

**HECHO RELEVANTE AB-BIOTICS, S.A.**

**3 de septiembre de 2019**

En virtud de lo previsto en el artículo 17 del Reglamento (UE) nº 596/2014 sobre abuso de mercado y en el artículo 228 del texto refundido de la Ley del Mercado de Valores, aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre, y disposiciones concordantes, así como en la Circular 6/2018 del Mercado Alternativo Bursátil (MAB), se pone a disposición del mercado la siguiente información relativa a AB-BIOTICS, S.A.:

El Consejo de Administración de la Sociedad, celebrado en el día de hoy, 3 de septiembre de 2019, ha acordado convocar Junta General Extraordinaria de Accionistas, que tendrá lugar en la Bolsa de Barcelona, Paseo de Gracia nº 19, el día 4 de octubre de 2019 a las 11 horas, en primera convocatoria, y en segunda convocatoria, si es necesario, el día 5 de octubre en el mismo lugar y a la misma hora. Se adjunta el orden del día de la convocatoria, así como las propuestas de acuerdos correspondientes a todos los puntos del orden del día.

Quedamos a su disposición para cuantas aclaraciones consideren oportunas.

En Barcelona, a 3 de septiembre de 2019

AB-BIOTICS, S.A.

Sergi Audivert Brugué

Consejero Ejecutivo

-----

Miquel Àngel Bonachera Sierra

Consejero Ejecutivo

-----



**AB BIOTICS, S.A**

## **Convocatoria de Junta General Ordinaria y Extraordinaria de Accionistas**

Por acuerdo del Consejo de Administración, en su reunión celebrada el 3 de septiembre de 2019, se convoca Junta General Extraordinaria de Accionistas de AB BIOTICS, S.A. (la "**Sociedad**"), que habrá de celebrarse en la Bolsa de Barcelona, Paseo de Gracia nº 19, el día 4 de octubre de 2019 a las 11 horas, en primera convocatoria, y en segunda convocatoria, si es necesario, el día 5 de octubre de 2019, en el mismo lugar y a la misma hora, a fin de deliberar y, en su caso, adoptar, acuerdos sobre los asuntos comprendidos en el siguiente

### **Orden del Día**

**Primero.-** *Examen y aprobación, en su caso, de la propuesta de exclusión de la negociación de la totalidad de las acciones de la Sociedad en el Mercado Alternativo Bursátil (MAB).*

**Segundo.-** *Examen y aprobación, en su caso, de los términos y condiciones de la propuesta de oferta de adquisición de acciones dirigida por Kaneka Europe Holding Company NV ("**Kaneka**"), en el marco de la exclusión, a los accionistas de la Sociedad.*

**Tercero.-** *Ratificación de las actuaciones realizadas hasta la fecha por el Consejo de Administración en relación con la Oferta Voluntaria de Adquisición de Acciones realizada por Kaneka, así como en relación con la exclusión, y delegación de facultades a favor del Consejo.*

**Cuarto.-** *Autorización al Consejo de Administración para la interpretación, subsanación, complemento, ejecución y desarrollo de los acuerdos que se adopten en la Junta, así como para sustituir las facultades que reciba de la Junta, y concesión de facultades para la elevación a instrumento público de tales acuerdos.*

**Complemento a la convocatoria:** De conformidad con lo previsto en el artículo 172.1 de la Ley de Sociedades de Capital, los accionistas que representen, al menos, el cinco por ciento del capital social, podrán solicitar que se publique un complemento a la presente convocatoria de la Junta General de Accionistas, incluyendo uno o más puntos del Orden del Día. El ejercicio de este derecho deberá hacerse mediante notificación fehaciente que habrá de recibirse en el domicilio social de AB-Biotics, S.A., sito en Ed. Esade-Creápolis, Av. de la Torre Blanca, nº 57, CP 08173-Sant Cugat del Vallés (Barcelona), dentro de los cinco días siguientes a la publicación de la presente convocatoria en la página web de la Sociedad.

**Derecho de información:** De conformidad con lo previsto en el artículo 197.1 de la Ley de Sociedades de Capital, hasta el séptimo día anterior al previsto para la celebración de la Junta, los accionistas podrán solicitar del Consejo de Administración las informaciones o aclaraciones que estimen precisas acerca de los asuntos comprendidos en el Orden del Día, o formular por escrito las preguntas que consideren pertinentes.



## AB-BIOTICS

**Documentación:** En relación con el derecho de información anteriormente indicado, en particular, los accionistas tendrán acceso a la siguiente documentación (que en todo caso ha quedado adjunta a la presente convocatoria): (i) propuestas de acuerdos elaborados por el Consejo de Administración de la Sociedad respecto de cada uno de los puntos del Orden del Día, (ii) Informe elaborado por el Consejo de Administración sobre la propuesta de exclusión de negociación del Mercado Alternativo Bursátil, (iii) informe de valoración actualizados a fecha 28 de agosto de 2019 emitido por Crowe Advisory SP, S.L. a solicitud de Kaneka, (iv) *fairness opinion* e Informe de valoración (actualizados a 3 de septiembre de 2019) emitidos por Ernst & Young Servicios Corporativos, S.L. a solicitud del Consejo de Administración de la Sociedad, (v) extracto de las condiciones de la Oferta a realizar por Kaneka a los accionistas de la Sociedad una vez la exclusión sea aprobada por la Junta General de Accionistas, (vi) resultados financieros semestrales de la Sociedad (aún sujetos a auditoría y a revisión final por parte del Consejo), y (vii) plan de negocio a 3 años (2019 – 2021) de la Sociedad aprobado por el Consejo de Administración el 12 de marzo de 2019.

**Derecho de asistencia y representación:** Podrán asistir a la Junta, en todo caso, los titulares de acciones que figuren como tales en el correspondiente Registro Contable de anotaciones en cuenta con cinco días de antelación a su celebración, lo que podrán acreditar mediante la oportuna tarjeta de asistencia, certificado expedido por alguna de las entidades autorizadas legalmente para ello o por cualquier otro documento que, conforme a Derecho, le acredite como accionista.

Los accionistas que no asistan personalmente a la Junta General podrán hacerse representar en la misma por medio de otra persona, cumpliendo los requisitos y formalidades exigidos por los Estatutos Sociales y por la ley de Sociedades de Capital.

**Aclaración respecto de la mayoría necesaria para la aprobación de los Puntos del Orden del Día:** a efectos aclaratorios, se recuerda que los tres (3) puntos del Orden del Día propuestos anteriormente deberán aprobarse con mayoría simple de los derechos de voto de la Sociedad presentes o debidamente representados en la Junta General, no siendo necesaria ninguna mayoría reforzada o porcentaje adicional de votos a favor.

**Publicación de la convocatoria:** Se informa a los señores accionistas de que, en virtud de lo previsto en el artículo 173 de la Ley de Sociedades de Capital y el artículo 16.2 de los Estatutos Sociales de la Sociedad, la presente convocatoria se encuentra publicada en la página web corporativa de la Sociedad, [www.ab-biotics.com](http://www.ab-biotics.com).

**Previsión de Celebración:** Se informa a los accionistas de que se prevé la celebración de la Junta en primera convocatoria, es decir, el 4 de octubre de 2019, en el lugar y hora señalados. El registro de accionistas comenzará media hora antes de la señalada para la celebración de la junta.

**Presencia de Notario:** El Consejo de Administración ha acordado la presencia de Notario en la Junta, de conformidad con lo previsto en el artículo 203 de la Ley de Sociedades de Capital, para que levante acta de dicha Junta.



## **AB-BIOTICS**

**Aclaración adicional acerca del plan de negocio a 3 años:** en relación con el documento número (vii) (plan de negocio a 3 años aprobado por el Consejo el 12 de marzo de 2019) que se pone a disposición de los accionistas conforme al apartado "Documentación" anterior, se pone de manifiesto lo siguiente:

- No siendo dicha publicación obligatoria, dicho documento se pone a disposición de los accionistas para la mejor conformación de juicio por parte de los accionistas de la Sociedad.
- Dicho documento de plan de negocio fue aprobado por el Consejo de Administración en su reunión de 12 de marzo de 2019, y formó parte de la documentación analizada por Ernst & Young Servicios Corporativos, S.L. para emitir la *fairness opinion* (hecho relevante publicado el pasado 24 de julio de 2019). Para la lectura e interpretación de las estimaciones contenidas en el presente documento han de tenerse en cuenta los siguientes aspectos:
  - (i) las estimaciones realizadas en este plan de negocio se prepararon utilizando criterios comparables a los utilizados para la información financiera histórica;
  - (ii) la Sociedad se compromete a informar al Mercado, en cuanto se advierta como probable, que las cifras reales difieren significativamente de las previsiones o estimaciones. En todo caso, se considera como tal una variación, tanto al alza como a la baja, igual o mayor a un 10 por ciento. En todo caso variaciones inferiores a ese 10 por ciento podrían ser significativas y en tal caso subsiguientemente informadas al mercado;
  - (iii) asunciones y factores principales que podrían afectar sustancialmente al cumplimiento del Plan de Negocio:
    - Desviaciones en la evolución comercial de las ventas.
    - Cambio en las condiciones competitivas del mercado.
    - Evolución desfavorable de la coyuntura internacional del ciclo económico.
    - Potenciales cambios regulatorios en los mercados operados.
    - Potenciales desviaciones inesperadas en los factores de coste o en las condiciones financieras de la Sociedad.

Estas previsiones fueron las utilizadas para la elaboración de su informe por parte de Ernst & Young, el cual fue puesto a disposición de los accionistas mediante hecho relevante de fecha 24 de julio de 2019, y se enmarcan en la estrategia de la Sociedad, compartida también con el mercado en la presentación del foro MedCap publicada mediante hecho relevante el 29 de mayo de 2019.

Sant Cugat del Vallès (Barcelona) a 3 de septiembre de 2019.

---

**Fdo. Sergi Audivert**

Presidente del Consejo de Administración

---

**Fdo. Miquel Angel Bonachera**

Vicepresidente del Consejo de Administración



**PROPUESTA DE ACUERDOS A ADOPTAR  
EN LA JUNTA DE ACCIONISTAS EXTRAORDINARIA DE  
AB-BIOTICS, S.A.**

**El Consejo de Administración, en su sesión de 3 de septiembre de 2019, ha aprobado la siguiente propuesta de acuerdos a someter a los accionistas de la compañía en la Junta General Extraordinaria de Accionistas de "AB-BIOTICS, S.A.", que se celebrará en la Bolsa de Barcelona, Paseo de Gracia, número 19, Barcelona, a las 11 horas, el 4 de octubre de 2019, en primera convocatoria, y en segunda convocatoria, si es necesario, el día 5 de octubre de 2019, en el mismo lugar y a la misma hora.**

**Primero.- Examen y aprobación, en su caso, de la propuesta de exclusión de la negociación de la totalidad de las acciones de la Sociedad en el Mercado Alternativo Bursátil (MAB).**

Se somete a la consideración de la Junta General de Accionistas la aprobación de la exclusión de la negociación de la totalidad de las acciones de la Sociedad del Mercado Alternativo Bursátil.

En relación con este punto del Orden del Día, se deja constancia de lo siguiente:

- En fecha 27 de agosto de 2019, se recibió por parte del Consejo de Administración una primera notificación del accionista Kaneka Europe Holding Company NV ("**Kaneka**"), en la que Kaneka incluía, entre otros, los siguientes puntos:
  - (i) Comunicación de resultados de la Oferta Pública Voluntaria de Adquisición de Acciones de la Sociedad ("**OPA Voluntaria**"), cuyo anuncio fue lanzado el 9 de julio de 2019 (el "**Anuncio de OPA Voluntaria**").
  - (ii) Ratificación de los términos de dicho Anuncio, incluida la voluntad de someter a votación de la Junta General la exclusión de cotización del MAB.
  - (iii) A tales efectos, solicitud de convocatoria de las correspondientes reuniones del Consejo de Administración de la Sociedad para que, a su vez, éste pudiera adoptar los pasos necesarios de cara a preparar el proceso y, en última instancia, convocar Junta General Extraordinaria de

**AB-BIOTICS, S.A.**

www.ab-biotics.com N.I.F. A63497473

Ed. Esade-Creápolis, Av. de la Torre Blanca, nº 57, CP 08173-Sant Cugat del Vallés (Barcelona)  
Registro Mercantil de Barcelona, Tomo 36567, Folio 84, Hoja B-293983



Accionistas de la Sociedad con objeto de debatir la exclusión de cotización de la Sociedad.

- En fecha 28 de agosto de 2019, Kaneka puso a disposición del Consejo de Administración un informe de valoración independiente de las acciones de la Sociedad, a los efectos de la exclusión, actualizado a dicha fecha (el **"Informe Crowe Actualizado"**).
- Asimismo, en fecha 3 de septiembre de 2019, el Consejo de Administración ha obtenido de Ernst & Young Servicios Corporativos, S.L. (**"E&Y"**) una *fairness opinion* actualizada y un informe de valoración actualizado de las acciones de la Sociedad, a los mismos efectos de exclusión (conjuntamente, el **"Informe E&Y Actualizado"**), consistente en un informe de evaluación independiente encargado por el Consejo de Administración para corroborar los términos del precio ofrecido por Kaneka en el contexto de la exclusión de cotización.
- En fecha 3 de septiembre de 2019, Kaneka envió al Consejo de Administración una nueva notificación en la que comunicaba los términos principales de la oferta que está dispuesta a realizar en el supuesto de que la exclusión de cotización sea aprobada por esta Junta General (la **"Notificación de la Oferta de Kaneka"**), la cual contiene, entre otros, la ratificación del precio a ofrecer por Kaneka, en el supuesto de exclusión, a los accionistas que no voten a favor de dicha exclusión (y, en general a todos los accionistas de la misma), de 5 Euros por acción, sobre la base del Informe Crowe Actualizado y el Informe E&Y Actualizado..
- En el momento de la convocatoria de esta Junta General, se pusieron a disposición de todos los accionistas los siguientes documentos: (i) informe elaborado por el Consejo de Administración sobre la propuesta de exclusión de negociación en el Mercado Alternativo Bursátil (el **"Informe del Consejo de Administración"**), (ii) el Informe E&Y Actualizado, (iii) la propuesta de acuerdos para esta Junta General aprobada por el Consejo de Administración en su reunión de fecha 3 de septiembre de 2019, (iv) el Informe Crowe Actualizado, (v) extracto de las condiciones principales de la oferta a realizar por Kaneka una vez la exclusión sea aprobada, según lo previsto en la Notificación de la Oferta de Kaneka, (vi) resultados financieros semestrales de la Sociedad (aún sujetos a auditoría y a revisión final por parte del Consejo), y (vii) plan de negocio a 3 años (2019 – 2021) de la Sociedad aprobado por el Consejo de Administración el 12 de marzo de 2019
- Según lo previsto en la normativa del MAB y en el art. 34 de los Estatutos Sociales de la Sociedad, en el supuesto de que la Sociedad adopte un acuerdo de exclusión de negociación en el MAB que no esté respaldado por la totalidad de los accionistas, la Sociedad deberá ofrecer a dichos accionistas cuyo voto no haya sido favorable a la medida, la adquisición de sus acciones al precio que

**AB-BIOTICS, S.A.**

www.ab-biotics.com N.I.F. A63497473

Ed. Esade-Creápolis, Av. de la Torre Blanca, nº 57, CP 08173-Sant Cugat del Vallés (Barcelona)  
Registro Mercantil de Barcelona, Tomo 36567, Folio 84, Hoja B-293983



resulte de los criterios previstos en la regulación aplicable a las ofertas públicas de adquisición de valores para los supuestos de exclusión de negociación.

A dichos efectos, se deja constancia de que, como se señala tanto en el Informe del Consejo de Administración como en el Informe E&Y Actualizado, resulta de aplicación el art. 10 del Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores ("RD 1066/2007").

Según se indica expresamente en los informes de valoración mencionados en el Informe del Consejo de Administración, el precio por acción ofrecido por Kaneka bajo la OPA Voluntaria, que es el mismo que el que ofrecerá a los accionistas bajo orden de compra una vez aprobada la exclusión en esta Junta General, debe ser considerado justo ("*fair*") y cumple con todos los requisitos para ser considerado un precio válido de exclusión a los efectos del art. 10 del RD 1066/2007. Dicha conclusión se basa en que el precio ofrecido por Kaneka es más alto que cualquiera de los parámetros de valoración que deben ser tenidos en cuenta a los efectos de exclusión (excepto el valor correspondiente a la última transacción, que obviamente se corresponde con los 5 euros por acción pagados bajo la OPA Voluntaria), según resulta evidente en el Informe E&Y Actualizado, que se ha basado en información obtenida de forma independiente y precisa de la Sociedad.

Se deja constancia de que el proceso ha contado también con la participación y supervisión del asesor registrado de la Sociedad, DCM ASESORES Dirección y Consultoría de Mercados, S.L.

En virtud de lo anterior, se acuerda aprobar la exclusión de la negociación de la totalidad de las acciones de la Sociedad en el Mercado Alternativo Bursátil.

**Segundo.- Examen y aprobación, en su caso, de los términos y condiciones de la propuesta de oferta de adquisición de acciones dirigida por Kaneka Europe Holding Company NV ("Kaneka"), en el marco de la exclusión, a los accionistas de la Sociedad.**

Una vez aprobada la exclusión de cotización de la Sociedad en el MAB conforme al acuerdo en el punto 1º del Orden del Día, se aprueban los términos y condiciones de la oferta de adquisición de acciones (vía orden de compra) que, conforme a la Notificación de la Oferta de Kaneka y a lo previsto en el Anuncio de OPA Voluntaria, Kaneka tiene intención de lanzar, con las siguientes condiciones principales:

- (i) Precio: 5 Euros por acción (mismo precio que el ofrecido por Kaneka bajo la OPA Voluntaria y que, según lo previsto en el Informe del Consejo de Administración, en el Informe E&Y Actualizado, y en el Informe Crowe Actualizado, cumple con todos los requisitos necesarios para tener la consideración de precio válido a los efectos de exclusión –art. 10 del RD 1066/2007, por remisión del art. 34 de los Estatutos Sociales-).

**AB-BIOTICS, S.A.**

www.ab-biotics.com N.I.F. A63497473

Ed. Esade-Creópolis, Av. de la Torre Blanca, nº 57, CP 08173-Sant Cugat del Vallés (Barcelona)  
Registro Mercantil de Barcelona, Tomo 36567, Folio 84, Hoja B-293983



- (ii) Periodo de aceptación: un (1) mes a contar desde el día siguiente al de la celebración de esta Junta General de Accionistas.
- (iii) Oferente: Kaneka, según lo confirmado, verbalmente y por escrito, con el MAB, y en línea con otros precedentes de exclusión existentes. En consecuencia, dicha oferta no implicará la adquisición de acciones propias a cargo del patrimonio social de la Sociedad.

Se deja constancia de que dichos términos y condiciones han sido previamente comunicados al Consejo vía la Notificación de la Oferta de Kaneka, y puestos a disposición de los accionistas al momento de la convocatoria de esta Junta. En particular, respecto del Precio, se deja constancia de que es superior al mayor entre el precio equitativo al que se refiere el art. 9 del RD 1066/2007 y a cualquiera de los parámetros de valoración tenidos en cuenta de conformidad con el art. 10 del RD 1066/2007, con excepción del relativo a "últimas transacciones", que precisamente se corresponde con el mismo precio ofrecido por Kaneka bajo la OPA Voluntaria (5 euros). Por tanto, el Consejo de Administración considera sobre la base del Informe E&Y Actualizado que el precio es "fair" conforme a los criterios de valoración contenidos en los artículos 9 y 10 del RD 1066/2007.

La Sociedad emitirá un comunicado vía Hecho Relevante en el que se describa con mayor detalle las condiciones de la oferta realizada por Kaneka y los pasos a seguir por aquellos accionistas que deseen vender sus acciones antes de que la Sociedad quede definitivamente excluida de cotización en el MAB. En todo caso, ya se ha anticipado que las formalidades y pasos a seguir en este caso serán similares a los seguidos respecto de la OPA Voluntaria en virtud del Anuncio de OPA Voluntaria.

**Tercero.- Ratificación de las actuaciones realizadas hasta la fecha por el Consejo de Administración en relación con la Oferta Voluntaria de Adquisición de Acciones realizada por Kaneka, así como en relación con la exclusión, y delegación de facultades a favor del Consejo.**

Ratificar las actuaciones realizadas, así como las decisiones adoptadas, por el Consejo de Administración de la Sociedad hasta la fecha, en relación con (i) la OPA Voluntaria, y (ii) el proceso de exclusión de cotización de las acciones de la Sociedad.

Asimismo, autorizar y delegar en el Consejo de Administración para que, en el marco de la exclusión aprobada en esta Junta, así como de la oferta de exclusión a lanzar por Kaneka conforme a lo aquí previsto, pueda llevar a cabo cualesquiera actuaciones, y firmar cualesquiera documentos públicos y privados, que el Consejo de Administración considere convenientes en ejecución de la exclusión aquí aprobada y la realización de dicha oferta.

**Cuarto.- Autorización al Consejo de Administración para la interpretación, subsanación, complemento, ejecución y desarrollo de los acuerdos que se**

**AB-BIOTICS, S.A.**

www.ab-biotics.com N.I.F. A63497473

Ed. Esade-Creápolis, Av. de la Torre Blanca, nº 57, CP 08173-Sant Cugat del Vallés (Barcelona)  
Registro Mercantil de Barcelona, Tomo 36567, Folio 84, Hoja B-293983



**adopten en la Junta, así como para sustituir las facultades que reciba de la Junta, y concesión de facultades para la elevación a instrumento público de tales acuerdos.**

Facultar al Consejo de Administración, tan ampliamente como fuera menester, para ejecutar, interpretar, completar y corregir errores formales y materiales de los acuerdos adoptados por la Junta General e igualmente para formalizar, subsanar y solicitar su inscripción, cuando así procediere, facultando expresamente al Presidente del Consejo de Administración, y al Secretario y Vicesecretarios, solidaria e indistintamente a cualquiera de ellos, para proceder a la protocolización notarial de las certificaciones correspondientes, y/o para comparecer ante Notario con objeto de otorgar y firmar cuantas escrituras públicas fueran necesarios, incluso escrituras de aclaración, complemento, rectificación o subsanación que fuesen precisas, en su caso, como consecuencia de la calificación verbal o escrita del Registrador Mercantil, hasta su inscripción en dicho Registro y en los demás Registros Públicos que procedan.

\*\*\*\*\*

**AB-BIOTICS, S.A.**

www.ab-biotics.com N.I.F. A63497473

Ed. Esade-Creópolis, Av. de la Torre Blanca, nº 57, CP 08173-Sant Cugat del Vallés (Barcelona)  
Registro Mercantil de Barcelona, Tomo 36567, Folio 84, Hoja B-293983

**Miquel Àngel Bonachera Sierra**  
**Sergi Audivert Brugué**  
**AB-Biotics, S.A.**  
Atn. Board of Directors of AB-Biotics, S.A.  
**ESADE Creapolis Business Park**  
**Avinguda de la Torre Blanca, 57, Office 3B11**  
**08172 Sant Cugat del Vallés, Barcelona**

03 September 2019

Dear Sirs:

According to the terms of the engagement letter dated 19 July 2019 (the "Engagement Agreement") signed between AB-Biotics, S.A. (hereinafter "AB-Biotics", "the Company" or "the Client") and Ernst & Young Servicios Corporativos, S.L. (hereinafter "we" or "EY"), we have been engaged to provide an opinion on the equity value of AB-Biotics' shares ("the Purpose"), in the context of the open offer launched by Kaneka Europe Holding Company NV (hereinafter "Kaneka" or "the Bidder") within the process of the delisting process in which the Company is involved ("the Transaction"). Our opinion is based on the procedures described in articles 9 and 10.5 of the Royal Decree 1066/2007 on Takeover Bids (Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de Valores). The reference date of our analysis has been 26 August 2019 ("the Reference Date").

This Letter of Opinion (hereinafter "the Letter") is for internal use of AB-Biotics only for the purpose of verifying that the Offer Price established by Kaneka in this open offer, at the Reference Date, is fair to the Company's shareholders from a financial point of view, in the context of the Transaction.

EY has no conflict of interest for the performance of this work and has not received, nor will receive, any type of contingency fees in connection with this work.

In order to carry out the work and meet the objectives set forth in the scope of our mandate, we have conducted the procedures that we have deemed appropriate in order to assess the fair market value of AB-Biotics.

## 1. BACKGROUND OF THE TRANSACTION

AB-Biotics was founded in 2004 as a spin-off of the Autonomous University of Barcelona launched by Miquel Àngel Bonachera and Sergi Audivert, currently executive directors and members of the Company's Board of Directors. Nowadays, it has become a leading biotechnology company, with a strong international footprint. It divides its activities into these two main business areas:

- **Probiotics:** business line that designs unique and patented probiotic supplements for specific health conditions (gastrointestinal, cardio metabolic, pediatrics, women's health, immune and oral health). These products are licensed and distributed globally through local distribution partners.
- **Precision medicine (Neuropharmagen):** pharmacogenomics-based precision medicine platform aimed at optimizing pharmacological treatments based on several factors that influence the medication success.

On 28 March 2018, the Company and Kaneka Americas Holding, Inc. subscribed a license agreement by which it was granted in favor of Kaneka Americas Holding, Inc. the exclusive right to manufacture, import, ferment, use, sell and offer certain products of AB-Biotics in Japan and North America.

As part of the same agreement, the Kaneka Group, through Kaneka Europe Holding Company NV, invested in AB-Biotics' capital through the acquisition of 26.859% of its shares through different private acquisitions. This percentage of the Company's share capital increased subsequently and, as of 9 July



2019, the Bidder was the owner of 5,005,234 shares of AB-Biotics, which represented 39.76% of its share capital.

According to the announcement of the voluntary public tender offer over the shares of AB-Biotics launched by Kaneka (the "Announcement"), the offer was formulated as a purchase and sale of shares settled in cash, being the offer price 5.00 euros per share, and targeting 7,583,025 shares in AB-Biotics, accounting for 60.24% of its share capital.

By 26 August 2019 the tender offer had been accepted by 3,344,849 shares which represented a 26.57% of AB-Biotics' share capital. Consequently, Kaneka holds 66.33% of AB-Biotics as of the Reference Date.

After this first voluntary tender offer, Kaneka has launched a new open process in order to increase its stake in the Company prior to the delisting, offering to AB-Biotics shareholders the acquisition of its shares on a 5 euros/share basis. No deadline has been determined for this new acceptance period.

## **2. SCOPE AND PROCEDURES**

The appropriate basis of valuation for the purpose of our work is Fair Value. This is defined by the International Valuation Standard Council as:

*"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."*

In order to carry out the work and meet the objectives set forth in the scope of our mandate, we have conducted the following procedures:

- a) Analysis of the proposed Transaction from a financial point of view, through the gathering and global analysis of certain information related to the Transaction and the business, such as:
  - i. AB-Biotics Business plan for the period 2019 to 2021, approved by the Board of Directors.
  - ii. Agreement signed with Kaneka for the North America and Japanese business.
  - iii. Financial Statements of the Company as of 31 July 2019.
  - iv. Audited Financial Statements of the Company as of 31 December 2016, 2017 and 2018.
  - v. AB-Biotics Annual Report (2018).
  - vi. AB-Biotics corporate presentations.
  - vii. Valuation report issued by Crowe Advisory SP, S.L. in the context of the take-over bid by Kaneka.
  - viii. Other public information about AB-Biotics.
  - ix. Broker reports on AB-Biotics.
  - x. Industry reports and publicly available forecasts.
- b) Holding interviews with Client's Management in order to obtain a clear understanding of the Company's business.
- c) Understanding of the market and the competitive and economic environment in which the Company operates.
- d) Understanding of the macroeconomic environment in which the Company operates.
- e) Analysis of the documents necessary to understand AB-Biotics' financial situation as well as its historical and projected cash generation capacity.



- f) Obtaining of a Representation Letter from the Client confirming, among other aspects, that it has no knowledge of any event, circumstance, or other relevant information up to the present day that has not been delivered or communicated to us and that could affect the performance of our work.
- g) Issuance of the Fairness Opinion Letter, addressed to the Board of Directors of the Client concluding with our opinion about the continued reasonableness, once the tender offer period has expired, of the price per share offered by Kaneka from a financial point of view to the shareholders of AB-Biotics in the context of the delisting of the AB-Biotics shares from the Mercado Alternativo Bursátil (MAB).

Our analysis has been performed based on the latest Financial Statements available as of 31 July 2019. The main valuation methodologies used for reaching our conclusions are in line with those described in article 10.5 of the Royal Decree 1066/2007 on Takeover Bids (*Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de Valores*):

- Net Book Value of the Company.
- Liquidation value of the Company.
- Weighted average share price during the semester immediately prior to the disclosure of the delisting proposal.
- Price offered in the acquisitions performed, if any, over the previous last twelve months.
- Other valuation methods applicable to the specific case and commonly accepted by the international financial community. EY has considered the Income Approach (Discounted Cash Flow Methodology) and Market Approach (Comparable Listed Companies and Precedent Transaction multiples).

### 3. OTHER CONSIDERATIONS

To carry out our work, Company's Management has granted us access to certain historical and prospective financial information of AB-Biotics. Additionally, we have also considered certain publicly available information regarding the industry of probiotics and other relevant information about companies which operate in this industry. In arriving at our conclusion, we have assumed that all the information provided to us is trustworthy, accurate, true and complete in all aspects to date, and that any information that is or could be relevant for our work has been provided to us in its entirety.

We have not carried out an audit or an independent investigation to determine the veracity or accuracy of the information provided. Likewise, we do not express any opinion as to the basis on which assumptions about the financial statements, estimates, and financial projections have been prepared or as to the reasonableness of such projections.

In relation to the work carried out, we should point out that certain aspects of the valuation involve, aside from objective factors, underlying factors that imply making judgments and establishing hypotheses that are dependent to a large extent of future events whose final outcome cannot be determined at present. As a result, some of the hypotheses used to arrive at our conclusions may not materialize as predicted.

Our opinion is based on our financial analysis of the information provided by the Management and publicly available financial information collected by us. As we are financial advisors, we have relied on the accuracy of the information provided by AB-Biotics without independent verification.

### 4. CONCLUSION

In accordance with the valuation methodologies reflected in articles 9 and 10.5 of the Royal Decree 1066/2007 on Takeover Bids (Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores) and based on the procedures performed during the course of our work, the information used and all the other aspects described in this Letter, we consider the price offered by Kaneka fair to the AB-Biotics' shareholders from a financial point of view, in the context of the Transaction.

This letter, as well as the information contained in it, has been prepared in the context herein described and therefore it should not be used for any other purposes nor distributed without our prior written consent.

EY declines any responsibility for the improper use of this letter or any use different than that established in our Engagement Agreement.

Yours faithfully,

Cecilia de la Hoz Arespachaga  
Partner  
Ernst & Young Servicios Corporativos, S.L.

# AB-Biotics, S.A.

Opinion on the equity value of AB-Biotics S.A.'s shares for its consideration in the delisting process in the context of the open offer launched by Kaneka Europe Holding Company NV over AB-Biotics' shares after the expiry of the takeover bid performed in July 2019

**Reliance Restricted**

03 September 2019

**EY**

Building a better  
working world

100%



**Ernst & Young Servicios  
Corporativos, S.L.**  
Torre Azca  
c/ Raimundo Fernández Villaverde, 65  
28003 Madrid  
España  
Tel: 915 727 350  
[www.ey.com/es](http://www.ey.com/es)

Cecilia De La Hoz Arespacochaga  
Partner - Madrid

Transaction Advisory Services – VME

T +34 915 72 77 10

M +34 653 97 45 00

E [Cecilia.DeLaHozArespacochaga@es.ey.com](mailto:Cecilia.DeLaHozArespacochaga@es.ey.com)

Ángel Redondo Moreira  
Senior Manager – Madrid

Transaction Advisory Services – VME

T +34 915 72 72 84

M +34 686 36 27 74

E [Angel.Redondo.Moreira@es.ey.com](mailto:Angel.Redondo.Moreira@es.ey.com)

## Reliance Restricted

Atn: Board of Directors of AB-Biotics, S.A.  
ESADE Creapolis Business Park  
Avinguda de la Torre Blanca, 57, Office 3B11  
08172 Sant Cugat del Vallés, Barcelona

## Valuation Report: Opinion on the equity value of AB-Biotics S.A.'s shares for its consideration in the delisting process after the takeover bid launched by Kaneka Europe Holding Company NV for the 60.24% of AB-Biotics

03 September 2019

Dear Sirs:

According to the terms of the engagement letter dated 19 July 2019 (the "Engagement Agreement") signed between AB-Biotics, S.A. (hereinafter "AB-Biotics", "the Company" or "the Client) and Ernst & Young Servicios Corporativos, S.L. (hereinafter "we" or "EY"), we have been engaged to provide an opinion on the equity value of AB-Biotics' shares ("the Purpose"), in the context of the open offer launched by Kaneka Europe Holding Company NV (hereinafter "Kaneka" or "the Bidder") as a result of the delisting process in which the Company is involved ("the Transaction"). Our opinion is based on the procedures described in articles 9 and 10.5 of the Royal Decree 1066/2007 on Takeover Bids (*Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de Valores*). The reference date of our analysis has been 26 August 2019 ("the Reference Date").

### Purpose of our report and restrictions on its use

This Report was prepared following the specific instructions of AB-Biotics' directors ("the Management") with the purpose described in this Report, and should not be used or relied upon for any other purpose.

It should be taken into account that this Report is merely an addition support to the conclusions expressed in our separate Fairness Opinion Letter and may not in any way, fully or partially, be quoted, referred to or shown to any other parties except as provided in the Engagement Agreement. We accept no responsibility or liability to any person other than to the Board or Directors of AB-Biotics, or to such party to whom we have agreed in writing to accept a duty of care in respect of this Report, and accordingly if such other persons choose to rely upon any of the content of this Report, they do so at their own risk.

As agreed with the Client, the Report can be delivered by AB-Biotics to those of its shareholders who requested it, after they properly accredited such condition, solely for their own use. EY does not assume any responsibility derived from the distribution of the Report by the aforementioned shareholders to third parties. EY reserves its right to take any legal action in case the Report is distributed to non-authorized third parties for their own use.

### Nature and scope of the services

The nature and scope of the services, including the basis and limitations, are detailed in the Engagement Agreement.





**Ernst & Young Servicios  
Corporativos, S.L.**  
Torre Azca  
c/ Raimundo Fernández Villaverde, 65  
28003 Madrid  
España  
Tel: 915 727 350  
[www.ey.com/es](http://www.ey.com/es)

Our role is to provide you with advice and recommendations for your consideration. We did not perform any management functions or make any management decisions.

EY has not carried out, and has not been asked to carry out, an audit of the financial and other information provided by the Client used in this analysis. We did not independently investigate or otherwise verify the data provided and do not express an opinion nor offer any form of assurance regarding its accuracy or completeness. Neither EY nor its partners or employees shall therefore be under any liability regarding the truthfulness or accuracy of the data and information provided by the Client used in this Report.

The valuation has used financial projections provided by the Company for the years 2019-2021. Any forecasts beyond that period shown in this report have been prepared by EY based on our best understanding of the business of the Company and its industry and should not be understood as AB-Biotics' strategic or business plan. They must be considered exclusively in the context of the present valuation exercise together with all other valuation parameters such as the discount rate (WACC), and should not be considered in any other context. Any modifications in, among others, the projected revenues growth profile and/or the operating margins would result in a different discount rate and/or terminal growth rate. EY assumes no responsibility derived from the fulfillment of the aforementioned financial projections.

The value of a company or business is a dynamic concept. As a result the value obtained as of the Reference Date could differ from the value obtained at an earlier or later date.

Whilst each part of our Report addresses different aspects of our work, the entire Report should be read as a whole for a complete understanding of the basis of the fair values provided.

Our Report does not take into account any events or circumstances arising after the release date of the Report and we assume no responsibility to update the Report for such events or circumstances.

We appreciate the opportunity to provide our services to AB-Biotics. Please do not hesitate to contact us if you have any questions about this engagement or if we may be of any further assistance.

Yours faithfully,

**Cecilia de la Hoz Arespacochaga**  
Engagement Partner

**Dashboard**  
Table of contents

- 1 Executive summary
- 2 Company overview
- 3 Transaction overview
- 4 Scope of work and
- 5 Article 9 of RD 1066/2007
- 6 Article 10 of RD 1066/2007

- 7 Conclusion
- 8 Appendices

**Executive summary**  
1

Page 5

**Company overview**  
2

Page 7

**Transaction overview**  
3

Page 10

**Scope of work and procedures**  
4

Page 12

**Article 9 of RD 1066/2007**  
5

Page 16

**Article 10 of RD 1066/2007**  
6

Page 18

**Conclusion**  
7

Page 34

**Appendices**  
8

Page 36

# 1

## Executive summary

In this section

Page

6



## 1 Executive summary

- 1 Executive summary
- 2 Company overview
- 3 Transaction overview
- 4 Scope of work and
- 5 Article 9 of RD 1066/2007
- 6 Article 10 of RD 1066/2007
- 7 Conclusion
- 8 Appendices

### Background and Transaction

- ▶ Founded in 2004, AB-Biotics is a biotechnology company specialized in the development of probiotics and nutritional ingredients.
- ▶ On 28 March 2018, the Company and Kaneka Americas Holding, Inc. subscribed a license agreement and Kaneka invested in AB-Biotics' capital through the acquisition of 26.859% of its shares. Since then, Kaneka has increased its stake in the Company and, as of 9 July 2019, Kaneka is the owner of 39.76% of its capital.
- ▶ On 9 July 2019, Kaneka made a public offer to acquire the remaining 60.24% stake in AB-Biotics and then, promote the exclusion of the negotiation of AB-Biotics' shares from the Mercado Alternativo Bursátil ("MAB"). Kaneka has launched an open offer at 5€/share after the expiry of the takeover bid in order to increase its stake prior to the delisting of the Company.
- ▶ The total amount invested up to the Reference Date amounts to c.€18m (capital increases and an IPO for c.€14m plus a c. €4m CDTI loan).

### Purpose and procedures

This Report has been prepared on request of AB-Biotics with the purpose of providing an opinion on the equity value of AB-Biotics' shares in the context of the open offer launched by Kaneka as a result of the delisting process in which the Company is involved.

In order to carry out the work, EY conducted among others the following procedures:

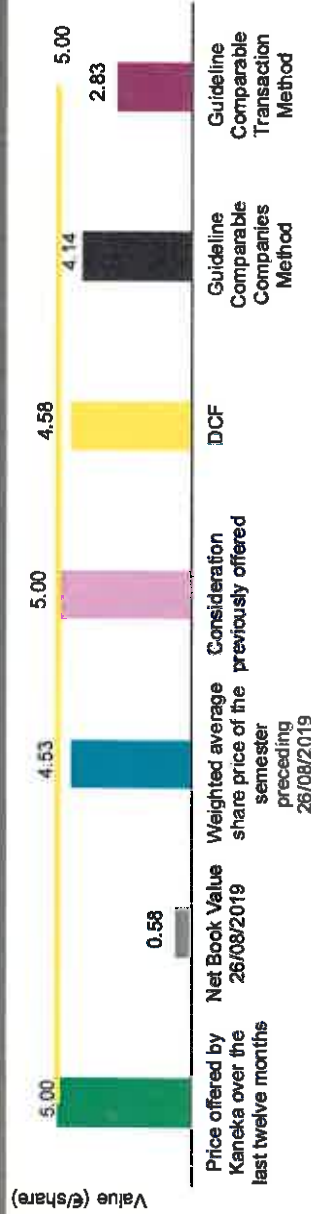
- ▶ Analysis of the proposed Transaction, Company, competitive and macroeconomic environment
- ▶ Holding interviews with Management
- ▶ Identification and selection of the valuation methodologies and sensitivity analysis
- ▶ Issuance of a Fairness Opinion Letter and this supporting Valuation Report

### Valuation methodologies

The main valuation methodologies used for reaching our conclusions are in line with those described in articles 9 and 10.5 of the Royal Decree 1066/2007 on Takeover Bids:

- Article 9:
- ▶ Price offered by the Bidder over the last twelve months.
- Article 10.5:
- ▶ Net Book Value.
  - ▶ Liquidation Value.
  - ▶ Weighted average share price over the semester prior to the disclosure of the delisting proposal.
  - ▶ Value of the consideration previously offered in the case of a takeover bid.
  - ▶ Other methods commonly accepted: DCF, GCM and GTM.

### Conclusion of value (€/share) (1)



### Conclusion

The offer price of 5€/share is not lower than the values obtained from the valuation methodologies applied in our analysis, and we therefore consider it fair from a financial point of view to the shareholders of AB-Biotics as of the Reference Date.

Note: (1) The values presented in the graph correspond to the central values obtained from the valuation ranges for each methodology AB-Biotics, S.A.: Opinion on the equity value of AB-Biotics, S.A.'s shares for its consideration in the delisting process in the context of the open offer launched by Kaneka Europe Holding Company NV over AB-Biotics' shares | Page 6 of 45

# 2

## Company overview

### In this section

AB-Biotics

AB-Biotics business model

### Page

8

9

## 2 Company overview

### AB-Biotics

- 1 Scope of the offering
- 2 Company overview**
- 3 Information overview
- 4 Scope of work and
- 5 Article 9 of RD 1065/2007
- 6 Article 10 of RD 1150/2007

7 Conclusion

8 Appendices

## Brief description of the Company

Founded in 2004 at the Universitat Autònoma de Barcelona by Sergi Audivert and Miquel Angel Bonachera, AB-Biotics is a biotechnology company specialized in the development of healthcare products. Its activity is diversified in two business areas with a worldwide geographical presence:

- ▶ **Probiotics:** patented probiotic supplements for specific health conditions (gastrointestinal, cardio metabolic, pediatrics, women's health, immune and oral health). These products are licensed and distributed globally through local distribution partners.
- ▶ **Precision medicine (Neuropharmagen):** pharmacogenomics-based precision medicine platform aimed at optimizing pharmacological treatments based on several factors that influence the medication success.

In 2018, AB-Biotics signed a strategic partnership with Kaneka Europe Holding Company whereby it acquired 39,76% of the Company. This agreement includes a licence to produce and distribute some of the Company's products in North America (US and Canada) and Japan over 7 years.

## Geographical presence (June 2019)



■ AB-Biotics' geographical presence

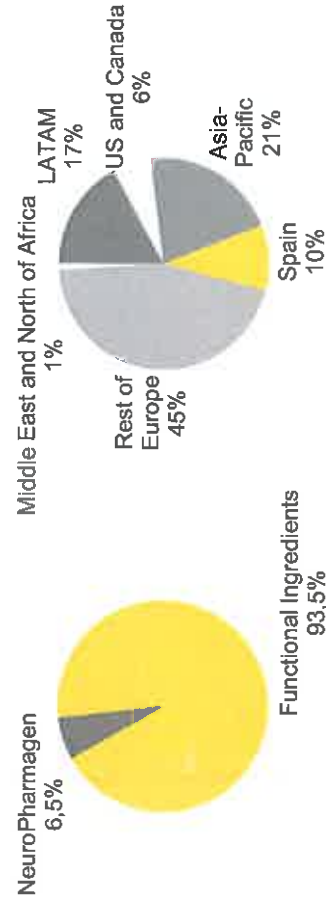
## Main financial figures (FY16A – YTD19A: €k)

€k	FY16A	FY17A	FY18A	YTD19A <sup>(1)</sup>
<b>Revenues</b>	<b>5,387</b>	<b>7,979</b>	<b>13,226</b>	<b>7,241</b>
<b>Growth (%)</b>		48.1%	65.8%	6.7%
<b>EBITDA</b>	<b>(1,454)</b>	<b>213</b>	<b>2,001</b>	<b>1,051</b>
<b>Margin (%)</b>		2.7%	15.1%	14.5%
<b>Net Debt</b>	<b>(2,012)</b>	<b>(1,397)</b>	<b>(754)</b>	<b>379</b>
<b>ND/EBITDA (x)</b>	1.4x	(6.5x)	(0.4x)	0.4x

Notes: (1) Revenues growth for YTD19 is calculated over YTD18 figures. We have considered Revenues, EBITDA and Net Debt as of July 2019, being the latest financial figures available.

Source: EY Analysis based on information provided by the Company

## Product and geographical sales breakdown (FY18: %)



## 2 Company overview

### AB-Biotics business model

1. Executive Summary
- 2. Company overview**
3. Introduction overview
4. Scope of work and
5. Article 5 of RD 1062/2007
6. Article 10 of RD 1062/2007
7. Conclusion
8. Appendices

#### Origins



- ▶ The initial phases of AB-Biotics were highly intense in research and development, where several expeditions to different places around the world were carried out in order to obtain the microbiomes from which to develop an own collection of natural bacterial strains. Only the samples of strains considered of interest are then replicated in bio-reactors.
- ▶ This own bank of natural strains has allowed AB-Biotics to develop one of the most innovative and patented probiotics pipeline in the world. The main patents, which expire between 2028 and 2036, are currently marketed in the form of several products such as AB-Digest, AB-Kolicare, I3.1 or AB-Dentalac, among others.

#### Production



- ▶ AB-Biotics externalizes its production and all strains are replicated in two different plants.
- ▶ The suppliers of AB-Biotics can be differentiated into two different categories, which operate as follows:
  - Active ingredients' suppliers: responsible for the fermentation process of microorganisms into active ingredients, which takes place in bio-reactors.
  - Final product suppliers: these are responsible for producing the final product based on the active ingredients previously obtained. Once the final products are finalized, these are delivered to the clients in several formats such as capsules or oils.

#### Distribution



- ▶ AB-Biotics follows a simple distribution model, where, previous contract with the client and orders upon request, the Company develops and externalizes the production of the final products with the purpose of selling it to its final customers at a transfer price.
- ▶ These final products are ready to be distributed to AB-Biotics' clients with the requested format and brand as agreed with each client.

#### Contracts



- ▶ Agreements with clients are established on a contractual basis through master agreements, where prices are agreed and kept constant referred to inflation. Based on this scheme, the Company is not exposed to the risk derived from changes in the pricing terms.
- ▶ These contracts with clients usually include certain minimum order amounts in order to preserve the exclusivity of the final product. In case a client does not meet such requirement, the Company removes the exclusivity of the final product to such client and proceed to sell it to new ones.

# 3

## Transaction overview

In this section

Page

11



### 3 Transaction overview

- 1 Executive Summary
- 2 Company overview
- 3 Transaction overview**
- 4 Sponsorship and
- 5 AIFM 9,039,031,000,000
- 6 AIFM 10,000,000,000

- 7 Conclusion
- 8 Appendices

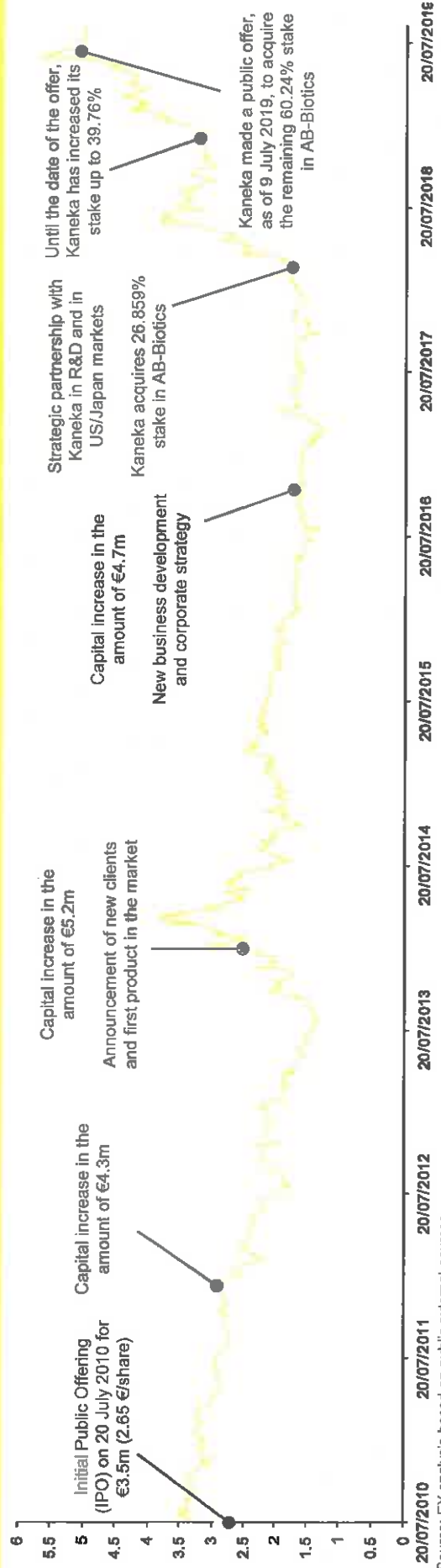
### Background and overview of the Transaction

On 28 March 2018, the Company and Kaneka Americas Holding, Inc. subscribed a license agreement by which AB Biotics granted Kaneka Americas Holding, Inc. the exclusive right to manufacture, import, ferment, use, sell and offer certain products of AB-Biotics in Japan and North America.

Likewise and as an inseparable part of the same agreement, the Kaneka Group, through Kaneka Europe Holding Company NV, invested in AB-Biotics' capital through the acquisition of 26.859% of its shares through different private acquisitions. This percentage of the Company's share capital has increased since then and, as of 9 July 2019, the Bidder already was the owner of 5,005,234 shares of AB-Biotics, which represent 39.76% of its share capital.

The Bidder intended to achieve 100% of the capital of the Company by placing an offer to all the shareholders of the Company (other than the Bidder) for the acquisition of the remaining 7,583,025 shares in AB-Biotics, which represent 60.24% of its share capital. The ultimate objective of Kaneka following the execution of the offer was to promote the delisting of AB-Biotics' shares from the Mercado Alternativo Bursátil ("MAB"). According to the announcement of the voluntary public tender offer over the shares of AB-Biotics launched by Kaneka, the offer was formulated as a purchase and sale of shares settled in cash, being the offer price 5.00 euros per share. As of the Reference Date and after the offer's acceptance period, Kaneka is the owner of 66.33% of AB-Biotics. After the expiry of the takeover bid, Kaneka has launched a new open offer of 5.00 euros per share with the objective of increasing its stake prior to the delisting of the Company.

### AB-Biotics stock price and main milestones (20 July 2010 – 26 August 2019; €/share)



Source: EY analysis based on public external sources

# 4

## Scope of work and procedures

In this section	Page
Scope of work, premise of value and procedures	13
Other considerations	15



## 4 Scope of work and procedures

### Scope of work, premise of value and procedures

1	Executive Summary	7	Conclusions
2	Company Overview	8	Appendices
3	Transaction Overview		
4	Scope of Work and		
5	Article 9.5 of RD 1066/2007		
6	Article 10.5 of RD 1066/2007		

#### Purpose

This Report has been prepared by request of AB-Biotics, S.A. with the purpose of providing a fairness opinion on the equity value of AB-Biotics' shares based on the procedures described in articles 9 and 10.5 of the Royal Decree 1066/2007 on Takeover Bids (*Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de Valores*) in the context of the open offer launched by Kaneka as a result of the delisting process in which the Company is involved.

#### Valuation Date

Our conclusion of value is valid as of 26 August 2019 ("the Reference Date").

The valuation analysis was performed based on the latest Financial Statements available as of 31 July 2019 and based on information provided by the Company. Any material modification or events or circumstances related to the economic environment, market or Company's operations arising after the date of release of the Report could mean a change in our conclusions of value.

#### Premise of value

The appropriate basis of valuation for the purpose of our work is Fair Value. This is defined by the International Valuation Standard Council as: "*The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*" This will be the definition of value that we apply for this valuation.

This definition of value has determined the selection of methodologies that we finally considered in our conclusion of value. In those cases where the methodology analyzed did not reflect Fair Value, this has been discarded from our opinion of value.

#### Main procedures of our work

In order to carry out the work and meet the objectives set forth in the scope of our mandate, we have conducted the following procedures:

- ▶ Analysis of the proposed Transaction from a financial point of view, through the gathering and global analysis of certain information related to the Transaction and the business, such as:
  - Holding interviews with Client's Management in order to obtain a clear understanding of the Company's business.
  - Analysis of the market and the competitive and economic environment in which the Company operates.
  - Analysis of the macroeconomic environment in which the Company operates.
  - Analysis of the documents necessary to understand AB-Biotics' financial situation as well as its historical and projected cash generation capacity.
- ▶ Identification and subsequent selection of the valuation methodologies to be used in order to estimate the fair value of the Company, which will be in line with the ones described in articles 9 and 10.5 of the Spanish Royal Decree 1066/2007 on Takeover Bids (*Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores*).
- ▶ Sensitivity analysis to various financial and operating parameters of the Company's Business Plan.
- ▶ Obtaining a Representation Letter from the Client.

## 4 Scope of work and procedures

### Scope of work, premise of value and procedures

1	Executive Summary	7
2	Company Overview	8
3	Timeline of the Offer	10
4	Scope of work and procedures	11
5	Assessment of the Offer	12
6	Annex 10 of RD 1066/2007	13

#### Main procedures of our work (Cont.)

- ▶ Issuance of a Fairness Opinion Letter, addressed to the Board of Directors of the Client concluding with our opinion on the equity value of AB-Biotics's shares for its consideration in the delisting process in which the Company is involved after the takeover bid launched by Kaneka for the 60.24% of AB-Biotics.
- ▶ Issuance of this supporting Valuation Report, in English, describing the main methodologies and assumptions used in our valuation, as well as the valuation conclusions reached.

#### Methodologies

The main valuation methodologies used for reaching our conclusions are in line with those described in articles 9 and 10.5 of the Royal Decree 1066/2007 on Takeover Bids (*Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores*):

#### Article 9:

- ▶ **Price offered by Kaneka over the last twelve months**, according to which the bids must be made with a price or consideration higher than the highest price the offeror has paid or agreed to pay over twelve months prior to the announcement of the offer.

#### Article 10.5:

- ▶ **Net Book Value** of the Company and the consolidated group, calculated based on the latest between the audited annual accounts and the latest financial statements.
- ▶ **Liquidation value** of the Company and the consolidated group. If the application of this method were to result in significantly lower values than those obtained from the other methods, its calculation will not be necessary as long as the circumstance is stated in the report.
- ▶ **Weighted average share price during the semester immediately prior** to the Reference Date, regardless of the number of sessions in which they were negotiated.
- ▶ **Takeover bids over the last twelve months**, in the event that a takeover bid has been made over a period of one year prior to the date of the offer.
- ▶ **Other valuation methods** applicable to the specific case and commonly accepted by the international financial community. EY has considered the following methodologies that are detailed in the following pages: Income Approach (Discounted Cash Flow Methodology) and Market Approach (Comparable Listed Companies and Precedent Transaction multiples).

## 4 Scope of work and procedures

### Other considerations

1	Exhibitive Summary	7	Conclusion
2	Company Overview		#Apposites
3	Transaction Overview		
4	Scope of work and		
5	Article 9.3 of the RFR		
6	Article 10.1 of the RFR		

#### Other considerations

- ▶ EY has no conflict of interest for the performance of this work and has not received, nor will receive, any type of contingency fees in connection with this work.
- ▶ To carry out our work, Company's Management has granted us access to certain historical and prospective financial information of AB-Biotics. Additionally, we have also considered certain publicly available information regarding the industry of probiotics and other relevant information about companies which operate in this industry. In arriving at our conclusion, we have assumed that all the information provided to us is trustworthy, accurate, true and complete in all aspects to date, and that any information that is or could be relevant for our work has been provided to us in its entirety.
- ▶ We have not carried out an audit or an independent investigation to determine the veracity or accuracy of the information provided. Likewise, we do not express any opinion as to the basis on which assumptions about the financial statements, estimates, and financial projections have been prepared or as to the reasonableness of such projections.
- ▶ The valuation has used financial projections provided by the Company for the years 2019-2021. Any forecasts beyond that period shown in this report have been prepared by EY based on our best understanding of the business of the Company and its industry and should not be understood as AB-Biotics' strategic or business plan. They must be considered exclusively in the context of the present valuation exercise together with all other valuation parameters such as the discount rate (WACC), and should not be considered in any other context. Any modifications in, among others, the projected revenues growth profile and/or the operating margins would result in a different discount rate and/or terminal growth rate. EY assumes no responsibility derived from the fulfillment of the aforementioned financial projections.
- ▶ In relation to the work carried out, we should point out that certain aspects of the valuation involve, aside from objective factors, underlying factors that imply making judgments and establishing hypotheses that are dependent to a large extent of future events whose final outcome cannot be determined at present. As a result, some of the hypotheses used to arrive at our conclusions may not materialize as predicted.
- ▶ Our opinion is based on our financial analysis of the information provided by the Management and publicly available financial information collected by us. As we are financial advisors, we have relied on the accuracy of the information provided by AB-Biotics without independent verification.
- ▶ This Report, as well as the information within, is confidential, it has been prepared in the context previously described and therefore should not be used for any other purpose or distributed without our prior written consent. EY declines any responsibility for an improper use of this document or for a purpose other than that established in our Engagement Agreement or by users other than those described in our Engagement Agreement.
- ▶ In relation to the analysis carried out, our conclusion of the reasonableness of the price per share could differ from the considerations to be made by others to reach a final price in the context of a transaction and / or that can be agreed by the parties or others in a negotiation process, depending on the negotiation aspects of the parties involved and specific factors of the eventual agreement. Therefore, our conclusions are not aimed at determining the price at which a transaction should be made, which is something that must be agreed between the parties involved. Our conclusion should not be interpreted as meeting all the analysis requirements that a potential investor should carry out in relation to a potential transaction and therefore any potential investor should perform its own analysis and the checks it deems necessary in order to reach its own conclusions.
- ▶ There may be differences in the total sums of graphs and tables due to rounding of decimals.

# 5

## Article 9 of RD 1066/2007

In this section

Page

47

## 5 Article 9 of RD 1066/2007

- 1 Executive summary
  - 2 Company overview
  - 3 Transaction overview
  - 4 Scope of work and
  - 5 Article 9 of RD 1066/2007**
  - 6 Article 1066RD 1066/2007
- 7 Conclusion  
8 Appendices

### Price offered by Kaneka over the last twelve months

EY has considered the valuation method established in article 9 of Royal Decree 1066/2007 on Takeover Bids (*Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores*). The article stipulates that “the bids [...] must not be made with a price or consideration lower than the highest price the offeror has paid or agreed to pay over the twelve months prior to the announcement of the offer”.

Kaneka has carried out several acquisitions of AB-Biotics' shares over the twelve months prior to the announcement of the offer. Based on the price evolution during the timeframe throughout which the different acquisitions took place, it seems reasonable to assume that the highest price paid by Kaneka in such acquisitions was that of the latest acquisitions performed in the context of the takeover bid: **5.00 euros per share**.



# 6

## Article 10 of RD 1066/2007

<b>In this section</b>	<b>Page</b>
Overview of valuation methodologies	19
Net Book Value	20
Liquidation Value	21
Weighted average share price of the last semester	22
Takeover bids over the last twelve months	23
Discounted Cash Flow Method	24
Discounted Cash Flow Method (Cont.)	25
Guideline Comparable Companies Method	30
Guideline Precedent Transaction Method	32

## 6 Article 10 of RD 1066/2007

### Overview of valuation methodologies

- 1 Executive summary
- 2 Company overview
- 3 Transition overview
- 4 Scope of work and
- 5 Article 9 of RD 1066/2007
- 6 **Article 10 of RD 1066/2007**

- 7 Conclusion
- 8 Appendices



#### Introduction

Although it is not required to perform this analysis following the Royal Decree 1066/2007 on Takeover Bids (*Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores*), as Company's shares are not traded in a regulated market, following Client's instructions, EY has performed the valuation of AB-Biotics based on the methodologies described in articles 9 and 10.5 of Royal Decree 1066/2007, which are as follows:

- |          |  |  |
|----------|--|--|
| <b>A</b> | <b>Net Book Value</b>                            | <ul style="list-style-type: none"> <li>▶ Net Book Value ("NBV") of the Company and the consolidated group, calculated based on the latest between the audited annual accounts and the latest financial statements.</li> </ul>  |
| <b>B</b> | <b>Liquidation Value</b>                         | <ul style="list-style-type: none"> <li>▶ Liquidation value is the value to obtain from the company under the hypothesis of proceeding to its liquidation or orderly dissolution, that is, the value that would be obtained in the event that all its assets are sold, liquidated all its liabilities and all costs arising from the liquidation process are paid.</li> </ul> |
| <b>C</b> | <b>Weighted average share price</b>              | <ul style="list-style-type: none"> <li>▶ Weighted average share price during the semester immediately prior to the Reference Date, regardless of the number of sessions in which they were negotiated.</li> </ul>  |
| <b>D</b> | <b>Takeover bids over the last twelve months</b> | <ul style="list-style-type: none"> <li>▶ Value of the consideration previously offered, in the event that a takeover bid has been made over a period of one year prior to the date of the offer.</li> </ul>  |

In addition, the RD establishes that other methods of valuation applicable to the specific case and commonly accepted by the international financial community should be included, such as:

- |          |  |   |
|----------|--|---|
| <b>E</b> | <b>Discounted Cash Flow Method</b>             | <ul style="list-style-type: none"> <li>▶ Methodology based on the cash flows that the company expects to obtain from its activity, calculating the cash flows for a certain number of years plus a terminal value, if applicable. Those cash flows available are discounted at present value to obtain the fair value of the company.</li> </ul>  |
| <b>F</b> | <b>Guideline Comparable Companies Method</b>   | <ul style="list-style-type: none"> <li>▶ This method assesses the value of the company using the metrics of other businesses of similar size within the same industry. In this method, the valuation multiples of comparable listed companies are analysed and adjusted based on the business model of the company valued in relation to the selected comparables. To obtain a fair value indicator, they are applied to relevant financial indicators of the Company.</li> </ul> |
| <b>G</b> | <b>Guideline Comparable Transaction Method</b> | <ul style="list-style-type: none"> <li>▶ This methodology considers the price paid in previous transactions of the same industry or one related to the industry in which the Company operates, and the implicit multiples are then applied over relevant financial indicators of the Company.</li> </ul>  |



## 6 Article 10 of RD 1066/2007 Net Book Value

1	Executive summary
2	Company overview
3	Transition overview
4	Scopes of work
5	Article 9 of RD 1066/2007
6	<b>Article 10 of RD 1066/2007</b>
7	Conclusion
8	Appendices

A

### Net Book Value

#### Net Book Value as of Reference Date

€k	Jul. 2019
Capital	629
Share premium	17,364
(Own shares and equity holdings)	(129)
Reserves	152
Prior periods' profit and loss	(11,330)
Profit/(loss) for the period	292
Capital and reserves without valuation adjustments	6,979
Available-for-sale financial assets	(4)
Valuation adjustments	(4)
Grants, donations and bequests received	337
<b>Total Shareholders Equity</b>	<b>7,311.6</b>
Number of shares (thousands)	12,588,259
Treasury Stock (thousands)	(82,604)
<b>Number of shares net of treasury stock (thousands)</b>	<b>12,505,655</b>
<b>Price (€/share)</b>	<b>0.58</b>

Source: EY Analysis based on information provided by the Company

As stipulated in Royal Decree 1066/2007, in order to apply this valuation methodology, we have used the Financial Statements as of 31 July 2019, as they are the latest Financial Statements available as of the Reference Date.

For the NBV per share calculation, we have taken into consideration the number shares outstanding, net of treasury stock, as of the Reference Date.

The NBV represents by definition the net book value of the Company's assets and liabilities, that follow specific rules of valuation. These rules are closely related to the book or market value for some assets, but can follow different criteria for other assets. These criteria can undervalue (as they are at historical cost for example) or overvalue (when time value of money is taken into account) the assets and liabilities of the Company. For all these reasons, the NBV is not the most appropriate reference of the market value of a company.

As an additional reference for a static value reference of the Company, we have analyzed the capital invested over time in AB-Biotics, which consists of several capital increases and an IPO for c. €14m plus a c. €4m CDTI loan. The total amount invested therefore amounts to approximately €18m, which equals to a value below €1.5 per share.

#### Conclusion

We consider both NBV and the total invested capital to not be representative of the fair value of Company's shares. This is due to the fact that NBV is a static approach which is subject to accounting criteria that does not necessarily reflect the market value of the business at a particular moment in time, and that the total invested capital is a floor value which however does not reflect the value creation of the Company to date.

## 6 Article 10 of RD 1066/2007

### Liquidation Value

- 1 Executive summary
- 2 Company Overview
- 3 AB-Biotics' share(s)
- 4 Scope of work and
- 5 Article 10 of RD 1066/2007
- 6 **Article 10 of RD 1066/2007**
- 7 Conclusion
- 8 Appendices

B

### Liquidation Value

This valuation method reflects the value of a company in the case of a dissolution, liquidation and a permanent closing. This is the value of a company immersed in the sale of its assets and the cancellation of its debts, taking into consideration the latent gains and/or losses, as well as the contingencies that may exist.

With the object of reflecting said latent gains and/or losses, the baseline value on which we would calculate the Net Liquidation Value of AB-Biotics would be the value obtained through the Discounted Cash Flow (DCF) methodology, minus any liquidation costs (such as labour cost derived from the severance of its employees, among others). Furthermore, the liquidation of a company would set a situation of forced sale that would require the sale of the assets to be carried out in an accelerated manner, for which it would be necessary to apply an additional discount to the implicit value of the assets in the DCF or in the comparable multiples method.

In addition to the above, any accelerated sale could potentially entail an additional effect: the loss of the applicability of the fiscal credit generated by the accumulated losses.

### Conclusion

As a consequence of the previous analysis and in the context of AB Biotics' creation of value, EY considers that the Liquidation Value of the Company would result in a significantly lower value compared to the DCF methodology described in this document. **Therefore, we consider it inadequate for the objective of this valuation exercise.**

**6 Article 10 of RD 1066/2007**

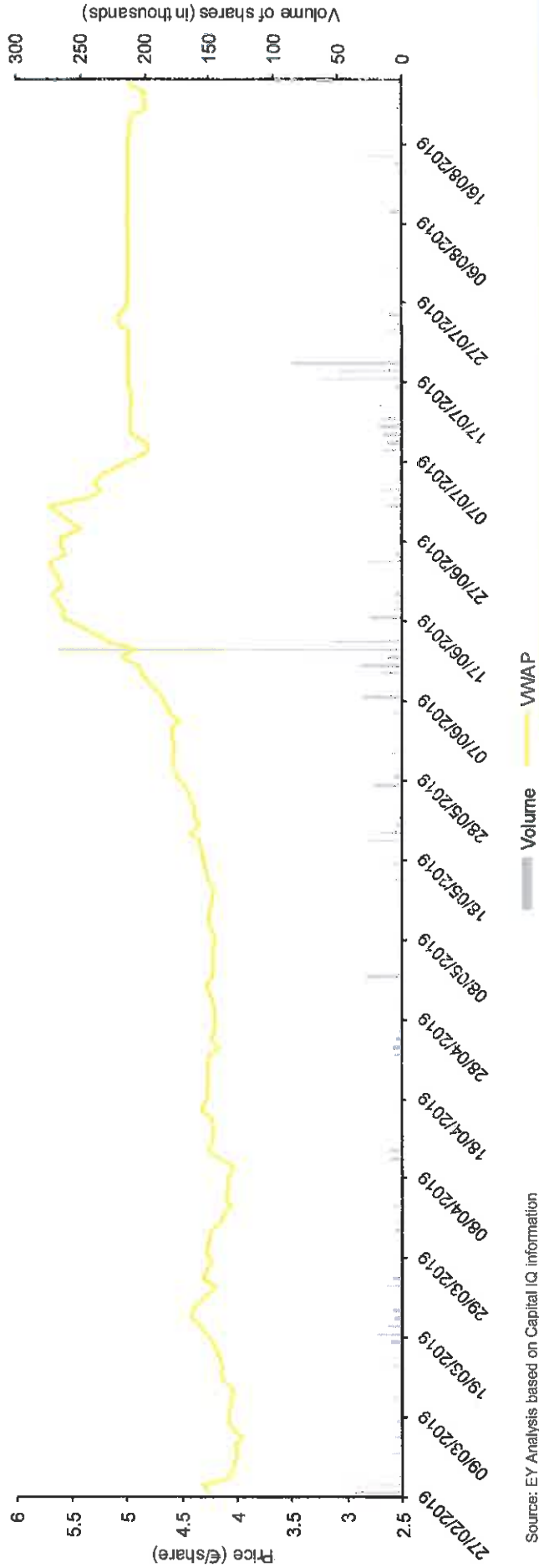
**Weighted average share price of the last semester**

- 1 Executive summary
- 2 Company overview
- 3 Transaction overview
- 4 Scope of work and
- 5 Appendix A to RD 1066/2007
- 6 Article 10 of RD 1066/2007**
- 7 Conclusion
- 8 Appendices

**Weighted average share price of the last semester**

The following graph shows the evolution of the weighted average share price of AB-Biotics in the MAB. According to article 10 of the RD, the weighted average price should be considered over the six months immediately prior to the Reference Date.

A detail of the analysis of the share price of AB-Biotics, in particular the weighted average share price or Volume Weighted Average Price ("VWAP") over the last 6 months is as follows:



Source: EY Analysis based on Capital IQ information

**Conclusion**  
 During the semester preceding 26 August 2019, the weighted average price has resulted in a price per share for AB-Biotics of **4.53 euros** as of the Reference Date.

Note: The VWAP calculated based on our public sources of information could slightly differ from the one obtained from an official BME certificate.

## 6 Article 10 of RD 1066/2007

### Takeover bids over the last twelve months

- 1 Executive Summary
- 2 Company overview
- 3 Transaction overview
- 4 Scope of work and
- 5 Article 9 of RD 1066/2007

#### 6 Article 10 of RD 1066/2007

- 7 Conclusion
- 8 Appendices

0

#### Takeover bids over the last twelve months

EY has considered the valuation methods established in article 10.5 of Royal Decree 1066/2007 on Takeover Bids (*Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores*). Article 10.5 refers to the value of the consideration previously offered, in the event that a takeover bid has been made over a period of one year prior to the date of the offer, as one of the methodologies to consider.

On 9 July 2019, Kaneka launched a voluntary public tender offer at **5.00 euros per share** over the 60.64% of AB-Biotics it did not already own, which resulted in an acceptance of 3,344,849 shares out of 7,583,025. This acceptance represented 26.57% of the Company's share capital, and as of the Reference Date Kaneka is the owner of 66.33% of AB-Biotics.

6 Article 10 of RD 1066/2007

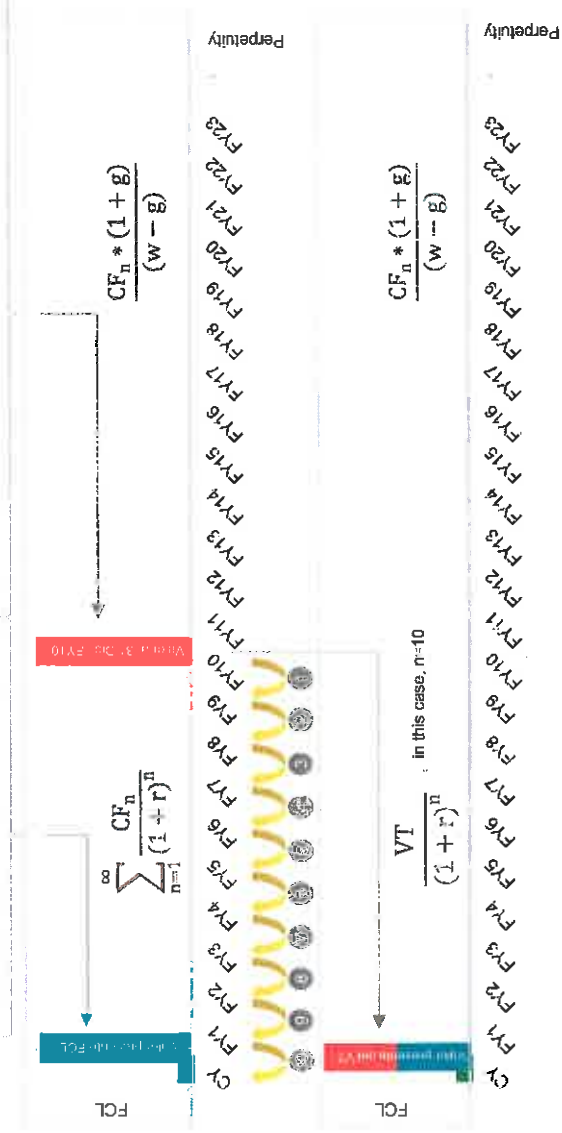
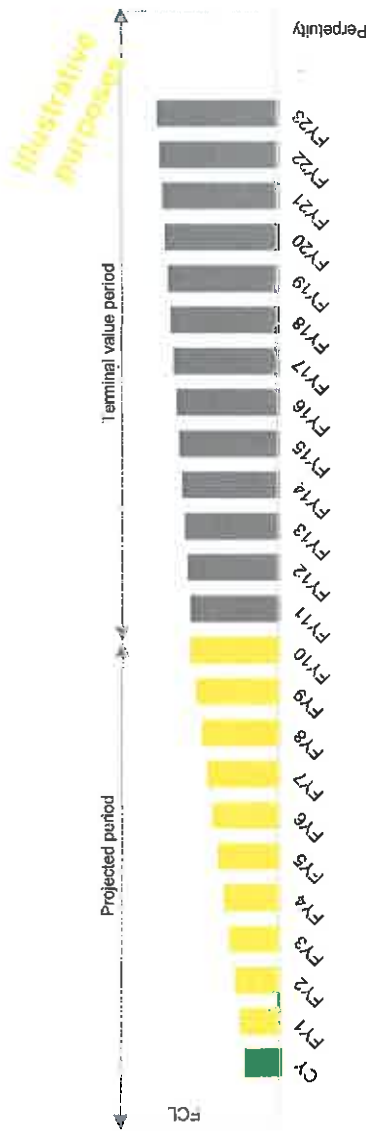
Discounted Cash Flow Method

- 1 Executive summary
- 2 Company overview
- 3 Transaction overview
- 4 Scope of work and
- 5 [Article 10 of RD 1066/2007](#)

6 Article 10 of RD 1066/2007

E

Discounted Cash Flow Method (Income Approach)



The Income Approach focuses on the expected cash flow of the subject company. In applying this approach, the cash flow is calculated for a finite period of years. Cash flow is defined, for purposes of this analysis, as the amount of cash that could be distributed to all the providers of funding, without impairing the future profitability or operations of the subject company.

The cash flow and the terminal value (the value of the subject company at the end of the projected period) are then discounted to present value to derive an indication of value of a 100% interest in the enterprise value for the subject company.

In this context, enterprise value is defined as the market value of a company's equity plus the market value (or book value if the market value is not available) of a company's interest bearing debt.

Interest bearing debt, if any, is then subtracted from the enterprise value to arrive at an indication of the value of equity.

Our valuation of AB-Biotics has used financial projections provided by the Company for the years 2019-2021. Any forecasts beyond that period shown in this report have been prepared by EY based on our best understanding of the business of the Company and its industry and should not be understood as AB-Biotics' strategic or business plan. They must be considered exclusively in the context of the present valuation exercise together with all other valuation parameters such as the discount rate (WACC), and should not be considered in any other context. Any modifications in, among others, the projected revenues growth profile and/or the operating margins would result in a different discount rate and/or terminal growth rate. EY assumes no responsibility derived from the fulfillment of the aforementioned financial projections.



## 6 Article 10 of RD 1066/2007

## Discounted Cash Flow Method (Cont.)

- 1 Exclusion of liability
- 2 Company overview
- 3 Transition to advisory work
- 4 Scope of work and
- 5 Article 9 of RD 1066/2007
- 6 Article 10 of RD 1066/2007

## E

## Discounted Cash Flow Method (Income Approach)

## Projected period (FY19E-FY34E)

	FY19E	FY20E	FY21E ...	FY34E
Revenues	16,449	23,088	30,901	43,178
Self-developed intangible asset income	716	716	716	908
<b>Total Revenues</b>	<b>17,164</b>	<b>23,803</b>	<b>31,616</b>	<b>44,086</b>
% Growth	29.8%	38.7%	32.8%	(19.1%)
Operating Costs	(14,127)	(18,774)	(23,272)	(32,450)
<b>EBITDA</b>	<b>3,038</b>	<b>5,030</b>	<b>8,344</b>	<b>11,636</b>
% Growth	51.8%	151.4%	55.9%	(19.1%)
EBITDA Margin	17.7%	21.1%	26.4%	26.4%
D&A	(1,454)	(1,599)	(1,759)	(958)
<b>EBIT</b>	<b>1,584</b>	<b>3,431</b>	<b>6,585</b>	<b>10,678</b>
Cash taxes paid (25%)	(398)	(858)	(1,648)	(2,669)
<b>NOPAT</b>	<b>1,186</b>	<b>2,573</b>	<b>4,939</b>	<b>8,008</b>
Grants adjustment	(100)	(100)	(100)	-
Self-developed intangible asset income	(716)	(716)	(716)	(908)
Deferred revenue	(178)	(178)	(178)	-
Non-cash item adjustments	(994)	(994)	(994)	(908)
D&A	1,454	1,599	1,759	958
Capex	(60)	(50)	(60)	(50)
Change In Working Capital	(521)	(878)	(1,033)	1,378
<b>Free Cash Flow</b>	<b>1,077</b>	<b>2,250</b>	<b>4,621</b>	<b>9,388</b>
Partial period	0.35	1.00	1.00	1.00
<b>Free Cash Flow</b>	<b>376</b>	<b>2,250</b>	<b>4,621</b>	<b>9,388</b>

Source: Information provided by Management, industry reports and EY Analysis

A brief explanation of the financial projections used for the DCF methodology is as follows:

## Revenues

- ▶ Revenues are divided in three major projected periods to be considered:

- **Business Plan of the Company (2019-2021):** Revenues are in line with the growth rates estimated by the Company for both its product lines, with growth coming mainly from probiotics. Revenues include estimated royalties derived from the alliance with Kaneka in North America and Japan, amounting to €2.5m in 2021. Other concepts include accrued capital grants and the accrual of the initial payment of €1.2m made by Kaneka under the aforementioned agreement.

- **Normalization period of revenues (2022-2027):** From 2022 onwards, revenues have been normalized with growth rates tending towards the medium-term growth rate estimated by industry reports<sup>(1)</sup> for the probiotics industry, being 7.0% worldwide. Consequently, revenue growth would gradually slow down from current growth rates of around 30%, corresponding to a ramp-up period, to more normalized growths in line with the market long-term estimates.

- **Loss of patents period (2028-2034):** Between 2028 and 2034, the patents of several products of AB-Biotics' portfolio will be lost, being the remaining products exposed to the entry of new competitors. During this period we have estimated a decrease in the growth rates considered based on the expiration dates of the patents, eventually reaching an annual negative growth of 20%. For further detail on the patents expiration, please refer to the Appendix section.

- ▶ Self-developed intangible asset income corresponds to the R&D capitalized costs, for which no significant growth (other than inflation) has been projected, consistent with the fact that no relevant new product launches have been contemplated in the forecast.

## EBITDA

- ▶ EBITDA based on the Business Plan provided by Management for the period 2019 and 2021, including (i) COGS, (ii) personnel costs, (iii) operating expenses, (iv) capitalized services and (v) commercial operations.

- ▶ For the purposes of this exercise, we have maintained the Company's EBITDA margin of the last year projected by Management (2021), 26.4%, over the projected period of 2022-2034.



## 6 Article 10 of RD 1066/2007

## Discounted Cash Flow Method (Cont.)

1	Executive summary	7	Conclusion
2	Company overview	8	Appendices
3	Transaction overview		
4	Scope of report and		
5	Abbreviations		
6	Article 10 of RD 1066/2007		

## E

## Discounted Cash Flow Method (Income Approach)

## Projected period (FY19E-FY34E)

Ek	FY19E	FY20E	FY21E	...	FY34E
Revenues	16,449	23,088	30,901		43,178
Self-developed intangible asset income	716	716	716		908
<b>Total Revenues</b>	<b>17,164</b>	<b>23,803</b>	<b>31,616</b>		<b>44,086</b>
% Growth	29.8%	38.7%	32.8%		(19.1%)
Operating Costs	(14,127)	(18,774)	(23,272)		(32,450)
<b>EBITDA</b>	<b>3,038</b>	<b>5,030</b>	<b>8,344</b>		<b>11,636</b>
% Growth	51.3%	151.4%	65.0%		(19.1%)
EBITDA Margin	17.7%	21.1%	26.4%		26.4%
<b>D&amp;A</b>	<b>(1,454)</b>	<b>(1,599)</b>	<b>(1,759)</b>		<b>(958)</b>
<b>EBIT</b>	<b>1,584</b>	<b>3,431</b>	<b>6,595</b>		<b>10,678</b>
Cash taxes paid (25%)	(396)	(858)	(1,646)		(2,669)
<b>NOPAT</b>	<b>1,188</b>	<b>2,573</b>	<b>4,939</b>		<b>8,008</b>
Grants adjustment	(100)	(100)	(100)		-
Self-developed intangible asset income	(716)	(716)	(716)		(908)
Deferred revenue	(178)	(178)	(178)		-
Non-cash item adjustments	(994)	(994)	(994)		(908)
D&A	1,454	1,599	1,759		958
Capex	(50)	(50)	(50)		(50)
Change in Working Capital	(521)	(878)	(1,033)		1,379
<b>Free Cash Flow</b>	<b>1,077</b>	<b>2,250</b>	<b>4,621</b>		<b>9,388</b>
Partial period	0.35	1.00	1.00		1.00
<b>Free Cash Flow</b>	<b>375</b>	<b>2,250</b>	<b>4,621</b>		<b>9,388</b>

Source: Information provided by Management, industry reports and EY Analysis

A brief explanation of the financial projections used for the DCF methodology is as follows (Cont.):

#### Depreciation and amortization (D&A)

- ▶ We have reflected the D&A assumptions of the Company's Business Plan, which include mainly the amortization of R&D capitalized cost, and assumed a normalization period (2022-2025) tending towards the sum of projected self-developed intangible asset income plus CapEx.

#### Taxes

- ▶ We have considered the current statutory tax rate for Spain of 25%. Any value attributed to the tax credit associated to NOLs has been reflected separately in our valuation.

#### Adjustments to the NOPAT

- ▶ EY considered the following non-cash items for tax purposes and then adjusted them below NOPAT in order to calculate Free Cash Flow:
  - Grants: non-reimbursable capital grants which are reflected as income over time but are not a cash item.
  - Self-developed intangible asset accrued income: we have considered, based on conversations with the Client, that the Company will maintain a certain level of R&D work, in line with the previous years, which is then activated. Its projection has been made based on inflation.
  - Deferred revenue of the upfront payment paid by Kaneka, projected in line with the information provided in the Annual Accounts.

#### CapEx

- ▶ EY has considered a residual level of maintenance CapEx of €50k over the projected period, in line with conversations with Management.

#### Variation in Working Capital

- ▶ EY has estimated the variation in Working Capital based on the historical ratio over revenues of 13.2%.

**6 Article 10 of RD 1066/2007****Discounted Cash Flow Method (Cont.)**

1	Executive summary	7	Conclusion
2	Company overview	8	Appendix
3	Transaction overview		
4	Scope of work and		
5	Article 9 of RD 1066/2007		
6	Article 10 of RD 1066/2007		

**E****Discounted Cash Flow Method (Income Approach)****Terminal Value**

	TV
<b>Growth rate</b>	<b>(20.0%)</b>
<b>EBITDA margin</b>	<b>26.4%</b>
<b>D&amp;A</b>	<b>766</b>
<b>Capex</b>	<b>(40)</b>
<b>Change in Working Capital</b>	<b>2,970</b>

Source: EY Analysis

The Terminal Value (TV) of a company is the value of the cash flows that are expected to be generated from the last year of projection onwards to perpetuity.

- ▶ EY has estimated a Terminal Value, considering a negative long-term growth rate of (20.0%).
- ▶ EBITDA: EY has considered an EBITDA margin of 26.4%, in line with the projected period.
- ▶ CapEx has been projected to the negative long-term growth rate of 20%.
- ▶ We have kept constant the projected level of working capital position over revenues (13.2%).
- ▶ Amortization has been equalled to the sum of CapEx and self-development intangible asset income, assuming that in the long-term the investments tend to be aligned with the amortization in order to replace existing assets over time.

6 Article 10 of RD 1066/2007

Discounted Cash Flow Method (Cont.)

- 1 Executive Summary
- 2 Company Overview
- 3 Transaction Overview
- 4 Scope of work and
- 5 Assumptions
- 6 Article 10 of RD 1066/2007

7 Conclusion  
8 Appendices

E

Discounted Cash Flow Method (Income Approach)

Discounted Cash Flow (DCF)

A detail of the DCF of AB Biotics as of 26 August 2019, including a sensitivity analysis due to the relevance of some parameters used, such as the perpetuity growth rate (+/-1.5%) and the weighted average cost of capital (+/- 0.5%), is as follows:

	EWMA	EWTA	EWML	EWME	EWMI	EWMA	EWTA	EWML	EWME	EWMI	EWMA	EWTA	EWML	EWME	EWMI	EWMA	EWTA	EWML	EWME	EWMI
Revenues	4,250	7,467	12,525	16,448	23,068	30,301	38,384	44,374	47,481	50,804	54,351	58,186	61,485	64,602	68,033	69,851	53,622	43,178	34,542	
Self-developed intangible asset income	1,137	512	701	716	716	716	729	742	758	770	784	795	814	829	844	859	875	881	908	728
Total Revenues	6,387	7,979	13,226	17,164	23,803	31,017	45,113	45,117	48,237	51,574	66,145	69,985	82,282	85,430	86,877	91,762	57,728	54,514	44,088	35,289
% Growth	(8.24%)	(9.33%)	33.4%	22.8%	32.8%	23.7%	32.8%	32.8%	32.8%	32.8%	32.8%	32.8%	32.8%	32.8%	32.8%	32.8%	32.8%	32.8%	32.8%	32.8%
Operating Costs	(1,454)	213	2,001	3,038	5,030	8,344	10,323	11,968	12,731	13,612	14,554	15,552	16,438	17,251	17,851	18,288	14,328	14,454	12,450	9,360
% Growth	(14.4%)	32.4%	32.4%	32.4%	32.4%	32.4%	32.4%	32.4%	32.4%	32.4%	32.4%	32.4%	32.4%	32.4%	32.4%	32.4%	32.4%	32.4%	32.4%	32.4%
EBITDA	(1,090)	(1,137)	(1,190)	(1,454)	(1,599)	(1,759)	(1,524)	(1,290)	(1,055)	(820)	(634)	(498)	(364)	(230)	(94)	(308)	13,446	10,068	6,630	3,929
D&A	(2,544)	(924)	911	1,894	3,431	6,686	9,796	10,618	11,976	12,792	13,720	14,714	15,876	16,990	16,787	16,388	14,370	13,446	10,068	6,630
EBIT	(3,638)	(2,061)	(2,101)	(3,348)	(5,049)	(8,465)	(10,414)	(11,388)	(12,788)	(13,584)	(14,394)	(15,288)	(16,152)	(16,980)	(16,603)	(16,000)	(14,074)	(13,446)	(10,068)	(6,630)
Cash taxes paid (25%)	(909)	(515)	(500)	(471)	(466)	(461)	(456)	(451)	(446)	(441)	(436)	(431)	(426)	(421)	(416)	(411)	(406)	(401)	(396)	(391)
NOPAT	(4,547)	(2,576)	(2,601)	(3,819)	(5,515)	(8,926)	(10,870)	(11,834)	(12,734)	(13,543)	(14,330)	(15,157)	(15,928)	(16,759)	(16,419)	(16,011)	(14,080)	(13,446)	(10,068)	(6,630)
Grants adjustment	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Self-developed, intangible asset income	(718)	(718)	(718)	(718)	(718)	(718)	(718)	(718)	(718)	(718)	(718)	(718)	(718)	(718)	(718)	(718)	(718)	(718)	(718)	(718)
Deferred revenues	(178)	(178)	(178)	(178)	(178)	(178)	(178)	(178)	(178)	(178)	(178)	(178)	(178)	(178)	(178)	(178)	(178)	(178)	(178)	(178)
Non-cash item adjustments	(964)	(964)	(964)	(964)	(964)	(964)	(964)	(964)	(964)	(964)	(964)	(964)	(964)	(964)	(964)	(964)	(964)	(964)	(964)	(964)
D&A	1,434	1,598	1,759	1,524	1,290	1,055	820	834	849	864	879	894	909	925	941	957	972	987	1,002	1,017
Capex	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)
Change in Working Capital	(521)	(278)	(1,033)	(852)	(734)	(615)	(497)	(379)	(261)	(143)	(25)	(73)	(151)	(229)	(307)	(385)	(463)	(541)	(619)	(697)
Free Cash Flow	1,077	2,250	4,621	5,115	7,489	9,416	8,974	9,416	9,416	9,416	9,416	9,416	9,416	9,416	9,416	9,416	11,265	12,219	11,265	9,377
Partial period	0.3	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Free Cash Flow	376	2,250	4,621	5,115	7,489	9,416	8,974	9,416	9,416	9,416	9,728	10,530	11,242	11,976	12,376	12,219	11,265	10,510	9,388	9,377
Perpetuity rent																				
Discount period	0.2	0.8	1.8	2.8	3.8	4.8	5.8	6.8	7.8	8.8	9.8	10.8	11.8	12.8	13.8	14.8	15.8	16.8	17.8	18.8
Discount factor	1.0	0.9	0.8	0.7	0.6	0.5	0.4	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Discounted Free Cash Flow	367	2,021	3,957	4,263	4,900	4,654	4,279	4,087	3,896	3,612	3,133	2,725	2,214	1,820	1,432	1,044	750	556	462	470

	EWMA	EWTA	EWML	EWME	EWMI
Discounted cash flows	50,128	4,270			
Terminal value	4,270				
Enterprise value	54,397				
Net Debt	379				
Other assets and liabilities	14				
NOLs	2,465				
Equity value	57,258				
Number of shares	12,505,655				
Price per share	4.58				

Conclusion

Based on the previously described assumptions and as a result of the application of the DCF methodology, the price per share of AB Biotics is within the range of 4.42 and 4.75 euros per share.

Note: (1) Present value of the existing NOLs. Source: EY Analysis

**6 Article 10 of RD 1066/2007****Discounted Cash Flow Method (Cont.)**

- 1 Executive Summary
- 2 Company overview
- 3 Transition overview
- 4 Scope of work and
- 5 Article 9 of RD 1066/2007
- 6 Article 10 of RD 1066/2007**

7 Conclusions

8 Appendices

**E****Discounted Cash Flow Method (Income Approach)****Net Financial Debt and Other Non-Operating Assets and Liabilities**

The following is a breakdown of the Net Financial Debt and Other Non-Operating Assets and Liabilities included for the calculation of the Equity Value of the Company. According to our understanding of the annual accounts of the Company and of additional information verbally requested to the Management, we consider that these items include all the items of Net Financial Debt and Other Non-Operating Assets and Liabilities that corresponds to adjust the Enterprise Value to obtain the Equity Value of the Company.

	Jul. 2019
<b>Long term investments in group companies</b>	
1 Long term investments	143.1
2 Short term investments in group companies	525.4
3 Short term investments	0.0
Cash and cash equivalents	927.8
3 Long term debt	2,828.0
3 Short term debt	(3,019.6)
<b>Net Financial Debt</b>	<b>(1,025.3)</b>
4 Deferred tax assets	379.4
4 Deferred tax liabilities	42.9
Short term accruals	(112.2)
5 Long term provisions	94.5
<b>Other Non-Operating Assets and Liabilities</b>	<b>(11.6)</b>
6 NOLs	13.6
	<b>2,465.1</b>

Source: EY Analysis based on latest financial statements

- 1 Long term investments are related to deposits and bonds, guarantees, bond funds and performance funds.
- 2 Short term investments refer to equity instruments, loans to companies and other financial assets.
- 3 Long term and short term debt comprise loans related to R&D projects granted by the public administration for an amount of €3.9m and debts with credit institutions for a value of €335m.
- 4 Realization or reversal period of the deferred tax assets and liabilities exceeds, in most of the cases, a twelve months period.
- 5 Long term provisions refer to obligations for long term benefits to staff.
- 6 Net Operating Losses have been estimated as the present value of the taxes credits recovered based on the financial forecasts used in the DCF.



## 6 Article 10 of RD 1066/2007

### Guideline Comparable Companies Method

- 1 Executive summary
- 2 Company overview
- 3 Transaction overview
- 4 Sources for which data

#### 5 Article 10 of RD 1066/2007

- 7 Conclusion
- 8 Appendixes



### Guideline Comparable Companies Method

#### Guideline Comparable Companies Method (GCM)

For purpose of this analysis, EY has considered the Guideline Company Method ("GCM") as a valuation methodology.

Valuation multiples are calculated based on operating data from guideline publicly traded companies. Multiples derived from guideline companies provide an indication of how much a knowledgeable investor in the marketplace would be willing to pay for a company. Applicable multiples are then applied to the operating data of a company to arrive at the indications of value.

#### Public companies criteria

It was necessary to develop a global list of companies that could be considered similar to the Companies. Several sources of data were used to compile this global list or "universe" of potentially similar companies. The primary sources used to populate this universe included the following:

- ▶ Capital IQ database;
- ▶ Thomson Reuters;
- ▶ Company information

From a list of eligible companies, the selection was narrowed based primarily on the following:

- ▶ Business description: companies whose main business is the development of healthcare products in the biotechnology sector, more specifically probiotics.
- ▶ Geographical presence: we considered all the geographies as AB-Biotics operates worldwide.
- ▶ Financial situation: those comparable companies in "distressed" situation have been eliminated.
- ▶ Business model: we have focused the scope of comparable companies to those whose main activity is to develop and commercialize probiotics and where their manufacturing is mostly outsourced.

In applying the GCM, valuation multiples were derived based on annual and interim financial statements, publicly traded price of common stock, and estimated financial data of the comparable companies. To eliminate the impacts of differing capital structures among them, valuation multiples were primarily derived on an unlevered basis. Thus, multiples were based on a measure of the company's EV.

EY based the valuation in the EV/EBITDA multiple, as EY considered it to be the most representative multiple to reflect the value creation of the business of AB-Biotics.

As shown in the next slide, once the GCM market multiples were applied, we subtracted/added the Net Financial Position, the net present value of NOLs, as well as any other assets or liabilities from the Enterprise Value, in order to obtain the Equity Value of the Company.

**6 Article 10 of RD 1066/2007**

**Guideline Comparable Companies Method**

- 1. Executive Summary
- 2. Company Overview
- 3. Transaction Overview
- 4. Scope of Work and
- 5. Article 9 of RD 1066/2007
- 6. Article 10 of RD 1066/2007**



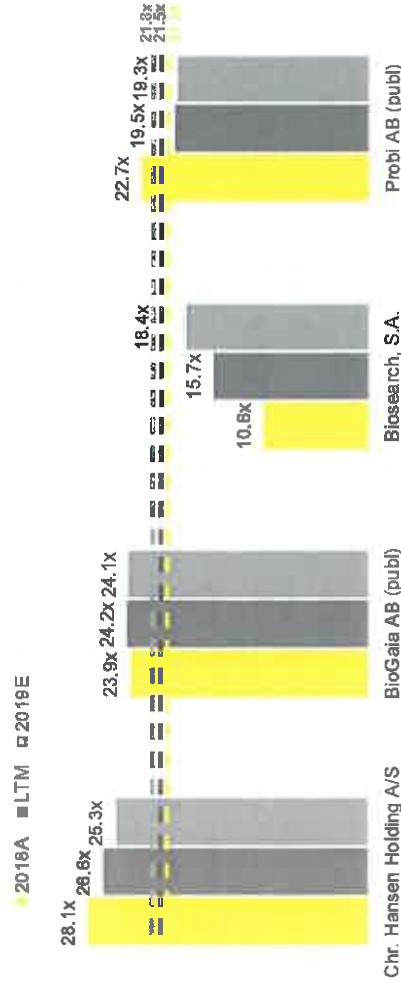
**Guideline Comparable Companies Method**

**Guideline Comparable Companies Method (GCM)**

To apply the Market Approach, we have considered the average of comparable companies LFY EV/EBITDA multiple (21.3x), the LTM EV/EBITDA multiple (21.5x) and the NFY EV/EBITDA multiple, (21.8x). We have applied respectively to such multiples the FY18 EBITDA (€2,001.0k), the LTM EBITDA as of July 2019 as it is the latest one available (€2,021.1k) and the FY19E EBITDA (€3,037.7k).

For our valuation range, we considered the range based on the values obtained from the results of July '19 and the average between FY18 and FY19E.

A summary of the multiples used and valuation results is as follows:



--- Average EV/EBITDA LTM (as of July 2019)

--- Average EV/EBITDA FY18

Guideline Comparable Companies	FY18A	LTM	FY19E
Selected multiple	21.3x	21.5x	21.8x
EBITDA	2,001.0	2,021.1	3,037.7
<b>EV</b>	<b>42,700</b>	<b>43,438</b>	<b>66,116</b>
Net Financial Position	379	379	379
Other assets and liabilities	14	14	14
NOLs	2,465	2,465	2,465
<b>Equity Value</b>	<b>48,688</b>	<b>46,296</b>	<b>68,974</b>
Number of shares	12,505,655	12,505,655	12,505,655
<b>Price (€/share)</b>	<b>3.64</b>	<b>3.70</b>	<b>5.52</b>

Source: EY Analysis based on specialized data bases

**Conclusion**

Based on the criteria previously explained, the guideline comparable companies valuation method results in a value per share as of the Reference Date for AB-Biotics within a range of **3.70 and 4.58 euros per share**, corresponding to July 2019 and to the average between FY18 and FY19E



## 6 Article 10 of RD 1066/2007

### Guideline Precedent Transaction Method

1 Executive summary	7 Conclusion
2 Company overview	8 Appendixes
3 Transaction overview	
4 Scope of work and	
5 Date of report: 12.06.2007	
<b>6 Article 10 of RD 1066/2007</b>	

## G

### Guideline Comparable Transaction Method

#### Guideline Comparable Transactions Method (GTM)

The multiples of comparable market transactions indicate the relationship between the value paid in a transaction and certain financial or operating variables of the target Company. The multiples obtained are applied to the variables of the company or business to be valued, thus obtaining a possible indication of value. Assuming that the financial markets are efficient, the values that would be obtained from the application of this method constitute a good approximation of the possible value of the company, to the extent that it resembles those transactions selected in the comparison sample.

#### Selection criteria of comparable transactions

EY has made a selection of worldwide transactions that could be considered similar to the Company. Several sources of data, including Capital IQ, MergerMarket and Thomson Reuters, were used to compile this global list of potentially similar transactions.

Our research included a search of mergers and acquisitions spanning approximately five years preceding the Reference Date in the biotechnology industry. Of the potential guideline target transactions identified, specific transactions were selected for analysis based primarily on:

- ▶ Business description of target company: companies whose main business is the development of healthcare products.
- ▶ Date of the transaction: approximately five years preceding the Reference Date.
- ▶ Availability of transaction financial data.
- ▶ Business model of target company: we have focused the scope of comparable transactions to target companies whose main activity is to develop and commercialize probiotics and other healthcare products where manufacturing is mainly outsourced.

#### Transaction multiples analysis

Based on an analysis of AB-Biotics' operating data and on the availability of information related to the mentioned transactions, the following transaction multiples were included in the analysis:

- ▶ EV/EBITDA of previous comparable transactions.

- ▶ We calculated a valuation range by selecting the average of the EV/EBITDA of the transactions' sample as the reference multiple and we applied the FY18 EBITDA, the LTM EBITDA of May 2019, being latest one available, and the FY19 EBITDA.

As shown in the next slide, once the GTM market multiples were applied, we subtracted/added the Net Financial Position, the net present value of NOLs, as well as any other assets or liabilities from the Enterprise Value, in order to obtain the Equity Value of the Company.

**6 Article 10 of RD 1066/2007**

**Guideline Precedent Transaction Method**

- 1. Executive Summary
- 2. Company Overview
- 3. Transaction Overview
- 4. Scope of work and
- 5. Article 9 of RD 1066/2007
- 6 Article 10 of RD 1066/2007**

7 Conclusion  
8 Appendices



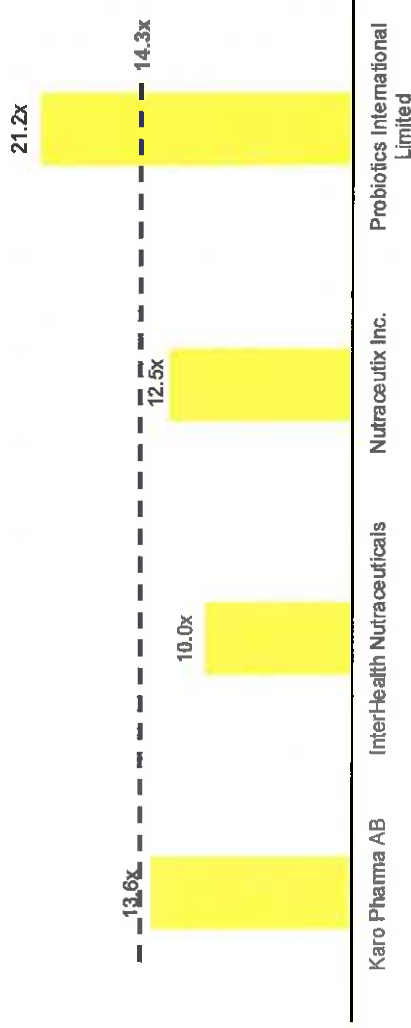
**Guideline Comparable Transaction Method**

**Guideline Comparable Transaction Method (GTM)**

We have chosen the average of 14.3x as a statistical measure representative of the EV/EBITDA implicit multiple of the sample of comparable transactions applied to the LTM EBITDA of the Company.

For our valuation range, we considered the range based on the results of July '19 and the average between FY18 and FY19.

A summary of the selected comparable transactions and valuation results is as follows:



Guideline Comparable Transactions				
€k	FY18A	LTM	FY19E	FY19E
<b>Selected multiple</b>	<b>14.3x</b>	<b>14.3x</b>	<b>14.3x</b>	<b>14.3x</b>
<b>EBITDA</b>	<b>2,001.0</b>	<b>2,021.1</b>	<b>2,021.1</b>	<b>3,037.7</b>
<b>EV</b>	<b>28,684</b>	<b>28,972</b>	<b>28,972</b>	<b>43,646</b>
<b>Net Debt</b>	<b>379</b>	<b>379</b>	<b>379</b>	<b>379</b>
<b>Other assets and liabilities</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>
<b>NOLs</b>	<b>2,465</b>	<b>2,465</b>	<b>2,465</b>	<b>2,465</b>
<b>Equity Value</b>	<b>31,542</b>	<b>31,830</b>	<b>31,830</b>	<b>46,403</b>
<b>Number of shares</b>	<b>12,505,655</b>	<b>12,505,655</b>	<b>12,505,655</b>	<b>12,505,655</b>
<b>Price (€/share)</b>	<b>2.52</b>	<b>2.55</b>	<b>2.55</b>	<b>3.71</b>

Source: EY Analysis based on specialized data bases

**Conclusion**

Based on the criteria previously explained, the guideline comparable transaction valuation method results in a price per share for AB-Biotics within a range of **2.55 and 3.12 euros per share**, corresponding to July 2019 and the average between FY18 and FY19, as of the Reference Date

Note: The selected comparable transactions' multiples include an implicit control premium which should be discounted in our valuation analysis. However, as this would result in lower values, such control discount was not calculated nor applied to the multiples.  
Source: EY analysis based on external sources  
AB-Biotics, S.A.: Opinion on the equity value of AB-Biotics S.A.'s shares for its consideration in the delisting process in the context of the open offer launched by Kaneka Europe Holding Company NV over AB-Biotics' shares | Page 33 of 45

# 7

## Conclusion

In this section

Page

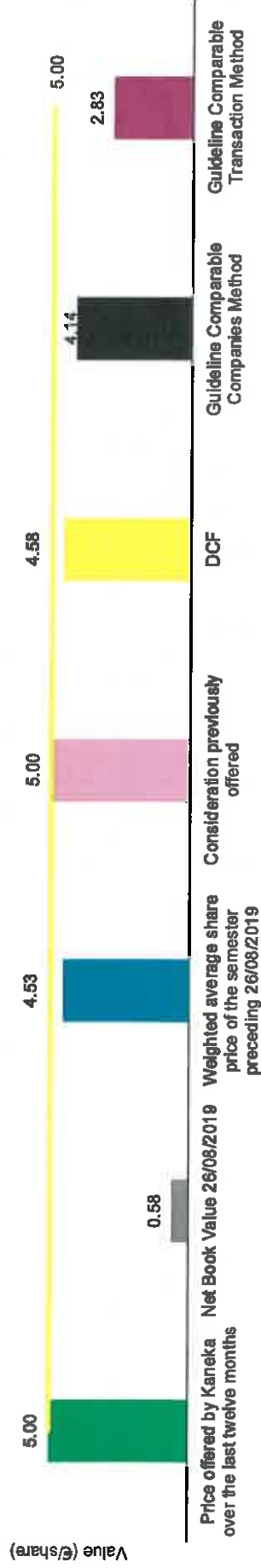
35

## 7 Conclusion

1. Exécutive Summary
2. Company Overview
3. Transaction Overview
4. Scope of Work and
5. Advice of RD 1066/2007
6. Advice of RD 1062/2007

### 7 Conclusion Signatures

## Summary of values (1)



## Conclusion

Since the price offered by Kaneka to the shareholders of the Company (5€/share) is not lower than the values obtained from the valuation methodologies applied in our analysis, in line with those described in articles 9 and 10.5 of RD 1066/2007, we consider it fair from a financial point of view as of the Reference Date.

Note: (1) The values presented in the graph correspond to the central values obtained from our valuation methodologies.

# 8

## Appendices

In this section	Page
Appendix I: Discount rate	37
Appendix II: Breakdown of patents	40
Appendix III: Guideline Comparable Companies	41
Appendix IV: Guideline Comparable Transactions	42
Appendix V: Sources of information	43
Appendix VI: Abbreviations and definitions	44

## 8 Appendices

## Appendix I: Discount rate

- 1 Executive summary
- 2 Company overview
- 3 Introduction overview
- 4 Scope of work and
- 5 Audit of ID: 1066/2017
- 6 Annex 10 of RD: 1066/2017

7 Conclusion  
8 Appendices

## Discount rate calculation (WACC)

WACC (%)	Europe	North America	Asia	LatAm	MEA
Risk-free rate	a 2.6%	2.5%	3.1%	4.6%	5.5%
Unlevered beta	b 1.04	1.04	1.04	1.04	1.04
D/E	c 4.1%	4.1%	4.1%	4.1%	4.1%
Relevered beta	d 1.07	1.07	1.07	1.07	1.07
Tax rate	e 25%	25%	25%	25%	25%
Equity risk premium	f 6.5%	6.5%	6.5%	6.5%	6.5%
Size risk premium	f 4.0%	4.0%	4.0%	4.0%	4.0%
<b>K<sub>e</sub></b>	<b>13.6%</b>	<b>13.5%</b>	<b>14.1%</b>	<b>15.5%</b>	<b>15.5%</b>
Base borrowing rate	g 0.1%	0.1%	0.1%	0.1%	0.1%
Corporate Spread	h 0.5%	0.5%	0.5%	0.5%	0.5%
Tax rate	d 25.0%	25.0%	25.0%	25.0%	25.0%
<b>K<sub>d</sub> (post-tax)</b>	<b>0.5%</b>	<b>0.5%</b>	<b>0.5%</b>	<b>0.5%</b>	<b>0.5%</b>
Debt	4.0%	4.0%	4.0%	4.0%	4.0%
Equity	96.0%	96.0%	96.0%	96.0%	96.0%
<b>WACC</b>	<b>13.0%</b>	<b>13.0%</b>	<b>13.5%</b>	<b>15.0%</b>	<b>15.9%</b>

Source: EY Analysis

## Weighted WACC

Region	WACC	Weight (%)
Europe	13.0%	54.9%
North America	13.0%	5.7%
Asia	13.5%	21.3%
LatAm	15.0%	17.5%
MEA	15.9%	0.6%
<b>Weighted WACC</b>	<b>13.5%</b>	<b>100.0%</b>

Source: EY Analysis

## Discount rate (WACC):

The discount rate has been estimated through the Capital Asset Pricing Model (CAPM) model based on the profitability required for the capital invested. We have considered a discount rate by region (in euros) weighted by the expected revenues of 2018-2022 (see next page for detailed calculations).

- a) Risk-free rate: Weighted average risk free rate both by region and by country's sales in the period 2018-2022. Risk-free rates have been calculated as follows:
  - Europe, US, Canada, China, Brazil and Mexico: based on three-month average of 10-year Treasury Bonds prior to the Reference Date.
  - South Korea, Chile, Egypt and Algeria: three-month average of 10-year US Bond plus the three-month average local CDS differential over three-month US CDS prior to the Reference Date.
  - Argentina: Three-month average of 10-year US Bond plus three-month average of EMBI ("Emerging Market Bond Index") differential prior to the Reference Date.

Risk free rates observed in currencies other than euros, have been adjusted by inflation differentials.

- b) Beta Coefficient: The  $\beta$  coefficient is the parameter that measures the systematic risk subject to each business, calculated considering a sample of comparable listed companies. The unlevered beta considered is 1.08, corresponding to the average of 2-year weekly betas of the comparable companies.
- c) D/E: For the calculation of the D/E ratio we considered the average of the comparable companies' market capital structure, being 4.1%.
- d) Taxes: EY assumed the nominal tax rate of Spain, being 25%.
- e) Equity risk premium ("ERP"): Equity risk premium of 6.5% based on EY research.
- f) Size premium: We applied a size risk premium of 4.0%, corresponding to Micro-Cap companies, based on 2019 D&P Valuation Handbook.
- g) Base borrowing rate: Euroswap 3-month average as of the Reference Date.
- h) Corporate Spread: corporate bond spread of publicly traded bonds with credit ratings similar to the comparable companies (B).



## 8 Appendices

### Appendix I: Discount rate

- 1 Executive summary
- 2 Company overview
- 3 Transition overview
- 4 Scope of work and
- 5 Article 9 of FD: February 2007
- 6 Article 10 of RD: 10/06/2007

## 8 Appendices

### 7 Conclusion

### Beta and D/E estimation - Guideline Public Companies

A detail of the selected comparable companies is as follows:

	Country	D/E	Income Tax Rate	Asset Beta
Chr. Hansen Holding	Denmark	8.2%	22.0%	0.96
BioGaia AB	Sweden	0.0%	20.6%	0.77
Biosearch, S.A.	Spain	9.9%	25.0%	1.65
Probi AB	Sweden	0.3%	20.6%	0.78
Median		3.2%		0.87
<b>Average</b>		<b>4.1%</b>		<b>1.04</b>

Source: EY Analysis

## 8 Appendices

### Appendix I: Discount rate

1. Executive summary
2. Company overview
3. Transaction overview
4. Scope of work list
5. Article 9 of RD (06/2007)
6. Article 10 of RD (06/2007)

7. Classification
8. Appendices

#### Risk free rate - Weighted average risk free rate based on revenues

A detail of the weighted average of the risk free rates by region is as follows:

	Spain	Germany	France	Italy	Austria	Russia	Europe
<b>Risk free</b>	<b>2.4%</b>	<b>1.1%</b>	<b>1.4%</b>	<b>3.0%</b>	<b>1.4%</b>	<b>3.2%</b>	
<b>Revenues weight</b>	<b>23.2%</b>	<b>4.8%</b>	<b>12.6%</b>	<b>14.6%</b>	<b>4.8%</b>	<b>40.0%</b>	<b>54.9%</b>
<b>Weighted risk free</b>	<b>0.6%</b>	<b>0.1%</b>	<b>0.2%</b>	<b>0.4%</b>	<b>0.1%</b>	<b>1.3%</b>	<b>2.6%</b>

	USA	Canada	North America
<b>Risk free</b>	<b>2.6%</b>	<b>1.5%</b>	
<b>Revenues weight</b>	<b>90.5%</b>	<b>9.5%</b>	<b>5.7%</b>
<b>Weighted risk free</b>	<b>2.4%</b>	<b>0.1%</b>	<b>2.6%</b>

	China	South Korea	Asia
<b>Risk free</b>	<b>4.0%</b>	<b>2.6%</b>	
<b>Revenues weight</b>	<b>32.7%</b>	<b>67.3%</b>	<b>21.3%</b>
<b>Weighted risk free</b>	<b>1.3%</b>	<b>1.8%</b>	<b>3.1%</b>

	Brazil	Mexico	Colombia	Argentina	Chile	LatAm
<b>Risk free</b>	<b>4.4%</b>	<b>4.0%</b>	<b>3.8%</b>	<b>12.3%</b>	<b>2.8%</b>	
<b>Revenues weight</b>	<b>55.8%</b>	<b>27.6%</b>	<b>5.6%</b>	<b>4.9%</b>	<b>6.1%</b>	<b>17.5%</b>
<b>Weighted risk free</b>	<b>2.5%</b>	<b>1.1%</b>	<b>0.2%</b>	<b>0.6%</b>	<b>0.2%</b>	<b>4.6%</b>

	Egypt	Algeria	MEA
<b>Risk free</b>	<b>5.9%</b>	<b>5.3%</b>	
<b>Revenues weight</b>	<b>41.9%</b>	<b>58.1%</b>	<b>0.6%</b>
<b>Weighted risk free</b>	<b>2.5%</b>	<b>3.1%</b>	<b>6.6%</b>

Source: EY Analysis

## 8 Appendices

### Appendix II: Breakdown of patents

- 1 Executive summary
- 2 Company overview
- 3 Transition overview
- 4 Scope of work and
- 5 Article 9 of FD 316E2017
- 6 Article 10 of FD 106E2017

#### 7 Conclusion

#### 8 Appendices

### Breakdown of AB-Biotics' patents

A detail of the patents associated to the Company's product with the corresponding expiration dates is as follows:

Product	% over sales 2022E	Patent	Patent description	Patent expiration date
IS.1	22.82%	WO2011/092261	Probiotic composition for use in the treatment	2031
AB-Kolicare	18.88%	WO2015/018883	Probiotic for infantile excessive crying	2034
AB-Dentalac	7.27%	WO2012/022773	Probiotic composition for oral health	2031
AB-Life	6.46%	WO2011/042333	Lactobacillus plantarum strains as hypochole	2030
AB-Inhimus	5.76%	WO2015/022297	Strain of Lactobacillus pentosus as probiotic	2034
AB-Life Forte	2.00%	WO2011/042333	Lactobacillus plantarum strains as hypochole	2030
AB-Inhimus Oral	0.02%	WO2015/022297	Strain of Lactobacillus pentosus as probiotic	2034
AB-Dentalac Lozenges	0.03%	WO2012/022773	Probiotic composition for oral health	2031
AB-Dentalac Syringes	0.00%	WO2012/022773	Probiotic composition for oral health	2031
AB-Immuno	2.20%	WO2009/068474	Strains of Lactobacillus Plantarum as probiot	2028
AB-Digest Kids	0.02%	WO2015/018883	Probiotic for infantile excessive crying	2034
AB-Sakei 65 Oral	0.03%	n.a.	n.a.	n.a.
AB-Cyscare	1.56%	WO2016/128414	Probiotic strains for urinary tract infections	2036
Neuropharmagen Core	5.76%	WO2014/114734	Method for predicting the onset of extrapyram	2034
AB-Life Plus	0.55%	WO2011/042333	Lactobacillus plantarum strains as hypochole	2030
Lactoflora Aad	0.00%	n.a.	n.a.	n.a.
Lactoflora Gut	0.00%	n.a.	n.a.	n.a.
Lactoflora Immuno	0.00%	n.a.	n.a.	n.a.
Lactoflora Add Caps	0.00%	n.a.	n.a.	n.a.
Lactoflora Immuno Caps	0.00%	n.a.	n.a.	n.a.
Symbiotic Stick	0.00%	n.a.	n.a.	n.a.
Symbiotic Capsule	0.00%	n.a.	n.a.	n.a.
AB-Dentalac Gum	5.85%	WO2012/022773	Probiotic composition for oral health	2031
Neuropharmagen Tdiah	0.07%	WO2014/114734	Method for predicting the onset of extrapyram	2034
AB-Dentalac Gum Junior	1.32%	WO2012/022773	Probiotic composition for oral health	2031
AB-Dentalac Gum Pro	1.55%	WO2012/022773	Probiotic composition for oral health	2031
AB-Dentalac D+	0.86%	WO2012/022773	Probiotic composition for oral health	2031
AB-Dentalac Junior	0.00%	WO2012/022773	Probiotic composition for oral health	2031
AB-Dentalac Pro	0.00%	WO2012/022773	Probiotic composition for oral health	2031
AB-Digest	8.23%	WO2015/018883	Probiotic for infantile excessive crying	2034
AB-Digest 10 Vials	4.45%	WO2015/018883	Probiotic for infantile excessive crying	2034
AB-Digest 5 Vials	3.85%	WO2015/018883	Probiotic for infantile excessive crying	2034
Drops	0.07%	n.a.	n.a.	n.a.
Wellbeing Adults	0.07%	n.a.	n.a.	n.a.
Neuropharmagen Depression	0.10%	WO2014/114734	Method for predicting the onset of extrapyram	2034
Neuropharmagen Epilepsia	0.10%	WO2014/114734	Method for predicting the onset of extrapyram	2034
Neuropharmagen Adhd	0.10%	WO2014/114734	Method for predicting the onset of extrapyram	2034

Source: EY Analysis based on information provided by Management

## 8 Appendices

## Appendix III: Guideline Comparable Companies

- 1 Executive summary
- 2 Company overview
- 3 Transition overview
- 4 Scope of work and
- 5 Article of association, 1066/2007
- 6 Article 10 of RO 1669/2007

7 Conclusion  
8 Appendices

## Guideline Comparable Companies

A detail of the selected comparable companies is as follows:

	Enterprise Value			EV / EBITDA (x)			Revenue growth (%)			EBITDA growth (%)			EBITDA margin		
	LFY	LTM	NFY	LFY	LTM	NFY	LFY	LTM	NFY	LFY	LTM	NFY	LFY	LTM	NFY
<b>Selected comparable companies</b>															
Chr. Hansen Holding	11,572.8	28.1x	26.6x	25.3x	3.3%	6.3%	6.7%	4.7%	7.6%	10.9%	33.8%	34.1%	35.2%		
BioCrata AB	888.8	23.9x	24.2x	24.1x	20.6%	15.2%	11.0%	15.5%	6.0%	(0.7%)	38.1%	35.9%	34.1%		
Biocsearch, S.A.	67.4	10.6x	15.7x	18.4x	6.3%	(10.8%)	(6.0%)	11.6%	(39.4%)	(42.2%)	21.3%	15.8%	13.1%		
Probi AB	355.0	22.7x	19.5x	19.3x	(1.3%)	23.8%	14.5%	(1.8%)	65.5%	18.0%	25.0%	27.0%	25.7%		
Median	527.4	23.3x	21.9x	21.7x	4.9%	10.7%	8.6%	8.2%	6.8%	5.1%	29.4%	30.6%	28.9%		
<b>Average</b>	<b>3,173.8</b>	<b>21.3x</b>	<b>21.5x</b>	<b>21.8x</b>	<b>7.2%</b>	<b>8.6%</b>	<b>6.8%</b>	<b>7.5%</b>	<b>9.9%</b>	<b>(3.6%)</b>	<b>29.6%</b>	<b>28.2%</b>	<b>27.0%</b>		
<b>Excluded companies from the comparable selection</b>															
BLIS Technologies Limited	31.7	88.3x	nmf	nmf	58.9%	58.9%	nmf	202.1%	202.1%	nmf	8.7%	8.7%	nmf	Product seller.	
Angen Inc.	132,537.6	10.6x	10.9x	10.7x	3.9%	1.6%	(3.8%)	2.2%	(2.2%)	(1.1%)	52.6%	51.5%	54.2%	Product manufacturer.	
Celgene Corporation	79,521.9	13.0x	9.4x	7.4x	17.5%	15.8%	13.2%	2.9%	68.3%	74.9%	40.1%	51.5%	62.0%	Specialized in cancer treatment.	
Exelixis, Inc.	5,158.3	11.6x	12.2x	14.8x	88.7%	35.3%	9.2%	164.5%	30.4%	(21.5%)	52.1%	48.4%	37.5%	Specialized in oncology.	
Regeneron Pharmaceuticals, Inc.	28,187.4	10.9x	12.6x	9.4x	14.3%	16.7%	14.0%	20.6%	(4.5%)	15.4%	40.0%	32.1%	40.5%	Product manufacturer.	
ADL Bionatur Solutions, S.A.	100.7	nmf	nmf	15.0x	91.0%	91.0%	141.4%	(37.2%)	(37.2%)	141.2%	(58.4%)	(58.4%)	10.0%	Specialized in petcare and product manufacturer.	
AstraZeneca PLC	134,949.9	30.1x	25.9x	18.9x	(1.7%)	3.3%	8.6%	(24.1%)	18.7%	59.2%	20.3%	22.6%	29.8%	Specialized in oncology.	
Merck & Co., Inc.	240,470.0	17.0x	14.0x	13.0x	5.4%	7.5%	8.4%	10.6%	49.6%	31.4%	33.4%	38.7%	40.5%	Specialized in generic products and service provider.	
Novartis AG	221,838.7	14.2x	13.1x	14.3x	6.0%	10.6%	(11.8%)	9.3%	18.8%	(0.3%)	29.3%	31.4%	33.1%	Product manufacturer.	
Pfizer Inc.	228,050.7	10.3x	10.2x	10.6x	2.1%	0.8%	(3.5%)	4.4%	4.0%	(2.2%)	41.1%	41.7%	41.7%	Product manufacturer.	

Source: EY Analysis

## 8 Appendices

### Appendix IV: Guideline Comparable Transactions

- 1 Executive summary
- 2 Company overview
- 3 Transaction overview
- 4 Scope of work and
- 5 Article 9 of FD 1066/2007
- 6 Article 10 of FD 1066/2007

- 7 Conclusion
- 8 Appendices

#### Guideline Comparable Transactions

A detail of the selected transactions is as follows:

Year	Target Company	Stake	Target Country	Bidder Company	EV (€m)	EV / EBITDA	Reason for exclusion
<b>Selected comparable transactions</b>							
2019	Karo Pharma AB (publ)	66.5%	Sweden	EQT Partners AB; EQT VIII	834.5	13.6x	
2016	InterHealth Nutraceuticals, Inc.	100%	United States	Lonza Group Ltd	266.9	10.0x	
2018	Nutraceutical Inc.	100%	United States	Probi USA, Inc	90.9	12.5x	
2018	Probiotics International Limited	100%	United Kingdom	Archer Daniels Midland	207.4	21.2x	
	Median					13.0x	
	<b>Average</b>					<b>14.3x</b>	
<b>Excluded transactions from the comparable selection</b>							
2018	Crown Bioscience International	100%	Taiwan	JSR Corporation	295.8	34.9x	Probiotics' transnational platforms provider.
2016	Source BioScience Plc	69%	United Kingdom	Harwood Capital LLP; Continental Investment Partners SA	78.0	13.0x	Laboratory services as main activity.
2019	Delta Diagnostics (UK) Limited	100%	United Kingdom	Yourgene Health Plc	10.3	8.6x	Product manufacturer as main activity.
2012	BIOBERICA, SAU	90%	Spain	SARIA Bio-Industries International GmbH; Teeuwissen Holding BV	190.0	7.7x	Transaction made in 2012.

Source: EY Analysis

## 8 Appendices

### Appendix V: Sources of information

1. Executive summary
2. Company overview
3. Financial overview
4. Scope of work and
5. Article 9 of PO (1005/2007)
6. Article 19 of RD (1060/2007)

## 7. Kaneka 8. Appendices

#### Sources of information:

EY has mainly used the following information:

- ▶ Audited annual accounts of AB-Biotics for the last 3 years as of 31 December 2017, 2018 and 30 March 2019.
- ▶ Financial statements of AB-Biotics as of 31 July 2019.
- ▶ 3 year Business Plan provided by the Company.
- ▶ Detail of patents by product
- ▶ Detail of sales breakdown by country.
- ▶ AB-Biotics Annual Report (2018)
- ▶ Agreement signed with Kaneka for the US business
- ▶ Relevant facts regarding AB-Biotics (MAB).
- ▶ Valuation report issued by Crowe Advisory SP, S.L.
- ▶ Investors presentations.
- ▶ Information provided by the Company.
- ▶ Qualitative and descriptive information about the Company and the competitive and macroeconomic environment around it.
- ▶ Macroeconomic information obtained from the International Monetary Fund.
- ▶ Financial information from specialized data bases regarding comparable companies and previous transactions (multiples, projections, betas, comparable, transactions, etc.).
- ▶ Broker reports.
- ▶ Corporate presentations from comparable companies.
- ▶ Other public information considered relevant for our work (articles, etc.).



## 8 Appendices

## Appendix VI: Abbreviations and definitions

1	Executive summary
2	Company overview
3	Transaction overview
4	Scope of work and
5	Annex 9 of RD 1066/2007
6	Annex 10 of RD 1066/2007

7	Conclusion
8	Appendices

€ o EUR	Euros	g	Perpetuity growth rate
€m	Millions of euros	GCM	Guideline Company Method
€k or '000€	Thousands of euros	GTM	Guideline Transaction Method
€/share	Euro per share	IMF	International Monetary Fund
CapEx	Capital expenditures	Kaneka, the Bidder	Kaneka Americas Holding, Inc.
CAPM	Capital Asset Pricing Model	Kd	Cost of debt
Client	AB-Biotics, S.A.	Ke	Cost of equity
COGS	Costs Of Good Sold	LTM	Last Twelve Months
Company	AB-Biotics, S.A.	LFY	Last Fiscal Year
D&A	Depreciation and Amortization	NBV	Net Book Value
D/E	Net Debt / Equity	NOL's	Net Operating Losses
DCF	Discounted Cash Flow	NOPAT	Net Operating Profit After Taxes
DTAs	Deferred tax Assets	Opex	Operating expenses
DTLs	Deferred Tax Liabilities	RD	Royal Decree 1066/2007 on Takeover Bids
EBIT	Earnings before income and tax	Reference Date	26 August 2019
EBITDA	Earnings before income, tax, depreciation and amortization	Rf	Risk-free rate
EqV	Equity Value	TV	Terminal Value
EV	Enterprise Value	UAB	University of Barcelona
EY	Ernst & Young Servicios Corporativos, S.L.	US	United States of America
FCF	Free Cash Flow	VWAP	Volume Weighted Average Price
FY	Fiscal Year	WACC	Weighted Average Cost of Capital
FYXXA / FYXXE	Fiscal Year Actual / Estimated	WC	Working Capital
		YTD	Year to Date

## EY | Assurance | Tax | Transactions | Advisory

### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](http://ey.com).

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

© 2019 Ernst & Young LLP.  
All Rights Reserved.

# **INFORME FORMULADO POR EL CONSEJO DE ADMINISTRACION DE AB-BIOTICS S.A. EN RELACION CON LA SOLICITUD DE EXCLUSION DE NEGOCIACION DE SUS ACCIONES DEL MERCADO ALTERNATIVO BURSÁTIL**

## **1. INTRODUCCION**

El Consejo de Administración de AB-BIOTICS S.A. (“**AB-BIOTICS**” o la “**Sociedad**”) ha acordado en el día de hoy, convocar Junta General Extraordinaria de Accionistas para someter a aprobación de los mismos, entre otras propuestas, la exclusión de negociación de las acciones de la Sociedad del mercado Alternativo Bursátil (“**MAB**”) y la formulación a tal efecto de una oferta por parte del accionista mayoritario de la Sociedad, Kaneka Europe Holding Company NV, que se celebrará el día 4 de Octubre de 2019 a las 11h en primera convocatoria y el día 5 de Octubre a la misma hora, en su caso, en segunda convocatoria.

En cumplimiento de lo previsto en la normativa del MAB, los Estatutos Sociales de AB-BIOTICS prevén que la Sociedad, en caso de adoptar un acuerdo para su exclusión de negociación, deberá ofrecer a los accionistas que no hayan votado a favor de la medida la adquisición de sus acciones a un precio justificado de acuerdo con los criterios previstos en la regulación aplicable a las ofertas públicas de adquisición de valores para los supuestos de exclusión de negociación.

A estos efectos, se informa de que, en fecha 3 de septiembre de 2019, el Consejo de Administración ha recibido una notificación del Accionista Kaneka Europe Holding Company NV en la que ésta comunica su intención de lanzar una oferta de adquisición, como oferente, sobre las acciones de la Sociedad que no sean de su titularidad, durante el plazo de un (1) mes a contar desde el día siguiente en el que el acuerdo de exclusión sea aprobado por la Junta General de Accionistas, a un precio de cinco (5) euros por acción, que es el mismo que el que ya ofreció Kaneka Europe Holding Company NV en su Oferta Voluntaria de Adquisición lanzada el pasado 9 de julio de 2019.

De conformidad a lo dispuesto en el RD 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores, el Consejo de Administración ha decidido contratar el experto independiente Ernst & Young Servicios Corporativos S.L. (“**EY**”) para elaborar una Fairness Opinion y un informe referente a la valoración de la Sociedad, además del informe realizado por el experto Crowe Advisory SP, S.L. (“**Crowe**”) en la fecha de 28 de agosto de 2019 contratado por Kaneka Europe Holding Company NV. Dicho informe valora el precio razonable de la acción según el RD 1066/2017. Asimismo, de conformidad con lo previsto en el párrafo segundo del artículo 10.4 del Real Decreto 1066/2007, la oferta de exclusión, sujeto a aprobación de la Junta General de Accionistas, será formulada por el accionista mayoritario de la Sociedad, es decir, Kaneka Europe Holding Company NV, tal y como ha confirmado también formalmente el MAB, y ésta ha manifestado su compromiso de ofrecer la adquisición de todas las acciones que no sean de su titularidad en dicho momento (y no sólo la de los accionistas que no hayan votado a favor de la exclusión de negociación, como estrictamente estipula la normativa aplicable), de acuerdo con el precio que se expondrá a continuación.

En cualquier caso Kaneka Europe Holding Company NV mantendrá una orden abierta de un mes (a contar desde el día siguiente a la fecha de aprobación del acuerdo de exclusión por la Junta General de Accionistas) de plazo dirigida a todos los accionistas de la Sociedad.

La regulación sobre ofertas públicas de adquisición de valores se encuentra recogida en nuestro ordenamiento en el Real Decreto 1066/2007, de 27 de julio, sobre ofertas públicas de adquisición de valores (el "RD 1066/2007"). Según lo establecido en el artículo 10 del RD 1066/2007, el precio de la oferta por exclusión no podrá ser inferior al mayor que resulte entre el precio equitativo al que se refieren el artículo 9 y el que resulte de tomar en cuenta, de forma conjunta y con justificación de su respectiva relevancia, los métodos contenidos en el apartado 5 del artículo 10

Los métodos de valoración contenidos en el Artículo 10.5 del RD 1066/2007 son:

- a) Valor teórico contable (VTC) de la Sociedad y en su caso, del Grupo consolidado, calculado con base en las últimas cuentas anuales auditadas y, si son de fecha posterior a éstas, sobre la base de los últimos estados financieros.
- b) Valor liquidativo de la Sociedad y en su caso, del Grupo consolidado. Si de la aplicación de este método fueran a resultar valores significativamente inferiores a los obtenidos a partir de los demás métodos, no será preciso su cálculo siempre que en el informe se haga constar dicha circunstancia.
- c) Cotización media ponderada de los valores durante el semestre inmediatamente anterior al anuncio de la propuesta de exclusión mediante la publicación de un hecho relevante, cualquiera que sea el número de sesiones en que se hubieran negociado.
- d) Valor de la contraprestación ofrecida con anterioridad, en el supuesto de que se hubiese formulado alguna oferta pública de adquisición en el año precedente a la fecha del acuerdo de solicitud de exclusión.
- e) Otros métodos de valoración aplicables al caso concreto y aceptados comúnmente por la comunidad financiera internacional, tales como descuento de flujos de caja, múltiplos de compañías y transacciones comparables u otros.

## **2. METODOS DE VALORACIÓN**

A continuación, los resultados de la aplicación de los criterios de valoración previstos en el artículo 10.5 del RD 1066/2007 elaborado por el experto independiente **Crowe** en la fecha de 28 de agosto de 2019 contratado por Kaneka Europe Holding Company NV están desglosados en el Anexo 1 y la Fairness Opinion y el informe elaborada por **EY**, con fecha 3 de septiembre de 2019, está desglosada en el Anexo 2 del presente informe del Consejo de Administración.

### **3. CONCLUSIÓN**

A la vista de lo anterior, el Consejo de Administración ha decidido informar favorablemente la propuesta de exclusión de negociación del MAB atendiendo al contenido del informe de experto de Crowe y el informe independiente de EY en el que se confirma que el precio ofrecido por Kaneka Europe Holding Company NV es "fair" conforme con los criterios de valoración previstos en los artículos 9 y 10.5 del RD 1066/2007.

En Barcelona, a 03 de septiembre de 2019

El Consejo de Administración

**AB-BIOTICS S.A.**



## **ANEXO 1**

**VALORACIÓN ACTUALIZADA EN 28 DE AGOSTO DE 2019 DE AB-BIOTICS REALIZADA POR EXPERTO INDEPENDIENTE CONTRATADO POR KANEKA EUROPE HOLDING COMPANY NV.**



Strictly Private & Confidential

# Project AB

Independent Valuation

August 28<sup>th</sup>, 2019



Audit | Tax | Advisory

August 28<sup>th</sup>, 2019

Kaneka Europe Holding  
Lennike Marelaan 4, Zaventem,  
Flanders 1932,  
Belgium

**Crowe | Financial Advisory**  
Paseo de la Castellana, 130  
28046 Madrid

T. +34 914 517 030  
F. +34 913 990 641  
[www.crowe.es](http://www.crowe.es)

Dear Sirs,

According to our understanding of the transaction, Kaneka Europe Holding Company, NV (hereinafter the "Client") is considering to promote a delisting takeover bid over AB-Biotics, S.A. ("Target" or the "Company" or "Business") after the TOB already promoted obtaining a total of 66.33% the shares, as anticipated in the TOB Announcement published on July 9, 2019.

In accordance with your instructions, we have performed a valuation of the fair value of the Target according to the Royal Decree 1066/2007 for delisting TOB purposes, according to the same principles followed when preparing our original report for the purposes to the Voluntary TOB, and taking updated parameters and information into account.

As set out in our engagement letter dated August 22<sup>nd</sup> 2019, we were required to perform valuation procedures over the Target and report to you on the matters set out in the Scope of Work as detailed in our engagement letter.

The information contained in this report is based primarily on public information, industry experts' explanations, Management conversation and a previous valuation report. However, we did not have direct access to documentations hence we could not verify some of this information.

In no event shall we be liable for any loss or expense arising in any way from fraudulent acts, misrepresentation or willful default on the part of Target, its directors, employees or agents.

We point out that the scope of our work did not include a review of Target's markets or its competitive position within these markets, nor any operational or technical due diligence.

This report has not been updated for any subsequent information which may have become available after this date.

This report is intended for the sole use of the directors of our client acting in relation to the Proposed Transaction. If others choose to rely in any way on the contents of this report they do so entirely at their own risk. Copies of this report, or extracts therefrom, should not be provided to third parties without our prior written consent or if specifically stated in this report.

Events and circumstances occurring after the date of our report will, in due course, render our report out of date and, accordingly, we will not accept a duty of care nor assume responsibility for decisions and actions which are based upon such an out of date report. Additionally, we have no responsibility to update this report for events and circumstances occurring after this date.

If there are any matters upon which you require clarification or further information, please contact the partner of the engagement.

Yours faithfully,

Fernando Segú  
**Crowe | Financial Advisory**

# Glossary

#	Number	<b>MA B</b>	Alternative Investment Market / Mercado Alternativo Bursatil
%	Percentage	<b>n.a.</b>	Not available
€	Euros	<b>n.q.</b>	Not quantified
€k	Euros in thousands	<b>n/a</b>	Not applicable
€m	Euros in millions	<b>NOL</b>	Net Operating Loss
<b>Adjs.</b>	Adjustments	<b>NV</b>	Anonymous Society / Naamloze Vennootschap / Sociedad Anonima
<b>B</b>	Leveraged Beta	<b>OPEX</b>	Operating expenses
<b>BS</b>	Balance Sheet	<b>P&amp;L</b>	Profit and Loss
<b>c.</b>	Circular/ approximately	<b>p.p.</b>	Percentage points
<b>CAGR</b>	Compound Annual Growth Rate	<b>R&amp;D</b>	Research and Development
<b>CAPEX</b>	Capital expenditure	<b>Rc</b>	Risk-country
<b>CT</b>	Corporate Income Tax	<b>RD</b>	Royal Decree /Real Decreto
<b>CNAE</b>	National Classification of Economic Activities / Clasificación Nacional de Actividades Económicas	<b>Rd</b>	Cost of Debt
<b>COGS</b>	Cost of Goods Sold	<b>Re</b>	Cost of equity
<b>CPI</b>	Consumer Price Index	<b>Rf</b>	Risk-free rate of return
<b>Crowe</b>	Crowe Advisory SP, S.L.	<b>Rm</b>	Rate market
<b>D</b>	Debt	<b>Rr</b>	Regulatory risk
<b>D&amp;A</b>	Depreciation and Amortization	<b>ROCE</b>	Return on capital employed
<b>DCF</b>	Discounted cash flow	<b>Ru</b>	Individual risk
<b>DIO</b>	Days inventories outstanding	<b>S.A.</b>	Anonymous Society / Sociedad Anonima
<b>DPO</b>	Days payable outstanding	<b>S.L.</b>	Limited responsibility company / Sociedad limitada
<b>DSO</b>	Days sales outstanding	<b>SH</b>	Shareholder
<b>DTA/DTL</b>	Deferred tax assets /Deferred tax liabilities	<b>SP</b>	Size premium
<b>E</b>	Equity	<b>STRLT</b>	Short term/Long term
<b>EBIT</b>	Earnings before interest and income taxes	<b>Tc</b>	Corporate tax rate
<b>EBITDA</b>	Earnings before interest, income taxes, depreciation and amortisation	<b>The Business</b>	AB - Biotics S.A.
<b>EBT</b>	Earnings before income tax	<b>The Client</b>	Kaneka Europe Holding
<b>EU</b>	European Union	<b>The Company</b>	AB - Biotics S.A.
<b>EV</b>	Enterprise value	<b>The Recipient</b>	Person with access to this report
<b>FCF</b>	Free Cash Flow	<b>The target</b>	AB - Biotics S.A.
<b>FTE</b>	Full Time Equivalents	<b>TOB</b>	TakeOver Bid
<b>FX</b>	Foreign Exchange	<b>TV</b>	Terminal Value
<b>FY16, FY17, FY18, etc.</b>	Fiscal Years ended in December '16, December 17 and December 18, etc.	<b>US SIC</b>	United States Standard Industrial Classification
<b>GDP</b>	Gross Domestic Product	<b>USD</b>	United States Dollar / Dólar Americano
<b>KPI</b>	Key Performance Indicator	<b>Var.</b>	Variation
<b>LTM</b>	Last Twelve Months	<b>WACC</b>	Weighted average cost of capital
<b>L6M</b>	Last Six Months	<b>WCR</b>	Working Capital Requirements

# Agenda

<b>Section</b>	
1. About Crowe	4
2. Scope and limitations	10
3. Executive Summary	12
4. Company overview	20
5. Methodology	27
6. Market multiples	30
7. Recent industry transactions	32
8. Average share price	34
9. Discounted cash flow	36
10. Valuation	47

## **Appendices**

A. Appendices	50
---------------	----



# About Crowe



## Crowe Global

- One of the world's leading organisations of independent assurance, tax and advisory firms
- Combined turnover of \$4.3 billion during 2018.
- Over 36,000 people based in over 130 countries.

## Crowe Global Services

<b>Audit</b>	<b>Business Plan Assessment</b>
<b>Forensic Services</b>	<b>Strategic Consulting</b>
<b>Tax</b>	<b>Management Support</b>
<b>Restructuring</b>	<b>Mergers &amp; Acquisitions</b>
<b>Legal</b>	<b>Capital Markets</b>
<b>Due Diligence</b>	<b>Valuation</b>

## Crowe Spain

Spanish member firm of Crowe Global

- Turnover of around c.€35million.
- Led by over 40 partners, with 400 people.
- Operating from 10 offices.



# About Crowe

The values that inspired the creation of our firm guide us in all our decisions.



**Care**  
We take care of all our clients, our firm and our stakeholders and we aspire to convert our efforts into value.



**Share**  
We choose to work as a family, sharing responsibilities and successes. Collaboration, training and mutual support define our relationships.



**Invest**  
We invest in people and develop our resources to expand the value we bring to our customers. We embrace change and encourage continuous learning.



**Grow**  
We seek growth and profitability sustained over time to reach a higher level as professionals and respond to the challenges posed by our customers and communities.

# About Crowe

**Wide team**  
experience with  
valuable expertise in many  
industries.

Perfect **coordination**  
of international and  
multidisciplinary teams for  
cross-border operations.

**High quality** of work  
resulting from the  
acquired experience and  
from the exhaustive  
quality controls  
established internally  
worldwide.




**Senior interlocution**  
always available, giving  
**quick answers** at  
critical moments of  
decision making.

**Knowledge**, thanks to  
the extensive Crowe  
**network**, of the various  
accounting plans and local  
laws with a guaranteed  
standard service.

Proactive approach aimed  
at detecting the **risks** of  
the transaction and  
proposing **solutions** to  
mitigate them

# About Crowe

## Recent valuation credentials

 Crowe Advised	 edf energies nouvelles	<p>In the Due Diligence and valuation process of the acquisition of different projects in France, Germany, UK, USA and Poland.</p>
 Crowe Advised	 volitalia	<p>In the valuation of 40 renewable projects at different development stages.</p>
 Crowe Advised	 eurona telecom	<p>In the valuation of the Company and synergies assessment of Stoneworks during a transaction.</p>
 Crowe Advised	 MAGNETAR CAPITAL	<p>Strategy appraisal Eurona Telecom (commercial &amp; strategic Due Diligence)</p>
 Crowe Advised	 AGORA AGORA TECHNOLOGIES SA	<p>In the valuation of the Company Beloud Technologies</p>
 Crowe Advised	 eurona telecom	<p>In the valuation of the Company and synergies assessment of Quantis España and Quantis Marruecos during a transaction.</p>
 Crowe Advised	 EEMYNASA EEMYNASA RESEARCHERS	<p>In the valuation of both companies during a merger process.</p>
 Crowe Advised	 eurona telecom	<p>PPA and impairment test of the companies: Sultan, Hableya, Stoneworks, Quantis España, Quantis Marruecos and Kubi</p>
 Crowe Advised	 COPE	<p>In the valuation of minority stakes in audiovisual companies.</p>
 Crowe Advised	<p>Confidential</p>	<p>In the valuation of two professional services companies in their merger process.</p>

# About Crowe

## Other credentials

 Advised <b>DEMETER</b> PARTNERS In the buy-side Due Diligence for the acquisition an engineering group.	 Advised  In the buy-side Due Diligence for the acquisition of a perfumery group.	 Advised  In the buy side Due Diligence for the entry in the share capital of Irs Group.	 Advised  In the M&B listing operation Due Diligence for several SOCIMI as registered advisor.	 Advised  In the buy-side due diligence for the acquisition of PEVAFERSA Group assets	 Advised  In the buying Due Diligence and valuation process of Infrainon Group.
 Advised  In the buy-side Due Diligence for the acquisition of Alimentación Solo Seafoods group.	 Advised  In the buy-side Due Diligence for the acquisition of Tarbis.	 Advised  In the buy-side Due Diligence for the acquisition of a telecommunication group in the south of Spain.	 Advised  In the vendor assistance during the investment process in a food sector company.	 Advised  In the buy-side due diligence for the acquisition of an engineering group	 Advised  In the buying Due Diligence of Paragsa. The travel store



# Agenda

---

Section	
1. About Crowe	4
2. <b>Scope and limitations</b>	<b>10</b>
3. Executive Summary	12
4. Company overview	20
5. Methodology	27
6. Market multiples	30
7. Recent industry transactions	32
8. Average share price	34
9. Discounted cash flow	36
10. Valuation	47

## Appendices

A. Appendices	50
---------------	----

# Scope and limitations

Any person who is not an addressee of this report or who has not signed and returned to Crowe Advisory SP, S.L. ("Crowe") an Access Letter in Crowe's prescribed form is not authorized to have access to this report.

**Should any unauthorized person obtain access to this report, such person (the "Recipient"), by reading this report, accepts and agrees to the following terms:**

1. The work performed by Crowe was performed in accordance with instructions provided by our addressee client and was performed exclusively for our addressee client's sole benefit and use.
2. This report was prepared at the direction of our addressee client and may not include all procedures deemed necessary for the purposes of the reader.
3. Crowe, its partners, employees and agents, neither owe nor accept any duty or responsibility to such person, whether by contract or otherwise (including without limitation, for negligence or breach of any statutory duty), and shall not be liable in respect of any loss, damage or expense whatsoever incurred by such person as a result of his or her use of this report, or as a result of his or her access to the report. Further, note that this report is meant to be quoted in the tender offer announcement, but should not be distributed for any other purpose to any other person.
4. The recipient shall make no claims whatsoever against Crowe, its partners, employees or agents arising out of, relating to, or in connection with this report or any of the contents herein.

**Our work and observations included herein were based primarily on the following sources of information:**

- All the information used for the elaboration of this report is of public knowledge and was mainly originated in industry reports such as GVC Gaesco and report published by the Mab.
- Additionally we used the Audited Annual Accounts for the years 2017 and 2018.
- All the financial information, valuation ratios and share prices were extracted from Infrobot analytics, Yahoo Finance, Thomson Reuters and Bloomberg.
- We had access to the EY valuation report dated July, 23<sup>rd</sup> 2019 including the projections for the following years and we had a call with Miquel Angel Bonachera (Executive Director) to discuss and clarify the information included in the report. However, we were not provided with any additional information apart from the EY report.

**Important scope comments:**

- Given that our access to Management was limited to discussions regarding the information included in the EY report, we were not directly provided with the projections and other key information of the business. Hence we applied our best professional criteria to contrast and verify the reasonability of these hypothesis assumed by Management among several industry reports and analyst opinions.
- We were not provided with the Balance sheet estimation for 2019.
- We would like to emphasize that we are not legal experts and any reference in the report to legal matters have been included in accordance to the client advisors.
- Our work has focused on:
  - The 2018 audited financial statements prepared in Spanish GAAP
  - The projections until 2022 included in the EY report and the review of main inputs included during all the period
  - The FY19 forecast estimation included in the EY report and provided by Management

# Agenda

---

<b>Section</b>	
1. About Crowe	4
2. Scope and limitations	10
<b>3. Executive Summary</b>	<b>12</b>
4. Company overview	20
5. Methodology	27
6. Market multiples	30
7. Recent industry transactions	32
8. Average share price	34
9. Discounted cash flow	36
10. Valuation	47

## **Appendices**

A. Appendices	50
---------------	----

## Executive Summary | Profit and loss

The Company increased its EBITDA from €(1.5)m in FY16 to €2m in FY18 mainly driven by the revenues increase and the cost savings process

### Profit and Loss - AB-Biotics

€ in thousand	FY16			FY17			FY18			Var. % FY17 - FY18		CAGR %
Revenues	3,961	7,208	11,892							65.0%	73.3%	
Capitalised costs	1,137	512	701							37.0%	(21.5%)	
COGS	(1,853)	(4,014)	(7,280)							81.4%	98.2%	
<b>Gross margin</b>	<b>3,245</b>	<b>3,706</b>	<b>5,314</b>							<b>43.4%</b>	<b>28.0%</b>	
Other operating income	289	259	633							144.7%	48.0%	
Personnel expenses	(2,035)	(1,674)	(1,839)							9.9%	(4.9%)	
OPEX	(2,304)	(1,811)	(2,046)							13.0%	(5.8%)	
Bad debt	(948)	(267)	(99)							(62.9%)	(65.9%)	
Other result	199	0	39							2279.1%	(55.5%)	
<b>EBITDA</b>	<b>(1,454)</b>	<b>212</b>	<b>2,002</b>							<b>842.3%</b>	<b>n.a.</b>	
D&A	(1,090)	(1,137)	(1,190)							4.7%	4.5%	
Impairments and sale of Fixed Assets	=	216	1							(99.8%)	n.a.	
<b>EBIT</b>	<b>(2,544)</b>	<b>(708)</b>	<b>812</b>							<b>(214.7%)</b>	<b>n.a.</b>	
Financial income	19	20	8							(61.5%)	(35.8%)	
Financial expenses	(271)	(236)	(243)							2.8%	(5.4%)	
<b>EBT</b>	<b>(2,797)</b>	<b>(924)</b>	<b>577</b>							<b>(162.5%)</b>	<b>n.a.</b>	
CIT	(3,192)	29	641							2082.1%	n.a.	
<b>Net result</b>	<b>(5,989)</b>	<b>(895)</b>	<b>1,218</b>							<b>(236.1%)</b>	<b>n.a.</b>	
<b>As a % of revenues</b>												
Gross Margin	81.9%	51.4%	44.7%								-6.73p.p.	
Other operating income	7.3%	3.6%	5.3%								1.73p.p.	
Personnel expenses	(51.4%)	(23.2%)	(15.5%)								7.76p.p.	
OPEX	(58.2%)	(25.1%)	(17.2%)								7.93p.p.	
Bad debt	(21.4%)	(3.7%)	(0.8%)								2.87p.p.	
EBITDA	(36.7%)	2.9%	16.8%								13.89p.p.	

Source: Audited Annual Accounts

### Profit and loss

- The Target increased its **revenues** a 73.3% CAGR between FY16 and FY18 mainly due to the organic growth of the Company related to the increase of approved products in Europe, Latam and Asia. The 54.6% of the total revenues are generated in Europe and 31.1% in Asia & Pacific.
- During 2018, the exports increased 80% mainly driven by the sales in Asia Pacific and Latam (121% and 123% respectively) with the opening of new markets such as Russia and China.
- COGS** caption mainly comprises merchandises purchase amounting to €4.5m in FY18 (€2.2m in FY17) mainly in EU and raw material consumption amounting to €2.5m in FY18 (€1.4m in FY17). This caption increased 98.2% CAGR in line with the revenues growth. Note that the Target benefited from scale economies and cost savings.
- Other operating income** comprises subsidiaries income and other non-core operating income. The subsidiaries income correspond to the implicit interest subsidised by the granted of zero-interest loans granted for R&D project.
- Personnel expenses** decreased from 51.4% as % of revenue in FY16 to 15.5% FY18 due to cost savings process introduces by the Target during the period. The employees average headcount decreased from #38 in FY16 to #30 in FY18. However, the average cost per employee increased from €53.6k in FY16 to €61.3k in FY18.
- The cost savings process developed by the Company decreased **OPEX** caption as a % of revenues from 58.2% in FY16 to 17.2% in FY18, mainly driven by the R&D outsourcing and the sponsorship of the projects.
- The Company increased its **EBITDA** from €(1.5)m in FY16 to €2m in FY18 mainly driven by the revenues increase and the cost savings process. In FY18 the EBITDA represented 16.8% as a % of revenues.
- The main below EBITDA caption was **D&A** amounting to €(1.2)m during FY18, mainly comprising R&D capitalised costs amortisation amounting to €(945)k in FY18.

## Executive Summary | Balance Sheet

The Company maintains loans in connection to R&D projects granted by public administration and credit institutions amounting to €3.9m and €335k respectively as at Dec-18

### Balance Sheet - AB-Biotics

€ in thousands	Dec-16	Dec-17	Dec-18
<b>Intangible assets</b>	7,223	6,290	6,430
Tangible assets	341	284	204
Long-term financial investments	525	683	669
<b>Fixed assets</b>	<b>8,090</b>	<b>7,258</b>	<b>7,303</b>
Inventories	333	276	609
Trade receivables	1,201	2,149	3,724
Trade payables	(1,411)	(2,147)	(2,583)
ST accruals	(68)	(550)	(131)
<b>Working capital</b>	<b>55</b>	<b>(273)</b>	<b>1,619</b>
Long-term debt	(3,714)	(3,481)	(3,151)
Short-term debt	(1,559)	(1,053)	(1,045)
Short-term financial investments	48	24	1,004
Cash and cash equivalents	2,688	2,430	1,769
<b>Net debt</b>	<b>(2,538)</b>	<b>(2,079)</b>	<b>(1,423)</b>
DTA	87	-	652
DTL	(127)	(165)	(128)
Provisions	-	-	(9)
LT accruals	-	-	(1,155)
<b>Other assets and liabilities</b>	<b>(40)</b>	<b>(165)</b>	<b>(640)</b>
Share capital	629	629	629
Share premium	18,732	18,574	18,586
Legal reserves	4	4	4
Other reserves	26	26	26
Negative results of previous years	(6,761)	(12,750)	(13,645)
Subsides, donations and legacies received	382	496	384
Owns shares	(1,456)	(1,345)	(309)
Net profit/Loss for the year	(5,989)	(895)	1,218
Adjustments for value change	-	-	(35)
<b>Equity</b>	<b>5,567</b>	<b>4,740</b>	<b>6,859</b>
DPO (days)	82	96	74
DSO (days)	33	78	85
DIO (days)	66	25	31

Source: Audited Annual Accounts

### Balance sheet

- The **Fixed assets** of the Company as at Dec-18 comprise (i) intangible assets including development projects related to clinical studies amounting to €5.7m and patents, licenses, software and advances amounting to €712k (ii) tangible assets amounting to €204k related to technical facilities and machinery and (iii) long-term financial investments amounting to €669k related to deposits and bonds, guarantees, bond funds and yield funds.
- The **Inventories** of the Company mainly comprise raw materials and other supplies amounting to €407k, trade products amounting to €156k and advances made to suppliers amounting to €46k as at Dec-18.
- The **Trade receivables** mainly corresponding to (i) customers receivables for sales and customers of group companies and associates amounting to €3.5m, (ii) public administration creditor amounting to €152k and (iii) personnel amounting to €27k as at Dec-18.
- The **Trade payables** of the Company comprise (i) short-term suppliers amounting to €1.0m, (ii) other creditors amounting to €1.3m, (iii) public administration debts amounting to €155k and (iv) outstanding remunerations of personnel amounting to €43k as at Dec-18.
- The **Net debt** of the Company comprises (i) loans in connection to R&D projects granted by public administration amounting to €3.9m, (ii) debts with credit institutions amounting to €335k, (iii) short-term financial investments amounting to €1.0m related to equity instruments, loans to companies and other financial assets and (iv) cash and cash equivalents amounting to €1.8m as at Dec-18.
- Other assets and liabilities** mainly comprise long-term accruals related to the exclusive distribution license agreement with Kaneka and deferred taxes of the Company.
- The **Equity** of the Company mainly comprises share capital amounting to (i) €629k (12,588,259 shares amounting to €0.05 per share), (ii) share premium amounting to €18.6m, (iii) reserves amounting to €30k, (iv) subsides received amounting to €384k and (v) own shares amounting to €(309)k as at Dec-18.



# Executive Summary | Current trading

## Profit and Loss - AB-Biotics

€ in thousand	FY17			FY18			FY19			Var. % FY17 - FY18	Var. % YTD18 - YTD19
	FY17	FY18	YTD18	YTD19	FY17 - FY18	YTD18 - YTD19					
Revenues	7,208	11,892	1,770	2,702	65.0%	52.6%					
Capitalised costs	512	701	157	261	37.0%	66.6%					
COGS	(4,014)	(7,280)	(1,122)	(1,519)	81.4%	35.4%					
<b>Gross margin</b>	<b>3,706</b>	<b>5,314</b>	<b>805</b>	<b>1,443</b>	<b>43.4%</b>	<b>79.3%</b>					
Other operating income	259	633	140	82	144.7%	(41.7%)					
Personnel expenses	(1,674)	(1,839)	(351)	(512)	9.9%	45.8%					
OPEX	(1,811)	(2,046)	(473)	(558)	13.0%	18.1%					
Bad debt	(267)	(99)	(95)	8	(62.9%)	(108.4%)					
Other result	0	39	33	34	22779.1%	1.9%					
<b>EBITDA</b>	<b>212</b>	<b>2,002</b>	<b>60</b>	<b>497</b>	<b>842.3%</b>	<b>730.8%</b>					
D&A	(1,137)	(1,190)	(281)	(310)	4.7%	10.3%					
Impairments and sale of Fixed Assets	216	1	-	(2)	(99.8%)	n.a.					
<b>EBIT</b>	<b>(708)</b>	<b>812</b>	<b>(221)</b>	<b>186</b>	<b>(214.7%)</b>	<b>(184.0%)</b>					
Financial income	20	8	1	2	(61.5%)	250.3%					
Financial expenses	(236)	(243)	(67)	(22)	2.8%	(66.8%)					
<b>EBT</b>	<b>(924)</b>	<b>577</b>	<b>(287)</b>	<b>165</b>	<b>(162.5%)</b>	<b>(157.6%)</b>					
CT	29	641	-	(42)	2082.1%	n.a.					
<b>Net result</b>	<b>(895)</b>	<b>1,218</b>	<b>(287)</b>	<b>124</b>	<b>(236.1%)</b>	<b>(143.1%)</b>					
<b>As a % of revenues</b>											
Gross Margin	51.4%	44.7%	45.5%	53.4%	-6.73p.p						
Other operating income	3.6%	5.3%	7.9%	3.0%	1.73p.p						
Personnel expenses	(23.2%)	(15.5%)	(19.8%)	(18.9%)	7.76p.p.						
OPEX	(25.1%)	(17.2%)	(26.7%)	(20.7%)	7.93p.p						
Bad debt	(3.7%)	(0.8%)	(5.4%)	0.3%	2.87p.p						
EBITDA	2.9%	16.8%	3.4%	18.4%	13.89p.p.						

Source: Audited Annual Accounts

## Balance Sheet - AB-Biotics

€ in thousands	Dec-16		Dec-17		Dec-18		Mar-19	
	Dec-16	Dec-17	Dec-18	Mar-19	Dec-16	Dec-17	Dec-18	Mar-19
Intangible assets	7,223	6,290	6,430	6,516				
Tangible Assets	341	284	204	194				
Long-term financial investments	525	683	669	669				
<b>Fixed assets</b>	<b>8,090</b>	<b>7,258</b>	<b>7,303</b>	<b>7,379</b>				
Inventories	333	276	609	1,069				
Trade receivables	1,201	2,149	3,724	2,706				
Trade payables	(1,411)	(2,147)	(2,583)	(2,685)				
Accruals ST	(68)	(350)	(131)	(107)				
<b>Working capital</b>	<b>55</b>	<b>(273)</b>	<b>1,619</b>	<b>983</b>				
Long-term debt	(3,714)	(3,481)	(3,151)	(2,705)				
Short-term debt	(1,559)	(1,053)	(1,045)	(1,078)				
Short-term financial investments	34	24	1,004	965				
Short-term group companies investments	14	-	-	-				
Cash and cash equivalents	2,688	2,430	1,769	2,208				
<b>Net debt</b>	<b>(2,538)</b>	<b>(2,079)</b>	<b>(1,423)</b>	<b>(611)</b>				
DTA	87	-	652	604				
DTL	(127)	(165)	(128)	(120)				
Provisions	-	-	(9)	(12)				
LT accruals	-	-	(1,155)	(1,099)				
<b>Other assets and liabilities</b>	<b>(40)</b>	<b>(165)</b>	<b>(640)</b>	<b>(627)</b>				
Share capital	629	629	629	629				
Share premium	18,732	18,574	18,586	18,586				
Legal reserves	4	4	4	126				
Other reserves	26	26	26	26				
Negative results of previous years	(6,761)	(12,750)	(13,645)	(12,548)				
Subsidies, donations and legacies received	382	496	384	360				
Owns shares	(1,456)	(1,345)	(309)	(164)				
Net profit/Loss for the year	(5,989)	(895)	1,218	124				
Adjustments for value change	-	-	(35)	(14)				
<b>Equity</b>	<b>5,567</b>	<b>4,740</b>	<b>6,859</b>	<b>7,125</b>				
DPO (days)	82	96	74	147				
DSO (days)	33	78	85	108				
DIO (days)	66	25	31	32				

Source: Audited Annual Accounts

# Executive Summary | Cash flow

Between FY16 and FY18, the main cash flow movements of the Target are related to revenues increase, working capital, CAPEX and financial debt

## Cash Flow FY16-FY18 - AB-Biotics

€ in thousands	FY17	FY18
EBITDA cash	315	3,077
CAPEX	(348)	(1,250)
Working Capital	141	(1,925)
Other result	416	1
CIT	97	(47)
Operating Cash Flow	622	(143)
Financial debt	(739)	(338)
Financial investments	(134)	(965)
Financial results	(216)	(235)
Financial Cash Flow	(467)	(1,681)
Changes in Equity	209	1,020
Total Cash Flow	(258)	(651)
Initial cash	2,688	2,430
Final cash	2,430	1,769
Cash variation	(258)	(661)
	5,300	

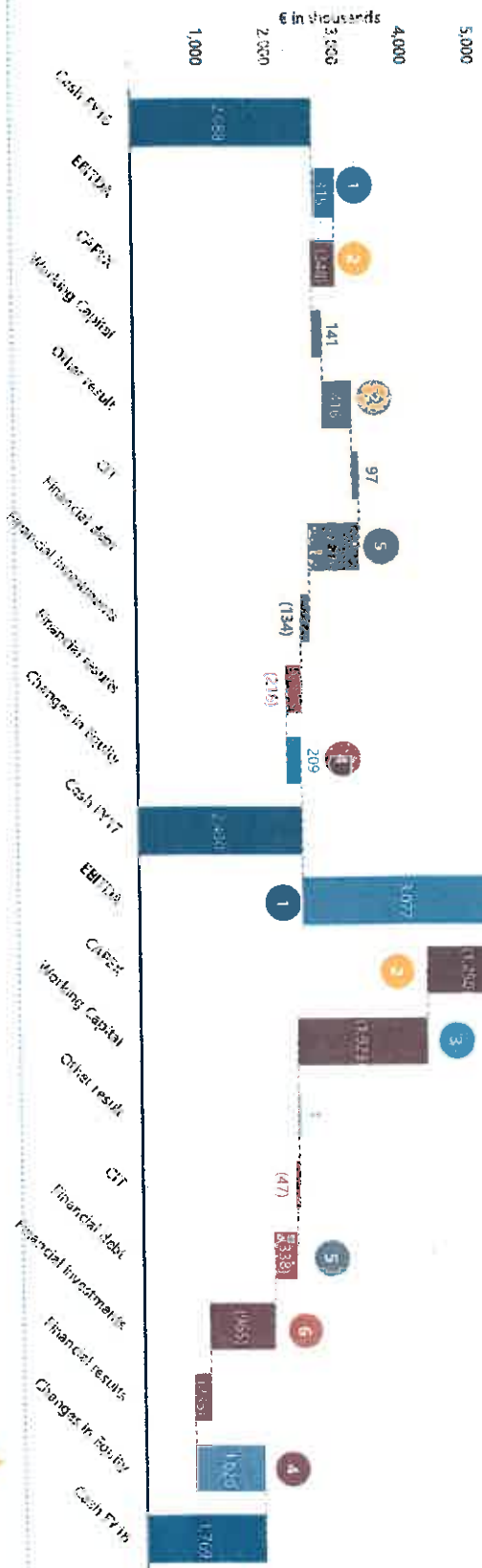
Source: Audited Annual Accounts

### Cash flow

- 1 During FY18, the Target significantly increased the cash revenues mainly due to the Asia and LATAM markets expansion and the LT accrual of the agreement with Kaneka amounting to €1.2m.
- 2 The Target's CAPEX is mainly related to R&D development. Additionally, during FY17 the Company sold the development of a product to Frutaron group amounting to €416k.
- 3 The W/C variation decrease during FY18 is mainly due to the DSO and DIO increase (from 78 to 85 days and from 25 to 31 days respectively).
- 4 The equity increase is mainly related to subsidies received by the Target related to R&D projects.
- 5 The financial debt movement is related to the debt repayment and guarantees return during FY17.
- 6 The financial investments are mainly related to ST investments in investment funds.

Note that the estimated ratio of FCF/EBITDA for the Company amounts to c.72% in average all along the projection, in line with the Biogata and Probi estimated ratios. Please refer discounted cash flow for further details.

### Cash Flow bridge FY16-FY18 - Project AB



# Executive Summary

## Recommendations

### Observation

### Recommendation

### Valuation

#### Valuation options according to article of RD 1066/2007

€	DCF	Wide market multiples	Narrow market multiples	Recent transactions	Average share price	Last transaction
EV/EBITDA	22.15	19.18	22.49	17.87	22.88	25.07
EBITDA LTM19 (May19)	2,399	2,399	2,399	2,399	2,399	2,399
Enterprise Value	53,125	46,017	53,951	42,865	54,897	60,132
Size/liquidity adjustment	n/a	4.00%	4.00%	4.00%	n/a	n/a
Enterprise Value after size adjustment	53,125	44,176	51,793	41,151	54,897	60,132
Net debt	(86)	(86)	(86)	(86)	(86)	(86)
Other assets and liabilities	71	71	71	71	71	71
NOLs	2,412	2,412	2,412	2,412	2,412	2,412
Equity Value	55,522	46,573	54,190	43,547	57,294	62,528
Number of shares	12,506	12,506	12,506	12,506	12,506	12,506
Price per share	4.44	3.72	4.33	3.48	4.58	5.00

Source: Crowe analysis, Annual Accounts, Infront analytics, Yahoo finance and EY report

- Given that the purpose of the valuation is to determine a fair price for the delisting takeover bid that the Client is planning to promote over the shares of AB-Biotics and considering that the Company already owns the 66.33% of the target after the previous TOB process, in accordance with its legal advisors, we should take into consideration the *Royal Decree 1066/2007* which establish rules governing the determination of a fair value and the delisting takeover bids regime in Spain.
- The law establish several valuation methods to be used in order to determine the fair value of the share and the delisting price in a delisting TOB. An hypothetically delisting TOB offer should not be lower in any case to the higher value obtained applying these methods
- Considering that the share price significantly raised during the last months, **the highest value obtained considering all the valuation methods set in article 9 and 10.5 of Royal Decree 1066/2007 is the last transaction corresponding to the previous TOB with a price per share of €5.00 as at 28<sup>th</sup> of August 2019.** Note that the "Last transaction" value correspond to the price paid under the voluntary TOB, which already took into consideration the fair delisting value at the moment of the offering with a premium of 16.14% over that value. Otherwise the highest value would have been lower.
- In this regard, the highest value amongst all the parameters referred to above would be the one corresponding to the "last transaction" (i.e. price per share amounting to €5.00). Please note that the DCF and weighted average share price increased from €4.18 to €4.44 and from €4.31 to €4.58 respectively from the previous report without Management access.
- Based on that, and for the avoidance of any doubt about the value, we conclude that the delisting value for the analysed scenario should not be lower than the highest parameter identified hereto ("Last transaction"), this is, price per share amounting to €5.00."

# Executive Summary

## Recommendations

### Observation

#### Discounted cash flow

### Recommendation

- \* The DCF is the most complete method to calculate the price per share given that it considers the future growth of the Target and takes into consideration different inputs contained within the WACC and size and liquidity adjustments.
- The discounted cash flow method entails an equity value of €55,522k with a price per share of €4.44 which is in line with the result obtained by other valuation reports and industry analysis such as GVC Gaesco or Researchly and based on Management conversations and the projections included in the EY report. *Please refer to DCF section for further details.*
- Revenues are in line with the growth rates estimated by the company for both its product lines. Revenues include estimated royalties derived from the alliance with Kaneka amounting to €2.5m in 2021. Other concepts include accrued capital grants and the accrual of the initial upfront payment of €1.2m made by Kaneka.
- Additionally, according to Management conversations, the significant growth between FY18 and FY22e is related to the nearly 100 pipeline products as at May-19 (6 approved, 31 submitted and 48 on going). However, the Management admitted that, given that the revenues are generated in a small group of clients, the projected EBITDA may fluctuate from the initial estimated figure depending on commercial issues.
- Given this, we consider that the percentage growth estimated by the business plan of the company is optimistic but could be reasonable.

### Multiples

- One of the methods generally accepted for the determination of the fair value is the similar listed companies multiples and recent transactions.
- The price per share of market multiples range from €3.72 to €4.33 using the LTM19 figures (May-19) depending if we use a wider sample of companies or a narrowed one taking into consideration only the most similar companies (Probi, Biogal, Bioserch and CHR Hansen). Please consider that the Target does not have clear competitors and some of the companies of the same industry may have different financial ratios.
- We considered that this method could be used for contrast purposes but do not take into consideration the potential growth of the Target in comparison with the comparable companies.
- In the case of recent transactions, the obtained price per share is €3.48 after considering the size/liquidity adjustment, which is lower than the market multiples. We considered that this method could be used for contrast purposes but do not take into consideration the potential growth of the Target in comparison with the recent transactions in the industry and do not offer a wide sample of similar companies.
- Note that Kaneka acquired as at Mar-18 the 26.9% of the Company at a price of €3.25 per share and as at June 13<sup>th</sup> performed another acquisition at a price of €3.85. According to the RD 1066/2007, the offered price should not be lower than this last transaction.
- Additionally, given that the price of the previous TOB amounted to €5.00, the delisting TOB must at least maintain this same price.

### Previous price per share acquisition



# Executive Summary

## Recommendations

Observation	Recommendation
<p><b>Alliance with Kaneka</b></p>	<ul style="list-style-type: none"> <li>▪ According to a Company annual reports, Kaneka has signed a license agreement with AB-Biotics to grant Kaneka the exclusive rights for production, fermentation and distribution of ABB's products in North America (USA and Canada) and Japan</li> <li>▪ All along the period but specially between FY18 and FY19, the revenues' increase of the Target took into consideration the exponential increase of licence and the strategic agreement with Kaneka which will open the North-American market.</li> <li>▪ The initial agreement between both companies has a seven years duration and with this agreement Kaneka expects to develop and launch differentiated new products. Kaneka's goal is reaching US\$90m by 2022.</li> <li>▪ On the other hand, the potential growth coming from Kaneka in North America and Japan would not be significant at least until 2020.</li> <li>▪ In its medium-term management plan, Kaneka stated that it was expecting a strong growth in its food supplements business line. The Japanese Company has an investment target of €1,630m at the current euro/dollar rate including M&amp;A transactions, being US a key market for the Group.</li> <li>▪ The main strategies for the Kaneka/AB-Biotics are the following:</li> </ul> <div style="display: flex; justify-content: space-between;"> <div data-bbox="518 555 726 1025" style="width: 30%;"> <p style="text-align: center;"><b>Americas</b></p> <ul style="list-style-type: none"> <li>• Create and expand new business in the healthcare industry</li> <li>• Aggressively conduct M&amp;As and open innovations</li> <li>• Further strengthen production and sales in existing businesses.</li> </ul> </div> <div data-bbox="518 1176 726 1556" style="width: 30%;"> <p style="text-align: center;"><b>Europe</b></p> <ul style="list-style-type: none"> <li>• Expand production capacity and inorganic growth</li> <li>• Actively expand solutions business into new businesses and fields.</li> </ul> </div> <div data-bbox="518 1713 726 2103" style="width: 30%;"> <p style="text-align: center;"><b>Asia</b></p> <ul style="list-style-type: none"> <li>• Maximize returns on large-scale capital expenditure</li> <li>• Aggressively expand sales in China, ASEAN and India markets</li> <li>• Expand healthcare business</li> </ul> </div> </div>

# Agenda

---

<b>Section</b>	
1. About Crowe	4
2. Scope and limitations	10
3. Executive Summary	12
4. <b>Company overview</b>	<b>20</b>
5. Methodology	27
6. Market multiples	30
7. Recent industry transactions	32
8. Average share price	34
9. Discounted cash flow	35
10. Valuation	47

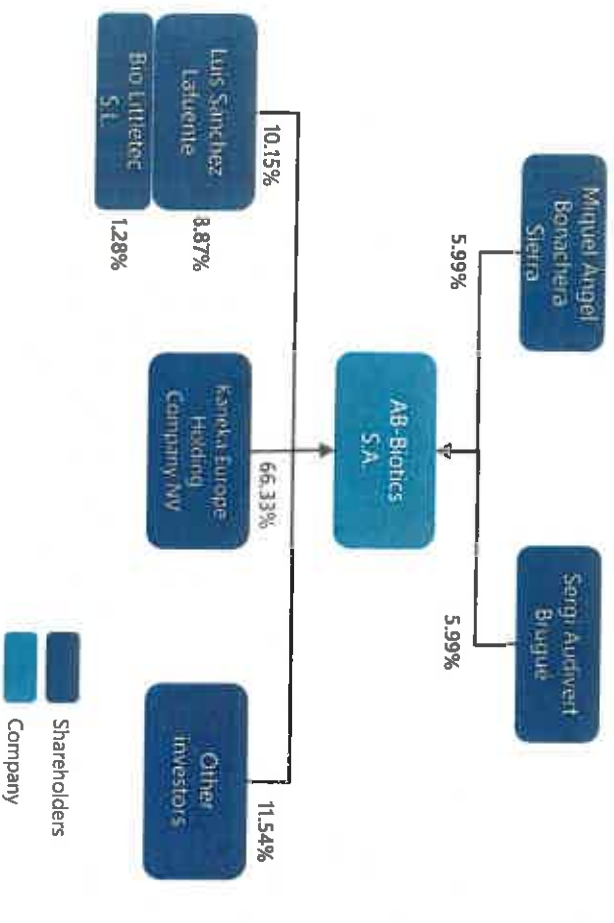
## **Appendices**

A. Appendices	50
---------------	----



# Business overview | The Business

AB-Biotics, S.A. is a thriving Company with revenues amounting to €11,892k with an EBITDA CAGR increase by 278% between FY17 and FY19e



	FY16	FY17	FY18	1Q19	FY19e
Revenues (€k)	3,961	7,208	11,892	2,702	16,449
Net debt (€k)	2,538	2,079	1,423	611	86
FTE (#)	38	35	30	37	n/a
EBITDA (€k)	(1,454)	212	2,002	497	3,038

Source: Annual accounts

## Brief history of the Company

- AB-Biotics, S.A. was founded in April 2004 as a spin-off of the Autonomous University of Barcelona. The Company is specialised in the research, development, innovation and production of biotechnological solutions which improve people's health and welfare.
- The Company is divided in three main business areas (i) AB-Biotics functional ingredients, devoted to the development of probiotics and nutraceuticals, (ii) AB - Genotyping, devoted to the genetic analyses for preparation of pharmacogenetics studies and (iii) AB-Biotics R&D outsourcing, a consultancy area which is in charge of the integral management of research projects for the food and pharmaceutical industry.
- Nowadays the Company is a leading biotechnology company, with an international vocation around the world. The headquarter of the company is located in Esade-Creapolis, Barcelona.
- The main shareholders of the Company are (i) Miguel Ángel Bonachera Sierra with a 5.99%, (ii) Sergi Audivert Bruqué with a 5.99%, (iii) Luis Sánchez Lafuente with 10.15% (8.87% directly and 1.28% through Biolitteteq, S.L.) and (iv) since Aug-2018, Kaneka Europe Holding Company, NV with a 66.33%. As a result, Kaneka Holding has become the main shareholder of AB-Biotics.
- The Company significantly grew during the last years up to a total revenues of €11.9m during 2018 with an EBITDA of €2m representing a variation of 65.0% in comparison with the 2017 revenues (€7.2m). The analysts projections estimates an EBITDA increase by 50.7% until 2022.
- The Company signed more than 80 license agreements with different pharmaceutical and food supplements companies all over the world, most of them during the last 4 years.
- The Company aspires to establish state of the art solutions by developing microbiome modulators to improve people's health and prevent diseases.
- The Company counts with a team of professionals who are highly qualified in a variety of fields.

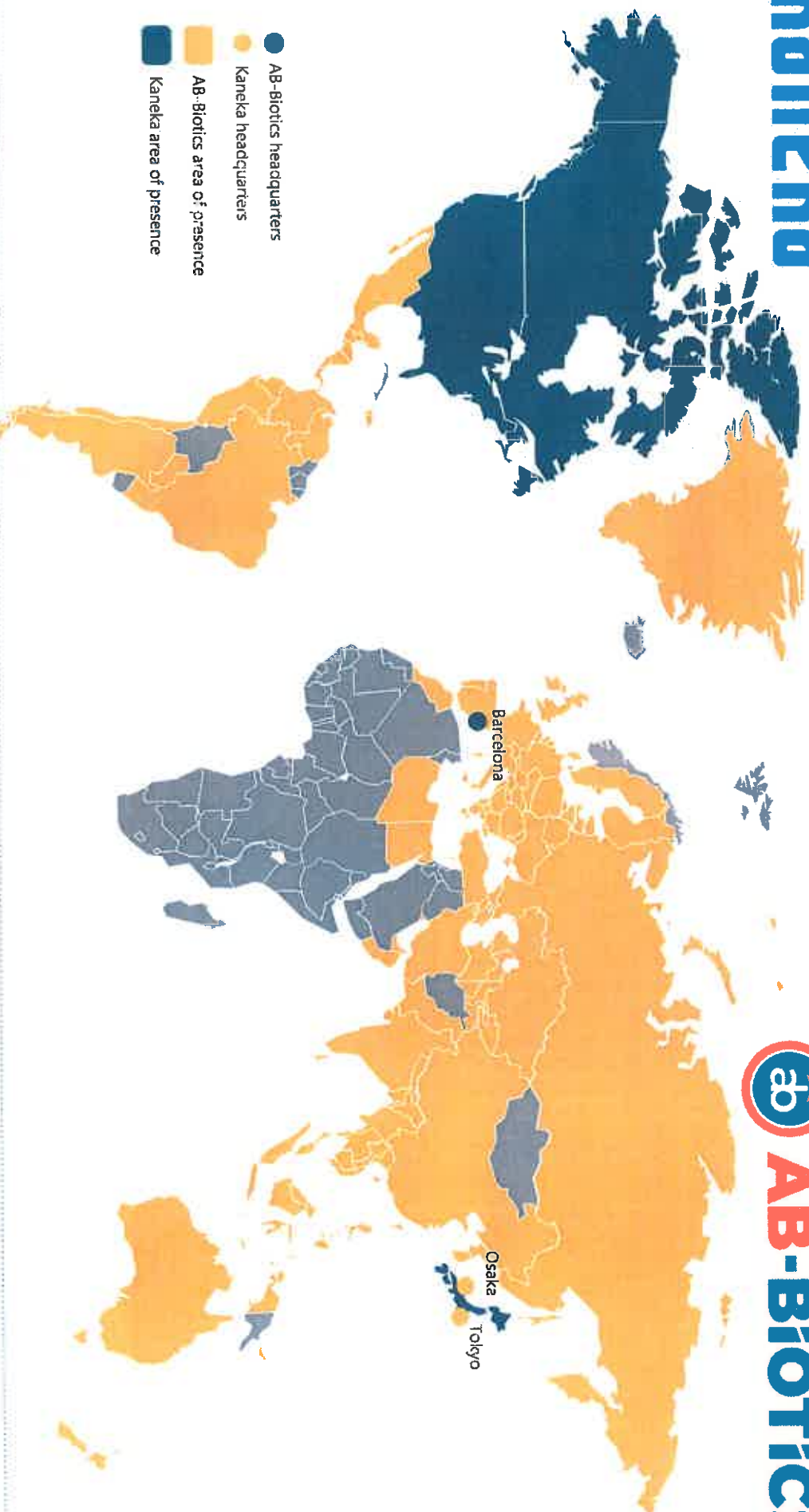
## Business overview | The Business

AB-Biotics, S.A. headquarters are located in Barcelona and has presence in all the continents, while Kaneka Holding Inc. headquarters are located in Tokyo and mainly has presence in Japan and North America

# КАНЕКА



# AB-BIOTICS



# Business overview | The Business Model

AB-Biotics counts with a precise business model based on research, development, protection and distribution of own and exclusive biotechnological solutions



## Origins

- The initial phases of AB-Biotics consisted in research and development in order to obtain the microorganisms from which to develop an owned collection of natural bacterial strains.
- Its own bank of natural strains has allowed AB-Biotics to develop innovative and patented probiotics pipeline in the world. The main patents are currently marketed in the form of several products.



## Production

- AB-Biotics externalises its production and all strains are replicated in two different plants.
- The suppliers of AB-Biotics can be differentiated into two different categories: (i) Active ingredients' suppliers in charge of the fermentation process and (ii) Final product suppliers in charge of the production of the final products based on the active ingredients.



## Distribution

- AB-Biotics follows a simple distribution model, where previous contract with the client and order upon request, the Company develops and externalises the production of the final products with the purpose of selling it.
- These final products are ready to be distributed to AB-Biotics' clients with the requested format and brand as agreed with each client.

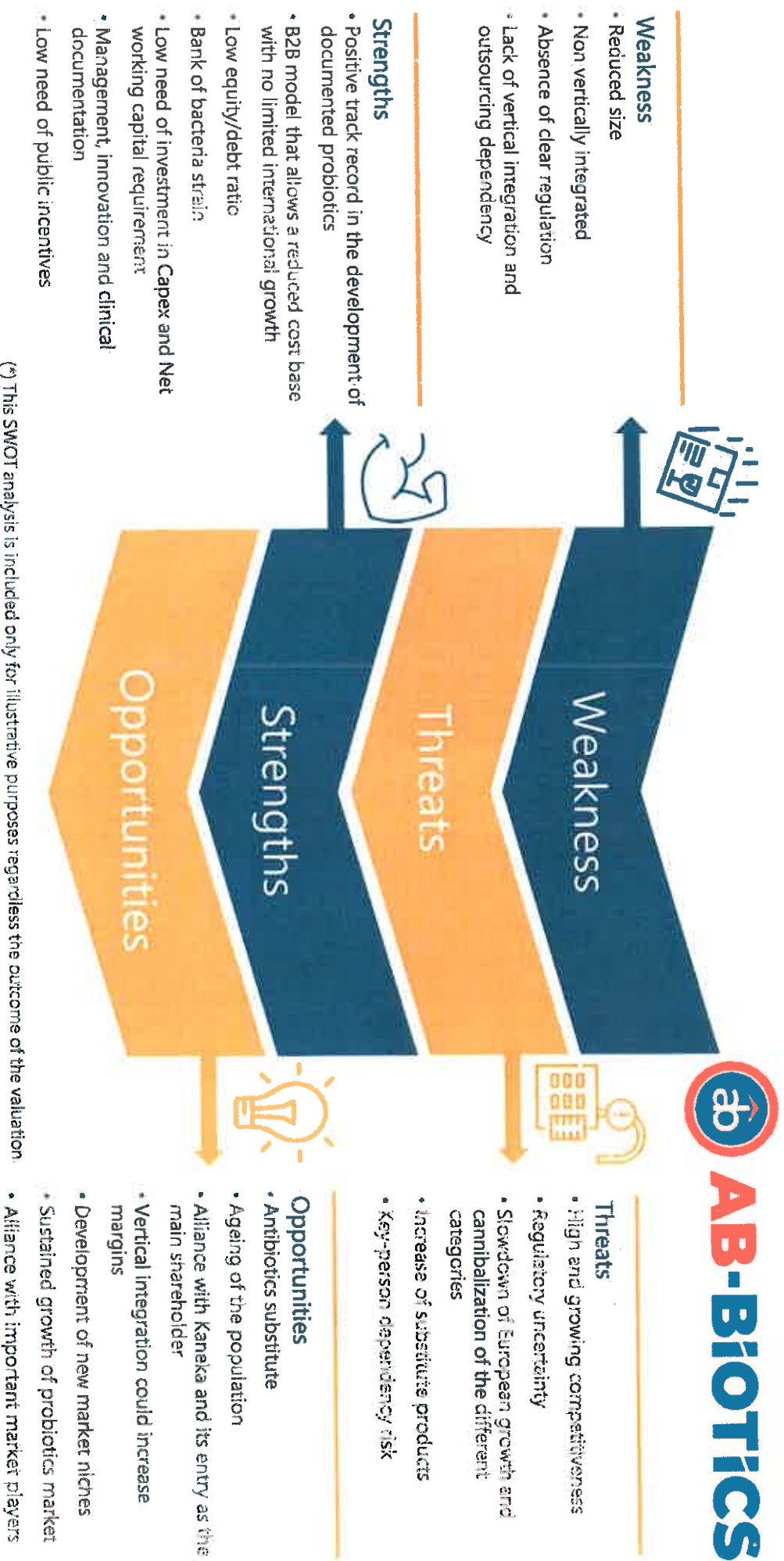


## Contracts

- Agreements with clients are established on a contractual basis through master agreements, where prices are agreed and kept constant referred to inflation.
- These contracts with clients usually include certain minimum order amounts in order to preserve the exclusivity of the final product.



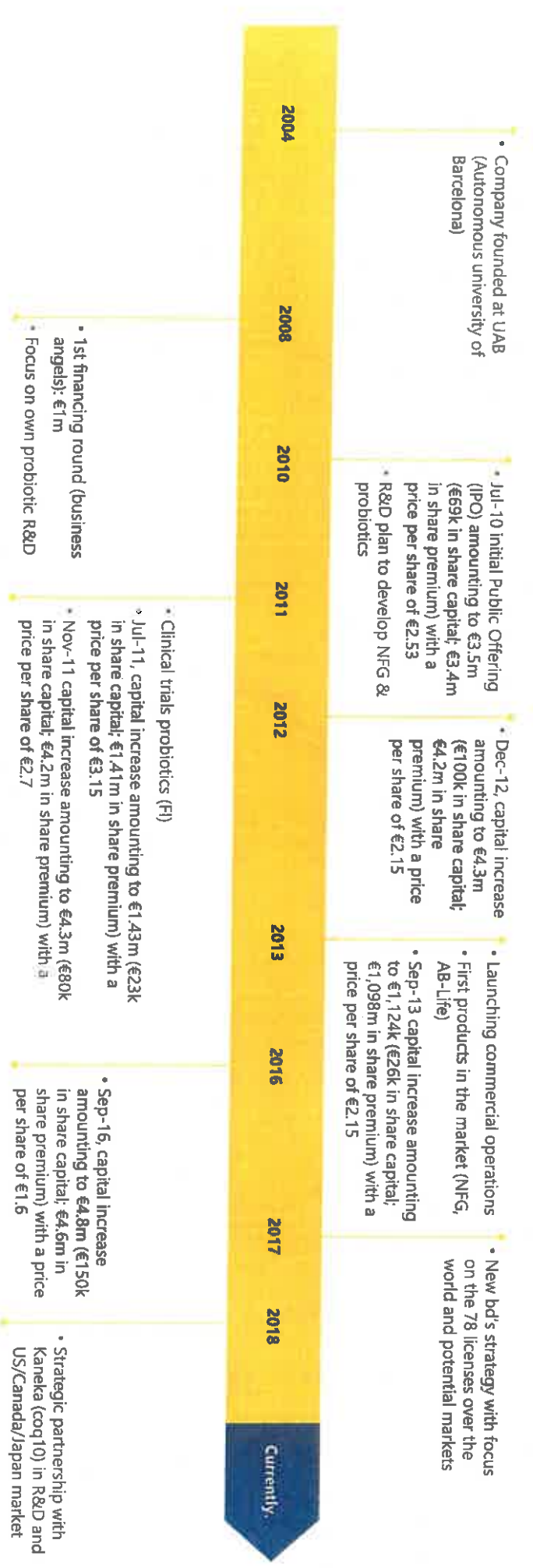
# Business Overview | The Business



Source: GVC Gaesco and Researchy

## Business overview | History

AB-Biotics, S.A. was founded in 2004 as a spin-off of the Autonomous University of Barcelona. In 2018 Kaneka Holding Inc. became a partner of the company and developed its market in USA, Canada and Japan

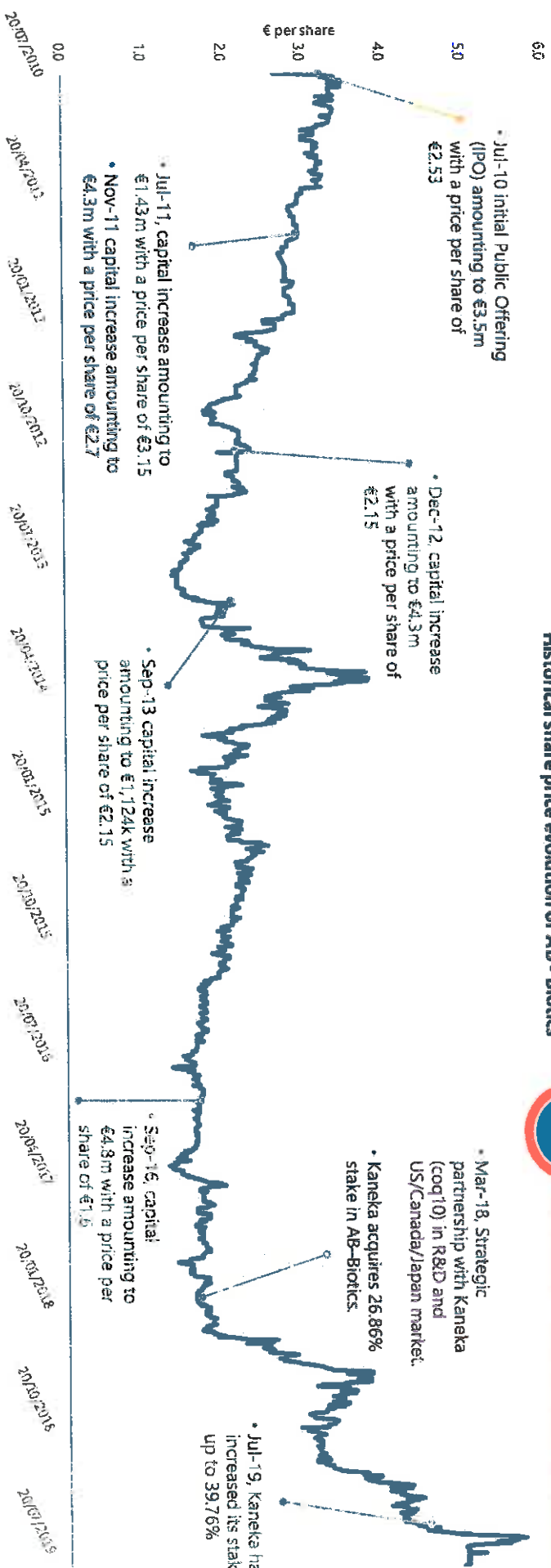


# Business overview | History

Kaneka acquired a 26.86% of the Company shares as at Mar-18, in which has increased to 39.76% until the date of first TOB which percentage increased up to 66.33%



Historical share price evolution of AB - Biotics



## Brief history of the Company

- Kaneka Holding Inc. became a partner of the Company as at Mar-18 subscribing a license agreement by which AB-Biotics granted Kaneka America Holding Inc. the exclusive right to manufacture, import, offer and sell certain products of AB-Biotics in Japan and North America.
- Likewise Kaneka Group acquired a 26.86% of the Company shares, in which the percentage of the Company's share capital has increased to 39.76% until the date of first TOB which percentage increased up to 66.33%.
- Kaneka Group intends to acquire 100% of the capital of the Company by placing an offer to all shareholders for the acquisition of the remaining shares in AB-Biotics with the purpose to promote a delisting process.



# Agenda

Section	
1. About Crowe	4
2. Scope and limitations	10
3. Executive Summary	12
4. Company overview	20
<b>5. Methodology</b>	<b>27</b>
6. Market multiples	30
7. Recent industry transactions	32
8. Average share price	34
9. Discounted cash flow	36
10. Valuation	47

## Appendices

A. Appendices	50
---------------	----

# Methodology

We performed valuation procedures based on the methods established in the RD 1066/2007 including DCF and similar companies multiples

## Valuation

- The scope of the assignment is the update of the valuation report dated July, 9<sup>th</sup> regarding the determination of the market value of the 100% of the listed Company AB-Biotics, S.A. in order to quantify the future expectations of generating business wealth that are likely to be estimated.
- Based on valuation purposes, the Value Standard that must be applied is the Market Value or Fair Market Value.
- Fair Market Value is defined as the highest possible price in the open market without restrictions between informed and prudent parties, acting under arms' length conditions and under no coercion expressed in terms of currency or currency value.
- Do not confuse value and price. While the value is the potential benefit in relation to the expectations of asset wealth creation, the price is the cost of the asset acquisition and is determined in the negotiation between the buyer and the seller, under certain circumstances.

## Methodology

- Given that the purpose of the valuation is to determine a fair price for the delisting takeover bid that the Client is planning to promote over the shares of AB-Biotics, we should take into consideration the rules established in the *Royal Decree 1066/2007* governing the takeover bids regime in Spain.
- In compliance with the article 10 of the RD 1066/2007, the delisting of the Target would be performed after approval of the Ordinary General Shareholder's meeting through the offering of the takeover shareholders that did not vote in favour of said delisting.
- The article 10.5 of RD 1066/2007, establish that a valuation report must be presented by the Company promoting the takeover bid to the shareholders in order to justify the price offered.

- This report should include a rational justification of the valuation performed and the price offered based on the following valuation methods:

- 1) Net book value:** This is the value resulting of dividing the equity of the Company and the total number of shares. We do not consider this method to be representative given that it does not consider the Target as an operating Company but use an static focus.
- 2) Liquidation value:** This is the value resulting of adding to the equity value of the Target the estimation of liquidating assets and liabilities. We do not consider this to be a suitable method given that it is focused on companies which will be liquidated after the takeover and the resulting price would be significantly lower than the obtained through other methods.
- 3) Weighted average share price during the previous semester:** This is the value resulting of the average share price during the last 6 months previous to the takeover. The value resulting of this method is usually lower than the ones obtained through the application of other methods. However, in the case of the Target, the share price has been significantly raising during the last 12 months (47.9% over the last 12 months at the date of this report) and this value could be similar to a valuation using other methods.
- 4) Previously offered consideration:** In the case other transactions between the buyer and the seller were performed during the last 12 months, the delisting TOB offer should not be lower than the higher of these transactions. In the case of the Target, a TOB offer was performed between July 09<sup>th</sup> and August 16<sup>th</sup>, with a price of €5 per share. Hence delisting TOB offer should not be lower than this amount.
- 5) Other valuation methods:** The RD 1066/2007 established additional methods generally accepted which should be used for valuation purposes such as:

- 1. Discounted cash flow:** For the update of the previous report, we were provided with access to Management and hence we used the Management projections as state in the 5Y report up to FY22. Additionally we based our analysis on competitors evolution and market projections.

# Methodology

The final price is the result of the higher valuation among the methods established in articles 9 and 10 of the RD 1066/2007

## Methodology (cont.)

- ii. **Similar companies multiples:** We used multiples of similar companies in the industry listed in liquid markets. Given that the companies found have different size, we adjusted the multiples based on size.
- iii. **Recent industry transactions:** We performed database research to find recent industry transactions to contrast the multiples found in the previous criteria.
- Additionally, according to the article 9 of the RD 1066/2007, the takeover bid must not be lower to any previous offer promoted during the last 12 months between the takeover bidder and any other shareholder affected by the delisting process.
- **The offered price must not be lower to the higher price resulting of the methodology established in article 10 of the RD 1066/2007 and the fair price established in article 9 of the RD 1066/2007.**
- It is important to understand that a correct valuation plays a key role in many areas to accurately understand the value of an asset and what drives that value, and in this way make effective business decisions.
- However, the assessment necessarily involves a certain degree of subjectivity. The value is influenced by a variety of factors: such as: (i) Preconceived ideas and bias of the owner of the asset, (ii) the understanding of the market valuer, (iii) the methodology being used and (iv) the complexity of the underlying business.
- We believe that the assumptions contained in this report are appropriate, are not overly optimistic or unnecessarily pessimistic and have a strong argumentation base that provides a strong point of reference in understanding the basis of assumptions.

## Methodology (cont.)

- The market value of 100% of the shares of AB-Biotics is the result of those of the following values:
  - (+) Business Valuation
  - (+/-) Net Debt
  - (-) Debts to LP and CP with third parties as of June 30, 2019.
  - (+) Financial investments to LP and CP as of June 30, 2019.
  - (+) Treasury as of June 30, 2019.

# Agenda

---

<b>Section</b>	
1. About Crowe	4
2. Scope and limitations	10
3. Executive Summary	12
4. Company overview	20
5. Methodology	27
6. Market multiples	30
7. Recent industry transactions	32
8. Average share price	34
9. Discounted cash flow	36
10. Valuation	47

## **Appendices**

A. Appendices	50
---------------	----

# Market multiples

The most similar industry companies at an international level have an average EV/EBITDA ratio amounting to 22.5x

## Industry listed companies

- We performed a database research of listed companies within the same industry in order to obtain a range of multiples which could be applicable to the Target. Most of the selected companies have a significantly higher EBITDA and market capitalisation than the Target Company. However, an adjustment will be applied to compensate the potential deviation which may arise from this. We excluded from the calculation the companies with negative EBITDA given that the Target have positive EBITDA.
- The breakdown of selected industry companies is the following:

### Industry listed Companies

Company	Estimated € in millions	Market Cap	Country	Beta	EBITDA	EV/EBITDA (1TM)	ROCE
CHR Hansen	8,671	8,671	DNK	0.88	2,556	27.7	15.58%
BioGaia AB	610	610	SWE	1.18	26.0	25.6	47.01%
Biosearch S.A.	52	52	SPA	1.72	3.9	16.0	15.22%
Probi AB	314	314	SWE	0.90	16.4	20.6	8.15%
Amgen Inc	99,065	99,065	USA	0.77	10,917	10.9	18.77%
Celgene Corporation	54,928	54,928	USA	1.18	7,578	9.3	22.93%
Emergent BioSolutions Inc	1,759	1,759	USA	1.34	99.2	25.9	-0.76%
Exelixis Inc	5,275	5,275	USA	1.18	379.9	13.5	54.42%
Regeneron Pharmaceuticals, Inc	26,046	26,046	USA	0.99	2,088	13.2	23.10%
Repligen Corporation	3,898	3,898	USA	1.16	54.5	69.49	n/a

Note that the ROCE of the Target amounts to 12.19% in comparison with the 21.5% average of most similar companies.

Most comparable companies

Statistic	Value	Value
Median	16.0	18.8%
Average without extreme values	19.2	23.2%
Most similar companies average	22.5	21.5%

Extreme values to be excluded from the calculation

Source: Infront analytics, Yahoo Finance and Bloomberg

- Note that the market capitalisation included was the one at the date of the report and the EBITDA included was calculated as at the date of the report for the last twelve months.
- We obtained an average EV/EBITDA of 19.2x and a median of 16.0x. Note that in the case of the average we excluded the extreme values from the calculation.
- If taken into consideration the considered most similar companies, the EV/EBITDA average would amount to **22.5x**.
- We contrasted these results with the multiples provided by Damodaran in Jan-19 in the Drugs (Biotechnology) sector amounting to 13.4x in the Global market, 12.8x in Europe and 12.0x in USA. *Please refer to appendices for further details.*
- It is important to highlight that the products of the Target are scientifically well differentiated from those of their competitors; hence, the competition is not about the same active principle, but rather about the same therapeutic concepts. The similar companies selected in this report does not exactly have the same products than the Target.

# Agenda

---

Section	
1. About Crowe	4
2. Scope and limitations	10
3. Executive Summary	12
4. Company overview	20
5. Methodology	27
6. Market multiples	30
7. <b>Recent industry transactions</b>	<b>32</b>
8. Average share price	34
9. Discounted cash flow	36
10. Valuation	47

---

## Appendices

A. Appendices	50
---------------	----



# Recent transactions

The recent transactions at an international level have an average and median EV/EBITDA ratio amounting to 17.9x and 13.2x respectively excluding extreme values

## Recent industry transactions

- We performed a database research of the recent transactions in the Biotechnological industry (CNAE code 7211 and US SIC code 8731) with the following result:

### Recent industry transactions

Date Announced	Date Effective	Target Name	Acquirer Name	EV/EBITDA
29/10/2018	14/02/2019	Karo Pharma AB	Karo Intressenter AB	13.79
29/06/2018	29/06/2018	Probiotics International Limited	ADM	23.84
30/06/2017	30/06/2017	CCSTEAM Srl	Tech-Value Spa	6.18
31/05/2017	08/06/2017	Oxford Gene Technology IP Ltd	Syrmex Corp	26.67
03/06/2016	15/09/2016	Source BioScience PLC	Sherwood Holdings Ltd	12.35
06/06/2016	06/06/2016	Nutraceutix	Probi AB	12.70
<b>Median</b>				<b>13.2</b>
<b>Average without extreme values</b>				<b>17.9</b>

Extreme values to be excluded from the calculation

- All the transactions were performed in the industry of the Target between 2016 and 2019. We considered necessary to exclude from the calculation the extreme values, in this case only the acquisition of CCSTEAM Srl from Tech-Value Spa given its significant lower value.
- The average without extreme values and median of EV/EBITDA amounts to 17.9x and 13.2x respectively which is lower than the market multiples (19.2x and 16.0x) and even lower than the multiples of the most similar companies (22.5x).
- All the transactions are performed in the industry of the target "Research and experimental development on biotechnology" and "Commercial physical and biological research".
- Note that, according to expert analysis, the industry is thriving and the market is tending to consolidation due to the competition increase which will lead to an increase in costs (CAPEX, R&D, etc...) and might decrease the multiples paid for this kind of companies in the future. The Company might need to invest in competitiveness for new products, market niches and potential acquisitions.
- The industry has relevant margins and it is attracting an increasing number of players which will push back the profitability and the intrinsic companies valuation.
- During the last couple of years, additional non-disclosed transactions were performed such as the acquisition of **Life-Space Group (LSG) by By-Health Co Ltd** during 2018, acquisition of **Ganeden by Kerry Group** during 2017 and the acquisition of **BioCare Copenhagen A/S by Royal DSM** during 2017.

# Agenda

---

<b>Section</b>	
1. About Crowe	4
2. Scope and limitations	10
3. Executive Summary	12
4. Company overview	20
5. Methodology	27
6. Market multiples	30
7. Recent industry transactions	32
8. Average share price	34
9. Discounted cash flow	36
10. Valuation	47

<b>Appendices</b>	
A. Appendices	50

# Weighted average share price

The weighted average of the price share during the last six months (up to 26<sup>th</sup> of July 2019) amounts to €4.58 per share

## Average share price during the last 12 and 6 months

### Last six months, volume trading per day- AB-Biotics

€	Open	High	Low	Close	Volume	Daily average
Average (Last 6M)	4.65	4.71	4.58	4.65	10,743	4.651
Weighted average price (Last 6M)	-	-	-	-	10,743	4.581
Max. (Last 6M)	5.70	6.10	5.60	5.70	267,394	5.70
Min. (Last 6M)	4.00	4.04	3.90	4.02	-	4.01

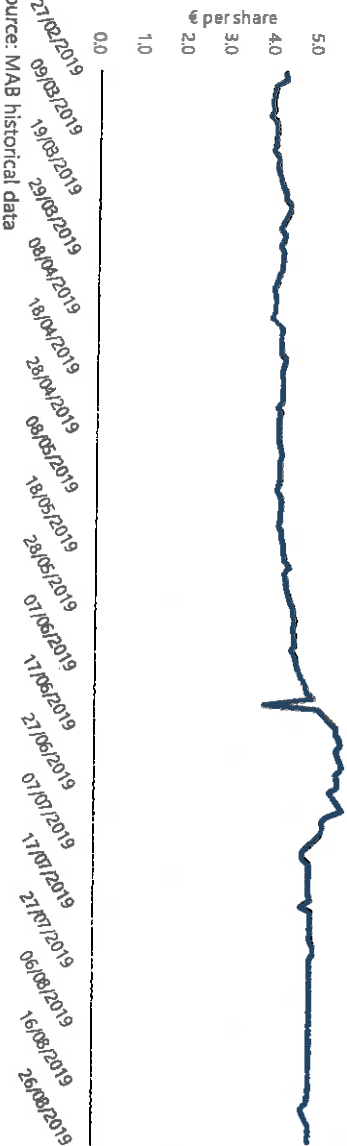
Source: Yahoo finance and MAB

- According to the article 10 of the RD 1066/2007, this is the value resulting of the **weighted average share price** during the last 6 months previous to the takeover taking into account the volume of shares and the average amount of the volume of each day during the last 6 months. The value resulting of this method is usually lower than the ones obtained through the application of other methods. However, in the case of the Target, the share price has been significantly raising during the last six months (c.18.5% over the last 6 months and c.47.9% over the last 12 months at the date of this report) and this value could be similar to a valuation using other methods. *Please refer to appendices for further details regarding the daily share price.*

- The share price fluctuated between a minimum of €3.90 and a maximum of €6.10 per share, with an average of €4.65 during the last 6 months as at 26<sup>th</sup> of August 2019. **The weighted average share price during the last 6 months as at 26<sup>th</sup> of August is €4.58 per share.**

- Note that the MAB is not a high liquid market and small daily trading could significantly affect the share price, which is the reason of the difference between this and other accepted methods which could better reflect the valuation of the target. During the last 6 months, the day with a higher volume was June 13<sup>th</sup> with 267,394 (due to the additional acquisition of 2% from Kaneka) but with a daily average of 10,743. *Refer to appendices for further details regarding the daily trading volume.*

### Weighted average share price of last six months



Source: MAB historical data

### Last twelve and six months, trading per day- AB-Biotics

€	Open	High	Low	Close	Daily average
Average (LTM)	3.98	4.03	3.92	3.98	3.98
Average (Last 6M)	4.65	4.71	4.58	4.65	4.65
Weighted average price (Last 6M)	-	-	-	-	4.58

Source: Yahoo finance and MAB

# Agenda

---

<b>Section</b>	
1. About Crowe	4
2. Scope and limitations	10
3. Executive Summary	12
4. Company overview	20
5. Methodology	27
6. Market multiples	30
7. Recent industry transactions	32
8. Average share price	34
<b>9. Discounted cash flow</b>	<b>36</b>
10. Valuation	47

---

## **Appendices**

A. Appendices	50
---------------	----

# Discounted cash flow | Current trading

FY19e revenues and EBITDA might increase 38.3% and 51.7% respectively in comparison with FY18.

## Profit and Loss - AB-Biotics

€ in thousand	FY18				FY19e				Var. % FY18 - FY19e	Var. % YTD18 - YTD19
	Revenues	Capitalised costs	COGS	Gross margin	Other operating income	Personnel expenses	OPEX	Bad debt		
Revenues	11,892	16,449	1,770	2,702	38.3%	52.6%				
Capitalised costs	701	716	157	261	2.1%	66.6%				
COGS	(7,280)	(7,535)	(1,122)	(1,519)	3.5%	35.4%				
Gross margin	5,314	9,630	805	1,443	81.2%	79.3%				
Other operating income	633	696	140	82	10.0%	(41.7%)				
Personnel expenses	(1,839)	(2,022)	(351)	(512)	9.9%	45.8%				
OPEX	(2,046)	(2,587)	(473)	(558)	26.5%	18.1%				
Bad debt	(99)	(132)	(95)	8	33.1%	(108.4%)				
Other result	39	-	33	34	100.0%	1.9%				
Operating costs	(10,591)	(14,127)	(1,867)	(2,466)	33.4%	32.1%				
EBITDA	2,002	3,038	60	497	51.7%	730.8%				
D&A	(1,190)	(1,454)	(281)	(310)	22.1%	10.3%				
Impairments and sale of Fixed Assets	1	0	-	(2)		n.a.				
EBIT	812	1,584	(221)	186	95.0%	(184.0%)				
Financial income	8	50	1	2	536.1%	250.3%				
Financial expenses	(243)	(40)	(67)	(22)	(83.5%)	(66.8%)				
EBT	577	1,594	(287)	165	176.1%	(157.6%)				
CIT	641	(150)	-	(42)	(123.4%)	n.a.				
Net result	1,218	1,444	(287)	124	18.5%	(143.1%)				
As a % of revenues	16.8%	18.5%	3.4%	18.4%						
EBITDA						13.89p.p.				

Source: Audited Annual report

## Current trading

- The 1Q19 results published by the Company shows a significant increase in comparison with YTD18, with a 52.6% increase in revenues and 730.8% increase in EBITDA.
- In order to project the future revenues of the Company we used the Management estimation considering that the YTD19 amount correspond to the 16.4% of the total year revenues, which is in line of considering the average of the main three competitors (Biogaia, Probi and CHR Hansen) and the YTD18 percentages over the total FY18 revenues.
- Likewise, the remaining months of FY19e might represent a 83.6% amounting to €16,449k if we take into account the amount of 1Q19. During FY19e, the resulting EBITDA/revenues ratio amounting to 18.5% is in line with the 1Q19 and industry ratios.
- According to Management, the current FY19e EBITDA estimation is in line with the current client contract and the pipeline of products (around 100 products).
- The main drivers would be the new regulatory submissions approved for the following years and the growth and development in North America and Asian markets in collaboration with Kaneka.
- According to the Annual Accounts, the first 1Q19 results are mainly driven by:
  - Exports increased by 78% (national sales amounting to 4% in YTD19 in comparison with 18% in YTD18) with China as the most significant market, which provides a higher gross margin than the average of the Company.
  - The alliance with Kaneka in Japan and North America started to have impact in the financial statements of the Company.
  - The area of functional ingredients continues to be the main driver of revenues from the Company, while the area of Precision Medicine NeuroPharmaGen continues being a high potential technology in which the Company focuses its strategy of generating solid scientific documentation.

## Discounted cash flow | Projections (1 of 3)

The projected EBITDA of the Target might increase by a 50.7% CAGR until FY22e based on Management projections for FY18-FY21e and industry reports

### Profit and Loss projections - AB-Biotics

€ in thousand	CAGR %					
	FY18	FY19e	FY20e	FY21e	FY22e	
Revenues	11,892	16,449	23,088	30,901	38,384	34.0%
Capitalised costs	701	716	716	716	729	1.0%
Operating costs	(10,591)	(14,127)	(18,774)	(23,272)	(28,790)	28.4%
EBITDA	2,002	3,038	3,030	3,345	10,323	50.7%
D&A	(1,190)	(1,454)	(1,599)	(1,759)	(1,524)	6.4%
Impairments and sale of FA	1	-	-	-	-	(100.0%)
EBIT	812	1,584	3,431	5,585	8,799	81.3%
Financial income	8	50	50	100	140	105.4%
Financial expenses	(243)	(40)	(30)	(20)	(10)	(55.0%)
EBT	577	1,594	3,451	5,665	8,929	98.3%
CF	541	(150)	(350)	(820)	(1,120)	n.a
Net result	1,213	1,444	3,111	5,646	7,809	59.1%
As a % of revenues	16.8%	18.5%	21.8%	27.0%	25.9%	10.0p.p

Source: Management information and EY report

### Similar companies sales estimations increase- AB-Biotics

%	CAGR % FY18-				
	FY19e	FY20e	FY21e	FY21e	FY22e
Probi	6.0%	24.0%	18.0%	15.7%	15.7%
Biogaia	9.7%	17.3%	22.7%	16.4%	16.4%
CHR Hansen	7.1%	9.3%	8.9%	8.6%	8.6%

Source: Abg Sundal Collier, JP Morgan and Market Screener

### Financial statements projections

- In order to perform a discounted cash flow analysis, we had access to the Business Plan of the Company for FY18-FY21e as shown in the EY report.
- The FY22e figures correspond to an estimation of growth based on conversations with Management.
- Revenues are in line with the growth rates estimated by the Management for both its product lines. Revenues include royalties derived from the alliance with Kaneka amounting to €2.5m in 2021. Other concepts include accrued capital grants and the accrual of the initial upfront payment of €1.2m made by Kaneka.
- Between FY18 and FY21e there is a CAGR increase by 37.5% mainly based on the following:
  - The global demand of probiotics ingredients is estimated to have a growth of between 6.5% and 8.5% of CAGR. Around a 7.7% CAGR according to most reports.
  - Probi and Biogaia, are the most similar companies in terms of product portfolio and size. Per the last report Probi increased by 15.9% during 1Q19 in comparison with 1Q18 sales. Biogaia, on the other hand, had a decrease by 7% in Q1 sales due to the loss of Nestle royalty and higher OPEX but its expecting a 9-10% sales growth for FY19e.
  - In the case of CHR Hansen, the CAGR between FY18 and FY21e is lower than the other similar companies due to its size and market share. Following industry reports CHR Hansen is expected to have 8-10% growth and an increase in revenues of 12% in the mid term.
  - All the industry and competitors reports show a growth decrease due to the increase of competition in the probiotics market.
  - Additionally, according to Management conversations, even if the Company growth estimations are higher than the main competitors, the industry is highly competitive and it is usually concentrate in a few clients which increase the companies' efforts to keep track of the market movements.



## Discounted cash flow | Projections (2 of 3)

The projected EBITDA of the Target might increase by a 50.7% CAGR until FY22e based on Management projections for FY18-FY21e and industry reports

### Profit and Loss projections - AB-Biotics

€ in thousand	FY18	FY19e	FY20e	FY21e	FY22e	CAGR %	
						FY18-FY22e	FY22e
Revenues	11,892	16,449	23,088	30,901	38,384		34.0%
Capitalised costs	701	716	716	716	729		1.0%
Operating costs	(10,591)	(14,127)	(18,774)	(23,272)	(28,790)		28.4%
<b>EBITDA</b>	<b>2,002</b>	<b>3,038</b>	<b>5,030</b>	<b>8,345</b>	<b>10,323</b>		<b>50.7%</b>
D&A	(1,190)	(1,454)	(1,599)	(1,759)	(1,524)		6.4%
Impairments and sale of FA	1	-	-	-	-		(100.0%)
<b>EBIT</b>	<b>812</b>	<b>1,584</b>	<b>3,431</b>	<b>6,586</b>	<b>8,799</b>		<b>81.4%</b>
Financial income	8	50	60	100	140		105.4%
Financial expenses	(243)	(40)	(30)	(20)	(10)		(55.0%)
<b>EBT</b>	<b>577</b>	<b>1,594</b>	<b>3,461</b>	<b>6,666</b>	<b>8,929</b>		<b>98.3%</b>
CIT	641	(150)	(350)	(820)	(1,120)		n.a.
<b>Net result</b>	<b>1,218</b>	<b>1,444</b>	<b>3,111</b>	<b>5,846</b>	<b>7,809</b>		<b>59.1%</b>
<b>As a % of revenues</b>	<b>16.8%</b>	<b>18.5%</b>	<b>21.8%</b>	<b>27.0%</b>	<b>26.9%</b>		<b>10.06p.p.</b>
<b>EBITDA</b>	<b>16.8%</b>	<b>18.5%</b>	<b>21.8%</b>	<b>27.0%</b>	<b>26.9%</b>		<b>10.06p.p.</b>

Source: Management Information and EV report

### Financial statements projections (cont.)

- Note that companies such as AB-Biotics, Probi and Biogaia have much more room for growth than CHR Hansen given their current market share. However, in absolute terms, CHR Hansen growth at a very significant pace.
- The Target is one of the top 10 leader in the documented strain market. This industry is estimated to grow from the current 35% to the 65% in the next five years. Documented strains also have a higher price and the Target has a bank of unique 550 bacteria strain (unlike most of its competitors).
- The products of the Target are scientifically well differentiated from those of their competitors, hence, the competition is not about the same active principle, but rather about the same therapeutic concepts. The similar companies selected in this report do not exactly have the same products as the Target.
- The increase in the European regulatory requirements regarding probiotics might make a difference regarding the products of the Target in comparison with the lack of clinical documentation of some its competitors.
- All along the period but specially between FY18 and FY19e, the revenues' increase of the Target took into consideration the exponential increase of licence and the strategic agreement with Kaneka which will open the North-American market.
- Additionally, according to Management conversations, the significant growth between FY18 and FY22e is related to the nearly 100 pipeline products as at May-19 (6 approved, 31 submitted and 48 on going). However, the Management admitted that, given that the revenues are generated in a small group of clients, the projected EBITDA may fluctuate from the initial estimated figure depending on commercial issues.
- Given this, we consider that the percentage growth estimated by the business plan of the company is optimistic but could be reasonable.

## Discounted cash flow | Projections (3 of 3)

The Target have a large pipeline and a cost structure which could allow it to significantly increase EBITDA in the following years

### Profit and Loss projections - AB-Biotics

	FY13	FY19e	FY20e	FY21e	FY22e	FY23e	CAGR % FY18- FY23e
€ in thousand							
Revenues	11,892	16,449	23,088	30,901	38,384	34,091	34.0%
Capitalised costs	701	716	716	716	729	716	1.0%
Operating costs	(10,591)	(14,127)	(18,774)	(23,272)	(28,790)	(28,470)	28.4%
EBITDA	2,602	3,038	5,020	3,345	10,323	10,323	50.7%
D&A	(1,190)	(1,454)	(1,599)	(1,759)	(1,524)	(1,524)	6.4%
Impairments and sale of FA	1	-	-	-	-	-	(100.0%)
EBIT	812	1,584	3,421	8,586	8,799	8,799	81.0%
Financial income	8	50	60	100	140	140	105.4%
Financial expenses	(243)	(40)	(30)	(20)	(10)	(10)	(55.0%)
EBT	577	1,594	3,451	6,666	8,929	8,929	98.3%
CIT	641	(150)	(350)	(820)	(1,120)	(1,120)	n.a.
Net result	1,218	1,444	3,111	5,846	7,809	7,809	52.1%
As a % of revenues	16.8%	18.5%	21.8%	27.0%	25.9%	25.9%	
EBITDA							10.06p.p

Source: Management information and EY report

Note that the main We captions estimations evolution are in line with the most similar companies estimations (Probi and Biogata).

### Financial statements projections (cont.)

- According to the GVC Gaesco analysis, the main growth leverage of the Company are related to:
  - Pipeline: AB-Biotics would currently be in the pre-commercialisation phase of most of its pipeline given the development of the R&D projects. This is the phase where the cash might start to be generated given that the remaining CAPEX needed would be lower than the revenues originated with this pipeline.
  - Operating leverage: Due to the cost structure of the Target and the operating leverage most of the operating profit will directly increase the EBITDA.
  - Cost savings: Mainly driven by (i) personnel restructuring process and (ii) outsourcing of R&D including sponsors which significantly reduce the R&D expenses.
  - Debt/equity ratio in decrease due to the capacity of the Target to have benefits without external financing. According to Management the Company is on its way of reducing debt.
- The remaining operating expenses were projected following the estimations of GVC Gaesco and the Management of the Target.
- We additionally projected the Working Capital of the Company based on the P&L projections and the average DSO, DPO and DIO of the historical financial statements of the Target.

### Working Capital projections - AB-Biotics

€ in thousand	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
Inventories	609	834	1,035	1,117	1,141
Trade receivables	3,724	3,080	4,271	5,673	7,018
Trade payables	(2,583)	(3,250)	(4,319)	(5,354)	(6,623)
Accruals ST	(131)	(250)	(250)	(250)	(250)
<b>Working capital</b>	<b>1,619</b>	<b>415</b>	<b>737</b>	<b>1,187</b>	<b>1,286</b>

Source: Crowe and industry analysis and EY report

# Discounted cash flow | WACC Calculation

The cost of equity of the Company amounts to 14.15% including a size premium amounting to 4.0%

## Cost of equity - AB-Biotics

Abbreviation	Concept	data	Source
Rf	Risk-free rate of return	3.52%	Weighted average risk free rate of the regions where the Company operates.
Rc	Risk-country	0.81%	(Spanish CDS as at Jun-19) Worldgovernmentbonds.com
$\beta$	Beta	0.97	Industry and most comparable companies average
Rm - Rf	Rate market return	6.03%	Damodaran and NYU
Sp	Size premium	4.00%	Damodaran
Ru	Individual risk	0.009%	Damodaran
Re	Cost of Equity	14.15%	

Source: Crowe analysis

## WACC Calculation

### Cost of equity

- We calculated the cost of equity as at Jun-19 for AB-Biotics using the following formula:

$$R_e = R_f + R_c + \beta(R_m - R_f) + S_p + R_u + R_r$$

- Risk-free rate of return (Rf):** Corresponding to the rate of an investment whose risk is minimal for the reference market. The zero coupon bond of the Treasury of the Government of Spain to 10 years is usually used as an indicator. However in this case we calculated the weighted average risk free rate of the regions and countries where the Company operates. For the calculation we considered the following:
  - For Europe, considering that the current 10 year bond yield of the European countries are extremely low (even close to 0) we used the same risk free rate included in the EY report provided by Management amounting to 2.6%, which we consider correctly reflects the risk free of the eurozone.
  - For Algeria, given the lack of data available, we used the 10 year US bond + three month average local CDS differential prior to Jun-19.
  - For Argentina, given the lack of data available and consideration the significant inflation, we used the 10 year US bond + three month average of Emerging Market Bond Index.
  - For the rest of countries we used the local three month average 10 year bond as of Jun-19.

- This indicator amounted to 3.52% at the date of analysis (Jun-19). Please refer to *appendices for further details regarding the calculation of each country.*

# Discounted cash flow | WACC Calculation

The cost of equity of the Company amounts to 14.15% including a size premium amounting to 4.0%

## Cost of equity - AB-Biotics

Abbreviation	Concept	data	Source
Rf	Risk-free rate of return	3.52%	Weighted average risk free rate of the regions where the Company operates.
Rc	Risk-country	0.81%	(Spanish CDS as at Jun-19); Worldgovernmentbonds.com
$\beta$	Beta	0.97	Industry and most comparable companies average
Rm - Rf	Rate market return	6.03%	Damodarar and NVL
Sp	Size premium	4.00%	Damodarar
Ru	Individual risk	0.00%	Damodarar
Rd	Cost of Equity	14.15%	

Source: Crowe analysis

## WACC Calculation (cont.)

Cost of equity (cont.)

- Risk-country (Rc):** This is the risk rate based on the perception of the real market, including, among others, volatility risk, currency risk, national regulatory risk and other expectations of the financial markets. The spread of Credit Default Swap (CDS) (insurance contracts in which financial instruments are insured in case of default by the issuer) for the Spanish market is usually used as an indicator. For the calculation, the CDS has been used for 5 years to the date amounting to 0.81%, according to the historical information published by World Government Bonds.

- Leveraged Beta ( $\beta$ ):** This is the risk of the industry (in the reference market) that measures the unitary impact on the value of the assets of a given industry with respect to the unitary movement of the domestic (or national) market. For its determination, we performed an average between the global market beta amounting to 1.44 and the Company beta amounting to 0.49 according to Reuters.

- According to the information published by Damodarar in the New York University for the "Drugs (Biotechnology)" industry, the Beta in the global market would amount to 1.44.

- Relative market return / market risk premium:** The market risk premium is defined as what investors expect to earn by investing in a business activity with respect to a risk-free investment. It is calculated as the spread between the market risk at the date of the valuation against the spread of the lower risk market, in this case the risk free rate of return we used. As at Jun-19, we calculated a weighted equity risk premium (Rm-Rf) by region amounting in total to 9.6%. Hence the rate market return (Rm-Rf) amount to 6.03%. Please refer to appendices for further details regarding the risk premium by region.

# Discounted cash flow | WACC Calculation

The cost of equity of the Company amounts to 14.15% including a size premium amounting to 4.0%

## Cost of equity - AB-Biotics

Abbreviation	Concept	data	Source
Rf	Risk-free rate of return	3.52%	Weighted average risk free rate of the regions where the Company operates.
Rc	Risk-country	0.81%	(Spanish CDS as at Jun-19) Worldgovernmentbonds.com
$\beta$	Beta	0.97	Industry and most comparable companies average
Rm - Rf	Rate market return	6.03%	Damodaran and NYU
Sp	Size premium	4.00%	Damodaran
Ru	Individual risk	0.00%	Damodaran
Re	Cost of Equity	14.15%	

Source: Crowe analysis

## WACC Calculation (cont.)

### Cost of equity (cont.)

- **Size premium (Sp):** Given the lack of liquidity of the Target market (MAB) in comparison with other similar companies and given the size differences with some of its competitors, we considered that a size premium may be considered for the cost of equity calculation:
  - According to Damodaran models, a Company such as AB-Biotics with estimated revenues amounting to €16,449k as at Jun-19, positive net results, with a cash amounting to €2,412k and an average monthly volume trading amounting to €452k, the size and liquidity premium discount might amount to 4.0%.



## Discounted cash flow | WACC Calculation

Taken into consideration the actual equity/debt proportion, the WACC would amount to 12.49%

### WACC calculation - AB-Biotics (€ in thousands)

Abbreviation	concept	data	Source
E	Equity	7,342	Financial statements (equity value)
D	Debt	4,082	Financial statements (long and short term debt)
D+E	Debt and Equity	11,424	n/a
E/(D+E)	Equity over D+E	85.0%	Industry and targeted Equity/Debt
D/(E+D)	Debt over D+E	15.0%	Industry and targeted Equity/Debt
Re	Costs of Equity	14.15%	n/a
Rd	Costs of Debt	4.10%	n/a
Tc	Corporate tax rate	25%	n/a
WACC	Weighted Average Cost of Capital	12.49%	n/a

Source: Management information and Crowe analysis

### WACC Calculation (cont.)

- Once obtained the cost of equity, the WACC calculation is defined as follows:

$$W.A.C.C = \frac{E}{D+E} \times R_e + \frac{D}{D+E} \times R_d \times (1 - T_c)$$

- According to the information included in the latest Audited Annual Accounts dated June 30, 2019, the Target's equity amounts to €7,342k and the debt amounts to €4,082k
- In this case, we consider more appropriate to use the targeted Debt/Equity ratio which is in line with the industry proportion according to Damodaran, amounting to 85.0% equity and 15.0% debt.
- The **cost of debt** is estimated taken into consideration the industry and competitors cost of debt amounting to 4.10%.
- Given the above aspects, we consider reasonable to determine a WACC amounting to 12.49% for the Target as of June 30, 2019.



## Discounted cash flow

Based on discounted free cash flow method, the Company net present value would amount to €53,125K with a 1.5% of perpetual growth and a WACC of 12.49%

### Discounted Cash flow - AB-Biotics

€ In thousand	FY18	FY19	FY20	FY21	FY22	TV
EBIT	812	1,584	3,431	6,586	8,799	8,799
D&A	1,190	1,454	1,599	1,759	1,524	771
CAPEX	-	(977)	(707)	(739)	(771)	(771)
FCF Before WCR	2,003	2,381	4,323	7,607	9,552	8,799
Non cash items	-	(278)	(278)	(278)	(238)	-
WCR	1,891	(1,204)	323	448	99	-
CF	(203)	(939)	(858)	(1,647)	(2,200)	(2,200)
Free Cash flow	3,691	483	3,510	6,132	7,213	60,960
Periods to be discounted	-	0.5	1.5	2.5	3.5	3.5
Discount factor	1	0.94	0.84	0.75	0.66	0.56
Discounted FCF	-	456	2,942	4,565	4,778	40,380

Source: Crowe analysis, EV report and Management conversations

WACC	12.49%
Perpetual Growth	1.50%
Net present value	53,125
Number of shares	12,588
Treasury stock	(83)
Net number of shares	12,506
Price per share	4.44

### Price per share sensibility table

Perpetual growth	WACC					
	4.44	11.49	11.99	12.49	12.99	13.49
0.50%	4.76	4.53	4.33	4.14	3.97	3.81
1.0%	4.95	4.71	4.49	4.28	4.10	3.93
1.50%	5.17	4.90	4.66	4.44	4.24	4.06
2.00%	5.40	5.11	4.85	4.61	4.39	4.20
2.50%	5.67	5.35	5.06	4.80	4.56	4.35

Source: Crowe analysis

### Discounted Free Cash Flow

- In order to obtain the enterprise value through the discounted cash flow method we calculated the free cash flow for the projected financial statements as in the EV report and Management information applying the following formula to each of the periods:

$$DFCF = \frac{FCF_{19}}{(1+WACC)^1} + \frac{FCF_{20}}{(1+WACC)^2} + \frac{FCF_{21}}{(1+WACC)^3} + \frac{FCF_{22}+TV}{(1+WACC)^4}$$

- The terminal value was estimated based on a perpetual growth of 1.50% taken into account the Spanish GDP 2019 variation amounting to 0.7%, the CPI fluctuation in Spain of 0.8% and the GVC Gaesco estimation of 2.0%.
- The D&A projected was estimated based on Management projections and the terminal value amount is the estimation of self-developed intangible assets accruals and residual CAPEX.
- Additionally, according to conversations with Management, most of the CAPEX correspond to R&D expenses related to self-developed intangible assets that the Company will develop and then activate as income.
- The EV report considered only a small portion of it as residual CAPEX in the discounted cash flow and considered the rest as already included within EBITDA. However we considered more representative to include the whole amount as "CAPEX" within the projected FCF.
- Management confirmed that future CAPEX will not be particularly high because the Company partners and developers contribute to the development of most of the products.
- Nevertheless, it should be pointed out that the future CAPEX may fluctuate significantly in comparison with the business plan depending on (i) vertical integration and (ii) future regulatory and/or competitive position of the Company which may affect the future investment needs.

## Discounted cash flow

Based on discounted free cash flow method, the Company net present value would amount to €53,125k with a 1.5% of perpetual growth and a WACC of 12.49%

### Discounted Cash flow - AB-Biotics

€ in thousand	FY18	FY19	FY20	FY21	FY22	TV
EBIT	812	1,584	3,431	6,586	8,799	8,799
D&A	1,190	1,454	1,599	1,759	1,524	771
CAPEX	-	(677)	(707)	(738)	(771)	(771)
FCF Before WCR	2,903	2,361	4,323	7,607	9,552	8,799
Non cash items	-	(278)	(278)	(278)	(238)	-
WCR	1,891	(1,204)	323	449	99	-
CIT	(203)	(396)	(858)	(1,647)	(2,200)	(2,200)
Free Cash flow	3,691	483	3,510	6,132	7,213	60,960
Periods to be discounted	-	0.5	1.5	2.5	3.5	3.5
Discount factor	1	0.94	0.84	0.75	0.66	0.66
Discounted FCF	-	456	2,942	4,569	4,778	40,380

Source: Crowe analysis, EY report and Management conversations

WACC	12.49%
Perpetual Growth	1.50%
Net present value	53,125
Number of shares	12,588
Treasury stock	(83)
Net number of shares	12,506
Price per share	4.44

### Price per share sensibility table

Perpetual growth	WACC					
	4.44	10.99	11.49	11.99	12.49	12.99
0.5%	4.76	4.53	4.33	4.14	3.97	3.81
1.0%	4.95	4.71	4.49	4.28	4.10	3.93
1.5%	5.17	4.90	4.66	4.44	4.24	4.06
2.0%	5.40	5.11	4.85	4.61	4.39	4.20
2.5%	5.57	5.35	5.06	4.80	4.55	4.35

Source: Crowe analysis

### Discounted Free Cash Flow (cont.)

- The Non-cash items adjustment are related to:
  - Non reimbursable grants included in the revenue caption but not cash items.
  - Kaneka upfront payment amounting to €178k during the projected period.
- Considering this, the discounted terminal value amounts to €40,380k.

$$TV = \frac{FCF \times (1+g)}{(WACC - g)}$$

- The selected WACC amount to 12.49% as at Jun-19 (Please refer to WACC calculation section) which entails a net present value amounting to €53,125k and a price per share of €4.44.
- Our projected CAPEX amounts to c.3.5% of yearly revenues, which is in line with the CAPEX estimations of Probi AB (c.3.5% per year). Note that the CAPEX of FY19 represents a 4.8% of revenues given that R&D project are being developed during FY19.
- According to expert analysis, the industry is thriving and the market is tending to consolidation due to the competition increase which will lead to an increase in CAPEX/R&D costs.
- Note that, the estimated ratio of FCF/EBITDA amounts to c.57% in average during the projected period, in line with the Biogaia and Probi estimated ratios.
- The opposite sensibility table shows that, considering a WACC between 10.99% and 13.99% and a perpetual growth between 0.5% and 2.5%, the price per share would fluctuate between 3.66 and 5.57.
- A reasonable range would be between €4.10 and €4.85 per share.

# Agenda

<b>Section</b>	
1. About Crowe	4
2. Scope and limitations	10
3. Executive Summary	12
4. Company overview	20
5. Methodology	27
6. Market multiples	30
7. Recent industry transactions	32
8. Average share price	34
9. Discounted cash flow	36
10. Valuation	47
<b>Appendices</b>	
A. Appendices	50

## Valuation (1 of 2)

According to the RD 1066/2007 the TOB price must amount at least the higher price obtained by applying the different methods established in the art.9 and 10 of the RD1066/2007. In this case, the highest price per share amounts to €5.00

### Valuation

#### Valuation options according to article of RD 1066/2007

€	DCF	Wide market multiples		Narrow market multiples		Recent transactions	Average share price	Last transaction
		market multiples	market multiples	market multiples	market multiples			
EV/EBITDA	22.15	19.18	22.49	17.87	22.83	25.07		
EBITDA LTM19 (May19)	2.399	2.399	2.399	2.399	2.399	2.399		
Enterprise Value	53,125	46,017	53,951	42,885	54,897	60,132		
Size/liquidity adjustment	N/A	4.00%	4.00%	4.00%	N/A	N/A		
Enterprise Value after size adjustment	53,125	44,176	51,793	41,151	54,897	60,132		
Net debt	(86)	(86)	(86)	(86)	(86)	(86)		
Other assets and liabilities	71	71	71	71	71	71		
NOLs	2,412	2,412	2,412	2,412	2,412	2,412		
Equity Value	55,522	46,573	54,190	43,547	57,294	62,528		
Number of shares	12,506	12,506	12,506	12,506	12,506	12,506		
Price per share	4.44	3.72	4.33	3.48	4.58	5.00		

Source: Crowe analysis, Annual Accounts, Infront analytics, Yahoo finance and EY report

- Given that the purpose of the valuation is to determine a fair price for the delisting that the Client is planning to promote over the shares of AB-Biotics, we should take into consideration the rules established in the *Royal Decree 1066/2007* governing the takeover bids regime in Spain.
- Net Debt and Other assets and liabilities are balances as at Jun-19 according to Management information and EY report. However, NOLs were estimated as the present value of the tax losses carry-forward according to the EY report and Management conversations.
- The multiple valuation method usually uses EBITDA when valuing a company. This multiple is shown as a ratio between the value of the company and EBITDA (EV / EBITDA = X). This method allows us to estimate the value of the company based on the multiple obtained by comparing similar companies and the EBITDA obtained by adjusting the reported figure.
- The discounted cash flow method entails an equity value of €55,522k with a price per share of €4.44 which is in line with the result obtained by other valuation reports and industry analysis such as GVC Gaesco or Researchfy and based on Management conversations and the projections included in the EY report.
- The price per share of market multiples range from €3.72 to €4.33 using the LTM19 (May-19) figures, depending if we use a wider sample of companies or a narrowed one taking into consideration only the most similar companies (Probi, Biogai, Biosearch and CHR Hansen). Please consider that the Target does not have clear competitors and some of the companies of the same industry may have different financial ratios.
- The price per share of recent transactions method amount to €3.48 respectively. Among all the valuation methods, this one shows the lowest EV/EBITDA and price per share given that the biotechnological industry ratios have a wide dispersion



## Valuation (2 of 2)

According to the RD 10666/2007 the TOB price must amount at least the higher price obtained by applying the different methods established in the art.9 and 10 of the RD10666/2007. In this case, the highest price per share amounts to €5.00

### Valuation

#### Valuation options according to article of RD 10666/2007

€	DCF	Wide market multiples		Narrow market multiples		Recent transactions	Average share price		Last transaction
		Wide market multiples	Narrow market multiples	Recent transactions	Average share price				
EV/EBITDA	22.15	19.18	22.49	17.87	22.88		25.07		
EBITDA LTM19 (May/19)	2.399	2.399	2.399	2.399	2.399		2.399		
Enterprise Value	53,125	46,017	53,951	42,865	54,897		60,132		
Size/liquidity adjustment	n/a	4.00%	4.00%	4.00%	n/a		n/a		
Enterprise Value after size adjustment	53,125	44,176	51,793	41,151	54,897		60,132		
Net debt	(86)	(86)	(86)	(86)	(86)		(86)		
Other assets and liabilities	71	71	71	71	71		71		
NOLS	2.412	2.412	2.412	2.412	2.412		2.412		
Equity Value	55,522	46,573	54,190	43,547	57,294		62,528		
Number of shares	12,506	12,506	12,506	12,506	12,506		12,506		
Price per share	4.44	3.72	4.33	3.48	4.58		5.00		

Source: Crowe analysis, Annual Accounts, Infront analytics, Yahoo finance and EY report

- The weighted average price over the last 6 months entails an equity value of €57.294k and a price per share of €4.58 as at 26<sup>th</sup> of August 2019, mainly due to the significant increase of the shares during the last months previous to the TOB.
- Note that as at 13<sup>th</sup> of June 2019, Kaneka acquired a share package with a share price of €3.85, which must also be considered in the methods established in the RD 1066/2007.
- Additionally, we included the price paid during the TOB process performed between July 09<sup>th</sup> and August 16<sup>th</sup>, with a price of €5.00 per share which represent the higher value of the options established by the RD 1066/2007. Note that the "Last transaction" value correspond to the price paid under the voluntary TOB, which already took into consideration the fair delisting value at the moment of the offering with a premium of 16.14% over that value. Otherwise the highest value would have been lower.
- In summary, pursuant to art. 10.6 of RoyalDecree1066/2007, fair delisting value shall not be lower than the higher value between (i) the fair value under mandatory takeover bids (art. 9 of Royal Decree 1066/2007), and (ii) that resulting from an evaluation, in a joint form and with justification of their respective relevance, of the six (6) parameters above explained.
- In this regard, the highest value amongst all the parameters referred to above would be the one corresponding to the "last transaction" related to the previous TOB process (i.e. price per share amounting to €5.00).
- Based on that, and for the avoidance of any doubt about the value, we conclude that the delisting value for the analysed scenario should not be lower than the highest parameter identified hereto ("Last transaction"), this is, price per share amounting to €5.00."

# Agenda

---

<b>Section</b>	
1. About Crowe	4
2. Scope and limitations	10
3. Executive Summary	12
4. Company overview	20
5. Methodology	27
6. Market multiples	30
7. Recent industry transactions	32
8. Average share price	34
9. Discounted cash flow	36
10. Valuation	47

## **Appendices**

A. Appendices	50
---------------	----



## Appendices | Price per share of previous Kaneka acquisition

### Previous price per share paid by Kaneka

Seller	Nº of shares	% of total shares	Price per	
			share	Total price
Seed Capital Fund, S.L.	662,750	5.3%	3.25	2,153,938
Capital MAB, FCR de régimen Simplificado	413,341	3.3%	3.25	1,343,358
INFEMA, S.A.	213,542	1.7%	3.25	694,012
Corporación Wamosa, S.A.	650,000	5.2%	3.25	2,112,500
Gestión y Administración Mobiliaria, S.A.	650,000	5.2%	3.25	2,112,500
D.R. Masclans	6,000	0.0%	3.25	19,500
D.F.X. Tey	19,762	0.2%	3.25	64,227
D.M. Tey	18,059	0.1%	3.25	58,692
Narrow's, S.L.	59,288	0.5%	3.25	192,686
D.Buenaventura Guarnis	189,074	1.5%	3.25	614,491
AB Biotics	500,000	4.0%	2.27	1,135,000
Miguel Angel Bonachera	124,754	1.0%	3.85	480,303
Sergi Audiver	124,754	1.0%	3.85	480,303
TOB	3,344,849	26.6%	5.00	16,724,245
<b>Total</b>	<b>6,976,173</b>	<b>55.4%</b>		<b>28,185,753</b>

#### Source: MAB information

Please note that we do not had access to the acquisition price of the remaining shares until the 66.33% owned by Kaneka.

# Appendices | Risk free rate per country

## Weighted risk free rate - Project AB

Region	Risk free rate	Weight (%)
Europe	2.6%	54.9%
North America	2.3%	5.7%
Asia	2.3%	21.3%
Latam	8.0%	17.5%
MEA	10.1%	0.5%
<b>Weighted risk free rate</b>	<b>3.5%</b>	<b>100.0%</b>

Source: EY report and Investing.com

## Weighted risk free rate by country- Project AB

Region	Risk free rate	Weight (%)
Spain	2.4%	23.2%
Germany	1.1%	4.8%
France	1.5%	12.6%
Italy	3.0%	14.6%
Austria	1.5%	4.8%
Russia	8.3%	40.0%
<b>Weighted risk free rate</b>	<b>3.6%</b>	<b>100.0%</b>

Source: EY report and Investing.com

## Weighted risk free rate by country- Project AB

Region	Risk free rate	Weight (%)
Brazil	8.4%	55.8%
Mexico	7.9%	27.6%
Colombia	6.3%	5.6%
Argentina	11.6%	4.9%
Chile	4.0%	6.1%
<b>Weighted risk free rate</b>	<b>8.0%</b>	<b>100.0%</b>

Source: EY report and Investing.com

## Weighted risk free rate by country- Project AB

Region	Risk free rate	Weight (%)
USA	2.3%	90.5%
Canada	1.6%	9.5%
<b>Weighted risk free rate</b>	<b>2.3%</b>	<b>100.0%</b>

Source: Investing.com

## Weighted risk free rate by country- Project AB

Region	Risk free rate	Weight (%)
China	3.3%	32.7%
South Korea	1.8%	67.3%
<b>Weighted risk free rate</b>	<b>2.3%</b>	<b>100.0%</b>

Source: Investing.com

## Weighted risk free rate by country- Project AB

Region	Risk free rate	Weight (%)
Egypt	16.3%	41.3%
Algeria	5.0%	38.1%
<b>Weighted risk free rate</b>	<b>10.1%</b>	<b>100.0%</b>

Source: EY report and Investing.com

# Appendices | Equity risk premium per region

## Weighted equity risk premium - Project AB

Region	Risk premium	Weight (%)
Europe	9.0%	54.9%
North America	6.0%	5.7%
Asia	9.9%	21.3%
Latam	12.0%	17.5%
MEA	9.4%	0.6%
<b>Weighted risk free rate</b>	<b>9.6%</b>	<b>100.0%</b>

Source: Damodaran and NYU

# Appendices | Net debt breakdown

## Net Debt

€ in thousands	Jun-19
Long term investments	669
Short term investments	926
Long term Debt	(3,051)
Short term debt	(1,031)
Cash	2,401
<b>Net financial debt</b>	<b>(86)</b>
DTA	45
DTL	(120)
ST accruals	158
LT Provisions	(12)
<b>Other non-operating assets and liabilities</b>	<b>71</b>
<b>Net operating losses</b>	<b>2,412</b>

Source: Management information and EY report

# Appendices | Shareholder's evolution

Shareholders Mar-18	
	%
Kaneka	26.9%
Miquel Angel Bonachera	10.1%
Sergi Audivert	10.1%
Luis Sánchez	10.1%
Other shareholders	42.8%

Shareholders Apr-18	
	%
Kaneka	34.1%
Miquel Angel Bonachera	10.1%
Sergi Audivert	10.1%
Luis Sánchez	10.1%
Other shareholders	35.6%

Shareholders Jul-18	
	%
Kaneka	37.8%
Miquel Angel Bonachera	9.9%
Sergi Audivert	9.9%
Luis Sánchez	9.8%
Biottitec, S.L	1.2%
Other shareholders	31.5%

Shareholders Jan-19	
	%
Kaneka	37.8%
Miquel Angel Bonachera	9.9%
Sergi Audivert	9.9%
Luis Sánchez	10.2%
Other shareholders	32.3%

Shareholders Jun-19	
	%
Kaneka	39.8%
Miquel Angel Bonachera	8.9%
Sergi Audivert	8.9%
Luis Sánchez	10.2%
Other shareholders	32.3%

Shareholders Aug-19	
	%
Kaneka	66.3%
Miquel Angel Bonachera	6.0%
Sergi Audivert	6.0%
Luis Sánchez	10.2%
Other shareholders	11.5%

# Appendices | Damodaran multiples

## Damodaran multiples by sector

	EV/EBITDAR&D	Beta	EV/EBITDA	EV/EBIT
Drugs (Biotechnology) (Global)	7.4	1.44	13.4	30.6
Drugs (Biotechnology) (Europe)	7.7	1.43	12.8	39.3
Drugs (Biotechnology) (USA)	6.5	1.51	12.0	26.1
<i>Other similar industries</i>				
Drugs (Pharmaceutical)	8.7		13.5	20.0

Source: NY University and Damodaran analysis.







## About Crowe Global

The Crowe network consists of more than 200 independent accounting and advisory services firms in over 120 countries around the world.

Crowe Global member firms are known for their local knowledge, expertise, and experience balanced by an international reputation for the highest quality in audit, tax, advisory and risk services. They are unified through a shared commitment for impeccable quality service, highly integrated service delivery processes and a common set of core values and management philosophies that guide their decisions daily.

This unique combination of talent provides Crowe Global the worldwide capabilities of a highly integrated network to deliver value to multinational clients doing business across borders.

Follow us on:



@crowespain

Find out more about us at

[www.crowe.es](http://www.crowe.es)

Crowe Spain is a member of Crowe Global, a Swiss Verein. Each member firm of Crowe Global is a separate and independent legal entity. Crowe Spain and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Crowe Spain.  
©2019 Crowe Advisory SP, S.L.

This material is for informational purposes only and should not be construed as financial or legal advice. Please seek guidance specific to your organisation from qualified advisors in your jurisdiction.

**ANEXO 2**

**FAIRNESS OPINION E INFORME REALIZADOS POR EXPERTO INDEPENDIENTE CONTRATADO  
POR AB-BIOTICS REFERENTE LA PUBLICACIÓN DE LA VALORACIÓN ACTUALIZADA DE LA  
SOCIEDAD**

**Miquel Àngel Bonachera Sierra**  
**Sergi Audvert Brugué**  
**AB-Biotics, S.A.**  
Atn. Board of Directors of AB-Biotics, S.A.  
ESADE Creapolis Business Park  
Avinguda de la Torre Blanca, 57, Office 3B11  
08172 Sant Cugat del Vallés, Barcelona

03 September 2019

Dear Sirs:

According to the terms of the engagement letter dated 19 July 2019 (the "Engagement Agreement") signed between AB-Biotics, S.A. (hereinafter "AB-Biotics", "the Company" or "the Client") and Ernst & Young Servicios Corporativos, S.L. (hereinafter "we" or "EY"), we have been engaged to provide an opinion on the equity value of AB-Biotics' shares ("the Purpose"), in the context of the open offer launched by Kaneka Europe Holding Company NV (hereinafter "Kaneka" or "the Bidder") within the process of the delisting process in which the Company is involved ("the Transaction"). Our opinion is based on the procedures described in articles 9 and 10.5 of the Royal Decree 1066/2007 on Takeover Bids (Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de Valores). The reference date of our analysis has been 26 August 2019 ("the Reference Date").

This Letter of Opinion (hereinafter "the Letter") is for internal use of AB-Biotics only for the purpose of verifying that the Offer Price established by Kaneka in this open offer, at the Reference Date, is fair to the Company's shareholders from a financial point of view, in the context of the Transaction.

EY has no conflict of interest for the performance of this work and has not received, nor will receive, any type of contingency fees in connection with this work.

In order to carry out the work and meet the objectives set forth in the scope of our mandate, we have conducted the procedures that we have deemed appropriate in order to assess the fair market value of AB-Biotics.

## 1. BACKGROUND OF THE TRANSACTION

AB-Biotics was founded in 2004 as a spin-off of the Autonomous University of Barcelona launched by Miquel Àngel Bonachera and Sergi Audvert, currently executive directors and members of the Company's Board of Directors. Nowadays, it has become a leading biotechnology company, with a strong international footprint. It divides its activities into these two main business areas:

- **Probiotics:** business line that designs unique and patented probiotic supplements for specific health conditions (gastrointestinal, cardio metabolic, pediatrics, women's health, immune and oral health). These products are licensed and distributed globally through local distribution partners.
- **Precision medicine (Neuropharmagen):** pharmacogenomics-based precision medicine platform aimed at optimizing pharmacological treatments based on several factors that influence the medication success.

On 28 March 2018, the Company and Kaneka Americas Holding, Inc. subscribed a license agreement by which it was granted in favor of Kaneka Americas Holding, Inc. the exclusive right to manufacture, import, ferment, use, sell and offer certain products of AB-Biotics in Japan and North America.

As part of the same agreement, the Kaneka Group, through Kaneka Europe Holding Company NV, invested in AB-Biotics' capital through the acquisition of 26.859% of its shares through different private acquisitions. This percentage of the Company's share capital increased subsequently and, as of 9 July

2019, the Bidder was the owner of 5,005,234 shares of AB-Biotics, which represented 39.76% of its share capital.

According to the announcement of the voluntary public tender offer over the shares of AB-Biotics launched by Kaneka (the "Announcement"), the offer was formulated as a purchase and sale of shares settled in cash, being the offer price 5.00 euros per share, and targeting 7,583,025 shares in AB-Biotics, accounting for 60.24% of its share capital.

By 26 August 2019 the tender offer had been accepted by 3,344,849 shares which represented a 26.57% of AB-Biotics' share capital. Consequently, Kaneka holds 66.33% of AB-Biotics as of the Reference Date.

After this first voluntary tender offer, Kaneka has launched a new open process in order to increase its stake in the Company prior to the delisting, offering to AB-Biotics shareholders the acquisition of its shares on a 5 euros/share basis. No deadline has been determined for this new acceptance period.

## 2. SCOPE AND PROCEDURES

The appropriate basis of valuation for the purpose of our work is Fair Value. This is defined by the International Valuation Standard Council as:

*"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."*

In order to carry out the work and meet the objectives set forth in the scope of our mandate, we have conducted the following procedures:

- a) Analysis of the proposed Transaction from a financial point of view, through the gathering and global analysis of certain information related to the Transaction and the business, such as:
  - i. AB-Biotics Business plan for the period 2019 to 2021, approved by the Board of Directors.
  - ii. Agreement signed with Kaneka for the North America and Japanese business.
  - iii. Financial Statements of the Company as of 31 July 2019.
  - iv. Audited Financial Statements of the Company as of 31 December 2016, 2017 and 2018.
  - v. AB-Biotics Annual Report (2018).
  - vi. AB-Biotics corporate presentations.
  - vii. Valuation report issued by Crowe Advisory SP, S.L. in the context of the take-over bid by Kaneka.
  - viii. Other public information about AB-Biotics.
  - ix. Broker reports on AB-Biotics.
  - x. Industry reports and publicly available forecasts.
- b) Holding interviews with Client's Management in order to obtain a clear understanding of the Company's business.
- c) Understanding of the market and the competitive and economic environment in which the Company operates.
- d) Understanding of the macroeconomic environment in which the Company operates.
- e) Analysis of the documents necessary to understand AB-Biotics' financial situation as well as its historical and projected cash generation capacity.

- f) Obtaining of a Representation Letter from the Client confirming, among other aspects, that it has no knowledge of any event, circumstance, or other relevant information up to the present day that has not been delivered or communicated to us and that could affect the performance of our work.
- g) Issuance of the Fairness Opinion Letter, addressed to the Board of Directors of the Client concluding with our opinion about the continued reasonableness, once the tender offer period has expired, of the price per share offered by Kaneka from a financial point of view to the shareholders of AB-Biotics in the context of the delisting of the AB-Biotics shares from the Mercado Alternativo Bursátil (MAB).

Our analysis has been performed based on the latest Financial Statements available as of 31 July 2019. The main valuation methodologies used for reaching our conclusions are in line with those described in article 10.5 of the Royal Decree 1066/2007 on Takeover Bids (*Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de Valores*):

- Net Book Value of the Company.
- Liquidation value of the Company.
- Weighted average share price during the semester immediately prior to the disclosure of the delisting proposal.
- Price offered in the acquisitions performed, if any, over the previous last twelve months.
- Other valuation methods applicable to the specific case and commonly accepted by the international financial community. EY has considered the Income Approach (Discounted Cash Flow Methodology) and Market Approach (Comparable Listed Companies and Precedent Transaction multiples).

### 3. OTHER CONSIDERATIONS

To carry out our work, Company's Management has granted us access to certain historical and prospective financial information of AB-Biotics. Additionally, we have also considered certain publicly available information regarding the industry of probiotics and other relevant information about companies which operate in this industry. In arriving at our conclusion, we have assumed that all the information provided to us is trustworthy, accurate, true and complete in all aspects to date, and that any information that is or could be relevant for our work has been provided to us in its entirety.

We have not carried out an audit or an independent investigation to determine the veracity or accuracy of the information provided. Likewise, we do not express any opinion as to the basis on which assumptions about the financial statements, estimates, and financial projections have been prepared or as to the reasonableness of such projections.

In relation to the work carried out, we should point out that certain aspects of the valuation involve, aside from objective factors, underlying factors that imply making judgments and establishing hypotheses that are dependent to a large extent of future events whose final outcome cannot be determined at present. As a result, some of the hypotheses used to arrive at our conclusions may not materialize as predicted.

Our opinion is based on our financial analysis of the information provided by the Management and publicly available financial information collected by us. As we are financial advisors, we have relied on the accuracy of the information provided by AB-Biotics without independent verification.

### 4. CONCLUSION



In accordance with the valuation methodologies reflected in articles 9 and 10.5 of the Royal Decree 1066/2007 on Takeover Bids (Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores) and based on the procedures performed during the course of our work, the information used and all the other aspects described in this Letter, we consider the price offered by Kaneka fair to the AB-Biotics' shareholders from a financial point of view, in the context of the Transaction.

This letter, as well as the information contained in it, has been prepared in the context herein described and therefore it should not be used for any other purposes nor distributed without our prior written consent.

EY declines any responsibility for the improper use of this letter or any use different than that established in our Engagement Agreement.

Yours faithfully,

Cecilia de la Hoz Arespacochaga  
Partner  
Ernst & Young Servicios Corporativos, S.L.

# AB-Biotics, S.A.

Opinion on the equity value of AB-Biotics S.A.'s shares for its consideration in the delisting process in the context of the open offer launched by Kaneka Europe Holding Company NV over AB-Biotics' shares after the expiry of the takeover bid performed in July 2019

**Reliance Restricted**

03 September 2019

EY

Building a better  
working world

100%



## Reliance Restricted

Attn: Board of Directors of AB-Biotics, S.A.  
 ESADE Creapolis Business Park  
 Avinguda de la Torre Blanca, 57, Office 3B11  
 08172 Sant Cugat del Vallés, Barcelona

**Ernst & Young Servicios  
 Corporativos, S.L.**  
 Torre Azca  
 c/ Raimundo Fernández Villaverde, 65  
 28003 Madrid  
 España  
 Tel: 915 727 350  
 www.ey.com/es

Cecilia De La Hoz Arosapachoaga  
 Partner - Madrid

Transaction Advisory Services – VME  
 T +34 915 72 77 10  
 M +34 653 97 45 00  
 E Cecilia.DeLaHozArosapachoaga@es.ey.com

Ángel Redondo Moreira  
 Senior Manager – Madrid

Transaction Advisory Services – VME  
 T +34 915 72 72 84  
 M +34 686 36 27 74  
 E Angel.Redondo.Moreira@es.ey.com

## Valuation Report: Opinion on the equity value of AB-Biotics S.A.'s shares for its consideration in the delisting process after the takeover bid launched by Kaneka Europe Holding Company NV for the 60.24% of AB-Biotics

03 September 2019

Dear Sirs:

According to the terms of the engagement letter dated 19 July 2019 (the "Engagement Agreement") signed between AB-Biotics, S.A. (hereinafter "AB-Biotics", "the Company" or "the Client") and Ernst & Young Servicios Corporativos, S.L. (hereinafter "we" or "EY"), we have been engaged to provide an opinion on the equity value of AB-Biotics' shares ("the Purpose"), in the context of the open offer launched by Kaneka Europe Holding Company NV (hereinafter "Kaneka" or "the Bidder") as a result of the delisting process in which the Company is involved ("the Transaction"). Our opinion is based on the procedures described in articles 9 and 10.5 of the Royal Decree 1066/2007 on Takeover Bids (*Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de Valores*). The reference date of our analysis has been 26 August 2019 ("the Reference Date").

### Purpose of our report and restrictions on its use

This Report was prepared following the specific instructions of AB-Biotics' directors ("the Management") with the purpose described in this Report, and should not be used or relied upon for any other purpose.

It should be taken into account that this Report is merely an addition support to the conclusions expressed in our separate Fairness Opinion Letter and may not in any way, fully or partially, be quoted, referred to or shown to any other parties except as provided in the Engagement Agreement. We accept no responsibility or liability to any person other than to the Board or Directors of AB-Biotics, or to such party to whom we have agreed in writing to accept a duty of care in respect of this Report, and accordingly if such other persons choose to rely upon any of the content of this Report, they do so at their own risk.

As agreed with the Client, the Report can be delivered by AB-Biotics to those of its shareholders who requested it, after they properly accredited such condition, solely for their own use. EY does not assume any responsibility derived from the distribution of the Report by the aforementioned shareholders to third parties. EY reserves its right to take any legal action in case the Report is distributed to non-authorized third parties for their own use.

### Nature and scope of the services

The nature and scope of the services, including the basis and limitations, are detailed in the Engagement Agreement.



**Ernst & Young Servicios  
Corporativos, S.L.**  
Torre Azca  
c/ Raimundo Fernández Villaverde, 65  
28003 Madrid  
España  
Tel: 915 727 350  
[www.ey.com/es](http://www.ey.com/es)

Our role is to provide you with advice and recommendations for your consideration. We did not perform any management functions or make any management decisions.

EY has not carried out, and has not been asked to carry out, an audit of the financial and other information provided by the Client used in this analysis. We did not independently investigate or otherwise verify the data provided and do not express an opinion nor offer any form of assurance regarding its accuracy or completeness. Neither EY nor its partners or employees shall therefore be under any liability regarding the truthfulness or accuracy of the data and information provided by the Client used in this Report.

The valuation has used financial projections provided by the Company for the years 2019-2021. Any forecasts beyond that period shown in this report have been prepared by EY based on our best understanding of the business of the Company and its industry and should not be understood as AB-Biotics' strategic or business plan. They must be considered exclusively in the context of the present valuation exercise together with all other valuation parameters such as the discount rate (WACC), and should not be considered in any other context. Any modifications in, among others, the projected revenues growth profile and/or the operating margins would result in a different discount rate and/or terminal growth rate. EY assumes no responsibility derived from the fulfillment of the aforementioned financial projections.

The value of a company or business is a dynamic concept. As a result the value obtained as of the Reference Date could differ from the value obtained at an earlier or later date.

Whilst each part of our Report addresses different aspects of our work, the entire Report should be read as a whole for a complete understanding of the basis of the fair values provided.

Our Report does not take into account any events or circumstances arising after the release date of the Report and we assume no responsibility to update the Report for such events or circumstances.

We appreciate the opportunity to provide our services to AB-Biotics. Please do not hesitate to contact us if you have any questions about this engagement or if we may be of any further assistance.

Yours faithfully,

**Cecilia de la Hoz Arespacochaga**  
Engagement Partner

**Dashboard**  
Table of contents

- 1 Executive summary
  - 2 Company overview
  - 3 Transaction overview
  - 4 Scope of work, and
  - 5 Article 9 of RD 1066/2007
  - 6 Article 10 of RD 1066/2007
- 7 Conclusion  
8 Appendices

**Executive summary**  
1

Page 5

**Company overview**  
2

Page 7

**Transaction overview**  
3

Page 10

**Scope of work and procedures**  
4

Page 12

**Article 9 of RD 1066/2007**  
5

Page 16

**Article 10 of RD 1066/2007**  
6

Page 18

**Conclusion**  
7

Page 34

**Appendices**  
8

Page 36



# 1

## Executive summary

In this section

Page

6



## 1 Executive summary

- 1 Executive summary
- 2 Company details
- 3 Transaction overview
- 4 Scope of work
- 5 Article 9 of RD 1066/2007
- 6 Article 10 of RD 1066/2007
- 7 Conclusion
- 8 Appendices

## Background and Transaction

- ▶ Founded in 2004, AB-Biotics is a biotechnology company specialized in the development of probiotics and nutritional ingredients.
- ▶ On 28 March 2018, the Company and Kaneka Americas Holding, Inc. subscribed a license agreement and Kaneka invested in AB-Biotics' capital through the acquisition of 26.859% of its shares. Since then, Kaneka has increased its stake in the Company and, as of 9 July 2019, Kaneka is the owner of 39.76% of its capital.
- ▶ On 9 July 2019, Kaneka made a public offer to acquire the remaining 60.24% stake in AB-Biotics and then, promote the exclusion of the negotiation of AB-Biotics' shares from the Mercado Alternativo Bursátil ("MAB"). Kaneka has launched an open offer at 5€/share after the expiry of the takeover bid in order to increase its stake prior to the delisting of the Company.
- ▶ The total amount invested up to the Reference Date amounts to c.€18m (capital increases and an IPO for c.€14m plus a c.€4m CDTI loan).

## Purpose and procedures

This Report has been prepared on request of AB-Biotics with the purpose of providing an opinion on the equity value of AB-Biotics' shares in the context of the open offer launched by Kaneka as a result of the delisting process in which the Company is involved.

In order to carry out the work, EY conducted among others the following procedures:

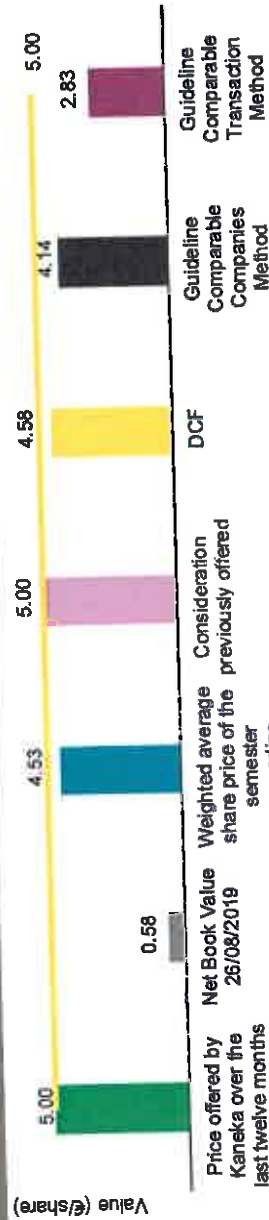
- ▶ Analysis of the proposed Transaction, Company, competitive and macroeconomic environment
- ▶ Holding interviews with Management
- ▶ Identification and selection of the valuation methodologies and sensitivity analysis
- ▶ Issuance of a Fairness Opinion Letter and this supporting Valuation Report

## Valuation methodologies

The main valuation methodologies used for reaching our conclusions are in line with those described in articles 9 and 10.5 of the Royal Decree 1066/2007 on Takeover Bids:

- Article 9:
- ▶ Price offered by the Bidder over the last twelve months.
- Article 10.5:
- ▶ Net Book Value.
  - ▶ Liquidation Value.
  - ▶ Weighted average share price over the semester prior to the disclosure of the delisting proposal.
  - ▶ Value of the consideration previously offered in the case of a takeover bid.
  - ▶ Other methods commonly accepted: DCF, GCM and GTM.

## Conclusion of value (€/share) <sup>(1)</sup>



## Conclusion

The offer price of 5€/share is not lower than the values obtained from the valuation methodologies applied in our analysis, and we therefore consider it fair from a financial point of view to the shareholders of AB-Biotics as of the Reference Date.

Note: (1) The values presented in the graph correspond to the central values obtained from the valuation ranges for each methodology AB-Biotics, S.A.; Opinion on the equity value of AB-Biotics S.A.'s shares for its consideration in the delisting process in the context of the open offer launched by Kaneka Europe Holding Company NV over AB-Biotics' shares | Page 6 of 45

# 2

## Company overview

### In this section

AB-Biotics

AB-Biotics business model

### Page

8

9

## 2 Company overview

### AB-Biotics

- 1 [Company overview](#)
- 2 **Company overview**
- 3 [Company overview](#)
- 4 [Scope of work](#)
- 5 [Article 9 of the IPO](#)
- 6 [Article 10 of the IPO](#)
- 7 [Company overview](#)
- 8 [Appendix](#)

## Brief description of the Company

Founded in 2004 at the Universitat Autònoma de Barcelona by Sergi Audivert and Miquel Angel Bonachera, AB-Biotics is a biotechnology company specialized in the development of healthcare products. Its activity is diversified in two business areas with a worldwide geographical presence:

- ▶ Probiotics: patented probiotic supplements for specific health conditions (gastrointestinal, cardio metabolic, pediatrics, women's health, immune and oral health). These products are licensed and distributed globally through local distribution partners.
- ▶ Precision medicine (Neuropharmagen): pharmacogenomics-based precision medicine platform aimed at optimizing pharmacological treatments based on several factors that influence the medication success.

In 2018, AB-Biotics signed a strategic partnership with Kaneka Europe Holding Company whereby it acquired 39,76% of the Company. This agreement includes a licence to produce and distribute some of the Company's products in North America (US and Canada) and Japan over 7 years.

## Main financial figures (FY16A – YTD19A; €k)

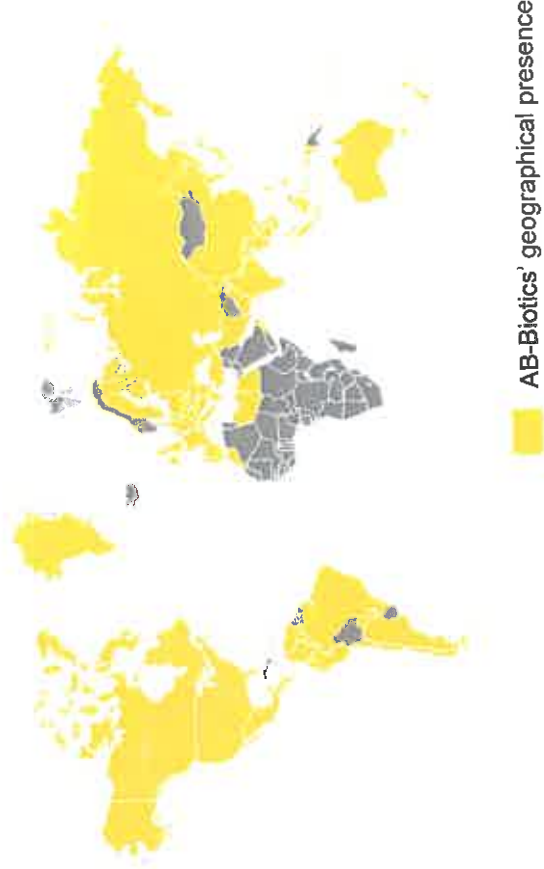
€k	FY16A	FY17A	FY18A	YTD19A <sup>(1)</sup>
<b>Revenues</b>	<b>6,387</b>	<b>7,979</b>	<b>13,226</b>	<b>7,241</b>
<b>Growth (%)</b>		48.1%	65.8%	0.7%
<b>EBITDA</b>	<b>(1,454)</b>	<b>213</b>	<b>2,001</b>	<b>1,051</b>
<i>Margin (%)</i>	<i>(22.0%)</i>	<i>2.7%</i>	<i>15.1%</i>	<i>14.5%</i>
<b>Net Debt</b>	<b>(2,012)</b>	<b>(1,397)</b>	<b>(754)</b>	<b>379</b>
<i>NOVEBITDA (x)</i>	<i>1.4x</i>	<i>(6.6x)</i>	<i>(0.4x)</i>	<i>0.4x</i>

Notes: (1) Revenues growth for YTD19 is calculated over YTD18 figures. We have considered Revenues, EBITDA and Net Debt as of July 2019, being the latest financial figures available.

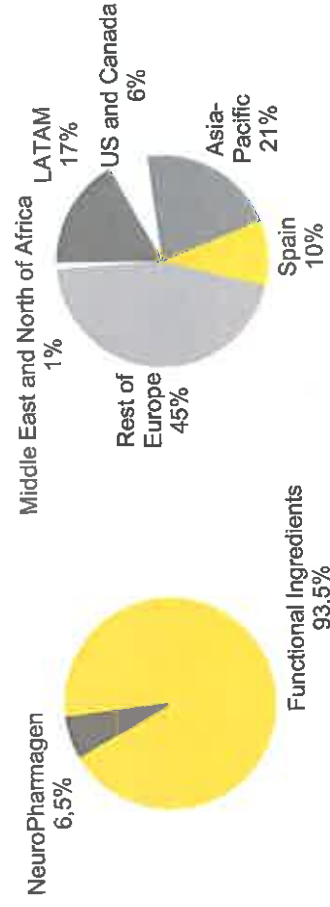
Source: EY Analysis based on information provided by the Company

AB-Biotics, S.A.: Opinion on the equity value of AB-Biotics, S.A.'s shares for its consideration in the delisting process in the context of the open offer launched by Kaneka Europe Holding Company NV over AB-Biotics' shares | Page 8 of 45

## Geographical presence (June 2019)



## Product and geographical sales breakdown (FY18; %)



## 2 Company overview

### AB-Biotics business model

- 1 Executive summary
- 2 Company overview**
- 3 Appendices
- 4 Scope of work and
- 5 Article 9 of RD (199/2017)
- 6 Article 10 of RD (1668/2017)

#### Origins



- ▶ The initial phases of AB-Biotics were highly intense in research and development, where several expeditions to different places around the world were carried out in order to obtain the microbiomes from which to develop an own collection of natural bacterial strains. Only the samples of strains considered of interest are then replicated in bio-reactors.
- ▶ This own bank of natural strains has allowed AB-Biotics to develop one of the most innovative and patented probiotics pipeline in the world. The main patents, which expire between 2028 and 2036, are currently marketed in the form of several products such as AB-Digest, AB-Koicare, I3.1 or AB-Dentalac, among others.

#### Production



- ▶ AB-Biotics externalizes its production and all strains are replicated in two different plants.
- ▶ The suppliers of AB-Biotics can be differentiated into two different categories, which operate as follows:
  - Active ingredients' suppliers: responsible for the fermentation process of microorganisms into active ingredients, which takes place in bio-reactors.
  - Final product suppliers: these are responsible for producing the final product based on the active ingredients previously obtained. Once the final products are finalized, these are delivered to the clients in several formats such as capsules or oils.

#### Distribution



- ▶ AB-Biotics follows a simple distribution model, where, previous contract with the client and orders upon request, the Company develops and externalizes the production of the final products with the purpose of selling it to its final customers at a transfer price.
- ▶ These final products are ready to be distributed to AB-Biotics' clients with the requested format and brand as agreed with each client.

#### Contracts



- ▶ Agreements with clients are established on a contractual basis through master agreements, where prices are agreed and kept constant referred to inflation. Based on this scheme, the Company is not exposed to the risk derived from changes in the pricing terms.
- ▶ These contracts with clients usually include certain minimum order amounts in order to preserve the exclusivity of the final product. In case a client does not meet such requirement, the Company removes the exclusivity of the final product to such client and proceed to sell it to new ones.

# 3

## Transaction overview

In this section

Page

11



### 3 Transaction overview

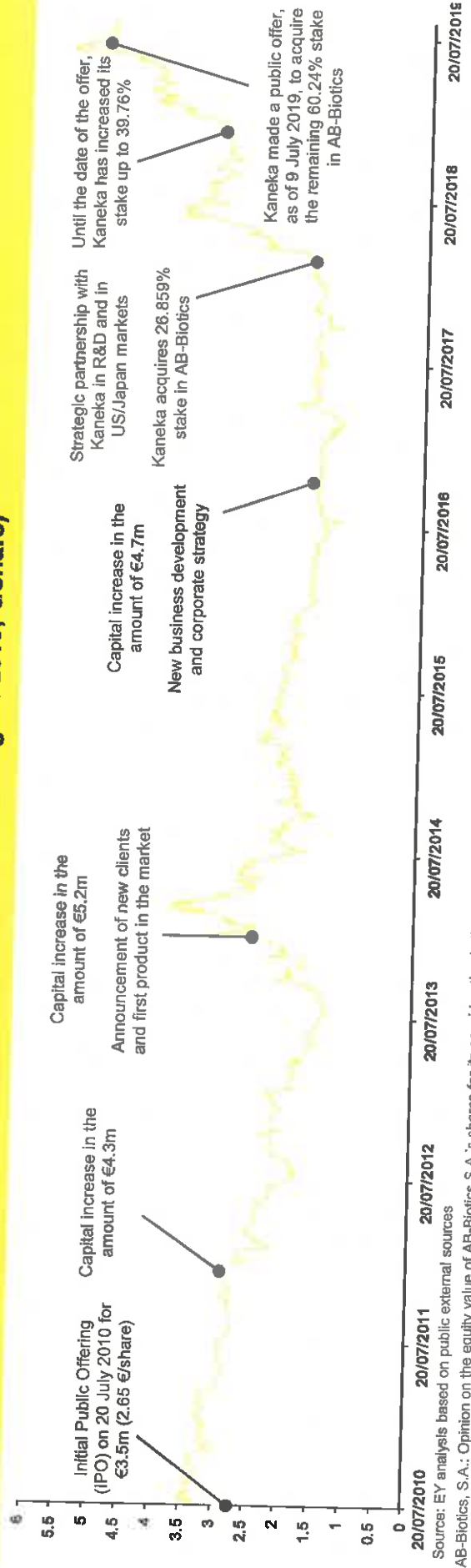
- 1 Executive summary
- 2 Company overview
- 3 **Transaction overview**
- 4 Scope of work and
- 5 Article 9 of RD 1066/2007
- 6 Article 10 of RD 1066/2007

## Background and overview of the Transaction

On 28 March 2018, the Company and Kaneka Americas Holding, Inc. subscribed a license agreement by which AB Biotics granted Kaneka Americas Holding, Inc. the exclusive right to manufacture, import, ferment, use, sell and offer certain products of AB-Biotics in Japan and North America. Likewise and as an inseparable part of the same agreement, the Kaneka Group, through Kaneka Europe Holding Company NV, invested in AB-Biotics' capital through the acquisition of 26.859% of its shares through different private acquisitions. This percentage of the Company's share capital has increased since then and, as of 9 July 2019, the Bidder already was the owner of 5,005,234 shares of AB-Biotics, which represent 39.76% of its share capital.

The Bidder intended to achieve 100% of the capital of the Company by placing an offer to all the shareholders of the Company (other than the Bidder) for the acquisition of the remaining 7,583,025 shares in AB-Biotics, which represent 60.24% of its share capital. The ultimate objective of Kaneka following the execution of the offer was to promote the delisting of AB-Biotics' shares from the Mercado Alternativo Bursátil ("MAB"). According to the announcement of the voluntary public tender offer over the shares of AB-Biotics launched by Kaneka, the offer was formulated as a purchase and sale of shares settled in cash, being the offer price 5.00 euros per share. As of the Reference Date and after the offer's acceptance period, Kaneka is the owner of 66.33% of AB-Biotics. After the expiry of the takeover bid, Kaneka has launched a new open offer of 5.00 euros per share with the objective of increasing its stake prior to the delisting of the Company.

## AB-Biotics stock price and main milestones (20 July 2010 – 26 August 2019; €/share)



Source: EY analysis based on public external sources  
 AB-Biotics, S.A.; Opinion on the equity value of AB-Biotics S.A.'s shares for its consideration in the delisting process in the context of the open offer launched by Kaneka Europe Holding Company NV over AB-Biotics' shares | Page 11 of 45



# 4

## Scope of work and procedures

In this section	Page
Scope of work, premise of value and procedures	13
Other considerations	15

## 4 Scope of work, premise of value and procedures

1 Executive summary	7 Conclusion
2 Company overview	8 Appendices
3 Transaction overview	
4 Scope of work and procedures	
5 Article 9 of RD/1066/2007	
6 Article 10 of RD/1066/2007	

### Purpose

This Report has been prepared by request of AB-Biotics, S.A. with the purpose of providing a fairness opinion on the equity value of AB-Biotics' shares based on the procedures described in articles 9 and 10.5 of the Royal Decree 1066/2007 on Takeover Bids (*Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de Valores*) in the context of the open offer launched by Kaneka as a result of the delisting process in which the Company is involved.

### Valuation Date

Our conclusion of value is valid as of 26 August 2019 ("the Reference Date").

The valuation analysis was performed based on the latest Financial Statements available as of 31 July 2019 and based on information provided by the Company. Any material modification or events or circumstances related to the economic environment, market or Company's operations arising after the date of release of the Report could mean a change in our conclusions of value.

### Premise of value

The appropriate basis of valuation for the purpose of our work is Fair Value. This is defined by the International Valuation Standard Council as: "*The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*" This will be the definition of value that we apply for this valuation.

This definition of value has determined the selection of methodologies that we finally considered in our conclusion of value. In those cases where the methodology analyzed did not reflect Fair Value, this has been discarded from our opinion of value.

### Main procedures of our work

In order to carry out the work and meet the objectives set forth in the scope of our mandate, we have conducted the following procedures:

- ▶ Analysis of the proposed Transaction from a financial point of view, through the gathering and global analysis of certain information related to the Transaction and the business, such as:
  - Holding interviews with Client's Management in order to obtain a clear understanding of the Company's business.
  - Analysis of the market and the competitive and economic environment in which the Company operates.
  - Analysis of the macroeconomic environment in which the Company operates.
  - Analysis of the documents necessary to understand AB-Biotics' financial situation as well as its historical and projected cash generation capacity.
- ▶ Identification and subsequent selection of the valuation methodologies to be used in order to estimate the fair value of the Company, which will be in line with the ones described in articles 9 and 10.5 of the Spanish Royal Decree 1066/2007 on Takeover Bids (*Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores*).
- ▶ Sensitivity analysis to various financial and operating parameters of the Company's Business Plan.
- ▶ Obtaining a Representation Letter from the Client.

## 4 Scope of work and procedures

### Scope of work, premise of value and procedures

7 Conclusion  
8 Appendix

1 Executive summary  
2 Issuance of the offer  
3 Financial information

#### 4 Scope of work and

5 Valuation method 10/22/2007  
6 Valuation method 10/22/2007

#### Main procedures of our work (Cont.)

- ▶ Issuance of a Fairness Opinion Letter, addressed to the Board of Directors of the Client concluding with our opinion on the equity value of AB-Biotics's shares for its consideration in the delisting process in which the Company is involved after the takeover bid launched by Kaneka for the 60.24% of AB-Biotics.
- ▶ Issuance of this supporting Valuation Report, in English, describing the main methodologies and assumptions used in our valuation, as well as the valuation conclusions reached.

#### Methodologies

The main valuation methodologies used for reaching our conclusions are in line with those described in articles 9 and 10.5 of the Royal Decree 1066/2007 on Takeover Bids (*Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores*):

#### Article 9:

- ▶ **Price offered by Kaneka over the last twelve months**, according to which the bids must be made with a price or consideration higher than the highest price the offeror has paid or agreed to pay over twelve months prior to the announcement of the offer.

#### Article 10.5:

- ▶ **Net Book Value** of the Company and the consolidated group, calculated based on the latest between the audited annual accounts and the latest financial statements.
- ▶ **Liquidation value** of the Company and the consolidated group. If the application of this method were to result in significantly lower values than those obtained from the other methods, its calculation will not be necessary as long as the circumstance is stated in the report.
- ▶ **Weighted average share price during the semester immediately prior to the Reference Date**, regardless of the number of sessions in which they were negotiated.
- ▶ **Takeover bids over the last twelve months**, in the event that a takeover bid has been made over a period of one year prior to the date of the offer.
- ▶ **Other valuation methods** applicable to the specific case and commonly accepted by the international financial community. EY has considered the following methodologies that are detailed in the following pages: Income Approach (Discounted Cash Flow Methodology) and Market Approach (Comparable Listed Companies and Precedent Transaction multiples).

## 4 Scope of work and procedures

### Other considerations

1	Executive summary	7
2	Company overview	8
3	Financial overview	10
4	Scope of work and procedures	10
5	Articles of Association	10
6	Company information	10
7	Conclusion	11
8	Appendices	11

#### Other considerations

- ▶ EY has no conflict of interest for the performance of this work and has not received, nor will receive, any type of contingency fees in connection with this work.
- ▶ To carry out our work, Company's Management has granted us access to certain historical and prospective financial information of AB-Biotics. Additionally, we have also considered certain publicly available information regarding the industry of probiotics and other relevant information about companies which operate in this industry. In arriving at our conclusion, we have assumed that all the information provided to us is trustworthy, accurate, true and complete in all aspects to date, and that any information that is or could be relevant for our work has been provided to us in its entirety.
- ▶ We have not carried out an audit or an independent investigation to determine the veracity or accuracy of the information provided. Likewise, we do not express any opinion as to the basis on which assumptions about the financial statements, estimates, and financial projections have been prepared or as to the reasonableness of such projections.
- ▶ The valuation has used financial projections provided by the Company for the years 2019-2021. Any forecasts beyond that period shown in this report have been prepared by EY based on our best understanding of the business of the Company and its industry and should not be understood as AB-Biotics' strategic or business plan. They must be considered exclusively in the context of the present valuation exercise together with all other valuation parameters such as the discount rate (WACC), and should not be considered in any other context. Any modifications in, among others, the projected revenues growth profile and/or the operating margins would result in a different discount rate and/or terminal growth rate. EY assumes no responsibility derived from the fulfillment of the aforementioned financial projections.
- ▶ In relation to the work carried out, we should point out that certain aspects of the valuation involve, aside from objective factors, underlying factors that imply making judgments and establishing hypotheses that are dependent to a large extent of future events whose final outcome cannot be determined at present. As a result, some of the hypotheses used to arrive at our conclusions may not materialize as predicted.
- ▶ Our opinion is based on our financial analysis of the information provided by the Management and publicly available financial information collected by us. As we are financial advisors, we have relied on the accuracy of the information provided by AB-Biotics without independent verification.
- ▶ This Report, as well as the information within, is confidential, it has been prepared in the context previously described and therefore should not be used for any other purpose or distributed without our prior written consent. EY declines any responsibility for an improper use of this document or for a purpose other than that established in our Engagement Agreement or by users other than those described in our Engagement Agreement.
- ▶ In relation to the analysis carried out, our conclusion of the reasonableness of the price per share could differ from the considerations to be made by others to reach a final price in the context of a transaction and / or that can be agreed by the parties or others in a negotiation process, depending on the negotiation aspects of the parties involved and specific factors of the eventual agreement. Therefore, our conclusions are not aimed at determining the price at which a transaction should be made, which is something that must be agreed between the parties involved. Our conclusion should not be interpreted as meeting all the analysis requirements that a potential investor should carry out in relation to a potential transaction and therefore any potential investor should perform its own analysis and the checks it deems necessary in order to reach its own conclusions.
- ▶ There may be differences in the total sums of graphs and tables due to rounding of decimals.

# 5

## Article 9 of RD 1066/2007

In this section

Page

17



## 5 Article 9 of RD 1066/2007

- 1 Executive summary
- 2 Company overview
- 3 Transaction overview
- 4 Scope of work
- 5 Article 9 of RD 1066/2007**
- 6 Article 10 of RD 1066/2007
- 7 Conclusion

### Price offered by Kaneka over the last twelve months

EY has considered the valuation method established in article 9 of Royal Decree 1066/2007 on Takeover Bids (*Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores*). The article stipulates that “the bids [...] must not be made with a price or consideration lower than the highest price the offeror has paid or agreed to pay over the twelve months prior to the announcement of the offer”.

Kaneka has carried out several acquisitions of AB-Biotics' shares over the twelve months prior to the announcement of the offer. Based on the price evolution during the timeframe throughout which the different acquisitions took place, it seems reasonable to assume that the highest price paid by Kaneka in such acquisitions was that of the latest acquisitions performed in the context of the takeover bid: **5.00 euros per share**.



# 6

## Article 10 of RD 1066/2007

In this section	Page
Overview of valuation methodologies	19
Net Book Value	20
Liquidation Value	21
Weighted average share price of the last semester	22
Takeover bids over the last twelve months	23
Discounted Cash Flow Method	24
Discounted Cash Flow Method (Cont.)	25
Guideline Comparable Companies Method	30
Guideline Precedent Transaction Method	32

## 6 Article 10 of RD 1066/2007

### Overview of valuation methodologies

- 1 Executive summary
- 2 Company overview
- 3 Transaction overview
- 4 Scope of work, info.
- 5 Article 9 of RD 1066/2007
- 6 Article 10 of RD 1066/2007**

- 7 Conclusion
- 8 Appendix

#### Introduction

Although it is not required to perform this analysis following the Royal Decree 1066/2007 on Takeover Bids (*Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores*), as Company's shares are not traded in a regulated market, following Client's instructions, EY has performed the valuation of AB-Biotics based on the methodologies described in articles 9 and 10.5 of Royal Decree 1066/2007, which are as follows:

- |          |   |                          |          |                                     |          |
|----------|---|--------------------------|----------|-------------------------------------|----------|
| <b>A</b> | <b>Net Book Value</b>   | <b>Liquidation Value</b> | <b>C</b> | <b>Weighted average share price</b> | <b>D</b> |
| ▶        | Net Book Value ("NBV") of the Company and the consolidated group, calculated based on the latest between the audited annual accounts and the latest financial statements. | ▶                        | ▶        | ▶                                   | ▶        |

Liquidation value is the value to obtain from the company under the hypothesis of proceeding to its liquidation or orderly dissolution, that is, the value that would be obtained in the event that all its assets are sold, liquidated all its liabilities and all costs arising from the liquidation process are paid.

Value of the consideration previously offered, in the event that a takeover bid has been made over a period of one year prior to the date of the offer.

In addition, the RD establishes that other methods of valuation applicable to the specific case and commonly accepted by the international financial community should be included, such as:

- |          |  |          |   |          |  |
|----------|--|----------|---|----------|--|
| <b>E</b> | <b>Discounted Cash Flow Method</b>   | <b>F</b> | <b>Guideline Comparable Companies Method</b>  | <b>G</b> | <b>Guideline Comparable Transaction Method</b>   |
| ▶        | Methodology based on the cash flows that the company expects to obtain from its activity, calculating the cash flows for a certain number of years plus a terminal value, if applicable. Those cash flows available are discounted at present value to obtain the fair value of the company. | ▶        | This method assesses the value of the company using the metrics of other businesses of similar size within the same industry. In this method, the valuation multiples of comparable listed companies are analysed and adjusted based on the business model of the company valued in relation to the selected comparables. To obtain a fair value indicator, they are applied to relevant financial indicators of the Company. | ▶        | This methodology considers the price paid in previous transactions of the same industry or one related to the industry in which the Company operates, and the implicit multiples are then applied over relevant financial indicators of the Company. |

**6 Article 10 of RD 1066/2007****Net Book Value**

- 1 Executive summary
- 2 Company overview
- 3 Transaction overview
- 4 Scope of work and
- 5 Valuation date: 31 July 2019
- 6 Article 10 of RD 1066/2007**
- 7 Conclusion
- 8 Appendices

**A****Net Book Value****Net Book Value as of Reference Date**

Ex	Jul. 2019
Capital	629
Share premium	17,364
(Own shares and equity holdings)	(129)
Reserves	152
Prior periods' profit and loss	(11,330)
Profit/(loss) for the period	292
Capital and reserves without valuation adjustments	6,979
Available-for-sale financial assets	(4)
Valuation adjustments	(4)
Grants, donations and bequests received	337
<b>Total Shareholders Equity</b>	<b>7,311.6</b>
Number of shares (thousands)	12,588,259
Treasury Stock (thousands)	(82,604)
<b>Number of shares net of treasury stock (thousands)</b>	<b>12,505,655</b>
<b>Price (€/share)</b>	<b>0.58</b>

Source: EY Analysis based on information provided by the Company

As stipulated in Royal Decree 1066/2007, in order to apply this valuation methodology, we have used the Financial Statements as of 31 July 2019, as they are the latest Financial Statements available as of the Reference Date.

For the NBV per share calculation, we have taken into consideration the number shares outstanding, net of treasury stock, as of the Reference Date.

The NBV represents by definition the net book value of the Company's assets and liabilities, that follow specific rules of valuation. These rules are closely related to the book or market value for some assets, but can follow different criteria for other assets. These criteria can undervalue (as they are at historical cost for example) or overvalue (when time value of money is taken into account) the assets and liabilities of the Company. For all these reasons, the NBV is not the most appropriate reference of the market value of a company.

As an additional reference for a static value reference of the Company, we have analyzed the capital invested over time in AB-Biotics, which consists of several capital increases and an IPO for c. €14m plus a c. €4m CDTI loan. The total amount invested therefore amounts to approximately €18m, which equals to a value below €1.5 per share.

**Conclusion**

We consider **both NBV and the total invested capital to not be representative of the fair value of Company's shares**. This is due to the fact that NBV is a static approach which is subject to accounting criteria that does not necessarily reflect the market value of the business at a particular moment in time, and that the total invested capital is a floor value which however does not reflect the value creation of the Company to date.

## 6 Article 10 of RD 1066/2007

### Liquidation Value

- 1 Executive summary
- 2 Summary overview
- 3 Transaction overview
- 4 Scope of work (pdf)
- 5 Article 9 of RD 1066/2007
- 6 Article 10 of RD 1066/2007**

6

### Liquidation Value

This valuation method reflects the value of a company in the case of a dissolution, liquidation and a permanent closing. This is the value of a company immersed in the sale of its assets and the cancellation of its debts, taking into consideration the latent gains and/or losses, as well as the contingencies that may exist.

With the object of reflecting said latent gains and/or losses, the baseline value on which we would calculate the Net Liquidation Value of AB-Biotics would be the value obtained through the Discounted Cash Flow (DCF) methodology, minus any liquidation costs (such as labour cost derived from the severance of its employees, among others). Furthermore, the liquidation of a company would set a situation of forced sale that would require the sale of the assets to be carried out in an accelerated manner, for which it would be necessary to apply an additional discount to the implicit value of the assets in the DCF or in the comparable multiples method.

In addition to the above, any accelerated sale could potentially entail an additional effect: the loss of the applicability of the fiscal credit generated by the accumulated losses.

### Conclusion

As a consequence of the previous analysis and in the context of AB Biotics' creation of value, EY considers that the Liquidation Value of the Company would result in a significantly lower value compared to the DCF methodology described in this document. **Therefore, we consider it inadequate for the objective of this valuation exercise.**



## 6 Article 10 of RD 1066/2007

### Weighted average share price of the last semester

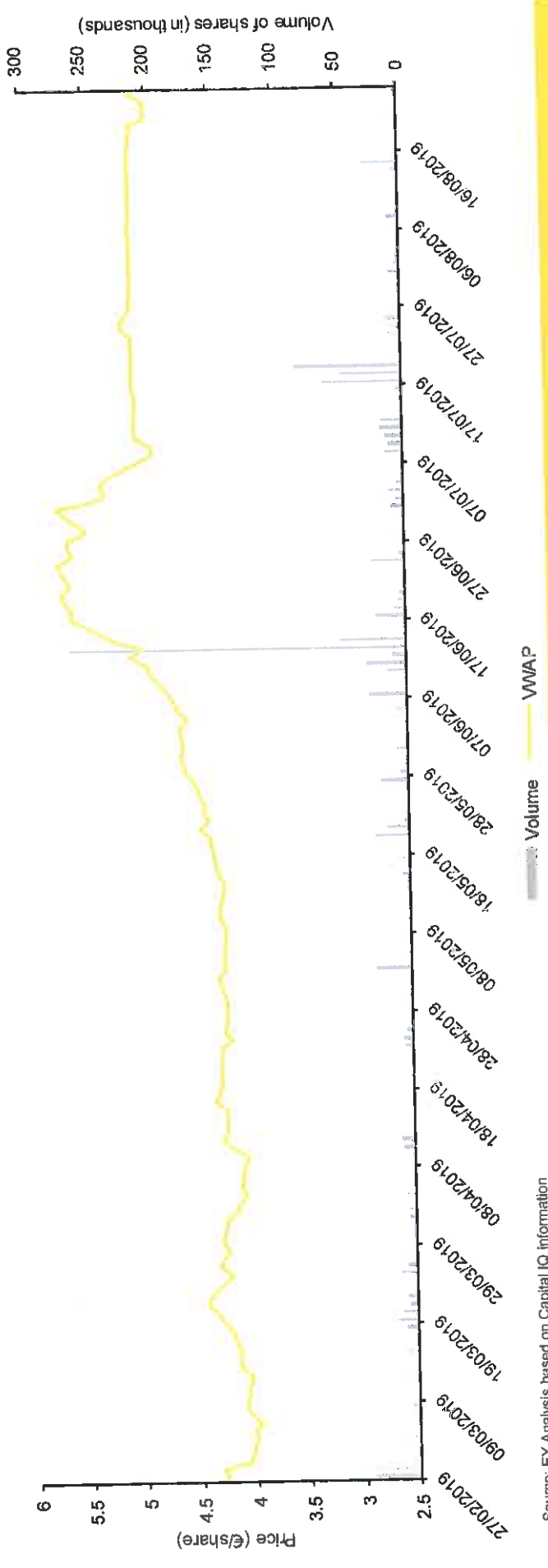
- 1 Executive summary
- 2 Company overview
- 3 Transition overview
- 4 ...
- 5 ...
- 6 **Article 10 of RD 1066/2007**
- 7 Conclusion
- 8 Appendix



### Weighted average share price of the last semester

The following graph shows the evolution of the weighted average share price of AB-Biotics in the MAB. According to article 10 of the RD, the weighted average price should be considered over the six months immediately prior to the Reference Date.

A detail of the analysis of the share price of AB-Biotics, in particular the weighted average share price or Volume Weighted Average Price ("VWAP") over the last 6 months is as follows:



Source: EY Analysis based on Capital IQ information

#### Conclusion

During the semester preceding 26 August 2019, the weighted average price has resulted in a price per share for AB-Biotics of 4.53 euros as of the Reference Date.

Note: The VWAP calculated based on our public sources of information could slightly differ from the one obtained from an official BME certificate.

## 6 Article 10 of RD 1066/2007

### Takeover bids over the last twelve months

- 1 Executive summary
- 2 Company overview
- 3 Transaction overview
- 4 Scope of work and
- 5 Article 10 of RD 1066/2007
- 6 Article 10 of RD 1066/2007**
- 7 Conclusion
- 8 Appendices

D

#### Takeover bids over the last twelve months

EY has considered the valuation methods established in article 10.5 of Royal Decree 1066/2007 on Takeover Bids (*Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores*). Article 10.5 refers to the value of the consideration previously offered, in the event that a takeover bid has been made over a period of one year prior to the date of the offer, as one of the methodologies to consider.

On 9 July 2019, Kaneka launched a voluntary public tender offer at **5.00 euros per share** over the 60.64% of AB-Biotics it did not already own, which resulted in an acceptance of 3,344,849 shares out of 7,583,025. This acceptance represented 26.57% of the Company's share capital, and as of the Reference Date Kaneka is the owner of 66.33% of AB-Biotics.



6 Article 10 of RD 1066/2007

Discounted Cash Flow Method

- 1 Estimativa sumariada
- 2 Company overview
- 3 Transition overview
- 4 Scope of work and
- 5 Article 10 of RD 1066/2007
- 6 Article 10 of RD 1066/2007
- 7 Conclusion
- 8 Appendices

E

Discounted Cash Flow Method (Income Approach)

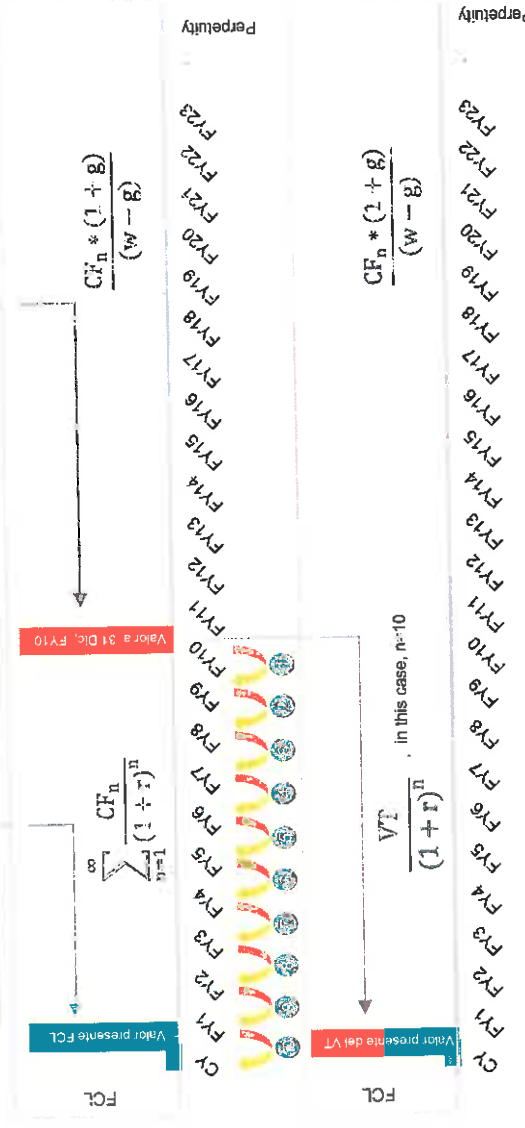
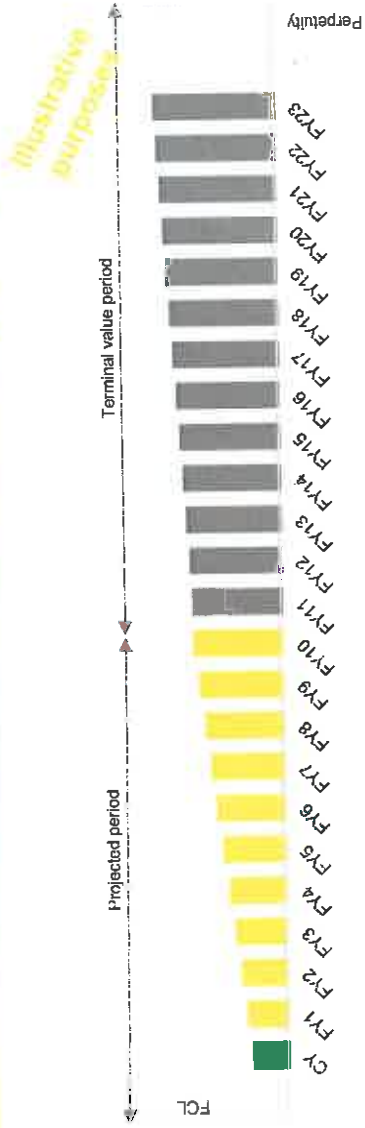
The Income Approach focuses on the expected cash flow of the subject company. In applying this approach, the cash flow is calculated for a finite period of years. Cash flow is defined, for purposes of this analysis, as the amount of cash that could be distributed to all the providers of funding, without impairing the future profitability or operations of the subject company.

The cash flow and the terminal value (the value of the subject company at the end of the projected period) are then discounted to present value to derive an indication of value of a 100% interest in the enterprise value for the subject company.

In this context, enterprise value is defined as the market value of a company's equity plus the market value (or book value if the market value is not available) of a company's interest bearing debt.

Interest bearing debt, if any, is then subtracted from the enterprise value to arrive at an indication of the value of equity.

Our valuation of AB-Biotics has used financial projections provided by the Company for the years 2019-2021. Any forecasts beyond that period shown in this report have been prepared by EY based on our best understanding of the business of the Company and its industry and should not be understood as AB-Biotics' strategic or business plan. They must be considered exclusively in the context of the present valuation exercise together with all other valuation parameters such as the discount rate (WACC), and should not be considered in any other context. Any modifications in, among others, the projected revenues growth profile and/or the operating margins would result in a different discount rate and/or terminal growth rate. EY assumes no responsibility derived from the fulfillment of the aforementioned financial projections.



## 6 Article 10 of RD 1066/2007 Discounted Cash Flow Method (Cont.)

- 1 Executive summary
- 2 Company overview
- 3 Financials overview
- 4 Scope of work and
- 5 Appendix of RD 1066/2007
- 6 Article 10 of RD 1066/2007**

7 Conclusion

8 Appendices

E

### Discounted Cash Flow Method (Income Approach)

#### Projected period (FY19E-FY34E)

€k	FY19E	FY20E	FY21E	FY22E	FY23E	FY34E
Revenues	16,449	23,088	30,901	716	716	43,178
Self-developed intangible asset income						908
<b>Total Revenues</b>	<b>17,164</b>	<b>23,803</b>	<b>31,616</b>	<b>716</b>	<b>716</b>	<b>44,086</b>
% Growth	29.8%	38.7%	32.8%			(19.1%)
Operating Costs	(14,127)	(18,774)	(23,272)			(32,450)
<b>EBITDA</b>	<b>3,038</b>	<b>5,030</b>	<b>8,344</b>			<b>11,636</b>
% Growth	51.8%	151.4%	65.9%			(19.1%)
EBITDA Margin	17.7%	21.1%	26.4%			26.4%
D&A	(1,454)	(1,599)	(1,759)			(958)
<b>EBIT</b>	<b>1,584</b>	<b>3,431</b>	<b>6,585</b>			<b>10,678</b>
Cash taxes paid (25%)	(396)	(856)	(1,646)			(2,669)
<b>NOPAT</b>	<b>1,188</b>	<b>2,573</b>	<b>4,939</b>			<b>8,008</b>
Grants adjustment	(100)	(100)	(100)			-
Self-developed intangible asset income	(716)	(716)	(716)			(908)
Deferred revenue	(178)	(178)	(178)			-
Non-cash item adjustments	(994)	(994)	(994)			(908)
D&A	1,454	1,599	1,759			958
Capex	(50)	(50)	(50)			(50)
Change in Working Capital	(521)	(878)	(1,033)			1,379
<b>Free Cash Flow</b>	<b>1,077</b>	<b>2,250</b>	<b>4,621</b>			<b>9,388</b>
Partial period	0.35	1.00	1.00			1.00
<b>Free Cash Flow</b>	<b>375</b>	<b>2,250</b>	<b>4,621</b>			<b>9,388</b>

Source: Information provided by Management, industry reports and EY Analysis

A brief explanation of the financial projections used for the DCF methodology is as follows:  
Revenues

▶ Revenues are divided in three major projected periods to be considered:

- **Business Plan of the Company (2019-2021):** Revenues are in line with the growth rates estimated by the Company for both its product lines, with growth coming mainly from probiotics. Revenues include estimated royalties derived from the alliance with Kaneka in North America and Japan, amounting to €2.5m in 2021. Other concepts include accrued capital grants and the accrual of the initial payment of €1.2m made by Kaneka under the aforementioned agreement.

- **Normalization period of revenues (2022-2027):** From 2022 onwards, revenues have been normalized with growth rates tending towards the medium-term growth rate estimated by industry reports<sup>(1)</sup> for the probiotics industry, being 7.0% worldwide. Consequently, revenue growth would gradually slow down from current growth rates of around 30%, corresponding to a ramp-up period, to more normalized growths in line with the market long-term estimates.

- **Loss of patents period (2028-2034):** Between 2028 and 2034, the patents of several products of AB-Biotics' portfolio will be lost, being the remaining products exposed to the entry of new competitors. During this period we have estimated a decrease in the growth rates considered based on the expiration dates of the patents, eventually reaching an annual negative growth of 20%. For further detail on the patents expiration, please refer to the Appendix section.

▶ Self-developed intangible asset income corresponds to the R&D capitalized costs, for which no significant growth (other than inflation) has been projected, consistent with the fact that no relevant new product launches have been contemplated in the forecast.

#### EBITDA

▶ EBITDA based on the Business Plan provided by Management for the period 2019 and 2021, including (i) COGS, (ii) personnel costs, (iii) operating expenses, (iv) capitalized services and (v) commercial operations.

▶ For the purposes of this exercise, we have maintained the Company's EBITDA margin of the last year projected by Management (2021), 26.4%, over the projected period of 2022-2034.

## 6 Article 10 of RD 1066/2007

## Discounted Cash Flow Method (Cont.)

- 1 Executive summary
- 2 Company overview
- 3 Fabrication overview
- 4 Scope of work and
- 5 Value of R&D 03/09/2019
- 6 Article 10 of RD 1066/2007
- 7 Conclusions
- 8 Appendices

## E

## Discounted Cash Flow Method (Income Approach)

## Projected period (FY19E-FY34E)

EX	FY19E	FY20E	FY21E	FY24E	FY34E
Revenues	18,449	23,088	30,901	43,178	
Self-developed intangible asset income	716	716	716	908	
<b>Total Revenues</b>	<b>17,164</b>	<b>23,803</b>	<b>31,616</b>	<b>44,086</b>	
% Growth	23.8%	38.7%	32.3%	(33.1%)	
<b>Operating Costs</b>	<b>(14,127)</b>	<b>(18,774)</b>	<b>(23,272)</b>	<b>(32,450)</b>	
<b>EBITDA</b>	<b>3,038</b>	<b>5,030</b>	<b>8,344</b>	<b>11,636</b>	
% Growth	51.5%	157.4%	65.7%	(33.1%)	
EBITDA Margin	17.7%	21.1%	26.4%	26.4%	
<b>D&amp;A</b>	<b>(1,454)</b>	<b>(1,599)</b>	<b>(1,759)</b>	<b>(958)</b>	
<b>EBIT</b>	<b>1,584</b>	<b>3,431</b>	<b>6,585</b>	<b>10,678</b>	
Cash taxes paid (25%)	(396)	(858)	(1,646)	(2,669)	
<b>NOPAT</b>	<b>1,188</b>	<b>2,573</b>	<b>4,939</b>	<b>8,008</b>	
Grants adjustment	(100)	(100)	(100)	-	
Self-developed intangible asset income	(716)	(716)	(716)	(808)	
Deferred revenue	(178)	(178)	(178)	-	
Non-cash item adjustments	(994)	(994)	(994)	(908)	
D&A	1,454	1,599	1,759	958	
Capex	(50)	(50)	(50)	(50)	
Change in Working Capital	(521)	(878)	(1,033)	1,379	
<b>Free Cash Flow</b>	<b>1,077</b>	<b>2,250</b>	<b>4,621</b>	<b>9,388</b>	
Partial period	0.35	1.00	1.00	1.00	
<b>Free Cash Flow</b>	<b>376</b>	<b>2,250</b>	<b>4,621</b>	<b>9,388</b>	

Source: Information provided by Management, industry reports and EY Analysis

A brief explanation of the financial projections used for the DCF methodology is as follows (Cont.):

**Depreciation and amortization (D&A)**

- ▶ We have reflected the D&A assumptions of the Company's Business Plan, which include mainly the amortization of R&D capitalized cost, and assumed a normalization period (2022-2025) tending towards the sum of projected self-developed intangible asset income plus CapEx.

**Taxes**

- ▶ We have considered the current statutory tax rate for Spain of 25%. Any value attributed to the tax credit associated to NOLs has been reflected separately in our valuation.

**Adjustments to the NOPAT**

- ▶ EY considered the following non-cash items for tax purposes and then adjusted them below NOPAT in order to calculate Free Cash Flow:
  - i. Grants: non-reimbursable capital grants which are reflected as income over time but are not a cash item.
  - ii. Self-developed intangible asset accrued income: we have considered, based on conversations with the Client, that the Company will maintain a certain level of R&D work, in line with the previous years, which is then activated. Its projection has been made based on inflation.
  - iii. Deferred revenue of the upfront payment paid by Kaneka, projected in line with the information provided in the Annual Accounts.

**CapEx**

- ▶ EY has considered a residual level of maintenance CapEx of €50k over the projected period, in line with conversations with Management.

**Variation in Working Capital**

- ▶ EY has estimated the variation in Working Capital based on the historical ratio over revenues of 13.2%.

## 6 Article 10 of RD 1066/2007 Discounted Cash Flow Method (Cont.)

- 1 Executive summary
- 2 Company overview
- 3 Transaction overview
- 4 Scope of work and
- 5 Article 9 of RD 1066/2007
- 6 Article 10 of RD 1066/2007**

7 Conclusion  
8 Appendixes

E

### Discounted Cash Flow Method (Income Approach)

#### Terminal Value

<b>Growth rate</b>	<b>TV</b>
<b>EBITDA margin</b>	<b>(20.0%)</b>
<b>D&amp;A</b>	<b>26.4%</b>
<b>Capex</b>	<b>766</b>
<b>Change in Working Capital</b>	<b>(40)</b>
	<b>2,970</b>

Source: EY Analysis

The Terminal Value (TV) of a company is the value of the cash flows that are expected to be generated from the last year of projection onwards to perpetuity.

- ▶ EY has estimated a Terminal Value, considering a negative long-term growth rate of (20.0%).
- ▶ EBITDA: EY has considered an EBITDA margin of 26.4%, in line with the projected period.
- ▶ CapEx has been projected to the negative long-term growth rate of 20%.
- ▶ We have kept constant the projected level of working capital position over revenues (13.2%).
- ▶ Amortization has been equalled to the sum of CapEx and self-development intangible asset income, assuming that in the long-term the investments tend to be aligned with the amortization in order to replace existing assets over time.



6 Article 10 of RD 1066/2007

Discounted Cash Flow Method (Cont.)

- 1 Executive Summary
- 2 Company Overview
- 3 Transaction Overview
- 4 Scope of work and
- 5 Article 10 of RD 1066/2007
- 6 Conclusion
- 7 Appendix
- 8 Appendix

**E** Discounted Cash Flow Method (Income Approach)

**Discounted Cash Flow (DCF)**

A detail of the DCF of AB Biotics as of 26 August 2019, including a sensitivity analysis due to the relevance of some parameters used, such as the perpetuity growth rate (+/-1.5%) and the weighted average cost of capital (+/- 0.5%), is as follows:

	FCF1A	FCF1B	FCF1C	FCF1D	FCF1E	FCF1F	FCF1G	FCF1H	FCF1I	FCF1J	FCF1K	FCF1L	FCF1M	FCF1N	FCF1O	FCF1P	FCF1Q	FCF1R	FCF1S	FCF1T	FCF1U	FCF1V	FCF1W	FCF1X	FCF1Y	FCF1Z	
Revenues	4,250	7,467	12,525	16,449	23,088	30,801	38,384	44,374	47,481	50,804	54,361	58,199	61,489	64,802	68,033	69,883	66,851	53,622	43,178	34,542							
Self-developed intangible asset income	1,137	512	701	716	716	716	764	766	770	784	794	814	829	844	859	875	875	891	908	728							
Total Revenues	5,387	7,979	13,226	17,164	23,803	31,616	39,148	45,141	48,251	51,588	55,155	59,303	62,282	65,430	68,977	71,726	72,726	72,513	73,086	74,276							
% Growth	48.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%							
Operating Costs	(6,841)	(7,765)	(11,225)	(14,127)	(18,774)	(23,272)	(28,780)	(33,209)	(35,505)	(37,982)	(40,581)	(43,402)	(45,844)	(48,161)	(49,226)	(45,454)	(42,431)	(40,126)	(32,450)	(25,907)							
EBITDA	(1,464)	2,091	3,036	3,036	5,030	8,344	10,323	11,908	12,731	13,612	14,564	15,662	16,438	17,269	17,861	18,268	18,298	14,388	11,636	9,308							
% Growth	(14.5%)	32.5%	30.3%	30.3%	32.5%	32.5%	32.5%	32.5%	32.5%	32.5%	32.5%	32.5%	32.5%	32.5%	32.5%	32.5%	32.5%	32.5%	32.5%	32.5%							
EBITDA Margin	(1,090)	(1,137)	(1,190)	(1,454)	(1,939)	(1,759)	(1,524)	(1,290)	(1,055)	(820)	(654)	(489)	(323)	(167)	(94)	(23)	(23)	(23)	(23)	(23)							
D&A	(2,844)	(924)	811	1,864	3,431	5,586	8,796	10,618	11,676	12,782	13,720	14,714	15,676	16,380	16,767	16,389	14,310	13,448	10,678	8,642							
EBIT	(396)	(396)	(396)	(396)	(396)	(396)	(396)	(396)	(396)	(396)	(396)	(396)	(396)	(396)	(396)	(396)	(396)	(396)	(396)	(396)							
Cash taxes paid (25%)	608	1,188	2,250	4,221	6,115	7,489	8,757	9,884	10,290	11,036	11,661	12,293	12,868	13,447	14,026	14,605	15,184	15,763	16,342	16,921							
NOPAT	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)							
Grants adjustment	(716)	(716)	(716)	(716)	(716)	(716)	(716)	(716)	(716)	(716)	(716)	(716)	(716)	(716)	(716)	(716)	(716)	(716)	(716)	(716)							
Self-developed intangible asset income	(178)	(178)	(178)	(178)	(178)	(178)	(178)	(178)	(178)	(178)	(178)	(178)	(178)	(178)	(178)	(178)	(178)	(178)	(178)	(178)							
Deferred revenue	(894)	(894)	(894)	(894)	(894)	(894)	(894)	(894)	(894)	(894)	(894)	(894)	(894)	(894)	(894)	(894)	(894)	(894)	(894)	(894)							
Non-cash item adjustments	1,454	1,999	1,759	1,524	1,290	1,055	820	654	500	350	200	50	50	50	50	50	50	50	50	50							
D&A	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)							
Capex	(521)	(878)	(1,083)	(922)	(794)	(641)	(441)	(294)	(141)	(41)	(41)	(41)	(41)	(41)	(41)	(41)	(41)	(41)	(41)	(41)							
Change in Working Capital	1,077	2,250	4,221	6,115	7,489	8,757	9,884	10,290	11,036	11,661	12,293	12,868	13,447	14,026	14,605	15,184	15,763	16,342	16,921	17,500							
Free Cash Flow	376	2,250	4,621	6,115	7,489	8,615	9,374	9,728	10,530	11,242	11,876	12,376	12,719	13,062	13,405	13,748	14,091	14,434	14,777	15,120							
Partial period																											
Free Cash Flow																											
Perpetuity rent																											
Discount period																											
Discount factor																											
Discounted Free Cash Flow																											
Enterprise value																											
Net Debt																											
Other assets and liabilities																											
NOLs																											
Equity value																											
Number of shares																											
Price per share																											

	g	12.5%	13.0%	13.5%	14.0%	14.5%
Discounted cash flows	(23.0%)	4.86	4.70	4.55	4.41	4.27
Terminal value	(21.6%)	4.88	4.72	4.56	4.42	4.28
Enterprise value	(20.0%)	4.90	4.73	4.58	4.43	4.29
Net Debt	(18.5%)	4.92	4.75	4.59	4.45	4.30
Other assets and liabilities	(17.0%)	4.94	4.77	4.61	4.46	4.32

**Conclusion**

Based on the previously described assumptions and as a result of the application of the DCF methodology, the price per share of AB Biotics is within the range of 4.42 and 4.75 euros per share.

Notes: (1) Present value of the existing NOLs. Source: EY Analysis AB-Biotics, S.A.: Opinion on the equity value of AB-Biotics S.A.'s shares for its consideration in the delisting process in the context of the open offer launched by Kaneka Europe Holding Company NV over AB-Biotics' shares | Page 28 of 45

## 6 Article 10 of RD 1066/2007

### Discounted Cash Flow Method (Cont.)

1	Executive summary	7	Conclusion
2	Company overview	8	Appendices
3	Transition overview		
4	Scope of work and		
	Article 9 of RD 1066/2007		
5	Article 10 of RD 1066/2007		

## E

### Discounted Cash Flow Method (Income Approach)

#### Net Financial Debt and Other Non-Operating Assets and Liabilities

The following is a breakdown of the Net Financial Debt and Other Non-Operating Assets and Liabilities included for the calculation of the Equity Value of the Company. According to our understanding of the annual accounts of the Company and of additional information verbally requested to the Management, we consider that these items include all the items of Net Financial Debt and Other Non-Operating Assets and Liabilities that corresponds to adjust the Enterprise Value to obtain the Equity Value of the Company.

	Jul. 2019
<b>Long term investments in group companies</b>	143.1
1 Long term investments	525.4
Short term investments in group companies	0.0
2 Short term investments	927.8
Cash and cash equivalents	2,828.0
3 Long term debt	(3,019.6)
3 Short term debt	(1,025.3)
<b>Net Financial Debt</b>	<b>379.4</b>
4 Deferred tax assets	42.9
4 Deferred tax liabilities	(112.2)
Short term accruals	94.5
5 Long term provisions	(11.6)
<b>Other Non-Operating Assets and Liabilities</b>	<b>13.6</b>
6 NOLs	2,465.1

Source: EY Analysis based on latest financial statements

- 1 Long term investments are related to deposits and bonds, guarantees, bond funds and performance funds.
- 2 Short term investments refer to equity instruments, loans to companies and other financial assets.
- 3 Long term and short term debt comprise loans related to R&D projects granted by the public administration for an amount of €3.9m and debts with credit institutions for a value of €335m.
- 4 Realization or reversal period of the deferred tax assets and liabilities exceeds, in most of the cases, a twelve months period.
- 5 Long term provisions refer to obligations for long term benefits to staff.
- 6 Net Operating Losses have been estimated as the present value of the taxes credits recovered based on the financial forecasts used in the DCF.



## 6 Article 10 of RD 1066/2007

### Guideline Comparable Companies Method

1	Exhibitive summary
2	Company overview
3	Valuation methodology
4	Comparable companies
5	Article 10 of RD 1066/2007
6	Article 10 of RD 1066/2007



### Guideline Comparable Companies Method

#### Guideline Comparable Companies Method (GCM)

For purpose of this analysis, EY has considered the Guideline Company Method (“GCM”) as a valuation methodology.

Valuation multiples are calculated based on operating data from guideline publicly traded companies. Multiples derived from guideline companies provide an indication of how much a knowledgeable investor in the marketplace would be willing to pay for a company. Applicable multiples are then applied to the operating data of a company to arrive at the indications of value.

#### Public companies criteria

It was necessary to develop a global list of companies that could be considered similar to the Companies. Several sources of data were used to compile this global list or “universe” of potentially similar companies. The primary sources used to populate this universe included the following:

- ▶ Capital IQ database;
- ▶ Thomson Reuters;
- ▶ Company information

From a list of eligible companies, the selection was narrowed based primarily on the following:

- ▶ Business description: companies whose main business is the development of healthcare products in the biotechnology sector, more specifically probiotics.
- ▶ Geographical presence: we considered all the geographies as AB-Biotics operates worldwide.
- ▶ Financial situation: those comparable companies in “distressed” situation have been eliminated.
- ▶ Business model: we have focused the scope of comparable companies to those whose main activity is to develop and commercialize probiotics and where their manufacturing is mostly outsourced.

In applying the GCM, valuation multiples were derived based on annual and interim financial statements, publicly traded price of common stock, and estimated financial data of the comparable companies. To eliminate the impacts of differing capital structures among them, valuation multiples were primarily derived on an unlevered basis. Thus, multiples were based on a measure of the company’s EV.

EY based the valuation in the EV/EBITDA multiple, as EY considered it to be the most representative multiple to reflect the value creation of the business of AB-Biotics.

As shown in the next slide, once the GCM market multiples were applied, we subtracted/added the Net Financial Position, the net present value of NOLs, as well as any other assets or liabilities from the Enterprise Value, in order to obtain the Equity Value of the Company.

## 6 Article 10 of RD 1066/2007

### Guideline Comparable Companies Method

- 1 Executive Summary
- 2 Company overview
- 3 Transaction overview
- 4 Scope of application
- 5 July 9 of RD 1066/2007
- 6 Article 10 of RD 1066/2007**



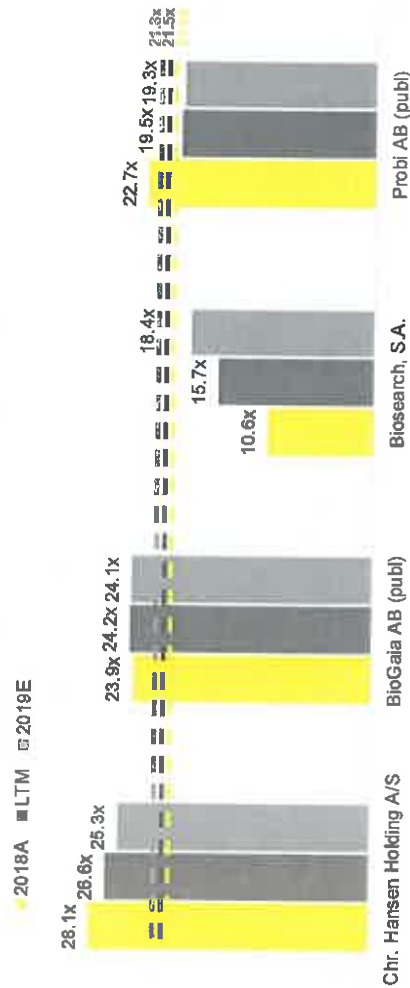
### Guideline Comparable Companies Method

#### Guideline Comparable Companies Method (GCM)

To apply the Market Approach, we have considered the average of comparable companies LFY EV/EBITDA multiple (21.3x), the LTM EV/EBITDA multiple (21.5x) and the NFY EV/EBITDA multiple, (21.8x). We have applied respectively to such multiples the FY18 EBITDA (€2,001.0k), the LTM EBITDA as of July 2019 as it is the latest one available (€2,021.1k) and the FY19E EBITDA (€3,037.7k).

For our valuation range, we considered the range based on the values obtained from the results of July '19 and the average between FY18 and FY19E.

A summary of the multiples used and valuation results is as follows:



— Average EV/EBITDA FY18

— Average EV/EBITDA LTM (as of July 2019)

— Average EV/EBITDA FY19E

Guideline Comparable Companies	FY18A	LTM	FY19E
Selected multiple	21.3x	21.5x	21.8x
EBITDA	2,001.0	2,021.1	3,037.7
EV	42,700	43,438	66,116
Net Financial Position	379	379	379
Other assets and liabilities	14	14	14
NOLs	2,465	2,465	2,465
Equity Value	45,558	46,296	68,974
Number of shares	12,505,655	12,505,655	12,505,655
Price (€/share)	3.64	3.70	5.52

Source: EY Analysis based on specialized data bases

#### Conclusion

Based on the criteria previously explained, the guideline comparable companies valuation method results in a value per share as of the Reference Date for AB-Biotics within a range of **3.70 and 4.58 euros per share**, corresponding to July 2019 and to the average between FY18 and FY19E.

## 6 Article 10 of RD 1066/2007 Guideline Precedent Transaction Method



### Guideline Comparable Transaction Method

#### Guideline Comparable Transactions Method (GTM)

The multiples of comparable market transactions indicate the relationship between the value paid in a transaction and certain financial or operating variables of the target Company. The multiples obtained are applied to the variables of the company or business to be valued, thus obtaining a possible indication of value. Assuming that the financial markets are efficient, the values that would be obtained from the application of this method constitute a good approximation of the possible value of the company, to the extent that it resembles those transactions selected in the comparison sample.

#### Selection criteria of comparable transactions

EY has made a selection of worldwide transactions that could be considered similar to the Company. Several sources of data, including Capital IQ, MergerMarket and Thomson Reuters, were used to compile this global list of potentially similar transactions.

Our research included a search of mergers and acquisitions spanning approximately five years preceding the Reference Date in the biotechnology industry. Of the potential guideline target transactions identified, specific transactions were selected for analysis based primarily on:

- ▶ Business description of target company: companies whose main business is the development of healthcare products.
- ▶ Date of the transaction: approximately five years preceding the Reference Date.
- ▶ Availability of transaction financial data.
- ▶ Business model of target company: we have focused the scope of comparable transactions to target companies whose main activity is to develop and commercialize probiotics and other healthcare products where manufacturing is mainly outsourced.

#### Transaction multiples analysis

Based on an analysis of AB-Biotics' operating data and on the availability of information related to the mentioned transactions, the following transaction multiples were included in the analysis:

- ▶ EV/EBITDA of previous comparable transactions.
- ▶ We calculated a valuation range by selecting the average of the EV/EBITDA of the transactions' sample as the reference multiple and we applied the FY18 EBITDA, the LTM EBITDA of May 2019, being latest one available, and the FY19 EBITDA.

As shown in the next slide, once the GTM market multiples were applied, we subtracted/added the Net Financial Position, the net present value of NOLs, as well as any other assets or liabilities from the Enterprise Value, in order to obtain the Equity Value of the Company.

## 6 Article 10 of RD 1066/2007 Guideline Precedent Transaction Method

- 1 Executive summary
- 2 Company overview
- 3 Transaction overview
- 4 Scope of Work, etc.
- 5 Article 9 of RD 1066/2007
- 6 Article 10 of RD 1066/2007**

- 7 Conclusion
- 8 Appendices

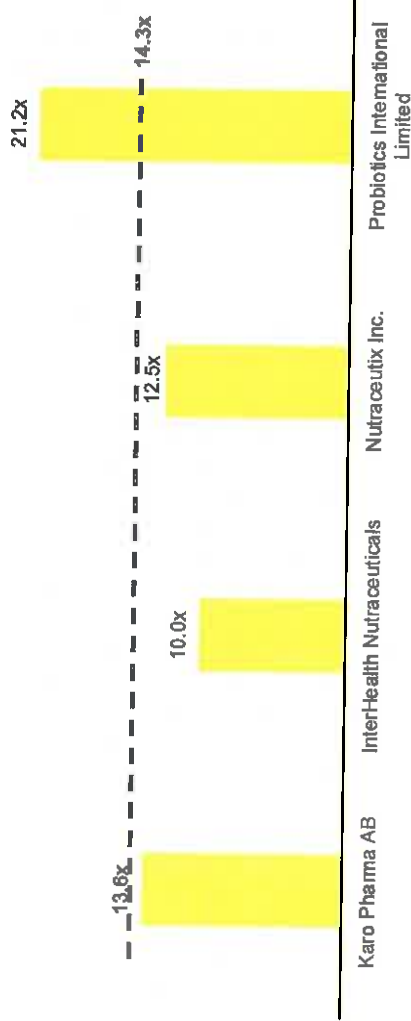


### Guideline Comparable Transaction Method

#### Guideline Comparable Transaction Method (GTM)

We have chosen the average of 14.3x as a statistical measure representative of the EV/EBITDA implicit multiple of the sample of comparable transactions applied to the LTM EBITDA of the Company.

For our valuation range, we considered the range based on the values obtained from the results of July '19 and the average between FY18 and FY19. A summary of the selected comparable transactions and valuation results is as follows:



Guideline Comparable Transactions	FY18A	LTM	FY19E
Selected multiple	14.3x	14.3x	14.3x
EBITDA	2,001.0	2,021.1	3,037.7
EV	28,684	28,972	43,545
Net Debt	379	379	379
Other assets and liabilities	14	14	14
NOLs	2,465	2,465	2,465
<b>Equity Value</b>	<b>31,842</b>	<b>31,830</b>	<b>46,403</b>
Number of shares	12,505,655	12,505,655	12,505,655
<b>Price (€/share)</b>	<b>2.52</b>	<b>2.55</b>	<b>3.71</b>

Source: EY Analysis based on specialized data bases

#### Conclusion

Based on the criteria previously explained, the guideline comparable transaction valuation method results in a price per share for AB-Biotics within a range of 2.55 and 3.12 euros per share, corresponding to July 2019 and the average between FY18 and FY19, as of the Reference Date

Note: The selected comparable transactions' multiples include an implicit control premium which should be discounted in our valuation analysis. However, as this would result in lower values, such control discount was not calculated nor applied to the multiples.  
Source: EY analysis based on external sources  
AB-Biotics, S.A.: Opinion on the equity value of AB-Biotics S.A.'s shares for its consideration in the delisting process in the context of the open offer launched by Kaneka Europe Holding Company NV over AB-Biotics' shares | Page 33 of 45

# 7

## Conclusion

In this section

Page

35



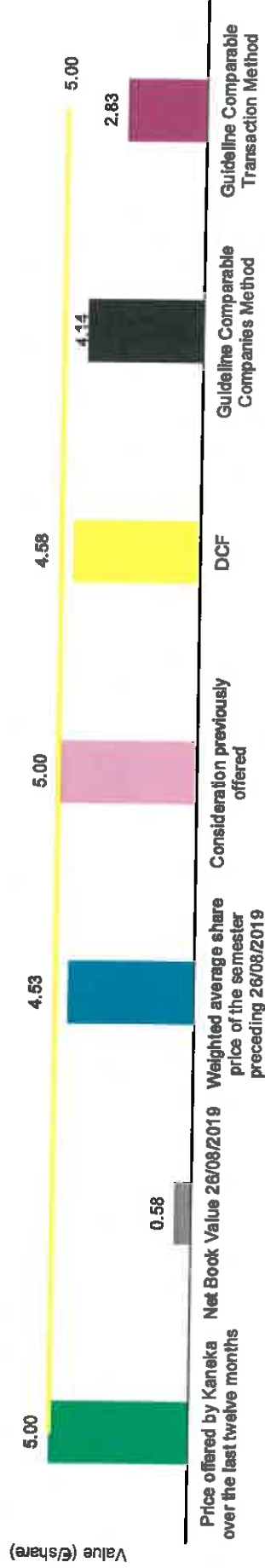
## 7 Conclusion

1. Executive summary
2. Company overview
3. Transaction overview
4. Scope of work
5. Article 9 of RD 1066/2007
6. Article 10 of RD 1066/2007

## 7 Conclusion

AB-Biotics

## Summary of values (1)



## Conclusion

Since the price offered by Kaneka to the shareholders of the Company (5€/share) is not lower than the values obtained from the valuation methodologies applied in our analysis, in line with those described in articles 9 and 10.5 of RD 1066/2007, we consider it fair from a financial point of view as of the Reference Date.

Note: (1) The values presented in the graph correspond to the central values obtained from our valuation methodologies.

# 8

## Appendices

In this section	Page
Appendix I: Discount rate	37
Appendix II: Breakdown of patents	40
Appendix III: Guideline Comparable Companies	41
Appendix IV: Guideline Comparable Transactions	42
Appendix V: Sources of information	43
Appendix VI: Abbreviations and definitions	44

## 8 Appendices

### Appendix I: Discount rate

1	Executive summary
2	Company overview
3	Transaction overview
4	Scope of work
5	Article 9 of the 1066/2007
6	Article 10 of the 1066/2007
7	Conclusion
8	Appendices

#### Discount rate calculation (WACC)

WACC (%)	Europe	North America	Asia	LatAm	MEA	
Risk-free rate	a	2.6%	2.5%	3.1%	4.6%	5.5%
Unlevered beta	b	1.04	1.04	1.04	1.04	1.04
D/E	c	4.1%	4.1%	4.1%	4.1%	4.1%
Relevered beta	d	1.07	1.07	1.07	1.07	1.07
Tax rate	e	25%	25%	25%	25%	25%
Equity risk premium	f	6.5%	6.5%	6.5%	6.5%	6.5%
Size risk premium		4.0%	4.0%	4.0%	4.0%	4.0%
<b>K<sub>e</sub></b>		<b>13.6%</b>	<b>13.6%</b>	<b>14.1%</b>	<b>15.6%</b>	<b>16.9%</b>
Base borrowing rate	g	0.1%	0.1%	0.1%	0.1%	0.1%
Corporate Spread	h	0.5%	0.5%	0.5%	0.5%	0.5%
Tax rate	d	25.0%	25.0%	25.0%	25.0%	25.0%
<b>K<sub>d</sub> (post-tax)</b>		<b>0.6%</b>	<b>0.6%</b>	<b>0.6%</b>	<b>0.6%</b>	<b>0.6%</b>
Debt		4.0%	4.0%	4.0%	4.0%	4.0%
Equity		96.0%	96.0%	96.0%	96.0%	96.0%
<b>WACC</b>		<b>13.0%</b>	<b>13.0%</b>	<b>13.5%</b>	<b>15.0%</b>	<b>15.9%</b>

Source: EY Analysis

#### Weighted WACC

Region	WACC	Weight
Europe	13.0%	54.9%
North America	13.0%	5.7%
Asia	13.5%	21.3%
LatAm	15.0%	17.5%
MEA	15.9%	0.6%
<b>Weighted WACC</b>	<b>13.6%</b>	<b>100.0%</b>

Source: EY Analysis

#### Discount rate (WACC):

The discount rate has been estimated through the Capital Asset Pricing Model (CAPM) model based on the profitability required for the capital invested. We have considered a discount rate by region (in euros) weighted by the expected revenues of 2018-2022 (see next page for detailed calculations).

- a) Risk-free rate: Weighted average risk free rate both by region and by country's sales in the period 2018-2022. Risk-free rates have been calculated as follows:
- Europe, US, Canada, China, Brazil and Mexico: based on three-month average of 10-year Treasury Bonds prior to the Reference Date.
  - South Korea, Chile, Egypt and Algeria: three-month average of 10-year US Bond plus the three-month average local CDS differential over three-month US CDS prior to the Reference Date.
  - Argentina: Three-month average of 10-year US Bond plus three-month average of EMBI ("Emerging Market Bond Index") differential prior to the Reference Date.

Risk free rates observed in currencies other than euros, have been adjusted by inflation differentials.

- b) Beta Coefficient: The  $\beta$  coefficient is the parameter that measures the systematic risk subject to each business, calculated considering a sample of comparable listed companies. The unlevered beta considered is 1.08, corresponding to the average of 2-year weekly betas of the comparable companies.
- c) D/E: For the calculation of the D/E ratio we considered the average of the comparable companies' market capital structure, being 4.1%.
- d) Taxes: EY assumed the nominal tax rate of Spain, being 25%.
- e) Equity risk premium ("ERP"): Equity risk premium of 6.5% based on EY research.
- f) Size premium: We applied a size risk premium of 4.0%, corresponding to Micro-Cap companies, based on 2019 D&P Valuation Handbook.
- g) Base borrowing rate: Euroswap 3-month average as of the Reference Date.
- h) Corporate Spread: corporate bond spread of publicly traded bonds with credit ratings similar to the comparable companies (B).

## 8 Appendices

### Appendix I: Discount rate

- 1 Executive Summary
- 2 Company overview
- 3 Transaction overview
- 4 Scope of work and
- 5 Article 9 of RD (06/2007)
- 6 Article 10 of RD (11/06/2007)

7 Conclusion

## 8 Appendices

### Beta and D/E estimation - Guideline Public Companies

A detail of the selected comparable companies is as follows:

	Country	D/E	Income Tax Rate	Asset Beta
Chr. Hansen Holding	Denmark	6.2%	22.0%	0.96
BioGaia AB	Sweden	0.0%	20.6%	0.77
Biosearch, S.A.	Spain	9.9%	25.0%	1.65
Probi AB	Sweden	0.3%	20.6%	0.78
<b>Median</b>		<b>3.2%</b>		<b>0.87</b>
<b>Average</b>		<b>4.1%</b>		<b>1.04</b>

Source: EY Analysis

## 8 Appendices

## Appendix I: Discount rate

- 1 Executive summary
- 2 Company overview
- 3 Transaction overview
- 4 Scope of work and
- 5 Article 9 of FD 1066/2007
- 6 Article 10 of FD 1066/2007

## 7 Conclusion

## 8 Appendices

## Risk free rate - Weighted average risk free rate based on revenues

A detail of the weighted average of the risk free rates by region is as follows:

	Spain	Germany	France	Italy	Austria	Russia	Europe
Risk free	2.4%	1.1%	1.4%	3.0%	1.4%	3.2%	
Revenues weight	23.2%	4.8%	12.6%	14.6%	4.8%	40.0%	54.9%
Weighted risk free	0.6%	0.1%	0.2%	0.4%	0.1%	1.3%	2.6%

	USA	Canada	North America
Risk free	2.6%	1.5%	
Revenues weight	90.5%	9.5%	5.7%
Weighted risk free	2.4%	0.1%	2.6%

	China	South Korea	Asia
Risk free	4.0%	2.6%	
Revenues weight	32.7%	67.3%	21.3%
Weighted risk free	1.3%	1.8%	3.1%

	Brazil	Mexico	Colombia	Argentina	Chile	LatAm
Risk free	4.4%	4.0%	3.6%	12.3%	2.8%	
Revenues weight	55.8%	27.6%	5.6%	4.9%	6.1%	17.5%
Weighted risk free	2.5%	1.1%	0.2%	0.6%	0.2%	4.6%

	Egypt	Algeria	MEA
Risk free	5.9%	5.3%	
Revenues weight	41.9%	58.1%	0.6%
Weighted risk free	2.5%	3.1%	6.0%

Source: EY Analysis



## 8 Appendices

### Appendix II: Breakdown of patents

#### Breakdown of AB-Biotics' patents

A detail of the patents associated to the Company's product with the corresponding expiration dates is as follows:

Product	% over sales 2021E	Patent	Patent description	Patent expiration date
13.1	22.82%	WO2011/092281	Probiotic composition for use in the treatment	2031
AB-Koicare	18.88%	WO2015/018883	Probiotic for infantile excessive crying	2034
AB-Dentalac	7.27%	WO2012/022773	Probiotic composition for oral health	2031
AB-Life	6.46%	WO2011/042333	Lactobacillus plantarum strains as hypochole	2030
AB-Intimus	5.76%	WO2015/022297	Strain of Lactobacillus pentosus as probiotic	2034
AB-Life Forte	2.00%	WO2011/042333	Lactobacillus plantarum strains as hypochole	2030
AB-Intimus Oral	0.02%	WO2015/022297	Strain of Lactobacillus pentosus as probiotic	2034
AB-Dentalac Lozenges	0.03%	WO2012/022773	Probiotic composition for oral health	2031
AB-Dentalac Syringes	0.00%	WO2012/022773	Probiotic composition for oral health	2031
AB-Jimmuno	2.20%	WO2009/068474	Strains of Lactobacillus Plantarum as probiot	2028
AB-Digest Kids	0.02%	WO2015/018883	Probiotic for infantile excessive crying	2034
AB-Sakai 65 Oral	0.03%	n.a.	n.a.	n.a.
AB-Cyscare	1.56%	WO2016/128414	Probiotic strains for urinary tract infections	2036
Neuropharmagen Core	5.76%	WO2014/114734	Method for predicting the onset of extrapyram	2034
AB-Life Plus	0.55%	WO2011/042333	Lactobacillus plantarum strains as hypochole	2030
Lactoflora Aad	0.00%	n.a.	n.a.	n.a.
Lactoflora Gut	0.00%	n.a.	n.a.	n.a.
Lactoflora Immuno	0.00%	n.a.	n.a.	n.a.
Lactoflora Add Caps	0.00%	n.a.	n.a.	n.a.
Lactoflora Immuno Caps	0.00%	n.a.	n.a.	n.a.
Symbiotic Stick	0.00%	n.a.	n.a.	n.a.
Symbiotic Capsule	0.00%	n.a.	n.a.	n.a.
AB-Dentalac Gurm	5.85%	WO2012/022773	Probiotic composition for oral health	2031
Neuropharmagen Tdsh	0.07%	WO2014/114734	Method for predicting the onset of extrapyram	2034
AB-Dentalac Gurm Junior	1.32%	WO2012/022773	Probiotic composition for oral health	2031
AB-Dentalac Gurm Pro	1.55%	WO2012/022773	Probiotic composition for oral health	2031
AB-Dentalac D+	0.86%	WO2012/022773	Probiotic composition for oral health	2031
AB-Dentalac Junior	0.00%	WO2012/022773	Probiotic composition for oral health	2031
AB-Dentalac Pro	0.00%	WO2012/022773	Probiotic composition for oral health	2031
AB-Digest	8.23%	WO2015/018883	Probiotic for infantile excessive crying	2034
AB-Digest 10 Vials	4.45%	WO2015/018883	Probiotic for infantile excessive crying	2034
AB-Digest 5 Vials	3.85%	WO2015/018883	Probiotic for infantile excessive crying	2034
Drops	0.07%	n.a.	n.a.	n.a.
Wellbeing Adults	0.07%	n.a.	n.a.	n.a.
Neuropharmagen Depression	0.10%	WO2014/114734	Method for predicting the onset of extrapyram	2034
Neuropharmagen Epilepsia	0.10%	WO2014/114734	Method for predicting the onset of extrapyram	2034
Neuropharmagen Adhd	0.10%	WO2014/114734	Method for predicting the onset of extrapyram	2034

Source: EY Analysis based on information provided by Management

## 8 Appendices

### Appendix III: Guideline Comparable Companies

- 1 Executive summary
- 2 Company overview
- 3 Transaction overview
- 4 Scope of work and IFRS
- 5 Article 9 of RD 1066/2007
- 6 Article 10 of RD 1066/2007

#### 7 Conclusion

##### 8 Appendices

### Guideline Comparable Companies

A detail of the selected comparable companies is as follows:

	Enterprise Value		EV / EBITDA (x)			Revenue growth (%)			EBITDA growth (%)			EBITDA margin		
	LFY	LTM	LFY	LTM	NFY	LFY	LTM	NFY	LFY	LTM	NFY	LFY	LTM	NFY
<b>Selected comparable companies</b>														
Chr. Hansen Holding	11,572.8	28.1x	26.6x	25.3x	3.3%	6.3%	6.7%	4.7%	7.6%	10.9%	33.8%	34.1%	35.2%	
BioGaia AB	698.8	23.9x	24.2x	24.1x	20.6%	15.2%	11.0%	15.5%	6.0%	(0.7%)	38.1%	35.9%	34.1%	
Biosearch, S.A.	67.4	10.6x	15.7x	18.4x	6.3%	(10.8%)	(6.0%)	11.6%	(39.4%)	(42.2%)	21.3%	15.8%	13.1%	
Probi AB	355.0	22.7x	19.5x	19.3x	(1.3%)	23.6%	14.5%	(1.6%)	65.5%	18.0%	25.0%	27.0%	25.7%	
Median	527.4	23.3x	21.9x	21.7x	4.9%	10.7%	8.8%	6.2%	6.8%	5.1%	28.4%	30.6%	29.9%	
<b>Average</b>	<b>3,173.8</b>	<b>21.3x</b>	<b>21.5x</b>	<b>21.8x</b>	<b>7.2%</b>	<b>8.6%</b>	<b>6.6%</b>	<b>7.6%</b>	<b>9.9%</b>	<b>(3.5%)</b>	<b>29.6%</b>	<b>26.2%</b>	<b>27.0%</b>	
<b>Excluded companies from the comparable selection</b>														
BLIS Technologies Limited	31.7	68.3x	nmf	nmf	58.9%	58.9%	nmf	202.1%	202.1%	nmf	8.7%	8.7%	nmf	Product seller.
Amgen Inc.	132,537.6	10.6x	10.8x	10.7x	3.9%	1.6%	(3.9%)	2.2%	(2.2%)	(1.1%)	52.6%	51.5%	54.2%	Product manufacturer.
Celgene Corporation	79,521.9	13.0x	9.4x	7.4x	17.5%	15.8%	13.2%	2.9%	68.3%	74.9%	40.1%	51.5%	62.0%	Specialized in cancer treatment.
Exelixis, Inc.	5,158.3	11.6x	12.2x	14.6x	88.7%	35.3%	9.2%	164.5%	30.4%	(21.5%)	52.1%	46.4%	37.5%	Specialized in oncology.
Regeneron Pharmaceuticals, Inc.	29,197.4	10.8x	12.6x	9.4x	14.3%	16.7%	14.0%	20.6%	(4.5%)	15.4%	40.0%	32.1%	40.5%	Product manufacturer.
ADL Bionatur Solutions, S.A.	100.7	nmf	nmf	15.0x	91.0%	91.0%	141.4%	(37.2%)	(37.2%)	141.2%	(58.4%)	(58.4%)	10.0%	Specialized in petcare and product manufacturer.
AstraZeneca PLC	134,948.9	30.1x	25.9x	18.9x	(1.7%)	3.3%	8.6%	(24.1%)	18.7%	59.2%	20.3%	22.6%	29.8%	Specialized in oncology.
Merck & Co., Inc.	240,470.0	17.0x	14.0x	13.0x	5.4%	7.5%	8.4%	10.6%	48.6%	31.4%	33.4%	38.7%	40.5%	Specialized in generic products and service provider.
Novartis AG	221,636.7	14.2x	13.1x	14.3x	6.0%	10.6%	(11.8%)	9.3%	18.8%	(0.3%)	28.3%	31.4%	33.1%	Product manufacturer.
Pfizer Inc.	228,050.7	10.3x	10.2x	10.6x	2.1%	0.8%	(3.5%)	4.4%	4.0%	(2.2%)	41.1%	41.7%	41.7%	Product manufacturer.

Source: EY Analysis

## 8 Appendices

### Appendix IV: Guideline Comparable Transactions

- 1 Executive summary
- 2 Company overview
- 3 Transaction overview
- 4 Scope of work and
- 5 Article 9 of the 1056/2007
- 6 Article 10 of the 1990/2007

#### 7 Conclusion

#### 8 Appendices

### Guideline Comparable Transactions

A detail of the selected transactions is as follows:

Year	Target Company	Stake	Target Country	Bidder Company	EV (€m) / EBITDA	Reason for exclusion
<b>Selected comparable transactions</b>						
2019	Karo Pharma AB (publ)	66.5%	Sweden	EQT Partners AB; EQT VIII	834.5	13.6x
2016	InterHealth Nutraceuticals, Inc.	100%	United States	Lonza Group Ltd	266.9	10.0x
2016	Nutraceutical Inc.	100%	United States	Probi USA, Inc	90.9	12.5x
2018	Probiotics International Limited	100%	United Kingdom	Atcher Daniels Midland	207.4	21.2x
	Median					13.0x
	Average					14.3x
<b>Excluded transactions from the comparable selection</b>						
2018	Crown Bioscience International	100%	Taiwan	JSR Corporation	295.8	34.9x Probiotics' transnational platforms provider.
2016	Source BioScience Plc	69%	United Kingdom	Harwood Capital LLP; Continental Investment Partners SA	76.0	13.0x Laboratory services as main activity.
2019	Delta Diagnostics (UK) Limited	100%	United Kingdom	Youngene Health Plc	10.3	8.8x Product manufacturer as main activity.
2012	BIOBERICA, SAU	80%	Spain	SARIA Bio-Industries International GmbH; Teeuwissen Holding BV	190.0	7.7x Transaction made in 2012.

Source: EY Analysis

## 8 Appendices

### Appendix V: Sources of information

1 Executive summary	7 Conclusion
2 Company overview	<b>8 Appendices</b>
3 Transaction overview	
4 Scope of work	
5 Article 9 of PD 1046/2007	
6 Article 19 of PD 1068/2007	

#### Sources of information:

EY has mainly used the following information:

- ▶ Audited annual accounts of AB-Biotics for the last 3 years as of 31 December 2017, 2018 and 30 March 2019.
- ▶ Financial statements of AB-Biotics as of 31 July 2019.
- ▶ 3 year Business Plan provided by the Company.
- ▶ Detail of patents by product
- ▶ Detail of sales breakdown by country.
- ▶ AB-Biotics Annual Report (2018)
- ▶ Agreement signed with Kaneka for the US business
- ▶ Relevant facts regarding AB-Biotics (MAB).
- ▶ Valuation report issued by Crowe Advisory SP, S.L.
- ▶ Investors presentations.
- ▶ Information provided by the Company.
- ▶ Qualitative and descriptive information about the Company and the competitive and macroeconomic environment around it.
- ▶ Macroeconomic information obtained from the International Monetary Fund.
- ▶ Financial information from specialized data bases regarding comparable companies and previous transactions (multiples, projections, betas, comparable, transactions, etc.).
- ▶ Broker reports.
- ▶ Corporate presentations from comparable companies.
- ▶ Other public information considered relevant for our work (articles, etc.).

## 8 Appendices

### Appendix VI: Abbreviations and definitions

1	Executive Summary
2	Company overview
3	Transaction overview
4	Scope of work and
5	Articles of Association 10/27/2007
6	Articles 10 of RD 11/03/2007
7	Conclusion
8	Appendices

€ o EUR	Euros	g	Perpetuity growth rate
€m	Millions of euros	GCM	Guideline Company Method
€k or '000€	Thousands of euros	GTM	Guideline Transaction Method
€/share	Euro per share	IMF	International Monetary Fund
CapEx	Capital expenditures	Kaneka, the Bidder	Kaneka Americas Holding, Inc.
CAPM	Capital Asset Pricing Model	Kd	Cost of debt
Client	AB-Biotics, S.A.	Ke	Cost of equity
COGS	Costs Of Good Sold	LTM	Last Twelve Months
Company	AB-Biotics, S.A.	LFY	Last Fiscal Year
D&A	Depreciation and Amortization	NBV	Net Book Value
D/E	Net Debt / Equity	NOL's	Net Operating Losses
DCF	Discounted Cash Flow	NOPAT	Net Operating Profit After Taxes
DTAS	Deferred tax Assets	Opex	Operating expenses
DTLs	Deferred Tax Liabilities	RD	Royal Decree 1066/2007 on Takeover Bids
EBIT	Earnings before income and tax	Reference Date	26 August 2019
EBITDA	Earnings before income, tax, depreciation and amortization	Rf	Risk-free rate
EqV	Equity Value	TV	Terminal Value
EV	Enterprise Value	UAB	University of Barcelona
EY	Ernst & Young Servicios Corporativos, S.L.	US	United States of America
FCF	Free Cash Flow	VWAP	Volume Weighted Average Price
FY	Fiscal Year	WACC	Weighted Average Cost of Capital
FYXXA /	Fiscal Year Actual / Estimated	WC	Working Capital
FYXXE		YTD	Year to Date



## EY | Assurance | Tax | Transactions | Advisory

### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](http://ey.com).

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

© 2019 Ernst & Young LLP  
All Rights Reserved.

## ANNEX 1 (a)

### Principales Términos de la Oferta

#### *(Spanish Version)*

Según lo anticipado en el anuncio de la oferta pública voluntaria (la “**OPA Voluntaria**” y el “**Anuncio de OPA Voluntaria**”) que Kaneka Europe Holding Company NV (“**Kaneka**”) lanzó el 9 de julio de 2019 sobre el 100% del capital social de AB-BIOTICS, S.A. (“**ABB**”, “**AB-Biotics**” o la “**Sociedad**”), y conforme a lo notificado al Consejo de Administración de la Sociedad, Kaneka tiene la intención de promover la exclusión de cotización de las acciones de la sociedad del Mercado Alternativo Bursátil (“**MAB**”), con objeto de lo cual, una vez la exclusión sea aprobada por la Junta General de Accionistas, Kaneka lanzará una oferta para la adquisición de todas aquellas acciones de la Sociedad que no son actualmente titularidad de Kaneka, de acuerdo con el marco legal y los estatutos de la Sociedad.

#### *(a) Descripción general del Proceso*

De acuerdo con la normativa aplicable y los estatutos de la Sociedad, se convocará una Junta General Extraordinaria de Accionistas de la Sociedad al objeto de aprobar la exclusión de cotización de la Sociedad.

Se informa de que la exclusión de cotización no requiere de mayoría reforzada alguna, conforme a la normativa aplicable, las normas del MAB y los estatutos de la Sociedad, y en consecuencia la exclusión podrá ser aprobada con mayoría ordinaria.

En cumplimiento de lo previsto en el art. 34 de los estatutos sociales, el apartado 6 de la Circular MAB 2/2018, y el art. 10 del Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores (el “**RD 1066/2007**”), una vez la exclusión sea aprobada, Kaneka realizará una oferta (la “**Oferta**”), a un precio equitativo de exclusión que cumple con los requisitos legales, de forma que todos los accionistas (es decir, no solo aquellos que no hayan votado a favor de la exclusión, como se requiere legalmente, sino todos los accionistas), puedan tener la oportunidad de vender sus

acciones al precio ofrecido y evitar permanecer como accionistas de una sociedad excluida de cotización.

Por la presente confirmamos los motivos por los que Kaneka está interesada en promover la exclusión de la Sociedad, según se anticipaba (y en los mismos términos) en el Anuncio de OPA Voluntaria:

- (i) La industria de los Probióticos está en auge y el mercado tiende a consolidarse debido al aumento de la competencia que está provocando, por un lado, un aumento de los costes (CAPEX, I+D, etc.) y, por otro, una reducción progresiva del margen, tal y como prevén la mayoría de los participantes y analistas del sector. Debido a ello, la Sociedad tendrá que hacer frente a una integración vertical si desea competir de forma eficaz con nuevos productos, nuevos nichos de mercado y potenciales adquisiciones (M&A) que probablemente requerirán una financiación e inversiones de capital sustanciales (a través de los mecanismos pertinentes establecidos en la legislación española para la aportación de capital y/o capitalización de deuda) para mantener su integridad financiera frente a clientes, proveedores y empleados.

Kaneka, actual accionista mayoritario y socio estratégico de la Sociedad, con una capitalización bursátil, a 2 de septiembre de 2019, de 215.650 millones de yenes (1.853 millones de euros), tiene los recursos y una clara vocación de participar en este proceso corporativo de forma decisiva, aportando capital en mejores condiciones que las que ofrecen los mercados de capitales, pero que podrían perjudicar a aquellos otros accionistas que no pueden o quieren hacer frente a estos retos materiales y a una potencial dilución de su participación accionarial en el largo plazo.

- (ii) Cotizar en el MAB implica ciertos costes, formalidades y gastos que la Sociedad podría evitar para optimizar los márgenes y concentrar esfuerzos en la ejecución del exigente plan de actividades de la Sociedad, evitando a su vez la volatilidad y presión de los mercados de capitales, especialmente si se trata de un mercado secundario con poca liquidez.
- (iii) El Grupo Kaneka reconoce a todos los accionistas de la Sociedad el importante apoyo recibido durante estos últimos años, especialmente por

aquellos que apoyaron los diversos aumentos de capital en 2011, 2012, 2013 y 2016. En este sentido, la presente Oferta, incluyendo el Precio, representa una oportunidad para que dichos accionistas se beneficien de una contraprestación que ha sido cuidadosamente calculada para reflejar una importante prima sobre el precio equitativo de exclusión de negociación calculado en la valoración independiente.

- (iv) La Sociedad y el Grupo Kaneka han tenido que realizar importantes esfuerzos económicos y de dedicación de tiempo durante los últimos meses con el objeto de alinear la presentación de resultados e información relevante de ambas sociedades a sus respectivas entidades supervisoras, circunstancia esta que no se daría en caso de que la Sociedad fuera finalmente excluida del MAB.

Por la presente reiteramos que el proceso aquí descrito cumple con todos los requisitos legales y estatutarios, según ha revisado y ratificado el Consejo de Administración de la Sociedad.

### ***(b) Oferente***

Según lo anticipado, será Kaneka (y no la Sociedad), en su propio nombre, el oferente que formule la Oferta, una vez se apruebe la exclusión en Junta General. Este aspecto ha sido previa y expresamente confirmado con el MAB, y, asimismo, existen antecedentes recientes en el mismo sentido (oferta de exclusión a accionistas que no voten a favor de la exclusión por parte de un accionista en vez de por la propia compañía), con la aprobación previa de la Junta General de Accionistas.

### ***(c) Alcance de la Oferta***

La Oferta estará dirigida a todos los accionistas de AB-Biotics (con excepción del Oferente) con el fin de adquirir de ellos la totalidad del capital social de la Sociedad que no sea propiedad del Oferente, antes de que la exclusión sea efectiva. En consecuencia, la Oferta se dirigirá al 100% del capital social de AB-Biotics, excluyendo las acciones que actualmente son titularidad de Kaneka (y no sólo a las acciones titularidad de aquellos



The Dreamology Company  
Make your dreams come true

accionistas que no voten a favor de la exclusión, como estrictamente se requiere conforme a la normativa de aplicación).

#### **(d) Precio de la Oferta**

Conforme a lo anticipado en el Anuncio de OPA Voluntaria, el precio a ofrecer por Kaneka bajo la Oferta (una vez que la exclusión sea aprobada) será el mismo precio que el ofrecido bajo la OPA Voluntaria, esto es, 5,00 Euros por acción (el "**Precio**").

Según se establecía en el Anuncio de OPA Voluntaria, la intención de Kaneka bajo la OPA Voluntaria era ya ofrecer un precio que fuera válido a los efectos de exclusión, dada la intención última de excluir la Sociedad de cotización que se declaraba en dicho anuncio. A tal efecto, Kaneka encargó una valoración independiente a la firma Crowe Advisory SP, S.L. ("**Crowe**"), que estableció un precio de exclusión conforme a los requisitos legales de 4,305 Euros por acción.

Se informa de que, el 28 de Agosto de 2019, Kaneka ha obtenido un informe actualizado de Crowe, copia del cual se adjunta como Apéndice 1 a este documento (el "**Informe de Valoración de Crowe**"). Asimismo, constatamos que el Consejo de Administración de la Sociedad (excluyendo aquellos miembros designados por Kaneka), en el ejercicio de sus deberes de diligencia e independencia, ha solicitado a Ernst & Young Servicios Corporativos, S.L. ("**E&Y**") que prepare una *fairness opinion* actualizada en relación con el Informe de Valoración de Crowe. Kaneka se compromete a solicitar a Crowe cualesquiera actualizaciones fueran necesarias sobre el Informe de Valoración de Crowe en caso de que se produzca un hecho material o extraordinario durante el periodo interino hasta la Junta General de Accionistas, o en caso de que de la *fairness opinion* actualizada de E&Y se haga pública cualquier información material adicional.

En cualquier caso, se deja constancia de que el Informe de Valoración de Crowe confirma que, según lo anticipado, no existe variación significativa en sus conclusiones acerca del precio válido de exclusión, y por lo tanto el Precio de esta Oferta puede ser el mismo que aquél ofrecido bajo la OPA Voluntaria, según lo anticipado previamente en el Anuncio de OPA Voluntaria.



En relación con el Precio, y sobre la base de lo anterior, estimamos conveniente reseñar lo siguiente:

- (i) Que el Precio representa una prima del 16,14% sobre el precio razonable de exclusión de cotización identificado por Crowe en su valoración inicial (teniendo en consideración el parámetro que arroja la cuantía más alta identificada por Crowe), esto es, el valor que habría resultado de aplicación en esta Oferta de no ser por la OPA Voluntaria (el incremento del valor de exclusión bajo el Informe de Valoración de Crowe se debe principalmente al hecho de que el último precio ofrecido por Kaneka sobre acciones de la Sociedad es justamente el ofrecido bajo la OPA Voluntaria -5 Euros por acción-). El Oferente considera que el Precio es una compensación justa para los accionistas;
- (ii) Que el Precio representa una prima de, aproximadamente, el 53,85% sobre el precio pagado por el Oferente en marzo de 2018 al adquirir su primera participación significativa en la Sociedad de otros consejeros y accionistas significativos de la misma;
- (iii) Que, según lo mencionado anteriormente, el 23 de julio de 2019, E&Y emitió una *fairness opinion* que confirmaba que el precio ofrecido por Kaneka bajo la OPA Voluntaria era un precio válido a los efectos de exclusión, conforme a lo previsto en el art. 34 de los estatutos sociales y el art. 10 del RD 1066/2007. De nuevo, no anticipamos ningún problema en este sentido, y esperamos que la *fairness opinion* actualizada que el Consejo encargue a E&Y respecto del Informe de Valoración de Crowe confirmará que el Precio bajo esta Oferta en el contexto de la exclusión sigue siendo válido a dichos efectos;
- (iv) Que el Precio representa una prima del 9,17% sobre el valor medio de cotización de las acciones de la Sociedad durante los 6 meses anteriores;
- (v) Que, además, el Precio representa (i) una prima del 12,61% sobre el precio por acción identificado por Crowe empleando el método de "descuentos de flujo de caja"; (ii) una prima del 34,41% y del 15,47% sobre el precio por



The Dreamology Company  
Algo más allá de lo que crees posible

acción identificado por Crowe empleando los métodos de "múltiplos de mercado" amplio y restrictivo, respectivamente; y (iii) una prima del 43,68% sobre el precio por acción identificado por el Crowe teniendo en cuenta el método de "*transacciones recientes*".

Sobre la base de lo anterior, consideramos que es justo, pensando en todos aquellos accionistas que ya transmitieron sus acciones bajo el periodo de OPA Voluntaria, continuar ofreciendo el mismo Precio, de forma que no existan diferencias para los accionistas en un plazo tan breve de tiempo. En todo caso reiteramos nuestra convicción de que el Precio es una compensación de buena fe para todos los accionistas.

Por último, nos remitimos a las otras explicaciones que sobre el Precio ya se daban en el apdo. 5 de nuestro Anuncio de OPA Voluntaria, a estos efectos.

#### ***(e) Financiación de la Oferta***

Se prevé que la Oferta sea financiada por Kaneka en los mismos términos y condiciones que ya fueron utilizados a los efectos de la OPA Voluntaria. El Oferente cuenta con una fuerte posición financiera y hará frente al pago del Precio a través de financiación externa.

#### ***(f) Plazo de la Oferta***

Una vez que el acuerdo de exclusión sea aprobado por la Junta General de Accionistas, Kaneka colocará en el mercado una orden pública de compra con objeto de implementar la Oferta. Dicha orden de compra, y, en consecuencia, la Oferta, permanecerá en vigor por un periodo de un (1) mes a contar desde el día siguiente a la fecha en la cual se apruebe la exclusión por parte de la Junta General de Accionistas de la Sociedad (inicialmente prevista para el 4 de octubre de 2019).

# KANeka

The Dreamology Company  
Make your dream come true

## ***(g) Formalidades para la Aceptación de esta Oferta***

Una vez sea aprobada la exclusión por la Junta General de Accionistas, y sin perjuicio de la información que se pueda poner a disposición de los accionistas con motivo de la convocatoria de la Junta General de Accionistas de la Sociedad, al momento de realizar la Oferta, se proporcionarán y publicarán instrucciones más detalladas acerca de las formalidades para aceptar dicha Oferta. No obstante, se anticipa que dichas formalidades serán inicialmente las mismas que aquellas contenidas en el aptdo. 8 del Anuncio de OPA Voluntaria. Se informa asimismo de que Kaneka utilizará el mismo Agente y asesor a los efectos de esta Oferta.

# KANEKA

The Dreamology Company  
Make your dreams come true

## Apéndice 1 Informe de Valoración de Crowe

2017



## Six-Monthly Evolution Report

In this report we have carried out an analysis of AB-BIOTICS financial situation during the first six-monthly period of 2019, by comparing it with the same period of previous year: 2019 Half-year Report.

This is a non-audited/nor limited reviewed advance of 2019 Half-year Report of AB-BIOTICS. A limited revision of 2019 Half-year Report will be released in October.

The strategic approach that has been taken by the company in previous years, which consisted of implementing a product and market oriented competitive strategy, as well as Kaneka Americas Holding becoming strategic partner in the Japanese and North American markets, continues to reflect the positive impact on the company's account significantly increasing both the growth in sales as well as its indicators.

The results of the first six-monthly of 2019 show a positive development with a growing trend: the net turnover increased by 35% in the first six-monthly of 2019, reached a value of € 5.935.304 and an EBITDA of € 1.146.736. The profit for the year came up to € 448.850, which makes it the first time that the Company obtains first Half-year Report with net Profit.

**(a) Analysis of the Profit and Loss Account**

Profit and Losses						
Accounting Point of View						
Spanish GAAP						
30th June 2018 and 30th June 2019						
(Expressed in euros)						
Profit and Loss Accounts	Revised KPMG 30/06/2018	Vertical Analysis on Sales 2018	Non-Revised 30/06/2019	Vertical Analysis on Sales 2018	Variation period in €	Variation period in %
Net turnover	9.381.931		5.911.804		1.949.277	35%
Tasks performed by the company for its assets	186.192	9%	457.472	8%	71.280	28%
Supplies	(2.011.223)	-66%	(1.281.531)	-55%	(130.310)	-19%
Total Margin	1.860.400	42%	1.111.141	92%	1.750.343	67%
Other operating income	218.576	5%	181.951	3%	(16.625)	-17%
Personnel costs	(729.501)	-17%	(1.014.519)	-17%	(785.156)	-39%
Other operating costs	(1.041.866)	-25%	(1.496.929)	-20%	(105.089)	-10%
Depreciation of the fixed assets	(377.603)	-13%	(632.416)	-11%	(54.813)	-5%
Allocation of subsidies of non-financial aid grants and others	67.019	2%	62.786	1%	(4.233)	-6%
Impairment and result due to disposal of the fixed assets	1.130	0%	-	0%	(1.130)	-100%
Other result	(463)	0%	2.404	0%	2.867	-619%
Operating result	(751.708)	-6%	514.520	9%	766.224	304%
Financial income	5.593	0%	3.220	0%	(2.373)	-43%
Financial expense	(97.851)	-2%	(53.418)	-1%	(44.433)	-39%
Exchange differences	(12.774)	-1%	(9.402)	-0%	(3.372)	-21%
Financial result	(114.988)	-3%	(65.670)	-1%	59.318	-47%
Result before taxes	(376.690)	-9%	448.850	8%	825.540	-219%
Income tax	-	0%	-	0%	-	0%
Result of the financial year	(376.690)	-9%	448.850	8%	825.540	-219%
EBITDA	325.899	7%	1.146.736	19%	870.837	257%
EBIT	(251.701)	-6%	514.570	9%	766.224	304%

**Notes:**
**1 - Probably after KPMG Audit we need to do some adjustments like:**

- Deferred tax	(+300.000,00 euros)
- Provision of minimum royalties revenue	(+33.075,00 euros)
- Provision of other expenses with credit cards	(-1.004,09 euros)
- Provision of clients (-26.078,00 euros)	(-26.078,00 euros)
<b>NET Effect on Profit &amp; Losses:</b>	<b>(+305.992,91 euros)</b>

(\*) We don't expect but other adjustments may occur.



AB-BIOTICS Probiotics business area continues to be the first engine of the Company's revenue, while the Precision Medicine NeuroPharmaGen area continues to be a high potential technology in which the Company focuses its strategy on generating solid scientific documentation.

Net turnover (in thousand €)	January-June 2018	January-June 2019	Six-monthly variation
Functional ingredients	3,874	5,520	+42%
Precision Medicine NeuroPharmaGen	512	415	-18%
<b>Total</b>	<b>4,386</b>	<b>5,935</b>	<b>+35%</b>

The exports have increased by 56% as compared to the previous period, and the national sales only represent 4% of the total net turnover. China has taken the lead in front of Russia becoming main market of AB-BIOTICS Probiotics.

Net turnover (in thousand €)	January-June 2018	January-June 2019	Six-monthly variation
National	757	274	-63%
Rest of the world	3,629	5,661	+56%
<b>Total</b>	<b>4,386</b>	<b>5,935</b>	<b>+35%</b>

During the first half 2019 the Company has continued implementing a diversification both from a geographical perspective and in terms of products and customers, which has reduced the potential geographical risks, although China is getting weighed becoming slightly more than 30% of the total company sales.

Therefore, we must highlight the increase in sales in Asian-Pacific, which represent more than triple as compared to the same period of the previous year:

Net turnover (in thousand €)	January-June 2018	January-June 2019	Six-monthly variation
<b>Europe</b>	<b>2,382</b>	<b>1,656</b>	<b>-30%</b>
National	757	274	-63%
Rest of Europe	1,626	1,382	-15%
<b>Latin America</b>	<b>1,076</b>	<b>1,378</b>	<b>+28%</b>
<b>Asian-Pacific</b>	<b>703</b>	<b>2,466</b>	<b>+2,507</b>
<b>US &amp; Canada</b>	<b>250</b>	<b>319</b>	<b>+27%</b>
<b>Middle east &amp; North Africa</b>	<b>(25)</b>	<b>117</b>	<b>+368%</b>
<b>Total</b>	<b>4,386</b>	<b>5,935</b>	<b>+35%</b>

The gross margin made up 10%, mainly due to a different sales mix. At the same time, operating expenses remained in line with previous year, despite of the significant increase in sales.

2019 Half-year Accounts reported positive net profit for the first time achieving € 448.850. Positive EBITDA score of € 1.146.736, compared to the € 325.899 of the same period of the previous year (252% growth).



**(b) Analysis of the balance sheets**

The balance sheet corresponding to the first six-monthly period of the financial year 2019 with the end of the financial year 2018. Are detailed below:

Assets		Audited 31/12/2019	Non-financial 30/06/2019
Intangible assets	6,474,682	6,474,682	7,500,001
Development	5,718,276	5,643,235	629,413
Patents, licenses, brands and analogous items	679,012	807,678	17,376,039
Software applications	21,159	23,769	126,217
Advances	12,000		25,781
Tangible fixed assets	203,662	179,182	(108,939)
Technical facilities, machinery, implements, furniture and other tangible fixed assets	203,662	179,182	(11,330,136)
Long-term financial investments	668,512	668,512	448,850
Equity instruments	70,000	70,000	(3,946)
Loans to third parties	4,066	4,066	383,811
Debt securities	143,065	143,065	
Other financial assets	451,381	451,381	
Deferred tax assets	652,454	642,248	336,722
<b>Total non-current assets</b>	<b>7,951,076</b>	<b>7,951,076</b>	<b>7,500,001</b>
Stocks	608,875	869,978	11,609
Business stocks	155,840	178,316	11,609
Raw materials and other supplies	407,158	688,516	3,019,608
Advances made to suppliers	45,877	3,146	25,764
Trade debtors and other accounts receivable	3,723,536	3,019,252	2,993,844
Customer receivables for sales and provisions of short-term services	3,520,115	2,757,471	112,241
Personnel	27,490	26,112	1,155,003
Current tax assets	23,736	24,760	1,045,212
Other loans with the Public Administrations	152,195	210,909	287,418
Short-term financial investments	1,003,902	927,846	757,794
Equity instruments	979,632	903,576	2,593,009
Loans to companies	22,270	22,270	1,064,662
Other financial assets	2,000	2,000	1,033,584
Short-term accruals	1,769,239	1,144,522	1,307,356
Cash and other equivalents liquid assets	1,769,239	2,280,156	43,079
Liquid assets	1,769,239	2,280,126	154,901
<b>Total current assets</b>	<b>7,109,750</b>	<b>7,231,171</b>	<b>165,601</b>
<b>Total assets</b>	<b>15,154,284</b>	<b>15,176,348</b>	<b>15,176,348</b>
Liabilities			
Own funds			6,858,906
Capital			629,413
Share premium			18,585,842
Legal and statutory reserves			4,394
Other reserves			25,781
Shares and holdings in own equity			(309,226)
Result of previous financial years			(13,644,777)
Result of the financial year			1,218,232
Adjustments for value change			(34,564)
Subsidies, donations and legacies received			383,811
<b>Total net equity</b>			<b>7,500,001</b>
Long-term provision			9,095
Long-term provision to personnel			9,095
Long-term debts			3,150,568
Debts with credit institutions			47,234
Other financial liabilities			3,103,334
Deferred tax liabilities			127,938
Long-term accruals			1,155,003
<b>Total non-current liabilities</b>			<b>4,442,838</b>
Short-term debts			1,053,491
Debts with credit institutions			157,261
Other financial liabilities			896,230
Trade creditors and other accounts payable			2,593,009
Short-term suppliers			1,064,662
Different creditors			1,307,356
Personnel (outstanding remunerations)			43,079
Other debts with the Public Administrations			154,901
Advances made by customers			44,089
Short-term accruals			224,553
<b>Total current liabilities</b>			<b>3,072,774</b>
<b>Total liabilities</b>			<b>7,515,612</b>

The company's balance sheet has registered the 0,15% increase as compared with the end of the financial year 2018.

#### **Non-current assets**

The intangible fixed assets represent 81% of the non-current assets, being the entry relating to research and development the greatest one, as it represents 83% of the intangible fixed assets.

During the first six-monthly of the period ended on June 30<sup>th</sup> 2019, the company has fulfilled the important task of carrying out clinical studies with several of its probiotic products. Two new clinical studies that have been randomized by probiotic AB-Kolicare have been set in motion. One of them treats colic's, the other prevents it and normalizes microbiota in new-borns delivered by Caesarean section. Furthermore, two pilot clinical trials have been carried out with probiotic i3.1. One combined i3.1 and antispasmodic to treat irritable bowel syndrome. The other, uses i3.1 to treat lactose intolerance. Similarly, other clinical trials that are still being carried out combine probiotic i3.1 and various specific fibers in order to aid recovery of the intestinal microbiota in patients suffering from ulcerative colitis, as well as HIV-immunodiscordant patients that is opening new frontiers in HIV management through microbiome modulation.

#### **Current assets**

The current assets have no variation when we compare with the end of the previous year.

The floating on stocks, cash and other equivalents liquid assets and trade debtors epigraph is reduced because of company cyclic behavior in operations for the period of first six-monthly.

#### **Net Equity**

The evolution of the net equity is positive, actually it is 9% higher than the end of the previous financial year due to positive net profit add on.

#### **Non-current liabilities**

The amounts recorded in the epigraph "Debts with credit institutions" correspond to loans granted by different banks institutions, which accrue a market interest rate.

The Company has been awarded various loans associated with R&D projects, granted by different public Bodies. These loans are recognized in the epigraph "Other financial liabilities".

Furthermore, the accounting relating to trade creditors has decreased by -15% with a significant decrease in the entry relating "Different creditors".

After the end of 2019 Half-year Report, four Meetings were held in which, among other matters, the Kaneka takeover bid was taking significant weight. This was finally liquidated by the end of August obtaining Kaneka majority of the shares of the company (66,35%) and announcing Extraordinary Shareholders Meeting to be held in October with the aim of AB-BIOTICS Delisting.



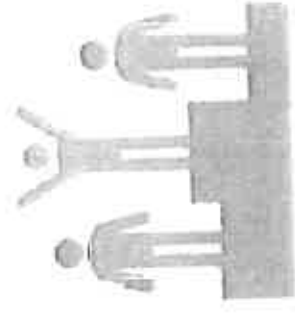
The following table shows current members of the Board of Directors and their nature:

<b>DIRECTORS</b>	
Mr. Sergi Audivert Brugué	Executive Director – President
Mr. Miquel Àngel Bonachera Sierra	Executive Director – Vice President
Mr. Shinji Mizusawa	Ordinary member
Mr. Kazuhiko Fujii	Ordinary member
Mr. Hitoshi Yahara	Ordinary member
Mr. Philip Claes	Ordinary member
Mr. Agustí Vilajoana Mas	Independent Director
Mr. Juan ramón ramos Raich	Independent Director
Mr. Josep maria Echarri Torres	Independent Director
Mr. José María de paz	Non-Executive Secretary
Mr. Pablo Fernández Cortijo	Non-Executive Vice Secretary
Mr. Juan José Cánovas Cervelló	Non-Executive Deputy Vice Secretary

## **Plan de negocio**

**Budget Proposal 2019**

- Keep **SUBSTAINABLE SPEED** and **SCALE** in both Revenues and Profit in strategic Markets with Strategic Products in 2019
- Keep increasing the manufacturing **EFFICIENCY**, through volumes consolidation and potential **INTEGRATION**.
- Build strong relationship with **KANEKA** to **ACCELERATE** US Business development
- Invest in R&D activities to have a **STRONG** position in the Markets
- Explore new opportunities to assure **LONG-TERM** Business





### 3 year Plan

	2019	2020	2021
<b>Sales of product</b>	<b>TOTAL</b>	<b>TOTAL</b>	<b>TOTAL</b>
Services	15.822.000	22.187.600	27.874.000
Other income	300.000	600.000	2.700.000
Activations	715.753	715.753	715.753
Upfronts	226.712	200.000	226.712
<b>Sales without Upfronts nor Activations</b>	<b>16.122.000</b>	<b>22.787.600</b>	<b>30.574.000</b>
<b>Sales with adjusted Upfronts without any Ac</b>	<b>16.348.712</b>	<b>22.987.600</b>	<b>30.800.712</b>
<b>Total Income</b>	<b>17.064.465</b>	<b>23.703.353</b>	<b>31.516.465</b>
Subvenciones	100.000	100.000	100.000
<b>Total Income &amp; Grants</b>	<b>17.164.465</b>	<b>23.803.353</b>	<b>31.616.465</b>
<b>Cost of Goods Sold</b>	<b>9.176.760</b>	<b>12.868.808</b>	<b>16.166.920</b>
Comission and Repackagings	250.000	275.000	345.479
Transport Related to COGS	3.500	4.908	6.166
<b>COGS</b>	<b>9.430.260</b>	<b>13.148.716</b>	<b>16.518.565</b>
<b>Total Contr. Margin sin Comisiones ni Transporte</b>	<b>7.171.952</b>	<b>10.118.792</b>	<b>14.633.792</b>
<b>Total Margin</b>	<b>7.171.952</b>	<b>10.118.792</b>	<b>14.633.792</b>
Personnel	2.156.703	2.528.044	3.003.652
Operating Expenses	1.928.000	2.393.274	2.975.887
Services to Capitalize	611.755	703.518	773.870
Commercial Operations			
<b>Total Gastos Operativos</b>	<b>2.539.755</b>	<b>3.096.792</b>	<b>3.749.757</b>
<b>Total EBITDA</b>	<b>3.037.747</b>	<b>5.029.801</b>	<b>8.344.491</b>
Depreciation & Amortization	1.453.910	1.599.301	1.759.231
<b>Total EBIT</b>	<b>1.583.838</b>	<b>3.430.501</b>	<b>6.585.260</b>
Financial Results	150.000	-150.000	-150.000
Total Gastos No Operativos	-150.000	-150.000	-150.000
<b>NET PROFIT</b>	<b>1.433.838</b>	<b>3.280.501</b>	<b>6.435.260</b>

## Budget 2019

	<b>2019</b>
	<b>TOTAL</b>
Sales FI	15,222.000
Sales NFG	600.000
Sales of product	15,822.000
Services	300.000
Other income	-
Activations	715.753
Upfronts	226.712
<b>Sales without Upfronts nor Activations</b>	<b>16,122.000</b>
<b>Sales with adjusted Upfronts without any Activations</b>	<b>16,348.712</b>
<b>Total income</b>	<b>17,064.465</b>
Subvenciones	-
<b>Total income &amp; Grants</b>	<b>17,064.465</b>
Cost of Goods Sold	9,176.760
Commission and Repackagings	250.000
Transport Related to COGS	3.000
<b>COGS</b>	<b>9,429.760</b>
<b>Total Contr.Margin sin Comisiones ni Transporte</b>	<b>7,171.952</b>
<b>Contr.Margin</b>	<b>7,634.705</b>
<b>Total Margin</b>	<b>2,156.703</b>
Personnel	1,928.000
Operating Expenses	611.755
Services to Capitalize	-
Commercial Operations	-
<b>Total Gastos Operativos</b>	<b>2,539.755</b>
<b>Total EBITDA Operativo</b>	<b>2,475.494</b>
<b>Total EBITDA</b>	<b>2,938.247</b>
Depreciation & Amortization	1,453.910
<b>Total EBIT</b>	<b>1,484.337</b>
Financial Results	-50.000
Extraordinary Results	-
Taxation	-
<b>Total Gastos No Operativos</b>	<b>-50.000</b>
<b>NET PROFIT</b>	<b>1,434.337</b>