Fueling Next Generation Molecular Biology

Annual Report 2014

SYGNIS

Key Figures Overview

	2014 (ends December 31)	2013 (ends December 31)
STATEMENT OF COMPREHENSIVE INCOME		
Revenues	392	482
Research and development expenses	1,413	2,231
Administrative expenses	1,493	1,764
EBIT	-3,208	-4,284
Net loss for the year	-3,480	-3,201
SELECTED BALANCE SHEET DATA		
Non-current assets	8,419	8,789
thereof goodwill	5,942	5,942
thereof other intangible assets	1,678	1,634
Current assets	4,118	2,538
thereof cash and cash equivalents	3,764	2,196
Shareholders' equity	8,342	5,954
Non-current financial liabilities	2,890	3,092
Total assets / total liabilities & equity	12.537	11,327
Capital ratio in %	66.5	52.6
STATEMENT OF CASH FLOWS		
Net cash used in operating activities	-3,579	-3,618
Net cash used in investing activities	-621	-144
Net cash provided from financing activities	5,439	5,507
OTHER		
Employees	20	19
SHARE		
Earnings per share (basic and diluted, in €)	-0.33	-0.34
Equity per share (in €)	0.54	0.57
Average number of shares outstanding	10,659,733	9,364,258
Share price (in €)	1.96	5.10
Market capitalisation (in € m)	21.2	53.7

Content

Annual Report 2014

Highlights 2014

Product launch based on SensiPhi®

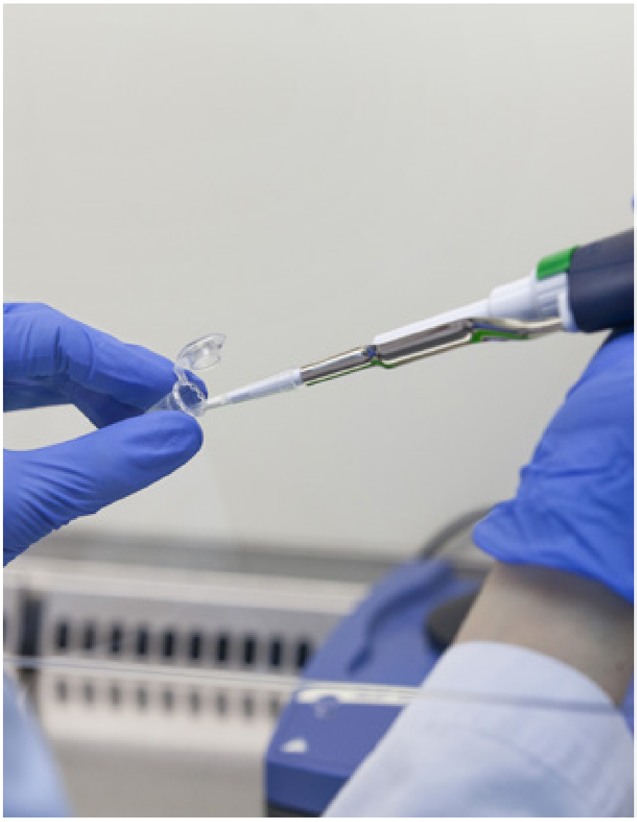
On 12 February 2014, the Company announced that its licensing partner Qiagen launched the first two products of a series of kits based on SYGNIS' proprietary amplification technology SensiPhi®. The two kits, REPLI-g WTA Single Cell Kit and REPLI-g Cell WGA & WTA Kit, are commercialized globally through Qiagen's established distribution channels. The product launches result from a global exclusive license agreement with Qiagen signed in July 2012.

Use of SEDA equity line

During 2014 the Company has made use of the SEDA equity line in several tranches. In total SYGNIS has received new equity amounting to €1.5 million. In this regard the Company issued around 335,000 new shares to YA Global Master SPV LTD, Mountainside, NJ, USA.

Double Switch patent transfer agreement

On 12 May 2014, SYGNIS announced that it has signed a patent transfer agreement for some patents linked to the Double Switch project with SYSTASY Bioscience GmbH, a service provider in drug discovery. The transferred IP is part of a broader IP family covering SYGNIS' proprietary Double Switch technology for the qualitative and quantitative detection of the interactions of two proteins. The agreement comprises upfront payments and a royalty component. The Company still maintains other patents linked to this technology with the aim of signing additional non-exclusive agreements with other companies.



Annual General Meeting

At the Annual General Meeting of SYGNIS held on 17 July 2014 shareholders, representing about 83 percent of the capital, approved all the proposals put forward by Management including key decisions related to the discharge of the members of the Supervisory and the Management Board for the past fiscal year, the election of new members to the Supervisory Board, and the creation of new authorised capital. As a result, Mr. Werner-Friedrich Knuth Schaefer has left the Supervisory Board being replaced by Mrs. Maria Jesús Sabatés.

PrimPol at the DNA Polymerases Conference 2014

Early September 2014, SYGNIS presented a newly characterized thermostable member of the recently discovered family of PrimPol polymerases at the Zing DNA Polymerases Conference 2014, in Cambridge, Great Britain. This highly recognized conference is one of the key platforms for scientific players in the field of polymerases worldwide. This year's main topic was "DNA Polymerases: Biology, Diseases and Biomedical Applications", discussing the discovery of new DNA polymerases and their potential biotechnological applications mainly in the NGS market.

The presentation of a newly introduced thermostable polymerase characterized and produced by SYGNIS, isolated from thermophilic bacteria Thermus thermophilus (Tth), was clearly in the focus of attention at the conference. SYGNIS highlighted TthPrimPol as an emerging new enzyme for the amplification of DNA. Moreover, when combined with SYGNIS' proprietary Phi29 DNA polymerase, TthPrimPol's exceptional ability to synthesize its own DNA primers allows for the amplification of various genomic DNAs without adding any synthetic random primers.

Presentation of our first own product line based on PrimPol technology: TruePrime™

TruePrime™ is the brand name of a series of kits dedicated to the amplification of various DNA or RNA species for a multitude of applications. TruePrime™ stands for a revolutionary change in the way DNA or RNA is amplified. While the current gold standard MDA (multiple displacement amplification) needs short pieces of DNA ("oligonucleotides") to start off the amplification, TruePrime™ does not need any synthetic random primers.

Initial non-exclusive distribution agreement for TruePrime™ with BioCat GmbH

With this agreement, SYGNIS granted BioCat non-exclusive rights to promote, market, sell, and support TruePrime™ Single Cell WGA kit for the DNA amplification of single cells for next generation sequencing (NGS) applications. TruePrime™ Single Cell WGA kit will be the first in a row of products of SYGNIS' TruePrime™ product family for the amplification of various DNA or RNA species for a multitude of applications that was launched in January 2015.

Successful completion of capital increase

On 11 December 2014, SYGNIS successfully completed a capital increase. With this transaction, the Company's share capital increased from €10,822,662.00 to €13,298,340.00 by issuing 2,475,678 new shares. The increase was registered on 8 January 2015, after period-end. The new shares carry full dividend rights as of 1 January 2014. Gross proceeds amounted to €4.95 million.

Foreword by the Management Board

Dear Shareholders

The 2014 financial year was again characterized by many changes. The most important one was the change of our strategic objectives. After we had restructured the whole Company and successfully harmonized processes in the previous year, we were able to think on which strategy would support the Company and its shareholders best, even if this could mean implementing strategic and organizational changes.

We reached the conclusion that the Company can gain more value from developing and selling its own range of products, and in consequence the corporate product and commercialization strategy was adjusted and targeted to the development of own products. Therefore, the major part of basic research activities have ceased and we have started to develop our first kits based on our True Prime™ technology (PrimPol).

The first was launched in January and February 2015, further kits will follow throughout 2015 and 2016. These kits will bring the benefits of the new technology to researchers working on a variety of applications in gene sequencing and NGS.

Due to the successful capital increase in December 2014, we are in a good position to pursue these new goals.

Financials

Although our revenues were below expectations, especially due to the delay in receiving license income from Qiagen, we were able to reduce our operating loss by €1.1 million to €3.2 million in 2014. This was primarily due to lower R&D and administrative expenses as a result of the new strategic set-up and restructuring measures started in 2013. However, the absence of tax income from deferred taxes on loss carry-forwards cancelled this effect and the net loss was higher than in the previous year, at €3.5 million.

As a result of the successful capital increase in December 2014, cash and cash equivalents rose by €1.6 million to €3.8 million. Total assets increased by €1.2 million to €12.5 million. The equity ratio was up significantly to 67%.

Research & development

In 2014, SYGNIS' R&D activities focused on the development and production of new products based on various proprietary platform technologies for the next generation sequencing (NGS) and molecular biology markets. We expect these products to be launched throughout 2015 and beyond and plan to significantly expand SYGNIS' portfolio of own products. In particular, in 2014 we have successfully developed two product lines: TruePrime™ technology, a revolutionary new technology for whole genome amplification without the need for synthetic random primers and SunScript™, an innovative highly thermostable reverse transcriptase for the transformation of RNA into DNA.

TruePrime™ product line

A key technology and the basis of SYGNIS' first product line is called TruePrime™. This technology is built for amplifying the whole genomic information of human beings or any other organism in a way that preserves the essential details of the genomic information better than the current gold standard in the market. The advantages of this technology are key in the field of single cell research, a fast growing market mainly in the oncology environment.

SunScript™ product line

Another product line currently developed by SYGNIS is based upon a novel proprietary highly thermostable reverse transcriptase. A reverse transcriptase (RT) is an enzyme used to generate complementary DNA (cDNA) from an RNA template. The cDNA can then be processed and analysed by numerous downstream techniques including multiple displacement amplification technologies, NGS or polymerase chain reaction (PCR). Due to its simplicity, specificity and sensitivity, reverse transcriptase is used in a wide range of life science applications like gene expression and transcriptome analysis in protein research and virus detection in diagnostics.

Outlook

After the strategic change in our business model during 2014 and the successful completion of a large capital increase in December, we are now dedicating our efforts on the marketing and sales of our own products. We have already signed several non-exclusive distribution agreements with European, North American and Asian partners and are negotiating with international companies to market our products through OEM (Original Equipment Manufacturer) agreements. Next to this, we will generate revenues from the agreement with Qiagen, from the Caco-2 business, and we are still in the position to license out our developed products when the appropriate conditions arise.

I would like to thank our shareholders for their support and their confidence in our new business model, with a special mention to Genetrix and all the new shareholders, who subscribed the last capital increase in December. Furthermore, I would like to say that I really appreciate the attitude, effort and dedication of all employees. I thank all of you for your trust in our Company and our team.

Pilar de la Huerta, CEO/CFO

24 April 2015

Company Presentation

SYGNIS sharpens its Profile: Next Generation Products for Next Generation Molecular Biology

The year 2014 was pivotal for SYGNIS in laying the foundations for a successful future as a commercial company and becoming a leading provider of technologies for DNA-amplification and sequencing.

Progress in molecular biology, the branch of biology that deals with the molecular basis of life, is significantly accelerating. Today, molecular biology plays key roles in the diagnosis of diseases, the availability of new treatments and in efforts to increase the efficacy of drugs. New applications such as single cell analysis, more efficient and faster analysis platforms, for example for next generation sequencing (NGS), and an ever-widening base of knowledge in genomics are driving progress even faster.

With ongoing advances in applications and platform technologies providing the opportunity to dive deeper and deeper into genetic and physiological conditions down to single cells, the medical value of biological samples has significantly increased. This is especially true when tissue samples contain only very little genetic information or new samples are difficult to access or not available. Access to DNA and RNA from samples has become a crucial step in molecular biology workflows leading to medical decision-making.

As a leading company in DNA amplification and sequencing, SYGNIS has developed a broad portfolio of proprietary technologies addressing key challenges in molecular biology – challenges such as limited amounts of DNA and RNA in a sample and the necessity to translate RNA into DNA to make it applicable for current sequencing technologies and platforms.

Besides being licensed to leading companies including QIAGEN and SYSTASY, SYGNIS' portfolio of proprietary technologies can also serve as a rich source for the development of its own innovative products.

In 2014, SYGNIS adapted its product and commercialization strategy and focused activities on the development of its own product lines based on the Company's proprietary technologies. The new strategy is designed to increase independence from strategic partners and to keep tighter control over projected revenue streams. In addition, the Company is convinced that this strategy will significantly improve the value of its technologies and products.

The TruePrimeTM product line – revolution in primer-free whole genome amplification

The Company's first product line that comprises kits for whole genome amplification (WGA) based on SYGNIS' proprietary PrimPol enzyme family, which enables amplification of the entire DNA in a sample, was introduced under the brand name TruePrime™ in late 2014. The launch of the first products, addressing key challenges in NGS and single cell analysis, followed in early 2015.

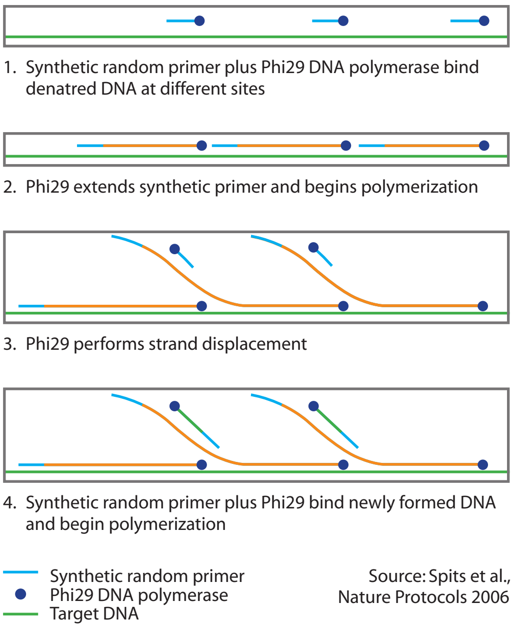
TruePrime™ stands for a revolutionary change in the way DNA or RNA is amplified. While the current gold standard MDA (multiple displacement amplification) needs short pieces of DNA ("oligonucleotides") to start off the amplification, TruePrime™ does not need any synthetic random primers - the secret behind: TthPrimPol primase activity.

Current products for whole genome amplification are based on an enzyme called Phi29 polymerase, which needs synthetic DNA molecules (oligonucleotides), so called primers, to start the reaction. Our TruePrime™ technology is also based on the Phi29 polymerase but through the combination with a recently discovered primase, "TthPrimPol", we can offer a product that allows uniform amplification of complete genomes without the need for synthetic random primers.

TruePrime™

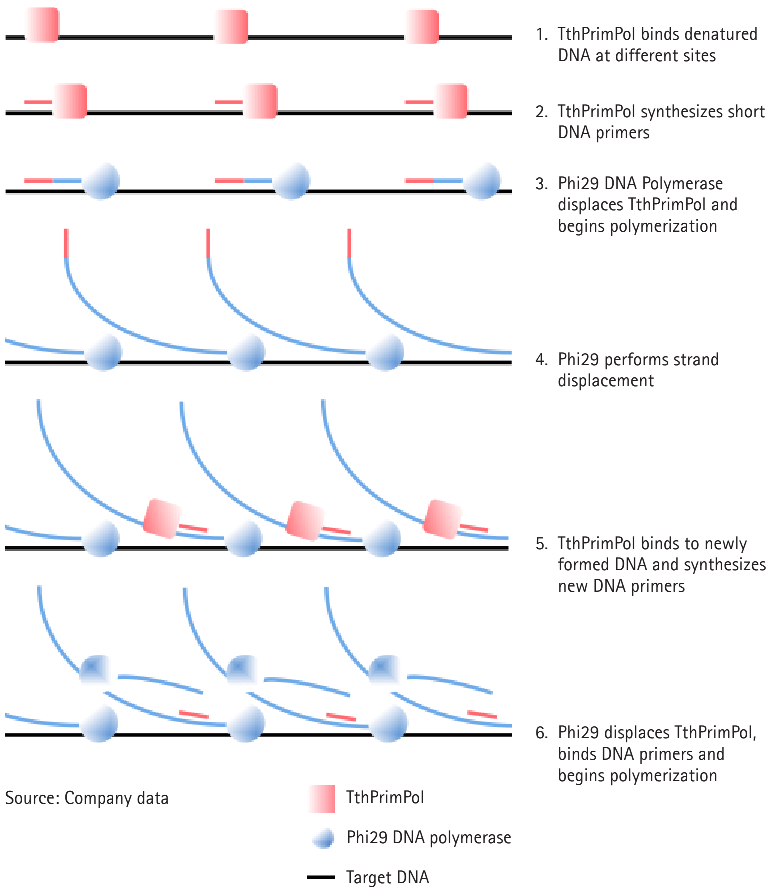
The Revolution of Primer-Free Whole Genome Amplification

Current standard:
Whole Genome Amplification (WGA) based on synthetic random primers



Source: Spits et al., Nature Protocols 2006

TruePrime™:
Synthetic random primers replaced by a primase activity



Source: Company data

The resulting benefits of this innovative approach are enormous and include the complete absence of common artifacts linked to the use of oligonucleotides. These benefits include: a reduced amplification bias in genome coverage compared to methods using random synthetic primers; excellent reliability as enzymes are insensitive to external contaminating DNA; and an exquisite reproducibility when DNA is amplified from single mammalian cells or limited amounts of material. Furthermore, TruePrime™ shows superior sensitivity, is easy to use and works perfectly with all commonly used NGS platforms such as Illumina and Ion Torrent.

The SunScriptTM product line – thermostable reverse transcriptase (RT)

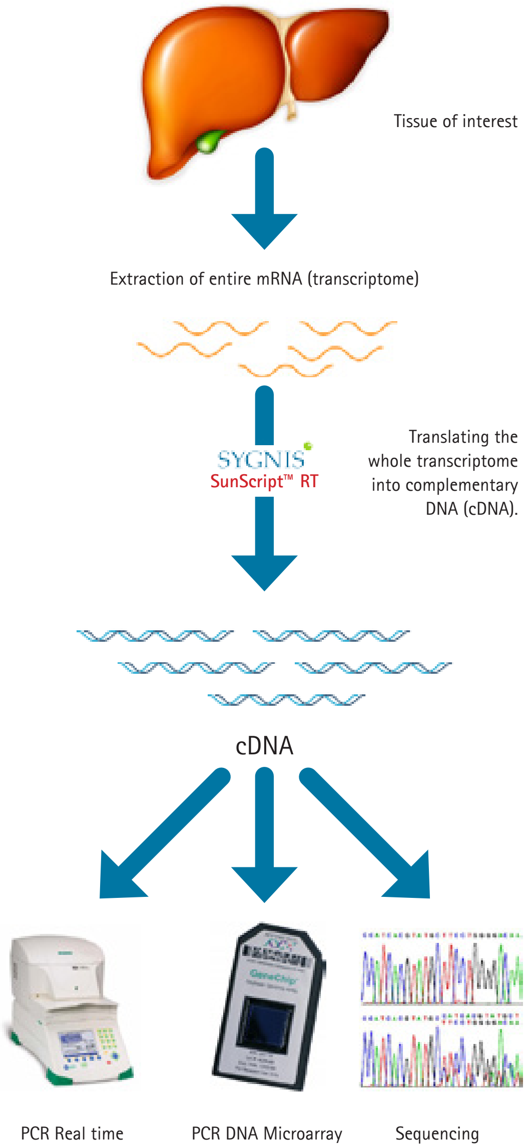
SYGNIS' second product family, SunScript™ Reverse Transcriptase (RT), was developed and launched in early 2015.

Today, the enzyme reverse transcriptase is commonly used in gene expression profiling analyses, infectious disease testing and patient monitoring where researchers start with RNA molecules. Most downstream molecular analysis tools such as NGS or polymerase chain reaction (PCR) in gene expression profiling and molecular diagnostics can only be applied to DNA strands. However, with the help of reverse transcriptase, RNA can be transcribed into DNA, thus making analysis of RNA molecules possible. The commercial availability of reverse transcriptases has greatly improved knowledge in molecular biology and has enabled scientists to clone, sequence, and characterize RNA molecules.

SYGNIS' SunScript™ product line covers a series of kits based on novel proprietary engineered reverse transcriptase derived from the well-characterized human immunodeficiency virus (HIV-1) and which today is one of the most thermostable and fastest enzyme commercially available.

SunScript™ enzymes provide an extreme thermostability allowing RT-reactions to take place at elevated temperatures up to 85°C resolving even the most complicated RNA structures to obtain a faithful picture of the original genetic information. Additional advantages consist in the high reaction speed of the enzymes, an exquisite sensitivity, and the ability to readily transcribe even the longest RNAs in the mammalian genome. The first products launched are SunScript™ RT RNaseH+ and SunScript™ RT RNaseH- enzymes optimized for use in PCR analysis and for the construction of complementary DNA (cDNA) libraries needed for example in next generation sequencing applications.

SYGNIS SunScriptTM Reverse Transcriptase enables mRNA analysis using various technologies

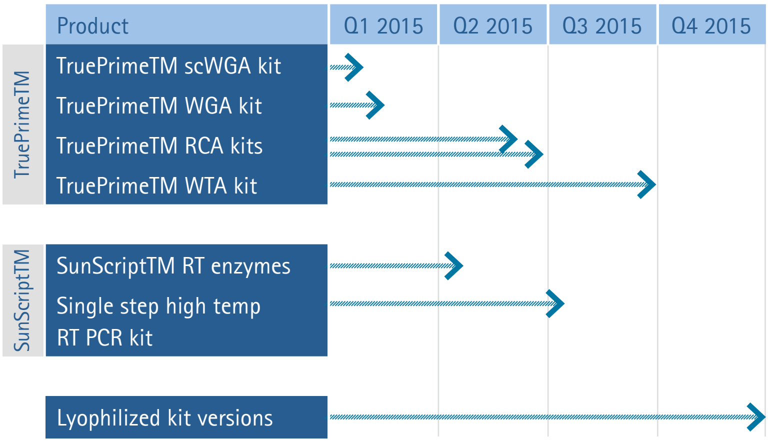


SunScript™ RT can be combined with SYGNIS' TruePrime™ family to analyze complete RNA compositions of single cells in commonly used NGS platforms.

A worldwide distribution network and ongoing market launch activities guarantee future success

All SYGNIS' products will be sold directly through the newly introduced SYGNIS online shop in combination with regional and international distributors that focus on marketing molecular tools around gene sequencing and NGS to leading genomic research centers, academic institutions, government laboratories, hospitals, and reference laboratories as well as pharmaceutical, biotechnology, commercial molecular diagnostic, and consumer genomics companies. In addition, SYGNIS is in negotiations with international companies to market its products through OEM (Original Equipment Manufacturer) agreements.

SYGNIS product launch projection 2015



Since the initial introduction of the first new products, the Company has signed an impressive series of distribution agreements for North America, Europe and Asia.

The Key Market for SYGNIS: Next Generation Sequencing – Transforming Molecular Biology

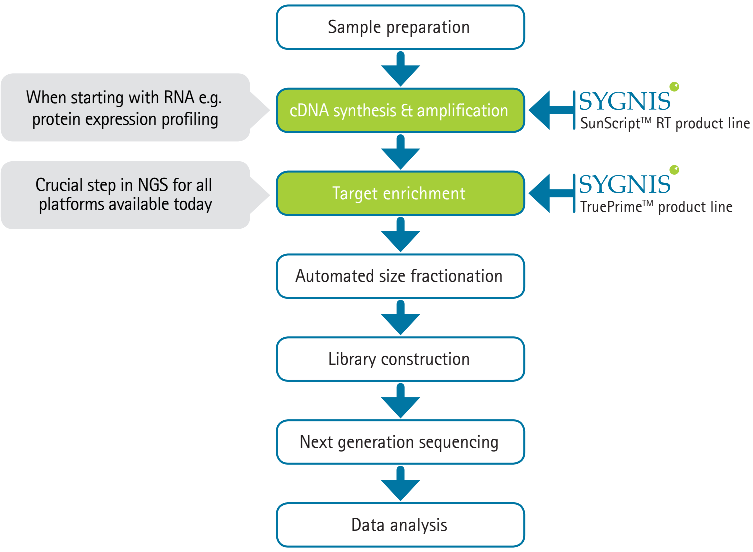
The master plan for all living cells is encoded in just four letters, A, T, G, C, representing adenine, thymine, guanine and cytosine, the nucleotide bases that build deoxyribonucleic acid, or DNA. The complete set of DNA in an organism is referred to as the genome. The nucleotide bases occur in a precise order known as the DNA sequence. The DNA contains small regions, so called genes, which serve as templates for the synthesis of proteins; these are molecules that direct all cellular function in an organism. Variations or mutations in the DNA sequence of a gene can lead to an over-expression (excessive protein production), an under-expression (reduced protein production) or silencing of the corresponding gene, sometimes it even can trigger changes in the overall cellular functions.

While naturally occurring gene variations are responsible for many of the physical differences including height, hair, eye color, to name just a few, gene variations also can cause medical predisposition to complex genetic diseases such as cancer, diabetes, cardiovascular disease, and Alzheimer's disease. These variations can affect a patient's response to certain drug treatments including adverse side effects.

Being able to read and understand these variations in genetic information is the key to a treasure chest of data that contain the answers to numerous questions on life and health.

Whole-genome sequencing by NGS enables scientists to read and determine the complete DNA sequence of an organism. There are two approaches of whole genome sequencing: (a) de novo sequencing, where researchers sequence and analyze a sample without using information from prior sequencing of that species for reference or standard creation and (b) targeted resequencing, where the sequence of an organism is compared to a standard or reference sequence from previously sequenced samples to identify genetic variations. Understanding the similarities and differences in DNA sequences between and within species helps us understand the function of structures encoded in the DNA.

SYGNIS Product Lines cover critical Steps in typical NGS Workflows



DNA amplification, synthesis of complementary cDNA (when using RNA) and target enrichment are crucial steps in sample preparation for all NGS platforms available today. Only if sufficient amounts of DNA are available, researchers can go on with the construction of single stranded DNA libraries needed for the sequencing process.

Next generation sequencing helps to understand complex diseases and to develop efficacious drugs

The starting point of cancer, for example, is always a change in certain areas of the DNA. The goal of cancer genomics is to identify genomic changes that transform a normal cell into a cancerous one. Understanding these genomic changes and linking them to specific diseases allows for a more accurate diagnosis, a better understanding of the prognosis, a faster development of more effective drugs and the ability to target therapies to individuals.

Researchers and clinicians in research, translational, and clinical oncology laboratories analyze the molecular changes in a tumor during all stages of tumor progression and under treatment. These findings are then used to transform discoveries into new treatments or therapies and create tests to predict patient response in genomic-based personalized health, which has recently been termed precision health.

SYGNIS' whole genome amplification – a crucial step in next generation sequencing

The smallest amount of DNA or RNA extracted from single cells taken, for example, from a tumor via biopsies or liquid biopsies hold great promise for research and healthcare applications. The amount of nucleic acids that can be extracted from these samples is very limited (6 pg genomic DNA/human cell) and nowhere near sufficient for molecular diagnostics tests or next generation sequencing (NGS) applications, for example. Typically, 1 ng to 1 µg of DNA is necessary for genomics analysis, which is equivalent to approximately the genomic DNA contained in 102 to 105 mammalian cells. What is even more important, in many cases samples from patients cannot be recaptured and losing the material means losing the entire information contained.

Therefore, a necessary step in many of today's sample preparations for NGS and a variety of molecular biology applications is target enrichment. This involves the amplification of the entire genome (DNA) or transcriptome (RNA) to provide researchers with sufficient volumes of DNA or RNA for downstream analysis.

With the adoption of NGS in more commercial environments, the need for products and technologies for DNA and RNA amplification that are easy to perform, reliable in their results and which provide the opportunity for standardized procedures to increase efficiency of workflows is ever increasing. The superior features of SYGNIS' TruePrime™ products are addressing key challenges in molecular biology and make SYGNIS amplification products highly attractive for a broad range of industrial next generation sequencing applications and downstream analyses, especially in life science areas and clinical environments such as human genetics, oncology, molecular diagnostics, personalized medicine or pathology, where researchers and clinicians need to obtain biological and/or medical information from smallest amounts of samples.

Single-cell analysis in NGS – refuting the fairy tale of homogeneity of cells

Until a couple of years ago researchers strongly believed that cell populations were homogeneous in their genomic DNA information and would not vary from one cell to another within an organism. But recent evidence has shown that homogeneity even in small cell populations does not exist. Individual cells can differ dramatically from each other in terms of size, protein levels, expressed RNA transcripts and of course also in their genetic information, and these variations are key to answering questions in oncology, stem cell biology, immunology, developmental biology, and neurology.

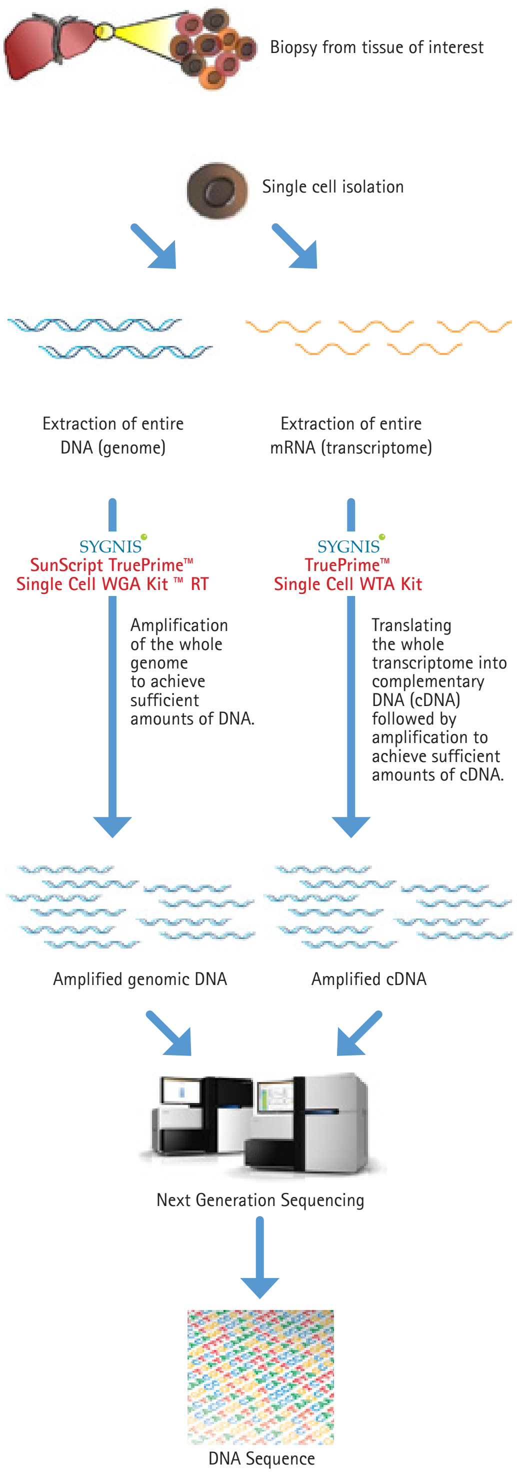
Molecular heterogeneity of cells could potentially answer the question of why it seems nearly impossible to kill all cells of a tumor or to eradicate cancer from the patient's body. Cancer cells at different locations of a tumor show different mutations which make them sensitive and responding or insensitive and non-responding to a specific treatment with the result that not all cancer cells are targeted and destroyed.

Each cell is more or less different from the other, even within the same cell type. Given this, gene expression measurements, based on a homogenized cell population, are misleading averages and don't account for the small but critical changes occurring in individual cells. To achieve reliable results and paint a true picture researchers and clinicians need to go down to gene variation analysis and gene expression measurements of single cells.

Single cell analysis was named "Method of the year" by the renowned journal "Nature Methods" in 2013 and today, is one of the most exciting but also one of the most challenging applications of NGS.

With today's technologies bringing sufficient throughput and sensitivity, researchers are able to start understanding and measuring heterogeneity in complex biological systems and correlate these measurements with changes in biological function and disease processes. By profiling individual cells, it is possible to characterize rare cells, transient cell states, and understand the influence of organization and environment on such cells and states, which cannot be described by aggregated measurements.

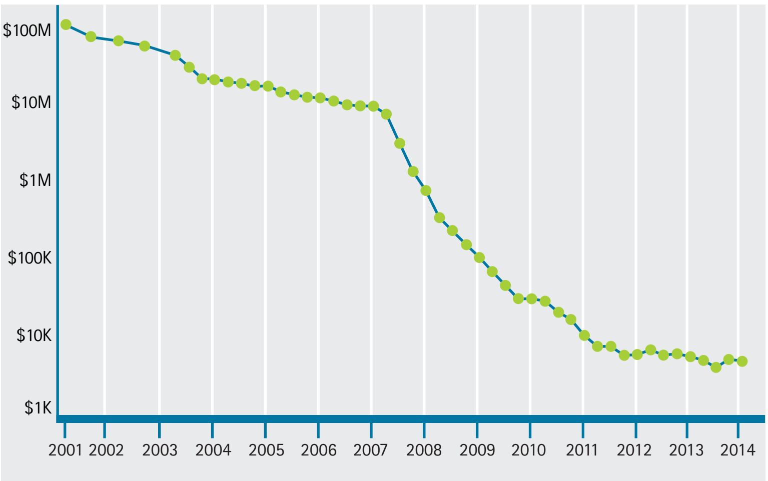
SYGNIS innovative products allow for efficient single cell DNA or RNA sequencing workflows



Drivers of the NGS market
Prices significantly came down

Since the publication of the first draft of the human genome sequence in 2001, produced by a collaboration of 23 laboratories that took 13 years and cost ~$3 billion, the genomics field has changed dramatically. In addition, the availability of the first sequence of the human genome as well as the hopes linked to this kind of information caused a technological boom that spawned high-throughput methods that could be used to interpret the data and high-throughput platforms to generate more data in a more efficient way.

Development of next generation sequencing cost per genome 2001 – 2014



Source: NIH - National Human Genome Research Institute, October 2014

The increased number of NGS technologies and platforms available and intense competition has driven down the cost per sequenced human genome dramatically from nearly $100 million in 2001 to less than $5,000 today (National Human Genome Research Institute, October 2014).

Faster and more efficient platforms allow routine application in NGS

Today, second-generation sequencing methods and NGS platforms perform 'massively parallel sequencing' during which millions of fragments of DNA from a single sample are sequenced in unison. Massively parallel sequencing technology facilitates high-throughput sequencing, which allows an entire genome to be sequenced in less than a day. In the past decade, several NGS platforms have been developed that provide low-cost, high-throughput sequencing using different underlying methods.

Following the trend of adopting NGS in more routine laboratory applications, companies introduced "bench-top" DNA sequencing instrumentation such as 454 FLX Jr from Roche, MiSeq from Illumina and Ion Torrent from Life Technologies. Ion Torrent and MiSeq instruments can complete sequencing runs within a few hours. Thanks to the low cost base and the fast turnaround time, it is now feasible to introduce NGS technology into the clinical workplace to provide clinical care of patients. The sequencing throughput of bench-top instrumentation is far less compared to the bigger instruments. However, for targeted clinical DNA sequence applications this is not seen as a major obstacle as throughput of these instruments is increasing every few months.

Currently, a single laboratory can sequence the entire human genome in a few days for a few thousand dollars in reagents and staff time. Routine whole genome sequencing of patients is, today, well within the realm of affordability for many academic institutions.

Big data management and bioinformatics to translate biological raw data into valuable medical information

The interpretation of big data generated by sequencers and the subsequent storage and management of the analyzed data is still a challenge. The world's current sequencing capacity is estimated to be 13 quadrillion DNA bases a year but the raw sequencing data generated by today's sequencers does not reflect any meaningful information itself. To translate the generated raw bioinformatics into valuable information that can be used in diagnostics, drug discovery, biomarker discovery or personalized medicine, researchers need bioinformatics tools. Companies like SAP, Siemens, IBM and Oracle, to name just a few, today are driving their own healthcare departments developing IT-based platforms that are not just able to translate these huge amounts of raw data but already provide solutions for future hospital-based patient data management.

First NGS products already approved by FDA

In 2013, the U.S. Food and Drug Administration (FDA) cleared Illumina's MiSeqDx in-vitro diagnostic next-generation sequencing (NGS) system making it the first NGS platform for clinical diagnostics in the U.S. The other two products approved by the FDA are genetic tests based on NGS for identifying mutations that cause cystic fibrosis.

In the meantime the FDA is preparing to adopt NGS based tests into clinical settings. Early in February 2015 the agency hosted a workshop entitled "Optimizing FDA's Regulatory Oversight of Next Generation Sequencing Diagnostic Tests." The purposes of the workshop was to outline specific ways how FDA could best facilitate innovation of personalized medicine and to discuss FDA's regulatory approach to diagnostic tests for human genetics or genomics using NGS technology.

The future in NGS

NGS is set to revolutionize markets such as diagnostics, drug discovery, biomarker discovery, personalized medicine, as well as agriculture and animal research. Both private and public funding drive this research, along with global initiatives to characterize genetic variation and the migration of legacy genetic applications to sequencing-based technologies. Research institutes and government bodies contribute the greatest support to the end-user market of NGS. Market experts believe that the adoption rate in hospitals will increase in the near future owing to cost effectiveness, increasing applications in diagnostics, improving performance and reduced complexity of NGS platforms.

NGS market volume and growth

Today, NGS is seen as the fastest-growing and most lucrative segment in the genomics market with an estimated annual growth rate of more than 23% in the years to come. The global NGS market today is worth $2.5 billion and is poised to reach $8.7 billion by 2020 (MarketsandMarkets, September 2014). While still mostly used in research institutions, ongoing developments for higher throughput, increased accuracy, and cost efficiency as well as value creating data management will make NGS more and more attractive for commercial applications such as diagnostics, drug discovery, biomarker discovery and personalized medicine within clinical laboratories, hospitals and pharma companies. With its products, SYGNIS addresses approximately 30-40% of the overall market which accounts for a market size of $750 million to $1 billion.

NGS market fueled by increased genomic-based developments in multiple areas of healthcare

Diagnostics and personalized medicine

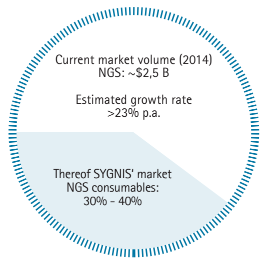
- Individualized treatments of patients based on genomic information requires a huge statistical data base to correlate individual genomic information with diseases, patients' drug response rates and risks of side effects.
- Develop new diagnostic tools based on genomic information.

Research Centres / Pharmaceutical industry

- Develop new and specific drugs depending on genomic information.
- Biomarker discovery and target validation.

Hospital and healthcare systems

- Early diagnosis of diseases.
- Disease prevention and monitoring of patients with genetic predisposition.
- Individualized treatments of patients based on genomic information.



Our markets change rapidly in response to genomic innovations. New applications and opportunities are developed every single day and evolve quickly. SYGNIS continually assesses these opportunities against its corporate strategies in order to identify compelling unmet needs that provide strong opportunities for our products, as well as for our existing and future technologies.

The SYGNIS Share

Volatile stock market year for investors

After the successful stock market year 2013 stock markets were not able to continue the positive trend at the beginning of 2014. However, they remained on a high level. End of March investors' uncertainty increased due to the worsening of the Ukraine crisis and weaker economic data from Germany. The decisions of the central banks again improved the mood in the second quarter. In May, the European Central Bank (ECB) lowered the key rate to a historic low of 0.15%. As a result, international stock markets developed very positively and the key German stock index DAX exceeded 10,000 points for the first time in its 26-year history on 5 June. In the third quarter, uncertainty among exchange participants increased once more and share prices lost the gains made earlier. Still, central banks encouraged a positive sentiment in the meantime, and especially the ECB when it lowered its key rate to a new historic low of 0.05% at the beginning of September. Based on the dramatic decline in oil prices and a continued falling rate of the euro, stock exchanges lost parts of their profits again at the year's end. DAX only showed a little uptick of 2.65%, while TecDAX outpaced all other German indices with an increase of 17.53%.

Weak year for the SYGNIS share

The SYGNIS share started the year 2014 at a price of €5.20. The share reached its high on 8 January 2014, primarily as a result of the successful capital increase in December 2013, lots of earlier meetings with investors and a good valuation in German stock magazine "Der Aktionär". On 9 January, the share price declined to €7.55 again. In the further course of the year the SYGNIS share price gradually decreased und concluded the year after its low of €1.91 at the same day at €1.96. At the date of the editorial deadline of this annual report on 20 April 2015, the share price amounted to €5.55.

However, in 2014 the share's average daily trading volume increased significantly to 18,650 (prior year: 4,304).

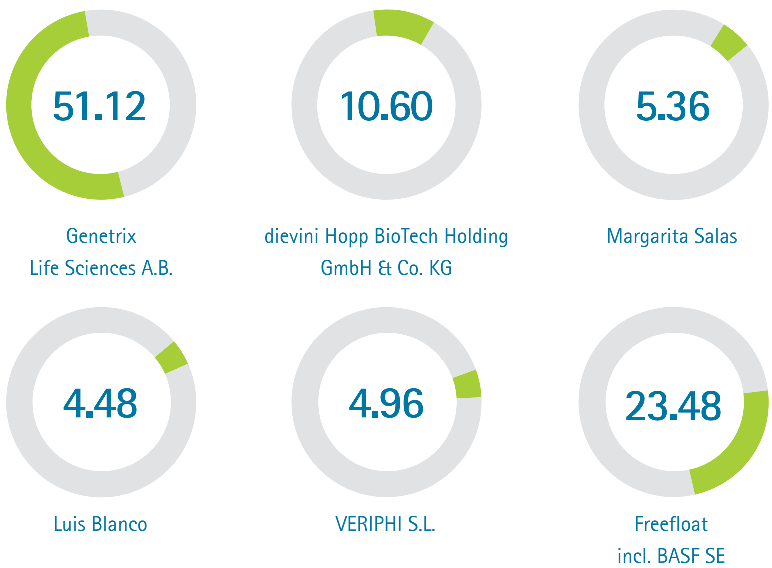
Capital increases

In 2014 the Company has resolved three capital increases against cash amounting to €288 thousand. The registration in the Commercial Register was done in April, July and November 2014, the issued capital was thus increased to €10,822,662.00. The total subscription price amounts to €1,339 thousand.

In December 2014, the Management Board with the approval of the Supervisory Board has resolved a capital increase against cash of €2,475,678.00, which was completed on 11 December 2014. The capital increase was executed by using the authorised capital of the Company. The subscription price amounted to €4,951,356.00. This capital increase was registered on 8 January 2015.

Furthermore, the Company issued further equity of €47 thousand with a total subscription price of €123 thousand, which was registered on 2 April 2015. These capital increases were also executed by using the authorised capital of the Company and the new shares were fully subscribed by the US based investment company YA Global Master SPV LTD, Jersey City, USA (YA Global).

Shareholder Structure (in %)



REPORT OF THE SUPERVISORY BOARD

The Supervisory Board reports below on the performance of its duties during the fiscal year 2014. The business focus is on the development and marketing of innovative technologies in the molecular diagnostic field.

In the reporting year, the Supervisory Board performed the tasks required by law and the memorandum and articles of association with diligence. It examined the Company's situation and future at various meetings (plenary sessions and committees) as well as advised the Management Board on the management of the Company, ensuring that it performed properly and in accordance with the law at all times.

Cooperation between the Management Board and Supervisory Board

The Management Board provided the Supervisory Board with regular, timely and comprehensive written or oral reports on key aspects and events, particularly those relating to the economic and financial situation and their impact on the Company and its employees, as well as fundamental issues concerning corporate planning and strategy, the risk situation as well as compliance. The Management Board presented, justified and discussed with the Supervisory Board all relevant issues, including also any deviation from approved plans. Furthermore, the Management Board ensured that the Supervisory Board was fully involved at an early stage in all decisions of material strategic and operational significance to the Company. It consulted with the Supervisory Board in advance to determine the course of action to be taken. Matters requiring the approval of the Supervisory Board were presented to the Supervisory Board for resolution in good time. Following thorough examination and detailed consultation with the Management Board, the Supervisory Board voted on the Management Board's draft resolutions and reports. In urgent cases, resolutions were passed outside of scheduled meetings by written procedure or by telephone.

The Supervisory Board was also informed between meetings of important business transactions by means of written reports and, whenever it was deemed necessary, a resolution was drawn up in writing in close coordination with the Chairwoman of the Supervisory Board. The Chairwoman of the Supervisory Board and the Chairman of the Audit Committee were also kept up to date by the Management Board on all relevant key developments and decisions taken in the Company. Where necessary, the Chairwoman of the Supervisory Board arranged for important matters to be dealt with in plenary sessions or by the appropriate Supervisory Board committee. As a result, the Supervisory Board was informed of current developments and upcoming decisions at all times.

The Supervisory Board held three physical meetings and four telephone conferences in the fiscal year 2014. Each member of the Supervisory Board attended at least half of the Supervisory Board meetings in the reporting period. Prior to each Supervisory Board meeting, the Management Board sent detailed reports and comprehensive draft resolutions to the members of the Supervisory Board. Referring to the reports received from the Management Board, the Supervisory Board discussed in detail at each meeting the development of business and any decisions of significance to the Company taken in the committees and plenary sessions.

Focus of supervisory board activities

From an early stage, the Supervisory Board was closely involved in all decisions of significance for the Company. Decisions were based on the Company's agreed business strategy. The discussions held and decisions taken by the Supervisory Board were based on comprehensive documentation provided by the Management Board in advance of each meeting.

The Management Board's reports during the past fiscal year 2014 focused on providing detailed updates of the financial status of the Company, the development of the projects, the new business strategy, the funding process through the rights offer and other significant corporate matters. The information provided by the Management Board was substantiated occasionally by reports from the Chairman of the Audit Committee.

The Management Board reported in the plenary session on a regular basis on the liquidity situation and the financial planning of the SYGNIS group. In October 2014, the Supervisory Board has approved an increase of the issued capital of the Company totalling €2,475,678.00 by issuing new shares against cash contribution through a rights offer to the existing shareholders. The rights offer was at a subscription price of €2.00 per share, resulting in a total gross amount of cash of €4.95 million received by the completion of the capital increase.

The discussions of the Supervisory Board focused on the financial situation of the Company and the deviations to the business plan, the development of the projects, in particular the development of the sales of QualiPhi by Qiagen, the update on the budget and the company goals for 2014 as well as the change of the product and commercialization strategy. The Supervisory Board also discussed the agenda items for the Annual General Meeting and the terms of the capital increase through a rights offer. Via the Audit Committee and at plenary sessions, the Supervisory Board was also updated regularly on the Group's risk situation and risk management as well as compliance.

Following the ordinary meetings, the Supervisory Board reviewed the efficiency of its control and advisory activities, including cooperation with the Management Board. The results were used to further optimise the activities of the Supervisory Board.

Management board matters

Mrs. Pilar de la Huerta is the sole member of the Management Board. She holds both positions, CFO and CEO. The Supervisory Board will conduct a thorough assessment of the question of whether to enlarge the Management Board in light of the demands placed on management in future.

At a plenary session, the Supervisory Board also discussed Management Board remuneration, including, in particular, the definition of targets for the variable component.

Composition of the Supervisory Board

Werner-Friedrich Knuth Schaefer has left the Supervisory Board on 16 July 2014. The Chairwoman thanked Mr. Schaefer for his work and efforts for the Company. She welcomed Mrs. Maria Jesús Sabatés as new member of the Supervisory Board.

By resolution of the Annual General Meeting held on 17 July 2014, Mrs. Maria Jesús Sabatés was elected as new member of the Supervisory Board. According to section 5.4.3 sentence 1 of the German Corporate Governance Codex the election of the new Supervisory Board member was held as single election. In addition the Annual General Meeting held on 17 July 2014 elected a substitute members for the new Supervisory Board member who have been elected to the Supervisory Board on the same date. The elected substitute member is Mr. Santiago Sabatés Mas.

Activities of the committees

In order to perform its duties effectively, the Supervisory Board has set up an Audit Committee and a Nomination and Remuneration Committee as sub-committees of the Supervisory Board, which support the work carried out in the plenary sessions. The committees prepare the resolutions and the topics to be discussed by the full Supervisory Board. The chairman of each committee subsequently reported to the Supervisory Board at the next plenary session on the details and results of the work performed at the committee meetings.

The Audit Committee held three ordinary meetings in the reporting period. Its activities mainly focused on monitoring the accounting process, the preliminary audit of the separate and consolidated financial statements and management reports for the fiscal year 2013, discussing the audit reports and defining the areas of audit focus with the external auditors. The Audit Committee discussed the quarterly reports with the Management Board prior to publication. The committee also dealt with the examination and review of financial planning, the risk management system and the effectiveness of the internal control system. The committee prepared the Supervisory Board's proposal to the annual general meeting for the election of external auditors, awarded this engagement for the annual and consolidated financial statements and monitored the independence of the external auditors as well as any non-audit services they had provided.

During 2014 the Supervisory Board decided to create a temporary sub-committee to monitor and follow the increases of capital linked to the uses of SEDA. This committee had no specific remuneration and no physical meetings (all communications were done electronically).

The Nomination and Remuneration Committee had no meetings nor activities during the past fiscal year.

Corporate Governance

The Supervisory Board, as in the past, regularly dealt with the continuing development of corporate governance and its implementation at SYGNIS. The corporate governance report, which is part of this annual report, contains further details of corporate governance at SYGNIS. In March 2015, the Supervisory Board and the Management Board of SYGNIS AG issued the declaration of compliance with the German Corporate Governance Code in accordance with Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] and made it permanently available on the Company's website. It is a component of the corporate governance report included in this annual report.

The Management Board and Supervisory Board of SYGNIS AG are committed to the interests of the Company. In performing their duties, they pursue neither personal interests nor do they grant other persons unjustified advantages. Secondary activities are to be disclosed to the Supervisory Board and require the Supervisory Board's approval. The members of the Management Board and of the Supervisory Board inform about any conflict of interests without delay. There were no conflicts of interests regarding members of the Management Board and Supervisory Board in the fiscal year 2014. Significant transactions between the Company and the members of the Supervisory Board or parties related to members of the Supervisory Board require Supervisory Board approval. This also applies in the case of consultancy or other service agreements between a Supervisory Board member and the Company.

In the 2014 fiscal year the Company maintained business relationships with Coretherapix, S.L.U., Madrid, Spain, which is a subsidiary of the sole shareholder of Genetrix Life Sciences A.B., Uppsala, Sweden (main shareholder of SYGNIS). In this regard, SYGNIS Spain has received services in the areas of legal, personnel, finance, public and investor relations and IT. SYGNIS Spain has expensed amounts of €113,434 in fiscal 2014. As of 31 December 2014 an amount of €9,873 thousand was outstanding for payment.

In March 2013, the main shareholders of the Company, Genetrix Life Sciences, A.B. and dievini Hopp BioTech holding GmbH & Co. KG granted a loan of €713,000 with an interest-rate at customary market conditions. The Chairwoman of the Supervisory Board of SYGNIS AG is Chairwoman of the Board of Directors of Genetrix, S.L, which is the sole shareholder of Genetrix Life Sciences, A.B. The Deputy Chairman of the Supervisory Board of SYGNIS AG is Managing Director of dievini Hopp BioTech holding GmbH & Co. KG. The loan is unsecured and is due for repayment not before the end of 2015. The balance of the loan including accumulated interest is €859,042 as of 31 December 2014.

In July 2013 a group of international investors comprising the Bedford Investment Fund, The Excalibur Investments Fund and Casticapital, S.L. as well as Mr. Gonzalo Rodríguez-Fraile Díaz, who is a former member of the Supervisory Board of SYGNIS AG, granted a loan of €550,000 to the Company. Another member of the Supervisory Board of SYGNIS AG, Mr. Pedro-Agustín del Castillo Machado, is Chairman of the Board of Directors of Casticapital, S.L. The loan bears interest at customary market conditions. The loan was secured and due for repayment not before the end of 2014. Under the loan agreement, the international investors may have, subject to certain conditions, participated in a possible capital increase of SYGNIS AG by subscribing for newly issued SYGNIS shares from the Company's authorized capital. The balance of the loan including accumulated interest of €642,283 was completely paid back on 22 December 2014.

The Supervisory Board approved the completion of these loan agreements in each case.

Annual and consolidated financial statements

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, rendered an unqualified audit opinion on the annual financial statements for the period from 1 January 2014 to 31 December 2014, which were prepared by the Management Board in accordance with the provisions of the HGB ["Handelsgesetzbuch": German Commercial Code], and the management report of SYGNIS AG, as well as the consolidated financial statements ending 31 December 2014 prepared in accordance with IFRSs and Sec. 315a HGB and the group management report of the SYGNIS Group (SYGNIS AG and its subsidiaries).

The external auditors are of the opinion that the consolidated financial statements and the separate financial statements, prepared in accordance with the applicable financial reporting standards, give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group. The Supervisory Board's Audit Committee awarded the audit engagement in accordance with the resolution taken by the annual general meeting of SYGNIS AG on 17 July 2014.

This year's audit focused on impairment testing of intangible assets (including goodwill) and the verifiable documentation of the valuation assumptions as well as the reporting in the notes to the consolidated financial statements, the group management report (including the opportunities and risk report) and securing of long-term financing to safeguard the Company's ability to continue as a going concern.

The annual financial statements, the consolidated financial statements, the management reports and the audit reports of the external auditors were presented to the members of the Supervisory Board in good time. Following detailed initial discussion at the meeting of the Audit Committee held on 24 April 2015, a resolution was passed on the same day recommending them for approval to the Supervisory Board. The Chairman of the Audit Committee presented a detailed report in the plenary session on 24 April 2015 of the Supervisory Board on the Audit Committee's examination of the annual financial statements, the consolidated financial statements and the management reports. The auditor attended the Audit Committee and Supervisory Board meetings to report on the key scope and findings of the audit and was available to answer the Supervisory Board's follow-up queries and supply supplementary information. Following its own in-depth examination and discussion, the Supervisory Board raised no objections to the financial statements or the audit by the external auditors. The Supervisory Board accepted the findings of the audit and, in accordance with the recommendation of the Audit Committee, approved the annual financial statements of SYGNIS AG and the consolidated financial statements for the fiscal year 2014 on 24 April 2015. The financial statements are therefore adopted.

Dependent company report

The Management Board of SYGNIS AG prepared a dependent company report in accordance with Sec. 312 AktG, which was submitted to the Supervisory Board members without delay upon completion.

The dependent company report was audited by the external auditors who rendered the following unqualified audit opinion thereon:

"Based on our audit and assessment in accordance with professional standards, we confirm that

- the actual disclosures contained in the report are correct;
- the payments made by the company in connection with transactions detailed in the report were not unreasonably high."

Mannheim, 24 April 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Grathwol Wirtschaftsprüfer [German Public Auditor]	Jakob Wirtschaftsprüfer [German Public Auditor]

The dependent company report prepared by the Management Board was submitted to the members of the Supervisory Board, together with the report of the external auditors thereon, and discussed in detail at the meeting on 24 April 2015. A representative of the auditors took part in the meeting and reported on the significant audit findings. He also answered the Supervisory Board's questions and was on hand to respond to any other issues and provide information. The Supervisory Board approved, without objections, the findings of the audit of the dependent company report carried out by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft.

Following its own review, the Supervisory Board did not raise any objections to the dependent company report prepared by the Management Board. According to the final conclusion of the Supervisory Board's review, there were no objections to the declaration of the Management Board made at the end of the dependent company report.

The Supervisory Board would like to thank the Management Board and all of the Company's employees for their personal commitment and excellent performance in the past fiscal year.

Madrid, Spain, 24 April 2015

Dr. Cristina Garmendia
Chairwoman of the Supervisory Board

Group Management Report

Group Management Report for the 2014 fiscal year

I. Basic information of SYGNIS AG and SYGNIS Group

Business model of SYGNIS AG and SYGNIS Group

SYGNIS AG is a holding company providing management and other services to its subsidiaries. These services primarily focus on the group strategy, administrative tasks such as accounting, legal, human resources, public relations and financial control. In addition, SYGNIS AG supports the financing of its subsidiaries' ongoing business activities. The activities of the SYGNIS Group (hereinafter also referred to as SYGNIS) are thus mainly determined by the research and development activities of SYGNIS Biotech S.L.U., Madrid/Spain and SYGNIS Bioscience GmbH & Co. KG, Heidelberg which are presented below.

The product portfolio of SYGNIS comprised at the year-end technologies and tools for DNA amplification and sequencing: QualiPhi, QualiPhi mutants, PrimPol, Double Switch and DNA Repair Kit. In addition, the Company has initiated the sale of its own products which started in January 2015, after period end. The first kits of the TruePrime™ product line based on its proprietary PrimPol™ technology and intended mainly for NGS applications.

Internal management system of SYGNIS AG and SYGNIS Group

The financial management system of SYGNIS AG and SYGNIS Group is based on monthly reports that also show deviations from budget. Significant deviations are updated in the short- and long-term financial planning. By simulating different scenarios, the planning tool used for this purpose enables the Management to identify and assess opportunities and risks at an early stage and determine their influence on the future development of the group, particularly with regard to the liquidity and revenue indicators and the net result.

The research and development activities are conducted primarily by own employees in Spain and Germany. The management of the development activities is based on detailed project plans that contain defined milestones associated with specified reporting and information obligations. The results are continuously monitored by the internal project teams and reported to the Management and Supervisory Board on a regular basis.

II. Report on Economic Position

Macroeconomic and sector-specific environment

Economic development

The growth of the world economy has strengthened in the course of the year 2014. While the development was moderate in the first half of the year, it was more dynamic in the second half. However, growth in the euro area was slightly weaker than expected. According to the International Monetary Fund (IMF) the global economy grew by 3.3% in 2014 (prior year: 3.3%). In Germany, the gross domestic product slightly increased by 1.5% (prior year: 0.5%). The economic activity improved significantly in Germany in the second half of the year. Spain recorded a slight growth again, 1.4% after a development of -1.2% in the prior year.

Sources: IMF, IfW Kiel

Capital markets

The stock markets in Germany developed positively, especially in the area of technology. The biotechnology subsector was up 23.1% (prior year 34%). Some listed companies were able to newly fund their pipelines with fresh capital. TecDAX closed after a varying year with a plus of 17.5% (prior year 41%), while the DAX only increased by 2.7% (prior year: 26%). The euro has reduced its value compared with the US dollar in 2014 by 11.4%.

Development of the pharmaceutical and biotechnology industry

The overall growth trend in the pharma industry remained unchanged, based on demographic changes and the expansion of emerging countries as China and India.

Due to the debt reduction of some countries the economic situation in Europe continued to be tight. Furthermore, low health expenditure led to a lower sales growth. Very restrictive conditions resulted in the stagnation of research investments, as it was quite hard for companies to maintain the research pipeline without tax benefits and the lack of venture capital.

In Germany, the cost saving program of statutory health insurances impacted the 2014 development. The increased mandatory discounts, voluntary discounts and stronger competition led to a significant reduction of pharmaceutical expenditure in the recent years. AMNOG's benefit analysis partly acted as a break and negatively affected the balance between savings and required investments, resulting in disadvantages for patients. However, this development trend has recently started to improve.

Despite these challenges the development of the sector showed a positive picture overall in 2014: in 2015, the worldwide expenditure for drugs shall have increased by 20%, in Germany at least by nearly 7%.

Sources: IMS Institute for Healthcare Informatics, The Global Use of Medicines: Outlook through 2017, November 2012; Kassenärztliche Bundesvereinigung (KBV), Rahmenvorgaben für 2014, www.kvno.de

b. Business performance of the SYGNIS Group

1. General performance

The main business focus in the 2014 fiscal year was on the development of the exclusive license agreement signed with Qiagen on QualiPhi (SensiPhi®) and the further development of the product pipeline in the field of molecular diagnostic and DNA tools to be used for NGS (Next Generation Sequencing). SYGNIS has strengthened its activities to focus on marketing and product development in order to increase corporate control over the commercialization of the proprietary technology and related products through direct sales and distribution agreements and proprietary product launches in addition to the previous licensing strategy. Based on PrimPol, SYGNIS has developed its own product line TruePrime™ addressing a multitude of applications for the amplification of various DNA or RNA species. The first proprietary kits targeting DNA amplification from single cells were launched after period-end in January 2015.

Net loss in fiscal year 2014 amounted to -€3.5 million (previous year: -€3.2 million) and therefore was weaker than the original planning. Different effects caused this development: Although operating expenses were reduced by €1.2 million, revenues at €0.4 million were lower than in the previous year (€0.5 million), and significantly lower than planned as products could not be sold as expected. Additionally, the tax income on tax loss carry-forwards in the previous year omitted. Liquid funds as at 31 December 2014 amounted to €3.8 million. They significantly increased compared to the last year (€2.2 million as at 31 December 2013) and are higher than forecasted, primarily due to the successful capital increase in December 2014.

Key events in fiscal 2014 – in chronological order

Product launch based on SensiPhi®

On 12 February 2014, SYGNIS announced that its licensing partner Qiagen launched the first two products of a series of kits based on SYGNIS' proprietary amplification technology SensiPhi®. The two kits, REPLI-g WTA Single Cell Kit and REPLI-g Cell WGA & WTA Kit, are commercialized globally through Qiagen's established distribution channels. The product launches result from a global exclusive license agreement with Qiagen signed in July 2012.

Use of SEDA equity line

During 2014 SYGNIS has made use of the SEDA equity line in several tranches. In total SYGNIS has received new equity amounting to €1.5 million. In this regard the Company issued around 335,000 new shares to YA Global Master SPV LTD, Mountainside, NJ, USA.

Double Switch patent transfer agreement

On 12 May 2014, SYGNIS announced that it has signed a patent transfer agreement for some patents linked to the Double Switch project with SYSTASY Bioscience GmbH, Göttingen, a service provider in drug discovery. The transferred IP is part of a broader IP family covering SYGNIS' proprietary Double Switch technology for the qualitative and quantitative detection of the interactions of two proteins. The agreement comprises upfront payments and a royalty component. The Company still maintains other patents linked to this technology with the aim of signing additional non-exclusive agreements with other companies.

Annual General Meeting

At the Annual General Meeting of SYGNIS AG held on 17 July 2014 shareholders, representing about 83 percent of the capital, approved all the proposals put forward by Management including key decisions related to the discharge of the members of the Supervisory and the Management Board for the past fiscal year, the election of new members to the Supervisory Board, and the creation of new authorised capital. As a result, Mr. Werner-Friedrich Knuth Schaefer has left the Supervisory Board being replaced by Mrs. Maria Jesús Sabatés.

PrimPol at the DNA Polymerases Conference 2014

Early September 2014, SYGNIS presented a newly characterized thermostable member of the recently discovered family of PrimPol polymerases at the Zing DNA Polymerases Conference 2014, in Cambridge, Great Britain. This highly recognized conference is one of the key platforms for scientific players in the field of polymerases worldwide. This year's main topic was "DNA Polymerases: Biology, Diseases and Biomedical Applications", discussing the discovery of new DNA polymerases and their potential biotechnological applications mainly in the NGS market.

The presentation of a newly introduced thermostable polymerase characterized and produced by SYGNIS, isolated from thermophilic bacteria Thermus thermophilus (Tth), was clearly in the focus of attention at the conference. SYGNIS highlighted TthPrimPol as an emerging new enzyme for the amplification of DNA. Moreover, when combined with SYGNIS' proprietary Phi29 DNA polymerase, TthPrimPol's exceptional ability to synthesize its own DNA primers allows for the amplification of various genomic DNAs without adding any synthetic random primers.

Presentation of our first own product line based on PrimPol technology: TruePrime™

TruePrime™ is the brand name of a series of kits dedicated to the amplification of various DNA or RNA species for a multitude of applications. TruePrime™ stands for a revolutionary change in the way DNA or RNA is amplified. While the current gold standard MDA (multiple displacement amplification) needs short pieces of DNA ("oligonucleotides") to start off the amplification, TruePrime™ does not need any synthetic random primers.

Initial non-exclusive distribution agreement for TruePrime™ with BioCat GmbH

With this agreement, SYGNIS granted BioCat GmbH, Heidelberg, non-exclusive rights to promote, market, sell, and support TruePrime™ Single Cell WGA kit for the DNA amplification of single cells for next generation sequencing (NGS) applications. TruePrime™ Single Cell WGA kit will be the first in a row of products of SYGNIS' TruePrime™ product family for the amplification of various DNA or RNA species for a multitude of applications that was launched in January 2015.

Successful completion of capital increase

On 11 December 2014, SYGNIS successfully completed a capital increase. With this transaction, the Company's share capital increased from €10,822,662.00 to €13,298,340.00 by issuing 2,475,678 new shares. The increase was registered on 8 January 2015, after period-end. The new shares carry full dividend rights as of 1 January 2014. Gross proceeds amounted to €4.95 million.

2. Results of operations, financial position and net assets

Results of operations

Revenues

Revenues in fiscal year 2014 amounted to €0.4 million (previous year: €0.5 million) and are still not sufficient for balancing operating expenses. Due to lower income than expected from the license agreement with Qiagen, revenue was below the previous year's forecast for 2014.

Revenues are primarily attributable to the Caco-2 licensing rights in the USA, an upfront for the product Double Switch, the second non-exclusive license agreement with Qiagen and services rendered by the Company.

Development of operating expenditure

Compared with the previous year, the total operating expenditure decreased by €1.2 million to €3.6 million. This development is mainly due to reduced R&D costs following the new strategy and lower impairment losses.

Operating expenditure by cost type (€ million)

	2014	2013
Amortisation and depreciation of tangible and intangible assets	0.6	0.7
Materials and purchased services	0.1	0.2
Personnel expenditure	1.7	1.9
Patent and licensing costs	0.1	0.2
Legal, consultancy and costs for annual financial statements	0.5	0.9
Public and Investor Relations	0.2	0.3
Rental costs	0.3	0.3
Royalties	0.2	0.2
Travel costs	0.1	0.1
Insurance and fees	0.1	0.1
Other expenditure	0.3	0.3
Expenditure before offsetting and before recognition of development expenses as asset	**4.2**	**5.2**
Offsetting research grants	-0.1	-0.0
Recognition of development expenses as asset	-0.5	-0.4
Expenditure acc. to earnings statement	**3.6**	**4.8**

Impairment of intangible assets

During the Reverse Acquisition at the end of 2012, SYGNIS has recognised intangible assets amounting to €1.7 million. This was mainly due to the Double Switch project which expected to be out-licensed in a short time period. According to the Management Board's updated estimation of the market potential of Double Switch and the estimated market revenues of future licensing partners, the Company has identified and recorded an impairment loss of €0.3 million in the 2014 fiscal year (previous year: €0.6 million).

Tax expenses

The Company shows tax expenses in fiscal year 2014 of €0.1 million. This expense is mainly due to the release of deferred tax assets that exceeded the release of deferred tax liabilities.

Net loss

Net loss in fiscal year 2014 amounted to -€3.5 million (previous year: -€3.2 million) and therefore was weaker than the original planning. Different effects caused this development: Although operating expenses were reduced by €1.2 million, revenues at €0.4 million were lower than in the previous year (€0.5 million), and significantly lower than planned as products could not be sold as expected. Additionally, the tax income on tax loss carry-forwards in the previous year omitted.

Financial position

The negative cash flow from operating activities was on the previous year's level at €3.6 million. Cash flow from investing activities amounted to -€0.6 million, compared to -€0.1 million in the previous year. Cash flow from financing activities amounts to €5.4 million, compared to €5.5 million in the year 2013. The variation is due to the inflow of cash resulting from the €5.9 million capital increases (after costs for the capital increase of €0.5 million) offset in turn from lower cash inflows from non-current financial liabilities.

Capital structure as of 31 December 2014

Objectives of financial management

Financial management of SYGNIS AG is run on the basic principle of maintaining the liquidity of the Company and to strengthen the equity base in the long-term. To anticipate future demands for liquidity, 12-months liquidity plans are used.

Liquid funds as at 31 December 2014 amounted to €3.8 million. These significantly increased compared to the last year (€2.2 million as at 31 December 2013) and are higher than forecasted, primarily due to the successful capital increase in December 2014.

Asset position

Non-current assets at €8.4 million were below the previous year figure (€8.8 million), mainly due to the reduction of deferred tax assets.

As of 31 December 2014, deferred tax assets for tax loss carry-forwards were recognised amounting to €0.8 million (previous year: €1.0 million). They were offset with deferred tax liabilities resulting in a carrying amount of €0.6 million.

Cash and cash equivalents as at 31 December 2014 were up €1.6 million and amounted to €3.8 million (previous year: €2.2 million), mainly due to the successful capital increase in December 2014.

Long-term debt as at 31 December 2014 of €2.9 million were €0.2 million below the previous year and mainly related to public loans (€2.0 million) and shareholder loans (€0.9 million). Short-term debt decreased from €2.3 million in the previous year to €1.3 million, due to the repayment of an investors' loan of €0.6 million and lower trade payables.

Compared with the previous year, total assets were up from €11.3 million to €12.5 million, mainly due to the higher liquidity level. The equity ratio increased to 67%, (previous year: 53%).

Overall assessment of financial key performance indicators

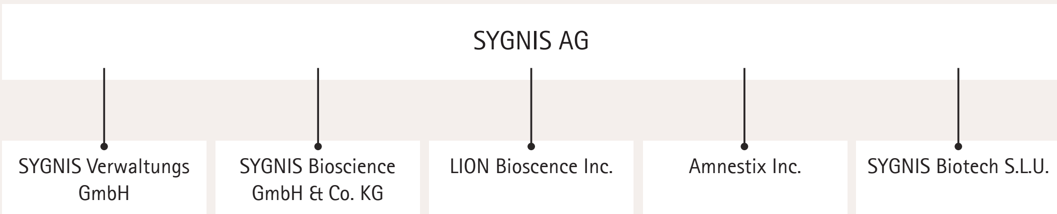
The year 2014 was a year of change and repositioning for SYGNIS. The new strategic orientation of SYGNIS will not rely exclusively on royalty income anymore, but the Group markets its own products since the beginning of 2015, after period-end. In this way we expect that SYGNIS will be less dependent on existing and potential license partners. We are confident that thanks to the capital increase in December 2014, the Group will be able to pursue these new strategic objectives. When this management report was prepared, there were no material changes in the structure of asset, financial and earnings position. In consequence, the Management Board assesses the development of asset, financial and earnings positions for the fiscal year 2014 as positive. Earnings position is stable.

III. Organisation

Corporate structure

SYGNIS holds its main business locations in Heidelberg, Germany, and Madrid, Spain. The Company has leased premises in the technology parks there and owns no property. SYGNIS is organised as a holding structure, with SYGNIS AG registered on the German stock exchange as the publicly traded parent company. Business operations are conducted by SYGNIS Bioscience GmbH & Co. KG and SYGNIS Biotech S.L.U. SYGNIS AG holds 100% of the shares in SYGNIS Bioscience GmbH & Co. KG, SYGNIS Biotech S.L.U., SYGNIS Verwaltungs GmbH, Heidelberg, Amnestix Inc., Needham/MA/USA, and LION bioscience Inc., Needham/MA/USA (LBI).

As at 31 December 2014, the following corporate structure is in place (wholly-owned subsidiaries in each case):



Employees

The nature of the Company's business in an innovative sector environment means that the demands made on personnel in all sections of the Company are high. To meet these requirements, an exceptionally qualified team of experts is absolutely essential.

The number of employees (full-time equivalent) slightly increased from 19 as at 31 December 2013 to 20 as at 31 December 2014. 70% are employed in research and development.

Employees by division *	31 December 2014	31 December 2013
Research & development	14	14
Sales, Marketing & Administration	6	5
Total	**20**	**19**

**) Full-time employees, incl. Management Board, rounded to full FTEs (full time equivalent), all of whom are employees at the Heidelberg and Madrid location.*

IV. Research & Development

In 2014, the SYGNIS' R&D activities focused on the development and production of new products based on various proprietary platform technologies for the next generation sequencing (NGS) and molecular biology markets. The Company expects these products to be launched throughout 2015 and beyond and plans to significantly expand SYGNIS' portfolio of own products. In 2014 the Company successfully developed two product lines: TruePrime™ technology, a revolutionary new technology for whole genome amplification without the need for synthetic random primers and SunScript™, an innovative highly thermostable reverse transcriptase for the transformation of RNA into DNA.

Compared to the previous year, research & development expenses were reduced by €0.8 million to €1.4 million. This was mainly caused by the clear reduction of research activities and the focus on the development of own products. As at 31 December 2014, SYGNIS had 14 employees in the R&D department (previous year: 14).

TruePrime™ product line

A key technology and the basis of SYGNIS' first product line is called TruePrime™. This technology is aimed at amplifying the whole genomic information of human beings or any other organism in a way that preserves the essential details of the genomic information better than the current gold standard in the market.

TruePrime™ is based mainly on a novel enzyme obtained from the thermophilic bacteria Thermus thermophilus called TthPrimPol. This enzyme combines two distinct and complementary activities in a single thermo-stable protein: primase and polymerase. Conventional polymerases require small stretches of nucleotides (primers) annealed to a template molecule to synthesize the complementary sequence. TruePrime™, on the contrary, creates its own primer sequence, thereby providing a totally new approach for amplifying DNA.

The unique primase properties of this enzyme are exploited in combination with the highly processive Phi29 polymerase to replace random synthetic primers in whole genome amplifications. Resulting advantages of a primer-free amplification are enormous and are mirrored in the following key features of the TruePrime™ technology such as complete absence of primer induced artefacts, insensitivity to external DNA contaminations, reduced amplification bias compared to methods using random synthetic primers, and an exquisite reproducibility when amplifying from minute DNA amounts down to single cells. Moreover, TruePrime™ shows superior sensitivity, is easy to use and works perfectly well with commonly used NGS platforms such as Illumina or Ion Torrent.

TruePrime™ Single Cell WGA Kit

The first kit of the TruePrime™ product family, TruePrime™ Single Cell WGA Kit, was developed in 2014 and launched in January 2015. TruePrime™ Single Cell WGA Kit is optimized for the amplification of genomic DNA from single cells.

Single cell analysis has become one of the most exciting applications of Next Generation Sequencing (NGS) today, as it allows, for example, the accurate analysis of cancer related mutations in cells, obtained from biopsies, from different locations in a tumour or the characterization of the status of a patient in personalized medicine. To achieve this goal, reliable amplification from a small quantity of DNA such as the DNA contained in a single cell, is required before applying any downstream analysis such as sequencing.

TruePrime™ WGA Kit

The second product of the TruePrime™ product family, TruePrime™ WGA Kit was launched in February 2015. Like TruePrime™ Single Cell WGA Kit, True Prime™ WGA Kit for the amplification of entire genomes from various sample types and smaller volumes shows outstanding capabilities and the same key advantages linked to the primer free amplification method.

The superior features of the TruePrime™ WGA Kit make this product highly attractive for a wide range of applications and downstream analyses in all areas where researchers are working with limited sample volumes but do not need to obtain DNA from individual cells such as in human genetics, precision medicine, oncology, diagnostics and pathology, to name just a few.

SYGNIS will expand this product line continuously for other applications and expects to generate a steady flow of product launches throughout 2015.

SunScript™ product line

Another product line currently developed by SYGNIS is based upon a novel proprietary highly thermostable reverse transcriptase. A reverse transcriptase (RT) is an enzyme used to generate complementary DNA (cDNA) from an RNA template. The cDNA can then be processed and analysed by numerous downstream techniques including multiple displacement amplification technologies, NGS or polymerase chain reaction (PCR). Due to its simplicity, specificity and sensitivity, reverse transcriptases are used in a wide range of life science applications like gene expression and transcriptome analysis in protein research or virus detection in diagnostics.

In addition, reverses transcriptases have been identified as a promising tool in oncology that might help to improve early diagnosis leading to better prognosis and monitor response rates of patients following treatment.

Due to its high thermostability, SYGNIS' SunScript™ reverse transcriptase is able to resolve the most complex RNA structures, and guarantee full transcriptome coverage. In addition, the enzyme generates high yields of cDNA, and is able to synthesize very long RNA transcripts. First kits based on this enzyme were launched in mid of April 2015. SunScript™ enzymes can be combined with TruePrime™ technologies to create more complex products covering entire workflows.

QualiPhi® / SensiPhi®

QualiPhi® is an improved version of the wild-type Phi29 polymerase showing a significant higher affinity to DNA resulting in an improved efficiency when amplifying DNA, while maintaining unchanged processivity. In 2012, SYGNIS licensed the technology to Qiagen in a global exclusive license agreement. In February 2014, Qiagen launched the first two products of a series of kits based on SYGNIS' QualiPhi® amplification technology now renamed SensiPhi®. The two available kits are:

- REPLI-g Cell WGA & WTA Kit and
- REPLI-g WTA Single Cell Kit

Novel drug screening platform (Double Switch)

SYGNIS' Double Switch technology is based on a protease called "TEV (Tobacco Etch Virus) protease" deriving from a plant virus. This enzyme has virtually no targets in the human proteome and therefore does not cause any damage to mammalian cells. The highly sequence specific TEV protease activates expression of an easily detectable reporter upon interaction of two proteins of interest by cleaving off a transcriptional activator. It can be used either in its entirety ("Full-TEV"), or in a split version ("Split-TEV") to detect protein-protein interactions in a highly sensitive manner. In May 2014, SYSTASY, a German company developing complex screening applications for the detection of protein-protein interactions purchased the patent for the "Split-TEV" Double Switch for use with its EXTassay platform whereas SYGNIS kept the full rights of the full-length version ("Full-TEV") for further licensing activities.

Other products

The Company is currently working on other products and technologies to provide researchers in the field of molecular biology with new enzymes and kits for challenging applications.

Sales & Marketing

During 2014 SYGNIS made big progress in setting up its direct sales capacities and started to promote its own products by implementing a SYGNIS online shop, developing promotional material, establishing relationships with key opinion leaders in molecular biology in the fields of next generation sequencing and single cell analysis, and having (a visible) presence at the key scientific congresses.

At the same time SYGNIS initiated discussions with numerous international distributors and signed an initial agreement with a German distributor for TruePrime™ Single Cell WGA Kit for Europe even before the product was launched. Further agreements followed after period-end. SYGNIS expects to close additional agreements with distributors all over the world throughout 2015.

In addition, the Company is in negotiations with international companies to market its products through OEM (Original Equipment Manufacturer) agreements.

V. Opportunities and risks report

1. Risks

Going concern

The Company focusses on research, development and marketing of new tools for DNA amplification and sequencing. In the year 2013 the Company signed a second non-exclusive license agreement for an amplification buffer with Qiagen. From this license agreement the Company has received proceeds in the form of a one-time payment. On the basis of the license agreement for DNA amplification which was signed with Qiagen in 2012, Qiagen has launched two initial products (amplification kits) at the beginning of 2014.

In addition to QualiPhi, the business plan of the SYGNIS Group comprises mainly other products in the field of Next Generation Sequencing (QualiPhi mutants and PrimPol) and technologies like an innovative screening platform to be used for drug development (Double Switch). In January 2015, the Company has globally launched its first proprietary product TruePrime™ Single Cell WGA Kit, based on PrimPol technology. In February the second kit of this line was launched, the TruePrime™ WGA Kit. In April the first SunScript™ kit followed.

The SYGNIS Group's business plan includes revenues in the form of upfront payments and sales royalties due to the additional out-licensing as well as from the own sale of products starting in 2015. Due to the kit launch, the Company is not solely dependent on future licensing partners anymore. However, the revenue estimations are still uncertain and may differ from the actual amounts.

The liquidity level of the Company as at 31 December 2014 has significantly improved compared with the previous year and amounts to €3.8 million, as the Company has successfully completed a capital increase with gross proceeds of €4.95 million in December 2014. The liquidity requirement is calculated on the basis of a long-term financial plan derived from the business plan and a liquidity preview. Considering the business plan assumptions and based on the financial resources that are currently available, the Company's Management Board sees the operating expenses of SYGNIS as being covered until the break-even situation which is estimated to be in 2016.

The business plan assumptions include revenue estimations from products which are already in the market, for own products such as the new kits and other products which are aimed to be licensed out in a short period of time. In addition, the Company expects funds from new public loans and by the use of the SEDA agreement (standby equity distribution agreement). Only if the SYGNIS Group is not able to realize the estimated revenues or public loans or the use of the SEDA agreement in the fiscal year 2015, the ability to reach the break-even situation is not given and additional funds from shareholders are necessary to maintain the liquidity from 2016 onwards.

Fundamentals of risk management

In compliance with the legal requirements, SYGNIS has set up an effective system for detecting, evaluating, communicating, and managing financial risks and risks to the Company. For this purpose, the Management Board has appointed risk officers and a risk manager within the organisational structure. Regular risk analyses are carried out at Group level for all functional levels of the Company, including Research & Development and Management. The risk officers report the risks to the risk manager, who analyses them and submits a quarterly aggregated risk report to the Management Board. Information on major unforeseen risks is transmitted to the Management Board immediately by means of ad-hoc reports.

The key aim of risk management is to identify and monitor strategic, market-related, financial, and business-specific risks and opportunities at an early stage, in order to take whatever action is necessary, proper and appropriate after careful appraisal.

The main instruments used by SYGNIS to avoid and reduce risks are cost control and project management. The Management Board receives monthly reports on the earnings, financial and asset positions, and the status of current projects. They are used to monitor the progress of project completion as well as the requirements regarding costs and compliance with the time schedule.

In addition, the extended management team meets on a weekly basis. The Supervisory Board met at least once every quarter, and more frequently when there were important decisions to be made, and was kept informed by the Management Board of current status in those areas of significance for the Company (progress made in projects, financing and corporate development). The Company's risk situation is also discussed with the Audit Committee during the examination of the quarterly reports and the annual report.

Accounting-related risk management system and internal control system

In accordance with Section 315 (2) No. 5 of the German Commercial Code, SYGNIS is required to describe the main features of the internal control and risk management system with respect to the Group accounting process, which also includes the accounting processes for companies included in the consolidated financial statements.

The risk management system and the internal control system (hereinafter referred to as "ICS") also include accounting-related processes and focus on material false statements in the annual and interim financial statements. An ICS is understood to mean the principles, procedures and measures introduced by a company that focus on the organisational implementation of management decisions

- to ensure the effectiveness and cost-effectiveness of its business activities by safeguarding the value of its assets, including preventing and revealing asset damage,
- to ensure the correctness and reliability of internal and external accounting, and
- to comply with the legal requirements applicable to the Company.

The Management Board bears overall responsibility for the ICS and the risk management system with regard to the accounting processes when preparing the consolidated financial statements. The control measures at SYGNIS related to accounting are based primarily on the following principles:

- signature rule, including authorisation and approval levels when entering into financial commitments,
- extensive documentation of business transactions,
- clear assignment of responsibilities,
- four eyes principle,
- appropriate financial accounting system including associated authorisation concept,
- use of checklists when preparing quarterly and annual financial statements,
- use of guidelines and work procedures (e.g. accounting standards, guidelines for financial investments and purchasing guidelines), and
- job descriptions.

The monthly, quarterly and annual financial statements are analysed with the aid of appropriate controlling software with respect to budget/actual deviations and accounting mismatches as well as inconsistencies. Prior to publication, the quarterly and annual financial statements are discussed with the Audit Committee, which also carries out its own audit.

The ICS is continually examined for the effectiveness of the controls, and modified if necessary. The Accounting-related internal control system and the early warning system according to section 91 (2) German Stock Corporation Act (AktG) are reviewed during the annual audit.

Fundamental issues arising in the course of preparing the annual financial statements and financial matters arising during the year (e.g. accounting issues and tax issues) are discussed promptly with the Audit Committee. If necessary, additional external consultants are called in to advise on various matters (e.g. valuation of stock options issued in accordance with IFRS, tax losses carried forward and deferred taxes).

The independent auditor is required to inform the Supervisory Board of any accounting-related risks or control weaknesses and any other key weaknesses of the Accounting-related internal control system and the early warning system according to section 91 (2) German Stock Corporation Act (AktG) identified in the course of performing his audit.

Specific business risks

General industry risks

SYGNIS is exposed to the typical risks in the industry for companies in the Life Science business. This naturally gives the Company a high-risk profile, which may directly affect the Company's earnings, financial and asset positions, and thus have a direct effect on the Company's valuation.

The biotech/pharmaceutical environment is very dynamic. Both the market environment and the competitive situation can change very quickly. This also applies to the framework for in/out-licensing of projects.

Risks of marketing products

In 2014 SYGNIS has adjusted the business model. In January 2015, the Company has globally launched its first proprietary product TruePrime™ Single Cell WGA Kit, based on PrimPol technology. In February, the second kit from this product line, the TruePrime™ WGA Kit, was launched globally. The first SunScript™ kit followed in April. Risks could arise due to a lower demand in the market, customer related decline in revenues or delay in product launches. In addition, the marketing of the new SYGNIS kits could be negatively influenced by market consolidation. However, we believe that the diversification of revenues sources arising from this strategy presents less risk than our initial dependence on licensing deals that may be subject to strategic decisions taken by the partners affecting commercial prospects.

In terms of reducing the risks associated with the remaining licensing agreements, SYGNIS is continuing to support its partners and supply them with expertise and know-how required to succeed in the market. The dependence from the commercial success of its partners remains a risk factor, especially when strategic decisions of partners lead to a change in their focus areas.

Product development risks

SYGNIS is developing new products and technologies in the molecular diagnostic field. Before setting up new projects, each project is intensively reviewed by external experts and the members of the Supervisory Board during the regular meetings. These reviews include technical aspects and market potential.

Risks of in-licensing

In order to reduce the Group's dependence on the success of single products, it strives to expand its product portfolio. We are frequently considering options for in-licensing further projects. Extending the product portfolio also increases opportunities in the future marketing. There is a risk, however, that no suitable projects can be in-licensed. There is the added risk of having to pay a very high price for in-licensing, with no guarantee for the success of the project.

Risks from business combinations

It cannot be ruled out that SYGNIS at some time in the future will acquire suitable companies or businesses from other companies that could contribute to sustainable corporate development. The acquisition of companies or businesses can expose SYGNIS to risks associated with the integration of new technologies, business units, company locations and staff. Furthermore, risks can also arise when equity instruments are issued and these would lead to a dilution in the value of the shares held by the former shareholders. In the event that such an acquisition does not achieve the anticipated results, additional expenditure can arise from the devaluation of the acquired assets or goodwill, if appropriate.

IP risks

Patents are an important factor in the commercialization of products. Monitoring and protection of patents have very high priority in the Company. Patent rights can be challenged, however, or the granting of a patent for current projects refused. This would result in considerable additional internal expenditure and higher costs. In extreme cases, this might even result in projects being abandoned.

Personnel risks

To ensure corporate success, it is extremely important for SYGNIS to hire and retain qualified experts at all times. In terms of recruitment, the Company is in competition with other companies. Thus, there is the risk of not being able to hire new staff with the qualifications needed and/or to secure their long-term commitment to the Company. The loss of these staff and the relevant know-how would have an adverse effect on the Company's further business development.

Financing risks

Securing sustainable corporate development by external acquisitions, in-licensing of projects, or in-house research and development activities, requires additional funds. The Company evaluates various options for securing these capital requirements. The actual amount of the future capital requirement depends, among other things, on the ability of the Company to generate future product sales or revenues by itself or through research partnerships. In the event that the Company acquires additional capital by issuing shares, this could lead to a dilution in the value of the shares held by the former shareholders.

Risks associated with the recognition of tax losses carried forward

In addition to previous regulations on loss deduction in accordance with Section 8 (4) of the Corporate Tax Law (KStG), the German legislators introduced stricter legislation with Section 8c of the Corporate Tax Law, which came into force as part of the corporate tax reform on 1 January 2008, in accordance with which the injection of new business assets is no longer the issue and a transfer of more than 25% of the share capital would result in at least a proportion of the losses carried forward not being deductible. A transfer of more than 50% of the share capital, in accordance with the provisions of Section 8c of the Corporation Tax Law, would result in the entire losses carried forward ceasing to exist.

Financial risks

Various financial risks related to financial assets and financial liabilities can have an adverse effect on the asset and earnings position of the Company. These are primarily interest rate risks, credit or default risks, liquidity risks and market price risks.

Risks from cash flow fluctuations/interest rate risks

There are currently no significant floating rate items, so that no interest risks of any significance exist.

Credit or default risks

The Group's cash and cash equivalents are primarily in euros and in the majority of cases capital protected. Any default risk is minimised by the Group's guideline on cash investments, in accordance with which investments are restricted to issuers with a high credit rating.

Liquidity risk

Liquidity risk describes the risk arising when the company is not in a position to meet its liabilities associated with financial instruments when they fall due. This risk can also result from being unable to sell financial assets at an appropriate price.

Other risks

SYGNIS continuously monitors all applicable environmental, health and safety, operational as well as other applicable statutory or industrial guidelines and has implemented functions to comply with all of these effectively at each of its business locations. To reduce the potential impact from manifold tax, corporate, employment, competition, IP and other legal frameworks, the Company bases its decision-making and designs its policies and processes on the advice of internal experts in each of these areas and if necessary on the advice of external advisors. Wherever appropriate and indicated, SYGNIS sets aside provisions to cover any potential liability.

2. Opportunities

The existing or planned projects require considerably shorter development times and development costs compared with drug development. Furthermore, an economic success can be foreseen earlier in development than is the case in drug development. As a result, the Company can use the available resources more efficiently and more purposefully.

Since the beginning of 2015, after period-end, the affiliate SYGNIS Bioscience GmbH & Co. KG markets its own products. Therefore, the dependence on license partners is strongly reduced. In addition, new opportunities to increase the revenue level arise from sales agreements, marketing activities and own sales force.

With regard to the commercialization opportunities, reference is made to the description of the existing product portfolio and further new initiated projects under section "IV. Research & Development".

Overall assessment of risk situation

The Management Board considers the risks to be appropriate overall and trusts the effectiveness of the risk management system with regards to changes in the environment and the need of the current business. The Management Board considers the opportunities regarding the new marketing of own products as very promising.

VI. Disclosures required under Section 315 (4) of the German Commercial Code (HGB)

1. The Company's share capital as at 31 December 2014 amounted to €10,822,662 made up of 10,822,662 no-par value bearer shares. These are exclusively ordinary voting shares. There are no holders of shares with special rights or any other restrictions concerning voting rights. There were sale restrictions with regard to 8,392,986 shares of the Company agreed between dievini Hopp BioTech holding GmbH & Co. KG, Walldorf (1,146,950 shares), Genetrix Life Sciences A.B., Uppsala/Sweden (6,085,664 shares), Ms. Margarita Salas Falgueras (580,186 shares) and Mr. Luis Blanco Dávila (580,186 shares) on the basis of a lock-up-agreement valid until 28 February 2014. For the capital increase in December 2014 of €2,475,678 which was registered on 8 January 2015, a new lock-up agreement was signed, wherein the shareholders Genetrix Life Sciences A.B. (5,523,992 shares), dievini Hopp BioTech holding GmbH & Co. KG (1,146,950 shares), Veriphi, S.L. (672,240 shares), Mr. Luis Blanco Dávila (485,000 shares) and Ms. Margarita Salas Falgueras (580,186 shares) agree not to sell their shares before 28 February 2015. The Management Board is not aware of any further restrictions on voting rights or the transfer of shares, even if they could result from agreements between shareholders.

2. In accordance with Section 315 (4) No. 3 of the German Commercial Code, direct or indirect holdings of share capital that exceed 10% of the voting rights are to be disclosed. As to the information given to the Company the following direct or indirect shareholdings exist that exceed 10%:

Shareholder	Percentage of voting rights	
	Direct	Attribution
Genetrix Life Sciences, A.B., Uppsala, Sweden	51.1 %	-
Genetrix S.L., Madrid, Spain	-	51.1 %
dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany	10.6 %	-
DH-Capital GmbH & Co. KG, Wiesloch, Germany	-	10.6 %
OH-Capital GmbH & Co. KG, Wiesloch, Germany	-	10.6 %
DH-Holding GmbH & Co. KG, Wiesloch, Germany	-	10.6 %
OH Beteiligungen GmbH & Co. KG, Wiesloch, Germany	-	10.6 %
BW Verwaltungs GmbH, Wiesloch, Germany	-	10.6 %
Dietmar Hopp, Walldorf, Germany	-	10.6 %
Oliver Hopp, Walldorf, Germany	-	10.6 %
Berthold Wipfler, Karlsruhe, Germany	-	10.6 %

3. Under Section 6 of the Company's Articles of Association, the Management Board comprises one or more members, while the actual number of additional Management Board members is determined by the Supervisory Board. The Supervisory Board can appoint a chairman and one or more deputy chairmen of the Management Board. The appointment and removal of Management Board members are governed by Sections 84 et seq. of the German Stock Corporation Act (AktG) and the supplementary provisions of the Supervisory Board bylaws. Amendment of the Company's Articles of Association is governed by Sections 133 and 179 of the German Stock Corporation Act in conjunction with Section 9 (7) of the Articles of Association of SYGNIS AG. Under the Articles of Association of SYGNIS AG, a resolution of the Annual Shareholders' Meeting approving an amendment to the Articles of Association requires a simple majority of the share capital represented when the resolution is put to the vote, unless this is prohibited by mandatory statutory provisions.

4. The Annual Shareholders' Meeting granted the Management Board authority to issue the following new shares or conversion rights:

4.1 In accordance with Section 4 (4) of the Articles of Association of SYGNIS AG, the Management Board is authorised with the Supervisory Board's consent to increase the share capital by and including 16 July 2019 by issuing new ordinary bearer shares in return for cash or non-cash capital contributions on one or more occasions, the total value of which, however, may not exceed €5,222,679.00 (authorised capital). Only with the Supervisory Board's consent may the Management Board disqualify the shareholders' statutory subscription rights:

- for fractional amounts,
- for granting shares in return for non-cash capital contributions, especially in the course of mergers with companies or of company acquisitions, discrete elements of companies or equity interests in companies,
- in the event that a capital increase involves cash contributions, and the total proportion of the share capital represented by the new shares for which the subscription right has been disqualified does not exceed 10% of the share capital registered on the date this authorisation takes effect and is exercised, and the issue amount, as defined in Section 203 (1) and (2) and Section 186 (3) sentence 4 of the German Stock Corporation Act, is not significantly below the market rate of the previously listed shares of the same kind and terms of issue on the date on which the issue amount is finally determined by the Management Board.

4.2 In accordance with Section 4 (6) of the Articles of Association of SYGNIS AG, the Company's share capital is contingently increased (contingent capital II) by up to €533,333 by issuing up to 533,333 ordinary bearer shares, which are equivalent to the previously issued ordinary bearer shares. The contingent capital increase will be carried out only insofar as the holders of stock options issued by the Company prior to 26 November 2010 in accordance with the authorisation given by the Annual Shareholders' Meeting held on 28 November 2007, within the last 15 business days of each calendar month, but on the first occasion no earlier than the entry of the creation of contingent capital II in the German Commercial Register, exercise their subscription rights and the Company does not grant treasury shares in fulfilment of the subscription rights. The new ordinary bearer shares resulting from the exercising of these subscription rights are entitled to carry dividend rights from the beginning of the fiscal year in which they were created.

4.3 In accordance with Section 4 (7) of the Articles of Association of SYGNIS AG, the Company's share capital is contingently increased (contingent capital III) by up to €600,000 by issuing up to 600,000 ordinary bearer shares, which are equivalent to the previously issued ordinary bearer shares. The contingent capital increase will be carried out only insofar as the holders of stock options issued by the Company prior to 25 November 2011 in accordance with the authorisation given by the Annual Shareholders' Meeting held on 27 November 2008, within the last 15 business days of each calendar month, but on the first occasion no earlier than the entry of the creation of contingent capital III in the German Commercial Register, exercise their subscription rights and the Company does not grant treasury shares in fulfilment of the subscription rights. The new ordinary bearer shares resulting from the exercising of these subscription rights are entitled to carry dividend rights from the beginning of the fiscal year in which they were created.

4.4 In accordance with Section 4 (8) of the Articles of Association of SYGNIS AG, the share capital is contingently increased (contingent capital IV) by up to €500,000 by issuing up to 500,000 ordinary bearer shares, which are equivalent to the previously issued ordinary bearer shares. The contingent capital increase will be carried out only insofar as the holders of stock options issued by the Company prior to 24 November 2016 in accordance with the authorisation given by the Annual Shareholders' Meeting held on 25 November 2011, within the last 15 business days of each calendar month, but on the first occasion no earlier than the entry of the creation of contingent capital IV in the German Commercial Register, exercise their subscription rights and the Company does not grant treasury shares in fulfilment of the subscription rights or the value of the shares to be issued based on the exercise of the subscription rights less the exercise price is paid in the form of a cash payment for the waiver of the beneficiary's corresponding subscription rights. The new ordinary bearer shares resulting from the exercising of these subscription rights carry dividend rights from the beginning of the fiscal year for which a resolution of the Annual General Meeting on the appropriation of retained profits had not yet been made on the date on which the subscription rights were exercised.

4.5 In accordance with Section 4 (9) of the Articles of Association of SYGNIS AG, the share capital is contingently increased (contingent capital V) by up to €6,500,000 by issuing up to 6,500,000 ordinary bearer shares. The contingent capital increase will be carried out only insofar as the holders of convertible bonds or persons required to exercise their conversion rights on convertible bonds issued or guaranteed by the company or by a Group company within the meaning of Section 18 of the German Stock Corporation Act, in which the company has a direct or indirect shareholding of more than 50 %, in accordance with the authorisation given by the Annual Shareholders' Meeting held on 25 November 2011, exercise their conversion rights or, insofar as they are required to convert the convertible bonds, meet their requirement to convert their convertible bonds and insofar as the contingent capital in accordance with the terms and conditions of the convertible bonds is needed for granting shares to service conversion rights and/or obligations. The issue of new shares is carried out at the conversion price to be determined in each case on the basis of the above-mentioned authorisation. The new shares carry dividend rights from the beginning of the fiscal year for which a resolution of the Annual General Meeting on the appropriation of retained profits had not yet been made on the date on which the subscription rights were exercised.

5. At the reporting date, no material agreements involving the Company existed that would take effect in the event of a change of control following an acquisition bid. The terms of the stock options based on the stock option programme concluded in 2011, however, stipulate that, in the event of a change of control, the three-year waiting period for 50% of the stock options granted can be reduced by the Company to two years.

6. The Company has made no agreements with members of the Management Board or with personnel on compensation payments in the event of an acquisition bid.

VII. Remuneration report

The remuneration report summarises the key elements of the remuneration system for the Management Board of SYGNIS AG and describes in particular the structure and the amount of remuneration for the members of the Management Board. It also includes a description of the basic principles and the amount of remuneration for the members of the Supervisory Board. It is prepared on the basis of the recommendations of the German Corporate Governance Code and also includes the disclosures that are required in accordance with the relevant legal regulations, primarily the German Commercial Code (HGB). This report is also an integral part of the Corporate Governance Report. The Corporate Governance Report is included in the SYGNIS annual report, which can be downloaded at www.sygnis.com.

Management Board remuneration

The overall structure of the remuneration system for the Management Board is deliberated and reviewed on a regular basis by the Supervisory Board's plenary session, which is responsible for determining the appropriate remuneration to be paid to the individual members of the Management Board. In view of the importance of Management Board's composition and the associated remuneration of the individual members, the Supervisory Board has formed a separate Nomination and Remuneration Committee. The non-performance-related components and the basic structures of the performance-related components are included as part of the service contracts agreed with the individual Management Board members.

The aim and purpose of the remuneration system for the board members of our Company is to allow the members of the Management Board to share in the development of the Company's business commensurate with their individual duties and performance for the Group and the successes achieved in managing the economic and financial position of the Company, taking into account the environment in which it competes. The total remuneration of the Management Board is performance-based and in the 2014 fiscal year was made up of various components:

- a non-performance-related component (basic salary) and other benefits
- a performance-related component (variable bonus)

Until the merger with the former X-Pol Biotech S.L. in October 2012, the Company has granted stock options to the Management Board as a component with a long-term incentive effect. In the 2014 fiscal year no further stock options have been granted. The Company will decide in future periods to implement again similar remuneration components.

The non-performance-related components consist of a fixed amount specified in the service contract or consulting contract and paid as twelve monthly salary payments, plus benefits consisting primarily of insurance benefits, subsidies for pension, health, social and invalidity insurance contributions.

By January 2014 the CEO of the Company, Pilar de La Huerta has not yet agreed an employment contract with SYGNIS AG. In this respect, Mrs. de La Huerta has received a non-performance-related component as a consulting fee on the basis of a consulting agreement between Genetrix S.L. and herself for her services rendered to SYGNIS Biotech S.L.U. and a variable bonus. On the other side, Genetrix S.L. recharged these services including the variable bonus to SYGNIS Biotech S.L.U. on the basis of a separate consulting agreement between Genetrix S.L. and SYGNIS Biotech S.L.U. Effective February 2014, this consulting agreement was changed and Mrs. de La Huerta has received her compensation from SYGNIS AG and SYGNIS Biotech S.L.U. directly. However, she was not yet granted any stock options.

The performance-related component will also be paid in the form of a variable bonus for fiscal 2014. The amount of the bonus in each case depends solely on the achievement of specific target parameters based on the Company's performance. In the case of Mrs. de la Huerta the maximum achievable bonus is specified as 45% of the Management Board member's consulting payments received by SYGNIS Biotech S.L.U or SYGNIS AG respectively. The amount of the variable bonus is based on a yearly assessment of the Company's performance that was calculated by the achievement of strategic and operational goals, such as the completion of the funding process, the increase of the visibility of the Company at the capital market, in addition to other corporate goals. At the end of the fiscal year, the Supervisory Board assessed the progress made in achieving the goals and specified the bonus, taking due consideration of all relevant factors.

Total remuneration for the Management Board in 2014 was as follows:

In € thousands	Non-performance-related	Performance-related	Other benefits*)	Total cash remuneration 2014
Pilar de la Huerta	198	71	15	**284**
From SYGNIS AG	136	71	-	**207**
From SYGNIS Biotech S.L.U.	51	-	15	**66**
From SYGNIS Biotech S.L.U. to Genetrix S.L	11	-	-	**11**

The table below shows in detail the remuneration paid to the Management Board in the 2013 financial year:

In € thousands	Non-performance-related	Performance-related	Other benefits*)	Total cash remuneration 2014
Pilar de la Huerta	183	51	14	**248**
From SYGNIS Biotech S.L.U.	50	-	14	**64**
From SYGNIS Biotech S.L.U. to Genetrix S.L.	133	51	-	**184**
Peter Willinger	204	-	49	**253**

**) These include insurance benefits, subsidies for pension, health, social and invalidity insurance contributions and private use of a company car*

Peter Willinger has resigned from his office as member of the Management Board of the Company effective 31 March 2013, and the employment contract was terminated on the same date. Based on the termination agreement Peter Willinger received the contractual remuneration up to 31 December 2013. For the period from 1 January to 31 March 2014, Peter Willinger was entitled to an additional payment of the basic salary, unless he started a new employment or received similar compensation. According to the Management Board's estimation when preparing the consolidated financial statements, that payment was due for the maximum amount. On this basis, the Company has recognized the amount for January to March 2014 totalling €51 thousand as a liability as of 31 December 2013 which was paid out in 2014.

As a component with a long-term incentive effect, the former members of the Management Board Peter Willinger and Dr. Frank Rathgeb were granted stock options based on SYGNIS AG's 2008 and 2011 stock option programmes. In the case of the stock options issued on the basis of the 2008 stock option programme, 50% of the options may not be exercised until after the expiry of a waiting period of 2 years from the date they are granted, while the remaining 50% may only be exercised at the end of 3 years, assuming that the price of the SYGNIS share in the period between the issue date of the stock option in question and the permissible exercise date of the option has risen by at least 50%. By comparison, the stock options issued on the basis of the 2011 stock option programme may not be exercised until after the expiry of a minimum waiting period of 4 years from the date they are granted. This also applies on condition that the price of the SYGNIS share in the period between the issue date of the stock option in question and the permissible exercise date of the option has risen by at least 50%. The value of the stock option in question is spread over the vesting periods and is treated as an expenditure in each financial year. The main features of the stock option plans from which members of the Management Board have received stock options are described in more detail in the Notes to the Group financial statements.

In the event that a service agreement is not extended, the Management Board member concerned is not entitled to any severance payment according to the remuneration principles of the Company. Management Board members can exit or leave the Company with a notice period of four months. No other obligation exists from any other side in any situation.

There are no Company pension commitments with respect to members or former members of the Management Board of the SYGNIS Group. Loans, advance payments or benefits other than those mentioned in this remuneration report were not granted to the members of the Management Board in the reporting year. The members of the Management Board did not receive benefits from third-parties that were either promised or granted in view of their position as members of the Management Board.

Supervisory Board remuneration

The remuneration of the members of the Supervisory Board is determined by the Annual General Meeting and is written in Article 10 of the Articles of Association of SYGNIS AG. In compliance with the German Corporate Governance Code, the individual members of the Supervisory Board of SYGNIS AG receive both a fixed and a performance-related remuneration.

The fixed salary each member receives amounts to €20,000. The Chairman receives twice the amount and the Deputy Chairman one and a half times the amount of remuneration received by a member of the Supervisory Board. Besides this salary, each chairman of a Supervisory Board committee receives €10,000 remuneration, provided the committee meets at least twice during the financial year. In addition, Supervisory Board members receive a variable remuneration amounting to 10 % of the fixed salary in each case for the first financial year in which a positive return on equity is achieved. In the following years, the percentage of the basic salary in each case, which is to be paid as a variable salary, is equivalent to the return on equity (percentage) based on the Group financial statements. Members of the Supervisory Board who are active members only for part of the financial year receive an appropriate pro rata reduced remuneration. All Supervisory Board members are reimbursed for any expenses arising from the performance of their duties.

The remuneration of the Supervisory Board members (without out-of-pocket expenses) were €148 thousand in fiscal year 2014. In the previous year the Supervisory Board has waived its remuneration by resolution taken in December 2012, with exception of Joseph M. Fernandez and Dr. Franz-Wilhelm Hopp. The allocation of the remuneration for 2012 and regarding Mr. Fernandez and Mr. Hopp also for 2013 paid in 2014 is as follows:

In € thousands	Fixed	Variable
Dr. Cristina Garmendia Mendizábal (since 17 October 2012)	8	-
Dr. Friedrich von Bohlen und Halbach	28	-
Gonzalo Rodrigez-Fraile Diaz (from 17 October 2012 until 28 August 2013)	4	-
Pedro-Agustin del Castillo Machado (since 17 October 2012)	4	-
Dr. Joseph M. Fernandez (since 17 October 2012)	24	-
Prof. Dr. Christof Hettich (until 17 October 2012)	16	-
Dr. Wolf-Dieter Starp (until 31 July 2013)	23	-
Prof. Dr. Werner Hacke (until 17 October 2012)	11	-
Prof. Dr. Wolfgang Hartwig (until 17 October 2012)	11	-
Dr. Franz Wilhelm Hopp (since 28 August 2013)	8	-
Prof. Dr. Andrea Pfeifer (until 17 October 2012)	11	-
Total	**148**	**-**

The Company granted no loans to members of the Supervisory Board.

Professional liability insurance (D&O insurance)

SYGNIS AG has taken out liability insurance cover (D&O liability insurance) with a deductible for members of the Supervisory Board, for members of the Management Board and for senior management members of affiliated companies both inside and outside Germany. The deductible is based on the legal requirements and the recommendations of the German Corporate Governance Code. The insurance policy covers the legal defence costs when a claim is made and, if necessary, any damages to be paid that are covered by the insured sum of the policy. The insured sum is deliberately low in order to ensure that the premium remains appropriate to the Company's financial situation. In the case of liability that exceeds the insured sum, each of the individual members of the Management Board and the Supervisory Board is held personally responsible in full.

VIII. Events of special significance since the end of fiscal year 2014

On 19 January 2015, SYGNIS launched its first proprietary product for whole genome amplification (WGA) from single cells: TruePrime™ Single Cell WGA Kit of its TruePrime™ product line. This product launch represented a major milestone in its recently revised corporate product and commercialization strategy.

On 23 February 2015, SYGNIS globally launched the second kit from its TruePrime™ product line, the TruePrime™ WGA Kit.

With the TruePrime™ kits, SYGNIS opens up a series of product launches based on its novel multiple displacement amplification (MDA) technology for use with various DNA or RNA species for a multitude of applications that provide whole genome amplification without the need of synthetic random primers.

The TruePrime™ Single Cell WGA kit and the TruePrime™ WGA kit are in stock and will be globally commercialized mainly through distributors as well as through SYGNIS' newly introduced TruePrime™ online shop.

On 20 April 2015, SYGNIS has launched the first kits from its SunScript™ product line. SunScript™ enzymes can be combined with TruePrime™ technologies to create more complex products covering entire workflows.

IX. Outlook

The following section may contain forward-looking statements that are based on the Management Board's estimates and expectations on future developments, including financial forecasts and the Company's future business situation. These expectations are subject to risks and uncertainties, as described in the section entitled "Opportunities and Risks Report". Actual results, due to a large number of factors that are beyond the control of the Management Board, may differ significantly from the estimates given.

Product development and commercialization opportunities

The SYGNIS Group is aiming to develop and market further products in the fast growing and attractive field of molecular diagnostics and DNA tools. Thus, the visibility of the Company on the capital market and the shareholder value is expected to raise. In addition, building up the product portfolio will provide additional opportunities for business and financing activities for the Company.

The Management Board believes, that the Company will gain more value from developing and selling its own range of products in line with its new product and commercialization strategy. SYGNIS has started to develop its first kits based on its True Prime™ technology (PrimPol). The first kits were launched in January and February 2015, the first SunScript™ followed in April. Further kits will be launched throughout 2015 and 2016. These kits will bring the benefits of the new technology to researchers working on a variety of applications in gene sequencing and NGS. The first kits are available via SYGNIS' own sales platform, as well as through life science distributors since January 2015. SYGNIS is also currently moving forward OEM deals.

In addition to the sale of its own kits, the Company expects its business with Qiagen to increase on the basis of the existing license agreement. SYGNIS assumes that the share of revenue generated with Qiagen will be up due to broadening the amplification products including QualiPhi. The Company is confident to have further products launched on the basis of QualiPhi during 2015 and thus be able to enhance the revenue basis.

In the beginning of 2015, the Company was in very advanced negotiations regarding the Double Switch project with one company aiming to close a non-exclusive license agreement with this company during the first half of 2015.

Financial outlook

The revenues in the fiscal year 2015 are dependent on the success of the market launch of the first own DNA amplification kits and on revenue growth arising from the license agreement with Qiagen for additional products based on QualiPhi. Furthermore, SYGNIS expects first revenues from the out-licensing of Double Switch. Depending on the success of these commercialization activities, the Management Board forecasts revenues in 2015 within a range of €0.5 million to €0.7 million, with a strong upside potential in 2016 to up to €2.5 million.

In 2015, expenditure for Research & Development will decrease as SYGNIS is focusing in product development instead of basic research. On the other hand, marketing and commercial expenses will increase due to the commercialization and production of own kits. Administration expenses will remain on the level of 2014. The Management Board forecasts the 2015 net loss to be significantly lower than 2014. Additionally, the Company expects significantly lower liquid funds.

As a result of the successful capital increase in December 2014, cash and cash equivalents at year-end 2014 amounted to €3.8 million. With these financial resources and the expected cash inflows during 2015 SYGNIS possesses sufficient liquidity until break-even is reached which is estimated to be in 2016.

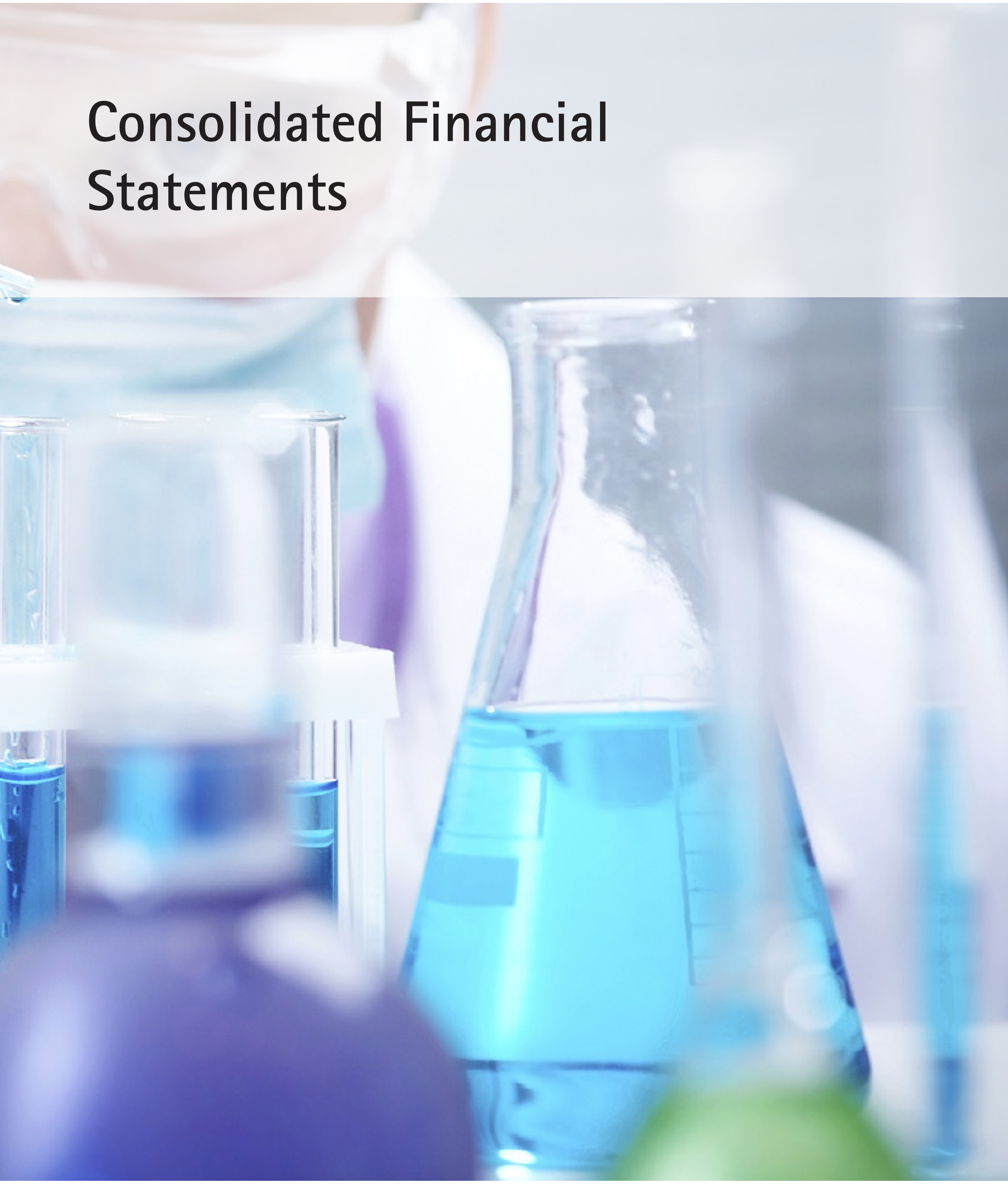
Overall assessment of the outlook

The outlook is a result of different planning assumptions based on discretionary decisions. Especially revenue expectations are subject to uncertainty that cannot be influenced by the Management Board. However, the Management Board considers the Group in a good position to reach the financial forecasts in 2015.

Heidelberg, 24 April 2015

Pilar de la Huerta
CEO/CFO

Consolidated Financial Statements



Consolidated statement of financial position

In € thousands	Note	31 December 2014	31 December 2013
ASSETS			
Property, plant and equipment	4	169	178
Goodwill	5	5,942	5,942
Other intangible assets	6	1,678	1,634
Deferred tax assets	14	615	1,026
Other non-current assets		15	9
Non-current assets		**8,419**	**8,789**
Trade receivables		37	57
Inventory		19	12
Other current assets	7	298	273
Cash and cash equivalents	8	3,764	2,196
Current assets		**4,118**	**2,538**
Total Assets		**12,537**	**11,327**
EQUITY AND LIABILITIES			
Issued capital	9	10,823	10,535
Capital reserves	9	8,698	2,788
Accumulated loss		(10,826)	(7,345)
Other comprehensive income		(353)	(24)
Equity		**8,342**	**5,954**
Deferred tax liabilitiess	11	-	288
Financial liabilities	12	2,890	2,804
Non-current liabilities		**2,890**	**3,092**
Trade payables		316	519
Other current liabilities	13	989	1,762
Current liabilities		**1,305**	**2,281**
Total equity and liabilities		**12,537**	**11,327**

Consolidated statement of comprehensive income

In € thousands, apart from disclosures on shares	Note	Fiscal year ended 31 December	
		2014	**2013**
Revenues	**15**	**392**	**482**
Expenses			
Sales		(442)	(366)
Administration		(1,493)	(1,764)
Research and development		(1,413)	(2,231)
Impairment of other intangible assets	6	(283)	(587)
Other operating income		31	182
Total operating expenses		**(3,600)**	**(4,766)**
Results of operating activities		(3,208)	(4,284)
Finance costs		(161)	(178)
Finance income		24	8
Gain/loss on available-for-sale financial assets		–	1
Earnings before Taxes		**(3,345)**	**(4,453)**
Income Tax	14	(135)	1,252
Net profit/loss for the period		**(3,480)**	**(3,201)**
thereof allocable to non-controlling interests		–	–
thereof allocable to owners of SYGNIS AG		(3,480)	(3,201)
Exchange rate adjustments (after deducting deferred taxes of €0 thousand)		(329)	(15)
Unrealized gains/losses on available for sale financial assets (after deducting deferred taxes of €0 thousand)		–	2
Other comprehensive income (after taxes)		(329)	(13)
Total comprehensive income		**(3,809)**	**(3,214)**
thereof allocable to non-controlling interests		–	–
thereof allocable to owners of SYGNIS AG		(3,809)	(3,214)
Earnings per share (diluted and undiluted)	**23**	**(0.33)**	**(0.34)**
Average number of shares outstanding	23	10,659,773	9,506,817

Consolidated statement of cash flows

In € thousands	Note	2014	2013
Operating activities			
Net loss for the period		(3,480)	(3,201)
Reconciliation of net profit/loss to cash flow from operating activities			
Depreciation of property, plant and equipment	4	57	81
Armortisation and impairment of instangible assets	6	524	800
Losses (gains) on the sale of available-for-sale financial assets		-	(1)
Losses (gains) on the sale of property, plant and equipment and instangible assets		-	(110)
Other non-cash items		607	65
Share-based payment expense	10	13	30
Change in operating assets and liabilities			
Trade receivables		5	159
Other current assets	7	(40)	158
Trade payables		(203)	(322)
Other current liabilities	13	(1,100)	-
Deferred taxes	14	122	(1,258)
Cash outflow from operating activities		(3,494)	(3,616)
Interest received		-	8
Interest paid		(84)	(4)
Income taxes paid		-	(6)
Net cash outflow from operating activities		**(3,579)**	**(3,618)**
Investing activities			
Investments in property, plant and equipment and intangible assets		(135)	(19)
Investments in development expenses recognized as an asset		(486)	(363)
Proceeds from the sale of property, plant and equipment and instangible assets		-	110
Proceeds from the sale of available-for-sale financial assets		-	128
Cash inflow from investing activities		**(621)**	**(144)**
Financing activities			
Cash inflow due to non current financial liabilities		66	2.177
Cash inflow due to current financial liabilities		-	550
Cash outflow due repayments of current financial liabilities		(550)	-
Capital increase by way of cash contribution (less costs of issuing equity of €491 thousand)	9	5,923	2,840
Cash inflow from financing activities		**5,439**	**5,507**
Net change in cash and cash equivalents		1,239	1,745
Exchange rate differences		329	(15)
Cash and cash equivalents at the beginning of the period		2,196	466
Cash and cash equivalents at the end of the period		3,764	2,196

Consolidated statement of changes in equity

In € thousands, apart from disclosures on shares					Other comprehensive income			
	Issued capital Number	Amount	Capital reserves	Accumulated loss	Accumulated exchange differences	Available-for-sale financial assets	Total	Total equity
1 Januar 2013	**9,349,724**	**9,350**	**1,103**	**(4,144)**	**(9)**	**(2)**	**(11)**	**6,298**
Capital increases against cash (after deducting transaction costs of €262 thousand)	1,185,066	1,185	1,655	-	-	-	-	2,840
Expenses from share-based compensation	-	-	30	-	-	-	-	30
Result recorded directly in equity	-	-	-	-	(15)	2	(13)	(13)
Net loss for the year	-	-	-	(3,201)	-	-	-	(3,201)
Total comprehensive income	-	-	-	(3,201)	(15)	2	(13)	(3,214)
31 December 2013	**10,534,790**	**10,535**	**2,788**	**(7,345)**	**(24)**	**-**	**(24)**	**5,954**
1 Januar 2014	**10,534,790**	**10,535**	**2,788**	**(7,345)**	**(24)**	**-**	**(24)**	**5,954**
Capital increases against cash (after deducting transaction costs of €491 thousand)	287,872	288	5,897	-	-	-	-	6,185
Expenses from share-based compensation	-	-	13	-	-	-	-	13
Result recorded directly in equity	-	-	-	-	(329)	-	(329)	(329)
Net loss for the year	-	-	-	(3,480)	-	-	-	(3,480)
Total comprehensive income	-	-	13	(3,480)	(329)	-	(329)	(3,796)
31 December 2014	**10,822,662**	**10,823**	**8,698**	**(10,826)**	**(353)**	**-**	**(353)**	**8,342**

Notes to the consolidated financial statements
31 December 2014

A. Basis of the consolidated financial statements

1. Business objective and business divisions of the Company

SYGNIS AG, Heidelberg (hereinafter referred to as “SYGNIS” or “the Company”) is a biotech company listed on Prime Standard segment of Deutsche Börse, the main German stock exchange. The Company is focused on the development and marketing of new molecular-diagnostic technologies, e.g. in the field of DNA amplification and sequencing.

The Company’s consolidated financial statements as of 31 December 2014 were prepared in accordance with the International Financial Reporting Standards (IFRSs) and the International Accounting Standards (IASs) of the International Accounting Standards Board (IASB), the interpretations of the Standing Interpretations Committee (SIC) and of the International Financial Reporting Standards Interpretation Committee (IFRS IC) as adopted by the EU. All those standards (IFRSs/IASs) and interpretations (IFRICs) subject to mandatory adoption for the fiscal year 2014 were considered. The consolidated financial statements further satisfy all standards and interpretations as ratified by the IASB.

Unless a different currency unit is used in individual cases, all amounts in the consolidated financial statements are stated in euro (“€”). Due to rounding differences, figures in tables and cross-references may differ slightly from the actual figures.

Preparation of these consolidated financial statements was completed by the Management Board on 24 April 2015, and subsequently submitted to the Supervisory Board for examination and approval.

2. Accounting policies

The accounting policies adopted are consistent with those of the previous reporting year of SYGNIS except as follows. The Group has adopted the following new and revised IASs, IFRSs and IFRICs during the year. Adoption of these new and revised standards and interpretations did not have a material effect on the consolidated financial statements.

IFRS 10: Consolidated Financial Statements
This standard replaced the rules concerning consolidated financial statements in IAS 27 and SIC 12. Material changes relate to the control principle, which do not have an effect whatsoever on the SYGNIS Group, because SYGNIS only has wholly-owned subsidiaries.

IFRS 11: Joint Arrangements
This standard replaced the rules in IAS 31 and SIC 13 and governs the classification of joint arrangements. A joint arrangement is a contractual agreement between two or more parties to exercise joint control over something.

IFRS 12: Disclosure of Interests in Other Entities
IFRS 12 is a standard concerning notes to the financial statements. It is applicable to companies that hold interests in subsidiaries, joint arrangements, associated companies and/or unconsolidated structured entities. The requirements of IFRS 12 are generally more far-reaching than those in the currently applicable standards.

IAS 27: Separate Financial Statements
IAS 27 Separate Financial Statements (as amended in 2011) outlines the accounting and disclosure requirements for ‘separate financial statements’, which are financial statements prepared by a parent, or an investor in a joint venture or associate, where those investments are accounted for either at cost or in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments. The standard also outlines the accounting requirements for dividends and contains numerous disclosure requirements.

IAS 32: Amendments "Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities"

The standard provides clarifications on the application of the offsetting rules. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement.

IAS 36: Amendments "Recoverable Amount – Disclosures for Non-Financial Assets"

The overall effect of the amendments is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

IAS 39: Amendments "Novation of Derivatives and Continuation of Hedge Accounting"

The amendment permits the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument.

IFRIC 21: Levies

This interpretation provides guidance on how and when to recognise levies pursuant to IAS 37 "Provisions, contingent liabilities and contingent assets" that are imposed by a government and are not within the scope of another IFRS. In German law, the so-called "bank levy" is an example of such a levy. According to the current interpretation, an obligation must be recognised in the financial statements once the obligating event has occurred that triggers the payment obligation of the levy in accordance with the relevant legislation.

Published new and amended Standards and Interpretations which are published but not yet mandatorily applicable in the fiscal year beginning 1 January 2014 and which are not being applied in advance:

IAS 19 (rev. 2011): Employee benefits

The revisions to IAS 19 change the treatment of defined-benefit retirement plans and termination benefits. They are effective for annual periods beginning on or after 1 July 2015.

Improvements to various International Financial Reporting Standards – Annual Improvements to IFRSs 2010-2012 Cycle

The amendments must be applied to financial years beginning on or after 1 July 2014.

Improvements to various International Financial Reporting Standards – Annual Improvements to IFRSs 2011-2013 Cycle

The amendments must be applied to financial years beginning on or after 1 July 2014.

New and revised standards and interpretations that have been passed by the IASB, but have not yet been adopted by the EU:

IFRS 9: Financial Instruments

According to IFRS 9, all financial assets currently covered by the scope of IAS 39 must be subsequently measured either at amortised cost or at fair value. Debt instruments held as part of a business model for the purpose of collecting contractual cash flows, and whose contractual cash flows solely constitute interest and principal payments on the outstanding capital, must be carried at amortised cost in subsequent periods. All other instruments must be measured at fair value through profit or loss. The standard is effective for annual periods beginning on or after 1 July 2018.

IFRS 9: Financial Instruments "Classification and Measurement – Financial Assets" (November 2009) and Financial Instruments "Classification and Measurement: Financial Liabilities" (October 2010)

The amendments to IFRS 9 include new provisions on hedge accounting in the form of a new general model for the accounting of hedging relationships. The standard is effective for annual periods beginning on or after 1 July 2018.

IFRS 15: "Revenue from Contracts with Customers"

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The standard is effective for annual periods beginning on or after 1 January 2017.

IAS 16/IAS 38: Amendments "Clarification of Acceptable Methods of Depreciation and Amortization"

The amendments provide additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

IFRS 10/IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The objective of the project is to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments will be effective from annual periods commencing on or after 1 January 2016, with earlier application being permitted.

Improvements to various International Financial Reporting Standards – Annual Improvements to IFRSs 2012-2014 Cycle

The amendments must be applied to financial years beginning on or after 1 July 2016.

3. Summary of significant accounting policies

Basis of consolidation

The consolidated financial statements are generally prepared in accordance with the historical cost convention, except for the first-time recognition of assets and liabilities in connection with business combinations and available-for-sale financial assets that were measured at fair value.

The group entities' fiscal year ends on 31 December. The financial statements of the subsidiaries are prepared for the same reporting year as for the parent, using consistent accounting policies. All intercompany clearing accounts and transactions were eliminated in the course of consolidation.

Subsidiaries are consolidated in full on the date of acquisition, i.e., the date on which control is transferred to the Group, and are deconsolidated as soon as the parent loses control over the subsidiary.

Scope of consolidation

These consolidated financial statements include the financial statements of SYGNIS AG and its subsidiaries. The Company holds all of the shares in each of the following subsidiaries:

SYGNIS Bioscience GmbH & Co. KG, Heidelberg
SYGNIS Verwaltungs GmbH, Heidelberg
LION bioscience Inc., Needham, MA, USA
Amnestix Inc., Needham, MA, USA
SYGNIS BIOTECH, S.L.U., Madrid, Spain (hereinafter referred to as "SYGNIS Spain")

IFRS 2 Share-based Payment

IFRS 2 "Share-based Payment" requires the recognition through profit or loss of transactions in which the Group acquires assets or services as consideration for shares or rights to shares ("settlement in equity instruments") or as consideration for other assets corresponding in value to a certain number of shares or rights to shares ("settlement in cash").

SYGNIS granted stock options (equity-settled share-based payment transactions) to employees of the Group and Management Board members. These stock options are measured at fair value as of the date on which they are granted. The fair value of the obligation is recognised as personnel expenses over the vesting period and, at the same time, as an increase in equity. The fair value is calculated using an option pricing model (binominal model). Further details on the stock options are presented in note 10 of these notes to the consolidated financial statements.

Foreign currency translation

The annual financial statements of the Company's subsidiaries were prepared in their functional currency, which corresponds to the local currency. Accounts in the statement of financial position are translated into the reporting currency (euro) at the rates prevailing at the end of the reporting period, apart from equity which is translated at the rates prevailing on the closing date of each transaction. The income and expense accounts were translated at the weighted average exchange rate over the fiscal year. Any differences arising from currency translation are recognised in a separate item within equity (other comprehensive income).

In the fiscal year 2014 exchange rate losses of €106 thousand (previous year: exchange rate gains of €18 thousand) were recognised in the item "Other operating income"; these resulted from the translation of foreign currency assets and liabilities. In addition, unrealised exchange rate losses of €329 thousand from consolidation at group level were recognised in other comprehensive income in the fiscal year 2014 (previous year: exchange rate losses of €15 thousand).

These items do not include differences on foreign currency loans and receivables that provide a hedge against a net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

The exchange rates of the currency material to the consolidated financial statements developed as follows:

	Rate at the end of the reporting period		Average rate for the fiscal year	
	31 Dec 2014	**31 Dec 2013**	**2014**	**2013**
	Equivalent	Equivalent	Equivalent	Equivalent
	of € 1	of € 1	of € 1	of € 1
USD	1.2155	1.3791	1.3290	1.3281

Significant accounting judgments, assumptions and estimates

Accounting judgments
In the process of applying the accounting policies, management has made the following judgments which have a material effect on the amounts recognised in the financial statements. Decisions based on estimates are not considered.

Obligations from operating leases
The Company has determined that all the risks and rewards of ownership of these properties which are leased under operating leases are to be legally assigned to the owner.

Estimates and assumptions
Preparation of the consolidated financial statements requires estimates and assumptions by the Management Board that affect the amount of assets, liabilities, income, and expenses reported in the consolidated financial statements and the contingent assets and contingent liabilities reported. Actual results may differ from these estimates. The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

Impairment of goodwill
The Company tests goodwill for impairment at least once a year. This requires an estimation of the value in use of the underlying cash generating units (CGUs) to which the respective goodwill is allocated. In order to estimate the value in use, management must estimate the anticipated future cash flows of the individual CGUs, assess the prospects for success of the underlying projects and an appropriate discount rate. The review of goodwill is based on a planning period of five years which corresponds to the current business plan assumptions. The long-term nature of the planning horizon means that the related assumptions and forecasts are subject to great uncertainty, in particular with regard to whether the products can be developed successfully, whether the planned out-licensing agreements could be closed and whether the budgeted revenues can be generated. The carrying amount of goodwill of €5.9 million as of 31 December 2014 (31 December 2013: €5.9 million) is allocated to the SYGNIS group as one CGU.

Deferred tax assets
When calculating deferred taxes on loss carry-forwards the Company had to make several assumptions. These assumptions especially relate to achieving sufficient positive taxable income in the future. Due to the long planning horizon assumptions and estimations are characterized by a high uncertainty. Deferred tax assets on loss carry-forwards amounted to €774 thousand as of 31 December 2014 (31 December 2013: €1,026 thousand). They were offset with deferred tax liabilities amounting to €159 thousand, so the carrying amount was €615 thousand.

Property, plant and equipment

Property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. The carrying amounts of property, plant and equipment are tested for impairment as soon as there is any indication that the carrying amount of an asset exceeds its recoverable amount.

Depreciation is performed over the useful life of the fixed assets on a straight-line basis as follows:

Office fixtures and fittings	4 to 10 years
Laboratory equipment	3 to 10 years

Leasehold improvements are depreciated over their useful lives or, if shorter, over the term of the lease.

An item of property, plant and equipment is derecognised on disposal. Any gain or loss arising on derecognition of the asset – calculated as the difference between the net realisable value and the carrying amount of the asset – is recognised through profit or loss in the statement of comprehensive income in the period in which the asset is derecognised.

The residual values of the assets, useful lives and depreciation methods are reviewed at the end of each fiscal year and adjusted if necessary.

Business combinations and goodwill

Acquisitions are accounted for in accordance with IFRS 3 "Business Combinations". Correspondingly, the results of the acquired entity are included in the consolidated financial statements from the date of acquisition. Acquisition accounting is performed in accordance with the acquisition method. Any excess of cost over the Group's interest in net assets measured at fair value is recognised as goodwill.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that benefit from the synergies. A CGU to which the goodwill is allocated

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment as defined pursuant to IFRS 8 "Operating Segments".

An impairment loss is determined by calculating the recoverable amount of the CGU to which goodwill relates. If the recoverable amount of the CGU (group of CGUs) is lower than its carrying amount, an impairment loss is recorded. Impairment losses for goodwill may not be reversed if underlying conditions change.

Intangible assets acquired separately and during a business combination

Intangible assets acquired separately are initially measured at cost. The cost of an intangible asset acquired in a business combination is its acquisition-date fair value. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. With regard to intangible assets, it is initially important to determine whether they have a finite or an indefinite useful life.

Intangible assets with finite useful lives are amortised as follows on a straight-line basis over their economic useful lives:

Software licenses and other licenses	3 to 10 years
Rights of use and patents	4 to 20 years

In addition, such intangible assets with a finite useful life are tested for impairment whenever there is any indication that the intangible asset could be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at the end of each fiscal year at the latest. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates in accordance with IAS 8.32 et seq.

Intangible assets that are not yet available for use are not amortised but are rather tested for impairment on an annual basis.

Leases

The determination of whether an arrangement forms the basis for a lease is based on the substance of the arrangement and requires an estimate of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are expensed immediately.

The Group did not have any finance leases at the end of the reporting period. Operating lease payments are recognised as an expense directly in the statement of comprehensive income on a straight-line basis over the lease term. The details of any material future expenses are provided under section "other financial obligations".

Impairment of non-current and intangible assets

The Group assesses whether there is any indication that an asset may be impaired as of the end of each reporting period. If there is any indication of impairment or if an annual impairment test is required, the Group makes a formal estimate of the recoverable amount. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell or its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If the carrying amount of an asset exceeds its recoverable amount, the asset is described as impaired and written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recorded in the statement of comprehensive income as expenses incurred in the respective function and, if the amounts are material, stated as a separate item in the results of operating activities.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognised for an asset in previous years may no longer exist or may have decreased. If such indications exist, the recoverable amount is estimated. A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If applicable, the carrying amount of the asset is increased to its recoverable amount. The increased carrying amount may not exceed the carrying amount that would have been determined after amortisation or depreciation had no impairment loss been recognised for the asset in previous years. The amount of the reversal is posted to profit or loss, unless the asset is recognised at the revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the amortisation/depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Impairment losses of €0.3 million were recognised on intangible assets in 2014 (previous year: €0.6 million).

Investments and other financial assets

Financial assets as defined by IAS 39 are allocated to the "loans and receivables" (LaR), "held to maturity" (HtM), "available for sale" (AfS) and "at fair value through profit or loss" (FVPL) categories. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments which are not measured at fair value through profit or loss, any directly attributable transaction costs. Securitised equity instruments for which there is no quoted price in an active market, meaning their fair value is difficult to establish, are reported at the lower of cost or market. The Group determines the classification of its financial assets upon initial recognition and, where allowed and appropriate, reassesses this designation at each fiscal year-end.

Regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date on which the entity entered into the obligation to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the asset within the period generally established by regulation or convention in the marketplace.

Receivables

Receivables (category LaR) are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Gains and losses are recognised through profit or loss when the receivables are derecognised or impaired.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value, and any gain or loss is recognised in a separate item under equity. On derecognition of the investment or identification of impairment, any cumulative gain or loss that had previously been recognised directly in equity is released to the statement of comprehensive income. Impairment losses are not recorded on available-for-sale financial assets until one or more (loss) events occur pursuant to initial recognition and there are objective indications of impairment and such loss will have an effect on the future cash flow of the asset that can be estimated reliably. Objective indications of the impairment of securitised debt instruments include but are not limited to failure to pay or delay in interest or principal payments.

Available-for-sale financial assets are disclosed under current assets if management intends to sell them within 12 months of the end of the reporting period.

Fair value of financial instruments

All financial instruments recognised at fair value in the consolidated financial statements are categorised into the following hierarchy levels in accordance with IFRS 13:

- Level 1: Fair values that are measured using quoted prices in active markets.
- Level 2: Fair values that are measured using valuation techniques whose significant inputs are based on directly or indirectly observable market data.
- Level 3: Fair values that are measured using valuation techniques whose significant inputs are not based on observable market data.

Financial instruments regularly measured at fair value are reassessed at the end of the fiscal year to determine whether reclassifications have to be made between the levels of the hierarchy. The fair value of financial instruments carried at amortised cost is determined on the basis of the expected future cash flows, using the benchmark interest rates for matching risks and maturities at the balance sheet date.

The carrying amount of cash and cash equivalents, receivables, current assets and current liabilities approximates fair value due to the relatively short-term maturity of these instruments.

The carrying amount of financial assets and financial liabilities approximates their fair value on the basis of the market price (level 1).

Inventory

Inventories relate to finished products and consumables for research activities. The valuation was carried out on the basis of the lower of manufacturing or acquisition costs and fair value. As of the balance sheet date the stock was listed by physical inventory.

31 December 2014	Merchandise (in €)	Raw materials, auxiliary materials, consumables (in €)	Finished goods (in €)
Carrying value measured at fair value less costs to sell	-	10,043	9,192
Amount recognised as an expense in the reporting period	-	-	-
Impairment loss in the reporting period	-	-	-
Reversal of an impairment loss in the reporting period	-	-	-

Trade receivables

Trade receivables, which generally have 30-90 day payment terms, are recognised at the original invoice amount less an allowance for any uncollectible amounts. A bad debt allowance is recognised when there is sufficient objective evidence indicating that the receivables are fully or partially uncollectible or it is likely that they cannot be collected, and the amount of the allowance can be determined sufficiently reliably. Receivables are written off as soon as they become uncollectible.

Trade receivables as of 31 December 2014 include bad debt allowances of €28 thousand (31 December 2013: €34 thousand).

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances and short-term deposits with a term of less than three months.

Dependent on the term of the rent agreements bank balances held as rent deposits are disclosed under other non-current assets or other current assets as earmarked funds as they cannot be used by the Group for operating activities.

Financial liabilities

Financial liabilities are initially recognised at fair value less any transaction costs directly attributable to the issue of the financial liability. After initial recognition, liabilities classified under this category are measured at amortised cost using the effective interest method. Current liabilities are disclosed at the amount repayable.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the Group expects at least a partial reimbursement of the expenses for which provision has been made (e.g., from an insurance policy) the reimbursement is only recognised as a separate asset if the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the statement of comprehensive income. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair values at the end of each reporting period. The result is recognised as financial result through profit or loss. The Company did not have derivative financial instruments in 2013 and 2014.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Furthermore, the definitive risks and rewards of ownership of the goods have to have passed to the buyer.

Revenue from the sale of own products is recognised when goods and products are delivered and the significant risks and rewards incidental to ownership have been transferred to the buyer.

Revenue from the out-licensing of own products (license agreement QualiPhi) is recognised in the period in which the fees are due and receipt of payment is likely. Non-refundable one time payments are recorded as revenue in the period in which the payment is due and receipt of payment is likely.

Revenue from Caco-2 license fees is recognised over the respective contractual period on a straight-line basis. If a perpetual license has been agreed in license agreements, the license fees are recorded in the period in which the fees are due and receipt of payment is likely. Service fees in connection with research and development cooperation work are reported in the period in which the service is rendered.

Government grants

The Company receives government grants and subsidies from various government support programmes. Depending on the structure of the support program in question, the Company decides whether these grants and subsidies are recognised as revenue or are offset against the costs incurred. Government grants and subsidies for the research and development costs which can be directly allocated to a program are offset against the corresponding expenses. €82 thousand were offset against the corresponding expenses in the fiscal year 2014 and €56 thousand in 2013.

Research and development costs

Research and development costs are expensed in the period in which they are incurred. Total research and development costs, before offsetting against government grants and subsidies, were €1,495 thousand in 2014 and €2,287 thousand in 2013.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from internal development is recognised if, and only if, all of the following requirements according to IAS 38.57 Intangible Assets have been fulfilled:

- proof of the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- proof of the intention to complete the intangible asset to use or sell it;
- proof of the ability to use or sell the intangible asset;
- proof how the intangible asset will generate probable future economic benefits;
- proof of the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- demonstration of the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for the capitalisation of development costs is the sum of expenditure incurred from the date when the intangible assets first met the aforementioned recognition criteria. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, capitalised development costs are reported at cost less accumulated amortization and impairment losses, on the same basis as intangible assets acquired separately. The useful life of such capitalised development costs is assumed under consideration of the individual project and amounts to up to five years for the currently capitalised assets. Amortisation is recorded on a straight-line basis.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

If there are qualifying assets to which borrowing costs can be allocated, such borrowing costs must be capitalised under IAS 23. The Group does not currently have any qualifying assets in the meaning of IAS 23.

Income taxes

Current tax assets and liabilities

Current tax assets and liabilities for the current and previous periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Deferred taxes

Deferred tax is recognised using the liability method on all temporary differences as of the end of the reporting period between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax liabilities are recognised for taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences and unused tax loss carry-forwards and unused tax credits, to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carry-forward of unused tax loss carry-forwards and tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reviewed at the end of each reporting period and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

For transactions and other events recognised in other comprehensive income, any taxes on income are also recognised in other comprehensive income, not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to offset current tax assets and current tax liabilities and these relate to income taxes levied by the same taxation authority on the same taxable entity.

Earnings per ordinary share

Earnings per share are calculated by dividing the Group's profit or loss by the weighted average number of outstanding ordinary shares. For calculation of average number of outstanding shares in the fiscal year 2014, reference is made to note 23. Outstanding share options were not taken into consideration in calculating diluted earnings per ordinary share, as the performance target (increase in the price of the SYGNIS share by at least 50%) had not been reached by the end of the reporting period. Consequently, basic earnings correspond to diluted earnings.

B. Notes to the statement of financial position

4. Property, plant and equipment

In € thousands	31 December 2014	31 December 2013
Laboratory equipment	140	134
Office fixtures and fittings	29	23
Other	-	21
	169	178

Depreciation of property, plant and equipment amounted to €81 thousand in 2013 and €57 thousand in 2014.

5. Goodwill

Goodwill resulting from business combinations	In € thousands
Book value goodwill as of 31 December 2013	5,942
Impairment fiscal year 2014	-
Impairment cumulated until fiscal year 2014	-
Book value goodwill as of 31 December 2014	**5,942**

Goodwill arose from the Reverse Acquisition of SYGNIS AG by SYGNIS Spain in the fiscal year 2012. The goodwill was allocated to SYGNIS Group as the cash generating unit. Impairment testing is carried out at least annually and if there is any indication of impairment in accordance with IAS 36.

The recoverable amount of the CGU SYGNIS was used as base for the calculation of the value in use. As of 31 December 2014 the recoverable amount exceeded its carrying amount and was €12.5 million. No intangible assets with indefinite useful lives are allocated to this CGU. The fair value of the CGU is based on the projected discounted cash flows from the assets allocated to the CGU. These assets relate mainly to the exclusive license agreement with Qiagen for the DNA amplification technology (QualiPhi), the patent rights on protein-protein interactions (Double Switch) and the Caco-2 license business as well as from the sale of own products (True Prime and other kits). The estimated cash inflows are based on customary assumptions of market prices that are made within the industry. These assumptions take into account the corresponding likelihood of success using probabilities and the expenses yet to be incurred to arrive at a final result for the CGU. This final result is then discounted over the planning period of five years using an interest rate of 15% p.a. The Company has used a growth rate of 0% to extrapolate cash flow projections beyond the period covered by the planning period.

If the revenue assumptions will not be realised or only to a reduced amount within the planning period, it may be necessary to recognise an impairment on goodwill or even to write it off in full. In estimating the fair value of the CGU, the Management Board does not expect to have a reasonable possible change in a key assumption. An impairment test is performed at the end of each fiscal year or in case of triggering events. The impairment test performed at 31 December 2014 and 31 December 2013 showed no hints of impairment of the goodwill. When calculating the value in use sensitivity analyses were performed. Neither a change in the interest rate of 10% nor a revenue reduction of 20-40% would have been resulted in an impairment loss of goodwill.

6. Other intangible assets

In € thousands	Useful life	31 December 2014	31 December 2013
Acquired patent and license rights	10 years	507	958
Capitalised development expenses	5 years	1,146	632
Software licenses and other licenses	3 to 10 years	25	44
		1,678	1,634

Amortisation and impairment losses on other intangible assets amounted to €524 thousand in the fiscal year 2014 and €800 thousand in the fiscal year 2013. Thereof impairment losses accounted for an amount of €283 thousand (previous year: €587 thousand). We refer to the further details given below.

Acquired patent and license rights

Acquired patent and license rights were resulting from the Reverse Acquisition in the fiscal year 2012. The value of the marketing possibilities for patent rights relates to protein-protein interactions (Double Switch) with €341 thousand and to the Caco-2 cell lines with €162 thousand.

In January 2013 SYGNIS has been granted the European and US patent for Double Switch. This asset is subject to scheduled amortisation on the basis of the existing patent term of ten years. Double Switch claims a technology platform for the detection of protein-protein interactions, which can be used as screening tool during the development of new drugs. SYGNIS is currently in final discussions with interested parties about out licensing this technology. It is expected to have agreements closed within a short period of time. SYGNIS based its calculation of fair value for the marketing potential of Double Switch on various assumptions, in particular the estimated market revenues of future licensing partners. On the basis of the current negotiations, SYGNIS has reviewed these estimations and realised that current expectations are lower than originally assumed. Therefore the Company has identified and recognised an impairment of this asset amounting to €283 thousand in fiscal year 2014 (previous year: €587 thousand).

On the basis of the license rights for Caco-2 the Company achieves revenues, which are estimated in the upcoming financial years with an amount of around €200 thousand yearly. The Company has the right to commercialize Caco-2 cell lines for a period of ten years until the beginning of 2024. The amortisation of this asset is carried out over the estimated life time of ten years.

Capitalised development expenses

In fiscal year 2014 the Company has capitalised development expenses amounting to €486 thousand (previous year: €363 thousand). The development expenses relate to the following projects:

In € thousands	31 December 2014	31 December 2013
Phi 29 mutants	133	187
PrimPol	289	176
Reverse Transcriptase HIV	64	0
	486	**363**

As of 31 December 2014, the total amount capitalised amounts to €1,146 thousand (31 December 2013: €632 thousand). In fiscal year 2014 no impairment loss was recorded.

7. Other current assets

In € thousands	31 December 2014	31 December 2013
VAT Credits	127	87
Rent deposits	59	63
Deductible capital gains tax	-	81
Prepaid expenses	65	39
Other	47	3
	298	**273**
thereof financial assets	124	105

8. Cash and cash equivalents

Cash and cash equivalents break down as follows:

In € thousands	31 December 2014	31 December 2013
Cash on hand and at banks	3,706	1,806
Overnight and time deposits	58	390
	3,764	**2,196**

9. Equity

The development of equity in the Group is shown in the statement of changes in equity.

Goals of equity management

The equity management of the Company aims to maintain an equity ratio of at least 25%. The measures of the equity management include regular discussions between Management Board and Supervisory Board during the Supervisory Board meetings.

Issued capital

The capital stock amounts to €10,822,662 as of 31 December 2014 (31 December 2013: €10,534,790) and relate to the issued capital of SYGNIS AG. It is divided into 10,822,662 no-par-value bearer shares with an imputed share in capital of €1.00 each.

In 2014 SYGNIS AG has resolved three capital increases against cash amounting to €288 thousand. The capital increase was divided into three tranches, one of €100 thousand, one of €93 thousand and one of €95 thousand. The registration in the Commercial Register was done in April, July and November 2014, the issued capital was thus increased to €10,822,662.00. The total subscription price amounted to €1,339 thousand.

In December 2014, the Management Board with the approval of the Supervisory Board has resolved a capital increase against cash of €2,475,678.00, which was completed on 11 December 2014. The subscription price amounted to €4,951,356.00. The capital increase was executed by using the authorised capital of the Company. This capital increase was recorded in the commercial register on 8 January 2015, thus after period end.

Furthermore, SYGNIS AG issued further equity of €47 thousand with a total subscription price of €123 thousand, which was registered in the Commercial Register on 2 April 2015. Both capital increases were also executed by using the authorised capital of the Company and the new shares were fully subscribed by the US based investment company YA Global Master SPV LTD, Jersey City, USA (YA Global).

Authorised capital

Subject to the approval of the Supervisory Board, the Management Board was authorised by resolution of the annual general meeting of SYGNIS AG on 17 July 2014 to cancel the remaining existing authorized capital and create a new authorized capital excluding subscription rights of shareholders with the consent of the Supervisory Board and corresponding amendment to the articles of association. The share capital of the Company might be increased by and including 16 July 2019 by issuing new ordinary bearer shares as no-par-value shares against contributions in cash and / or in kind, once or several times, in total by not more than €5,317,395.00 (authorized capital). The Management Board exercised this authorisation for an amount of €94,716.00 used for the capital increase in return for cash contributions that was carried out in November 2014. As of 31 December 2014, authorised capital of €5,222,679.00 (31 December 2013: €3,511,597.00) remained.

Conditional capital

The capital stock of SYGNIS has been conditionally increased by a maximum of €533,333 (conditional capital II) by issue of up to 533,333 no-par bearer shares which are equivalent to the no-par-value ordinary bearer shares already issued. The conditional capital increase serves to cover the conversion rights of the bearers of any stock options issued by the Company prior to 26 November 2010.

The capital stock of SYGNIS has been conditionally increased by a maximum of €600,000 (conditional capital III) by issue of up to 600,000 no-par bearer shares which are equivalent to the no-par value ordinary bearer shares already issued. The conditional capital increase serves to cover the conversion rights of the bearers of any stock options issued by the Company prior to 25 November 2011.

By resolution of the annual general meeting on 25 November 2011, the capital stock of SYGNIS has been conditionally increased by a maximum of €500,000 (conditional capital III) by issue of up to 500,000 no-par bearer shares which are equivalent to the no-par-value ordinary bearer shares already issued. The conditional capital increase serves to cover the conversion rights of the bearers of stock options which may be issued by the Company prior to 24 November 2016.

At the annual general meeting of SYGNIS on 25 November 2011, a resolution was also passed allowing the Company to conditionally increase capital stock by a maximum of €6,500,000.00 by issuing up to 6,500,000.00 ordinary bearer shares (conditional capital V). Conditional capital V can be used for convertible bonds issued in one or more option programs.

Capital reserves

By the capital increases new shares with a nominal amount of €287,872.00 at a subscription price of €1,338,683.56 were issued in return for cash contribution. Furthermore new shares amounting to €2,475,678.00 were issued in December 2014, but only registered in January 2015. Therefore the nominal amount was shown in capital reserves. Furthermore, SYGNIS AG issued further equity of €46,594.00 which was registered in the Commercial Register on 2 April 2015 and recorded in capital reserves, too.

The amount exceeding the nominal amounts of the capital increases of €3,526,489.56 in total was recorded in capital reserves as well. The Company has deducted expenses for the capital increases of €491 thousand (previous year: €262 thousand) from capital reserves.

The additional increase in capital reserves of €13 thousand in 2014 relates to the recognition of expenses from share-based payments (2013: expenses of €30 thousand).

10. Stock options

Prior to the Reverse Acquisition in the fiscal year 2012, SYGNIS AG had installed three stock option plans for the Management Board and employees. On this basis stock options had been granted to Management Board and employees only before the date of the Reverse Acquisition. The following information continues the previous notes to stock options given in the consolidated financial statements of SYGNIS AG (as of 31 March 2012) until 31 December 2014.

2007 stock option plan

The maximum number of stock options that could be issued from this stock option plan amounts to 533,333. The conditional capital II of €533,333 is available to secure and serve the stock options. No further stock options could be issued from the 2007 stock option plan in the fiscal year 2013. All outstanding stock options have elapsed without being executed on 31 December 2013.

2008 stock option plan

The maximum number of stock options that could be issued from this stock option plan amounts to 600,000. The conditional capital III of €600,000 is available to secure and serve the stock options. No further stock options could be issued from the 2008 stock option plan in the past fiscal year 2014. A total of 10,959 stock options were outstanding and valid as of 31 December 2014. All outstanding stock options have elapsed without being executed on 31 December 2014. With the exception of the term, the 2008 stock option plan is structured identically to the 2007 stock option plan.

2011 stock option plan

The maximum number of stock options that can be issued from this stock option plan amounts to 500,000 until 24 November 2016. The conditional capital IV of €500,000 is available to secure and serve the stock options. In the past fiscal year 2014 no stock options were issued from the 2011 stock option plan. A total of 8,750 stock options were outstanding and valid as of 31 December 2014. None of the valid stock options are exercisable as of 31 December 2014. With the exception of the term and the waiting period, the 2011 stock option plan is structured identically to the 2008 stock option plan.

Structure of the stock option plans

According to the terms of the stock option plans, each option entitles the holder to acquire one no-par-value ordinary share in the Company at the exercise price by 31 December 2014 (2008 stock option plan) and 31 December 2020 (2011 stock option plan). The Company has the right to pay cash compensation instead of issuing shares to the holders of the stock options to settle their subscription rights.

The exercise price is determined on the basis of the more closely defined average price of SYGNIS shares over the last 30 days of trading prior to the date on which the options are issued. The options from the 2008 stock option plan can only be exercised in stages. After a vesting period of two years commencing on the date they are issued, 50% of the stock options can be exercised. The remaining 50% of the stock options can be exercised after a vesting period of three years commencing on the date they are issued. The options from the 2011 stock option plan can be exercised after a vesting period of four years.

The stock options cannot be exercised within certain periods. These periods relate, for example, to the period from preparation of the financial statements to the close of day on which the ratified financial statements of the Company are published.

In addition to the vesting period, the stock options are subject to the share price of SYGNIS rising by at least 50% in the period between the date on which the respective options are issued and the date on which they may be exercised.

Following the capital reduction performed with regard to the share capital of SYGNIS AG at the end of 2012 in a ratio of 8:1 the exercise prices and the number of outstanding stock options of all stock option programs were subject to an adjustment. In accordance with the terms and conditions of the 2008 and 2011 stock option plans, the number of outstanding stock options was reduced to an eight and the exercise prices was increased eightfold. In the information given below these adjustments are included.

The following summary shows the development of the stock option plans:

	Stock options	Weighted average exercise price (€)
Outstanding on 1 January 2014	71,000	17.56
Granted	-	-
Exercised	-	-
Lapsed*	(35,250)	16.95
Expired	(25,745)	18.72
Outstanding on 31 December 2014	**10,005**	**16.95**

	Stock options	Weighted average exercise price (€)
Outstanding on 1 January 2013	142,442	21.36
Granted	-	-
Exercised	-	-
Lapsed*	(30,392)	21.63
Expired	(41,050)	27.82
Outstanding on 31 December 2013	**71,000**	**17.56**

* on account of employee exits

The following summary displays the weighted average exercise prices and weighted residual term of all stock options outstanding as of 31 December 2014:

Exercise price €	Outstanding (no.)	Weighted average residual term (in years)	Weighted average exercise price €	Exerciseable (no.)	Weighted average exercise price €
17.28	8,750	6.00	17.28	-	0.00
14.64	1,255	0.00	14.64	-	0.00
	10,005	**5.25**	**16.95**	**-**	**0.00**

The following summary displays the weighted average exercise prices and weighted residual term of all stock options outstanding as of 31 December 2013:

Exercise price €	Outstanding (no.)	Weighted average residual term (in years)	Weighted average exercise price €	Exerciseable (no.)	Weighted average exercise price €
18.72	29,496	0.86	18.72	-	-
27.82	33,062	7.00	17.28	-	-
14.64	8,442	1.00	14.64	-	-
	71,000	**3.74**	**17.56**	**-**	-

The stock options granted were recognised in accordance with the requirements of IFRS 2. The fair value of the stock options at the grant date is calculated using a binomial model and posted to personnel expenses over the vesting period of two to four years with an effect on income. Personnel expenses of €13 thousand (previous year: €30 thousand) were recorded in the consolidated financial statements, which increased the capital reserves by the same amount.

11. Deferred tax liabilities

Deferred tax liabilities were created solely for the recognition of individually identifiable intangible assets in connection with the Reverse Acquisition of SYGNIS AG by SYGNIS Spain.

The decrease of deferred tax liabilities amounting to €129 thousand is due to the amortisation and the impairment loss on those intangible assets and the corresponding decrease of the carrying amounts. The remaining value of €159 thousand was offset with deferred tax assets.

12. Financial liabilities

Financial liabilities break down as follows:

In € thousands	31 December 2014	31 December 2013
Soft loans	-	-
INNPACTO program	1,259	1,232
ENISA program	234	300
Madrid Network program	487	499
CDTI program	51	-
	2,031	**2,031**
Loan Genetrix A.B., Uppsala, Sweden/dievini HoppBiotech holding GmbH & Co. KG, Walldorf, Germany	859	773
	2,890	**2,804**

The Company receives for its R&D activities at the site in Madrid public loans from Spanish institutions. The INNPACTO soft loan bears no interest and has a term of 11 years. The Company has recognised the payments received amounting to €1,637 thousand at amortised costs using the effective interest method as of 31 December 2014 amounting to €1,259 thousand (31 December 2013: €1,232 thousand).

The Madrid network soft loan bears no interest and has a term of 13 years. The Company has recognised the payments received totalling €625 thousand at amortised costs using the effective interest method as of 31 December 2014 amounting to €487 thousand (31 December 2013: €499 thousand).

At the beginning of March 2013 SYGNIS was granted a shareholder loan for a total amount of €713 thousand by its main shareholders Genetrix Life Sciences, A.B, Uppsala, Sweden (85% of the loan amount) and dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany (15% of the loan amount). The loan is due for repayment not before the end of 2015. In addition accrued interest of €146 thousand is included in this item.

13. Other current liabilities

In € thousands	31 December 2014	31 December 2013
Bonus	182	184
Supervisory Board remuneration	160	120
Deferred income	139	138
Loan new investors	107	578
Annual report and Annual General Meeting	90	100
Audit of financial statements	77	63
Tax payments	82	66
Loan/interest Genetrix S.L. Madrid/Spain	30	195
Consulting services	27	166
Other personnel expenses	21	65
Other	74	87
	989	**1,762**
thereof financial liabilities	989	1,762

In the third quarter of the 2013 fiscal year, the Company received a loan from new investors amounting to €550 thousand, in addition accrued interest of €28 thousand is included in the previous year. The loan was secured and due for repayment not before the end of 2014. It was completely paid back in December 2014.

14. Income tax expense and deferred taxes

Income tax expenses are classified by origin as follows:

In € thousands	Year ended 31 December 2014	Year ended 31 December 2013
Current taxes	12	6
Deferred taxes	123	(1,258)
	135	**(1,252)**

The theoretical tax expenses on the basis of the loss before taxes of €3,345 thousand (previous year: loss of €4,453 thousand) and the average tax rate of 30% (previous year 30%) are reconciled to the current tax expense as follows:

In € thousands	31 December 2014	31 December 2013
Loss for the year before taxes	(3,345)	(4,453)
Theoretical tax expense	(1,004)	(1,336)
Foreign taxes	12	6
Tax impact of non-deductible operating expenses	32	10
Change deferred tax assets	252	(702)
Losses without deferred taxes	869	778
Utilization of unrecognised tax loss carry-forwards	(9)	(8)
Other effects	(17)	-
Income taxes	**135**	**(1,252)**

Deferred tax assets from temporary differences between the carrying amount and the tax base of assets and liabilities are shown in the table below. The deferred tax liabilities of €159 thousand (previous year: €288 thousand) relate solely to intangible assets that were identified in the course of the purchase price allocation performed during the Reverse Acquisition in 2012. They were offset wit deferred tax assets of €774 thousand.

In € thousands	31 December 2014	31 December 2013
Deferred tax assets		
Other current and non-current liabilities	123	3
Inventories	13	-
Unused tax losses	25,890	19,555
Less allowance	(25,539)	(18,532)
R&D tax credit Spain	287	-
Deferred tax assets, net	**774**	**1,026**
Deferred tax liabilities		
Intangible assets	**159**	**288**

The Company's deferred tax assets are recorded to the extent it is probable that such tax benefits would be realised in future years. As of 31 December 2013, SYGNIS Spain recognised an amount of €1,026 thousand deferred tax asset for the first time. Allowances on the carrying amount of the remaining deferred tax assets are recorded if realisation of the expected benefits from the deferred taxes are not more likely than not. Therefore, in 2014 deferred tax assets were adjusted by €252 thousand to €774 thousand. They were offset with deferred tax liabilities of €159 thousand. Based on the Company´s business plan for the 3 subsequent years, it is expected that this entity will be profitable in the future. The estimate made can be subject to change over time, which can then lead to an increase or reversal in subsequent periods.

The unused tax losses amounted to approx. €76.4 million as of 31 December 2014 (31 December 2013: €65.3 million). Of the total unused tax losses, around €65.1 million is due to the US subsidiaries with the remainder spread among Germany (€5.4 million) and Spain (€5.6 million). In Germany, unused tax losses can be carried forward indefinitely. Under US tax legislation, they can be used within a period of 20 years, or 15 years for losses incurred prior to August 1997. Under Spanish tax legislation, tax loss carry-forwards can be used within a period of 18 years. German tax law provides for minimum taxation of tax loss carry-forwards under corporate income tax and trade tax, effective since 2004. As a result, the loss deduction is limited per assessment period to €1 million plus 60% of any taxable income in excess of the €1 million threshold.

The expiry of tax loss carry-forwards for which no deferred tax asset has been recognised is summarized in the table below:

In € thousands	31 December 2014
Expiry within 1 – 5 years	-
Expiry within 6 – 10 years	58,217
Expiry within 11 – 15 years	6,113
Expiry within 15 – 20 years	5,146
Unlimited usability of unused tax loss carry-forwards	5,109
Total	**74,585**

For the calculation of the amount of the unused tax losses in Germany it was recognised that, under current legislation due to the capital increases and the transfer of shares of SYGNIS AG in the course of the fiscal year 2012 and previous years, the tax loss carry-forwards incurred before 4 December 2012 will no longer be available. These tax loss carry-forwards are not included in the table above.

The retained capital available for distribution at foreign subsidiaries is to be invested for an indefinite period as of today's view. No deferred tax liabilities were recognised on retained capital available for distribution at foreign subsidiaries amounting to €0.3 million (31 December 2013: €0.3 million).

C. Notes to the statement of comprehensive income

15. Revenues

The revenues are mainly attributable to LION bioscience Inc. from the marketing of Caco-2 licensing rights in the USA with €301 thousand. In addition, the Company received an upfront payment for Double Switch of €55 thousand, generated revenues of €15 thousand by the QualiPhi license agreements and €16 thousand relating to services rendered in 2014.

16. Personnel expenses

Personnel expenses break down as follows:

In € thousands	2014	2013
Wages and salaries	1,390	1,583
Social security	218	263
Personnel expenses for stock options	13	30
Other personnel expenses	34	55
Total	**1,655**	**1,931**

Employee structure as of 31 December 2014 and 2013:

In € thousands	2014	2013
Research & Development	14	14
Sales and Administration	6	5
Total	**20**	**19**

D. Other notes

17. Other notes on financial instruments

Based on the relevant items of the statement of financial position, the relationship between the categories of financial instruments pursuant to IAS 39, classification pursuant to IFRS 7 and the carrying amounts of financial instruments is presented in the table below. Financial instruments are allocated to hierarchy level 1 in accordance with IFRS 13.

In € thousands		31 December 2014		31 December 2013	
	Measurement category pursuant to IAS 39	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents		3,764	3,764	2,196	2,196
– thereof cash on hand and at banks	(1)	3,764	3,764	2,196	2,196
Financial assets	(2)	–	–	–	–
– thereof current		–	–	–	–
– thereof non-current		–	–	–	–
Trade receivables	(1)	37	37	57	57
Other assets	(1)	139	139	114	114
– thereof current		124	124	105	105
– thereof non-current		15	15	9	9
Total		3,940	3,940	2,367	2,367
Financial liabilities					
Financial liabilities	(3)	2,890	2,890	3,577	3,577
– thereof current		859	859	773	773
– thereof non-current		2,031	2,031	2,804	2,804
Trade payables	(3)	316	316	519	519
Other liabilities	(3)	989	989	989	989
– thereof current		989	989	989	989
– thereof non-current		–	–	–	–
Total		4,195	4,195	5,058	5,058
Thereof aggregated into the measurement categories of IAS 39					
(1) Loans and receivables		3,940	3,940	2,367	2,367
(2) Available-for-sale financial assets		–	–	–	–
(3) Liabilities carried at amortised cost		4,195	4,195	5,058	5,058

Fair values

Fair values of financial instruments are equivalent to level 1 according to IFRS 13. Cash and cash equivalents, trade receivables, other assets, trade payables and other liabilities fall due within the short term. Consequently, their carrying amounts at the end of the reporting period approximate their fair value.

The fair value of non-current financial liabilities was based on the historical interest rate for borrowing at similar terms and conditions with the same due date and credit rating and approximates the carrying amount.

The table below shows the net gains and losses as well as the gains and losses recognised directly in equity for the respective measurement categories:

	Net gain/loss		Recognised directly in equity	
In € thousands	Year ended 31 December		Year ended 31 December	
Measurement category pursuant to IAS 39	**2014**	**2013**	**2014**	**2013**
Loans and receivables	-	-	-	-
Available-for-sale financial assets	-	1	-	2
Liabilities carried at amortised cost	(146)	(57)	-	-
	(146)	**(56)**	**-**	**2**

The net gains and losses per measurement category are determined as follows:

	Net gain/loss	
In € thousands	Year ended 31 December	
Measurement category pursuant to IAS 39	**2014**	**2013**
Available-for-sale financial assets	-	-
Gain (loss) on sale of securitised debt instruments	0	1
	0	1
Liabilities carried at amortised cost	-	-
Valuation of soft loans at amortised cost	(146)	(57)
	(146)	(56)

Hedge of net investments in foreign operations

The Company carries receivables from and liabilities to subsidiaries denominated in Euro and US dollar that are generally non-current by nature. Gains and losses from translating receivables and liabilities in US dollar into the presentation currency are recognised directly in equity. In the reporting period no financial instruments had been transferred.

18. Financial risk management

In the fiscal year, the business activities of SYGNIS was concentrated on the development and marketing of new molecular biological technologies, for example on the field of DNA amplification and sequencing. So far, these activities are only to a low extent covered by license income. The operating activities are largely financed by equity, soft loans and loans given by shareholders or investors.

The possibility of obtaining additional equity or receiving further license income critically depends on the progress made in the development and marketing of the Company's products or technologies. In this regard, the capital structure of the Group only plays a subordinate role. For this reason, management focuses on the management and monitoring of the individual development projects, the amount of available liquidity and on securing future cash requirements. In addition to the absolute level of cash and cash equivalents, the most important indicator for management is the liquidity ratio, i.e., the ratio of cash and cash equivalents and marketable securities to total assets. As of 31 December 2014 this stood at 30% and as of 31 December 2013 at 21%.

Financial and operational risks are effectively monitored and communicated within the framework of the risk management system set up by the Management Board. In the process, the risks are reported by the risk officer to the risk manager who analyses and aggregates the results in a regular risk report to the Management Board. The financial risks of the Group are described below.

Cash flow risks / interest rate risks

Fluctuations in market interest rates have a particular impact on the cash flows from floating-rate assets and liabilities. The management has made a conscious decision not to enter into any cash flow hedges for interest rate risks as it places more importance on investing its cash in short-term investments to ensure their availability to fund operating activities.

As of the end of the reporting period, the Company has invested available liquid funds exclusively in current bank accounts and short term deposits with a daily availability. Accordingly, there is no material risk from interest fluctuation when reinvesting the amounts as they fall due. The primary goal of the investing activities of SYGNIS is not to lose the funds it invests.

Foreign currency risk

The consolidated financial statements of the Company have been prepared in Euro. Currency risks exist in particular where receivables or liabilities are carried in another currency or will arise in the ordinary course of business. The assets and liabilities of the Company carried in foreign currency relate primarily to those denominated in US dollars and result, among other things, from the business activities of our subsidiaries, Amnestix Inc. and LION bioscience, Inc. The Company reviews the need for currency hedges over the course of the year in order to mitigate the currency risk. As the assets denominated in US dollars are not significant to the group assets, management does not see a significant currency risk.

Credit risk

Financial instruments which could possibly result in a concentration of credit and default risks for the Company mainly constitute cash and cash equivalents and trade receivables. Cash and cash equivalents are primarily denominated in Euro and are generally secured by capital. The maximum default risk corresponds to the carrying amount of financial instruments.

The Company only carries a small amount of trade receivables. Where necessary, allowances have been recognised for uncollectible receivables.

Liquidity risk

Liquidity risk describes the risk arising when the company is not in a position to meet its liabilities associated with financial instruments when they fall due. This risk can also result from being unable to sell financial assets at an appropriate price.

In the case of new investments, the Company tries to secure its liquidity and to safeguard its invested capital.

Price risks from share price fluctuations

There were no available-for-sale financial assets in 2013 and 2014. Therefore, no risk for the Company occurred.

19. Going concern risk

The SYGNIS Group focusses on researching, developing and marketing of new tools for DNA amplification and sequencing. In the year 2013, the Company has signed a second license agreement for an amplification buffer with Qiagen. From this license agreement the Company has received proceeds in the form of a one-time payment. On the basis of the license agreement for DNA amplification which was signed with Qiagen in 2012, Qiagen has launched two initial products (amplification kits) at the beginning of 2014.

In addition to QualiPhi, the business plan of the SYGNIS Group comprises mainly other products in the field of Next Generation Sequencing (QualiPhi mutants and PrimPol) and technologies like an innovative screening platform to be used for drug development (Double Switch). In January 2015, the Company has globally launched its first proprietary product TruePrime™ Single Cell WGA Kit, based on PrimPol technology. In February 2015, SYGNIS globally launched the second kit from this product line, the TruePrime™ WGA Kit.

The SYGNIS Group's business plan includes revenues in the form of upfront payments and sales royalties due to the additional out-licensing as well as from the own sale of products starting in 2015. Due to the kit launches, the SYGNIS Group is not solely dependent on future licensing partners anymore. However, the revenue estimations are still uncertain and may differ from the actual amounts.

The liquidity level of the SYGNIS Group as at 31 December 2014 has significantly improved compared with the previous year and amounts to €3.8 million, as the Company has successfully completed a capital increase with gross proceeds of €4.95 million in December 2014. The liquidity requirement is calculated on the basis of a long-term financial plan derived from the business plan and a liquidity preview. Considering the business plan assumptions and based on the financial resources that are currently available, the Company's Management Board sees the operating expenses of SYGNIS as being covered until the break even situation which is estimated to be in 2016.

The business plan assumptions include revenue estimations from products which are already in the market, for own products such as the new kits and other products which are aimed to be licensed out in a short period of time. In addition, the Company expects funds from new public loans and by the use of the SEDA agreement (standby equity distribution agreement). Only if the SYGNIS Group is not able to realize the estimated revenues or public loans or the use of the SEDA agreement in the fiscal year 2015, the ability to reach the break even situation is not given and additional funds from shareholders are necessary to maintain the liquidity from 2016 onwards.

20. Contingent liabilities and other financial obligations

Financial obligations

The Company's financial obligations from rental agreements and other long-term contracts are insignificant compared to the results of operations generated by the Company.

Total rental expenses amounted to €174 thousand in the fiscal year 2014 and €207 thousand in the fiscal year 2013. In addition the Company has contractual obligations to pay sales royalties in case of any product sales by the license partner (Qiagen).

Guaranties

The Company has received an investor loan amounting to €550 thousand mid-2013. As guaranty for this loan, the Company has pledged IP rights to the debtors. The loan was fully repaid in December 2014.

Litigation

The Company is occasionally involved in legal disputes in the course of its business activities. The Company is not aware of any events which would have a significantly adverse effect on the results of operations, liquidity position or financial position. Risks arising from litigation are covered by the recognition of suitable provisions.

21. Transactions with related parties

Pursuant to IAS 24 "Related Party Disclosures", transactions with related parties must be disclosed. Related parties within the meaning of IAS 24.9 mainly include the Management Board and the Supervisory Board. With regard to the remuneration and shareholdings of members of the Management Board and Supervisory Board, reference is made to the comments in note 24 on "Composition of company boards".

In the 2014 fiscal year the Company maintained business relationships with Coretherapix, S.L.U., Madrid, Spain, which is a subsidiary of the sole shareholder of Genetrix Life Sciences A.B., Uppsala, Sweden (main shareholder of SYGNIS AG). In this regard, SYGNIS Spain has received services in the areas of legal, personnel, finance, public and investor relations and IT. SYGNIS Spain has expensed amounts of €113 thousand in fiscal 2014. As of 31 December 2014 an amount of €10 thousand was outstanding for payment.

In 2013, the Company has received a loan by the main shareholders Genetrix Life Sciences, A.B. and dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany, with a total amount of €713 thousand. Genetrix Life Sciences, A.B. has participated in this loan with an amount of €600 thousand and dievini Hopp BioTech holding GmbH & Co. KG with €113 thousand. The loan bears an interest rate of 12% p.a. and is due not before the end of 2015. The balance of the loan amount including accumulated interest is €859 thousand as of 31 December 2014.

In December 2014, the Company returned the loan received in 2013 amounting to €550 thousand, and granted among other international investors - by Mr. Gonzalo Rodríguez-Fraile Díaz, who was a member of the Supervisory Board of the Company. The loan beared an interest rate of 12% p.a. The total balance of the loan amount including accumulated interest repaid on 22 December was €642 thousand. Thereof an amount of €117 thousand belonged to Mr. Gonzalo Rodríguez-Fraile Díaz.

22. Segment reporting and entity-wide disclosures

In accordance with IFRS 8 the financial result of the segments is reported using the management approach. The internal organisation and management reporting system did not lead to a different segmentation. The allocation of resources and the internal assessment of SYGNIS' performance by management is performed for the SYGNIS Group as a whole. Therefore, the Group is managed in one single segment for segment reporting purposes, such that no separate reporting is required.

In accordance with IFRS 8.32 et seq., the following information can be provided for the Group as a whole in the consolidated financial statements.

Information about products and services

In € thousands	2014	2013
Revenue		
License revenue Caco-2	301	207
Revenue Double Switch	55	-
Revenue QualiPhi	15	-
Revenue amplification buffer	-	150
Services/other	21	125
Total	**392**	**482**

Information about geographical areas

In € thousands	2014	2013
Revenue		
Spain	31	161
Germany	60	114
USA	301	207
Total	**392**	**482**

In € thousands	2014	2013
Non-current assets		
Spain	1,424	1,830
Germany	875	836
USA	178	181
Total	**2,477**	**2,847**

Revenue is allocated to the geographical areas based on the registered office of the reporting business unit. Non-current assets are allocated with reference to the amounts reported in the separate financial statements, while intangible assets identified in the course of purchase price allocations were allocated to the acquirees in question. The goodwill resulting from the Reverse Acquisition amounting to €5,942 thousand was not allocated to geographical areas, as the goodwill is allocated to the group as a whole.

Information about major customers

In € thousands	2014	2013
Revenue		
Revenue with major customers*	356	264
Other revenue	36	218
Total	**392**	**482**

* Customers accounting for a share in total revenue of 10% or more

Revenue with major customers was generated with two customers in the fiscal year 2014.

23. Earnings per ordinary share

The following table shows the calculation of basic and diluted earnings per ordinary share:

In € thousands, apart from number of shares and earnings per share	2014	2013
Numerator		
Net profit or loss for the period	(3,480)	(3,201)
Denominator		
Weighted average number of outstanding ordinary shares	10,659,773	9,506,817
Earnings (basic and diluted) per ordinary share	**(0.33)**	**(0.34)**

(basic = diluted)

The weighted average number of outstanding ordinary shares in the fiscal year 2014 is as follows:

		Weighted average number of ordinary shares
Outstanding ordinary shares 1 January 2014 to 15 April 2014 Time-weighting factor (105 days, 365 days in total)	10,534,790 28.77%	3,030,556
Outstanding ordinary shares 16 April 2014 to 10 July 2014 Time-weighting factor (86 days, 365 days in total)	10,634,790 23.56%	2,505,731
Outstanding ordinary shares 11 July to 25 November 2014 Time-weighting factor (138 days, 365 days in total)	10,727,946 37.81%	4,056,045
Outstanding ordinary shares 26 November 2014 to 31 December 2014 Time-weighting factor (36 days, 365 days in total)	10,822,662 9.86%	1,067,441
		10,659,773

The weighted average number of outstanding ordinary shares in the fiscal year 2013 is as follows:

		Weighted average number of ordinary shares
Outstanding ordinary shares 1 January 2013 to 2 January 2013 Time-weighting factor (2 days, 365 days in total)	9,349,724 0.55%	51,231
Outstanding ordinary shares 3 January 2013 to 12 November 2013 Time-weighting factor (314 days, 365 days in total)	9,364,258 86.03%	8,055,827
Outstanding ordinary shares 13 November 2013 to 17 December 2013 Time-weighting factor (35 days, 365 days in total)	10,383,567 9.59%	995,685
Outstanding ordinary shares 18 December 2013 to 31 December 2013 Time-weighting factor (14 days, 365 days in total)	10,534,790 3.84%	404,074
		9,506,817

In the fiscal year 2014 the Company has completed three capital increases against cash. Further details are given in note 9.

Outstanding share options were not taken into consideration in calculating diluted earnings per ordinary share, as the performance target (increase in the price of the SYGNIS share by at least 50%) had not been reached by the end of the reporting period.

24. Composition of company boards

Management Board

Pilar de la Huerta, CEO/CFO (CFO since 1 April 2013)
Peter Willinger CFO (until 31 March 2013)

The following table shows how much the board member could have received a maximum and as minimum variable payment, as well as what they really have received.

Benefits granted (in € thousands)	Pilar de la Huerta (CEO/CFO)				Peter Willinger (CFO) Until 31 March 2013			
	2013	2014	Amount (min)	Amount (max)	2013	2014	Amount (min)	Amount (max)
Fixed remuneration	183	198			204	–		
Fringe benefits	14	15			49	–		
Sum	**197**	**213**			**253**	**-**		
One-year variable remuneration	51	–	–	84	–	–	–	–
Multi-year variable remuneration	–	–	–	–	–	–	–	–
Sum	**248**	**-**	**-**	**297**	**253**	**-**	**-**	**-**
Benefit expenses	–	–	–	–	–	–	–	–
Total remuneration	**248**	**-**	**213**	**297**	**253**	**-**	**-**	**-**

Benefits paid (in € thousands)	Pilar de la Huerta (CEO/CFO)		Peter Willinger (CFO) Until 31 March 2013	
	2013	2014	2013	2014
Fixed remuneration	183	198	204	–
Fringe benefits	14	15	49	–
Sum	**197**	**213**	**253**	**-**
One-year variable remuneration	51	71	–	–
Multi-year variable remuneration	–	–	–	–
Other	–	–	–	–
Sum	**248**	**284**	**253**	**-**
Benefit expenses	–	–	–	–
Total remuneration	**248**	**284**	**253**	**-**

The table below shows in detail by which company the remuneration was paid to each member of the Management Board in the 2014 financial year:

In € thousands	Basic salary	Variable portion	Other remuneration	Total cash remuneration
Pilar de la Huerta	198	71	15	284
- SYGNIS AG	136	71	-	207
- SYGNIS Spain	51	-	15	66
- Consulting services Genetrix S.L.	11	-	-	11
Total	**198**	**71**	**15**	**284**

The table below shows in detail by which company the remuneration was paid to each member of the Management Board in the 2013 financial year:

In € thousands	Basic salary	Variable portion	Other remuneration	Total cash remuneration
Pilar de la Huerta	183	51	14	248
- SYGNIS Spain	50	-	14	64
- Consulting services Genetrix S.L.	133	51	-	184
Peter Willinger	204	-	49	253
Total	**387**	**51**	**63**	**501**

The CEO of the Company, Pilar de la Huerta has not yet agreed an employment contract with SYGNIS AG. In this respect, Mrs. de la Huerta has received a non-performance-related component as a consulting fee on the basis of a consulting agreement between Genetrix S.L. and herself for her services rendered to SYGNIS Biotech S.L.U. and a variable bonus. On the other side, Genetrix S.L. recharged these services including the variable bonus to SYGNIS Biotech S.L.U. on the basis of a separate consulting agreement between Genetrix S.L. and SYGNIS Biotech S.L.U. Effective February 2014, this agreement was changed and Mrs. de la Huerta has received her compensation from SYGNIS AG and SYGNIS Spain directly. However, she was not yet granted any stock options.

Peter Willinger has resigned from his office as member of the Management Board of the Company effective 31 March 2013, and with the same date the employment contract was terminated. Based on the termination agreement Peter Willinger received the contractual remuneration until 31 December 2013. For the period from 1 January to 31 March 2014, Peter Willinger is entitled to an additional payment of the basic salary, unless he has started a new employment or receives similar compensation. At the time of preparation of the group financial statements, the Company estimates, that payment will be due for the maximum amount. On this basis, the Company has recognised the amount for January to March 2014 totalling €51 thousand as a liability as of 31 December 2013. It was paid out 2014.

Shareholdings and number of stock options held by the Management Board as of 31 December 2014

As of 31 December 2014, the CEO/CFO does not hold shares or stock options of the Company.

Supervisory Board

Dr. Cristina Garmendia Mendizábal, Chairwoman of the Supervisory Board Independent entrepreneur, Madrid, Spain
Dr. Friedrich von Bohlen, Deputy Chairman of the Supervisory Board Managing Director of the general partner of dievini Hopp BioTech holding GmbH & Co. KG, Walldorf
Werner-Friedrich Knuth Schaefer (until 17 July 2014) Independent entrepreneur, Barcelona, Spain
Maria Jesús Sabatés (since 17 July 2014) Head of the Family Office of the Sabatés family, Barcelona, Spain
Pedro Agustín del Castillo Machado Independent entrepreneur, Madrid, Spain
Joseph M. Fernández CEO, Chairman of Active Motif Inc., Carlsbad, California, USA
Dr. Franz Wilhelm Hopp, Chairman of the Audit Committee Partner of LAPLACE Investment GmbH, Munich, Germany

The remuneration of the Supervisory Board members (without out-of-pocket expenses) were €148 thousand in fiscal year 2014. In the previous year the Supervisory Board has waived its remuneration by resolution taken in December 2012, with exception of Joseph M. Fernandez and Dr. Franz Wilhelm Hopp. The allocation of the remuneration for 2012 and regarding Mr. Fernandez and Mr. Hopp also for 2013 paid in 2014 is as follows:

In € thousands	Fixed	Variable
Dr. Cristina Garmendia Mendizábal (since 17 October 2012)	8	-
Dr. Friedrich von Bohlen und Halbach	28	-
Gonzalo Rodrigez-Fraile Diaz (from 17 October 2012 until 28 August 2013)	4	-
Pedro-Agustin del Castillo Machado (since 17 October 2012)	4	-
Dr. Joseph M. Fernandez (since 17 October 2012)	24	-
Prof. Dr. Christof Hettich (until 17 October 2012)	16	-
Dr. Wolf-Dieter Starp (until 31 July 2013)	23	-
Prof. Dr. Werner Hacke (until 17 October 2012)	11	-
Prof. Dr. Wolfgang Hartwig (until 17 October 2012)	11	-
Dr. Franz-Wilhelm Hopp (since 28 August 2013)	8	-
Prof. Dr. Andrea Pfeifer (until 17 October 2012)	11	-
Total	**148**	**-**

Shareholdings and number of stock options held by the Supervisory Board as of 31 December 2014

	Number of shares	Number of stock options
Dr. Cristina Garmendia Mendizábal	–	–
Dr. Friedrich von Bohlen und Halbach	87,797	–
Werner-Friedrich Knuth Schaefer	–	–
Maria Jesús Sabatés	–	–
Pedro-Agustín del Castillo Machado	–	–
Joseph M. Fernández	–	–
Dr. Franz Wilhelm Hopp	–	–
Total	**87,797**	–

Shareholdings and number of stock options held by the Supervisory Board as of 31 December 2013

	Number of shares	Number of stock options
Dr. Cristina Garmendia Mendizábal	–	–
Dr. Friedrich von Bohlen und Halbach	87,797	–
Werner-Friedrich Knuth Schaefer	–	–
Pedro-Agustín del Castillo Machado	–	–
Joseph M. Fernández	–	–
Dr. Franz Wilhelm Hopp	–	–
Total	**87,797**	**-**

By the members of the Supervisory Board following memberships consist of supervisory boards and other supervisory bodies:

Dr. Cristina Garmendia Mendizábal

- Member of the Board of Directors of Ysios Capital Partners, SGECR SA, Barcelona, Spain
- Member of the Board of Directors of Pelayo Mutua de Seguros, Madrid, Spain
- Member of the Board of Directors of Everis Spain, S.L., Madrid, Spain
- Chairwoman of the Board of Directors of Genetrix, S.L., Madrid, Madrid, Spain
- Member of the Board of Directors of Corporación Financiera ALBA, Madrid, Spain
- Sole Administrator of Jaizkibel, S.L., Madrid, Spain
- Member of the Board of Directors of Science & Innovation Link Office, S.L., Madrid, Spain
- Member of the Board of Directors of Companía De Distribución Integral Logista Holdings, S.A., Madrid, Spain
- Member of the Board of Directors of Satlantis Microsats, S.L., Madrid, Spain

Dr. Friedrich von Bohlen und Halbach

- Member of the Supervisory Board of Agennix AG, Heidelberg, Germany
- Member of the Supervisory Board of Wilex AG, Munich, Germany
- Chairman of the Advisory Board of CureVac GmbH, Tübingen, Germany
- Chairman of the Advisory Board of Apogenix, Heidelberg, Germany
- Member of the Supervisory Board of Cytonet GmbH & Co. KG, Weinheim, Germany
- Member of the Advisory Board of immatics biotechnologies GmbH, Tübingen, Germany
- Member of the Advisory Board of febit holding GmbH, Heidelberg, Germany
- Chairman of the Board of Directors of Molecular Health AG, Basel, Switzerland
- Member of the Board of Directors of Cosmo SpA, Milan, Italy

María Jesús Sabatés Mas

- CEO of Arceus Holding, S.L., Barcelona, Spain
- Member of the Board of Directors of Eurofragance, S.L., Barcelona, Spain
- CEO of Ever Smarter WW, S.L., Barcelona, Spain
- Member of the Board of Directors of J. Sabatés i Associats, S.L., Barcelona, Spain
- CEO of Ñaki Investments, S.L., Barcelona, Spain
- Member of the Board of Directors of OMB Self Storage, S.L., Barcelona, Spain
- CEO of Veriphi, S.L., Barcelona, Spain

Pedro Agustín del Castillo Machado

- Chairman of the Board of Directors of Casticapital, SL, Las Palmas de Gran Canaria, Spain.
- Member of the Board of Directors of Genetrix, S.L., Madrid, Spain.
- Chairman of the Board of Directors of Binter Canarias Airline S.A., Telde, Gran Canaria, Spain.

Joseph M. Fernández

- Chairman of the Board of Directors of Active Motif Chromeon GmbH, Tegernheim, Germany
- Member of the Board of Directors of Expedeon Corporation, Cambridge, UK
- Member of the Board of Directors of Hiram College, Hiram, Ohio, USA

Dr. Franz Wilhelm Hopp

- Member of the Board of Directors of Schneider Golling Bosserhoff VermögensInvest AG, Vaduz, Liechtenstein
- Member of the NonExecutive Board of Directors of Germany Fund Inc., New Germany Fund Inc., and Central Europe, Russia, and Turkey Fund Inc., New York, USA
- Member Representative (Mitgliedervertreter) of the KarstadtQuelle Pension Trust, Düsseldorf, Germany

25. Employees

In the past fiscal year, an average of 25 persons were employed (full-time positions, including Management Board) in comparison to 22 employees in the fiscal year 2013. As of 31 December 2014 a total of 20 persons were employed (previous year: 19).

26. Declaration on the German Corporate Governance Code

The Management Board and Supervisory Board of SYGNIS AG have made the declaration of compliance with the German Corporate Governance Code pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporations Act]. The declaration was made accessible to the shareholders on the Company's website at www.sygnis.com.

27. Services rendered by the auditor

At the annual general meeting held on 17 July 2014, the shareholders of SYGNIS AG elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Mannheim (Ernst & Young GmbH) as auditor of the financial statements and consolidated financial statements of SYGNIS AG for the fiscal year 2014. Expenditure totalling €68 thousand (previous year: €81 thousand) was recognised for the services of Ernst & Young GmbH. The total amount of €68 thousand is attributable with €61 thousand to audit services (previous year: €71 thousand) and with €7 thousand to tax advisory services (previous year: €10 thousand).

For audit services rendered for SYGNIS Spain by KPMG Auditores S.L. Madrid/Spain expenses in an amount of €12 thousand (previous year: €11 thousand) were included.

28. Events after the reporting period

On 19 January 2015, SYGNIS launched its first proprietary product for whole genome amplification (WGA) from single cells: TruePrime™ Single Cell WGA Kit of its TruePrime™ product line. This product launch represented a major milestone in its recently revised corporate product and commercialization strategy.

On 23 February 2015, SYGNIS globally launched the second kit from its TruePrime™ product line, the TruePrime™ WGA Kit.

With the TruePrime™ kits, SYGNIS opens up a series of product launches based on its novel multiple displacement amplification (MDA) technology for use with various DNA or RNA species for a multitude of applications that provide whole genome amplification without the need of synthetic random primers.

The TruePrime™ Single Cell WGA kit and the TruePrime™ WGA kit are in stock and will be globally commercialized mainly through distributors as well as through SYGNIS' newly introduced TruePrime™ online shop.

On 20 April 2015, SYGNIS has launched the first kits from its SunScript™ product line. SunScript™ enzymes can be combined with TruePrime™ technologies to create more complex products covering entire workflows.

Heidelberg, 24 April 2015
Pilar de la Huerta
CEO/CFO

Annex to the notes to the consolidated financial statements as of 31 December 2014

Statement of changes in non-current assets as of 31 December 2014

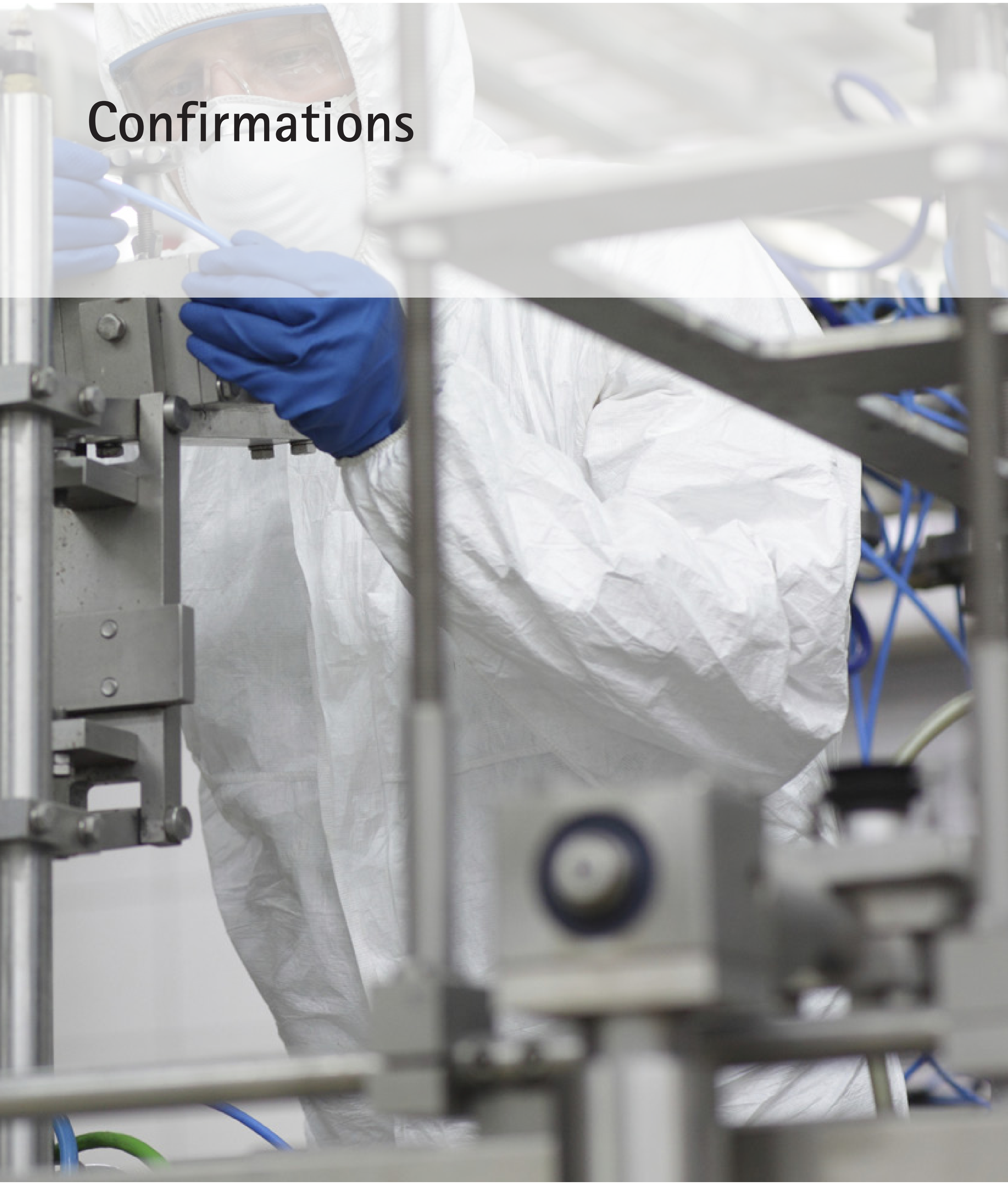
	Acquisition and production costs				Accumulated depreciation				Book values	
in € thousands	1 January 2014	Additions	Disposals	31 December 2014	1 January 2014	Additions	Disposals	31 December 2014	1 January 2014	1 December 2013
Tangible assets										
Other equipment, factory and office equipment	338	47	–	385	160	57	–	217	169	178
	338	**47**	**-**	**385**	**160**	**57**	**-**	**217**	**169**	**178**
Intangible assets										
1. Goodwill	5,942	–	–	5,942	–	–	–	–	5,942	5,942
2. Other intangible assets	3,460	568	–	4,028	1,826	524	–	2,350	1,678	1,634
	9,402	**568**	**-**	**9,970**	**1,826**	**524**	**-**	**2,350**	**7,620**	**7,576**
Other non-current assets	**9**	**6**	**-**	**15**	**-**	**-**	**-**	**-**	**15**	**9**
	9,749	**621**	**-**	**10,370**	**1,986**	**580**	**-**	**2,566**	**7,804**	**7,763**

Annex to the notes to the consolidated financial statements as of 31 December 2013

Statement of changes in non-current assets as of 31 December 2013

	Acquisition and production costs				Accumulated depreciation				Book values	
in € thousands	1 January 2013	Additions	Disposals	31 December 2013	1 January 2013	Additions	Disposals	31 December 2013	1 January 2013	1 December 2012
Tangible assets										
Other equipment, factory and office equipment	327	16	5	338	83	81	4	160	178	244
	327	16	5	338	83	81	4	160	178	244
Intangible assets										
1. Goodwill	5,942	–	–	5,942	–	–	–	–	5,942	5,942
2. Other intangible assets	3,351	366	257	3,460	1,026	800	–	1,826	1,634	2,325
	9,293	**366**	**257**	**9,402**	**1,026**	**800**	–	**1,826**	**7,576**	**8,267**
Other non-current assets	**10**	–	**1**	**9**	**-**	**-**	**-**	**-**	**9**	**10**
	9,630	**382**	**263**	**9,749**	**1,109**	**881**	**4**	**1,986**	**7,763**	**8,521**

Confirmations



Audit opinion

We have issued the following opinion on the consolidated financial statements and the group management report:

"We have audited the consolidated financial statements prepared by SYGNIS AG, Heidelberg, comprising the statement of financial position, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity, and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 January to 31 December 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Without qualifying this opinion, we refer to the discussion in the group management report in section V. 1. This states that SYGNIS Group has a liquidity of €3.8 million. Considering the business plan assumptions and based on the financial resources that are currently available, the Company's Management Board sees the operating expenses of SYGNIS as being covered until the break-even situation which is estimated to be in 2016.

The business plan assumptions include revenue estimations from products which are already in the market, for own products such as the new kits and other products which are aimed to be licensed out in a short period of time. In addition, the Company expects funds from new public loans and by the use of the SEDA agreement (standby equity distribution agreement). Only if the SYGNIS Group is not able to realize the estimated revenues or public loans or the use of the SEDA agreement in the fiscal year 2015, the ability to reach the break-even situation is not given and additional funds from shareholders are necessary to maintain its solvency from 2016 onwards."

Mannheim, 24 April 2015
Ernst & Young GmbH / Wirtschaftsprüfungsgesellschaft

Grathwol Wirtschaftsprüfer [German Public Auditor]	Jakob Wirtschaftsprüfer [German Public Auditor]

Responsibility statement by the Executive Board

To the best of my knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Heidelberg, 24 April 2015

Pilar de la Huerta
CEO/CFO

Corporate Governance Report

The Management Board and Supervisory Board of SYGNIS AG are committed to responsible corporate management and control of the Company that is geared towards a sustained increase in shareholder value. The key factors that will enable us to achieve this goal are the long-term corporate strategy, a sound financial policy, compliance with legal and ethical principles as well as transparency in corporate communications.

Corporate governance covers the entire system of management and monitoring of a company, including its organisation, its commercial principles and guidelines as well as the system of internal and external control and supervisory mechanisms. The German Corporate Governance Code ("Code" or "GCGC") was introduced to increase confidence in the corporate management of German listed companies. The aim of the Code is to make the rules applying to corporate management and governance in Germany more transparent for both national and international investors.

Implementation of the recommendations of the german corporate governance code and declaration of compliance

The sustained increase in shareholder value and the vast majority of the provisions, recommendations and suggestions for responsible corporate governance included in the Code have been an active element of our day-to-day business for years.

On 17 March 2015, the Management Board and Supervisory Board of SYGNIS AG issued the following declaration of compliance with the German Corporate Governance Code in accordance with Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] and published it on the Company's website.

"The Executive Board and the Supervisory Board of SYGNIS AG hereby declare that, SYGNIS AG has complied with the recommendations of the German Government Commission on the German Corporate Governance Code (hereinafter also "GCGC") in the version of May 13, 2013 and respectively since their effectiveness in the version of June 24, 2014 since the last declaration of compliance in August 2013, complies an intends to comply with the recommendations of the Code in the version of June 24, 2014 (published by the Ministry of Justice in the official part of the Federal Gazette on September 30, 2014), in each case with the exceptions set forth below.

- Item 4.2.1 Sentence 1 GCGC: After the resignation of the CFO, the Management Board consists of one person since 1 April 2013. The Company is currently in a process of changing its product and commercialization strategy and will decide in due time on the appointment of further Management Board members.
- Item 4.2.3 (2) Sentence 6 GCGC: The stock option plans that were launched in 2008 and 2011 are not related to demanding, relevant comparison parameters such as a share index, but rather to a significant increase of at least 50 % of the share price of SYGNIS AG. This is designed to ensure that the incentive function of these variable remuneration components is dependent solely on the Company's performance and not on the unrelated performance of other companies.
- Item 5.4.1 (2) Sentence 1 GCGC: The Supervisory Board has specified concrete objectives regarding its composition which included an age limit of 68 years for newly elected members. The Supervisory Board has resolved to repeal this age limit because it did not appear adequate in times of prolonged working lives and unduly limits the selection of eligible Supervisory Board members. The Supervisory Board will discuss the introduction of a revised age limit in due course.
- Item 7.1.2 Sentence 4 GCGC: The Consolidated Financial Statements for the fiscal year 2014 will be published on 29 April 2015. Thus, for the fiscal year 2014, the Company will not comply with the recommendation of Item 7.1.2 Sentence 4 to publish the Consolidated Financial Statements within 90 days of the end of the financial year. The slight exceeding of the period is due to the implementation of the new strategy of the Company which made it inappropriate to meet this deadline.

Heidelberg, 17 March 2015

The Management Board The Supervisory Board"

SYGNIS provides detailed information on Corporate Governance on the Company's website at www.sygnis.com under Investor Relations/Corporate Governance. This is also where the current declaration of compliance and earlier versions of the declaration of compliance in accordance with Item 3.10 of the Code, the Declaration on Corporate Governance in accordance with Sec. 289a HGB ["Handelsgesetzbuch": German Commercial Code] and the SYGNIS Code of Ethics can be viewed and are available for download.

Compliance

An integral element of the SYGNIS corporate culture is its adherence to national and international legal and ethical principles in business transactions. These include principles of professional conduct, honesty and integrity in its dealings with our customers, suppliers, partners, competent authorities, employees, shareholders and the general public. With the Code of Ethics, which was introduced throughout the Company in 2003, we ensure that our employees are aware of and observe the relevant national and international rules of conduct within the Company and in their relationships with external partners and the general public. The Code of Ethics implemented by the Management Board is also the reason for having a group-wide reporting system in place for the centralised collection of possible violations of the provisions contained in the Code of Ethics. Each employee is called upon to ensure, by observing the laws and also the principles and rules of the Code of Ethics, that SYGNIS is perceived as a reliable partner of integrity. The Code of Ethics is also published on the Company's website under Investor Relations/ Corporate Governance.

As a matter of principle, compliance at SYGNIS is regarded as the task of the management at all decision-making levels. In addition to monitoring the observance of the applicable legal regulations and requirements of the SYGNIS compliance rules, the Company's Compliance Officer examines facts for their ad-hoc relevance in order to ensure that any potential inside information is handled in accordance with the law. All relevant persons who are employed or engaged by the Company and have authorised access to inside information are also included in an insider register and informed of the duties arising from the laws governing inside information. In addition, the Company's Compliance Officer supports the development and implementation of procedures designed to ensure that our ethical standards are met and any applicable international and national legal regulations are observed.

Annual General Meeting

The shareholders exercise their rights in the Annual General Meeting, where they also exercise their voting rights. Each ordinary SYGNIS AG bearer share carries one vote.

Our Annual General Meeting was held on 17 July 2014, where around 83% of the Company's voting share capital was represented. The shareholders have approved all agenda items proposed by the Management. All shareholders who were unable to attend our Annual General Meeting had the opportunity to download the presentation of the CEO and all documents and information relating to the Annual General Meeting from our website at www.sygnis.com under Investor Relations/Annual General Meeting. SYGNIS also provided assistance to its shareholders in issuing powers of representation and supported them, in accordance with the recommendation in the German Corporate Governance Code, in appointing a proxy to exercise their voting rights in accordance with the shareholder's instructions. This opportunity was also available during the Annual General Meeting itself. It was possible to issue instructions to these proxies on the exercise of voting rights before and during the Annual General Meeting until the end of the voting.

Working methods of the Management Board and Supervisory Board – Dual management and control system

The strict segregation of the Company's management and control structure prescribed and defined by the AktG, the Company's memorandum and articles of association and its rules of procedure is reflected in the clearly defined separation of Management Board and Supervisory Board responsibilities. The two boards work closely for the benefit of the Company; their common aim is to secure long-term and sustainable growth prospects for the shareholders. As well as coordinating with each other to define the Company's strategic alignment, this also involves making joint decisions on material transactions. In addition, there is the Annual General Meeting as the decision-making body of the shareholders.

Management Board

At the end of the fiscal year 2014, the Management Board of SYGNIS AG consists with the CEO Pilar de la Huerta of one person only. The CEO is responsible for managing the Company and conducting its business. The Supervisory Board will conduct a thorough assessment of the question of whether to enlarge the Management Board in light of the demands placed on management in future. The Management Board develops the strategic alignment, which it subsequently coordinates with the Supervisory Board and ensures its implementation. Its actions and decisions are taken in the Company's best interests.

In addition to the applicable legal provisions, the Management Board rules of procedure approved by the Company's Supervisory Board and the plan for the allocation of duties (for the case that at least two members of the Management Board exist) determine the areas of responsibility of the Management Board members, the detailed work carried out by the Management Board and matters reserved for the Management Board as a whole. For important business transactions, the memorandum and articles of association and the Management Board bylaws assign rights of veto to the Supervisory Board. The Management Board members also act as general managers for other group companies. They are not engaged in activities for any other supervisory boards or comparable control bodies of other companies.

Supervisory Board

The Supervisory Board of SYGNIS AG, which is composed of six qualified members, appoints, monitors and advises the Management Board on the management of the Company and is immediately involved in any decisions of fundamental significance for the Company. The members of the Supervisory Board were elected by the Annual General Meeting on 17 October 2012. The successors of the members who left the Supervisory Board in 2013 and 2014 were elected by the Annual General Meeting on 28 August 2013 and 17 July 2014. In the interest of the Company, proposals for the election of Supervisory Board members are prepared with a focus on the knowledge, abilities and technical experience required to perform the duties. In addition, efforts are also made to consider diversity in the composition of the Company's Supervisory Board. Four members of the Supervisory Board represent the Company's main shareholders.

The term of office of the members of the Supervisory Board ends at the close of the Company's Annual General Meeting that votes on the exoneration of its members for the fiscal year ending 31 December 2016. The Supervisory Board believes that it has a sufficient number of independent members. Details of the election, constitution and term of office of the Supervisory Board, of its meetings and resolutions, in addition to its rights and obligations are laid down in the memorandum and articles of association of SYGNIS AG, which are available for download on our website at www.sygnis.com under Investor Relations/ Corporate Governance.

In accordance with Item 5.1.3. of the German Corporate Governance Code, the Supervisory Board established separate rules of procedure for itself and the Audit Committee. The Chairwoman of the Supervisory Board is responsible for coordinating its activities, convening and chairing its meetings, and representing its interests externally. In the event of the absence of the chairperson, the duties will be exercised by the deputy, and, in the absence of the deputy, by the oldest member of the Supervisory Board elected by the Annual General Meeting. The Supervisory Board is required to meet once every calendar quarter and must hold two meetings every calendar half-year. The Supervisory Board passes resolutions with a majority of the votes cast, unless otherwise provided for by the law or in the Company's memorandum and articles of association. In the event of a tied vote, each member of the Supervisory Board has the right to demand that a fresh vote be taken on the same matter. In the event of a tied vote again, the chairperson has the casting vote.

Regular dialogue with the Management Board ensures that the Supervisory Board is informed about the development of business, financial situation,corporate planning and strategy at all times. It also deals in particular with the annual financial statements of the Company and the Group, taking into consideration the reports of the external auditors. The report of the Supervisory Board, which is included in this annual report, provides information on the key activities of the Supervisory Board and its committees in fiscal 2014.

Supervisory Board committees

Another integral part of the Supervisory Board's activities is the work performed in the committees, which are set up in accordance with the provisions of the AktG, the recommendations of the Code and the Company's needs. The Supervisory Board of SYGNIS AG has set up two permanent committees from among its members: the Audit Committee and the Nomination and Remuneration Committee, each composed of three members. The members of the committees are elected with a majority of the votes cast by the Supervisory Board members. The committees hold meetings as required. The meetings are convened by the relevant committee chair, who forwards the minutes of the meetings to the members of the Supervisory Board and reports on the work of the committee in the next plenary meeting.

Composition of Supervisory Board committees:

	Term of office ends	Audit Committee	Nomination and remuneration
Dr. Cristina Garmendia Mendizábal, Chairwoman	2016		
Dr. Friedrich von Bohlen und Halbach, Deputy Chairman	2016		
Joseph M. Fernández	2016		X (Chair)
Pedro-Agustín del Castillo	2016	X	X
Maria Jesus Sabatés (since 17 July 2014)	2016	X	
Dr. Franz Wilhelm Hopp	2016	X (Chair)	X
Werner-Friedrich Knuth Schaefer (until 17 July 2014)	2016	X	

The tasks of the Audit Committee include preparing decisions to be taken by the Supervisory Board on the approval of the annual financial statements and consolidated financial statements and the Supervisory Board's proposal to the Annual General Meeting for the election of the external auditors. It is also required to discuss and examine the quarterly and half-year reports with the Management Board prior to their publication and to specify the individual areas of audit focus with the external auditors after awarding the audit engagement (including the fee agreement) and agreeing on the auditors' reporting duties to the Supervisory Board. Furthermore, it deals in particular with the examination of the risk management and control systems, compliance issues and the required independence of the external auditor. The Audit Committee's Chairman Dr. Franz Wilhelm Hopp possesses the qualifications required under the AktG and complies with the provisions of Item 5.3.2 of the German Corporate Governance Code.

During 2014 the Supervisory Board decided to create a temporary sub-committee to monitor and follow the increases of capital linked to the uses of SEDA. The members were Dr. Friedrich von Bohlen und Halbach, Dr. Cristina Garmendia and Mr. Pedro Agustin del Castillo. This committee had no specific remuneration and no physical meetings (all communications were done electronically).

During 2014 the Nomination and Remuneration Committee had no meetings.

Efficiency review of the Supervisory Board

In accordance with Item 5.6 GCGC, the Supervisory Board of SYGNIS AG regularly reviews the efficiency of its activities in the form of an open discussion in the plenary sessions. Individual aspects of these reviews include the sequence and structure of the meetings and resolutions, the scope of proposals and the supply of information by the Management Board, in addition to the work performed by the committees in preparation for any decisions to be taken by the Supervisory Board. The reviews revealed that the Supervisory Board is efficiently organised, including in its new composition, and that cooperation between the Supervisory Board and the Management Board is effective.

Avoidance of conflicts of interests

The Management Board and Supervisory Board of SYGNIS AG are committed to the interests of the Company. In performing their duties, they pursue neither personal interests nor do they grant other persons unjustified advantages. Secondary activities or business relations of members of the two boards with the Company are to be disclosed to the Supervisory Board immediately and require the Supervisory Board's approval. The Supervisory Board reports to the Annual General Meeting on any conflict of interests and how they have been treated.

No conflict of interests involving members of the Management Board or the Supervisory Board arose in the reporting period that required immediate disclosure to the Supervisory Board. Possible conflicts of interests involving the Management Board and Supervisory Board members were discussed in depth by the Supervisory Board and appropriate action was taken to prevent them from arising.

In the 2014 fiscal year the Company maintained business relationships with Coretherapix, S.L.U., Madrid, Spain, which is a subsidiary of the sole shareholder of Genetrix Life Sciences A.B., Upsala, Sweden (main shareholder of SYGNIS). In this regard, SYGNIS Spain has received services in the areas of legal, personnel, finance, public and investor relations and IT. SYGNIS Spain has expensed amounts of €113,434 in fiscal 2014. As of 31 December 2014 an amount of €9,873 thousand was outstanding for payment.

In March 2013, the main shareholders of the Company, Genetrix Life Sciences, A.B. and dievini Hopp BioTech holding GmbH & Co. KG granted a loan of €713,000 with an interest-rate at customary market conditions. The Chairwoman of the Supervisor Board of SYGNIS AG is Chairwoman of the Board of Directors of Genetrix, S.L, which is the sole shareholder of Genetrix Life Sciences, A.B. The Deputy Chairman of the Supervisor Board of SYGNIS AG is Managing Director of dievini Hopp BioTech holding GmbH & Co. KG. The loan is unsecured and is due for repayment not before the end of 2015.

In July 2013 a group of international investors comprising the Bedford Investment Fund, The Excalibur Investments Fund and Casticapital, S.L. as well as Mr. Gonzalo Rodríguez-Fraile Díaz, who is a former member of the Supervisory Board of SYGNIS AG granted a loan of €550,000 to the Company. Another member of the Supervisory Board of SYGNIS AG, Mr. Pedro-Agustín del Castillo Machado, is Chairman of the Board of Directors of Casticapital, S.L. The loan beared interest at customary market conditions. The loan was secured and was due for repayment not before the end of 2014. It was completely paid back in December 2014.

The Supervisory Board approved the completion of these loan agreements in each case.

The mandates of the Supervisory Board members on supervisory boards or comparable supervisory bodies of other companies are indicated in the notes to the consolidated financial statements included in this annual report.

Management Board and Supervisory Board shareholdings

The table below provides an overview of all shares held by members of the Management Board and Supervisory Board as of 31 December 2014:

Supervisory Board	Shares
Dr. Cristina Garmendia (Chairwomen)	none
Dr. Friedrich von Bohlen und Halbach (Deputy Chairman)	87,797
Maria Jesús Sabatés	none
Dr. Franz Wilhelm Hopp (Chairman Audit Committee)	none
Pedro-Agustín del Castillo	none
Joseph M. Fernández	none
Management Board	
Pilar de la Huerta (CEO)	none

Reportable Securities Transactions – Directors' Dealings

Members of the Management Board and Supervisory Board of SYGNIS AG, other persons with management duties and persons closely related to them are required to disclose any purchase or sale of shares in SYGNIS AG (directors' dealings) in accordance with Sec. 15a WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]. Supplementary to the requirements of Sec. 15a WpHG, SYGNIS has published its own guidelines for insiders, which govern trading in company securities for members of the corporate boards and employees and ensure the requisite transparency.

In fiscal year 2014 no transactions by directors in accordance with Sec. 15a WpHG have been reported to the Company.

Open and transparent corporate communication

SYGNIS meets all recommendations applicable to the Company that are included in Item 6 of the German Corporate Governance Code. In the interest of ensuring the greatest possible degree of transparency, our corporate communications strategy is designed to keep the general public informed and up to date on the Company's activities and thus confirm and strengthen confidence in us. The Company rigorously applies the principle that no shareholder may receive privileged information. To ensure that all market participants are provided with the same information at the same time, we make all press releases, ad-hoc messages and key documents available on our website www.sygnis.com under Investor Relations and News and Media.

In addition, all shareholders and interested parties can subscribe to our electronic mailing list to receive notification of the Company's press releases. In addition, when important corporate news has been released, the Company's investor relations department is immediately available to provide further information and answer any questions. Furthermore, our financial calendar contains the publication dates of regular financial reports and the date of the next Annual General Meeting.

Risk Management

Dealing with all risks responsibly and appropriately is a key element of good corporate governance in our opinion. SYGNIS has a risk management system in place which is structured to ensure periodic monitoring, enabling the Management Board to identify and assess risks and the trends associated with them at an early stage and to respond immediately to relevant changes in the risk profile in an appropriate manner. The Management Board keeps the Supervisory Board up to date on existing risks and their development. The risk management system is developed on a rolling basis to reflect changing circumstances and conditions and is discussed by the Audit Committee in connection with the quarterly reports and the audit of the annual financial statements. The group management report contains further details in the opportunities and risks report.

Accounting and auditing of the financial statements

The consolidated financial statements of the SYGNIS Group for the fiscal year 2014 were prepared in accordance with the International Financial Reporting Standards (IFRSs), applying Sec. 315a HGB. The annual financial statements of SYGNIS AG were prepared in accordance with the provisions of the HGB.

The Audit Committee awarded the audit engagement to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, in accordance with the resolution of the Annual General Meeting on 17 July 2014. The external auditors issued a declaration of independence to the Audit Committee before the engagement was awarded.

Remuneration Report

According to Item 4.2.5 of the German Corporate Governance Code, the remuneration report should be included in the corporate governance report. However, Sec. 315 (2) No. 4 HGB requires a section on remuneration in the management report. In order to meet both requirements, a separate section entitled "Remuneration report" is included in the management report, providing details of Management Board members' remuneration broken down by fixed and variable components as well as other benefits. Some details of Supervisory Board remuneration are also given. This dedicated section on remuneration in the management report is also a component of this corporate governance report.

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Financial Calendar

13 May 2015: Financial Report Q1 (1 January – 31 March 2015)

8 July 2015: Annual General Meeting

13 August 2015: Financial Report Q2 (1 April – 30 June 2015)

12 November 2015: Financial Report Q3 (1 July – 30 September 2015)