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Annual Report 2018

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Foreword by the Management Board

Dear Shareholders,

This is the first Annual Report since the name change to Expedeon AG from SYGNIS AG as approved by the Annual General Meeting on 5 July 2018. This name change aligns the corporate brand and product branding of the group.

Under this name, the Company continues to focus on becoming a market leader in the provision of innovative reagents and services underpinning life science research and diagnostic applications. This is being achieved by continuous innovation aimed at encapsulating current and new technologies into the products and services sold to our customers.

Alongside the core research market, the Company is seeing significant opportunities in the supply of its products for commercial use applications; either for industrial scale research or for inclusion in diagnostics. This opens up the prospect of growing licence and royalty deals alongside product sales arising from those commercial arrangements.

With the addition of Innova Biosciences in 2017 and TGR BioSciences in May 2018, the Group is developing a portfolio of technologies, which it considers to hold significant future value. In addition to the genomics technologies underlying TruePrime™ and SunScript®, for which we see increasing interest, we are now generating a strong pipeline of opportunities around Lightning-Link®, CaptSure™ and gold nanoparticles, three important technologies in the immunology space.

The timing of larger agreements is unpredictable; however, the Management Board is very positive about the opportunities opening up to Expedeon over the next two years and believes this period should see a significant step change in both the scale and value of supply and licensing agreements, which in turn can lead to robust financial performance over this time period.

Acquisition of TGR BioSciences

In 2018, The Company continued with its Grow, Buy, Build strategy and further enhanced its portfolio with the acquisition of TGR BioSciences, an Adelaide-based life sciences company.

With the acquisition, Expedeon gained the leading CaptSure™ technology, which is highly complementary to the Group's existing Lightning-Link® technology; this also added strong revenue growth and new commercial partners, as well as positive EBITDA. Over the brief period since acquisition, the TGR acquisition has contributed significantly to the Group's financial performance and the development of larger commercial opportunities.

As noted in this foreword last year, it remains a focus of the Group to scale its operations, with a view to delivering improved financial performance and profitability. Alongside strong organic revenue growth, acquisitive growth remains important in rapidly building the scale of the business and thereby driving overall profitability levels.

Revenues and Technologies

Alongside the acquisition of TGR BioSciences in 2018, Expedeon continued with the development of its core products and technologies, which now include Lightning-Link®, gold nanoparticles, CaptSure™, RunBlue™, InstantBlue™ and TruePrime™.

Centred around these products, the Company announced a number of supply and licensing agreements during the year, with Lightning-Link®, gold nanoparticles and CaptSure™ of particular interest to a number of current and prospective commercial partners.

As a result of the acquisition of TGR, with its focus on OEM arrangements, the revenue mix during 2018 swung towards an industrial customer base, which now accounts for approximately 70% of sales, while academia now represents 30% of sales.

With the prospect of further significant commercial arrangements, the growing trend to a blue-chip industrial customer base is likely to continue. Nevertheless, Expedeon continues to focus on revenues across all of its sales channels and with the objective to maximize organic growth.

The combination of acquisitions and organic growth means Expedeon will report a 68% increase in sales year on year. Annual organic revenue growth (measured Q4 2017 to Q4 2018) was 15%. This reflected above average growth in key product groups such as Lightning-Link® and InstantBlue™, with lower growth in non-core product groups.

Financials

As explained in the Management Report, the Company applies an adjusted measure of EBITDA to evaluate its financial performance. (This adjusted EBITDA measure excludes non-cash charges such as those arising from acquisition accounting and share-based equity-settled compensation.)

While Expedeon reported a significant adjusted EBITDA loss in 2017, the combination of acquisitive and organic growth has enabled Expedeon to report a positive adjusted EBITDA for 2018.

Very significantly, this represents the first ever annual reported adjusted EBITDA profit for the Company. This milestone reflects the strong organic growth and the significant contribution acquisitions have made and demonstrates a strong trend of improving revenues and profits moving forward in 2019 and beyond.

The Q4 revenues represent annualized revenues of almost €15.2 million versus the reported result for the year of €13.1 million, representing a strong platform for further growth during 2019.

The balance sheet continues to present a high equity to total assets ratio of 73% and the Group ended the year with a cash balance in excess of €6.2 million.

For the full year, both revenue and net loss per share have improved significantly versus 2017.

Capital Increase and Debt funding

In March 2018, the Company raised €4,193,417 by way of a private placement of 2,995,298 shares at a price of €1.40 per share. In May 2018, the Company raised €2,000,000 by way of debt financing. The combination of these funds was applied to the purchase of TGR BioSciences and related costs. An additional 601,538 shares were issued by way of contribution in kind for shares in Innova Biosciences, as part of an earn out agreement following the acquisition on 16 June 2017. In addition, the Company issued a further 880,400 shares under its SEDA (Standby Equity Distribution Agreement) facility with Yorkville Advisors.

In August, the Company agreed to a debt funding arrangement with Boost & Co., a UK entity, which provides GBP 5 million of debt funding, to be applied for acquisition purposes. Following this transaction, any immediate acquisition opportunities are expected to be funded primarily from a combination of existing cash reserves and deferred consideration.

Outlook

Expedeon continues to focus on its strategy as outlined above. The Management Board is very positive about the overall growth prospects for the Group and the opportunity for sizeable licensing and supply arrangements alongside the underlying organic revenue growth.

Consequently, Expedeon expects strong double-digit revenue growth in 2019 and for adjusted EBITDA to exceed €2 million for the year.

We would like to thank our shareholders for their ongoing support and their confidence in our strategy. We would like to extend our appreciation to all Expedeon employees for their efforts and the dedication over this exciting period including those joining from TGR. This success has been due to the attitude, commitment and the performance of the entire Expedeon team. We would like to thank all of you for your trust in our Company and our team.

Heikki Lanckriet CEO	David Roth CFO

28 April 2019

Company Presentation

Introduction

Over the past two and a half years the Company has evolved from a research group into a dynamic and commercially focussed organisation developing, manufacturing and commercialising a wide range of products and services used in biomarker research, drug discovery and clinical diagnostics.

Throughout this development, Expedeon has remained a technology-based organisation driven by a passion for innovation. Our primary objective is to create and market innovative, intelligent and easy to use products and services, which enable scientists to push the boundaries of research and product development and which play an integral part in new diagnostic tools being brought to market. The technologies we develop both accelerate and simplify research and make new and cost-effective processes available to biopharmaceutical and diagnostic organisations alike, thereby underpinning our customers' development and commercialisation objectives.

Our mission is to act as enablers and innovators for the markets we serve and strengthen our role as a strategic partner to our customers. By doing so, we are able to create and deliver exciting new technologies, products and services which form the foundations of our strong organic growth.

The commercial accomplishments of the organisation are based on the successful implementation of our 'Grow, Buy, Build' strategy. This strategy is centred around delivering sustained, above market organic revenue growth through continued innovation and development of exciting and novel products and services for our customers.

Through innovation, we are able to protect our intellectual property by means of patents, which in turn provides us with a strong competitive position in the market place, allowing our products to attract premium pricing and deliver high gross margins. We also continue to build and expand this intellectual property portfolio, thereby protecting the high margin, high quality products and services we offer and safeguarding our strong customer loyalty.

We also recognise the benefits of added scale to realise the enhanced efficiencies and profitability we are seeking to deliver. To that end, we have deployed an M&A strategy, which has accelerated the expansion of our product range, technology base, commercial reach and manufacturing capabilities. This has allowed us to build the platform, which enables us to provide our customers with disruptive and enabling products whilst securing sustainable growth and returns for our shareholders.

Technologies

Innovation drives product development at Expedeon. Our objective is to challenge boundaries and develop products, which will assist with the advancement of life sciences and healthcare as a whole. Our product development strategy is focused around core high added value workflows we have identified, such as biomarker research, high throughput drug discovery and liquid biopsy, which all target fast growing market segments.

Historically the focus of the organisation was on DNA amplification technologies to further oncology research and enable early diagnosis and monitoring of cancer progression through an NGS based liquid biopsy approach. TruePrime™ is the brand name of a series of technologies dedicated to the amplification of various DNA or RNA species for a multitude of applications including those with low amounts of available DNA. We have continued to invest in TruePrime™ technology and in the next calendar year, we expect to complete the 80 patient clinical study where the technology is being assessed on a variety of cancers, including colon, breast, lung, brain, melanoma, pancreatic, and glioblastoma.

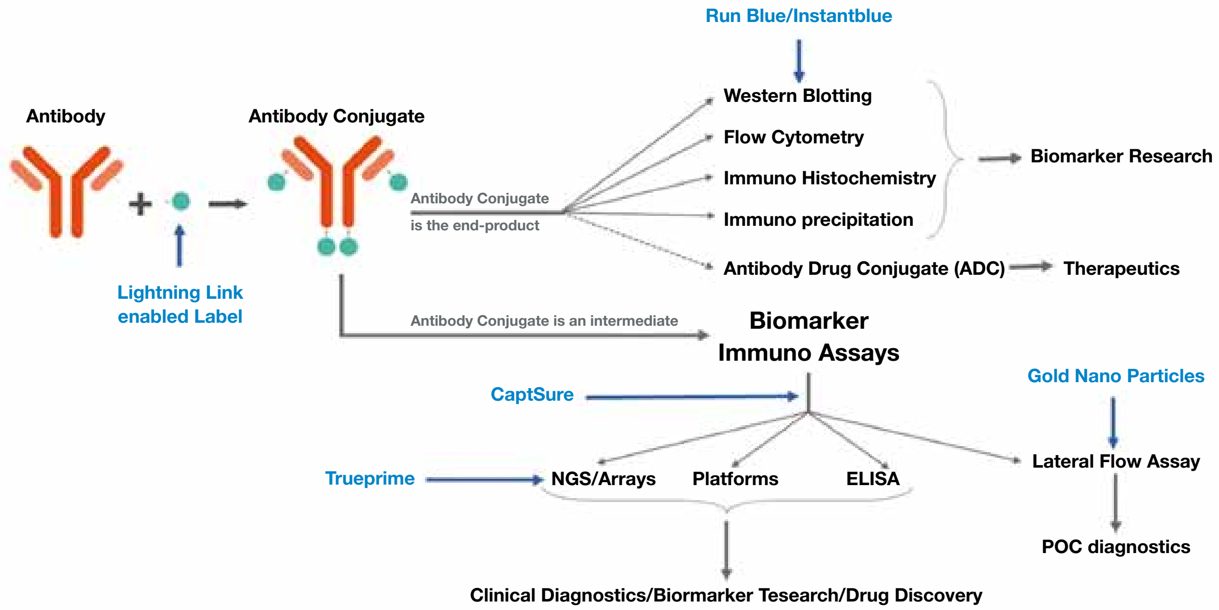
Alongside this and through our acquisition strategy we have built a strong technology base in the antibody conjugate and immuno-assay space. These are lucrative and fast-growing market opportunities, which feed directly into biomarker research, drug discovery platforms and ultimately, clinical and point of care diagnostics and assays. We also see great potential in expanding the deployment of TruePrime™ technology into this exciting space, thereby creating synergistic opportunities across our intellectual property portfolio.

Lightning-Link® sits at the heart of Expedeon's immunoreagents range enabling Expedeon access to the monoclonal antibody market, which is expected to reach a value of USD 138.6 billion by 2024. Antibodies have a substantial clinical application range both as diagnostic and therapeutic agents. The conjugation of antibodies to partner molecules is important for both these applications, either for delivery of a drug compound to a target or for visualisation or quantification of the target biomarker of interest. Lightning-Link® technology is a patented technology allowing single step, fast and accurate antibody conjugation to a range of reporter molecules, whilst overcoming

the many constraints associated with traditional antibody labelling methods. The Company is offering access to this technology through a range of easy to use kits for R&D use, whilst also licensing the technology for commercial use with a wide range of partners for both diagnostic and research-based applications.

CaptSure™ is a next-generation cross-platform immunoassay technology enabling fast and reliable capture of biomarker targets through creation of a universal capture surface. The technology can be deployed in single or multiplex mode and enables highly sensitive immunoassay development. CaptSure™ and Lightning-Link® go hand in hand in biomarker research and detection as they offer the easiest, fastest and best method to capture and detect biomarkers of interest. The technique is highly suitable for commercial deployment as it facilitates enhanced performance in combination with a substantial reduction in production costs and assay development time. CaptSure™ has been successfully embedded in a high throughput drug discovery tool (SureFire®) and has recently also been deployed in an ELISA assay format, which has already been licenced to two Tier 1 assay manufacturers. The technology has now also been adopted by Quanterix in their highly sensitive SIMOA assay platforms, which demonstrates the wide applicability across a variety of formats of immunoassay systems.

One of our key objectives is to facilitate the advancement of our products from an R&D environment into a manufacturing setting and enable the embedding of our technology in diagnostic end products. Gold nanoparticles are one of the dominant reporter methods for point of care lateral flow assays (e.g. pregnancy testing). The Company has developed a commercially scalable, proprietary and novel colloidal gold particle manufacturing and coating process providing particles of the highest quality, which offer superior properties in terms of particle size and shape and their ability to conjugate antibodies or antigens. Furthermore, our process provides a substantial cost advantage



over conventional manufacturing processes, enabling an aggressive market penetration strategy. We see significant commercial opportunity in this market over the coming years.

Electrophoresis is a widely used laboratory technique which also has some clinical applications. At our facilities in Cambridge, UK and San Diego, USA, Expedeon manufactures a comprehensive range of innovative, patented high quality electrophoresis reagents and devices for use in proteomics and genomics research. One of our key technologies resides in our unique polymerization technology, which allows for the manufacturing of stronger and more reliable composite polyacrylamide gels, the molecular sieves that facilitate the separation of DNA, RNA or proteins. Furthermore, we also offer a patented 1-step staining solution, InstantBlue™, to visualise the proteins following separation. Our products not only offer increased performance but also provide better consistency and reproducibility compared to alternative approaches.

Growth Markets

Whilst our impact on next generation sequencing based liquid biopsy workflows remains a key long- term objective, through its acquisition strategy the Company has broadened its focus to include proteomics-based market segments. The overall proteomics market is expected to grow to $21.9 billion with a compound annual growth rate of 11.7 %. Within this market, the Company's RunBlue™ product range is targeting the electrophoresis market, which is expected to reach $2.8 billion by 2022, growing annually at 5.4 %. Although this is clearly a more mature market segment, the widespread use of the technique forms a good opportunity to build an active customer base facilitating cross- and up-selling opportunities thereby supporting organic revenue growth.

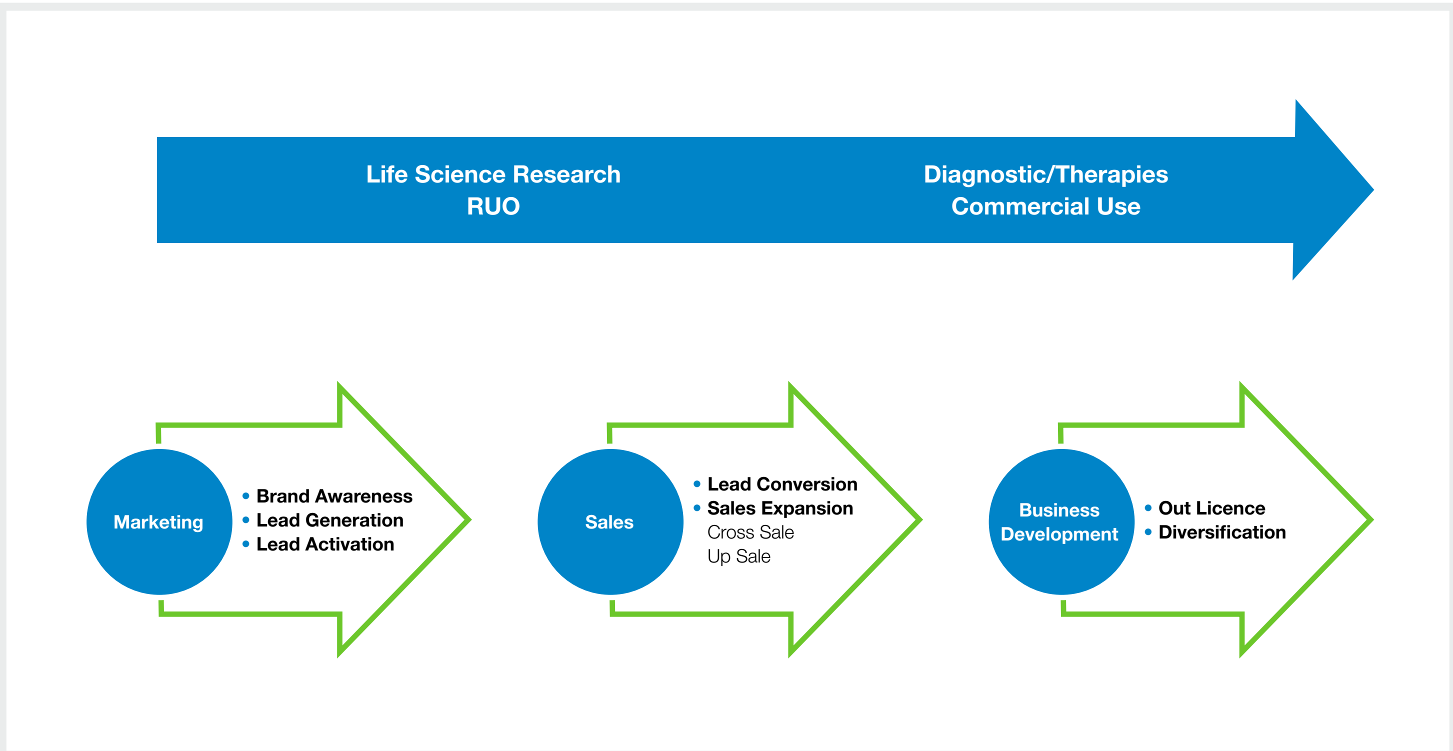
The Company's current revenue generation is focussed on antibody-based workflows. Our Lightning-Link® technology targets the protein labelling market, which is expected to reach $2.6 billion by 2024 with a CAGR of 11.7 %. We see a particularly strong uptake of Lightning-Link® technology in Flow Cytometry ($5.4 billion by 2021, 10.6 % CAGR), immunohistochemistry ($2.2 billion by 2021, 7.3 % CAGR), immunoprecipitation ($0.8 billion by 2021, 5.0 % CAGR) and western blotting ($0.7 billion by 2021, 4.9 % CAGR). The latter is also a strong entry point for our RunBlue™ electrophoresis product range. Our CaptSure™ technology on the other hand is targeting the immunoassay market, which is expected to reach $24.1 billion by 2021 growing at 6.1 % per annum. Lightning-Link® and our gold nanoparticles complement CaptSure™ in this market segment enabling a wider technology and solution offering for our customers.

In the longer term, we see good opportunities to derive value from the in vitro diagnostics market, in particular the clinical and point of care (POC) immuno-diagnostics market, which is anticipated to grow to $16.5 billion by 2021, growing at 7.3% per annum. We anticipate that our technologies will be integrated in the products our customers are developing; from this, we expect to secure commercial benefits from licence and supply agreements as manufacturing is scaled up and products are brought to market.

Commercial Approach

Our primary commercial focus is to supply and enable our customers to meet their research needs; we refer to this as "Research Use Only" applications (RUO). We continue to expand and invest in our commercial team to help us achieve this goal, and our objective is to become a marketing driven sales organisation, where digital marketing is our primary source of lead generation and where our direct sales effort is centred around cross- and up-selling opportunities within the marketing activated customer base.

We also see an increasing interest in commercial use applications of our products and technologies. These can be of diagnostic, therapeutic or RUO nature. This year we have reported several "commercial-use supply and licence agreements", a trend we expect to continue into 2019 and beyond. Whilst the exact timing and impact of such additional agreements is hard to predict, we anticipate a material positive impact on the overall underlying revenue growth and profitability of the organisation, additive to the strong organic revenue growth we project from our core RUO-based products business.



Customer Profile

Throughout 2018 and with the acquisitions of TGR BioSciences and Innova Biosciences, our customer revenue profile has moved towards industrial accounts from the traditional Expedeon customer base, which was focussed on academia (with over 70 % of its customers in this segment). Today, 70 % of our customers by value fit the industrial user profile, although the number of academic accounts continues to outweigh the number of industrial accounts.

With our technologies being used extensively in both academic research and commercial applications, we are seeing a significant increase in key commercial partners, who accounted for approximately 70 % of our total revenues in 2018.

The geographical split of our revenue has moved towards Europe and America, each representing 48 % and 45 % of our revenue, respectively, versus 41 % and 34 % for the previous year. These changes do not reflect fundamental changes in the Company's approach within these territories, but as with the customer profile, are the effect of the acquisition strategy and the sales channels we acquired as part of those transactions.

Financial Strategy

Over the past two years, the Company has focussed on the execution of its Grow, Buy, Build strategy. This strategy has fundamentally and very positively transformed its financial position. With its continued growth, the Company expects to double the adjusted EBITDA (excluding all non-cash charges) during 2019 and has created a platform for sustained and profitable growth.

The Company will continue to implement its acquisition strategy as and when opportunities arise, which offer both good value and also enable the Company to acquire complementary or additive technologies, products or content, which further drive the growth and profitability of Expedeon.

Historically, the Company has had to turn to the markets to fund both its operational trading and acquisition strategy. Over the past two years, the Company has been focussed on ensuring it is able to self-fund its operational activities and is pleased to report this position has now been achieved. In addition, the Company is keen to draw on other sources of finance to support any acquisition growth, to mitigate the need for further capital increases.

With its healthier financial position, the Company is now able to consider debt financing. This was achieved with the recent debt arrangement of €5.5 million secured with Boost & Co. in August 2018 and means any immediate acquisition opportunities are expected to be funded primarily from a combination of existing cash reserves and deferred consideration.

With a now mature and established operating base, growth in revenues is expected to in turn deliver increasing marginal profitability. Over time, the Company is seeking to continue to improve both reported EBITDA margins and revenues. As a result, we expect the current financial strategy to lead to an ever improving profitability position for Expedeon AG.

The Expe Share

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2018 was a challenging year for stock markets indices across the world. The Dax recorded its worst annual decline in 10 years, closing the year at 10,559 representing a loss of 18.26% over the year. This was also its first annual loss since 2011.

The Expedeon Share

Strong stock market for investors

2018 was a challenging year for stock markets indices across the world. The DAX recorded its worst annual decline in 10 years, closing the year at 10,559 representing a loss of 18.26% over the year. This was also its first annual loss since 2011.

The weakening market sentiment was also seen in mid and small caps, with the MDAX declining 17.6% for the year and SDAX declining 20%.

Stock market performance was affected by a range of global economic and political factors, including a continuing trade dispute between the US and China, weakening US economic data, the Brexit process and the increasing popularity of populist political parties in Europe.

Against this backdrop the Expedeon share price closed the year at €0.90, 59 cents lower than the year before, representing a one-year decline of 40%. This decline is in part due to wider market factors; nevertheless, the scale of the decline is not readily explained by news flow or other information.

During the first two thirds of the year, the share showed some weakness, falling 10%. On 18 September 2018, in the absence of any news flow, the share was then subject to an abrupt and brief sell-off opening the day at €1.24 and reaching an intra-day low of €0.70 cents before closing at €1.20. Despite a detailed review since then, the reason for this event remains unclear. Nevertheless, this precipitated further declines and volatility during the final quarter of the year, despite Expedeon continuing to confirm its full year market guidance.

Capital increases

On 19 March 2018 the Supervisory Board approved of the resolutions of the Management Board to issue up to 4,737,725 shares by way of a private placement in order to partly fund the acquisition of TGR BioSciences. On 20 March 2018, the Supervisory Board approved of the resolutions of the Management Board to determine that the private placement shall be completed by issuing in aggregate 2,995,298 shares. These shares were registered on 23 March 2018.

On 12 June 2017, the Capital Increase Committee approved of the resolution of the Management Board to issue up to a further 1,500,000 shares against contribution in kind by the shareholders of Innova under exclusion of the subscription rights of the existing shareholders as part of an earn out arrangement in relation to Innova Biosciences. On 31 August 2018 601,538 shares were registered in relation to this transaction.

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On 11 November 2017, the Supervisory Board approved the resolution of the Management Board to issue 139,860 shares from authorised share capital under under a SEDA arrangement with exclusion of the subscription rights of the existing shareholders. These shares were registered on 24 January 2018.

On 11 December 2017, the Supervisory Board approved the resolution of the Management Board to issue 55,632 shares from authorised share capital under a SEDA arrangement with exclusion of the subscription rights of the existing shareholders. These shares were registered on 25 January 2018.

On 26 April 2018, the Supervisory Board approved the resolution of the Management Board to issue 142,857 shares from authorised share capital under a SEDA arrangement with exclusion of the subscription rights of

Shareholder Structure (%) 31 December 2018

Shareholders	%
Deutsche Balaton	6.24
Fernandez Trust	5.15
Heikki Lanckriet	3.10
Freefloat	85.51

the existing shareholders. These shares were registered on 12 July 2018.

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On 31 July 2018, the Supervisory Board approved the resolution of the Management Board to issue 151,515 shares from authorised share capital under a SEDA arrangement with exclusion of the subscription rights of the existing shareholders. These shares were registered on 15 October 2018.

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The Supervisory Board reports below on the performance of its duties during the fiscal year 2018. The business focus is on the development and marketing of innovative reagents and services for life sciences and diagnostics.

Report of the Supervisory Board

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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 one telephone conference in the fiscal year 2018. 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 2018 focused on providing detailed updates on the financial status of the Company, the development of projects, the business strategy, the acquisition of TGR BioSciences Pty Ltd, Adelaide (Australia), the negotiations around this acquisition and the subsequent integration and merger activities around Innova Biosciences Limited acquired in June 2017, as well as the funding process for TGR BioSciences acquisition through a private placement and debt funding; and other significant corporate matters including arrangement of additional debt funding. The information provided by the Management Board was substantiated occasionally by oral 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 Expedeon group.

The discussions of the Supervisory Board focused on the financial situation of the Company and any deviations to the business plan, the launch of new products, the development of projects, the acquisition of TGR BioSciences, the private placement and debt funding needed for that

acquisition, additional debt funding and the integration plans for the newly acquired companies. The Supervisory Board also discussed the agenda items for the Annual General Meeting and the terms of the capital increase. 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.

On 12 June 2017, the Capital Increase Committee approved the resolution of the Management Board to issue up to a further 1,500,000 shares against contribution in kind by the shareholders of Innova under exclusion of the subscription rights of the existing shareholders as part of an earn out arrangement in relation to Innova Biosciences. On 31 August 2018, 601,538 of those shares were registered in relation to this transaction.

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On 21 May 2018, the Supervisory Board approved the resolution of the Management Board to issue 142,857 shares from authorised share capital under a SEDA arrangement with exclusion of the subscription rights of the existing shareholders. These shares were registered on 13 July 2018.

On 4 July 2018, the Supervisory Board approved the resolution of the Management Board to issue up to a further 1,612,638 shares against contribution in kind by the shareholders of TGR BioSciences under exclusion of the subscription rights of the existing shareholders as part of an earn out arrangement in relation to TGR BioSciences.

On 31 July 2018, the Supervisory Board approved the resolution of the Management Board to issue 151,515 shares from authorised share capital under a SEDA arrangement with exclusion of the subscription rights of the existing shareholders. These shares were registered on 15 October 2018.

In April 2019, the final shares due under the first year Innova Biosciences Ltd earn out, totalling 148,458, were registered.

Management Board matters

Dr Heikki Lanckriet acted as sole CEO as well as CSO of the Management Board throughout the year. Mr David Roth, CFO, was a member of the Management Board throughout the year.

Composition of the Supervisory Board and the Committees

During the year, the Supervisory Board remained unchanged. Dr Cristina Garmendia Mendizábal continued to act as Chairwoman. Other members of the Supervisory Board continued to be Mr Joe Fernandez, Mr Peter Llewellyn-Davies, Mr Tim McCarthy and Mrs Pilar de la Huerta.

The composition of the committees of the Supervisory Board were as follows:

(a) Mr Peter Llewellyn-Davies continued to act as chair of the Audit Committee consisting of:
- Peter Llewellyn-Davies (Chairman)
- Pilar de la Huerta
- Tim McCarthy

(b) Mr Joseph M. Fernandez continued to act as chair of the Nomination and Remuneration Committee consisting of:
- Joseph M. Fernandez (Chairman)
- Peter Llewellyn-Davies
- Trevor Jarman

On 4 April 2019, Dr Cristina Garmendia Mendizabal resigned from her position on the Supervisory Board. Dr Garmendia's responsibilities will be assumed by Joseph Fernandez, deputy chairman of the supervisory board, until a suitable successor is found.

Activiries of the Committees

The existing Committees and sub-committees support the work carried out in the plenary sessions of the Supervisory Board. 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 four ordinary meetings in the reporting period. Its activities mainly focused on monitoring the accounting process, the audit of the separate and consolidated financial statements and management reports for the fiscal year 2018, 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.

The Nomination and Remuneration Committee had two meetings during 2018.

Corporate Governance

The Supervisory Board, as in the past, regularly dealt with the continuing development of corporate governance and its implementation at Expedeon. The corporate governance report, which is part of this annual report, contains further details of corporate governance at Expedeon. In April 2018, the Supervisory Board and the Management Board of Expedeon 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 Expedeon 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 2018. 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.

Since 25 February 2015 Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, provided consulting services for project support to Expedeon, S.L.U., Madrid, Spain. The member of the Supervisory Board of Expedeon, Dr Cristina Garmendia and the former member Mr. Pedro Agustín del Castillo are principal shareholders of Science & Innovation Link Office, S.L. (SILO), Madrid, Spain. For these consulting services, Expedeon, S.L.U., Madrid, Spain, paid in 2018 the amount of €27,510 to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain.

Due to a public soft loan Expedeon S.L.U. receives from Spanish institutions for its R&D activities in Spain, Dr Heikki Lanckriet pledged 400,000 shares of his interest in Expedeon AG to secure this loan. According to the agreement on the payment of a share pledge fee between Expedeon and Dr Heikki Lanckriet, it was agreed that Expedeon has to compensate Dr Heikki Lanckriet, for creating this pledge as a security for Expedeon's fulfilment of its obligation arising from the pubic loan received from the Spanish institution by paying a so called share pledge fee. This fee is €10,000 annually. The pledged shares shall be released from the pledge once a corporate transaction takes place (e.g. share or asset deal of Expedeon AG to a third party) or if Expedeon Group is deemed to be cash positive under the conditions according to the agreement on the payment of a share pledge fee to Dr Heikki Lanckriet, and Expedeon.

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 2018 to 31 December 2018, which were prepared by the Management Board in accordance with the provisions of the HGB ["Handelsgesetzbuch": German Commercial Code], and the management report of Expedeon AG, as well as the consolidated financial statements ending 31 December 2018 prepared in accordance with IFRSs and Sec. 315a HGB and the group management report of the Expedeon Group (Expedeon 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 Expedeon AG on 7 July 2018.

This year's audit focused on the Purchase Price Allocation arising from the TGR BioSciences acquisition, the valuation of goodwill, accounting for deferred tax assets and liabilities and the verifiable documentation of the valuation assumptions as well as the reporting in the notes to the consolidated financial statements, accounting for revenue under IFRS 15, accounting for bonds under IFRS 9, the group management report (including the opportunities and risk report) and the Company's forecasts with respect to 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 25 April 2019 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 25 April 2019 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 Expedeon AG and the consolidated financial statements for the fiscal year 2018 on 25 April 2019. The financial statements are therefore adopted.

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.

Cambridge, United Kingdom, 28 April 2019

Joseph Fernandez
Chairman of the Supervisory Board

Group Ma
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Report

Expedeon is a Life Sciences Tools & Reagents Company creating technology, protected by intellectual property, which is used to develop innovative, high added value products and services for use in biomarker research, drug discovery and clinical diagnostics.

I. Basic information of Expedeon AG and Expedeon Group

Business model of Expedeon AG and Expedeon Group

Expedeon is a life sciences tools and reagents Company creating technology, protected by intellectual property, which is used to develop innovative, high added value products and services for use in biomarker research, drug discovery and clinical diagnostics. The Company's core technologies are in the fields of immunology, proteomics and genomics, thereby spanning the large sections of the molecular biology market.

Expedeon's core business model is the research, development and commercialisation of innovative high added value kits used in research whilst positioning the Company to extract further value from applications of its technology in clinical diagnostics. During 2018, the Company's product portfolio has continued to expand both organically and through acquisition and now comprises a broad range of novel tools and technologies for molecular biology. These products are centred on several key technologies which is explained in further detail in the Company Presentation section.

The Company has been further shaped by the recent acquisitions of Innova Biosciences and TGR BioSciences which have created a particular strength in the area of immunology and more specifically in the antibody conjugate and immuno-assay space, where the technologies from these companies is highly complementary and additive.

Expedeon also continues to invest in its TruePrime™ technology where it continues to see exciting opportunities.

As explained in the Company Presentation, the Company sells its products to a wide variety of customers including both academic and industrial users. Most products are supplied for research purpose although an increasing amount of product is supplied for incorporation into diagnostic products. This approach enables fast market penetration due to the absence of a regulatory burden (which falls to our industrial customers developing the products for diagnostic or clinical use).

Expedeon products are used across the world with the Company selling its offering through its own sales and marketing infrastructure alongside a global network of distributors to facilitate rapid market penetration. Additionally, the Company also OEM-manufactures for key partners.

Internal management system of Expedeon AG and Expedeon Group

The financial management system of Expedeon AG and Expedeon Group is based on regular reports showing deviations from budget using Key Performance Indicators. The Key Performance Indicators for the Group are revenues, adjusted EBITDA and cash balances.

Adjusted EBITDA is defined as EBITDA after adding back non-cash acquisition accounting as well as charges relating to employee share compensation plans. The Management Board considers this adjusted measure of EBITDA to best reflect the underlying performance of the Group and its cash generating ability.

Particularly, in relation to accounting for acquisitions undertaken by Expedeon, a number of charges to income arise under International Accounting Standards where there is no impact of cash and cash generation. These items are added back in the Company's calculation of adjusted EBITDA.

The wider senior management team meets regularly to discuss emerging risks and operational issues arising in the business as well as the review of key financial indicators. Deviations from expected performance are identified through this regular review process, with the potential impact of such deviations on liquidity and profitability assessed, with resultant actions taken.

II. Report on Economic Position

a. Macroeconomic and sector-specific environment

Economic development

The economic background for business operations is finely balanced, with the United Nations (UN) reporting global economic growth of 3.1 % in 2018, and with developed countries growing at 2.2 %. Over the course of 2018, there a clear increase in the trading tensions and a slowing of global trade, offset by stimulus measures and direct subsidies.

At the same time, there are increasing capacity constraints in some developed countries which may constrain future growth.

It is expected that this general level of growth will continue into 2019, with a growth rate of 3.0 % forecast. However, growth is expected to soften over time "amid escalating trade disputes, risks of financial stress and volatility, and an undercurrent of geopolitical tensions".[1]

Source: (1) UN World Economic Situation And Prospects 2019

Capital markets

2018 was a challenging year for stock markets indices across the world. The DAX recorded its worst annual decline in 10 years, closing the year at 10,559 representing a loss of 18.26 % over the year. This was also its first annual loss since 2011.

Stock market performance was affected by a range of global economic and political factors, including a continuing trade dispute between the US and China, weakening US economic data, the Brexit process and the increasing popularity of populist political parties in Europe.

Against this backdrop the Expedeon share price closed the year at €0.90, 59 cents lower than the year before, representing a one-year decline of 40 %. This decline can in part be attributed to wider market factors; however, the scale of the decline is not readily explained by news flow or other information.

During the first two thirds of the year, the share showed some weakness, falling 10 %. On 18 September 2018, in the absence of any news flow, the share was then subject to an abrupt and brief sell-off opening the day at €1.24 and reaching an intra-day low of €0.70 cents before closing at €1.20. Despite a detailed review since, the reason for this event remains unclear. Nevertheless, this precipitated further declines and volatility during the final quarter of the year, despite Expedeon continuing to confirm its full year market guidance.

Development of the life sciences industry

The prospects for the life sciences industry remain strong, driven by emerging technologies capable of transforming the healthcare market. According to Deloitte[2], life sciences expenditure is increasing by 6.5 % annually between 2018 and 2022. This is driven by novel therapies addressing unmet need and an ever increasing role of , ever greater overall life expectancy as well as greater worldwide access to medicines.

Expedeon technologies and products feed into research and increasing potential for deployment in the areas of next-generation therapies, personalised medicine and immuno-oncology, all areas expanding more quickly than the market average.

As in 2017, public funding for research also remains strong. The National Institute of Health (NIH) budget rose 8.8 % in 2018 to US$37 billion, with a further 5 % increase in 2019. In Europe, the Horizon 2020 research programme funded by the European Union attracted a budget of €77 billion for 2014 to 2020. Its replacement programme Horizon 2021 – 2027 is expected to attract funding of €100 billion.

Source: (2) Deloitte 2019 Global life sciences outlook

b. Business performance of the Expedeon Group

Preliminary remark:

In the fiscal year 2018, a German Financial Reporting Enforcement (DPR) process was completed. As a result, the previous year's figures in the IFRS consolidated financial statements as of 31 December 2018 were adjusted. For this reason, the management report and the comparisons therein are based on the adjusted previous years' figures. For a detailed description of the correction in accordance with IAS8 please we refer to the corresponding statements in the Notes 2.5.

1. General performance

2018 has been a very successful year for Expedeon with continued growth both organically and through acquisition. Reported revenues grew to €13.1 million from €7.8 million in 2017.

The increase in revenue of 68 % reflected the full year inclusion of Innova Biosciences in 2018 (2017 from 16 June 2017) and eight months of TGR in 2018 (from 1 May 2018). Organic growth, excluding TGR, measured Q3 2017 to Q3 2018 and Q4 2017 to Q4 2018 was 15 %.

In addition to the growth from established products, the Company continued to focus on internal innovation, with new product launches during the year.

The acquisition of TGR, based in Adelaide (Australia) provided the Company with exciting immuno-reagent technology and products, highly complementary with the immuno-reagent solutions offered by Innova. TGR is also strongly profitable with well- established and strong customer relationships. The acquisition of TGR occurred on 2 May 2018 and was accounted for from 1 May 2018.

Against this backdrop, the reported net loss for 2018 was €301 thousand compared with €3,695 thousand in the previous year. As noted above, a key metric for the Company is adjusted EBITDA which the Management Board considers to be a proxy for operating cashflow over time.

Included within the reported results are several non-cash accounting entries:

- Depreciation as well as non-cash purchase price allocation charges in respect of patents, trademarks and customer lists totalling €2.346 thousand in 2018 and €1,598 thousand in 2017.

- In addition, the results include profits arising on the revaluation at year end of the Innova and TGR earn outs of €1,042 thousand, which are recorded through income during the year, in line with International Accounting rules.

- Fair value adjustments arising from the purchase price allocation for Expedeon and Innova Biosciences also included a €764 thousand charge to cost of goods for inventory held at acquisition dates and subsequently sold in 2017, which were non-cash.

The table below presents reported and adjusted EBITDA in comparison with 2017:

€'000	2018	2017
Results of operating activities	**(585)**	**(4,493)**
Depreciation of property, plant and equipment	311	301
Amortisation and impairment of intangible assets	2,034	1,297
EBITDA	**1,761**	**(2,895)**
Cost of Goods from acquisition accounting	0	764
Gain on non-cash revaluation of earn outs	(1,042)	0
Share option charges	265	1
Adjusted EBITDA	**984**	**(2,130)**

As can be seen from the table the reported EBITDA for 2018, using a conventional definition, was in fact higher than the adjusted EBITDA. EBITDA includes, in particular, profits arising on the revaluation of the earn out liabilities for Innova and TGR at year end. As the Expedeon share price had fallen between acquisition dates and the year end, this has resulted in a favourable adjustment to this earn out liability, which is settled in shares. The adjustment is entirely non-cash and so has been added back to arrive at adjusted EBITDA.

As can be seen from this table, the principal objective of the Management Board in using this adjusted EBITDA measure is to make the appraisal of underlying EBITDA clearer and more comparable year on year.

Cash outflows from operating activities improved from €2.9 million in 2017 to €158 thousand in 2018. As a result of the strong reported organic revenue growth in conjunction with stringent cost control, the operating cash flows have been on an improving trend over the course of the year with the Group moving into positive operating cash flow and net cash flow positions in the final quarter of the year as anticipated:

Liquid funds as at 31 December 2018 amounted to €6,238 thousand compared with €1,954 thousand as at 31 December 2017. This change is driven primarily by Boost debt financing of GBP5M received in September and October 2018.

The following announcement for key events in the fiscal year 2018 were published (in chronological order):

SYGNIS (now Expedeon) extends OEM agreement with leading global research tools provider

SYGNIS announced an extended OEM agreement with one of its key strategic partners, a leading global research tools provider to the life science industry.

The new two-year rolling contract is expected to grow SYGNIS' revenues through this customer channel by 35 % per annum, to over € 800 thousand, resulting from increased access to new product lines and the extension of the scope of the Company's long-term commercial arrangements.

SYGNIS (now Expedeon) completes integration of acquired companies' products and services under Expedeon brand name

SYGNIS announced its subsidiaries Innova Biosciences, Expedeon Holdings, and CBS Scientific have united as Expedeon, effective 1 March 2018. The corporate rebranding follows the latest acquisition of Innova Biosciences by SYGNIS AG in June 2017. SYGNIS AG will continue to serve as the parent company and legal entity.

The corporate integration under the Expedeon brand name enables all organisations to take advantage of broad international sales and distribution networks, as well as in-house expertise and e-commerce channels.

SYGNIS (now Expedeon) announces completion of Sales and Marketing team restructuring to support continued strong revenue growth

SYGNIS announced the restructuring of its sales and marketing team to drive continued strong revenue growth. This measure serves as a continuous support of the strong sales growth. A direct sales and distribution team focused on product sales has been formed while a business development team will focus on partnering and service opportunities. Both teams will be supported by marketing, responsible for maintaining the recently launched integrated Expedeon branded product website to drive strong lead and sales opportunity generation, as well as wider group marketing activities.

SYGNIS (now Expedeon) raises approximately €4.2 million in private placement

SYGNIS announced that it has raised gross proceeds of approximately €4.2 million in a private placement. SYGNIS issued approximately 3 million new shares at a price of €1.40 per share. The offering represents approximately 6.3% of the registered pre-transaction share capital. Total capital after the issuance will amount to approximately 50.4 million shares.

SYGNIS plans to use the proceeds from the transaction and a planned debt financing for the acquisition of the Australian research reagents company TGR BioSciences. Closing of the acquisition of the target is subject to obtaining debt financing of approximately €2 million.

SYGNIS (now Expedeon) raises debt finance of €2 million

SYGNIS announced that it has obtained debt finance to complete the acquisition of the Australian TGR BioSciences Pty Ltd. As announced the completion of the transaction was dependent thereon.

SYGNIS has the right to exchange the debt finance (interest and repayment include variable elements) into a mandatory convertible bond with additional option rights for approximately 1.4 million shares.

SYGNIS (now Expedeon) completes acquisition of TGR BioSciences

SYGNIS announced the completion of the acquisition of TGR BioSciences (TGR), the Australian research reagents company. TGR and its highly complementary technologies and products along with its strong customer base will significantly contribute to the overall performance of the SYGNIS Group.

SYGNIS (now Expedeon) introduces 2view unique Western blot detection technology

SYGNIS announced the introduction of 2view™, a unique detection method optimised for Western blotting, under its Expedeon brand name.

2view™ is an innovative double labelled secondary antibody that enables extended detection within the widely used Western blot application. The product consists of a ternary complex developed using the company's world leading InnovaCoat® and Lightning-Link® technology. 2view™ secondary antibodies are labelled simultaneously with a visible (InnovaCoat® GOLD nanoparticles) and proprietary chemi-luminescent enzymatic detection system. The gold nanoparticles enable fast visible detection at nanogram level whereas the enzymatic detection mechanism enhances sensitivity down to picogram levels of protein.

Expedeon AG secures GBP 5 million in debt financing

Expedeon announced it has secured a debt facility of GBP 5 million (approximately €5.6 million) from Boost & Co., a London, UK based growth capital provider. This agreement gives Expedeon access to alternative non-dilutive means of financing of the Company's rapid growth plans.

Expedeon AG announces commercial-use licence of proprietary technology in diagnostic assay

Expedeon announced the signing of a licence and supply agreement for its colloidal gold with South Korea-based PaxGenBio, a privately held, independent developer and supplier of rapid, highly sensitive multiplex diagnostic kits.

Expedeon's colloidal gold is an aqueous suspension of spherical metallic nanoparticles manufactured to a high standard, demonstrating efficient antibody binding, for maximum sensitivity. PaxGenBio will deploy Expedeon's gold nanoparticles in its MPCR-ULFA (multiplexed Polymerase Chain Reaction – universal lateral flow assays) technology. These assays will be used for the early, simultaneous detection of sexually transmitted diseases, including human papillomavirus, and tuberculosis. The terms of the agreement are three years, with an option to extend.

Expedeon AG signs supply agreement with Reszon Diagnostics for proprietary colloidal gold technology

Expedeon announced that the Company has signed a three year supply agreement for its colloidal gold with Malaysia-based Reszon Diagnostics International Sdn. Bhd. (part of Revongen Corporation) ("Reszon"), a developer and manufacturer of innovative in vitro diagnostics (IVD) rapid test kits, and ELISA kits. Reszon operates globally covering Asia, Middle East, sub-Saharan Africa, and the USA.

Under the terms of the agreement, Expedeon will supply Reszon with its proprietary colloidal gold, an aqueous suspension of spherical metallic nanoparticles manufactured to the highest standard, providing high efficiency antibody binding for maximum sensitivity. Reszon will use the gold nanoparticles for manufacturing of its diagnostic lateral flow assays (LFAs). The company will also be testing Expedeon's InnovaCoat® GOLD nanoparticles, to increase the sensitivity of LFA which are already on the market. InnovaCoat® GOLD nanoparticles have a proprietary surface coating which covalently binds antibodies or proteins to form highly stable conjugates. The technology is fully scalable and stringently QC tested for consistent high quality and excellent batch-to-batch reproducibility.

Expedeon AG signs supply and licence agreement with Quanterix Corporation for access to proprietary immunoassay technology

Expedeon announced a supply and licence agreement with United States based Life Sciences company, Quanterix Corporation. The agreement provides Quanterix access to Expedeon's breadth of immunoassay technologies for application to their ultrasensitive Simoa Immunoassay offerings.

The agreement with Quanterix will provide non-exclusive access to Expedeon's CaptSure™ immunoassay technology for single target analysis (singleplex), as well as the rapid Lightning-Link®conjugation technology for antibody labelling.

2. Results of operations, financial position and net assets

Results of operations

As noted above, the underlying results for 2018 present a strong improvement on the previous year. The improvement in the loss reflects the incremental profitability on additional revenues as the Group continues to grow in scale as well as the positive contribution from TGR acquired in May 2018.

Revenues

Revenues in fiscal year 2018 amounted to €13.1 million (2017: €7.8 million) in line with the revised forecast adjusted at the time of the TGR BioSciences acquisition. The growth in revenues arose from a combination of acquisitive and organic growth.

The revenues of Expedeon are managed within a single operational unit. Innova´s revenues were absorbed into that group following acquisition in June 2017 and the subsequent transfer of the business into Expedeon Limited from Innova Biosciences Limited, which occurred on 1 March 2018. As a result of the acquisition activity and the manner in which revenues are managed, objective measures of year on year growth are challenging. Q4 2017 and Q4 2018 represent the first quarters with comparable management information, excluding TGR.

For that quarter, organic growth of the business including Innova and excluding TGR was 15% Q4 2018 versus Q4 2017.

TGR's contribution to Group revenues for the year since acquisition was €2.8 million. Expedeon excluding TGR reported €10.3 million for the year. The vast majority of revenues continues to arise from the sales of products, in particular kits, with 70% of revenues by value going to industrial companies and partners, with 30% of sales into academia.

€'000	2018	2017
Type of goods and services		
Sales of products	12,577	7,373
Licences and royalties	551	424
	13,128	**7,797**

This is split geographically with 47 % into US based customers (2017: 43 %), 48 % into European customers (2017: 46 %) and 5 % into other regions (2017: 11 %)

Revenues to customers accounting individually for more than 10 % of group revenues was €3.6 million (2017: 0 %).

As Expedeon extends its commercial arrangements, it is expected that licensing will become more significant as partners integrate technology and products into their own final products or diagnostics.

Development of operating expenditure

Excluding other operating income of €1.0 million (arising from gain on earn outs), compared with the previous year, the total operating expenditure increased by €2.6 million to €14.9 million. This increase reflects the full year accounting in 2018 of the Innova acquisition in June 2017 as well as the accounting for TGR in 2018. Included within operating expenditure are non-cash items relating to the acquisitions of Expedeon, Innova and TGR which total €1.3 million in 2018 and €0.9 million in 2017.

In addition, the results for 2018 include a further €1.0 million of other amortisation and depreciation versus €0.7 million for 2017.

Allowing for these items, operating expenditure grew from €10.8 million in 2017 to €12.6 million in 2018, which is directly attributable to TGR.

Operating expenditure

Operating costs comprise manufacturing cost of sold products; personnel expenditure associated with sales and marketing, finance and administration and research and development. Expenditure also includes property related expenditure, legal and regulatory costs including investor relations.

Net loss

Net loss in fiscal year 2018 amounted to €301 thousand (2017: loss of €3.7 million).

Underlying Company performance shows a strong year on year improvement particularly in the second half of the financial year where with the addition of TGR, the Group reported a growing favourable adjusted EBITDA position:

€'000	H1	H2
Adjusted EBITDA	**164**	**820**

Financial position

The operating cashflow position improved notably year on year, with the Group reporting strong favourable operating cashflows in the final quarter. This is in part seasonal, with certain cash outflows during Q3 offset in Q4 but also highlights the positive contribution to cashflows from the general growth in revenues including TGR. For the year, operating cash outflow was well below previous year's level at €0.2 million (2017: €2.9 million). Cash outflow from investing activities amounted to €6.7 million, compared to €9.3 million in the previous year. Cash inflow from financing activities amounts to €11.2 million, compared to €10.4 million in the year 2017.

This activity level reflects primarily the acquisition of TGR BioSciences in 2018 which included a payment to TGR shareholders of €6.2 million funded from a €4.3 million capital increase closed in March 2018 and €2 million debt funding secured in April 2018.

Capital structure as of	**31 December 2018**	31 December 2017
Non-current assets	81% (€51.8 million)	88% (€43.7 million)
Current assets	19% (€12.4 million)	12% (€5.8 million)
Equity	73% (€46.5 million)	79% (€39.0 million)
Non-current liabilities	15% (€9.9 million)	11% (€5.3 million)
Current liabilities	12% (€7.8 million)	10% (€5.1 million)

Asset position

Non-current assets at €51.8 million were significantly higher than in the previous year (€43.7 million) and reflect goodwill and other intangible assets recognised following the acquisitions TGR BioSciences.

Current assets stood at €12.4 million compared with €5.8 million in 2017. This comprises a €4.3 million increase in cash balances as well as increases in trade receivables (€1.2 million), other current assets (€0.4 million) and inventory (€0.6 million), driven primarily by the increase in group size.

Long-term financial liabilities as at 31 December 2018 were €7.8 million, €3.5 million above the previous year and representing increases in borrowings.

Non-current liabilities also include €2.4 million of deferred tax liabilities (2017: €1.4 million).

Short-term financial liabilities increased from €1.8 million in the previous year to €3.2 million. This increase relates primarily to a €1.2 million loan note due to former TGR shareholders in May 2019.

Other short-term liabilities were €4.6 million versus €3.4 million in 2017 reflecting the increasing scale of the group.

Liquid funds as at 31 December 2018 increased by €4.3 million and stood at €6.2 million (2017: €2.0 million). This reflected primarily net inflows from financing activities in excess of the investing activities during the year.

Objectives of financial management

The ongoing financial management of Expedeon AG is focussed in the first instance that the Company has adequate cash resources and can trade on a self-sufficient basis. To anticipate future demands for liquidity, twelve-month liquidity plans are used.

Beyond this fundamental priority, the financial management objectives are focussed on continuing to improve the adjusted EBITDA position of the Group through a combination of revenue growth and effective cost management; which in turn will lead to ever improving cash generation over time.

Overall assessment of financial key performance indicators

The Company's objective during 2018 was to continue growing Group revenues through a combination of organic and acquisition growth, with the objective of delivering overall positive adjusted EBITDA for the year. This has been achieved

Increasing revenues enabled the Group to achieve its EBITDA objectives for the year with EBITDA of €1.8 million and adjusted EBITDA of 1.0 million. In addition, the Group continued to deliver strong revenue growth, in line with its revised May 2018 guidance and representing 68 % year on year growth.

Following the acquisition of TGR, the Company issued revised revenue guidance to the market of €13-14million; the Company is pleased to have met this guidance. (Due to decisions taken at the time of the TGR business acquisition to refocus certain activities on the integration of TGR products into Expedeon sales and marketing channels and relative to the initial revenue guidance issued, the Company revenues excluding TGR at €10.3 million was by €0.7 million lower than the original target at the time of 2017 Annual Report publication.)

The Group also concluded the year having secured a strong positive cashflow quarter in Q4 and with year-end cash balances of €6.2million. The Group therefore continues to show good financial progress, with strong financial metrics for the year.

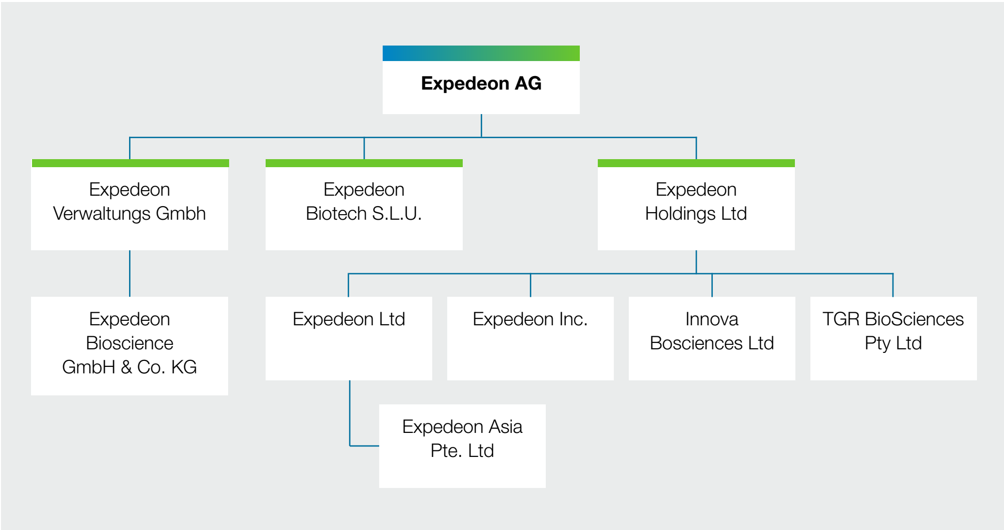
III. Organisation

Corporate structure

The main operating locations of Expedeon are Cambridge, UK; San Diego, USA, Adelaide, Australia and Madrid, Spain. The Company has rented premises in the technology and business parks in most locations and owns property in Cambridge.

Expedeon AG, the parent company, is listed on the German stock exchange. The research and development activities are carried out by Expedeon S.L.U., Madrid, Spain; Expedeon Limited, Cambridge, UK; and TGR BioSciences, Adelaide, Australia. Expedeon Limited, Expedeon Inc., Expedeon S.L.U. and TGR BioSciences manufacture and distribute products. Expedeon Asia Pte. Ltd is a distribution company. Expedeon AG holds 100 % of the company shares in Expedeon Bioscience GmbH & Co. KG, Expedeon S.L.U., Expedeon Verwaltungs GmbH, Heidelberg, Germany, and Expedeon Holdings Limited (a parent company). This in turn holds 100 % of the shares in Expedeon Limited, Expedeon Inc., TGR BioSciences Pty Ltd and Innova Biosciences Limited. Expedeon Limited in turn holds 100 % of the shares in Expedeon Asia Pte. Ltd.

As of 31 December 2018, the following corporate structure (each 100 % subsidiaries) existed:



Employees

The nature of the Group's business in an innovative sector means that the demands made on personnel in all sections of the Company are high. To meet these requirements, a strong team is essential.

The number of employees (full-time equivalent) increased from an average 66 during 2017 to 105 during 2018.

Employees by function	At 31 December 2018	At 31 December 2017
Research & Development	15	15
Sales & Marketing	37	30
Operations & Manufacturing	42	30
General Finance and Administration	19	14
Total	**113**	**89**

IV. Research & Development

The Company's research and development activities are undertaken by its subsidiaries Expedeon S.L.U., Madrid, Spain, Expedeon Limited, Cambridge, UK and TGR BioSciences, Adelaide, Australia. Expedeon S.L.U. focuses on genomics research and development, while Expedeon Limited and TGR are focussed on proteomics and immunology research and development.

Expedeon's R&D activities strongly focus on the development and production of new products based on various proprietary platform technologies. A key strength is the Company's know-how and IP position in polymerase enzymology, electrophoresis and immunology.

R&D costs in 2018 amount to €1.0 million (2017: €0.8 million). This increase is attributable to the R&D activities of the TGR BioSciences.

V. Opportunities and risks report

1. Risks

Going concern assumption

The going concern position of the Group has been a key management focus over previous years. To that end the business planning process has been key in ensuring the Company continued to have adequate cash resources.

Having prepared its business plan for 2019, the Group expects to generate positive EBITDA during the year and meet cash flow requirements through its operating activities and its available cash resources.

Fundamentals of risk management

In compliance with the legal requirements, Expedeon has set up an effective system for detecting, evaluating, communicating, and managing financial risks and risks to the Company. 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.

For this purpose, the Management Board has appointed a risk manager within the organisational structure. The principal mechanisms for identifying risk are regular senior management meetings in which emerging risks are identified and classified; and the monitoring of business performance versus budget takes place. This is supported by regular interaction between the Management Board and Supervisory Board where key issues are raised and discussed.

The Group'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, Expedeon 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 Expedeon related to accounting are based primarily on the following principles:

- signature rules, 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 systems 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 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 review.

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

Expedeon 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. There are a large number of competitors who in part are significantly larger and financially stronger than Expedeon.

Risks of selling products

Expedeon sells its own products. Risks could arise as a result of insufficient market demand, declining customer needs or delays due to shifts in the market launch of further new and innovative products. In addition, the market for Expedeon products could be impaired by a consolidation of the market. We believe, however, that the diversification of our products and sales guards against this.

Product development risks

Expedeon develops new products and technologies in the molecular diagnostic field. Before setting up new projects, each project is intensively reviewed by the Group's research steering team during the regular meetings. These reviews include technical aspects and market potential.

Risks from business combinations

Expedeon may acquire additional companies or product lines that could contribute to sustainable corporate development. The acquisition of such assets can expose Expedeon to risks associated with the integration of new technologies, business units, company locations and staff members. Furthermore, risks can also arise when equity instruments are issued and these can lead to a dilution in the value of the shares held by shareholders. In the event that an acquisition does not achieve the anticipated results, this can reduce group value.

IP risks

Patents are an important factor in the commercialisation of products. Monitoring and protection of patents has a very high priority for the Company. Patent rights can be challenged at any time, and the grant of a new patent can be a lengthy and cumbersome process with no guarantee on a successful outcome. Patent litigation can result in considerable additional internal and external expenditure and in extreme cases, may result in projects being abandoned.

Personnel risks

To ensure corporate success, it is extremely important for Expedeon to hire and retain adequate numbers of highly qualified and skilled staff members. The Company is in competition with other companies for its human resources and there is a risk it is not able to hire new staff with the qualifications needed and/or to secure their long-term commitment to the Company in a timely fashion. Furthermore, the unforeseen loss of key employees and the associated relevant know-how may have an adverse effect on the Company's ability to expand and deliver on its growth targets.

Financing risks

Securing sustainable corporate development through acquisitions, 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. In the event that the Company secures additional capital by issuing shares, this could lead to a dilution in the value of the shares held by 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 before 01.01.2016, at least part of the losses carried forward would no longer be deductible. A transfer of more than 50% of the share capital according to the provisions of § 8c KStG would result in the entire loss carry forward being lost. For such transfers of participations in the share capital, which take place after 31.12.2015, the provisions of § 8d KStG apply

- with appropriate fulfilment of the conditions of the provision, so that insofar in the case of a damaging acquisition of shares pursuant to § 8c KStG upon request on continuation of the same business and the existence of further conditions, a so-called continued loss carry-forward is granted.

Risks associated with reimbursement for VAT

With regards to the entitlement to deduct input tax of the Expedeon AG, there is an ongoing appeal process with the tax authorities. Within this process, there are differences in the understanding of the tax authorities and Expedeon. The risks are already fully taken into account in the provisions and relate to necessary refund of input tax amounts in the past.

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 and exchange risks.

Risks from cash flow fluctuations/interest rate risks

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

Credit or default risks

Due to the direct distribution of own products, credit or default risks are relevant with respect to the timely collection or the default of trade accounts receivables from customers. To date bad debt losses are minimal and the Group operates a credit acceptance process with new customers. Outstanding invoices from customers are monitored constantly and reminders are sent out to customers for overdue amounts.

Liquidity risk

Liquidity risk describes the risk arising when the Company is not in a position to meet its liabilities when they fall due. The Group monitors its cash positions closely with a view to ensuring it retains adequate liquidity levels at all times.

Foreign exchange

The majority of the Group's activities are undertaken in currencies other than the euro. Consequently, major fluctuations in the exchange rate of the euro against in particular the US dollar or British pound can have an adverse effect on overall financial performance.

Other risks

Expedeon 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 guidelines 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, Expedeon sets aside provisions to cover any potential risks.

Brexit

At the time of writing, the outcome of the Brexit process remains uncertain. In order to address the risks arising from this process, in particular on its UK based assets and activities, the Group has created a Brexit Steering Committee which meets regularly to appraise developments and potential impact on the business itself and its business partners.

As part of the risk management strategy, the Group has reviewed both its supplier and customer relationships and the extent to which these may be adversely affected by a ”hard” Brexit. This has included a survey of key suppliers and the build-up of key inventories.

The Group considers the most significant issue to be the frictionless movements of goods through borders post Brexit and consequently is also working closely with its logistics partners to ensure contingency plans and processes are in place to ensure new procedures and documentation are readily processed.

With the benefit on subsidiaries both within the European Union and the US, alongside its UK operations, the Group is also working to ensure that alternative supply and production routes are available in the event of unexpected challenges following Brexit.

Expedeon is convinced that appropriate action plans are in place to manage the impact of Brexit on the Group.

2. Opportunities

Existing or planned projects within the life science research market typically require shorter development times and limited development cost when compared with drug development. Furthermore, economic success can be foreseen earlier in development than is the case in drug development. As a result, the Company believes it can use the available resources more efficiently and more purposefully.

The growth in the Group with the consequential expansion in the product portfolio and sales channels provides opportunities for the Group to continue to strongly grow organically. Additionally, the Company’s enlarged, active and loyal customer base provides an excellent platform for new product introductions further stimulating revenue growth.

The Company’s facilities in key geographic markets support the development of the Company’s brand awareness and general visibility in the market place. The local presence further facilitates a closer relationship with key customers in the different territories and may create collaborative opportunities in addition to strengthening revenue growth.

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 available to the Group to be very promising.

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

Supervisory Board

Dr Cristina Garmendia Mendizábal (until 4 April 2019)
Chairwoman of the Supervisory Board
Independent entrepreneur, Madrid, Spain

Joseph M. Fernández
Deputy Chairman of the Supervisory Board
Chief Executive Officer, Chairman of Active Motif Inc., Carlsbad, California, USA

Dr Trevor Jarman
Independent Entrepreneur, Cambridge, UK
Chief Executive Director of Natures Remedies Ltd, Cambridge, UK

Tim McCarthy
Executive Director of Unnamed Ltd, Cambridge, UK

Peter Llewellyn-Davies
CEO and CFO of APEIRON Biologics AG, Vienna, Austria

Pilar de la Huerta
Chief Executive Officer, ADL BioPharma, Madrid, Spain

Shares and subscription rights held by members of the Management and Supervisory Boards

	1 Jan. 2018	additions	disposals	31 Dec. 2018
Management Board				
Dr Heikki Lanckriet	1,543,224	85,795	0	1,629,019
David Roth	53,500	72,000	0	125,500
	1,596,724	**157,795**	**0**	**1,754,519**
Supervisory Board				
Dr Cristina Garmendia Mendizábal (until 4 April 2019)	414,009	97,282	0	511,291
Joseph M. Fernández	2,649,921	0	0	2,649,921
Dr Trevor Jarman	608,288	0	0	608,288
Tim McCarthy	154,817	0	0	154,817
Peter Llewellyn-Davies	0	0	0	0
Pilar de la Huerta	0	0	0	0
	3,827,035	**97,282**	**0**	**3,924,317**

In addition, Max Lanckriet, Nell Lanckriet and Finn Lanckriet all closely associated persons with Dr Heikki Lanckriet, since January 18, 2019 each hold 2,500 shares of Expedeon AG. Sarah Roth, a closely associated person with David Roth, held 63,000 shares in Expedeon AG as of December 31 2018.

As of December 31 2018, Dr Heikki Lanckriet holds 1 million stock options in Expedeon AG and David Roth holds 750,000 stock options in Expedeon AG.

Included in the above on 15 November 2017, Dr Cristina Garmendia Mendizábal received 402,294 shares by way of contribution in kind following the dissolution of Genetrix S.L. and previous shareholder in Expedeon AG and in which Dr Cristina Garmendia Mendizábal was a shareholder.

In addition, Jaizikibel 2007, S.L. a company closely associated with Dr Cristina Garmendia Mendizábal acquired and holds 72,464 shares from the May 2018 capital increase. In addition, Ander Celaya and Teresa Celaya, both closely associated to Dr Cristina Garmendia Mendizábal, each owned 10,500 shares of Expedeon AG on 31 December 2018. Beryl Jarman, a closely associated person to Trevor Jarman, held 10,899 shares of Expedeon AG as of 31 December 2018.

Membership of Supervisory Board members in other statutory supervisory boards and comparable domestic and foreign supervisory bodies:

Dr Cristina Garmendia Mendizábal (until 4 April 2019)

- Member of the Board of Directors, Ysios Capital Partner, SGECR S.A., Barcelona, Spain
- Member of the Board of Directors, Member of the Board of Trustees, Pelayo Mutua de Seguros, Madrid, Spain
- Member of the Board of Directors, Everis Spain, S.L., Madrid, Spain
- Member of the Board of Directors, Gas Natural SDG, S.A. Madrid, Spain
- Member of the Board of Directors, Corporación Financiera ALBA, Madrid, Spain
- Sole Administrator, Jaizkibel, S.L., Madrid, Spain
- Member of the Board of Directors, Science & Innovation Link Office, S.L., Madrid, Spain
- Member of the Board of Directors, Compañía De Distribución Integral Logista Holdings, S.A., Madrid, Spain
- Chairwoman of the Board of Directors, Satlantis Microsats, S.L., Madrid, 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 Inc., San Diego, CA, USA
- Member of the Board of Directors of Hiram College, Hiram, Ohio, USA
- Member of the Board of Directors of protein fluidics, Santa Clara, CA, USA
- Member of the Board of Directors of Delegate Advisors, San Francisco, CA, USA

Dr Trevor Jarman

- Member of the Board of Directors of Expedeon Ltd, Cambridge, UK
- Chairman of The Board of Directors of Persavita Ltd, Cambridge, UK
- Chief Executive Director of Natures Remedies Ltd, Cambridge UK
- Member of the Board of Directors of Cambridge Cell Networks Ltd, Cambridge UK
- Member of the Board of Directors of Swangap Flat Management Ltd, Cambridge, UK
- Member of the Board of Directors of Protus Ltd, Cambridge, UK

Tim McCarthy
- Chairman of the Board of Directors of ImmuPharma PLC, London, UK
- Chairman of the Board of Directors of ARK Analytics Solutions Ltd, Cambridge, UK
- Member of the Board of Directors of Spear Therapeutics Ltd, Manchester, UK
- Chairman of the Board of Directors of Dropped Ltd, Cambridge, UK
- Chairman of the Board of Directors of Incanthera Ltd, Manchester, UK
- Chairman of the Board of Directors of Harvard Healthcare Ltd, Liverpool, UK
- Member of the Board of Directors of Wise old owl Ltd, Cambridge, UK
- Member of the Board of Directors of Frangipani Dreams Ltd, Cambridge, UK

Peter Llewellyn-Davies
- CEO and CFO of APEIRON Biologics AG, Vienna, Austria
- Member of the Supervisory Board and Chairman of the Audit Committee of Shield Therapeutics plc, London, UK

Pilar de la Huerta
- Member of the Supervisory Board and CEO of ADL Biopharma, Madrid, Spain
- Member of the Supervisory Board of Epidesease SL, Madrid, Spain

Authorised capital

By resolution of the Annual General Meeting of Expedeon AG on 5 July 2018, the remaining authorised capital existing at that time was cancelled and a new authorised capital in the amount of €25,561,278 (Authorised Capital 2018) was created.

By and including 4 July 2023, the Management Board is authorised, subject to the consent of the Supervisory Board, to increase the share capital of the Company by

€25,561,278 in total by issuing new ordinary no-par-value bearer shares from the Authorised Capital 2018 against contributions in cash and/or in kind, once or several times. The Management Board may, subject to the consent of the Supervisory Board, exclude the statutory subscription right of the shareholders

- insofar as this is required to avoid fractional amounts;
- in order to grant shares against contributions made in kind;
- insofar as it is required for protection against dilution to grant holders of convertible bonds and/or warrant bonds, convertible loans or warrants subscription rights for new shares to the extent that the holders would be entitled to after exercise of their conversion or option rights or performance of a conversion obligation; or
- in case of a capital increase against contributions in cash if the proportion of share capital pertaining to the new shares for which subscription rights are excluded does not exceed 10% of the share capital registered at the time when the authorisation became effective* and when it is exercised and the issue price of the new shares does not substantially fall short of the market price of existing listed shares of the same class.

* The authorisation for the Authorised Capital 2018 became effective on 24 October 2018 by registration in the commercial register. At this time the share capital amounted to €51,411,323.

As of 31 December 2018, the Management Board had not yet used this authorisation. Thus an authorised capital of €25,561,278 in total remained available.

Conditional capital

By resolution of the Annual General Meeting on 5 July 2018, the share capital of Expedeon AG has been conditionally increased by a maximum of €4,000,000 by issuing up to 4,000,000 no-par value bearer shares (Conditional Capital 2018/I). The Conditional Capital 2018/I serves to fulfil stock options that have been issued and exercised based on the authorization resolved by the Annual General Meeting of 7 July 2017 (Stock Option Plan 2017). The Conditional Capital 2018/I has become effective by registration in the commercial register on 30 July 2018 and as of 31 December 2018 amounted to €4,000,000.

By resolution of the Annual General Meeting on 5 July 2018, the share capital of Expedeon AG has been conditionally increased by a maximum of €18,000,000 by issuing up to 18,000,000 no-par value bearer shares (Conditional Capital 2018/II). The Conditional Capital 2018/II serves to grant shares to the holders of convertible bonds based on the authorisation granted by resolution of the Annual General Meeting of Expedeon AG on 5 July 2018. The Conditional Capital 2018/II has become effective by registration in the commercial register on 30 July 2018 and as of 31 December 2018 amounted to €18,000,000.

By resolution of the Annual General Meeting of Expedeon AG on 5 July 2018, the remaining Conditional Capital IV was cancelled.

By resolution of the Annual General Meeting on 20 June 2016, the share capital of Expedeon AG has been conditionally increased by a maximum of €6,500,000 by issuing up to 6,500,000 no-par value bearer shares (Conditional Capital V). The Conditional Capital V serves to grant shares to the holders of convertible bonds which were issued based on the authorisation granted by resolution of the Annual General Meeting of Expedeon AG on 20 June 2016 in the period until this authorization was cancelled by resolution of the Annual General Meeting of Expedeon AG on 5 July 2018. By resolution of the Annual General Meeting of Expedeon AG on 5 July 2018, the Conditional Capital V was reduced to €3,150,000.

Until the end of the reporting period 601,538 shares were issued from the Conditional Capital V to holders of convertible bonds issued by the Management Board with the approval of the Supervisory Board to the shareholders of INNOVA Biosciences Limited against contribution in kind on basis of the authorisation to issue convertible bonds granted by resolution of the Annual General Meeting of Expedeon AG on 20 June 2016. As of 31 December 2018 the remaining Conditional Capital V amounted to €2,548,462.

VI. Disclosures required under Section 315a (1) of the German Commercial Code (HGB)

1. The share capital of Expedeon AG as at 31 December 2018 amounted to €51,411,323 made up of 51,411,323 no-par value bearer shares. These are, without exception, ordinary voting shares. There are no holders of shares with special rights or any other restrictions concerning voting rights.

2. The Management Board is not aware of any restrictions on voting rights or the transfer of shares, even if they could result from agreements between shareholders.

3. In accordance with Section 315a (1) No. 3 of the German Commercial Code, direct or indirect holdings of share capital exceeding 10% of the voting rights are to be disclosed. To the knowledge of the Company as of 31 December 2018, no direct or indirect shareholdings exist that exceed 10% of the voting rights.

4. Pursuant to Section 6 of the Company's Articles of Association, the Management Board comprises of 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. The 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 Expedeon AG. Under the Articles of Association of Expedeon AG, a resolution of the Annual General Meeting approving an amendment of 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.

5. The Annual General Meeting granted the Management Board the authority to issue the following new shares or conversion or option rights:

5.1 In accordance with Section 4 (4) of the Articles of Association of Expedeon AG the Management Board is authorised, subject to the consent of the Supervisory Board, to increase the share capital of the Company by €25,561,278 in total by issuing new ordinary no-par-value bearer shares from Authorised Capital 2018 against contributions in cash and/or in kind, once or several times until and including 4 July 2023. The Management Board may, subject to the consent of the Supervisory Board, exclude the statutory subscription right of the shareholders

- insofar as this is required to avoid fractional amounts;
- in order to grant shares against contributions made in kind;
- insofar as it is required for protection against dilution to grant holders of convertible bonds and/or warrant bonds, convertible loans or warrants subscription rights for new shares to the extent that the holders would be entitled to after exercise of their conversion or option rights or performance of a conversion obligation; or
- in case of a capital increase against contributions in cash if the proportion of share capital pertaining to the new shares for which subscription rights are excluded does not exceed 10% of the share capital registered at the time when the authorisation became effective* and when it is exercised and the issue price of the new shares does not substantially fall short of the market price of existing listed shares of the same class.

* The authorisation for the Authorised Capital 2018 became effective on 24 October 2018 by registration in the commercial register. At this time the share capital amounted to €51,411,323.

As of 31 December 2018, the Management Board had not yet utilised this authorisation. Thus an authorised capital of €25,561,278 in total remained available.

5.2 In accordance with Section 4 (6) of the Articles of Association of Expedeon AG, the share capital is conditionally increased (Conditional Capital 2018/I) by up to €4,000,000 by issuing up to 4,000,000 ordinary bearer shares.

The conditional capital increase from Conditional Capital 2018/I will be carried out only insofar as the holders of stock options that have been issued by the Company until and including 6 July 2022 based on the authorization resolved by the Annual General Meeting of 7 July

2017 (Stock Option Plan 2017), as amended by the Annual General Meeting of 5 July 2018, exercise their subscription rights and the Company does not grant treasury shares, shares from existing or newly created authorized capital and does not elect to a cash compensation. The new ordinary bearer shares resulting from the exercise of these subscription rights carry dividend rights from the beginning of the financial year for which a resolution of the Annual General Meeting on the appropriation of retained profits has not yet been made on the date on which the shares are issued.

5.3 In accordance with Section 4 (7) of the Articles of Association of Expedeon AG, the share capital is conditionally increased (Conditional Capital 2018/II) by up to €18,000,000 by issuing up to 18,000,000 ordinary bearer shares. The conditional capital increase will be carried out only insofar as the holders of option rights or convertible bonds issued in accordance with the authorisation granted by the Annual General Meeting of 5 July 2018, exercise their option or conversion rights or, insofar as they are required to convert convertible bonds, meet their requirement to convert their convertible bonds and the Company does not grant treasury shares or shares from existing or newly created authorized capital and does not elect to pay a cash compensation. The new shares carry dividend rights from the beginning of the financial year for which a resolution of the Annual General Meeting on the appropriation of retained profits has not yet been made on the date on which the shares are issued.

5.4 In accordance with Section 4 (9) of the Articles of Association of Expedeon AG, the share capital is conditionally increased (Conditional Capital V) by up to €2,548,462 by issuing up to 2,548,462 ordinary bearer shares. The conditional capital increase will be carried out only insofar as the holders of option rights or convertible bonds issued in accordance with the authorisation granted by the Annual General Meeting of 20 June 2016, exercise their option or conversion rights or, insofar as they are required to convert convertible bonds, meet their requirement to convert their convertible bonds and the Company does not grant treasury shares or shares from existing or newly created authorized capital and does not elect to pay a cash compensation. The new shares carry dividend rights from the beginning of the financial year for which a resolution of the Annual General Meeting on the appropriation of retained profits has not yet been made on the date on which the shares are issued

5.5. 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.

5.6. 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 Expedeon 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 Expedeon AG annual report, which can be downloaded at https://investors.expedeon.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 2018 fiscal year was made up of various components:

- a non-performance-related component (basic fee); and
- a performance-related component (variable bonus)

At the Annual General Meeting of 7 July 2017, the Company received shareholder approval to make awards under an employee share option scheme of up to 2 million shares to the Management Board. Awards were in 2018 and are shown below.

The non-performance-related components consist of a fixed amount specified in the consulting contract.

Pilar de la Huerta has not agreed an employment contract with Expedeon 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 Expedeon AG and herself for services rendered to Expedeon AG. Based on this consulting agreement, Mrs de la Huerta also received a variable bonus. Mrs de la Huerta was also CEO of Expedeon S.L.U., Madrid, Spain, until 7July 2018 and had an employment contract with Expedeon S.L.U., Madrid, Spain.

Dr Heikki Lanckriet has an employment contract with Expedeon AG since 1 August 2017 and an employment contract with Expedeon Limited. David Roth has an employment contract with Expedeon AG since 1 March 2018 and an employment contract with Expedeon Limited.

The performance-related remuneration was paid in the form of a variable bonus for fiscal 2018. The amount of the bonus in each case depends solely on the achievement of specific target parameters based on the Company's performance. 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. During and at the end of the fiscal year, the Supervisory Board assessed the progress made in achieving the goals and specified the bonus, taking into due consideration of all relevant factors.

Total remuneration for the Management Board in 2018 was as follows:

In € thousand	Non-performance-related	Performance-related	Other benefits	Total cash remuneration 2018
Dr Heikki Lanckriet	**251**	**75**	**0**	**326**
From Expedeon AG	151	45	0	196
From Expedeon Limited	100	30	0	130

In € thousand	Non-performance-related	Performance-related	Other benefits	Total cash remuneration 2018
David Roth	**181**	**54**	**0**	**235**
From Expedeon AG	145	43	0	188
From Expedeon Limited	36	11	0	47

The table below shows in detail the remuneration paid to the Management Board in the 2017 financial year:

In € thousand	Non-performance-related	Performance-related	Other benefits	Total cash remuneration 2017
Pilar de la Huerta	**155**	**97**	**0**	**252**
From Expedeon AG	122	97	0	219
From Expedeon Biotech S.L.U.	33	0	0	33

In € thousand	Non-performance-related	Performance-related	Other benefits	Total cash remuneration 2017
Dr Heikki Lanckriet	**160**	**112**	**45**	**317**
From Expedeon AG	96	67	27	190
From Expedeon Limited	64	45	18	127

In € thousand	Non-performance-related	Performance-related	Other benefits	Total cash remuneration 2017
David Roth	**100**	**49**	**20**	**169**
From Expedeon AG	80	39	16	135
From Expedeon Limited	20	10	4	34

The benefits for Dr Heikki Lanckriet and David Roth relate primarily to pension contributions.

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 Expedeon AG. In compliance with the German Corporate Governance Code, the individual members of the Supervisory Board of Expedeon 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.

Professional liability insurance (D&O insurance)

Expedeon 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. Corporate Governance Declaration

Expedeon Group recognises the importance of diversity within the workplace. In 2018 for instance, the proportion of women of the total workforce of the Expedeon Group was 40%.

Due to the Law for the Promotion of Women in Leadership Positions, the Company has to establish concrete goals for the two management levels. Executives that report directly to the Management Board constitute the second level with management responsibility below the Management Board in the Expedeon Group. Following the departure of Pilar de la Huerta in July 2017 to pursue other interests, the proportion of women at the level of the Management Board by the end of 2018 was nil. The proportion at the second level of the management was 40% during 2018.

The proportion of women in the Supervisory Board was 33% throughout 2018.

Additional information on Corporate Governance can be accessed in Expedeon's Corporate Governance Declaration according to §289a HGB on the internet presence of the Company in the section https://investors.expedeon.com/corporate-governance/. Here, the compliance statement with the German Corporate Governance Codex according to §161 AktG can also be accessed.

IX. Events of special significance since the end of fiscal year 2018

For the subsequent events report, please refer to the notes to the financial statements.

X. 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 commercialisation opportunities

The Expedeon Group's objective is to continue developing and marketing innovative, high added value products for life science and diagnostic research. The Company's products target lucrative markets such as NGS sequencing and immunology. These are rapidly growing market segments where the Company perceives significant opportunity. It is therefore reasonable to expect that the Company profile on the capital markets and associated shareholder value should benefit over time.

The Management Board's view is that continuing to scale the now vertically integrated Expedeon Group, will enable sustained development, manufacturing and commercialisation of innovative high margin products.

The Company has a highly skilled R&D team with a proven track record of bringing products to market. We continue to invest significant resource in research and development with a strong focus on the liquid biopsy application of TruePrime™. We also see additional potential of TruePrime™ technology in other diagnostic and therapeutic areas and we are engaged in a proof of concept research programme to advance this further.

Additionally, we see cross-platform development opportunities with TruePrime™ and Lightning-Link® technology which is expected to result in a new product family with both research based and diagnostic based applications. The Company's R&D activity is expected to yield a solid stream of new product opportunities designed for cross-selling into our existing and expanding customer base, thereby supporting solid long term sustainable organic revenue growth.

Financial outlook

The overall financial performance moving forward is largely dependent on the level of revenues for the fiscal year 2019 and beyond. These sales are expected to contribute a strong blended gross profit margin in excess of 70%. The Company continues to invest in product development and its sales and marketing infrastructure in order to continue to create, commercialise and sell innovative new products and well as its strong existing range of products. The Management Board is therefore confident the Group will continue to achieve significant levels of organic growth and expects to achieve double digit organic revenue growth during 2019.

The Group expects its revenue growth to translate into strong adjusted EBITDA. Consequently, the Management Board expects adjusted EBITDA to exceed €2 million for 2019.

Furthermore, the Group expects a positive operative cash flow which will lead to a stable cash development.

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 strong position to achieve its financial objectives for 2019.

Confirmation of legal representatives

We hereby assure, to the best of our knowledge, that we have presented the management report including the business results in a way that gives a true and fair view and that the significant opportunities and risks have been adequately described.

Heidelberg, 28 April 2019

Dr Heikki Lanckriet	David Roth
CEO	CFO

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Consolidated statement of comprehensive income

€'000		12 Months ended 31 December	
		2018	2017
	Note		amendet Note 2.5
Revenues	4.1	13,128	7,797
Costs of goods sold		(3,591)	(2,881)
Expenses			
Sales		(2,809)	(1,870)
Administration	9.7	(7,482)	(6,749)
Research and development	9.6	(1,043)	(794)
Other operating expenses	9.2	(15)	(92)
Other operating income	9.1	1,227	96
Total operating expenses		(13,713)	(12,290)
Results of operating activities		(585)	(4,493)
Finance costs	9.3	(419)	(173)
Finance income	9.4	501	10
Earnings before taxes		(503)	(4,656)
Income tax	11	202	961
Net profit/loss for the period		(301)	(3,695)
Exchange rate adjustments		(26)	(1,469)
Other comprehensive income (after taxes)		26	(1,469)
Total comprehensive income		(327)	(5,164)
Earnings per share	12		
Undiluted loss for the year per share (€ / ordinary share)		(0.01)	(0.09)
Diluted loss for the year per share (€ / ordinary share)		(0.01)	(0.09)

Consolidated statement of financial position

€'000		31 Dec. 2018	31 Dec. 2017	1 Jan. 2017
	Note		amended Note 2.5	amended Note 2.5
ASSETS				
Property, plant and equipment	13	1,999	2,050	957
Goodwill	14	33,906	30,408	23,572
Other intangible assets	14	15,584	11,267	6,926
Deferred tax assets	11	319	0	0
Non-current assets		51,808	43,725	31,455
Trade receivables	15.1, 16	2,627	1,472	771
Inventory	17	1,966	1,234	1,092
Other current assets	15.1	1,538	1,147	672
Cash and cash equivalents	18	6,238	1,954	3,795
Current assets		12,369	5,807	6,330
Total assets		64,177	49,532	37,785
EQUITY AND LIABILITIES				
Issued capital	19	51,411	46,934	37,342
Capital reserves	19	19,753	16,644	12,871
Accumulated loss		(23,603)	(23,460)	(19,768)
Other comprehensive income		(1,059)	(1,052)	419
Equity		46,502	39,066	30,864
Deferred tax liabilities	10	2,440	1,377	1,152
Financial liabilities	15.2	7,476	3,947	2,285
Non-current liabilities		9,916	5,324	3,437
Financial liabilities	15.2	3,171	1,766	421
Trade payables	23	1,498	849	656
Other current liabilities	23	3,090	2,527	2,407
Current liabilities		7,759	5,142	3,484
Total equity and liabilities		64,177	49,532	37,785

Consolidated statement of changes in equity

for the period from 1 January – 31 December 2018

€'000 (except Number)	Issued capital		
	Number	Amount	Capital reserves
As at 1 January 2018	46,934,087	46,934	16,644
First application IFRS 15			
1 January 2018 position adjusted	46,934,087	46,934	16,644
Reclassification of capital increases against cash	443,171	443	(443)
Capital increase for cash	2,995,298	2,995	1,198
Other capital increase costs			(480)
Capital increase in respect of SEDA registered	437,229	437	163
Capital increase for Innova earn out not yet registered	601,538	602	259
Capital increase for Innova earn out registered			213
Conversion of bond to mandatory convertible			1,576
Equity component on bond with option			358
Result recorded directly in equity representing exchange rate adjustments			
Share option expense charged to income			265
Net loss for the period			
Total comprehensive income			265
As at 31 December 2018	51,411,323	51,411	19,753

	Other comprehensive income			
Accumulated loss	Accumulated exchange differences	Exchange effect on long term assets	Total	Total equity
(23,460)	93	(1,144)	(1,051)	39,066
178				178
(23,282)	93	(1,144)	(1,051)	39,243
				-
				4,193
				(480)
				600
				861
				213
				1,576
				358
(20)	(29)	23	(6)	(26)
				265
(301)				(301)
(321)	(29)	23	(6)	(62)
(23,603)	64	(1,121)	(1,057)	46,502

Consolidated statement of changes in equity

for the period from 1 January – 31 December 2017 (amended)

€'000 (except Number)	Issued capital		
	Number	Amount	Capital reserves
As at 1 January 2017	37,341,980	37,342	12,871
Impact of error correction (Note 2.5)			
1 January 2017 position adjusted	37,341,980	37,342	12,871
Capital increase for CBS Inc. acquisition	275,311	275	60
Capital increase of 7.3m shares	7,259,967	7,260	2,759
Capital increase of 2m shares for Innova Limited acquisition awaiting registration	2,000,000	2,000	1,631
Capital increase in respect of SEDA registered	56,829	57	43
Capital increase in respect of SEDA pending registration			616
Other capital increase costs			(1,336)
Result recorded directly in equity representing exchange rate adjustments			
Share option expense charged to income			1
Net loss for the period (Note 2.5)			
Total comprehensive income			
As at 31 December 2017	46,934,087	46,934	16,644

	Other comprehensive income			
Accumulated loss	**Accumulated exchange differences**	**Exchange effect on long term assets**	**Total**	**Total equity**
(19,225)	54	365	419	31,407
(543)				(543)
(19,768)	54	365	419	30,864
				335
				10,019
				3,631
				100
				616
				(1,336)
2	39	(1,508)	(1,470)	(1,467)
(3,695)				(3,695)
(3,692)	39	(1,508)	(1,470)	(5,163)
(23,460)	93	(1,144)	(1,051)	39,066

Consolidated statement of cash flows

€'000	12 Months ended 31 December	
	2018	2017
		amended Note 2.5
Operating activities		
Net loss for the period	(301)	(3,695)
Reconciliation of net profit/loss to cash flow from operating activities:		
Depreciation of property, plant and equipment	311	301
Amortisation and impairment of intangible assets	2,034	1,297
Movement in deferred tax	(230)	-
Gain on non-cash revaluation of earn outs	(1,042)	-
Share option charges	265	1
Gain on derivative	(424)	-
Other non-cash items	(47)	-
Change in operating assets and liabilities:		
Trade receivables and other current assets	(1,170)	(507)
Trade payables	842	(51)
Other current liabilities	38	(220)
Inventories	(185)	28
Cash outflow from operating activities	92	(2,846)
Interest paid	(249)	(38)
Net cash outflow from operating activities	(158)	(2,884)
Investing activities		
Business acquisitions, net of cash acquired	(5,656)	(7,584)
Investments in property, plant and equipment and intangible assets	(619)	(1,627)
Investments in development expenses recognised as an asset	(432)	(496)
Proceeds from the sale of property, plant and equipment and intangible assets	-	390
Cash outflow from investing activities	(6,707)	(9,317)
Financing activities		
Cash in(out)flow due to changes of current financial liabilities	6,465	1,095
Capital increase by way of cash contribution (less costs of issuing equity)	4,722	9,330
Cash inflow from financing activities	11,187	10,425
Net change in cash and cash equivalents	4,323	(1,776)
Exchange differences	(39)	(65)
Cash and cash equivalents at the beginning of the period	1,954	3,795
Cash and cash equivalents at the end of the period	6,238	1,954

1. Corporate information

The consolidated financial statements of Expedeon AG (formerly Sygnis AG), Heidelberg, and its subsidiaries (collectively ”the Group”) for the year ended 31 December 2018 were released for publication on 28 April 2019, by resolution of the Management Board. Expedeon AG (”the Company” or ”the Parent Company”) is a limited liability company incorporated in Germany and with its registered office in Germany. The shares of Expedeon AG are publicly traded. The registered office of the Company is Waldhofer Str. 102, 69123 Heidelberg.

The Group operates in the life sciences field and is primarily active in the areas of immunology, proteomics and genomics. The Group is active in providing related services and in the sale of tools and reagents (see Note 4). Information on the Group structure can be found in Note 6, and information on related parties can be found in Note 26.

2. Accounting policies

2.1 Basis of preparation

The consolidated financial statements of Expedeon AG have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, debt and equity instruments, and contingent consideration, which have been measured at fair value. The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (€000), except when otherwise indicated. For computational reasons, rounding differences amounting to +/- € 5,000 may occur in the information presented in these financial statements.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at 1 January 2017 is presented in these consolidated financial statements, see Note 2.4 and Note 2.5.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

If necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with those of the Group. All intragroup assets and liabilities, equity, income and expenses, as well as cash flows from transactions that occur between group companies, are eliminated during consolidation.

2.3 Summary of significant accounting policies

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's currently single cash-generating unit.

b) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current / non-current classification. An asset is current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle (one year);
- held primarily for the purpose of trading; and
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; and
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

c) Fair value measurement

The Group measures financial instruments such as derivatives and non-financial assets at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as contingent consideration. Involvement of external valuers is determined annually by the divisional management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

The Management Board analyses the movements in the values of assets and liabilities, which are required to be remeasured, or reassessed as per the Group's accounting policies. For this analysis, the Management Board review the lay inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Management Board, in conjunction with the Group's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

The Management Board and the Group's external valuers present the valuation results to the Audit Committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions: Note 3
- Quantitative disclosures of fair value measurement hierarchy: Note 8
- Financial instruments (including those carried at amortised cost): Note 15
- Contingent consideration: Note 15.3

d) Revenue from contracts with customers

Revenues from contracts with customers are recognised when the power over the goods or services is transferred to the customer. It is recognised in the amount of consideration that the Group is expected to receive in exchange for these goods or services. The Group has generally come to the conclusion that it acts as principal in its sales transactions, as it usually holds control over the goods or services before they pass to the customer.

Sale of gels and kits as well as other goods

Proceeds from the sale of gels and kits, as well as other goods, are recognised when control over the asset transfers to the customer. This is generally the case with delivery of gels and kits as well as other goods. The usual payment period is 30 to 90 days from delivery.

The Group examines whether the contract contains other commitments that constitute separate performance obligations to which part of the transaction price must be allocated (e.g. warranties). When determining the transaction price for the sale of gels and kits as well as other goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and any consideration payable to a customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of proteomics provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

Rights of return

A very small number of contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(ii) Significant financing components

In general the Group does not receive advance payments from customers, in rare cases receiving short-term advances. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and payment from the customer for that good or service to be one year or less.

Warranty obligations

The Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Refer to the accounting policy on warranty provisions in section p) *Provisions*.

Services and support

The Group provides services that are sold individually to customers through the sale of gels, kits and other goods. The services may also be provided by other providers and do not result in any material adjustment or modification of the underlying goods.

Contract balances Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section l) *Financial instruments – initial recognition and subsequent measurement*.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

e) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

The company receives state aid and grants from various public funding programmes. Depending on the structure of the respective support programme, the company decides whether these subsidies are reported as sales or offset against the resulting costs. Public aid and grants for research and development costs that can be directly allocated to a programme will be offset against the corresponding expenditure.

f) Taxes

Current income tax

Current income tax assets and liabilities 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 reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply in the period in which an asset is realised or a liability is settled. This is based on the tax rates (and tax laws) that apply as of the balance sheet date and those that have been announced.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in accordance with the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

- when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- when receivables and payables are stated with the amount of sales tax included.

The VAT amount to be reimbursed or paid to the tax authority will be disclosed in the consolidated balance sheet under other short-term receivables or other current liabilities.

g) Foreign currencies

	Closing Exchange Rate		Average Exchange Rate	
	31.12.2018	31.12.2017	2018	2017
	Equivalent of €1	Equivalent of €1	Equivalent of €1	Equivalent of €1
US Dollar	1.1450	1.1993	1.1790	1.1274
Pound Sterling	0.8945	0.8872	0.8846	0.8762
Singapore Dollar	1.5591	1.6023	1.5924	1.5576
Australian Dollar	1.6220	N/A	1.5833*	N/A

** 1 May to 31 December 2018*

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

h) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

i) Property, plant and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

• Buildings	15 to 20 years
• Office furniture and equipment	4 to 10 years
• Lab equipment	3 to 10 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

j) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if 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 (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

k) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not present.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

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

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

A summary of the policies applied to the Group's intangible assets is, as follows:

	Licences	Patents	Development costs
Useful lives	Finite	Finite	Finite
Amortisation method used	Amortised on a straight- line basis over the period of the licence	Amortised on a straight-line basis over the period of the patent	Amortised on a straight-line basis over the period of expected future sales from the related project
Internally generated or acquired	Acquired	Acquired/Internally generated	Internally generated

l) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Classification and measurement under IFRS 9

The classification of financial assets at initial recognition is dependent on the characteristics of the resultant contractual cash flows and on the Group's business model for managing its financial assets. The Group values a financial asset at fair value plus transaction costs, including assets that are not measured at fair value through profit or loss, with the following exception. Trade receivables that do not contain any significant financing component or for which the Group has applied the practical expedient allowed in IFRS 15 are valued at the transaction price determined in accordance with IFRS 15. For this context, see section d) *Revenue from contracts with customers*.

In order for a financial asset to be classified and measured at amortised cost or at fair value through other comprehensive income, cash flows must be based on solely payments of principal and interest (SPPI). This assessment is called the SPPI test and is performed at the level of each financial instrument.

The Group's business model for controlling its financial assets reflects how a company manages its financial assets to generate cash flows. Depending on the business model, cash flows arise from the receipt of contractual cash flows, the sale of financial assets or both.

Purchases or sales of financial assets that provide for the delivery of assets within a period determined by regulations or conventions of the relevant market (market purchases) are recognised on the trade date, i.e. on the date at which the Group has made the commitment to purchase or sell the asset.

Subsequent measurement

For subsequent measurement there are four categories of financial asset:

- amortised cost (debt instruments)
- fair value through other comprehensive income with reclassification of cumulative gains and losses (debt instruments)
- fair value through other comprehensive income without reclassification of cumulative gains and losses (equity instruments)
- fair value through profit or loss (debt instruments)

Financial assets measured at amortised cost (debt instruments)

This category has the greatest significance for the consolidated financial statements. The Group recognises financial assets at amortised cost if the following two conditions are met:

- the financial asset is held as part of a business model whose objective is to hold financial assets to collect contractual cash flows, and
- the terms and conditions of the financial asset give rise to cash flows at fixed dates which are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are measured in subsequent periods using the effective interest method and are to be tested for impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets measured at amortised cost include trade receivables.

Impairment of financial assets

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

The Group considers a financial asset in default when contractual payments are 90 days past due unless there are other reasons to consider that payment is still likely. In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and reliable information that is relevant and available without undue time and expense. This includes both quantitative and qualitative information and analysis based on past experience of the Group and sound estimates, including forward-looking information.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 21.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

m) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a first-in/first-out basis
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

n) Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Disclosures for significant assumptions: Note 3
- Property, plant and equipment: Note 13
- Intangible assets: Note 14
- Goodwill and intangible assets with indefinite lives: Note 14

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount 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. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing 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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

o) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

p) Provisions

General Overview

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. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provisions

The Group provides a small number of warranties for general repairs of defects that existed at the time of sale, as required by law. Provisions related to these assurance-type warranties are recognised when the product is sold or the service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty- related costs is revised annually.

Restructuring provisions

Restructuring provisions are recognised only when the Group has a constructive obligation, which is when (i) there is a detailed formal plan that identifies the business or part of the business concerned, the location and number of employees affected, the detailed estimate of the associated costs, and the timeline; and (ii) the employees affected have been notified of the plan's main features.

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Contingent liabilities recognised in a business combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

q) Share-based payments

Employees (including senior executives) of the Group receive compensation in the form of share-based payments, with employees providing equity-settled transactions. The expenses arising from equity settled transactions are determined by the fair value at the grant date using an appropriate valuation model, which is further explained in Note 24.

The expense, together with a corresponding increase in equity (capital reserve) over the period in which the service period and, if applicable, the performance conditions are met (vesting period), is recognised in personnel expenses (Note 9.5). The cumulative expense of equity-settled transactions recognised at each reporting date until vesting determines the extent to which the vesting period has expired and the best estimate of the number of equity instruments that are ultimately exercisable. The expense or credit in the Statement of Comprehensive Income of a period represents the development of accumulated expenses at the beginning and at the end of this period.

To determine the fair value of the options granted, the likelihood that the conditions are met is estimated as part of the best estimate of the number of equity instruments that will ultimately become vested. This does not take account of non-standard terms of service. The market conditions are taken into account within the fair value at the grant date. All other conditions attached to a contract, but not subject to a performance obligation, are considered as non-vesting conditions. Non-vesting conditions are taken into account in the fair value of an allotment and lead to an immediate booking of the allotment, unless conditions of service and / or service also exist.

No compensation is recognised for compensation that is not definitively vested because non-standard service and / or service conditions are not met. If the allocations contain a market or non-vesting condition, the transactions will be deemed vested, irrespective of whether the market or non-vesting condition is met, provided that all other conditions of service and / or service are met.

If the terms and conditions of an equity instrument settlement change, the minimum expense recognised is the fair value of the unaltered allotment, provided that the original terms of the grant are met. An additional expense, valued at the time of the change, is recognised for each change that increases the aggregate fair value of the share-based payment transaction or otherwise benefits the employee. If an allotment by the Company or the counterparty is cancelled, any remaining portion of the fair value of the allotment is recognised immediately in profit or loss.

The dilutive effect of the outstanding options is taken into account as additional dilution in the calculation of diluted earnings per share (see Note 12 for further details).

2.4 Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group applied IFRS 15 and IFRS 9 for the first time in 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations of standards apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 January 2018.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. In accordance with the transitional rules the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations. Overall however, comparability with the previous year's figures is not significantly affected.

The effect of adopting IFRS 15 as at 1 January 2018 was, as follows:

€'000	Increase
Assets	
Contract assets (included in other assets)	409
Liabilities	
Contract liabilities (included in other liabilities)	(231)
Total adjustment on equity	
Retained earnings (included in other liabilities)	178

Consolidated statement of profit or loss for the year ended 31 December 2018

€'000	Amounds prepared under		
	IFRS 15	Previous IFRS	Change
Revenues	13,128	13,055	73
Cost of goods sold	(3,591)	(3,495)	(96)
Total Operating Expenses	(13,713)	(13,617)	(96)
Result of Operating Activities	(585)	(562)	(23)
Finance Costs	(82)	(82)	-
Earnings before Taxes	(503)	(480)	(23)
Tax Charge	202	202	-
Net Profit	(301)	(278)	(23)

Consolidated statement of financial position as at 31 December 2018

€'000	Amounds prepared under		
	IFRS 15	Previous IFRS	Change
Assets			
Long term assets	51,808	51,808	-
Trade receivables	2,627	2,676	(49)
Contract assets	579	-	579
Other short term assets	9,163	9,163	-
Total Assets	64,177	63,647	530
Liabilities			
Equity	46,502	46,021	481
Contract liabilities	49	-	49
Other short and long term liabilities	17,626	17,626	-
Total Liabilities	64,177	63,647	530

The adoption of IFRS 15 did not have a material impact the Group's operating, investing and financing cash flows.

The principal reason for the change is the treatment of licence revenue under IFRS 15. In the Expedeon Group, various licence agreements were classified as "right-to-use" contracts, so that under IFRS 15 adoption earlier revenue recognition arises than previously under IAS 18, as revenue recognition in these cases is already recognised in total at the agreement of the contract.

IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied IFRS 9 prospectively, with the initial application date of 1 January 2018. Comparative information has not been adjusted, and continues to be disclosed in accordance with IAS 39. There were no differences resulting from the first time application of IFRS 9.

IFRIC Interpretation 22 *Foreign currency transactions and advance consideration*

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This interpretation has no impact on the Group's consolidated financial statements.

Amendments to IAS 40 regarding transfers of investment property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 2 regarding classification and measurement of share-based payment transactions

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas:

- the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share-based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 4 *Applying IFRS 9* Financial Instruments *with IFRS 4 Insurance Contracts*

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

Amendments to IAS 28 *Investments in Associates and Joint Ventures* – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, then it may, when applying the equity method, elect to retain the fair value measurement applied by that

investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* – Deletion of short- term exemptions for first-time adopters

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Group's consolidated financial statements.

2.5 Error correction

The German Financial Reporting Enforcement Panel (DPR) audited the Consolidated Financial Statements and Group Management Report of Expedeon AG (formerly SYGNIS AG) as at 31 December 2016 in accordance with section 342b (2) sentence 3 no. 3 HGB (random sample audit).

We have therefore made the following corrections with corresponding consequences in the following reporting years:

1 Earnings before taxes in the consolidated financial statements are overstated by €257 thousand. In the purchase price allocation carried out as part of the acquisition of the Expedeon Group by SYGNIS AG, a restructuring provision of €257 thousand was recognised directly in equity. Since this restructuring provision related to estimated expenses for the termination of employment relationships of individual employees of SYGNIS AG and was therefore not attributable to the business combination, the provision should have been expensed in accordance with IAS 19.165.

2 Due to the absence of a provision for other taxes, earnings before taxes in the consolidated financial statements are €286 thousand too high. No provision has been made for a tax obligation that is likely to result in a payment. This violates IAS 37.14.

3 The group management report does not convey a true picture of the situation of the Group in individual points:

3.1 In a tabular presentation on business development, scheduled amortisation of intangible assets totalling €238 thousand was classified as one-off. In addition, deferred tax expenses were adjusted in the financial year, but not corresponding deferred tax income in previous years. In addition, the adjusted revenues and expenses calculated for 2016 were not compared with adjusted prior year comparable figures. This misleading description of the business development violates § 315 (1) sentence 1 and sentence 2 HGB.

3.2 It is not clear from the comparison of the previous year's forecast with the sales actually achieved in the 2016 financial year that the previous year's forecast was only achieved by the inorganic growth from the acquisition of the Expedeon Group and the organically generated sales revenues (€ 0.5 million) were significantly lower than the previous year Forecast value (€1.2 million to €1.5 million) remained. This violates § 315 para. 1 sentence 2 and sentence 3 HGB.

3.3 The analysis of revenue as the most important financial performance indicator is limited to the description of a revenue source with a share of only approximately 10% of revenue, whereas statements on the product groups with significantly higher revenue shares are missing. This violates § 315 para. 1 sentence 2 and sentence 3 HGB.

3.4 In the group management report, the risk analysis is incomplete insofar as it does not address the strong competition with competitors, some of whom are significantly more financially strong and established. This violates § 315 (1) sentence 2 and sentence 4 HGB.

4 The disclosures in the notes to the impairment test of goodwill are partly incomplete or not plausible.

4.1 There is a lack of information on the key assumptions and assumptions of cash flow planning in the detailed planning period and a description of how the assumptions and assumptions were determined. The indication of the interest rate of 12% used for the discounting of the cash flows is incorrect, since this is not the pre-tax interest rate but the post-tax interest rate. This violates IAS 36.134 (d) (i) and (ii).

4.2 The variation in projected revenues and costs by 5 percent in each case as part of the sensitivity analysis is not appropriate given the planned increase in revenue for the detailed planning period and the associated risks. The alternative assumptions on which the sensitivity analysis is based are also not described comprehensibly in the notes to the consolidated financial statements. This violates IAS 1.17 (b).

In the current consolidated financial statements, the comparative figures for the prior year have been adjusted according to the errors listed in (1) and (2). The adjustments to the balance sheet, the income statement, the statement of comprehensive income and the cash flow statement are shown in the tables below. The adjustments are also reported separately in the statement of changes in equity of the Expedeon consolidated financial statements. The findings regarding the consolidated management report and the notes to the consolidated financial statements were implemented in 2018 in the sense that presentation was updated accordingly. An adjustment of the previous year's figures did not result from these error findings.

With the second error determination, the DPR objected that no provision was recognised as of 31 December 2016, for the likely repayment of input tax refunds in the amount of €286 thousand. As of 31 December 2017, this provision increased by another pre-tax refund of €71 thousand to €357 thousand. In addition, unrecognised input tax refunds of €154 thousand were recognised in profit or loss, which in turn led to a reduction in other current assets of the same amount and an increase in other operating expenses by a total of €225 thousand.

Correction of consolidated statement of financial position in accordance with IAS 8

€'000	IAS 8 Correction			
	01.01.2017 Prior to Correction	Goodwill from restructuring obligations	Provision for tax obligations	01.01.2017 Following Correction
Assets				
Goodwill	23,829	(257)	-	23,572
Other short and long term assets	14,213	-	-	14,213
Total assets	38,042	(257)	-	37,785
Liabilities				
Equity	31,407	(257)	(286)	30,864
Provision for VAT liabilities	-	-	(286)	286
Other short and long term liabilities	6,635	-	-	6,635
Total liabilities	38,042	(257)	-	37,785

€'000		IAS 8 Correction			
	31.12.2017 Prior to Correction	Goodwill from restructuring obligations	Provision for tax obligations	Short term assets from tax refund claims	31.12.2017 Following Correction
Assets					
Goodwill	30,665	(257)	-	-	30,408
Short term assets from tax refund claims	183	-	-	(183)	-
Other short and long term assets	19,124	-	-	-	19,124
Total assets	49,972	(257)	-	(183)	49,532
Liabilities					
Equity	40,043	(257)	(537)	(183)	39,066
Provision for VAT liabilities	-	-	537	-	537
Other short and long term liabilities	9,929	-	-	-	9,929
Total liabilities	49,972	(257)	-	(183)	49,532

Correction of income statement in accordance with IAS 8

€'000	IAS 8 Correction			
	01.01.-31.12.2017 Prior to correction	Restructuring obligations	Tax obligations	01.01.-31.12.2017 Following correction
Revenues	7,797	-	-	7,797
Cost of goods sold	(2,881)	-	-	(2,881)
Gross profit	4,916	-	-	4,916
Research and development	(794)	-	-	(794)
Marketing and sales	(1,870)	-	-	(1,870)
Administration	(6,315)	-	(434)	(6,749)
Other operating expense	(92)	-	-	(92)
Other operating income	96	-	-	96
Result from restructuring	-	-	-	-
Total operating expenses	(11,856)	-	(434)	(12,290)
Result of operating activities	(4,059)	-	(434)	(4,493)
Financial income	10	-	-	10
Finance costs	(173)	-	-	(173)
Earnings before taxes	(4,222)	-	(434)	(4,656)
Tax charge	961	-	-	961
Net profit	(3,261)	-	(434)	(3,695)

As a result of the correction, basic and diluted earnings per share for the period 1 January 2017 to 31 December 2017 are -€0.09, before correction -€0.08.

Correction of comprehensive income in accordance with IAS 8

€'000	IAS 8 Correction			
	01.01.-31.12.2017 Prior to correction	Obligations arising from restructuring	Tax obligations	01.01.-31.12.2017 Following correction
Net profit	(3,261)	-	(434)	(3,695)
Items that cannot be reclassified to the income statement:				
Share-based payment	1	-	-	1
Items that can be reclassified to the income statement:				
Exchange rate differences	(1,469)	-	-	(1,469)
Total income and expenses recognised directly	(1,468)	-	-	(1,468)
Overall result	(4,729)	-	(434)	(5,163)

Correction to cash flow statement in accordance with IAS 8

€'000	IAS 8 Correction			
	01.01.-31.12.2017 Prior to correction	Restructuring obligations	Tax obligations	01.01.-31.12.2017 Following correction
Net loss	(3,261)	-	(434)	(3,695)
Trade receivables and other current assets	(690)	-	183	(507)
Other current liabilities	(471)	-	251	(220)
Other cash flow from operating activities	1,537	-	-	1,537
Cash flow from operating activities	(2,885)	-	-	(2,885)
Cash flow from the investments	(9,316)	-	-	(9,316)
Cash flow financing	10,425	-	-	10,425
Decrease in cash and cash equivalents	(1,776)	-	-	(1,776)
Effect of foreign currency translation differences	(65)	-	-	(65)
Cash and cash equivalents at the beginning of the reporting period	3,795	-	-	3,795
Cash and cash equivalents at the end of the reporting period	1,954	-	-	1,954

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Capital management: Note 5
- Financial instruments risk management and policies: Note 16

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. Further information on impairments of non-financial assets (such as goodwill) is provided in Note 14.

Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate the expected credit losses for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the expected credit losses on the Group's trade receivables and contract assets is disclosed in Note 16.

Share-based payments

Employees (including senior executives) of the Group receive compensation in the form of share-based payments, with employees providing equity-settled transactions. The expenses arising from equity settled transactions are determined by the fair value at the grant date using an appropriate valuation model, which is further explained in Note 24.

The expense, together with a corresponding increase in equity (capital reserve) over the period in which the service period and, if applicable, the performance conditions are met (vesting period), is recognised in personnel expenses (Note 9.5). The cumulative expense of equity-settled transactions recognised at each reporting date until vesting determines the extent to which the vesting period has expired and the best estimate of the number of equity instruments that are ultimately exercisable. The expense or credit in the Statement of Comprehensive Income of a period represents the development of accumulated expenses at the beginning and at the end of this period.

To determine the fair value of the options granted, the likelihood that the conditions are met is estimated as part of the best estimate of the number of equity instruments that will ultimately become vested. This does not take account of non-standard terms of service. The market performance conditions are taken into account within the fair value at the grant date. All other conditions attached to a contract, but not subject to a performance obligation, are considered as non-vesting conditions. Non-vesting conditions are taken into account in the fair value of an allotment and lead to an immediate booking of the allotment, unless conditions of service and / or service also exist.

No compensation is recognised for compensation that is not definitively vested because non-standard service and / or service conditions are not met. If the allocations contain a market or non-vesting condition, the transactions will be deemed vested, irrespective of whether the market or non-vesting condition is met, provided that all other conditions of service and / or service are met.

If the terms and conditions of an equity instrument settlement change, the minimum expense recognised is the fair value of the unaltered allotment, provided that the original terms of the grant are met. An additional expense, valued at the time of the change, is recognised for each change that increases the aggregate fair value of the share-based payment transaction or otherwise benefits the employee. If an allotment by the Company or the counterparty is cancelled, any remaining portion of the fair value of the allotment is recognised immediately in profit or loss.

The dilutive effect of the outstanding options is taken into account as additional dilution in the calculation of diluted earnings per share (see Note 12 for further details).

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has €36,900 (2017: €18,100) of tax losses carried forward. These losses relate to subsidiaries that have a history of losses, do not expire, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward. Further details on taxes are disclosed Notes 10 and 11.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 15 for further disclosures.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor (see Notes 7 and 15 for details).

Contingent consideration arising on the acquisitions of Innova Biosciences and TGR BioSciences are disclosed in note 7. The contingent consideration is classified as other financial liability (see Note 15).

Development costs

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At 31 December 2018, the carrying amount of capitalised development costs was €1,994,000 (2017: €1,833,000).

Revenues from contracts with customers

Judgements arise in the accounting for revenue from contracts with customers in particular in relation to accounting for licence fees. A decision is required to classify a licence agreement as "right-to-use" or "right-to-access"; in addition, the expected licence revenues require estimation and spread appropriately over relevant accounting periods.

4. Revenue from contracts with customers

4.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

€'000	2018	2017
Type of goods and services		
Sales of products	12,577	7,373
Licences and royalties	551	424
	13,128	7,797
Geographic markets		
USA	6,124	3,353
Europe	6,318	3,587
Rest of world	687	858
	13,128	7,797

4.2 Contract balances

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. The acquisition of a subsidiary resulted in increase in trade receivables of €549 thousand in 2018 (2017:

€'000	31 December	
	2018	2017
Trade receivables (Note 16)	2,627	1,472
Contract assets	579	409
Contract liabilities	49	-

€576 thousand) (Note 7). In 2018, €71 thousand (2017: €158 thousand) was recognised as a provision for expected credit losses on trade receivables (Note 16).

4.3 Right of return assets and refund liabilities

The Group offers a very limited right of return for a specific customer giving rise to a provision of €5 thousand (2017: €5 thousand).

4.4 Performance obligations

The Group offers a very limited warranty for specific products giving rise to a provision of €21 thousand (2017: €19 thousand).

5. Capital management

The objectives of capital management are to maintain liquidity and thus to ensure the continuation of the business as well as a sustainable increase in the value of the Company combined with an adequate return on equity. As of 31 December 2018 (and 2017), no changes have been made to the objectives, policies and procedures of capital management.

6. Group information

The consolidated financial statements of the Group include:

Name	**Principal activities**	**Place of incorporation**	**% equity interest**	
			31 Dec. 2018	**31 Dec. 2017**
Expedeon Bioscience GmbH & Co. KG	Sale of tools and reagents	Heidelberg, Germany	100	100
Expedeon Verwaltungs GmbH	Partner company	Heidelberg, Germany	100	100
Expedeon BIOTECH S.L.U.	Sale of tools and reagents	Madrid, Spain	100	100
Expedeon Holdings Limited	Holding company	Cambridge, UK	100	100
Expedeon Limited	Sale of tools and reagents	Cambridge, UK	100	100
Expedeon Asia Pte. Limited	Sale of tools and reagents	Singapore, Singapore	100	100
Expedeon Inc.	Sale of tools and reagents	San Diego, USA	100	100
Innova Biosciences Limited	Sale of tools and reagents	Cambridge, UK	100	100
TGR BioSciences Pty Limited	Sale of tools and reagents	Adelaide, Australia	100	-

7. Business combinations

Acquisitions in 2018

Acquisition of TGR BioSciences Pty Ltd

On 2 May 2018, the Group acquired 77 % of the voting shares of TGR BioSciences, a non-listed company; the remaining 23 % of voting shares were acquired on 14 May 2018. The Group acquired TGR through its subsidiary Expedeon Holdings Limited. The acquisition was fully consolidated for from 1 May 2018.

TGR BioSciences is a life sciences company in the immunology field in which the Group is active. The Group acquired TGR due to its technology and products, which are highly complementary to the Group, as well as its significant customer relationships.

Assets acquired and liabilities assumed

€'000	
ASSETS	
Plant, equipment and leasehold improvements	109
Cash and cash equivalents	1,122
Trade receivables	549
Inventories	549
Deferred tax	442
Other assets	22
Patents, licences and other intangibles	3,032
Customer lists	2,497
	8,322
LIABILITIES	
Trade payables	63
Deferred tax liability	1,385
Other liabilities	294
	1,742
Sum of separately identifiable net assets at fair value	6,580
Goodwill (Note 14)	3,309
Purchase Consideration Transferred	9,889

The fair value of the identifiable assets and liabilities of TGR BioSciences as at the date of acquisition were:

The fair value of trade receivables amounts to €549 thousand and does not vary notably from its gross carrying value. The deferred tax liabilities reflect primarily the accelerated tax deductions relating to the fair value of intangible assets.

The goodwill of €3,309 thousand from the acquisition comprises the value of acquired synergies and market shares that cannot be allocated to any other determinable and separable intangible asset. Since the Company has no individual cash-generating units (CGUs), the business or goodwill is allocated to the Group as a whole.

From the date of acquisition, TGR has contributed €2,800 thousand of revenue and €930 thousand profit to earnings before tax from continuing operations of the Group. If the combination had taken place at the beginning of 2018, the group's revenue from continuing operations would have been €14,188 thousand and the loss before tax from continuing operations would have been €168 thousand which includes fair value adjustments and costs associated with the TGR transaction.

Purchase consideration

€'000	
Consideration	
Cash consideration	6,784
Loan notes	1,222
Convertible bond and cash earn out at fair value	1,882
	9,888
Analysis of cash flow due to business acquisition	
Transaction costs of business acquisition (included in cash flows from operating activities)	(71)
Cash acquired with the subsidiary (included in cash flows from investing activities)	1,122
Transaction costs attributable to equities (included in cash flows from financing activities, after tax)	-
Actual cash outflow due to the acquisition	1,051

Cash consideration for the acquisition was €6,784 thousand. In addition, by way of consideration a loan note was issued to former shareholders for AUD$2 million, which attracts 3.5 % interest and is due on the first anniversary of the acquisition. Its fair value at acquisition date was considered to be €1,222 thousand.

The Company has also by way of consideration for the acquisition issued 1,612,642 deferred shares by way of compulsory convertible bonds and committed to pay in cash up to AUD$721,541 which is due 50 % on the first anniversary and 50 % on the second anniversary of the acquisition, if certain revenue targets are reached. The fair value of the shares was calculated by reference to the quoted share price at the date of acquisition, which was €1.43. The fair value of the shares was calculated by reference to the market price of the shares at the date of acquisition. The fair value of the convertible bond and cash amount represents its net present value having applied a probability factor to the potential earn out consideration. The fair value of consideration therefore stood at €1,883 thousand. The consideration liability is due for final measurement and payment to the former shareholders on 30 April 2020.

AUD$784 thousand of the cash consideration represented cash balances held by TGR BioSciences at acquisition which were due to vendors on the basis of a working capital calculation.

Transaction costs of €71 thousand and were expensed and are included in administrative expenses.

Conditional consideration – convertible bond

At the time of the transaction, the fair value of the contingent consideration was estimated at €1,883 thousand. The fair value of the contingent consideration determined at 31 December 2018 reflects the expected number of shares to be issued at the share price prevailing at that date of €0.895, giving rise to a liability of €1,259 thousand. A reconciliation of fair value measurement of the contingent consideration liability is provided below:

€'000	
2 May 2018	1,883
Reduction of the fair value from the earn-out	(624)
31 December 2018	1,259

Acquisitions in 2017

Acquisition of Innova Biosciences Ltd

On 16 June 2017, the Company acquired 100 % of the voting shares of Innova Biosciences Limited, a non-listed company based in Cambridge, England, specialising in the provision of immunology products to scientists. The Company acquired Innova Biosciences Limited to complement the technologies and products already owned by Expedeon AG and its subsidiaries as well as Innova's strong customer base.

Acquired assets and liabilities

The fair value of the identifiable assets and liabilities of Innova Biosciences Limited as at the date of acquisition were:

€'000	
ASSETS	
Plant, equipment and leasehold improvements	216
Cash and cash equivalents	1,491
Trade receivables	344
Inventories	390
Other assets	310
Patents and licences	2,488
Customer lists	2,703
	7,942
LIABILITIES	
Trade payables	304
Corporation tax liability	95
Deferred tax liability	962
Other liabilities	160
	1,521
Sum of separately identifiable net assets at fair value	6,422
Goodwill	8,067
Purchase Consideration Transferred	14,489

The fair value of trade receivables amounts to €344 thousand and corresponds to the Gross amount. None of the trade receivables were impaired and the entire contracted amounts are expected to be recoverable.

The deferred tax liabilities primarily reflect the accelerated tax deductions compared to the fair value of intangible assets. The goodwill of €8,067 thousand from the acquisition comprises the value of acquired synergies and market shares that cannot be allocated to any other determinable and separable intangible asset. Since the company has no individual cash-generating units (CGUs), the business or goodwill is allocated to the Group as a whole. It is assumed that the recognised goodwill is not tax deductible.

Since the date of acquisition, Innova Biosciences contributed €2,300 thousand to revenue and €246 thousand profit to earnings before tax from continuing operations of the Group. In addition, the profit includes fair value adjustments arising on sale of inventories and amortisation of intangible assets fair valued at the date of acquisition. If the combination had taken place at the beginning of 2017, the Group's revenue from continuing operations would have been €9,060 thousand and the loss before tax from continuing operations would have been €3,785 thousand, which includes fair value adjustments and costs associated with the Innova Biosciences transaction.

Consideration

€'000	
Consideration	
Issued shares valued as at 16 June 2017	3,631
Cash consideration	8,694
Convertible bond at fair value	2,164
	14,489

The Company has by way of consideration for the acquisition of Innova Biosciences Limited issued 2,000,000 ordinary shares and 1,500,000 deferred shares by way of compulsory convertible bonds which is due on the 50 % on the first anniversary and 50 % on the send second anniversary of the acquisition, if certain revenue targets are reached. The fair value of the shares has been calculated with reference to the recorded share price on the date of acquisition, which stood at €1.82. The fair value of the convertible bond represents its net present value having applied a probability factor to the potential earn out consideration. The fair value of consideration therefore stood at €5,795 thousand in addition to cash consideration of €8,694 thousand. €694 thousand of the cash consideration represented cash balances held by Innova Biosciences at acquisition which were due to selling shareholders on the basis of a working capital calculation.

Contingent consideration – Convertible bond

As noted above, at the acquisition date the fair value of the contingent consideration was estimated to be €2,164,000. On 16 June 2018, the first year revenue targets were met entirely and the shares were issued in full for the first year. This share issue was valued with reference to the share price of Expedeon AG on 16 June 2018, the date this consideration became due. At the prevailing share price of €1.43, the first year consideration was valued at €1,072,500 and posted to equity. At 31 December 2018, the key performance indicators showed that it is highly probable that the entire second year target will be achieved due to continuing revenue growth. The fair value of the contingent consideration determined at 31 December 2018 reflects the expected number of shares to be issued at the share price prevailing at that date of €0.895, giving rise to a liability of €671,250. A reconciliation of fair value measurement of the contingent consideration liability is provided below:

€'000	
As at 1 January 2018	2,164
First year earn out shares issued	(1,073)
Reduction in fair value of second year earn recognised in profit or loss	(417)
As at 31 December 2018	674

The fair value of the contingent consideration liability decreased due to the change in share price for Expedeon AG. The contingent consideration liability is due for final measurement and payment to the former shareholders on 16 June 2019.

Analysis of cashflows in relation to the acquisition

€'000	
Transaction costs arising from the acquisition (included in the cashflows under operating activities)	(110)
Cash acquired (included in the cashflows under investing activities)	1,491
Transaction costs associated with the issue of shares (included in the cashflows under financing activity after tax)	(25)
Actual outflows arising from the acquisition	1,356

The transaction costs of €110 thousand have been recorded as an expense and included in administrative expenses. The costs associated with the issue of shares of €25 thousand were treated as a reduction of the share value and offset against the capital reserve.

Acquisition of CBS Scientific

On 5 January 2017, the Company acquired 100% of the voting shares of CBS Scientific, a non-listed company based in San Diego, USA, specialising in the provision of electrophoresis equipment. The Company accounted for the acquisition from 1 January 2017. The Company acquired CBS through its subsidiary Expedeon Holdings Limited to augment its existing range of proteomics products.

Acquired assets and liabilities

The fair value of the identifiable assets and liabilities of CBS Scientific as at 1 January 2017 were:

€'000	
ASSETS	
Plant and equipment	55
Cash and cash equivalents	28
Trade receivables	232
Inventories	543
Other assets	10
	869
LIABILITIES	
Trade payables	83
Deferred tax liability	142
Other liabilities	84
	310
Sum of separately identifiable net assets at fair value	559
Goodwill	279
Purchase Consideration Transferred	837

The fair value of trade receivables amounts to €232 thousand and corresponds to the Gross amount. None of the trade receivables were impaired and the entire contracted amounts are expected to be recoverable.

The deferred tax liabilities reflect primarily the accelerated tax deductions the fair value of intangible assets. The goodwill of €279 thousand from the acquisition comprises the value of acquired synergies and market shares that cannot be allocated to any other determinable and separable intangible asset. Since the company has no individual cash-generating units (CGUs), the business or goodwill is allocated to the Group as a whole. It is assumed that the recognised goodwill is not tax deductible.

The acquired business was merged into Expedeon Inc. from 1 March 2017; consequently, after that date no separate financial information was held for CBS Scientific.

Consideration

€'000	
Consideration	
Issued shares valued as at 1 January 2017	(335)
Cash consideration	(409)
Deferred consideration due 1 January 2018	(93)
	(837)

The Company has by way of consideration for the acquisition of CBS Scientific issued 275,311 ordinary shares. The fair value of the shares has been calculated with reference to the recorded share price on 1 January 2017, which stood at €1.22. The fair value of consideration therefore stood at €335 thousand in addition to cash consideration of €409 thousand and deferred cash consideration of €93 thousand due on 1 January 2018.

Analysis of cashflows in relation to the acquisition

€'000	
Transaction costs arising from the acquisition (included in the cashflows under operating activities	(25)
Cash acquired included in the cashflows under investing activities	28
Transaction costs associated with the issue of shares (included in the cashflows under financing activity after tax)	(15)
Actual outflows arising from the acquisition	(12)

The transaction costs of €25 thousand have been recorded as an expense and included in administrative expenses. The costs associated with the issue of shares of €15 thousand were treated as a reduction of the share value and offset against the capital reserve.

8. Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Fair value measurement hierarchy for liabilities as at 31 December 2018:

€'000	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable Input (Level 2)	Significant unobservable inputs (Level 3)
Liabilities measured at fair value:					
Contingent consideration liability (Note 15.3)	31 December 2018	1,930			1,930
Liabilities for which fair values are disclosed (Note 15.2):					
Fixed rate borrowings	31 December 2018	10,647		10,647	

Fair value measurement hierarchy for liabilities as at 31 December 2017:

€'000	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable Input (Level 2)	Significant unobservable inputs (Level 3)
Liabilities measured at fair value:					
Contingent liability (Note 7)	31 December 2017	2,164			2,164
Liabilities for which fair values are disclosed (Note 15.2):					
Fixed rate borrowings	31 December 2017	5,713			5,713

There were no transfers between Level 1 and Level 2 during 2018 or 2017.

9. Other income and expenses

9.1 Other operating income

€'000	2018	2017
Government grants	124	82
Gain on earn out (Note 7)	1,042	0
Other	61	14
	1,227	96

9.2 Other operating expenses

€'000	2018	2017
Foreign exchange losses	15	92

9.3 Finance costs

€'000	2018	2017
Interest on debts and borrowings and credit expense	(345)	(173)
Loss from derivative financial instruments at fair value through profit or loss	(74)	-
	(419)	(173)

9.4 Finance income

€'000	2018	2017
Interest and similar income	3	10
Net gain from financial assets at fair value through profit or loss	498	-
	501	10

9.5 Employee benefits expense

€'000	2018	2017
Wages and salaries	(4,195)	(3,563)
Social security costs	(458)	(261)
Pension costs	(173)	(99)
Employment benefits other than pensions	(98)	(86)
Share-based payment expense	(265)	(1)
	(5,188)	(4,011)

In the year under review, contributions to the statutory pension insurance amounted to €5 thousand. These are defined contribution schemes.

The number of full-time equivalents increased from an average of 66 in 2017 to 105 in 2018.

	31.12.2018	31.12.2017
Number of employees by function		
R&D	15	15
Sales and Marketing	37	30
Operations and Production	42	30
General, Finance and Administration	19	14
Total	113	89

9.6 Research and development costs

Total non-capitalised research and development costs are €1,043 thousand in 2018 (2017: €794 thousand). Cost of sales includes depreciation of € 271 thousand (2017: € 197 thousand) of capitalised development costs. The research and development services develop as follows:

€'000	2018	2017
Research and development cost	(1,314)	(991)
Amortisation	271	197
Capitalised development costs	(432)	(496)
	(1,475)	(1,290)

9.7 Administrative, sales and marketing expenses

Included in administrative expenses is depreciation and amortisation of €2,075 thousand (2017: €1,401 thousand) and lease payments recognised as an operating expense of €482 thousand (2017: €403 thousand).

10. Deferred tax liabilities

Deferred tax liabilities were mainly used for the recognition of individually identifiable intangible assets in connection with company acquisitions of Innova Biosciences Ltd and the TGR BioSciences Pty Ltd.

Deferred tax liabilities arose on the fair value of the acquired assets and liabilities as a result of acquisitions made up to the reporting date. These totalled €4,450 thousand, of which €2,038 thousand has been consumed to date. The increase in deferred tax liabilities on the fair value of the acquired assets and liabilities in the current financial year is due to the acquisition of TGR BioSciences Pty Ltd as well as opposite current amortisation of the acquired hidden reserves.

11. Income tax expense and deferred taxes

Income tax expenses are classified by origin as follows

€'000	Year ended 31 December 2018	Year ended 31 December 2017
Current taxes	-	(95)
Deferred taxes	(202)	(866)
	(202)	(961)

The theoretical tax expenses on the basis of the loss before taxes of €503 thousand (2017: €4,656 thousand) and the average tax rate of 30 % (2017: 30 %) are reconciled to the current tax expense as follows:

€'000	31 December 2018	31 December 2017
Loss for the year before taxes	(503)	(4,656)
Theoretical tax expense (+) / income (-)	(151)	(1,267)
Differences in tax rates	157	-
Change in tax rates	-	(438)
R&D tax credits	(132)	(130)
Tax impact of non-deductible operating expenses	(280)	95
Change deferred tax assets	(205)	(55)
Losses without deferred taxes	405	835
Utilization of unrecognised tax loss carry-forwards	(1)	(24)
Other effects	9	23
Income taxes	(203)	(961)

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 €2,755 thousand (2017: €1,636 thousand) relate to intangible assets that were identified in the course of the purchase price allocation performed during the Reverse Acquisition in 2012 and the acquisitions during 2016 and 2017.

No deferred tax liabilities were recognised for potential tax payments on future distributions of retained earnings of the subsidiaries in the amount of €1,994 thousand (2017: €1,972 thousand), as these profits are required to finance the respective subsidiary in the long term and a dividend is not planned.

€'000	31 December 2018	31 December 2017
Deferred tax assets		
Other current and non-current	103	-
Inventories	-	-
Unused tax losses	437	259
R&D credits	95	-
Reclassification to other current assets	-	-
Offset with deferred tax liabilities	(635)	(259)
Deferred tax assets	-	-
Deferred tax liabilities		
PPE	-	9
Inventories	27	27
Intangible assets	2,728	1,600
Deferred tax liabilities	2,755	1,636
Offset with deferred tax assets	(635)	(259)
Deferred tax liabilities	2,120	1,377

The Company recognises deferred tax assets to the extent that realisation of these tax benefits is probable in future years. A deferred tax asset is not recognised if it is not sufficiently probable that the expected benefits from the deferred tax will be realised. As of 31 December 2018, deferred tax assets recognised on loss carry forwards amounted to €437 thousand. Of this, €437 thousand was offset against deferred tax liabilities. The change in deferred taxes €744 thousand is due to a change in deferred taxes in the amount of €203 thousand, an unrecognised addition to deferred tax assets in the amount of €438 thousand and the recognition of deferred tax liabilities in the current financial year following the acquisition of TGR BioSciences Pty Ltd totalling €1,385 thousand. There was no change in deferred taxes in Other Comprehensive Income in the current financial year. Tax receivables due to expected tax credits from research and development activities in Spain of 2018 in the amount of €116 thousand were not reported under deferred tax assets as of 31 December 2018 (2017: €259 thousand).

The tax loss carry forwards on which no deferred tax assets were recognised amounted to approximately €31.0 million as of 31 December 2018 (31 December 2017: €17.9 million). Of the unrecognised loss carry forwards, about €15.8 million are attributable to Germany and approximately €9.1 million to the Spanish subsidiary (2017: € 8.8 million) and around €4.9 million to the US subsidiary. Further tax loss carry forwards for which no deferred tax assets were recognised relate to a UK subsidiary and the subsidiary in Singapore.

In addition, at the level of the Spanish and US subsidiaries, existing tax credits of around €6.2 million did not result in any deferred tax assets (2017: €0.2 million).

In Germany, loss carry forwards can be carried forward indefinitely. Tax loss carry forwards in Germany have been subject to minimum taxation since 2004 for corporation tax and trade tax. Accordingly, the deductible loss deductible for each assessment period is limited to €1 million plus 60 % of the taxable income exceeding this base amount. The tax loss carry forwards in Spain can be carried forward and used indefinitely since 2015, where the amount of tax loss carry forwards that can be used annually is subject to a minimum taxation comparable to the German regulation. Thus, the deduction per taxable period is limited to €1 million plus 70 % (up to and including 2016 the percentage was 60 %) of the taxable income exceeding this base amount.

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

€'000	31 December 2018	31 December 2017
Expiry within 1 – 5 years	526	-
Expiry within 6 – 10 years	3,725	-
Expiry within 11 – 15 years	1,433	-
Expiry within 16 – 20 years	352	-
Unlimited usability of unused tax loss carry-forwards	31,155	18,057
Total	37,191	18,057

The change in the level of tax loss carry forwards from 31 December 2017 is due to current tax losses, which have not been recognised as deferred tax assets, as well as due to changes in German law and legal regulations regarding the loss of carry forwards as a result of shareholder changes in 2016. Accordingly, tax losses and loss carry forwards amounting to €4.9 million would not be affected by the loss. Furthermore, it is assumed that the loss carry forwards incurred by Expedeon Inc. in fiscal years prior to 2016 are not affected.

For the calculation of the amount of unused tax losses in Germany, it was taken into account that according to applicable law due to the capital increases and the transfer of shares of Expedeon AG before 4 December 2012 tax losses will no longer be available. These tax loss carry forwards are not included in the table above.

In addition, the table above did not include the tax loss carry forwards of the former US subsidiary Lion Bioscience, Inc. due to the merger into Expedeon Inc. in 2017.

12. Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

Basic earnings per share	**1 January-31 December**	
	2018	**2017**
Numerator		
Net loss for the period €'000	(301)	(3,695)
Denominator		
Weighted average number of shares outstanding	50,059,845	41,488,011
Basic earnings basic per share (€0.00)	(0.01)	(0.09)

Diluted earnings per share	1 January-31 December	
	2018	**2017**
Numerator		
Net loss for the period €'000	(301)	(3,695)
Denominator		
Weighted average number of shares outstanding	55,656,476	42,124,312
Diluted earnings basic per share (€0.00)	(0.01)	(0.09)
Reconciliation of earnings per share (EPS)		
Weighted average number of ordinary shares for basic EPS	50,059,845	41,488,011
Effects of dilution from:		
Share options	3,306,363	14,767
Mandatory convertible bonds	2,290,267	621,534
Weighted average number of ordinary shares adjusted for the effect of dilution	55,656,476	42,124,312

In the period between the reporting date and the date of authorisation of these financial statements, 148,462 shares were issued in connection with the Innova earn-out 2018.

13. Property, plant and equipment

€'000	Land and buildings	Operating and office equipment	Total
Cost or valuation			
1 January 2017	437	887	1,324
Additions	1,246	288	1,534
Acquisition of subsidiary (Note 7)	-	292	292
Disposals	(25)	(209)	(234)
Exchange differences	(388)	(119)	(507)
At 31 December 2017	1,270	1,139	2,409
Additions	79	147	226
Acquisition of subsidiary (Note 7)	-	146	146
Disposals	-	(17)	(17)
Exchange differences	(11)	(44)	(55)
At 31 December 2018	1,338	1,371	2,709

€'000	Land and buildings	Operating and office equipment	Total
Depreciation and impairment			
1 January 2017	45	322	367
Depreciation	77	224	301
Disposals	(1)	(168)	(169)
Exchange differences	(48)	(92)	(140)
At 31 December 2017	73	286	359
Depreciation	-	311	311
Disposals	-	-	-
Exchange differences	12	28	40
At 31 December 2018	85	625	710
Net book value			
At 31 December 2018	1,253	746	1,999
At 31 December 2017	1,197	853	2,050

14. Goodwill and intangible assets with indefinite useful lives

€'000	Development costs	Other intangibles	Goodwill	Total
Cost or valuation				
1 January 2017	2,327	7,732	23,572	33,631
Additions	441	5,278	8,346	14,065
Acquisition of subsidiary (Note 7)	-	21	-	21
Exchange differences	-	(99)	(1,510)	(1,609)
At 31 December 2017	2,768	12,932	30,408	46,108
Additions	432	5,427	3,309	9,168
Acquisition of subsidiary (Note 7)	-	493	-	493
Exchange differences	-	-	192	192
At 31 December 2018	3,200	18,852	33,909	55,961
Amortisation and impairment				
1 January 2017	665	2,472	-	3,137
Amortisation	270	1,035	-	1,305
Disposals	-	(8)	-	(8)
At 31 December 2017	935	3,499	-	4,434
Amortisation	271	1,763	-	2,034
At 31 December 2018	1,206	5,262	-	6,468
Net book value				
At 31 December 2018	1,994	13,590	33,909	49,493
At 31 December 2017	1,833	9,433	30,408	41,674

Acquisitions during the financial year

Patents and licences include intangible assets acquired in business combinations. Patents were granted by the relevant state institution for a minimum period of ten years. Licences have been acquired with an extension option as at the end of the reporting period. For an extension, the Group incurs no or only minimal costs. Previously acquired licences have been renewed, allowing the Group to classify these assets as assets with indefinite useful lives.

Goodwill

Goodwill arises from the reverse acquisition of Expedeon AG by Expedeon Biotech SLU, Madrid, Spain in the 2012 financial year, the acquisition of the Expedeon Group in 2016, the acquisition of CBS Scientific and Innova Biosciences in 2017, and the acquisition of TGR BioSciences Pty Ltd in 2018. All goodwill has been allocated to the Expedeon Group as a cash generating unit (CGU). The impairment test in accordance with IAS 36 is carried out if there are indications, but at least once a year.

The carrying amount of goodwill of €33.9 million as of 31 December 2018 (2017: €30.7 million) is allocated to the Expedeon Group as one CGU.

Using the valuation hierarchy under IFRS 13, the Company has reviewed the carrying amount of the CGU by comparing the carrying amount with the fair value less appropriate costs to sell estimated at 5 % of the fair value. The fair value was determined by reference to the market valuation of the company, which amounted to €46.4 million as of 31 December 2018 and represents a fair value of category 1 in accordance with the fair value hierarchy of IFRS 13. The estimated costs of sale amount to €2.3 million. This results in a fair value less reasonable selling costs of €44.1 million. On this basis, it is concluded that there is no impairment of goodwill.

15. Financial assets and financial liabilities

15.1 Financial assets

€'000	31 December 2018	31 December 2017
Trade receivables (Note 16)	2,627	1,472
Contract assets (Note 16)	579	409
Long term deposits	298	205
Other	661	533
	4,165	2,619

The financial assets are all assigned to the valuation category ”at amortised cost”.

15.2 Financial liabilities: Interest-bearing loans and borrowings

€'000	Interest rate	Maturity	31 Dec. 2018	31 Dec. 2017
Current interest-bearing loans and borrowings				
Bank loan 1, UK	5.19%	May 2034	11	11
Bank loan 2, UK	3.62%	May 2038	33	16
Bank loan 3, UK	5.00%	May 2023	25	25
Financial loan, UK	10.00%	Oct 2022	407	-
Shareholder loan, UK	7.00%	May 2019	55	33
Shareholder loan, Australia	3.50%	May 2019	1,222	-
Innova earn-out, UK	0.00%	Jun 2019	671	1,209
TGR earn-out, Australia	0.00%	May 2019	300	-
Prepaid licence fees	0.00%	N/A	-	-
Soft loan 1, Spain	2.35%	Dec 2019	100	125
Soft loan 2, Spain	0.00%	Feb 2024	276	276
Soft loan 3, Spain	0.00%	Jul 2026	71	71
Soft loan 4, Spain	0.06%	Feb 2028	-	-
Soft loan 5, Spain	0.06%	Feb 2028	-	-
Total current interest-bearing loans and borrowings			3,171	1,766

€'000	Interest rate	Maturity	31 Dec. 2018	31 Dec. 2017
Non-current interest-bearing loans and borrowings				
Bank loan 1, UK	5.19%	May 2034	128	174
Bank loan 2, UK	3.62%	May 2038	470	606
Bank loan 3, UK	5.00%	May 2023	61	106
Financial loan, UK	10.00%	Oct 2022	4,566	-
Shareholder loan, UK	7.00%	May 2019	-	52
Shareholder loan, Australia	3.50%	May 2019	-	-
Innova earn-out, UK	0.00%	Jun 2019	-	955
TGR earn-out, Australia	0.00%	May 2019	629	-
Prepaid licence fees	0.00%	N/A	49	130
Soft loan 1, Spain	2.35%	Dec 2019	-	100
Soft loan 2, Spain	0.00%	Feb 2024	666	894
Soft loan 3, Spain	0.00%	Jul 2026	323	338
Soft loan 4, Spain	0.06%	Feb 2028	353	227
Soft loan 5, Spain	0.06%	Feb 2028	231	364
Total non-current interest-bearing loans and borrowings			7,476	3,947
Total interest-bearing loans and borrowings			10,647	5,713

If the existing loans had been newly concluded on 31 December 2018, they would have been concluded on the same terms – in particular at the same interest rates – as the Group's market situation has not materially changed. A change in the fair value is therefore not recorded.

Warrant bond over GBP 750,000 (€845 thousand)

On September 3 2018, Expedeon AG issued a warrant bond with denominations of GBP 93,750 (€105 thousand) and a total nominal value of GBP 750,000. The loan yields 10% interest on the nominal amount and the final due date is 1 August 2022. In addition to the interest payments on the respective nominal amount, the loan is to be repaid pro rata until the due date from the 13th month of the term. The bond with a book value of GBP 428,594 was recognised as of 3 September 2018. The difference to the cash amount results from transaction costs of the separate option (equity instrument). The warrant bond is unsecured.

In line with the repayment structure, the bond has a short-term component of GBP 54,148 (€57 thousand) as of 31 December 2018 and a long-term component of GBP 695,852 (€784 thousand). The warrant bond is neither a compound financial instrument nor a bond with an embedded derivative. Instead, these are two separate instruments. The bond represents ref. IAS 32 *Financial Instruments: Presentation* an independent debt instrument. In 2018, an interest expense of GBP 26,740 (€30 thousand) was incurred for the liability using the effective interest method. Expedeon is entitled to repay the bond early at the outstanding principal amount plus a percentage of the interest accrued but not yet paid up to the date of repayment.

As a further instrument, the option bond includes an option on shares (short call). The option on shares represents an equity derivative and is fulfilled by the registered share capital of Expedeon AG. The holder of the option has the right, at any time from 3 September 2018 until 1 August 2023, to acquire shares of Expedeon AG in the amount of 594,000 at EUR 1.40, at its own discretion. The equity option contained in the option bond represents an equity instrument in the amount of GBP 312,031 (€351 thousand) which is recorded to the capital reserve in accordance with IAS 32 *Financial Instruments: Presentation.*

Credit facility of EUR 2,000,000

In addition, a credit facility with the right to convert into a mandatory convertible bond was taken out in the financial year 2018. Depending on the maturity, the bond has a fixed interest rate of 5% p.a. until 30 July 2018, 10% p.a. until 30 July 2019, increasing by a further 5% per annum. The bond was issued with a conversion right into registered shares of Expedeon AG, with a mandatory conversion occurring in any event upon maturity or before.

The credit facility represents a debt component ref. IAS 32 *Financial Instruments Presentation* and has been recognised at an original value of EUR 1,076,938, net of issuing costs and embedded derivatives in non-current financial liabilities. The original difference of EUR 2,000,000 in the amount of EUR 923,063 was treated as interest expense over the remaining term starting in 2018 using the effective interest method. As of 31 December 2018, there was no longer a financial liability due to the exercise of the conversion option; until 31 August 2018, an interest expense from the effective interest method of EUR 73,703 was added to the financial liability.

The conversion right included in the credit facility ref. IFRS 9 *Financial Instruments* is an embedded, separable derivative that was initially recognised as a derivative financial asset in the amount of EUR 730,820. In addition, the credit facility, as a further separation obligation, has an interest rate dependent on the share price as well as a kicker. Both components each represent embedded, separable derivatives and were initially recognised as a derivative financial liability of EUR 1,465,578 for the variable interest rate and EUR 188,305 for the kicker. Expedeon exercised its right on 31 August 2018 to convert the credit facility into a mandatory convertible bond. On 31 August 2018, the conversion option had a fair value of EUR 896,845 and the other derivatives had a value of EUR 1,322,358. In total, financial income in the amount of EUR 497,550 was recognised in 2018 from derivative financial instruments.

15.3 Other financial liabilities

€'000	2018	2017
Financial liabilities at fair value through profit or loss		
Contingent consideration	1,930	2,164
Total financial instruments at fair value	1,930	2,164
Other financial liabilities at amortised cost, other than interest- bearing loans and borrowings		
Trade and other payables (Note 23)	1,498	849
Total other financial liabilities	1,498	849
Total current	2,799	2,057
Total non-current	629	955

Contingent consideration

As part of the purchase agreement with the previous owners of Innova Biosciences Limited and TGR BioSciences Pty Ltd, respectively, former shareholders can receive additional Expedeon AG shares depending on the future revenue performance of each company. This is disclosed further in Note 7.

15.4 Fair values

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

The management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

€'000	Carrying amount 2018	Fair value 2018	Carrying amount 2017	Fair value 2017
Liabilities				
Fixed rate borrowings	10,647	10,647	5,713	5,713
Contingent consideration	1,930	1,930	2,164	2,164
Total	12,577	12,577	7,877	7,877

The following methods and assumptions were used to estimate the fair values:

- Long-term fixed income and variable rate receivables / loans are valued by the Group based on parameters such as interest rates, country-specific risk factors, individual customer credit-worthiness and the risk characteristics of the project being financed. Based on this valuation, allowances are made to account for the estimated defaults on these receivables.

- The fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2018 was assessed to be insignificant.

15.5 Changes in liabilities from financing activities

€'000	1 Jan. 2018	Cashflows	Innova Earn-Out	TGR Earn-Out	TGR shareholder loan note	Conversion to Equity	Non-cash changes	Foreign Exchange	31 Dec. 2018
Short term loans	1,766	88	(535)	630	1,222	-	-	-	3,171
Long term loans	3,947	6,377	(955)	629	-	(2,257)	(126)	(39)	7,476
Financial Liabilities	5,713	6,465	(1,490)	1,259	1,222	(2,357)	(126)	(39)	10,647

€'000	1 Jan. 2017	Cashflows	Innova Earn-Out	Non-cash changes	Foreign Exchange	31 Dec. 2017
Short term loans	421	136	1,209	-	-	1,766
Long term loans	2,285	707	955	(5)	5	3,947
Financial Liabilities	2,706	843	2,164	(5)	5	5,713

16. Financial instruments risk management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, and cash and short-term deposits that derive directly from its operations. The Group also holds investments in debt and equity instruments and enters into derivative transactions.

he Group is exposed to a variety of financial risks in the course of its business activities, including credit risk and liquidity risk. The Group's senior management oversees the management of these risks. All derivative financial transactions entered into for risk management purposes are managed centrally by the finance department. Derivatives trading for speculative purposes is not conducted in accordance with the Group's internal guidelines. The Management Board reviews and agrees policies for managing each of these risks, which are summarised below.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Group seeks to manage its foreign currency risk by matching cash inflows and outflows in local currency as far as possible. From time to time the Group may enter into foreign currency swaps. At 31 December 2018 and 2017 no currency hedges were held.

Foreign currency sensitivity analysis

The consolidated financial statements of the company are prepared in euros. Currency risks exist in particular when receivables or liabilities are held in another currency or arise in the ordinary course of business. The Company's foreign currency assets and liabilities primarily relate to US dollar and British pound assets and liabilities, and are mainly attributable to the business activities of the Expedeon Group. The Company will review currency requirements throughout the year to mitigate currency risk where appropriate. The Group generally endeavours to minimise the translation of assets and liabilities between currencies.

The following table shows the effects on consolidated net income before taxes and equity resulting from a five percent positive or negative development of either the British pound or the US dollar against the euro, the two main currencies with which the Group transacts in addition to the euro.

€'000	USD development against EUR	Impact on EBT	Impact on equity before tax
2018	+5%	152	95
	-5%	(152)	(95)
2017	+5%	(3)	(44)
	-5%	3	44

€'000	GBP development against EUR	Impact on EBT	Impact on equity before tax
2018	+5%	(40)	8
	-5%	40	(8)
2017	+5%	(11)	79
	-5%	11	(79)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Based on the positive experience so far, the Group estimates that the likelihood of occurrence is moderate but the financial impact is extremely low.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on a credit review and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 15. The Group does not hold collateral as security.

The Group evaluates the concentration of risk with respect to trade receivables and contract assets as moderate as there is a moderate concentration of receivables balances in the USA and Europe.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

	Trade receivables Days past due						
	Contract assets	Current	<30 days	30-60 days	61-90 days	>90 days	Total
Year ended 31 December 2018							
Expected credit loss rate	2.11%	0.21%	0.03%	0.03%	2.04%	35.26%	2.11%
Estimate total gross carrying amount at default	579	1,967	378	103	23	156	3,206
Expected credit loss	12	4	-	-	-	55	71

	Trade receivables Days past due						
	Contract assets	Current	<30 days	30-60 days	61-90 days	>90 days	Total
Year ended 31 December 2017							
Expected credit loss rate	2.00%	0.21%	0.03%	0.03%	2.04%	64.31%	7.75%
Estimate total gross carrying amount at default	409	1,175	182	50	17	232	2,064
Expected credit loss	8	2	-	-	-	149	160

Cash deposits

The credit default risk on cash deposits held with banks and financial institutions is managed in accordance with Group guidelines. Investments with excess liquidity will only be made with approved counterparties and within the credit limit allocated to each party.

Liquidity risk

The Group monitors its risk of a shortage of funds using a budgetary and forecast planning. The Group's objective is to ensure adequate liquid resources to address any temporary shortfalls in revenues or cash receipts which may from time to time arise. The expected cashflow from financial liabilities is as follows:

	Financial Year		
	2019	2020	2021
TGR shareholder loan note	(1,300)	-	-
Loans	(1,209)	(2,067)	(2,067)
	(2,509)	(2,067)	(2,067)

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Group is sensitive to factors which may broadly affect the life sciences industry and otherwise affect the demand for its products.

17. Inventories

€'000	2018	2017
Raw materials (at lower of cost and net realisable value)	849	537
Finished goods (at lower of cost and net realisable value)	1,117	697
Total inventories at the lower of cost and net realisable value	1,966	1,234

During 2018, €286 thousand (2017: €242 thousand) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

In the financial year, no material value adjustments were made to inventories.

18. Cash and cash equivalents

€'000	2018	2017
Raw materials (at lower of cost and net realisable value)	6,238	1,954
Finished goods (at lower of cost and net realisable value)	-	-
Total inventories at the lower of cost and net realisable value	6,238	1,954

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

19. Issued capital and reserves

Changes in equity of the Group are shown in the statement of changes in equity.

Issued capital 2018

The share capital of Expedeon AG as at 31 December 2018 amounted to €51,411,323 (2017: €46,934,087) made up of 51,411,323 (2017: 46,934,087) no-par value bearer shares. These are, without exception, ordinary voting shares. There are no holders of shares with special rights or any other restrictions concerning voting rights.

On 5 September 2017, the Supervisory Board approved of the resolution of the Management Board to issue 124,223 shares from authorised share capital under a SEDA arrangement with exclusion of the subscription rights of the existing shareholders. These shares were registered on 18 January 2018.

On 19 September 2017, the Supervisory Board approved of the resolution of the Management Board to issue 123,456 shares from share capital under a SEDA arrangement with exclusion of the subscription rights of the existing shareholders. These shares were registered on 19 January 2018.

On 11 November 2017, the Supervisory Board approved of the resolution of the Management Board to issue 139,860 shares from authorised share capital under a SEDA arrangement with exclusion of the subscription rights of the existing shareholders. These shares were registered on 24 January 2018.

On 11 December 2017, the Supervisory Board approved of the resolution of the Management Board to issue 55,632 shares from authorised share capital under a SEDA arrangement with exclusion of the subscription rights of the existing shareholders. These shares were registered on 25 January 2018.

On 19 March 2018 the Supervisory Board approved of the resolutions of the Management Board to issue up to 4,737,725 shares by way of a private placement in order to partly fund the acquisition of TGR BioSciences. On 20 March 2018, the Supervisory Board approved of the resolutions of the Management Board to determine that the private placement shall be completed by issuing in aggregate 2,995,298 shares. These shares were registered on 23 March 2018.

On 26 April 2018, the Supervisory Board approved of the resolution of the Management Board to issue 142,857 shares from authorised share capital under a SEDA arrangement with exclusion of the subscription rights of the existing shareholders. These shares were registered on 12 July 2018.

On 21 May 2018, the Supervisory Board approved of the resolution of the Management Board to issue 142,857 shares from authorised share capital under a SEDA arrangement with exclusion of the subscription rights of the existing shareholders. These shares were registered on 13 July 2018.

On 31 July 2018, the Supervisory Board approved of the resolution of the Management Board to issue 151,515 shares from authorised share capital under a SEDA arrangement with exclusion of the subscription rights of the existing shareholders. These shares were registered on 15 October 2018.

On 31 August 2018, 601,538 shares were registered under the terms of the convertible bond instrument relating to the Innova Biosciences Limited earn out arising from the acquisition in 2017.

On 12 April 2019, 148,458 shares were issued relating to the Innova Biosciences Limited earn out arising from the acquisition in 2017.

Issued capital 2017

Equity amounts to €46,934,087 as of 31 December 2017 (31 December 2016: €37,341,980) and relate to the issued capital of SYGNIS AG. It is divided into 46,934,087 no-par-value bearer shares with an imputed share in capital of €1.00 each.

On 24 February 2017, 1 March 2017 and 22 March 2017, the Capital Increase Committee approved of the resolutions of the Management Board to issue in aggregate 56,829 shares from authorised share capital under a SEDA arrangement under exclusion of the subscription rights of the existing shareholders. The shares were registered on 3 August 2017.

On 7 May 2017 and 13 May 2017 the Capital Increase Committee approved of the resolutions of the Management Board to issue up to 3,582,598 shares by way of a rights issue as well as up to 3,402,058 shares and up to 275,311 shares by way of two private placements in order to partly fund the acquisition of Innova Biosciences. On 5 June 2017, the Capital Increase Committee approved of the resolutions of the Management Board to determine that the rights issue shall be completed by issuing 3,582,598 shares and that the private placements shall be completed by issuing in aggregate 3,677,369 shares. These shares were registered on 4 July 2017.

On 9 June 2017, the Capital Increase Committee approved of the resolution of the Management Board to issue a further 2,000,000 shares against contribution in kind by the shareholders of Innova under exclusion of the subscription rights of the existing shareholders. On 7 November 2017 2,000,000 shares were registered in relation to the contribution in kind under the Innova transaction.

On 5 September 2017, the Supervisory Board approved of the resolution of the Management Board to issue 124,223 shares from authorised share capital under a SEDA arrangement with exclusion of the subscription rights of the existing shareholders. These shares were registered on 18 January 2018.

On 19 September 2017, the Supervisory Board approved of the resolution of the Management Board to issue 123,456 shares from share capital under a SEDA arrangement with exclusion of the subscription rights of the existing shareholders. These shares were registered on 19 January 2018.

On 11 November 2017, the Supervisory Board approved of the resolution of the Management Board to issue 139,860 shares from authorised share capital under a SEDA arrangement with exclusion of the subscription rights of the existing shareholders. These shares were registered on 24 January 2018.

On 11 December 2017, the Supervisory Board approved of the resolution of the Management Board to issue 55,632 shares from authorised share capital under a SEDA arrangement with exclusion of the subscription rights of the existing shareholders. These shares were registered on 25 January 2018.

In June 2016, the Management Board with the approval of the Supervisory Board and the Annual General Meeting agreed a capital increase of €20,358,089. This took place on 14 July 2016 where 4,818,200 shares were issued for cash and 15,719,889 were issued in consideration for the acquisition of Expedeon Holdings Limited, Cambridge, UK. The reference price for the share issue for cash was €1.10 per share. The capital increase was issued from approved shares. The capital increase for cash was recorded in the commercial register on 2 August 2016; the capital increase for non-cash consideration was recorded in the commercial register on 19 October 2016.

Authorised capital

By resolution of the Annual General Meeting of Expedeon AG on 5 July 2018 new authorised capital in the amount of €25,561,278 (Authorised Capital 2018) was created.

By and including 4 July 2023, the Management Board is authorised, subject to the consent of the Supervisory Board, to increase the share capital of the Company by €25,561,278 in total by issuing new ordinary no-par-value bearer shares from the Authorised Capital 2018 against contributions in cash and/or in kind, once or several times. he Management Board may, with the consent of the Supervisory Board, exclude the statutory subscription rights of shareholders;

- to the extent necessary to avoid fractional amounts;
- to grant shares against contributions in kind;
- to the extent necessary to protect against dilution, to grant the holders of convertible and / or warrant bonds, convertible bonds or warrants a subscription right to new shares to the extent that the holders would be entitled to exercise their conversion or option rights or fulfil a conversion obligation; or
- in the case of a capital increase against cash contributions, if the share of the capital stock of the new shares for which the subscription right is excluded does not exceed 10 % of the share capital registered at the time the authorisation takes effect* and at the time the authorisation is exercised and the issue price of the new share Shares are not materially lower than the stock market price of the existing listed shares of the same class.

* The authorisation for the Authorized Capital 2018 became effective on 24 October 2018 by entry in the commercial register. The capital stock at this time amounted to €51,411,323.

As of 31 December 2018, the Management Board had not yet used this authorisation. An authorised capital of €25,561,278 in total remained available.

Conditional capital

By resolution of the Annual General Meeting on 5 July 2018, the share capital of Expedeon AG has been conditionally increased by a maximum of €4,000,000 by issuing up to 4,000,000 no-par value bearer shares (Conditional Capital 2018/I). The Conditional Capital 2018/I serves to fulfil stock options that have been issued and exercised based on the authorization resolved by the Annual General Meeting of 7 July 2017 (Stock Option Plan 2017). The Conditional Capital 2018/I has become effective by registration in the commercial register on 30 July 2018 and as of 31 December 2018 amounted to €4,000,000.

By resolution of the Annual General Meeting on 5 July 2018, the share capital of Expedeon AG has been conditionally increased by a maximum of €18,000,000 by issuing up to 18,000,000 no-par value bearer shares (Conditional Capital 2018/II). The Conditional Capital 2018/II serves to grant shares to the holders of convertible bonds based on the authorisation granted by resolution of the Annual General Meeting of Expedeon AG on 5 July 2018. The Conditional Capital 2018/II has become effective by registration in the commercial register on 30 July 2018 and as of 31 December 2018 amounted to €18,000,000.

On 31 August 2018, the authorisation was exercised and a convertible bond with a nominal value of €2 million maturing on 30 August 2021 was issued. The mandatory convertible bond as an equity instrument is issued with a conversion right, no later than maturity, in registered shares of Expedeon AG in the amount of 1,428,571. The conversion right may also be exercised at any time in the period from 30 September 2018 to 10 days before the due date (but not during the non-exercise period pursuant to §6.4 of the contract terms). The bond has a conversion ratio of

€1.40 per share (subject to an adjustment of the conversion ratio as a result of the contractual provisions regulated in §6.2 or the §11 Anti-Dilution Regulations) and was added to the capital reserve on 31 August 2018 at €1,576,153. The interest coupon is 6.3% p.a. and is payable in case of premature conversion, but at the latest on maturity. Holders of the convertible bond thus have the right or obligation to convert the bond into Expedeon AG shares by 30 August 2021 at the latest.

In addition, the mandatory convertible bond also includes a short position on own shares (short call). The short position on treasury shares, together with the mandatory convertible bond, constitutes an equity instrument and is fulfilled by the registered share capital of Expedeon AG. The holder of the option has the right, at any time from 31 August 2018 until 30 August 2021 and at their own discretion, to acquire 1,428,560 Expedeon AG shares at €1.40. If the average share price is below €1.40 10 days before maturity, the option period is extended by three more years.

Furthermore, equity includes the equity option of the warrant bond, which was added to the capital reserve during 2018 at £312,031 (GBP). The writer's position on treasury shares is fulfilled by the registered name of Expedeon AG. From 3 September 2018 to 1 August 2023, the holder of the option has the right, at their discretion, to acquire 594,480 shares of Expedeon AG at €1.40.

By resolution of the Annual General Meeting of Expedeon AG on 5 July 2018, the remaining Conditional Capital IV was cancelled.

By resolution of the Annual General Meeting on 20 June 2016, the share capital of Expedeon AG has been conditionally increased by a maximum of €6,500,000 by issuing up to 6,500,000 no-par value bearer shares (Conditional Capital V). The Conditional Capital V serves to grant shares to the holders of convertible bonds which were issued based on the authorisation granted by resolution of the Annual General Meeting of Expedeon AG on 20 June 2016 in the period until this authorization was cancelled by resolution of the Annual General Meeting of Expedeon AG on 5 July 2018. By resolution of the Annual General Meeting of Expedeon AG on 5 July 2018, the Conditional Capital V was reduced to €3,150,000.

During the period 601,538 shares were issued from the Conditional Capital V to holders of convertible bonds issued by the Management Board with the approval of the Supervisory Board to the shareholders of Innova Biosciences Limited against contribution in kind on basis of the authorisation to issue convertible bonds granted by resolution of the Annual General Meeting of Expedeon AG on 20 June 2016. As of 31 December 2018 the remaining Conditional Capital V amounted to €2,548,462.

Capital Reserve

As part of the capital increase in March 2018, new shares with a nominal value of €2,995 thousand and gross proceeds of €4,193 thousand were issued. The share premium of €1,198 thousand was added to the capital reserve.

In addition, shares with a premium of €163 thousand were added to the capital reserve under the SEDA agreement.

At the same time, in 2018 a reclassification of shares not yet registered as of 31 December 2017 in the amount of €443 thousand took place.

The realization of the first year earn-out on Innova, which was settled in shares, resulted in an increase in additional paid-in capital of €472 thousand, of which €259 thousand represent the premium on already registered shares; €213 thousand is attributable to shares not yet registered and therefore also includes the nominal value of the shares.

In addition, there were additions to the capital reserve from a mandatory convertible bond, which was classified as an equity instrument of €1,576 thousand; and from a warrant bond with an equity interest of €358 thousand.

The Company directly charged the capital reserve with the costs attributable to the capital increases in the amount of €480 thousand (previous year €1,336 thousand).

The share-based payment resulted in additions to the capital reserve in the amount of €265 thousand.

20. Provisions

Expedeon AG holds a provision for repayment of VAT refunds received of €598 thousand (2017: €538 thousand) in relation to the financial years 2017 and 2018 (see Notes 2.5 and 23). Also included in provisions are amounts in relation to volume rebates, right of return and warranties (Note 23, included in other liabilities) which in aggregate are €33 thousand (2017: €30 thousand).

21. Government grants

Government grants and subsidies for the research and development costs which can be directly allocated to a programme are offset against the corresponding expenses. €126 thousand was offset against the corresponding expenses in the fiscal year 2018 and €79 thousand in 2017.

22. Contract liabilities

Contract liabilities are disclosed in Note 4.2.

23. Trade and other payables

€'000	31.12.2018	31.12.2017
Trade payables	1,498	849
Contract liabilities	49	-
Supervisory board remuneration	173	160
Provision for VAT	598	538
Annual audit	150	145
Other liabilities	2,119	1,684
	4,587	3,376

- Trade payables are non-interest bearing and are normally settled on 30-60 day terms.
- For terms and conditions with related parties, refer to Note 29.
- For explanations on the Group's liquidity risk management processes, refer to Note 16.

24. Share based payment

At the end of the reporting period, the company has issued an option series with two different "Performance" agreements. These are weighted separately.

1) Employee share options program of the Company

Expedeon AG (formerly: Sygnis AG) has implemented a share option programme "Aktienoptions-programm 2017" for eligible employees. The shareholders' meeting on 7 July 2017 has authorised the company to issue up to 4 Mio. options until July 6, 2022 to its current and future employees, members of the Executive Board and management organs as well as the employees of its current and future affiliated companies.

For the exercise of the option the employees should pay an individual settled "exercise price". The underlying exercise price for each share comprised in an option is measured as the higher amount of the following:

A) the closing price of a share on the Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange on the trading day preceding the grant date, or;
B) 95% of the average closing price of a share in Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange during the ten day period preceding the grant date, but;
C) under no circumstances lower than 1.00 Euro.

The options entitle neither a dividend claim nor a voting right. The options can be exercised anytime from the end of the holding time to its expiration date. The number of the granted options is determined by the share options plan 2017 approved by the shareholders' meeting. In general, the share options plan is subject to the vesting restrictions that the consolidated annual revenue of the Expedeon group should exceed €20 million. Furthermore, quantitative objectives are outlined in the individual criteria:

- Membership to the company
- Development of the stock price

The following share-based compensation agreements have been settled in former reporting periods:

Option	No.	Grant date	Expiration date	Exercise price	Grant date fair value
Series 1	490,000	21.12.2017	20.12.2027	1.506	0.4309

The following share-based compensation agreements have been settled in the reporting period:

Option	No.	Grant date	Expiration date	Exercise price	Grant date fair value
Series 2	1,100,000	03.01.2018	02.01.2028	1.470	0.4232
Series 3	160,000	20.04.2018	19.04.2028	1.456	0.3658
Series 4	1,550,000	22.05.2018	21.05.2028	1.400	0.3617

The options can be exercised upon a term of four years (holding time according to § 193 Abs. 2 Nr. 4 AktG) and a consolidated annual revenue of €20 million. (performance target by § 193 Abs. 2 Nr. 4 AktG) and will be expired after 10 years.

2) Fair values of all granted share options on 31 December 2018

The employee call options (Calls) are valued using an option pricing model developed by John Hull and Alan White. The expected volatility p.a. is derived from the historical volatility of the stocks of the Expedeon AG. In addition, the standard deviation of the historical, daily yield change of the stock price in the past four years is determined to derive an expected volatility p.a.. Furthermore, it is presumed by exercise of the option that the option holders will exercise the options ahead of schedule given that the stock price is 100 % higher than the exercise price. This model is subject to the following presumptions and valuation parameters:

	Valuation date 31.12.2017	**Valuation date 31.12.2018**
Employee Call Options; Series 1		
Grant Date: 21.12.2017		
Stock price Expedeon AG (Xetra Close) in €	1.508	0.895
Exercise price in €	1.506	1.506
Vesting periods in year	4	2.97
Expected volatility (in % p.a.)	89.61	60.11
Max. remaining term until valuation date (year)	10.00000000	8.97
Expiration date	20.12.2027	20.12.2027
Dividend yield (in % p.a.)	0	0
Risk-free interest rate (in %)	0.05	0.22
Employee Exit Rate pre-vesting (% p.a.)	20	20
Employee Exit Rate post-vesting (% p.a.)	20	20
Expected average term until exercise (year)	6.92	5.92
Fair Value in €	0.4309	0.17729

	Valuation date 03.01.2018	**Valuation date 31.12.2018**
Employee Call Options; Series 2		
Grant Date: 03.01.2018		
Stock price Expedeon AG (Xetra Close) in €	1.492	0.895
Exercise price in €	1.470	1.470
Vesting periods in year	4	2.99
Expected volatility (in % p.a.)	88.05	70.86
Max. remaining term until valuation date (year)	10	9.99
Expiration date	02.01.2028	02.01.2028
Dividend yield (in % p.a.)	0	0
Risk-free interest rate (in %)	0.05	0.22
Employee Exit Rate pre-vesting (% p.a.)	20	20
Employee Exit Rate post-vesting (% p.a.)	20	20
Expected average term until exercise (year)	6.90	6.11
Fair Value in €	0.4232	0.1783

	Valuation date 20.04.2018	Valuation date 31.12.2018
Employee Call Options; Series 3		
Grant Date: 20.04.2018		
Stock price Expedeon AG (Xetra Close) in €	1.444	0.895
Exercise price in €	1.456	1.456
Vesting periods in year	4	3.30
Expected volatility (in % p.a.)	74.51	60.11
Max. remaining term until valuation date (year)	10	9.30
Expiration date	19.04.2028	19.04.2028
Dividend yield (in % p.a.)	0	0
Risk-free interest rate (in %)	0.07	0.27
Employee Exit Rate pre-vesting (% p.a.)	20	20
Employee Exit Rate post-vesting (% p.a.)	20	20
Expected average term until exercise (year)	6.82	6.40
Fair Value in €	0.3658	0.1734

	Valuation date 22.05.2018	Valuation date 31.12.2018
Employee Call Options; Series 4		
Grant Date: 22.05.2018		
Stock price Expedeon AG (Xetra Close) in €	1.436	0.895
Exercise price in €	1.400	1.400
Vesting periods in year	4	3.38
Expected volatility (in % p.a.)	73.19	60.11
Max. remaining term until valuation date (year)	10	9.38
Expiration date	21.05.2028	21.05.2028
Dividend yield (in % p.a.)	0	0
Risk-free interest rate (in %)	0.06	0.28
Employee Exit Rate pre-vesting (% p.a.)	20	20
Employee Exit Rate post-vesting (% p.a.)	20	20
Expected average term until exercise (year)	6.80	6.50
Fair Value in €	0.3617	0.1747

The existing conditions of a minimal consolidated annual revenue of the Expedeon Group of more than €20 million until the time of the exercise in the employee participation program is not considered impairing in regard of the option valuation. The annual revenue of the Expedeon AG increased from 2012 to 2017 with an average growth rate of around 141 % due to organic growth and acquisitions (compare: Management Report Expedeon AG; 2012 to 2017) and amounted to €13.1 million as of 31 December 2018. Under the presumption that this average growth rate will continue, it is estimated that after the vesting periods of 4 years (earliest possible exercise of all series will begin from 21 December 2021) the revenue will significantly exceed. Should the average growth rate of the consolidated annual revenue of Expedeon AG change significantly, there would be a ”real restriction”, which must be further taken into account. According to the estimates of Management this is so far not necessary.

3) Changes of the share options during the reporting period

None of the outstanding share options is exercisable at the reporting date.

25. Commitments and contingencies

Litigation

The Group is occasionally involved in litigation as part of the running of its business. The Company is not aware of any litigation that would materially affect its earnings, liquidity or financial position. Legal risks are covered by the creation of provisions as appropriate.

Contingent liabilities

The Group has an earn-out in respect of Innova Biosciences Ltd and TGR BioSciences Pty Ltd (Note 7).

Liabilities under operating leases – Group as lessee

The Group has operating leases for various buildings and items of technical equipment. The total expense for operating leases in 2018 was €482 thousand (2017: €403 thousand).

As at 31 December 2018, the following future minimum lease payments exist due to non-cancellable operating leases:

€'000	31.12.2018
Within one year	402
After one year but not more than five years	316
More than five years	-
	718

26. Related party disclosures

In accordance with IAS 24 Related Party Disclosures, transactions with related parties and persons should be disclosed. Related parties within the meaning of IAS 24.9 are essentially the Management Board and the Supervisory Board. With regards to the remuneration and shareholdings of the members of the Management and Supervisory Boards, see Note 29.

Since 25 February 2015 Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, provided consulting services for project support to Expedeon, S.L.U., Madrid, Spain. The member of the Supervisory Board of Expedeon, Dr Cristina Garmendia, and the former member, Mr Pedro Agustín del Castillo, are principal shareholders of Science & Innovation Link Office, S.L. (SILO), Madrid, Spain. For these consulting services, Expedeon, S.L.U., Madrid, Spain, paid €27,510 to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain in 2018.

Due to soft loans Expedeon S.L.U. receives from Spanish public institutions for its R&D activities in Spain, Dr Heikki Lanckriet pledged 400,000 shares of his interest in Expedeon AG as security. According to the agreement on the payment of a share pledge fee between Expedeon and Dr Heikki Lanckriet, it was agreed that Expedeon has to compensate Dr Heikki Lanckriet, for creating this pledge as a security for Expedeon's fulfilment of its obligation arising from the pubic loan received from the Spanish institution by paying a so called share pledge fee. This fee is €10 thousand annually. The pledged shares shall be released from the pledge once a corporate transaction takes place (e.g. share or asset deal of Expedeon AG to a third party) or if Expedeon Group is deemed to be cash positive under the conditions according to the agreement on the payment of a share pledge fee to Dr Heikki Lanckriet, and Expedeon.

For the number of shares and stock options held by members of the Supervisory Board, please refer to Note 29.

27. Segmental reporting

In accordance with IFRS 8, the financial results of segments are reported according to Management's approach. The internal organisational and management reporting system does not lead to any segmentation. The allocation of resources and the internal evaluation of Expedeon's performance by Management is done for the entire Expedeon Group. As a result, the Group is managed in a single segment for segmental reporting, so no separate reporting is required.

In accordance with IFRS 8.32, the following disclosures can be made in the consolidated financial statements for the entire Group.

Information on products and services

Total revenues in 2018 amounted to €13,128 thousand (2017: €7,797 thousand).

Information by geographic region

In % and €'000	2018	2017
Revenues		
USA	47%	43%
Europe	48%	46%
Rest of world	5%	11%
Total	100%	100%
Non-current assets		
USA	224	373
Europe	16,567	12,944
Rest of world	792	-
Total	17,583	13,317

The allocation of sales revenues to the geographical areas is based on the location of the customer. The allocation of non- current assets is based on the amounts reported in the separate company financial statements, while the intangible assets identified in the context of the purchase price allocation were allocated to the respective acquired companies. The goodwill of €33,906 thousand (2017: € 30,665 thousand) resulting from the reverse acquisition in 2012 and the acquisition of the Expedeon Group, CBS, Innova and TGR was not allocated to the geographical areas because the goodwill is allocated to the Group as a whole.

Information on significant customers

€'000	2018	2017
Revenues from significant customers*	3,612	-
Other revenues	9,516	7,797
Total	13,128	7,797

** customers which represent at least 10% of Group revenues*

28. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 16 *Leases*

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., photocopying machines) that are considered of low value.

The Group expects to apply the modified approach as of 1 January 2019. If this had been applied as of 1 January 2018, this would have had the following impact to the statement of financial position. There would be no impact to the statement of profit or loss.

Impact on the statement of financial position as at 31 December 2018:

€'000	
Assets	
Property, plant and equipment (right-of-use assets)	634
Liabilities	-
Lease liabilities	634

IFRS 17 *Insurance Contracts*

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* that was issued in

2005. IFRS 17 applies to all types of *insurance contracts* (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are ‘solely payments of principal and interest on the principal amount outstanding’ (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the consolidated financial statements of the Group.

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

IFRS 3 *Business Combinations*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Group.

IFRS 11 *Joint Arrangements*

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

IAS 12 *Income Taxes*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

IAS 23 *Borrowing Costs*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its financial statements.

The changes in "Amendments to IFRS 3 Definition of Business Operations", "Amendments to IAS 1 and IAS 8 Definition of Materiality" as well as "Financial Reporting Framework Concept: Changes to the Framework Concept in IFRS Standards" currently have no effects on the Consolidated Financial Statements.

29. Composition of company boards

Management Board

Dr Heikki Lanckriet,
CEO David Roth, CFO

The tables below show which Company paid the remuneration to each member of the Management Board in the 2018 financial year:

€'000	Non-performance-related	Performance-related	Other benefits	Total cash remuneration 2018
Dr Heikki Lanckriet	251	75	-	326
From Expedeon AG	151	45	-	196
From Expedeon Limited	100	30	-	130
David Roth	181	54	-	235
From Expedeon AG	145	43	-	188
From Expedeon Limited	36	11	-	47

The tables below show which company paid the remuneration to each member of the Management Board in the 2017 financial year:

€'000	Non-performance-related	Performance-related	Other benefits	Total cash remuneration 2017
Pilar de la Huerta	155	97	-	252
From Expedeon AG	122	97	-	219
From Expedeon S.L.U.	33	-	-	33
Dr Heikki Lanckriet	160	112	45	317
From SYGNIS AG	96	67	27	190
From Expedeon Limited	64	45	18	127
David Roth	100	49	20	169
From SYGNIS AG	80	39	16	135
From Expedeon Limited	20	10	4	34

The services for Dr Heikki Lanckriet and David Roth refer to contributions to a pension fund.

Pilar de La Huerta has not signed an employment contract with Expedeon AG. Mrs de La Huerta has received a non- performance-related component as a consulting fee on the basis of a consulting agreement between Expedeon AG and her for services to Expedeon AG. Due to this consulting contract, Mrs de la Huerta also received a variable bonus. Mrs de la Huerta was also CEO of Expedeon S.L.U., Madrid, Spain, until 7 July 2017, and had an employment contract with Expedeon S.L.U., Madrid, Spain.

Dr Heikki Lanckriet has a service contract with Expedeon AG since 1 August 2016, and an employment contract with Expedeon Limited. David Roth has a service contract with Expedeon AG since 1 March 2017 and an employment contract with Expedeon Limited.

Shareholdings and number of stock options held by the Management Board as of 31 December 2017

Dr Lanckriet holds 1,629,019 and David Roth 125,500 shares. In addition, Max Lanckriet, Nell Lanckriet and Finn Lanckriet, all persons associated with Dr Heikki Lanckriet, each hold 2,500 shares of Expedeon AG since 18 January 2019. Sarah Roth, an associated person of David Roth, held 63,000 shares in Expedeon AG as of 31 December 2018.

As of 31 December 2018, Dr Heikki Lanckriet holds 1 million stock options of Expedeon AG and David Roth holds 750,000 stock options of Expedeon AG, both with an average strike price of €1.42.

Supervisory Board

Dr Cristina Garmendia Mendizábal (until 4 April 2019),
Chairwoman of the Supervisory Board Independent entrepreneur, Madrid, Spain

Joseph M. Fernández
CEO of Active Motif Inc., Carlsbad, California, USA

Dr Trevor Jarman
Independent entrepreneur, Cambridge, UK
Chief Executive Director of Natures Remedies Ltd, Cambridge, UK

Tim McCarthy
Executive Director of Unnamed Ltd, Cambridge, UK

Peter Llewellyn-Davies
CEO of Apeiron Biologics AG, Vienna, Austria

Pilar de la Huerta
CEO of ADL BioPharma, Madrid, Spain

The remuneration of the Supervisory Board members (before out-of-pocket expenses) was €160 thousand in fiscal year 2018:

€'000	Fixed	Variable
Dr Cristina Garmendia Mendizábal	40	-
Joseph M. Fernandez	30	-
Dr Trevor Jarman	20	-
Tim McCarthy	20	-
Peter Llewellyn-Davies (from 7 July 2017)	30	-
Pilar de la Huerta (from 7 July 2017)	20	-
Total	160	-

Shareholdings and number of stock options held by the Supervisory Board as of 31 December 2018

€'000	Number of shares	Number of stock options
Dr Cristina Garmendia Mendizábal	511,291	-
Maria Jesús Sabatés (until 7 July 2017)	-	-
Tim McCarthy	154,817	-
Dr Trevor Jarman	608,288	-
Joseph M. Fernández	2,649,921	-
Dr Franz Wilhelm Hopp (until 7 July 2017)	-	-
Peter Llewellyn-Davies (from 7 July 2017)	-	-
Pilar de la Huerta (from 7 July 2017)	-	-
Total	3,924,317	-

On 15 November 2017, Dr Cristina Garmendia Mendizábal received 402,511 no-par value shares following the dissolution of Genetrix S.L, a former shareholder of SYGNIS AG in which Dr Cristina Garmendia Mendizábal was involved. These are included in the above number of 511,291. In addition, Jaizikibel 2007, S.L, a company with which Dr Cristina Garmendia Mendizábal os closely associated, acquired and still holds 72,464 shares from the capital increase which was carried out in May 2017. In addition, Ander Celaya and Teresa Celaya, both persons associated with Dr Cristina Garmendia Mendizábal, each held 10,500 shares of Expedeon AG as of 31 December 2018. Beryl Jarman, an associated person of Trevor Jarman, held 10,899 shares of Expedeon AG as of 31 December 2018.

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 Partner, SGECR S.A., Barcelona, Spain
- Member of the Board of Directors and Member of the Board of Trustees of Pelayo Mutua de Seguros, Madrid, Spain
- Member of the Board of Directors of Everis Spain, S.L., Madrid, Spain
- Member of the Board of Directors of Gas Natural SDG, S.A. Madrid, Spain

- Chairwoman of the Board of Directors of Genetrix, S.L., 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 Compañía de Distribución Integral Logista Holdings, S.A., Madrid, Spain
- Chairwoman of the Board of Directors of Satlantis Microsats, S.L., Madrid, 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 Inc., Cambridge, UK
- Member of the Board of Directors of Hiram College, Hiram, Ohio, USA
- Member of the Board of Directors of protein fluidics, Santa Clara, CA, USA
- Member of the Board of Directors of Delegate Advisors, San Francisco, CA, USA

Dr Trevor Jarman

- Member of the Board of Directors of Expedeon Ltd, Cambridge, UK
- Chairman of The Board of Directors of Persavita Ltd, Cambridge, UK
- Chief Executive Director of Natures Remedies Ltd, Cambridge, UK
- Member of the Board of Directors of Cambridge Cell Networks Ltd, Cambridge, UK
- Member of the Board of Directors of Swangap Flat Management Ltd, Cambridge, UK
- Member of the Board of Directors of Protus Ltd, Cambridge, UK

Tim McCarthy

- Chairman of the Board of Directors of ImmuPharma plc, London, UK
- Chairman of the Board of Directors of ARK Analytics Solutions Ltd, Cambridge, UK
- Member of the Board of Directors of Spear Therapeutics Ltd, Manchester, UK
- Chairman of the Board of Directors of Dropped Ltd, Cambridge, UK
- Chairman of the Board of Directors of Incanthera Ltd, Manchester, UK
- Chairman of the Board of Directors of Harvard Healthcare Ltd, Liverpool, UK
- Member of the Board of Directors of Wise old owl Ltd, Cambridge, UK .
- Member of the Board of Directors of Frangipani Dreams Ltd, Cambridge, UK

Peter Llewellyn-Davies

- CEO and CFO of APEIRON Biologics AG, Vienna, Austria
- Member of the Supervisory Board and Chairman of the Audit Committee of Shield Therapeutics plc, London, UK

Pilar de la Huerta

- Member of the Supervisory Board and CEO of ADL Biopharma, Madrid, Spain
- Member of the Supervisory Board of Epidesease SL, Madrid, Spain

30. Going concern

With the acquisition of the Expedeon Group in 2016, CBS Scientific, Innova Biosciences in 2017 and TGR in 2018, as well as organic growth over the year, the Group's cash and cash equivalents improved significantly year-on-year. The Company has prepared a business plan for 2019 that anticipates positive earnings before taxes, depreciation and PPA adjustments for 2019 and expects its activities to be managed using the resources available as of 31 December 2018.

Based on the business plan and currently available financial resources, the Group's Executive Board believes that the Group has sufficient cash and cash equivalents to maintain ongoing operations.

31. Declaration on the German Corporate Governance Code

The Management Board and Supervisory Board of Expedeon 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 http://www.expedeon.com.

32. Services rendered by the auditor

At the annual general meeting held on 7 July 2017, the shareholders of Expedeon AG elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Mannheim (Ernst & Young GmbH) as auditor of the financial statements and consolidated financial statements of Expedeon AG for the fiscal year 2018. Expenditure totalling €268 thousand (2017: €211 thousand) was recognised for the services of Ernst & Young GmbH. The total amount is attributable with €183 thousand to audit services (2017: €192 thousand) and with €85 thousand to tax advisory services (2017: €19 thousand).

33. Events after the reporting period

Dr Cristina Garmendia Mendizábal is to step down as Chairwoman of the Supervisory Board effective 4 April 2019. Joseph Fernández, Deputy Chairman of the Supervisory Board, will assume Dr Garmendia's responsibilities until a suitable successor is found.

Heidelberg, 28 April 2019

Heikki Lanckriet CEO	David Roth CEO

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Report on the audit of the consolidated financial statements and of the group management report Opinions.

Independent Auditor's Report

To Expedeon AG,

Report on the audit of the consolidated financial statements and of the group management report
Opinions

We have audited the consolidated financial statements of Expedeon AG, Heidelberg and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from 1 January 2018 to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Expedeon AG for the fiscal year from 1 January 2018 to 31 December 2018. In accordance with German statutory provisions, we have not examined the content of the consolidated corporate governance statement contained in the consolidated management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2018, and of its financial performance for the fiscal year from 1 January 2018 to 31 December 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not extend to the content of the confirmation statement by management.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2018 to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Impairment of goodwill Reasons for close examination:

Goodwill is a significant part of the assets of the Expedeon Group. The annual review of goodwill by the Management Board is based on a determination of the fair value less cost of disposal, which requires specific information from the capital markets, in particular the share price. Beyond this, necessary forecasts of legal representatives are discretionary. In the context of the discretionary scope of the valuation, one of the most significant issues was the assessment of the recoverability of goodwill as part of our audit.

Test procedure:

In the course of our audit, we analysed the process implemented by the legal representatives to determine the recoverable amounts of the cash-generating units and to carry out the impairment test of goodwill for possible error risks and to provide us with an understanding of the process steps. We discussed the identification and delineation of cash-generating units with the legal representatives and compared them with the cash inflows and the internal reporting structure. We reconstructed the calculation of the recoverable amounts of cash-generating units made by the legal representatives both methodically and arithmetically. We compared the parameters used in the calculation, such as share price and outstanding shares, with the published voting rights. In addition, we compared the disclosures in the notes with the assumptions made and assessed them with regard to the resulting requirements under IAS 1 and IAS 36.

There were no objections arising from our audit procedures with regard to the recoverability of goodwill.

Reference to related information:

The Company has provided information in the Notes to the Consolidated Financial Statements in the section "Accounting Policies" and in Note 14 for the recognition and measurement of goodwill.

2. Recognition and measurement of deferred taxes Reasons for close examination:

The recognition and measurement of deferred tax items at the level of the Group include both a full determination of all differences between the recognition and measurement of assets and liabilities under local tax regulations and IFRS accounting, as well as the determination of tax loss carry forwards. Due to different and mostly complex local tax regulations, this requires complex calculations. For this purpose and for the valuation of deferred tax assets or tax liabilities, detailed knowledge in the area of applicable tax law is necessary. In addition, the assessment of the usability of any deferred tax assets is based on the expectations of the legal representatives regarding the economic development of the Company, which is influenced by the current market environment and the assessment of future market development and is therefore subject to discretion. Against the background of the underlying complexity of determining deferred taxes as well as the discretionary scope of the valuation, the recognition and measurement of deferred taxes was one of the most significant issues in our audit.

Test procedure:

We looked at the process surrounding the recognition and measurement of deferred taxes established by the legal representatives. With the involvement of internal tax experts with knowledge of local tax law, we identified and quantified on a sample basis any discrepancies between the recognition and measurement of tax assets and liabilities under tax law and the accounting requirements under IFRS as well as the application of relevant tax rates under IAS 12. The determination of deferred taxes made by the legal representatives was checked for mathematical accuracy. In order to test the recoverability of deferred tax assets from temporary differences and from loss carry forwards, we have assessed the tax planning prepared by the legal representatives is in accordance with the corporate plans. In addition, we examined the tax planning to determine whether the Group-wide planning horizon was used to assess the usability of tax loss carry forwards and the respective country-specific tax regulations for the use of tax loss carry forwards were taken into account.

There were no objections arising from our approach relating to the recognition and measurement of deferred taxes.

Reference to related information:

The Company has provided information in the Notes to the Consolidated Financial Statements in the section "Accounting Policies" and in Note 11 on the recognition and measurement of deferred taxes.

3. Business Combinations Reasons for close examination:

Due to its business model, Expedeon AG regularly buys groups and companies to generate external growth. In the financial year, the acquisition of TGR BioSciences Pty Ltd had a significant impact on the consolidated financial statements of Expedeon AG. In the course of our audit, we have identified this matter as being of particular importance, since significant assumptions were made by the legal representatives, in particular, in the determination of the recognition and measurement of the acquired assets

and liabilities. Determining the useful lives of the identified assets also involves significant estimation uncertainty and has a significant impact on the consolidated financial statements of Expedeon AG.

Test procedure:

We have gained an understanding of the underlying processes for fully recording and evaluating the purchase price allocations. On the basis of the underlying contracts, we have assessed the determination of the acquirer, the date of acquisition and the purchase price made by the legal representatives in accordance with criteria defined in IFRS 3. External valuation experts were commissioned to carry out the purchase price allocation. We have assessed the expertise, skills and objectivity of the experts, gained an understanding of the activities and assessed the appropriateness of the results as evidence for the relevant results. Furthermore, we computationally understood the valuation model used and the calculation parameters used. In this context, we compared the assumptions underlying the valuations with externally available market data and internal plan data. We methodically and computationally reconstructed the capital costs used, checked the plausibility of the peer companies used for this and carried out a reconciliation of the parameters used by the legal representatives for the current development of interest rates and market risk premiums. We have discussed the assessment of the useful lives of acquired depreciable assets with the legal representatives.

The assumptions of the legal representatives regarding the accounting of business combinations are in line with our expectations.

Reference to related information

The Company has provided disclosures in the Notes to

the Consolidated Financial Statements in the section ”Accounting Policies” and in Note 7 on the recognition and measurement of business combinations.

Other Information

The legal representatives are responsible for the other information. Other information includes the corporate governance statement contained in section Y of the group management report.

Our audit opinions on the consolidated financial statements and the group management report do not extend to the other information, and accordingly we provide neither an opinion nor any other form of audit conclusion thereon.

In connection with our audit, we have the responsibility to read the other information and to evaluate whether the other information:

- has material inconsistencies with the consolidated financial statements, group management report or our knowledge acquired during the audit; or
- otherwise appears to be significantly misrepresented.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the group management report

The legal representatives are responsible for the preparation of the consolidated financial statements, which complies with the IFRSs, as applicable in the EU, and the German statutory provisions applicable in addition to § 315e (1) HGB in all material respects, and that in accordance with these regulations, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether intentional or unintentional.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing matters relating to the continuation of the business, where relevant. In addition, they are responsible for accounting for continuing operations on the basis of the accounting policies, unless there is an intention to liquidate the group or to cease operations or there is no realistic alternative.

In addition, the legal representatives are responsible for the preparation of the group management report, which gives a true and fair view of the Group's position, is in all material respects consistent with the consolidated financial statements, complies with German legal requirements and accurately reflects the opportunities and risks of future development. In addition, the legal representatives are responsible for the arrangements and measures (systems) that they deemed necessary to enable the preparation of a group management report in accordance with the applicable German statutory provisions, and to provide sufficient suitable evidence for the statements in the group management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for preparing the consolidated financial statements and the group management report.

Responsibility of the auditor for the audit of the consolidated financial statements and the group management report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether intentional or unintentional, and whether the aggregate management report gives an accurate picture of the Group's position and is consistent, in all material respects, with the consolidated financial statements and the findings of the audit, is in accordance with German legal requirements and accurately reflects the opportunities and risks of future development, and to provide an audit opinion that includes our audit judgements on the consolidated financial statements and the group management report.

Reasonable assurance is a high degree of security, but no guarantee that an audit conducted in accordance with § 317 HGB and the EU-APrVO in compliance with the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always reveal a material misstatement. Misstatements can result from violations or inaccuracies and are considered material if they could reasonably be expected to influence, individually or collectively, the economic decisions of addressees made on the basis of these consolidated financial statements and the group management report.

During the audit, we exercise due discretion and maintain a critical attitude. Furthermore:

- we identify and assess the risks of material misstatement, whether intentional or unintentional, in the consolidated financial statements and the group management report, plan and perform audit procedures in response to such risks, and obtain audit evidence sufficient and appropriate to form the basis of our audit opinions. The risk that material misstatements will not be detected will be higher for violations than for inaccuracies, as violations may include fraudulent interaction, counterfeiting, intentional incompleteness, misrepresentations or overriding internal controls;
- we gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the arrangements and measures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on effectiveness of these systems;
- we assess the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimates and related disclosures made by the legal representatives;
- we draw conclusions about the appropriateness of the accounting policies used by the legal representatives in continuing operations and, on the basis of the audit evidence obtained, whether there is material uncertainty related to events or circumstances that have significant doubts about the Group's ability to continue business activity. If we conclude that there is material uncertainty, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if these disclosures are inadequate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion.

However, future events or circumstances may lead to the Group being unable to continue its business activities;

- we assess the overall presentation, structure and content of the consolidated financial statements including the disclosures and whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements are prepared in compliance with IFRSs as adopted by the EU and supplemented by § 315e (1) HGB provides a true and fair view of the net assets, financial position and results of operations of the Group;
- we obtain sufficient audit evidence for the accounting information of the companies or business activities within the Group to provide audit opinions on the consolidated financial statements and the group management report. We are responsible for the guidance, supervision and execution of the consolidated financial statements audit. We are solely responsible for our audit opinions;
- we assess the consistency of the group management report with the consolidated financial statements, its legal content and the picture it conveys of the position of the Group;
- we conduct audits of the forward-looking statements presented by the legal representatives in the group management report. On the basis of sufficient suitable audit evidence, in particular, we consider the significant assumptions underlying the forward-looking statements made by the legal representatives and assess the proper derivation of the forward-looking statements from these assumptions. We do not give an independent opinion on the forward-looking statements and the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, we discuss with those responsible for monitoring the planned scope and timing of the audit, as well as significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

We make a statement to the supervisory function that we have complied with the relevant independence requirements, and discuss with them all relationships and other matters that can reasonably be expected to affect our independence and the safeguards they provide.

From the matters we discussed with the supervisory function, we determine those matters that were most significant in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in our audit opinion, unless laws or other legislation preclude public disclosure of the facts.

Other legal and other legal requirements

Other information pursuant to Article 10 EU-APrVO

We were elected by the Annual General Meeting on 5th July 2018 as Group auditors. We were commissioned by the Supervisory Board on 14th October. Since the fiscal year 2002, we have been working continuously as auditors for consolidated financial statements of Expedeon AG.

We declare that the judgments contained in this Auditor's Report are consistent with the additional report to the Audit Committee pursuant to Article 11 EU-APrVO (audit report).

Responsible auditor

The auditor responsible for the audit is Uwe Kaschub.

Mannheim, 30.04.2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Kaschub	Hofsäß
Registered auditor	Registered auditor

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(with disclosures pursuant to Secs. 289f and 315d of the German Commercial Code)

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The Management Board and Supervisory Board of Expedeon 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 Report

(with disclosures pursuant to Secs. 289f and 315d of the German Commercial Code)

The Management Board and Supervisory Board of Expedeon 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 12 April 2019, the Management Board and Supervisory Board of Expedeon AG issued the following declaration of compliance with the German Corporate Governance Code in accordance with Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] which is also published on the Company's website.

"The Executive Board and the Supervisory Board of Expedeon AG hereby declare that Expedeon AG has complied and continues to comply with the recommendations set forth by the German Government Commission in the German Corporate Governance Code (hereinafter also "GCGC") in the version of 7 February 2017 since the submittal of the last declaration of compliance on 23 April 2018, in each case with the exceptions set forth below.

- Item 5.4.1 (2) Sentence 1 GCGC: The Supervisory Board has specified concrete objectives regarding its composition, however, neither an age limit nor a regular limit of length of membership. The Supervisory Board is convinced that such limits are not adequate in times of prolonged working lives and shortage of skilled and experienced candidates for such positions and would thus unduly limit the selection of eligible Supervisory Board members. The Supervisory Board will discuss the introduction of an age limit and a regular limit of length of membership in due course.
- Item 7.1.2 Sentence 3 GCGC: The Consolidated Financial Statements for the fiscal year 2017 have been published on 30 April 2018. The Consolidated Financial Statements for the fiscal year 2018 are planned to be published on 30 April 2019. Thus, for the fiscal year 2017, the Company has not complied and will not comply for the fiscal year 2018 with the recommendation of Item 7.1.2 Sentence 3 to publish the Consolidated Financial Statements within 90 days of the end of the financial year. In both cases, the exceeding of the period is owed to challenges in ensuring timely year end reporting and auditing for newly acquired entities. The Company aims to meet such deadline from 2020 onwards."

Heidelberg, 12 April 2019

The Management Board The Supervisory Board

Expedeon provides detailed information on Corporate Governance on the Company's website at https://investors.expedeon.com/ under 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 and the Expedeon Code of Ethics can be viewed and are available for download.

Compliance

An integral element of the Expedeon 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 Expedeon 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 Expedeon 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 Expedeon 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 Expedeon AG bearer share carries one vote.

Our Annual General Meeting was held on 5 July 2018, where around 38.16% 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 https://investors.expedeon.com/ under Events/Annual General Meeting. Expedeon 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.

Workings 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

From 1 January 2018 until 31 December 2018, the Management Board consisted of two persons, Dr Heikki Lanckriet as CEO/CSO and Mr David Roth as CFO. The Management Board is responsible for managing the Company and conducting its business. 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 managing directors for other group companies. They are not engaged in activities for any other supervisory boards or comparable control bodies of other companies.

Supervisory Board

From 1 January 2018 until 31 December 2018, the Supervisory Board of Expedeon AG consisted of six persons as stipulated by the articles of association. The Supervisory Board 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. All members of the Supervisory Board were elected by the Annual General Meeting on 7 July 2017.

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.

The term of office of the members of the Supervisory Board ends at the close of the Company's Annual General Meeting which resolves on the exoneration in respect of the fourth financial year following the beginning of the term of office, not counting the financial year in which the term of office begins. 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 Expedeon AG, which are available for download on our website at https://investors.expedeon.com/ under 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 (by age) 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 the financial year 2018.

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 Expedeon 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, Chairwoman	4 April 2019[1]		
Dr Joseph M. Fernández deputy Chairman	AGM 2022		X (Chair)
Trevor Jarman	AGM 2022		X
Tim McCarthy	AGM 2022	X	
Peter Llewellyn-Davies	AGM 2022	X (Chair)	X
Pilar de la Huerta	AGM 2022	X	

1 Dr Cristina Garmendia has resigned as member of the Supervisory Board with effect as of 4 April 2019.

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 Mr Peter Llewellyn-Davies possesses the qualifications required under the AktG and complies with the provisions of Item 5.3.2 of the German Corporate Governance Code.

During 2018 the Nomination and Remuneration Committee had two meetings.

Efficiency review of the Supervisory Board

In accordance with Item 5.6 GCGC, the Supervisory Board of Expedeon 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 if interests

The Management Board and Supervisory Board of Expedeon 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.

Since 25 February 2015 Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, provided consulting services for project support to Expedeon, S.L.U., Madrid, Spain. The member of the Supervisory Board of Expedeon Dr Cristina Garmendia is principal shareholder of Science & Innovation Link Office, S.L. (SILO), Madrid, Spain. For these consulting services, Expedeon, S.L.U., Madrid, Spain, paid in 2018 the amount of €27.510 to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain.

Due to a public soft loans Expedeon S.L.U. receives from Spanish institutions for its R&D activities in Spain, Dr Heikki Lanckriet pledged 400,000 shares of his interest in EXPDEPEON AG to secure this loan. According to the agreement on the payment of a share pledge fee between Expedeon and Dr Heikki Lanckriet, it was agreed that Expedeon has to compensate Dr Heikki Lanckriet, for creating this pledge as a security for Expedeon's fulfilment of its obligation arising from the pubic loan received from the Spanish institution by paying a so called share pledge fee. This fee is €10,000 annually. The pledged shares shall be released from the pledge once a corporate transaction takes place (e.g. share or asset deal of Expedeon AG to a third party) or if Expedeon Group is deemed to be cash positive under the conditions according to the agreement on the payment of a share pledge fee to Dr Heikki Lanckriet, and Expedeon.

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.

Open and transparent corporate communication

Expedeon 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 https://investors.expedeon.com/ under News.

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. Expedeon 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 Expedeon Group for the financial year 2018 were prepared in accordance with the International Financial Reporting Standards (IFRSs), applying Sec. 315a HGB. The annual financial statements of Expedeon 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 5 July 2018. The external auditors issued a declaration of independence to the Audit Committee before the engagement was awarded.

Determinations pursuant to secs. 76 and 111 AKTG

Pursuant to Sec.76 para. 4 and Sec. 111 para. 5 AktG, the Supervisory Board and the Management Board of Expedeon AG have passed resolutions stipulating the targets for the proportion of females in management positions and the end dates for the fulfilment of these targets.

Target for Management Board

In 2015, the Supervisory Board of Expedeon AG adopted the target of 100 % for the proportion of female members of the Management Board to be achieved by the end of 2017. Throughout the financial year 2018 the proportion of female members of the Management Board was 0 %. Thus, the target has not been fulfilled throughout the reporting period due to management changes effected in 2017.

In April 2019, the Supervisory Board of Expedeon AG adopted a new target of 30 % for the proportion of female members of the Management Board to be achieved by 31 March 2024.

Target for Supervisory Board

In 2015, the Supervisory Board of Expedeon AG further adopted the target of 33 % for the proportion of female members of the Supervisory Board to be achieved by the end of 2017. Throughout the financial year 2018 the proportion of female members of the Management Board was 33 %. Thus, the target has been met throughout the reporting period.

In April 2019, the Supervisory Board of Expedeon AG reconfirmed the target of 33 % for the proportion of female members of the Supervisory Board for the period until 31 March 2024.

Target for First and Second Management Level below Management Board

The Management Board of Expedeon AG has a Target of at least 40 % for the proportion of women in the first management level below the Management Board and a target of at least 40 % for the proportion of women in the second management level below the Management Board, with both deadlines to be achieved by 1 January 2019.

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.