

**Financial information of the company  
Bioorganic Research and Services, S.A.**

In Jerez de la Frontera, April 30th, 2014

To whom it may concern:

In compliance with the section 9/2010 of the Mercado Alternativo Bursátil (MAB), and for making available to the public, Bioorganic Research and Services, S.A. ("Bionaturis" or "the Company") submits the following annual information for the year ended 31<sup>st</sup> of December 2013:

1. Letter from the CEO
2. Principal milestones
3. Comments on the evolution of the key financial figures (Balance Sheet and Profit and Loss account)
4. Report on business performance and compliance of the forecast provided to the Market

Víctor Manuel Infante Viñolo  
CEO  
Bionaturis

## **GENERAL CONSIDERATIONS**

This document shows an analysis of the financial statements and operational results of Bionaturis for the year ended 31st of December 2013. The company, for its condition, presents abbreviated audited accounts.

All amounts included herein are expressed in euros, unless specifically indicated otherwise.

## **FORWARD-LOOKING STATEMENTS**

This Annual Report contains forward-looking statements that involve risks and uncertainties. In some cases, forward-looking statements are identified by words such as “believe,” “anticipate,” “intend,” “plan,” “will,” “may” and similar expressions. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this report. All of these forward-looking statements are based on information available to us at this time, and we assume no obligation to update any of these statements. Actual results could differ from those projected in these forward-looking statements as a result of many factors. We urge you to review and consider the various disclosures made by us in this report, and those detailed from time to time in our filings with the MAB, that attempt to advise you of the risks and factors that may affect our future results.

## **1.- Letter from the CEO**

**April-2014**

## Dear friends

As we posted toasting our second anniversary in the MAB "3, 2, 1,... ready for takeoff", so I would define our company momentum and what 2013 fiscal year has meant.

All possible facts have been aligned to face with the greatest guarantees the ambitious growth process and international expansion that we planned in our business plan for 2014.

As we have been publishing during the year as relevant facts, a growing number of international companies and institutions, leaders in their respective market niches, are relying on Bionaturis and its FLYLIFE system to meet what society is demanding: a cost-effective alternative to develop cutting-edge drugs. The evaluation agreement of our BNT004 lead, which would be a first-in-class vaccine to protect livestock against intestinal nematodes, as well as the contract for the development and evaluation of vaccines to mitigate the major diseases of the salmon industry, are clear examples of this reality.

With these and other products, not revealed yet due to confidentiality bindings with our clients, we have overperformed our 2013 goals in terms of our portfolio growth, giving rise to a very attractive offer to address the entry into new emerging markets: Asia and Latin America are our following targets.

From a quantitative angle, our figures have beat estimations above the updated business plan we published last January, and, what is more important, the company keeps very

attractive financial ratios to fuel the expansion process and growth.

The last quarter of the year has also brought good news to our shareholders, getting an annual appreciation of 110% and an increase in the liquidity of more than 1000%, which translates into a sign of confidence within the investment markets.

About global trends, the big picture cannot be best for our goals. Society, patients and livestock producers in the veterinary sector, demands more effective drugs at lower cost. At the same time, there is a growing social awareness of a greater democratization in the access to last generation drugs, taking into account that it is estimated that only 10% of the population get a continuous access to them. These strong trends lead to a growing demand of new business models and new technologies of biodrugs manufacturing as we are proposing from Bionaturis.

As a result, new great opportunity windows are opening up in front of us and it is our strong will to take them with the support and commitment of anyone of you.

We are making and will make history. Thanks for taking part!

Jerez de la Frontera, April 30th, 2014

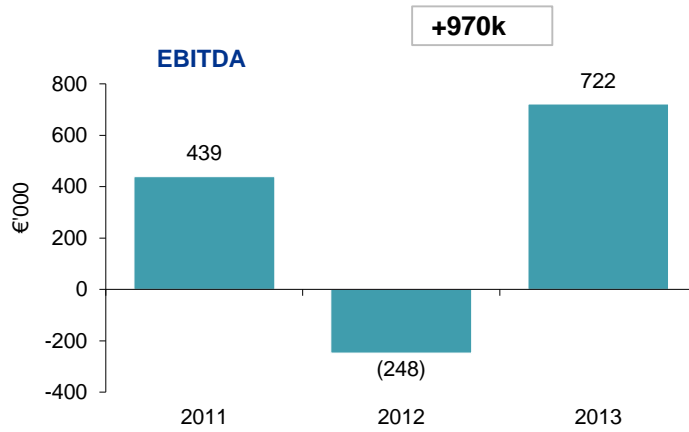
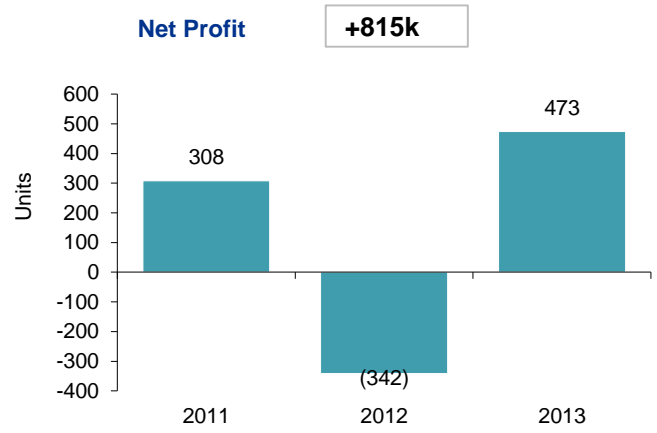
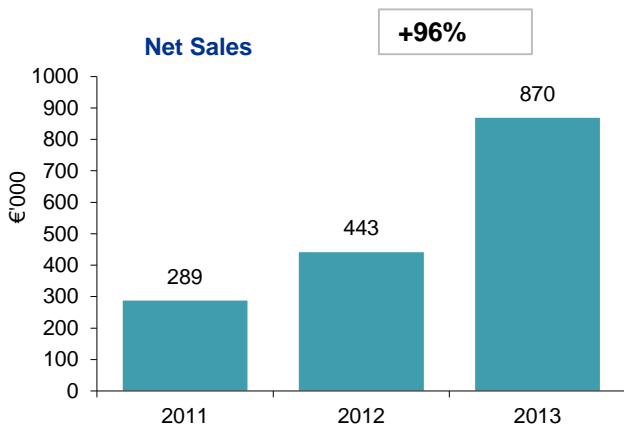
Víctor Manuel Infante Viñolo  
CEO, Bionaturis



## **2.- Principal Milestones**

**April-2014**

**2013 Key figures (k €). % over the previous year.**



## 2013 Highlights



**June**  
FLYLIFE-based  
MTA with a  
multinational  
company

**September**  
FLYLIFE-based  
vaccine for  
salmons.  
Evaluation  
agreement  
with a  
multinational  
company



**November**  
Evaluation  
agreement over  
**BNT004** with a  
multinational  
company

**Q4-2013:** 1000%  
increase of BNT  
shares trading  
volume





### **3.- Comments on the evolution of the key financial figures (Balance Sheet and Profit and Loss account)**

**April-2014**

The below translation is intended only for information purpose. In case of any discrepancies, the official Spanish version published at the MAB and Bionaturis websites shall prevail. The financial statements key figures may be found below. Access to the full-memory with the audited consolidated statements only in Spanish.

### Profit and Loss account. Comparative periods 2012-2013

Profit & Loss statements				
€'000	2013	2012	Dif	%
Net sales	870	443	427	96%
Work done for the assets	638	586	53	9%
Other revenues	240	371	(132)	-35%
<b>Revenues</b>	<b>1,749</b>	<b>1,400</b>	<b>348</b>	<b>25%</b>
Supplies	(189)	(96)	(92)	96%
Personnel expenses	(588)	(503)	(85)	17%
Other expenses	(251)	(1)	798	-76%
Amortizations	(503)	(514)	12	-2%
Global Expenses	(1,530)	(2,162)	633	-29%
<b>EBIT</b>	<b>219</b>	<b>(762)</b>	<b>981</b>	<b>129%</b>
Financial result	(63)	(169)	106	-63%
<b>Result before taxes</b>	<b>156</b>	<b>(931)</b>	<b>1,086</b>	<b>-117%</b>
Taxes	317	589	(271)	-46%
<b>Net result</b>	<b>473</b>	<b>(342)</b>	<b>815</b>	<b>238%</b>

#### Revenues

Revenue for 2013 was €1.75 million as compared to €1.4 million for 2012, an increase of €0.35 million, or 25%. Sales for 2013 is primarily comprised of Collaborative Research Agreement services, royalty-based payments of FLYLIFE out-licensing and BNT DERMOCOSMETICS unit direct sales. The increase in revenue is primarily due to the higher level of incomes derived from the already signed Collaborative Research Agreements in 2013 associated with our FLYLIFE technology as compared to 2012. Our collaborative research and development agreements may include an upfront payment, payments for research and development services, milestone payments and royalties.

#### Operating expenses without amortizations

The total operating cost in 2013 have reached €1.01 million as compared to €1.65 million for 2012, a reduction of 39%. Data expected in the business plan due to the conjunctural cots associated to the IPO process during 2012. There has been a slight increase in personal expenses (€588 thousand to €503 thousand) and supplies (€189 thousand to €96 thousand) due to a greater number of contracts in place.

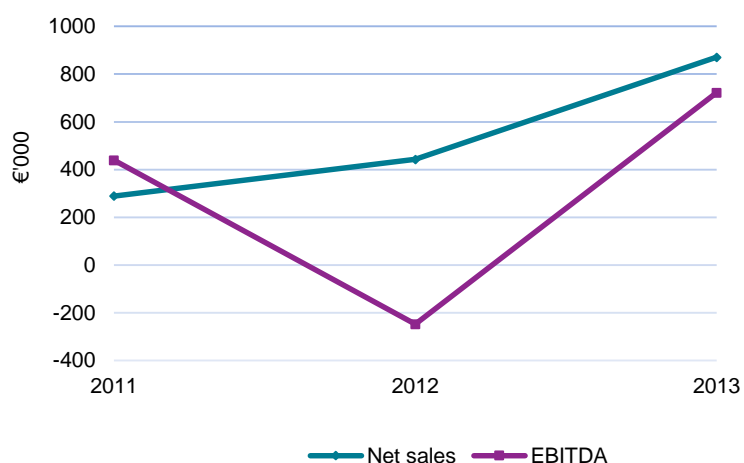
### **Amortizations**

Amortizations have reached the figure of €503 thousand, very similar to the figure of 2012 (€514 thousand).

### **Financing gains and lost**

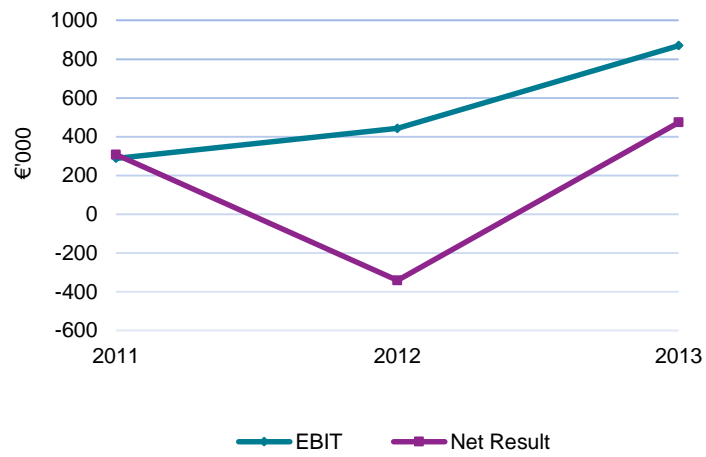
The financing net results has increased to €-65 thousand from €-169 thousand of 2012, a global increase of €103 thousand, primarily due to a higher financial gains

### **EBIDTA**



In 2013 EBITDA was €722 thousand as compared to €-246 thousand for 2012, an increase of €+ 967 thousand, representing an increase of the company operating profit.

## Net result



In 2013 Net Result was €473 thousand as compared to €-342 thousand for 2012, an increase of €815 thousand, following a very similar pattern the EBIT figure.

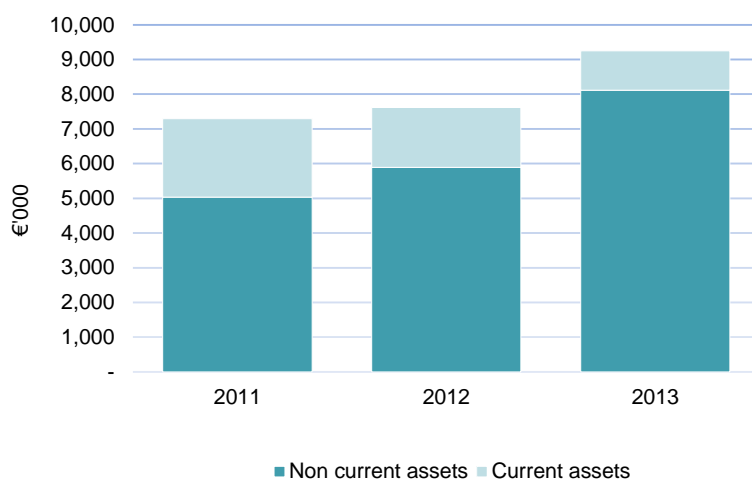
## 2013 Balance Sheet

The following tables show the balances corresponding to the closed and audited accounts at December 31st, 2012 and 2013.

Assets				
€'000	2013	2012	Dif	%
Intangible assets	2,120	1,852	267	14%
Fixed assets	3,117	2,266	851	38%
Long-term financial investments	951	156	795	509%
Deferred taxes assets	1,922	1,619	303	19%
Non-current assets	8,110	5,893	2,217	38%
Inventory	42	93	-51	-55%
Unbilled receivables	339	1,065	(726)	-68%
Short-term investments	173	446	182	41%
Cash and cash equivalents	576	117	12	11%
Current assets	1,137	1,720	(583)	-34%
<b>Total assets</b>	<b>9,247</b>	<b>7,613</b>	<b>1,634</b>	<b>21%</b>

Liabilities and Equity				
€'000	2013	2012	Dif	%
Shareholders' equity	2,515	1,718	797	46%
Grants, donations and bequest received	1,728	1,138	589	52%
Net equity	4,242	2,856	1,386	49%
Long-term payables (bank loans)	357	373	(16)	-4%
Other long-term payables	3,362	3,481	(118)	-3%
Deferred taxes liabilities	203	276	(73)	-27%
Non-current liabilities	3,923	4,130	(208)	-5%
Short-term payables (bank loans)	102	17	85	491%
Accounts payables	531	359	172	48%
Other short-term payables	449	251	198	79%
Current liabilities	1,082	627	455	73%
<b>Equity and Liabilities</b>	<b>9,247</b>	<b>7,613</b>	<b>1,634</b>	<b>21%</b>

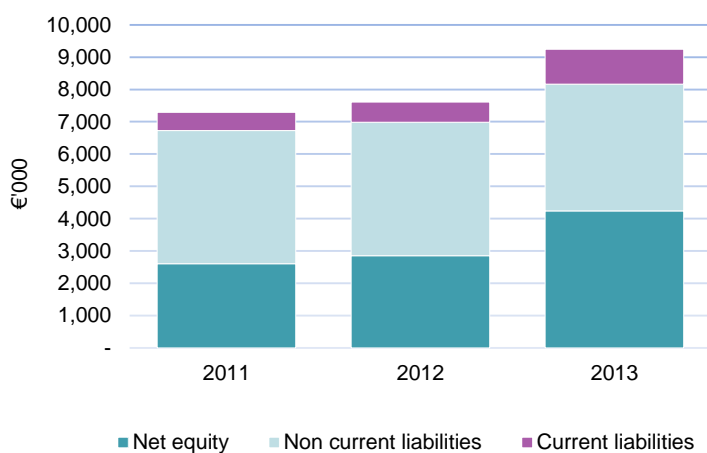
## Assets evolution



The Non-current assets figure has increased to €8.11 million for €5.89 million of 2012, an increase of €2.22 million. The difference is primarily due to the investment made in the adjustment of the FLYLIFE facilities to clinical programs, the new FLYLIFE building, the on-going development investment in BNT programs and the revalorization of financial investments (primarily Carbures stocks).

Current assets has decreased to €1.14 million for €1.72 million of 2012, primarily due to the decrease of the unbilled receivables account.

## Liabilities evolution



The Net Equity has increased to €4.24 million for €2.85 million of 2012, an increase of €1.39 million primarily due to the contribution of the net result and the revalorization of stocks.

Non-current liabilities have decreased to €3.92 million for €4.13 million of 2012, a slight difference due to the decrease of long-term debts. Current liabilities have increased to €1.08 million for €0.63 million of 2012, primarily due to the contribution of short-term debts linked to the adjustment of the FLYLIFE facilities and the new FLYLIFE building investments.

**4.- Report on business performance and  
compliance of the forecast provided to the Market**

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**April-2014**



## REPORT ON BUSINESS PERFORMANCE IN THE YEAR 2013

Bioorganic Research and Services, S.A (“Bionaturis”, the “Company”) is a biopharmaceutical company focused on the development and manufacturing of biological drugs for human and animal applications. The registration and commercialization process of the Company’s product pipeline is conducted by third parties. The Company’s product pipeline targets a variety, but not limited to, of infectious diseases with vaccine candidates based on its proprietary FLYLIFE technology and thereof.

The Company’s candidates currently under development will require additional development efforts that include clinical testing and regulatory approval prior to commercial use.

The Company’s main activity is based on Collaborative Development Agreements (called “BNT PROGRAMS”) with third parties, most of them multinational leader companies, and technology licensing agreements. Each BNT PROGRAM or out-licensing agreement may include an upfront payment, payments for research and development services, milestone payments and royalties.

Thus, the Company may get revenues from these Programs before the corresponding product entering a market or even without ever entering a market.

Most of the current BNT and licensing programs of the Company are devoted to animal health applications.

### BNT PROGRAMS ON DEVELOPMENT

Due to NON-DISCLOSURE clauses of the Collaborative Development Agreements signed with third parties the information we are authorized to disclose is often limited and under the scrutiny of all the parties. Bellow, you can find the information about some ongoing programs we are authorized for disclosing.

**BNT001 (biobetter for Gaucher Type I patients).** Oral version of recombinant human glucocerebrosidase for palliative treatment of Gaucher patients (human). ERT (enzyme replacement therapy). BNT001 would be an oral version of the current available treatments delivered by infusion.

**Stage of development:** By following advice from the Spanish Medicines Agency and Phase I unit of Virgen del Rocío University Hospital of Seville, a plan for preclinical investigation has began. In the first on-going set of experiments the different forms of hrGBA are used to treat in vitro cultures of fibroblasts from Gaucher’s patients with different mutations. Internalization of the recombinant enzymes in fibroblasts and increase of fibroblasts glucocerebrosidase activity is measured. Results expected for Q2-2014. Future development (2015) includes preclinical research in Gaucher mice “Gba1D409V/D409V/V394L/V394L + saposin C-/-” and open label,

single group assignment safety study of administration of a selected hrGBA form for oral delivery in the clinical context.

**Expected arrival to the market:** undetermined

**Expected date to revenue:** 2015-2016 as out-licensing fees

**BNT004 (recombinant vaccine for nematodes in livestock).** Efficacy, effectiveness, and toxicity tested in both rodents and lambs trials. It would be a first in class prophylactic treatment for this disease.

**Stage of development:** a multinational company is testing the efficacy and safety in lamb trials. Expected results for Q32014

**Expected arrival to the market:** it could reach the market during 2015.

**Expected date to revenue:** 2014 as out-licensing fees

**BNT005 (Canine visceral leishmaniasis recombinant prophylactic and therapeutic vaccine).** It would be a first in class prophylactic and therapeutic product (all in one) for this disease.

**Stage of development:** efficacy and toxicity tested in rodent challenges. Ongoing efficacy trial in beagle dogs. It has been confirmed humoral and cellular immune response in vaccinated dogs versus control. It has also confirmed a safety profile in vaccinated dogs. There is planned a new field assay in dogs to test adjuvants, dose-regime and combination vaccines, being monitored by a multinational vet company. Expected results for Q4-2014.

**Expected arrival to the market:** it could reach the market during 2016.

**Expected date to revenue:** 2015 as out-licensing fees

**BNT006 (antimicrobial peptide).** Antimicrobial natural-occur agent to fight multiresistant bacterial strains. To be used either alone or in combination with other antimicrobial agents. Different mechanism of action than traditional antibiotics. Application in human and animal health and as bactericide in industrial hygiene as well.

**Stage of development:** Ongoing efficacy and toxicity trial both in-vitro and in-vivo (rodent model). Expected results for Q2-2015.

**Expected arrival to the market:** it could reach the market during 2016.

**Expected date to revenue:** 2015 as out-licensing fees

**BNT007 (recombinant vaccine for poultry).** A multivalent recombinant vaccine for poultry.

**Stage of development:** Efficacy and toxicity tests in chickens planned for Q3-2014 in farms (Mexico).

**Expected arrival to the market:** it could reach the market during 2016.

**Expected date to revenue:** 2016 as out-licensing fees

**BNT010 (swine vaccine).** A recombinant vaccine for pigs.

**Stage of development:** Contract of evaluation and license option with multinational signed. Trials of efficacy and safety in pigs planned for 2014 in farms.

**Expected arrival to the market:** it could reach the market during 2016.

**Expected date to revenue:** 2015 as out-licensing fees

**BNT011 and BNT012 (salmon vaccine 1 and 2).** Recombinant oral vaccines for salmon.

**Stage of development:** Contract of evaluation and license option with multinational signed. Trials of efficacy and safety in salmon planned for 2014.

**Expected arrival to the market:** it could reach the market during 2016.

**Expected date to revenue:** 2015 as out-licensing fees

## OTHER ACTIVITIES

### FLYLIFE licensing in other sectors

The unique features of the FLYLIFE system of mass producing of recombinant proteins may apply to other sectors than pharmaceutical and veterinarian one. For instance, the increasing global role of Nanotechnology and their industrial applications are demanding highly sophisticated biological compounds as part of a new age of smart material. Bionaturis are negotiating licensing rights over FLYLIFE system with leader nanotechnology companies.

### Acquisitions

In order to guarantee a consolidated organic growth the Company is evaluating some buy-out operations. The assets that are being analyzed may contribute to get size and promote value in both sides of the value chain. After these acquisitions are fully executed the Company will broaden its offer always under the pursuit of its vision: "a more global and democratic access to health". The Company will inform about the state of these operations in forthcoming months.

## Company evolution and projections



As we commented above, the Company's revenue model involves incomes by license (milestone payments), royalties-based payments and fee-for-services orders within its Collaborative Development Agreements. In this way, the company's business plan includes an international growth plan, establishing new operational sites in strategic markets significantly increasing annual BNT products development capacity.

Thus, reduced P&L forecast is as follows:

Profit and Loss account - evolution and projections					
€'000	2011	2012	2013	2014e	2015e
Net Sales	289	443	870,459	4.230	5.960
% variation		53%	96%	386%	41%
EBITDA	439	(248)	721,509	3.380	5.000
% variation		(156%)	(391%)	368%	48%
EBITDA Margin	152%	(56%)	83%	80%	84%
Net result	308	(342)	473	2.220	3.730
% variation		(211%)	(239%)	369%	68%
Net result Margin	107%	(77%)	54%	52%	63%

The company forecasts has nearly 400% growth in turnover for 2014 supported by current BNTs moving forward to the market and according to the license agreements and negotiations signed so far. The next reap would occur in 2016 with new milestones to meet from BNT-JEREZ, as well as from the new international locations.

The main business case assumptions are:

- State of the license agreements, licensing options, of the BNTs portfolio
- Recognition and confidence gained from multinational laboratories over the past year
- International expansion Business Plan

## LEVEL OF ACHIEVEMENT OF THE FORECAST PROVIDED TO THE MAB

Profit and Loss account				
€'000	2013 P	2013 Aud	Var. 2013 Audit – 2013P	% Compliance
Net sales	770	870	100	113,0%
Work done for the assets	580	638	58	110,1%
Other revenue	-	61	61	-
Grants transfers to results	250	179	(71)	71,6%
<b>Revenues</b>	<b>1.600</b>	<b>1.749</b>	<b>149</b>	<b>109,3%</b>
Supplies	(101)	(189)	(88)	186,7%
Personnel expenses	(583)	(588)	(5)	100,8%
Other expenses	(230)	(251)	(21)	109,1%
<b>EBITDA</b>	<b>686</b>	<b>722</b>	<b>36</b>	<b>105,2%</b>

The above table shows the comparison between the forecasted numbers at year-end 2013, and the actual audited 2013 closing.

As shown therein, the evolution of Bionaturis business during 2013 has been positive, exceeding both at revenue and EBITDA level the forecast expected by the management.

The main differences are in revenues, due to the impact of the compliance with different milestones in the development of collaboration and licensing agreement in place, and in supplies, due to a higher number of active contracts.

### **Subsequent relevant events**

In April 2014, the Company carried out a capital increase in order to be able to perform the internationalization process described in the business plan, which was presented to the MAB in January 2014, and where it is expected the enter in the Asian and Latin American Markets. A total of 441.241 new shares were issued and fully subscribed and paid for a total amount of 3.088.687 euros (emission value of the stocks, 7 euros).