commentary

BacThera Denmark A/S is a newly established company on 1. September 2018. The company is 100% owned by BacThera AG.

The company's first financial year covers the period 1. September 2018 – 31. August 2019.

BacThera Denmark A/S ("Bacthera") has the purpose to provide manufacturing services to the live bio-therapeutics industry using bacteria as medical treatment. Bacthera is currently building manufacturing capabilities to deliver drug substance clinical supply material to our customers.

The organization consists of highly skilled and committed employees which are working to establish new competences and expand operations. Bacthera is investing in development of our employees and managers to ensure that competences development is in line with growth ambitions.

For Bacthera the development of new science to support our customers is important, hence Bacthera will protect knowhow through patenting where possible.

Risk management is an integrated part of the way we run the company. Management is evaluating and addressing key risks and takes appropriate mitigation actions as required.

In the coming financial year Bacthera will be building up further manufacturing capabilities. Production risk, product safety and quality assurance processes will be carefully addressed in this connection.

Bacthera is committed to our employees' wellbeing and safety. Several initiatives are being implemented including preventive action, monitoring and follow-up on incidents.

As Bacthera is an international company it will be exposed to financial risks relating to currency and interest rate fluctuations, funding, liquidity, credit and counterparty risk. Legal risks may also arise as part of ordinary course of business.

Results

BacThera Denmark A/S achieved a revenue in 2018/19 of DKK 26,8 million.

DKK 14 million was capitalized in 2018/19. Research and development spending were DKK 25 million.

BacThera Denmark A/S's results before tax present a profit of DKK 1.926 million. The result after tax amounts to DKK 1.502 million in the financial year 2018/19.

The number of employees amounts to 19 at the end of the financial year.

Management regards the results for the financial year as satisfactory and in accordance with expectations.

Capital structure

On August 31, 2019 equity amounts to DKK 53 million, equal to an equity ratio of 82%. No dividend has been paid out to the parent company.

Outlook

The results for the financial year 2018/19 are in accordance with our expectations. The company is in a buildup phase and expects a decreasing revenue next year. Cash flows are expected to stay at the same level as in 2018/19.

Events after the balance sheet date

As of September 16, 2019, the company has been transferred to BacThera AG.

Statement by Management on the annual report

5 years' key figures and ratios for BacThera Denmark A/S

Key figures DKK'000

	2018/19*
Income statement	
Revenue	26.807
Gross profit	26.807
Operating profit	1.926
Net financials	-
Profit before tax	1.926
Net profit	1.502
Balance sheet	
Equity	53.083
Total assets	64.988
Investments in tangible assets	14.432
Ratios %	
Gross margin	100
<small>(Gross profit * 100 / revenue)</small>	
Operating margin	7
<small>(Operating profit * 100 / revenue)</small>	
Return on invested capital	3
<small>(Operating profit * 100 / total assets end of year)</small>	
Return on equity	3
<small>(Net profit * 100 / equity end of year)</small>	
Equity ratio	82
<small>(Equity * 100 / total assets)</small>	
Growth	
Revenue	26.807
Growth in %	-

* The company's first financial statement covers the period 1. September 2018 - 31. August 2019.

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and adopted the annual report of BacThera Denmark A/S for the financial year September 1, 2018 – August 31, 2019.

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

In our opinion, the financial statements give a true and fair view of the Company's financial position at August 31, 2019 and of the results of its operations for the financial year September 1, 2018 – August 31, 2019.

We believe that the management commentary contains a fair review of the affairs and a condition referred to therein and describes the company's most significant risks and uncertainties.

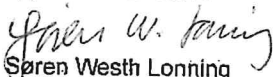
We recommend adoption of the annual report at the Annual General Meeting.

Hørsholm, December 10, 2019

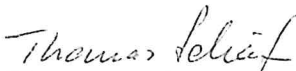
Executive Board

Christian Bigum
CEO

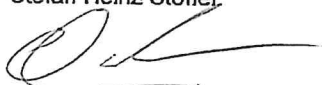
Board of Directors


Søren Westh Lonning
Chairman


Eytan Abraham


Thomas Schäfer


Stefan Heinz Stoffel


Christian Barker


Jean-Christophe Pierrick Hyvert

Independent Auditor's Report

To the Shareholders of BacThera Denmark A/S.

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 August 2019, and of the results of the Company's operations for the financial year 1 September 2018 - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of BacThera A/S for the financial year 1 September 2018 - 31 August 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

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 about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that

an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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.
- 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 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.

Hellerup, 10 December 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31



Kim Fichsel
State Authorised Public Accountant
mne9291



Allan Knudsen
State Authorised Public Accountant
mne29465

Income statement, September 1 - August 31

Amounts in DKK '000	Notes	2018/19 DKK
Revenue	3	26.807
Research and development costs	4	(24.881)
Operating profit (EBIT)		1.926
Income taxes	5	(424)
Net profit for the year		1.502
Distribution of result	6	

Balance sheet at August 31, 2019

Assets

Amounts in DKK '000

	<u>Notes</u>	<u>2019 DKK</u>
Non-current assets		
Tangible assets	7	
Plant and machinery		29.904
Assets under construction		33.719
Total tangible assets		<u>63.623</u>
Leasehold deposit		1.365
Total financial assets		<u>1.365</u>
Total non-current assets		<u>64.988</u>
Total assets		<u>64.988</u>

Balance sheet at August 31, 2019

Equity and liabilities

Amounts in DKK '000

	<u>Notes</u>	<u>2019 DKK</u>
Equity		
Share capital		2.000
Retained earnings		51.083
Total equity		<u>53.083</u>
Provisions		
Deferred tax	8	2.417
Total provisions		<u>2.417</u>
Current liabilities		
Loans from Chr. Hansen A/S		7.783
Tax payables		52
Other payables		1.653
Total current liabilities		<u>9.488</u>
Total liabilities		<u>9.488</u>
Total equity and liabilities		<u>64.988</u>
Going concern	1	
Accounting policies	2	
Related parties	9	
Accounting relations	10	
Contingent liabilities	11	
Events after the balance sheet date	12	

Statement of changes in Equity

Amounts in DKK '000

Equity

	Share capital	Retained earnings	Total equity
Equity at September 1, 2018	2.000	49.581	51.581
Net profit for the year	-	1.502	1.502
Equity at August 31, 2019	<u>2.000</u>	<u>51.083</u>	<u>53.083</u>

Notes to the income statement

1 Going concern

The Company has in the year ended August 31 2019 current liabilities of DKK 9,488K and no current assets, which indicates that a material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern.

The owner, Chr. Hansen A/S and Lonza Group Ltd, have committed to fund the Company for the coming year in a Joint Venture Agreement with funding of EUR 31,000K equivalent to DKK 231,142K securing the Company's ability to continue as a going concern.

2 Accounting policies

Reporting class

The annual report of BacThera Denmark A/S for the financial year has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

BacThera Denmark A/S is included in the consolidated financial statements of Chr. Hansen Holding A/S, business registration no. 28-31 86 77.

The annual report for the financial year 2018/19 is presented in DKK 1,000.

Recognition and measurement

Income is recognized in the income statement when earned. This includes value adjustments of financial assets and liabilities which are measured at fair value or amortized cost. All costs are recognized which have been incurred in order to achieve the results for the year, including amortization, depreciation, provisions and reversals that result from changes in accounting estimates previously recognized in the income statement.

Assets are recognized in the balance sheet when it is probable as a result of prior events that future economic benefit will flow to the company, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when the company has a legal or constructive obligation as a result of prior events, and it is probable that future economic benefits will flow out of the company, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Certain financial assets and liabilities are measured at amortized cost; thereby a constant effective discount rate is applied over the lifetime of the asset/liability. Amortized cost is measured as the initial cost less repayments and with addition/deduction of the accumulated amortization of the difference between cost and the nominal value. Thereby, capital gains or losses are allocated out over the entire lifetime of the asset/liability.

Predictable risks or losses arising before the time of presentation of the annual report and which confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Accounting policies

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange rate differences that arise between the rate at the transaction date and the rate in effect at the payment date or the rate of the balance sheet date are recognized in the income statement as financial income or financial expenses; however, see the section on accounting-based hedging.

Income statement

The income statement is classified by function.

Revenue

Revenue from the sales of manufactured goods and goods for resale is recognized in the income statement when delivery is made and the risk has passed on to the buyer, at latest on the balance sheet date and the income can be measured reliably. Revenue is recognized net of commission and sales discounts.

Research and development costs

Research and development costs include labor cost, amortization and other costs directly or indirectly associated with the company's research and development activities.

Development projects related to new products and processes that are clearly defined and identifiable, while having a high degree of technical utilization, sufficient resources and where a potential future market or development potential within the company can be proved, and where it is the intention to manufacture, market and utilize the project, are recognized as intangible assets if there is sufficient certainty that the capital value of future earnings will cover the production costs, sales and administrative expenses, as well as the development costs.

Development projects that do not comply with the requirements for recognition in the balance sheet are recognized in the income statement as costs are incurred.

Financial income and expenses

Financial income and expenses include interest income and expenses, amortization income and expenses, and value adjustments of financial assets and transactions in foreign currencies.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the profit for the year and recognized directly in equity by the portion attributable to entries directly in equity.

The company is jointly taxed with the parent company Chr. Hansen Holding A/S and group companies Chr. Hansen A/S and Chr. Hansen Natural Colors A/S. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Accounting policies

Balance sheet

Tangible assets

Tangible assets are measured at cost with deduction of accumulated depreciation and impairment losses. Tangible assets under construction are measured at acquisition value and cost respectively. Cost comprises expenses for materials, direct labor costs and a share of indirect costs.

The basis of depreciation of tangible assets is cost less estimated residual value after the end of the useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Plant and machinery 5-20 years

The book values of tangible assets are reviewed yearly to determine if there are any indications of value reductions other than that expressed by depreciation. An impairment test is performed if this is the case in order to assess whether the recoverable value is lower than the book value, and the value is written down to the recoverable value.

Borrowing costs in respect to construction of assets are capitalized when it takes more than a year for them to be ready for use.

Receivables

Receivables are measured at amortized cost, usually equaling nominal value less provisions for bad and doubtful debts. The provisions are based on a specific assessment of the individual receivable.

Other payables

Other liabilities are measured at amortized cost, which usually corresponds to nominal value.

Deferred tax

Deferred tax is recognized on all temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax is measured based on current tax legislation and rates applying at the balance date. Where the measurement of the tax base can be conducted in accordance with alternative tax legislation, deferred tax is measured based on the planned life of the asset or liability.

Deferred tax assets, including the tax base of losses that may be carried forward, are measured at the value at which the asset is expected to be realized, either by settlement as tax or deducted in deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Accounting policies

Financial highlights

$$\text{Gross margin} = \frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

$$\text{Operating margin} = \frac{\text{Operating profit} \times 100}{\text{Revenue}}$$

$$\text{Return on invested capital} = \frac{\text{Operating profit} \times 100}{\text{Total assets}}$$

$$\text{Equity ratio} = \frac{\text{Equity end of year} \times 100}{\text{Total assets}}$$

$$\text{Return on equity} = \frac{\text{Net profit} \times 100}{\text{Equity end of year}}$$

Notes to the income statement

Amounts in DKK '000

2018/19
DKK

3 Revenue

Revenue by geographical allocation

Denmark

26.807

26.807

The geographical segmentation is based on customer location.

4 Production, research and development costs, sales, marketing and administrative expenses as well as other operating income and other operating expenses.

Staff expenses

Research and development costs include wages and salaries etc, which are distributed as follows:

Wages and salaries etc	6.994
Pensions	707
Expenses for social security	110
Other employee expenses	0
Total staff expenses	<u>7.811</u>

Average number of full-time employees

16

Number of employees at year end

19

During the financial year, one Director has been employed.

Notes to the income statement

Amounts in DKK '000

2018/19
DKK

4 Production, research and development costs, sales, marketing and administrative expenses as well as other operating income and other operating expenses, continued

Depreciation, amortization and impairment/writedowns

Depreciation, amortization and impairments/writedowns are included in production expenses, research and development costs, sales, marketing and administrative expenses and are distributed as follows:

Research and development costs	4.617
	<u>4.617</u>

5 Income taxes

Income taxes are distributed as follows:

Current tax on operating profit	52
Change in deferred tax	372
Total income taxes	<u>424</u>

6 Distribution of result

Retained earnings	49.581
Net profit for the year	1.502
	<u>51.083</u>

Proposed distribution dividend

Dividend	-
Retained earnings	51.083
	<u>51.083</u>

Notes to the balance sheet

Amounts in DKK '000

7 Tangible assets

	Plant and machinery	Assets under construction	Total tangible assets
Cost at September 1, 2018	31,043	22,766	53,809
Transferred	1,612	(1,612)	-
Additions for the year	1,866	12,565	14,431
Cost at August 31, 2019	<u>34,521</u>	<u>33,719</u>	<u>68,240</u>
Depreciation and impairment losses for the year	4,617	-	4,617
Depreciation and impairment losses at August 31, 2019	<u>4,617</u>	<u>-</u>	<u>4,617</u>
Carrying amount at August 31, 2019	<u>29,904</u>	<u>33,719</u>	<u>63,623</u>

8 Deferred tax, liability / asset

Deferred tax in the balance sheet relates to:
Intangible and tangible assets
Carrying amount at August 31, 2019

2018/19 DKK
<u>2,417</u>
<u>2,417</u>

Deferred tax has been recognized at 22%.

Notes to the balance sheet

9 Related parties

Related parties are defined as parties with control or significant influence over BacThera Denmark A/S and all transactions are made on market terms:

Chr. Hansen Holding A/S (holding 50%)
Bøge Allé 10 - 12
DK-2970 Hørsholm

Lonza Group Ltd (holding 50%)
Muenchensteinerstrasse 38
CH-4002 Basel

10 Accounting relations

The annual report of BacThera Denmark A/S is included in the consolidated financial statements of Chr. Hansen Holding A/S, Hørsholm, which is the ultimate parent company.

The consolidated financial statements can be obtained by request to Chr. Hansen Holding A/S Bøge Allé 10 -12 DK-2970 Hørsholm.

11 Contingent liabilities

The commitment related to the rent of buildings amounted to DKK 7,794 K on August 31, 2019.

Rent of buildings commitment 0-1 year amounts to DKK 2,683K.

Rent of buildings commitment 1-5 year amounts to DKK 5,111K.

Chr. Hansen A/S has issued a declaration of support to BacThera Denmark A/S for continued operation of the company.

12 Events after the balance sheet date

No events have occurred during the period from the end of the financial year until today that significantly influence the annual report: