



Annual Report
2015

2015

SYGNIS[▼]



SYGNIS[•]

Content

Content	3
Highlights 2015	6
Management Foreword	10
Company Presentation	14
The SYGNIS Share	24
Report of the Supervisory Board	28
Group Management Report	36
Consolidated Financial Statements	64
Notes	68
Confirmations	104
Corporate Governance Report	106
Editorial and Financial Calendar	116



Annual Report

Highlights 2015

Launching of the first own product line based on PrimPol technology: TruePrime™

TruePrime™ is the brand name of a series of kits dedicated to the amplification of various DNA or RNA species for a multitude of applications. TruePrime™ stands for a revolutionary change in the way DNA or RNA is amplified. While the current gold standard MDA (multiple displacement amplification) needs short pieces of DNA ("oligonucleotides") to start off the amplification, TruePrime™ does not need any synthetic random primers. The company launched three proprietary kits based on this technology during 2015. The first one was launched in January 2015 (WGA single cell), second one in February 2015 (WGA) and the third one in June 2015 (RCA).

Launching of the second own product line based on a new RT (retrotranscriptase) technology: SunScript™

SunScript™ is the brand name of a series of kits based on novel proprietary engineered reverse transcriptase (RT) which today is one of the most thermostable and fastest enzyme commercially available in the market. RTs are commonly used in molecular biology to convert genetic information from RNA molecules back to DNA. The Company launched their first kit based on this technology in April 2015. The second kit from this product line was launched in September 2015 and the third kit in December 2015.

Finally, in 2015 the Company has launched 6 new kits and has built its own product portfolio targeting Next Generation Sequencing users.

Product launch based on SensiPhi®

During 2015 Qiagen has launched several kits based on SensiPhi™. The product launches result from a global license agreement with Qiagen signed in 2012.

Double Switch licence agreement

On 21 July 2015, SYGNIS announced that it has signed a licence agreement for the Double Switch technology with Thermo Fisher Scientific, an American biotech company and one of the key leaders in the biotech sector.

The licence agreement is based on SYGNIS' proprietary Double Switch technology for the qualitative and quantitative detection of the interactions of two proteins. The financial details of the deal had not been disclosed. The agreement signed with Sysyasy last year was also based on some of the Double Switch patents.





Non-exclusive distribution agreements for TruePrime™ and SunScript with international distributors

During 2015, the company signed 14 distribution agreements, covering the main markets which include North America, EU and key countries in Asia. With all these agreements plus its own online shop, SYGNIS is marketing and selling its new product portfolio aiming to cover all NGS users worldwide.

During the last quarter in 2015, SYGNIS signed a non-exclusive commercial collaboration agreement with Lucigen Corp., in order to step into the US oncology research market, as one of the main markets for SYGNIS' products.

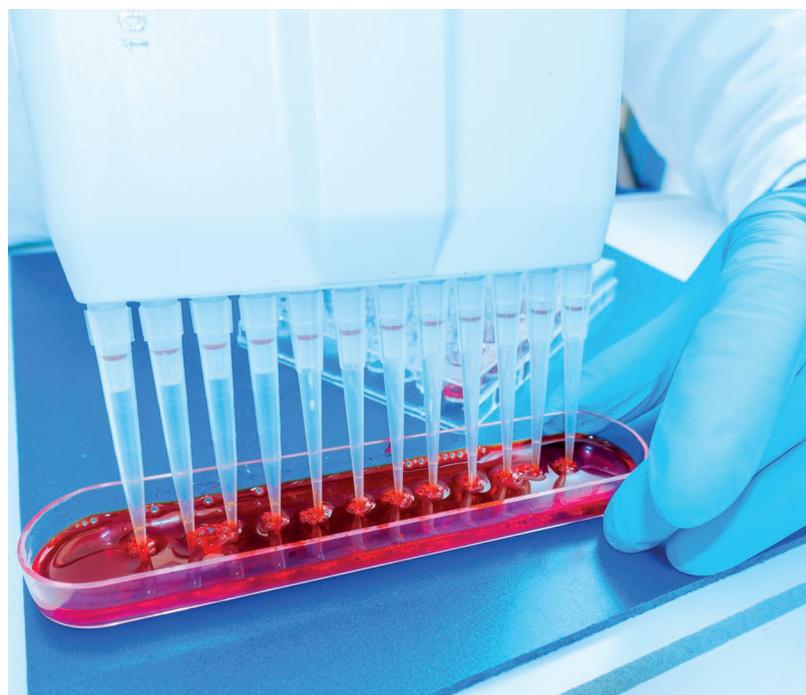
Annual General Meeting

At the Annual General Meeting of SYGNIS held on 8 July 2015, shareholders, representing about 59% of the capital, approved all proposals of the Management Board. Main

TruePrime and SunScript in most of the key NGS and oncology conferences during 2015

During 2015, the company has been actively promoting its two revolutionary and highly competitive new product lines in all the main congresses and conferences targeting Next Generation Sequencing (NGS) users. In this sense, the company attended 10 key international events, promoting its new product lines and showing new data supporting the high level performance of its own technology to potential customers.

Furthermore, the company hosted three live webinars in collaboration with relevant academic scientists to show the quality and capabilities of its new technology to cover the need of NGS users.



decisions were related to the discharge of the members of the Supervisory and the Management Board for the fiscal year 2014, the creation of new authorized capital as well as changes due to the authorization of the Management Board to issue convertible bonds excluding subscription rights

New appointments of the SYGNIS AG Management Team

The management team of SYGNIS is now completed with the appointment of Dr. Miguel Viribay, as the new Vice President Marketing and Sales and Mr. Sebastian Paul,

LL.M. oec., as the new Vice President Finance and Administration.

Dr. Viribay was appointed in April 2015. He has a broad and deep experience in the sector, coming from one of the biggest biotech companies worldwide. He is engaged with all the commercial and marketing activities of the company.

Mr. Paul was appointed in July 2015 to cover the controlling, financial accounting and reporting as well as the corporate finance and investor relation needs of the SYGNIS Group. Before he joined SYGNIS, Mr. Paul worked as a German Certified Public Auditor for a BIG4 audit firm. He replaced the former VP Finance and Administration.

Use of SEDA equity line

In 2015, the Company has made use of the SEDA equity line in several tranches. In total, SYGNIS has received new equity (capital increase by cash) amounting to € 438 thousand. In this regard, the Company issued around 180,616 new shares to the US investment company YA Global Master SPV LTD, Jersey City, USA.

Successful completion of capital increase

On 10 December 2015, SYGNIS successfully completed a capital increase. With this transaction, the Company's share capital increased by € 2,962,552.00 due to the issuing of additional 2,962,552 new shares. The increase was registered on 16 December 2015. The new shares carry full dividend rights as of 1 January 2015. Gross proceeds amounted to €5.6 million. In addition, the main shareholder Genetrix S.L., Madrid, Spain, also participated in the capital increase with a contribution in kind and signed additional 315,789 new shares.



SYGNIS[®]

2015

Foreword by the Management Board

Dear Shareholders,

We are already on track of creating a Next Generation Sequencing (NGS) reagent company. The process started during 2014 when moving SYGNIS from a research company aiming to license its technologies to third parties, to a product company. Now we can say that we successfully covered our goal in this sense. The company has its own portfolio with six new proprietary kits based on its own technology.

We had challenging goals to achieve during 2015 and we can be proud of reaching all of them successfully. We changed the entire organization of the company in order to focus its activities on developing a new proprietary portfolio based on our own discoveries. We created a manufacturing process, with a very high level of quality control. As a result of all our efforts in these areas, the company developed and launched two new innovative and very competitive product lines: TruePrime™ and SunScript™ with six new kits in total.

In parallel, we built our commercial and marketing strategy mainly supported by distribution agreements, SYGNIS' own online shop and marketing channels through the worldwide web. To coordinate and manage all these activities and also to build our future sales and marketing strategy, we appointed Dr. Miguel Viribay during April 2015 as the new Vice President Marketing and Sales. Dr. Viribay is a very experienced high level sales manager, coming from one of the main leaders in this industry and with a deep knowledge of the business sector. As a result, the initial ramp-up period of our products was performing as expected.

From a commercial point of view, our priority during 2015 was to create a good support to cover our closest market: EU. We have been

dedicating all our efforts to step in and establish SYGNIS in this market. But we are completely aware that the main market for our current products is the US market, where most of the NGS users are located.

For this reason, our next step to be taken during 2016 is to develop a commercial strategy for facing the US market successfully. To reach this goal we have done a capital increase at the end of 2015 that has been successfully subscribed.

Due to this, we are in a very good position to face 2016, where our main goal is to spend our efforts and attention on the commercial side of the business, moving our operating financial results to reach break-even and to reach profitability in the following years.

Financials

For 2015, our revenues were in line with our expectations. We were aware of the fact that the ramp-up phase, in order to introduce our new products and new technologies in the market, will be challenging and will take time. Even though, the performance of our revenues has been in line with our estimations and we have seen an increase tendency and demand for our products from our distributors and customers during 2015. We hope we will maintain this trend during 2016.

In 2015, we had additional non-recurring costs due to our office move in Germany and the reorganization measures spent in 2015. The reasons for these activities were to optimize the structure of the company. However, these organizational measures affected our operating financial result negatively during 2015.

As a result of the successful capital increase in December 2015, cash and cash equivalents increased to €4.6 million. Total assets increased by €1.5 million to €14.0 million. Considering the cash balance, the equity ratio went up significantly to 74%. All those figures place the company in a very good position to continue developing its business plan.

Research & Development

In 2015, SYGNIS' R&D activities focused on the development and the manufacturing of new products based on various proprietary platform technologies for the next generation sequencing (NGS) and molecular biology market. As a result of these efforts, we have launched two product lines based on two proprietary technologies: The TruePrime™ technology, a revolutionary new technology for whole genome amplification without the need for synthetic random primers and the SunScript™ technology, an innovative highly thermostable reverse transcriptase for the transformation of RNA into DNA.

TruePrime™ product line

A key technology and the basis of SYGNIS' first product line is called TruePrime™. This technology is built for amplifying the whole genomic information of human beings or any other organism in a way that preserves the essential details of the genomic information better than the current gold standard in the market. During 2015, we have launched three kits based on this technology and we are already working in some new kits based on this technology to be launched during 2016. In this sense, one of our main projects for 2016 is to launch a kit targeting the liquid biopsy market. This new tool will open us

one of the most promising markets in the life science environment in terms of growth for the next years.

SunScript™ product line

Another product line recently introduced by SYGNIS is based on a novel proprietary highly thermostable reverse transcriptase. A reverse transcriptase (RT) is an enzyme used to generate complementary DNA (cDNA) from an RNA template. Due to its simplicity, specificity and sensitivity, reverse transcriptase is used in a wide range of life science applications like gene expression and transcriptome analysis in protein research and virus detection in diagnostics.

Outlook

After the strategic change in our business model during 2014 and the successful launching of our new two product lines during 2015, we are now focusing our efforts on the revenues side and the commercialization strategy. Now, we have our own product portfolio which is very innovative, high qualitative and very promising. We are targeting an important market that is growing worldwide by more than 25%. We can say that we have achieved our main goals for 2015. Our next goal is to expand our sales based on the existing products and to increase our revenues significantly. After the successful completion of our capital increase in December 2015, we are now dedicating our efforts on the marketing and sales of our own products in the main market – the US market. Next to this, we will generate revenues from the agreement with Qiagen, from the Caco-2 business and we are still in the position to license out our own products when certain conditions are met.



I would like to thank our shareholders for their ongoing support and their confidence in our business model, by especially mentioning our main shareholder Genetrix and all the new shareholders that subscribed new shares in the latest capital increase in December 2015. Furthermore, I would like to say that I really appreciate the attitude, the efforts and the dedication of all SYGNIS employees. The efforts done during 2015 have been huge and to move a research company to a product company was and is very challenging. Even though, due to the attitude and the performance of the whole SYGNIS team, this movement has been successfully achieved. I would like to thank all of you for your trust in our Company and our team.

Pilar de la Huerta
CEO/CFO
19 April 2016

SYGNIS[®]

2015

Company Presentation

SYGNIS, the Next Generation Sequencing reagent company

The year 2015 has been the year when SYGNIS has become a reagent company, with its own proprietary portfolio, focusing on molecular biology research needs in general and NGS users in particular. The upcoming challenge for the next years is to grow the company into a leading provider of technologies for DNA-amplification and sequencing.

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

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

In parallel, and due to all the discoveries done in this area, research in oncology is day by day more focused in early diagnostic tools to ensure successful treatments of patients. In this sense, "Liquid biopsy" is a new approach to detect tumors in a very early stage, but also to monitor treatments and to make prognoses

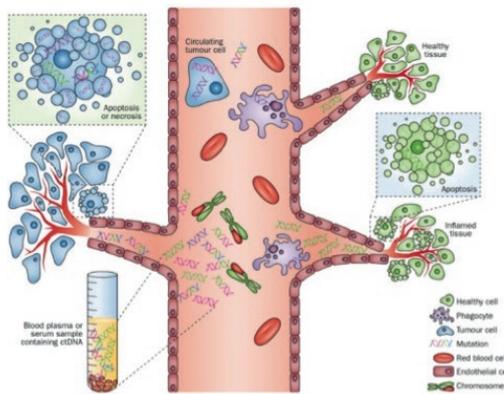
for the future of the patient. "Liquid biopsy" is a term used to describe the conduction of diagnostic procedures on liquid samples (blood, urine, cerebrospinal fluid) of patients (Figure 1). Main areas of research are cell free DNA and circulating tumor cells.

Remnants of DNA and RNA from cells dying by apoptosis or necrosis (e.g. from tumors), as well as from cells shed into the bloodstream (e.g. fetal cells or circulating tumor cells) can be detected in plasma or other body fluids and analyzed using PCR, next generation sequencing, or array technologies.

Clinical applications for these findings are 1. Diagnosis of chromosomal abnormalities in the fetus by analyzing the mother's blood 2. Diagnosis and monitoring of graft rejection in transplantation patients (foreign DNA from the donor can be detected in the patient's blood) 3. Diagnosis and monitoring of cancer disease. Areas with limited data so far are other diseases with tissue necrosis or apoptosis, such as myocardial infarction 41.

While "Liquid biopsy" is already in the process of becoming established in the detection of fetal chromosomal abnormalities and about to replace the standard diagnostic means that have a high error rate, the field of the highest promise at the moment is oncology, where data generated during the last three years have shown that key DNA mutations can be detected in the blood of cancer patients. Targeting a leadership in DNA amplification and sequencing, SYGNIS has developed a broad portfolio of proprietary technologies addressing key challenges in molecular biology – such as amplifying limited amounts of DNA and RNA in a sample and the necessity to translate RNA into DNA to make it applicable for current sequencing technologies and platforms.

Figure 1. Scheme taken out of 1 depicting the origin of elements found in the blood.



Besides being licensed to leading companies including QIAGEN and THERMO FISHER, SYGNIS' portfolio of proprietary technologies is a rich source for the development of its own innovative products, targeting all these new research fields where the available amount of DNA and RNA is limiting, implying the need for good tools for amplification and sequencing.

In 2015, SYGNIS has launched successfully six proprietary kits, based on its proprietary, novel, and patented enzymes, aiming to improve the performance of amplification and sequencing tools used in all the fields mentioned above.

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

The Company's first product line that comprises kits for Whole Genome Amplification (WGA) based on SYGNIS' proprietary TthPrim-Pol enzyme, which enables amplification of the entire DNA in a sample, was introduced under the brand name TruePrime™ in late 2014. The launch of the first products, ad-

ressing key challenges in NGS and single cell analysis, followed in early 2015. Following the launch of the TruePrime™ single cell WGA kit, the company placed two more kits on the market based on this technology, one for general purpose WGA and another one for Rolling Circle Amplification (RCA). During the year, the company also started working on a kit targeting the liquid biopsy market, as a key market for its expansion in the near future. In this sense, SYGNIS has already produced scientific data that will lead to the launch of a unique Cell-Free DNA Amplification Kit during 2016. This will allow SYGNIS to enter into a new market environment, covering not only research and pharma markets, but also clinical and hospital markets.

The amplification of DNA through whole genome amplification techniques is an extremely sensitive process subject to bias and error introduction and contamination. Although several techniques have been developed so far for this purpose, broadly dividable into PCR-related protocols and those based on multiple displacement amplification (MDA) for the amplification of the whole genome, none of them have solved the problems mentioned above.

Current MDA protocols for whole genome amplification are based on an enzyme called Phi29 DNA polymerase which has extraordinary properties for the amplification of DNA. As many other DNA polymerases, Phi 29 needs synthetic DNA molecules, called oligonucleotides or primers, to start off the reaction. Important scientific data support the fact that these primers, that in the already commercially available kits usually are random sequences of 6 bases, are the main source of bias and amplification errors along the process. SYGNIS' TruePrime™ MDA technology stands for a revolutionary change in

the way DNA or RNA is amplified. Based also on Phi29 DNA polymerase, its main difference is that it does not need any synthetic random primers due to the combination with a recently discovered primase, TthPrimPol.

Key parameters that determine the quality of the amplification product are: absence of contaminations and artefacts in the amplified DNA, excellent coverage breadth and uniformity, low nucleotide error rates and high recovery of variants (SNVs (Single Nucleotide Variations) or CNVs (Copy Number Variations)). Furthermore, TruePrime™ shows superior sensitivity, is easy to use and works perfectly with all commonly used NGS platforms such as Illumina and Ion Torrent.

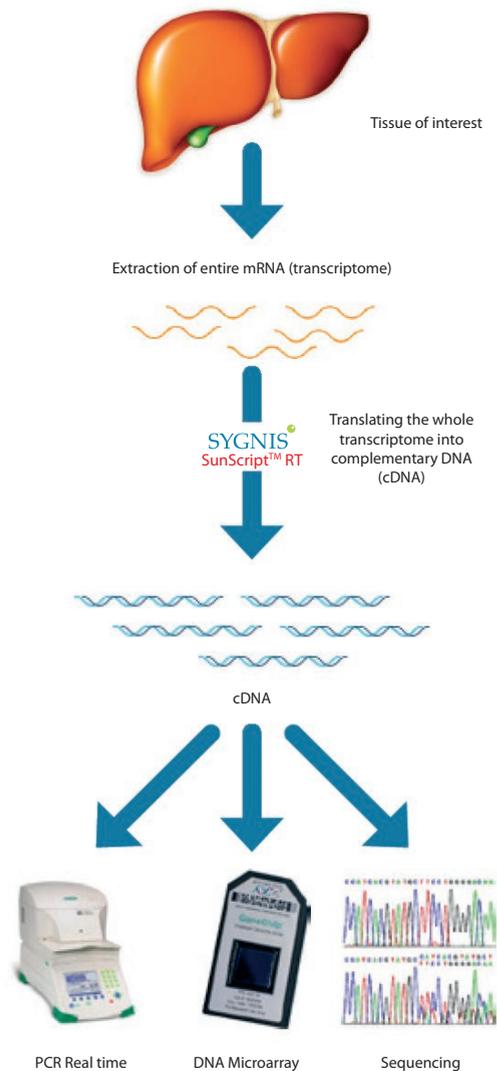
The SunScript™ product line – thermostable reverse transcriptase (RT)

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

Today, reverse transcriptases are commonly used in gene expression profiling analyses, infectious disease testing and patient monitoring where researchers start with RNA molecules. Most downstream molecular analysis tools such as NGS or Polymerase Chain Reaction (PCR) in gene expression profiling and molecular diagnostics can only be applied to DNA. However, with the help of reverse transcriptase, RNA can be transcribed into DNA, thus making analysis of RNA molecules possible (Figure 2). The commercial availability of reverse transcriptases has greatly improved our knowledge in molecular biology and has enabled scientists to clone, sequence, and characterize RNA molecules that play critical roles in a lot of biological processes.

The global transcriptomics technologies market is exhibiting a 15.90% CAGR from 2013 to 2019. The market was valued at US\$1.65 bn. in 2012. The consistent growth pattern of the market will lead to a value of US\$4.6 bn. for the global transcriptomics technologies market by the end of 2019. The size and the growth of the market makes it very attractive

Figure 2. SYGNIS SunScript™ Reverse Transcriptase enables mRNA analysis using various technologies



for anyone who wants to be a player in the DNA reagent field.

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

SunScript™ enzymes provide an extreme thermostability allowing RT-reactions to take place at elevated temperatures up to 85°C resolving even the most complicated RNA structures to obtain a faithful picture of the

original genetic information. Additional advantages consist in the high reaction speed of the enzymes, an exquisite sensitivity, and the ability to readily transcribe even the longest RNAs in the mammalian genome. During 2015 Sunscript™ technology has been used for the development of several kits such as the Reverse Transcriptase stand-alone enzyme kits, a single step Reverse Transcriptase-PCR kit and a single step Reverse Transcriptase - quantitative PCR kit, all of them targeting the global PCR market.

IQ4I Research & Consultancy analysis estimates that the global PCR technologies market is expected to grow with a single-digit CAGR to reach \$13.4 billion by 2020. The booming healthcare technology market with its demand for innovative technology for early and accurate diagnosis of life-threatening diseases, rising investments in companion diagnostics, advent of digital PCR, expiry of key-player PCR patents, and the increasing demand for PCR in genetic and molecular testing are some of the factors driving the PCR market growth.

In the near future, SYGNIS plans to combine SunScript™ Reverse Transcriptase with the TruePrime™ product family to obtain a new product line to analyze complete RNA compositions of single cells in commonly used NGS platforms. SYGNIS goal is to develop a complete range of products to cover all the reagent needs of NGS users in all steps previous to the sequencing phase.

A worldwide distribution network has been already created

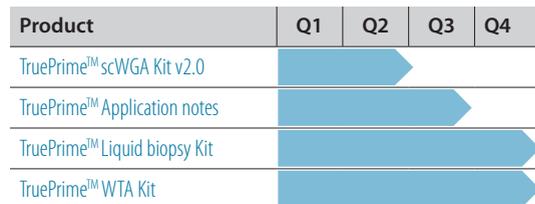
All SYGNIS' products are being sold directly through SYGNIS online shop in combination with regional and international distributors that focus on marketing molecular tools around gene sequencing and NGS to leading genomic research centers, academic institutions, government laboratories, hospitals, and reference laboratories as well as pharmaceutical, biotechnology, commercial molecular diagnostic, and consumer genomics companies. In addition, SYGNIS is in negotiations with international companies to market its

products through OEM (Original Equipment Manufacturer) agreements.

In this sense, SYGNIS covers EU with a broad range of distributors and also some key countries in ASIA. The next step is entering the USA market, the main NGS market. During the last month of 2015 the company has signed two distribution agreements with US companies in order to promote its products more actively in the US market. In parallel, the company is in touch with some key worldwide opinion leaders to develop concrete application notes for its kits, with the aim to attract more users to its kits for targeted applications.

For 2016 the company has completely new kit launching plans, with a priority in the launching of the Cell Free DNA kit, as it is one of the key drivers for the future growth in the revenues side (Figure 3). Last year was the year to be focused in the creation of a new and proprietary portfolio, 2016 is the year to be focused in the commercial activities of the company, ensuring the visibility and promotion of their portfolio.

Figure 3. SYGNIS' Pipeline for 2016.



The Key Market for SYGNIS: Next Generation Sequencing Users

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

production), an under-expression (reduced protein production) or silencing of the corresponding gene, sometimes it even can trigger changes in the overall cellular functions.

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

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

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

Next Generation Sequencing helps to understand complex diseases and to develop efficacious drugs

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

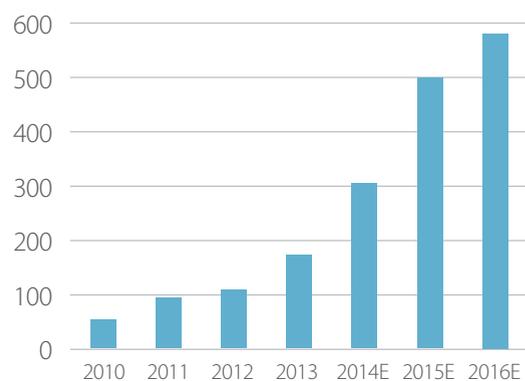
fective drugs and the ability to target therapies to individuals.

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

One of the latest discoveries in the oncology field has been the variation in gene mutations that occur in different cells of the same tumor in the same patient. Some years ago, the multitude of mutations and the dynamic behavior of the cancer in reaction to treatment were not known, and targeting key mutations identified was thought sufficient to control tumor expansion. Now we know that this is not completely true. Minor populations of cells could have relevant mutations that could lead to reoccurrence of the tumor and/or metastases even if all cells with a key mutation had been destroyed. Due to this recent change in perception of the tumor biology, researchers and clinicians are now focusing their attention in identifying mutations on a single cell basis, as a "key" or "relevant" mutation can occur just in a small population of cells in a tumor.

We can see in the next graph (Figure 4) how Single Cell Analysis market is growing and the expectation for future growth is even

Figure 4. Market development of Single Cell Analysis.



Source: Enal Razvi's (SelectBio), October 2013

Single cell analysis (SYGNIS TruePrime™ technologies)

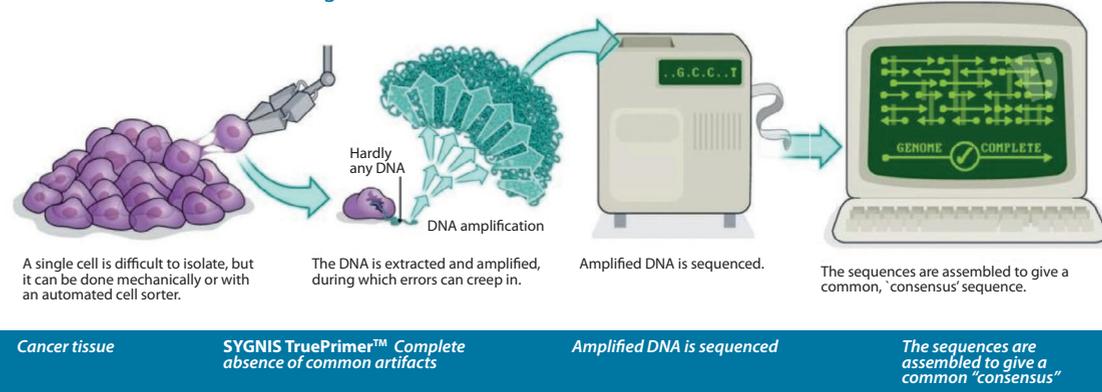


Figure 5. Single Cell Analysis process.

bigger. In this sense, SYGNIS has launched, as their first kit, a Single Cell WGA kit to enter into this sophisticated market that has a huge potential in the near future.

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

With today's technologies bringing sufficient throughput and sensitivity, researchers are able to start understanding and measuring heterogeneity in complex biological systems and correlate these measurements with changes in biological function and disease processes. By profiling individual cells, it is possible to characterize rare cells, transient cell states, and understand the influence of organization and environment on such cells and states, which cannot be described by aggregated measurements (Figure 5).

SYGNIS' Whole Genome Amplification: a crucial step in Next Generation Sequencing

The smallest amount of DNA or RNA extracted from single cells taken, for example, from a tumor via biopsies or extracted from liquid biopsies holds great promise for research and healthcare applications. The amount of nucleic acids that can be extracted from these samples is very limited (6 pg genomic DNA/human cell) and nowhere near sufficient for

molecular diagnostics or Next Generation Sequencing (NGS) applications, for example. Typically, μg 's of DNA are necessary for genomics analyses, which is equivalent to approximately the genomic DNA contained in 106 mammalian cells. What is even more important, in many cases samples from patients cannot be recaptured and losing the material means losing the entire information contained.

Therefore, a necessary step in many of today's sample preparations for NGS and a variety of molecular biology applications is target enrichment. This involves the amplification of the entire genome (DNA) or transcriptome (RNA) to provide researchers with sufficient volumes of DNA or RNA for downstream analysis (Figure 6).

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

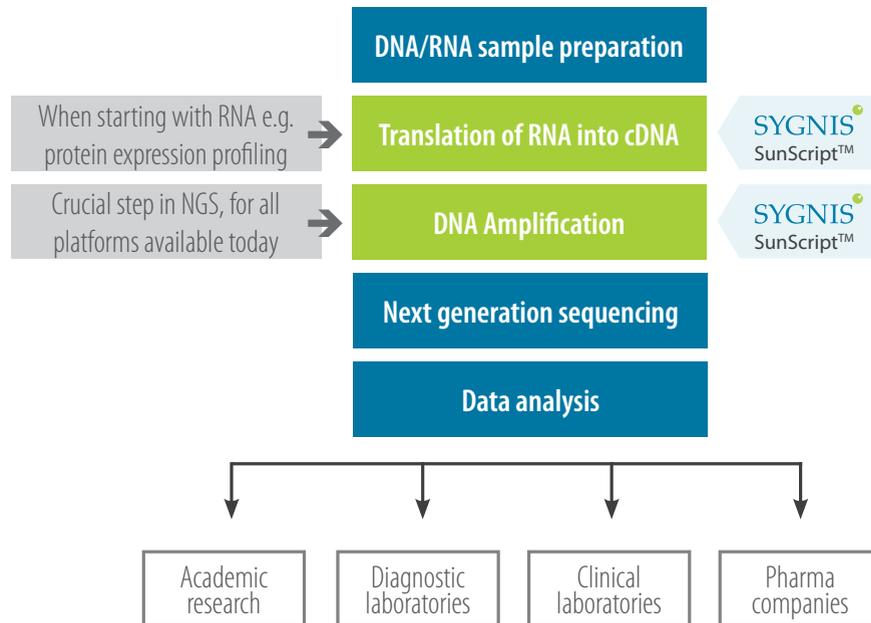


Figure 6. NGS process from sample to results.

researchers and clinicians need to obtain biological and/or medical information from smallest amounts of samples.

Liquid Biopsies: future of clinical approaches

Liquid biopsy, the detection and analysis of nucleic acids in the blood to diagnose or monitor diseases, has the potential to become a revolution in medical diagnostics. Liquid biopsy has quickly gained track in the detection of fetal chromosomal abnormalities. The reasons for this are the simplicity, clarity and digital nature of test results (detection copy number variations between chromosomes) as opposed to the high uncertainty of the traditional combined approach of fetal ultrasound and protein markers in the blood. Moreover, liquid biopsy is quickly gaining acceptance in the area of transplant rejection monitoring where also the clarity of DNA data (detection of foreign donor DNA in the blood of the patient) is replacing traditional more insensitive and complex measures.

The greatest market opportunity for liquid biopsy related techniques lies in the oncology sector. The realization of the possibilities

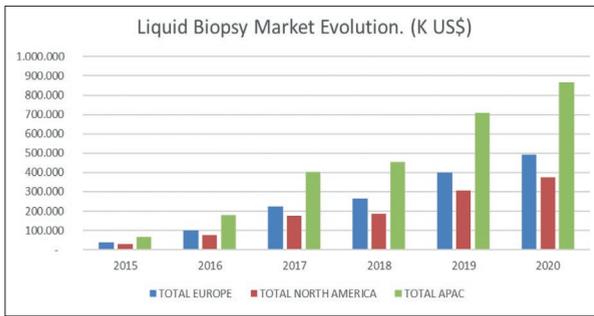
of a blood based cancer diagnosis come at a moment where the genomic revolution has especially pushed the field of oncology to an unprecedented bloom from years of stagnation, both in therapeutic opportunities, as well as in understanding of tumor biology, simply because cancer is a disease of the genome. The overall knowledge of cancer being a disease associated with mutations in the DNA is also extremely widespread. A test based on genomic analysis of the blood would therefore be rapidly accepted by clinicians and by the population.

Advantages of such a blood based test are clear: Ease of access to blood, serial measurements possible, potential monitoring of all tumor cells in the body (hence detecting possibly all key actionable mutations), monitoring of treatment (both surgery and medical), and finally early detection of cancer possible.

However, before liquid biopsy gains this role the method needs to be improved in terms of reliability and sensitivity.

We believe that a TruePrime™ enhanced liquid biopsy has the chance to overcome these hurdles, and open up a huge market first in patient monitoring, but at later stages in early detection of cancer at a population wide range.

Figure 7. Liquid Biopsy Market Evolution (K US\$)

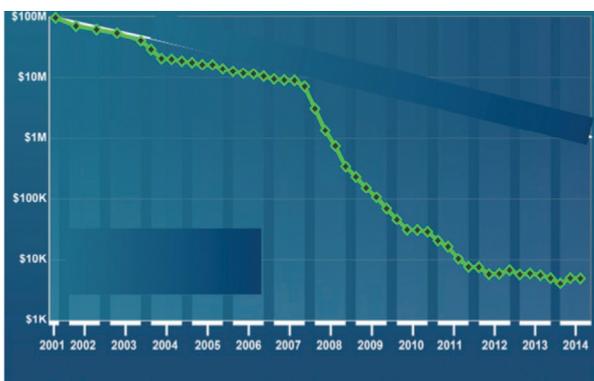


Drivers of the NGS market

Prices significantly came down

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

Figure 8. Development of next generation sequencing cost per genome 2001-2014



Quelle: NIH - National Human Genome Research Institute, Oktober 2014

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

Faster and more efficient platforms allow routine application in NGS

The Next Generation Sequencing market is expected to reach USD 10,371.1 Million by 2021 from USD 4,031.7 Million in 2016, at a CAGR of 20.8%. Next-generation sequencing refers to non-Sanger-based high-throughput DNA sequencing technologies. Millions or billions of DNA strands can be sequenced in parallel, yielding substantially more throughput and minimizing the need for the fragment-cloning methods that are often used in Sanger sequencing of genomes. This technologies facilitates high throughput sequencing, which allows an entire genome to be sequenced in few days. The ability to sequence DNA opened up abundant application avenues for NGS technologies in scientific research including personalized medicine, cancer research, drug discovery, biomarker discovery, and agricultural & animal sciences.

The major drivers for the NGS market include the technological advancements in NGS products, increasing applications of NGS, entry of new market players, and increasing partnerships & collaborations among market players as well as growing incidences of cancer, inherited rare disorders, and pre- and neo-natal disorders.

Following the trend of adopting NGS in more routine laboratory applications, companies introduced "bench-top" DNA sequencing instrumentation. Thanks to the low cost base and the fast turnaround time, it is now feasible to introduce NGS technology into the clinical workplace to provide clinical care of patients. The sequencing throughput of bench-top instrumentation is far less compared to the bigger instruments. However, for targeted clinical DNA sequence applications this is not seen as a major obstacle as throughput of these instruments is increasing every few months.

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

First NGS products already approved by FDA

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

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

The future in NGS

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

On top of this, new discoveries linking DNA present in blood, urine or CSF with early diagnosis or response to treatment of several diseases, , creates a huge new opportunity to develop tools based on DNA analysis to improve diagnosis, prognosis prediction, or even treatment in very complex diseases.

NGS market volume and growth

Today, NGS is seen as the fastest-growing and most lucrative segment in the genomics market with an estimated annual growth rate of more than 20% in the years to come. The global NGS market today is worth \$4.3 billion and is poised to reach \$10.4 billion by 2021 (MarketsandMarkets, September 2015). From 2014 to 2015 the market grew from \$2.5 billion to \$4.3 billion, being one of the fastest growing market in the biotech field. While still mostly used in research institutions, on-going developments for higher throughput, increased accuracy, and cost efficiency as well as value creating data management will make NGS more and more attractive for commercial applications such as diagnostics, drug discovery, biomarker discovery and personalized medicine within clinical laboratories, hospitals and pharma companies. With its products, SYGNIS addresses approximately 30-40% of the overall market which accounts for a market size of \$1,3million to \$1.7 billion.

Figure 9. NGS market fueled by increased genomic-based developments in multiple areas of healthcare.



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

SYGNIS[®]

2015

The SYGNIS Share

Volatile stock market year for investors

Overall, the stock market performance was relatively good for the first eight months of 2015, but lost drive in August 2015 as a result of the global anxiety over a severe economic downturn in China. In addition, pharmaceutical and biotechnology shares suffered from the plans by presidential candidate Hillary Clinton to challenge pricing policies for innovative drugs.

The stock markets in Germany developed positively, especially in the area of technology. The DAX biotechnology subsector was up 30.4% (prior year 23.1%). Some listed companies were able to newly fund their pipelines with fresh capital. TecDAX closed after a varying year with a plus of 32.5% (prior year 17.5%), while the DAX strongly increased by 12.5% (prior year: 2.7%). The euro has again reduced its value compared with the US dollar in 2015 by 10.2% (prior year -11.4%).

Weak year for the SYGNIS share

The SYGNIS share started the year 2015 at a price of €1.89. The share reached its high on 15 April 2015, primarily as a result of the new business strategy communicated to the market and the first own kits launched during that time. In addition, the international stock markets developed very positively and the key German stock index DAX exceeded 12,000 points for the first time in April 2015. So, the market conditions were also very favorable and supported the positive development of the SYGNIS share during that time. In the further course of the year, the SYGNIS share price gradually decreased and concluded the year after its low of € 1.90 before Christmas at €2.10 at the end of the year 2015.

In 2015 the share's average daily trading volume decreased to 14,786 (prior year: 18,650).

Capital increases

In December 2014, the Management Board with the approval of the Supervisory Board has resolved a capital increase against cash of €2,475,678.00, which was completed on 11 December 2014. The subscription price amounted to €4,951,356.00. The capital increase was executed by using the authorised capital of the Company. This capital increase was recorded in the commercial register on 8 January 2015. Furthermore, SYGNIS AG issued further equity of €47 thousand with a total subscription price of €123 thousand, which was registered in the Commercial Register on 2 April 2015. Both capital increases were also executed by using the authorised capital of the Company and the new shares were fully subscribed by the US based investment company YA Global Master SPV LTD, Jersey City, USA (YA Global). The issued capital was thus increased to €13,344,934.00.

In 2015 SYGNIS AG has resolved several smaller capital increases against cash amounting to €150 thousand. The capital increase was divided into six tranches and the registration in the Commercial Register was done in November 2015, the issued capital was thus increased to €13,494,934.00. The total subscription price amounted to €366 thousand.

In October and November 2015 SYGNIS AG issued further equity of €31 thousand with a total subscription price of €72 thousand, which was registered in the Commercial Register on 1 February 2016. The capital increases were also executed by using the authorised capital of the Company and the new shares were fully subscribed by the US based investment company YA Global Master SPV LTD, Jersey City, USA (YA Global).

In December 2015, the Management Board with the approval of the Supervisory Board has resolved a capital increase against cash of €2,962,552.00, which was completed on 10 December 2015. The subscription price



amounted to €5,628,848.80. The capital increase was executed by using the authorised capital of the Company. This capital increase was recorded in the commercial register on 16 December 2015. Thus, issued capital was increased to €16,457,486.00. In addition, the main shareholder Genetrix S.L., Madrid, Spain, also participated in the capital increase with a contribution in kind and signed additional 315,789 new shares. The registration of the new shares from this contribution in kind in the Commercial Register was closed on 17 March 2016, after the reporting period.

Shareholder Structure (%)



Genetrix Life Sciences A.B.



dievini Hopp BioTech Holding GmbH & Co. KG



Dr. Margarita Salas



Dr. Luis Blanco



Veriphi, S.L.



Freefloat inkl. BASF SE



Report of the Supervisory Board



Report of the
Supervisory Board

2015

Report of the Supervisory Board

The Supervisory Board reports below on the performance of its duties during the fiscal year 2015. The business focus is on the development and marketing of innovative technologies in the molecular diagnostic field.

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

Cooperation between the Management Board and the 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 two physical meetings and seven telephone conferences in the fiscal year 2015. 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 2015 focused on providing detailed updates of the financial status of the Company, the development of the projects, the new business strategy, the funding process through the rights offer and other significant corporate matters. The information provided by the Management Board was substantiated occasionally by reports from the Chairman of the Audit Committee.

The Management Board reported in the plenary session on a regular basis on the liquidity situation and the financial planning of the SYGNIS group. In November 2015, the Supervisory Board has approved an increase of the issued capital of the Company totalling € 3,855,694.00 by issuing new shares against (i) cash contribution through a rights offer to the existing shareholders and (ii) a contribution in kind in order to swap a substantial

portion of an existing loan from major shareholder Genetrix S.L., Madrid, Spain. The rights offer was at a subscription price of €1.90 per share, resulting in a total gross amount of (i) cash of €5.6 million and (ii) €0.6 million in kind by swapping its shareholder loan into equity received by the completion of the capital increase.

The discussions of the Supervisory Board focused on the financial situation of the Company and the deviations to the business plan, the launch of six proprietary kits, the development of the projects, in particular the development of the sales of QualiPhi by Qiagen, the update on the budget and the company goals for 2015 as well as the establishment of the marketing and commercialisation strategy. The Supervisory Board also discussed the agenda items for the Annual General Meeting and the terms of the capital increase through a rights offer. Via the Audit Committee and at plenary sessions, the Supervisory Board was also updated regularly on the Group's risk situation and risk management as well as compliance.

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

Management Board matters

Mrs Pilar de la Huerta is the sole member of the Management Board. She holds both positions, CFO and CEO.

Composition of the Supervisory Board

There was no change in the composition of the Supervisory Board in 2015.

Activities of the Committees

The existing Committees as 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 2014, discussing the audit reports and defining the areas of audit focus with the external auditors. The Audit Committee discussed the quarterly reports with the Management Board prior to publication. The committee also dealt with the examination and review of financial planning, the risk management system and the effectiveness of the internal control system. The committee prepared the Supervisory Board's proposal to the annual general meeting for the election of external auditors, awarded this engagement for the annual and consolidated financial statements and monitored the independence of the external auditors as well as any non-audit services they had provided.

During 2015 the Supervisory Board extended the existence of a temporary sub-committee to monitor and follow the increases of capital linked to the uses of SEDA. This committee had no specific remuneration and no physi-

cal meetings (all communications were done electronically and/or via phone).

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

Corporate Governance

The Supervisory Board, as in the past, regularly dealt with the continuing development of corporate governance and its implementation at SYGNIS. The corporate governance report, which is part of this annual report, contains further details of corporate governance at SYGNIS. In March 2016, the Supervisory Board and the Management Board of SYGNIS AG issued the declaration of compliance with the German Corporate Governance Code in accordance with Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] and made it permanently available on the Company's website. It is a component of the corporate governance report included in this annual report.

The Management Board and Supervisory Board of SYGNIS AG are committed to the interests of the Company. In performing their duties, they pursue neither personal interests nor do they grant other persons unjustified advantages. Secondary activities are to be disclosed to the Supervisory Board and require the Supervisory Board's approval. The members of the Management Board and of the Supervisory Board inform about any conflict of interests without delay. There were no conflicts of interests regarding members of the Management Board and Supervisory Board in the fiscal year 2015. Significant transactions between the Company and the members of the Supervisory Board or parties related to members of the Supervisory Board require Supervisory Board approval. This also applies in the case of consultancy or other service agreements

between a Supervisory Board member and the Company.

In the 2015 fiscal year the Company maintained business relationships with Coretherapix, S.L.U., Madrid, Spain, which is a subsidiary of Genetrix S.L., Madrid, Spain, (former: Genetrix Life Sciences A.B., Uppsala, Sweden) (main shareholder of SYGNIS AG). In this regard, SYGNIS has received services in the areas of competitive projects and IT. SYGNIS has expensed amounts of €25 thousand in fiscal 2015. Since 28 February 2015, SYGNIS Biotech S.L.U., Madrid, Spain, provided IT services to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain. On the other hand, since 4 August 2015 Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, provided consulting services for competitive projects to SYGNIS Biotech S.L.U., Madrid, Spain. The members of the Supervisory Board of SYGNIS Mrs. Dr. Cristina Garmendia and Mr. Pedro Agustín del Castillo are main shareholders of Science & Innovation Link Office, S.L. (SILO), Madrid, Spain. For IT services rendered to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, SYGNIS Biotech S.L.U. charged €0.5 thousand per month to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain. For consulting services received from Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, for competitive projects, SYGNIS Biotech S.L.U., Madrid, Spain, paid €1.8 thousand per month to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain.

Since 2013, the Company held a loan from Genetrix S.L., Madrid, Spain, (former lender of the loan was Genetrix Life Sciences, A.B.) and one of the main shareholders dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany, with a total amount of €713 thousand. Genetrix S.L. had participated in this loan with an amount of €600 thousand and dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany, with €113 thousand. The loan from dievini Hopp BioTech holding

GmbH & Co. KG, Walldorf, Germany, including accumulated interest expenses amounted to €150 thousand and was repaid on 31 December 2015 by the Company. The nominal amount of the loan from Genetrix S.L., Madrid, Spain, amounting to €600 thousand had been swapped to equity as part of a capital increase by way of a contribution in kind in December 2015. The accumulated interest expenses of €195 thousand were completely repaid on the 31 December 2015 to Genetrix S.L., Madrid, Spain.

Due to a public soft loan, SYGNIS Biotech S.L.U. received from Spanish institutions for its R&D activities in Spain, the new main shareholder Genetrix S.L., Madrid, Spain, pledged 350,000 shares of its interest in SYGNIS AG to secure this loan. According to the agreement on the payment of a share pledge fee between SYGNIS and Genetrix S.L., Madrid, Spain, it was agreed that SYGNIS has to compensate Genetrix S.L., Madrid, Spain, for creating this pledge as a security for SYGNIS' fulfillment of its obligation arising from the public loan received from the Spanish institution by paying a so called share pledge fee. This fee accrues yearly at a rate of 3% calculated over the loan amount. The pledged shares shall be released of the pledge once a corporate transaction takes place (e.g. share or asset deal of SYGNIS AG to a third party) or if SYGNIS Group is deemed to be cash positive under the conditions according to the agreement on the payment of a share pledge fee between Genetrix S.L., Madrid, Spain, and SYGNIS.

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 2015 to 31 December 2015, which were pre-

pared by the Management Board in accordance with the provisions of the HGB [“Handelsgesetzbuch”: German Commercial Code], and the management report of SYGNIS AG, as well as the consolidated financial statements ending 31 December 2015 prepared in accordance with IFRSs and Sec. 315a HGB and the group management report of the SYGNIS Group (SYGNIS AG and its subsidiaries).

The external auditors are of the opinion that the consolidated financial statements and the separate financial statements, prepared in accordance with the applicable financial reporting standards, give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group. The Supervisory Board’s Audit Committee awarded the audit engagement in accordance with the resolution taken by the annual general meeting of SYGNIS AG on 8 July 2015.

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

The annual financial statements, the consolidated financial statements, the management reports and the audit reports of the external auditors were presented to the members of the Supervisory Board in good time. Following detailed initial discussion at the meeting of the Audit Committee held on

19 April 2016, 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 19 April 2016 of the Supervisory Board on the Audit Committee’s examination of the annual financial statements, the consolidated financial statements and the management reports. The auditor attended the Audit Committee and Supervisory Board meetings to report on the key scope and findings of the audit and was available to answer the Supervisory Board’s follow-up queries and supply supplementary information. Following its own in-depth examination and discussion, the Supervisory Board raised no objections to the financial statements or the audit by the external auditors. The Supervisory Board accepted the findings of the audit and, in accordance with the recommendation of the Audit Committee, approved the annual financial statements of SYGNIS AG and the consolidated financial statements for the fiscal year 2015 on 26 April 2016. The financial statements are therefore adopted.

Dependent Company Report

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

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

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

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

Mannheim, 26 April 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

The dependent company report prepared by the Management Board was submitted to the members of the Supervisory Board, together with the report of the external auditors thereon, and discussed in detail at the meeting on 19 April 2016. A representative of the auditors took part in the meeting and reported on the significant audit findings. He also answered the Supervisory Board’s questions and was on hand to respond to any other issues and provide information. The Supervisory Board approved, without objections, the findings of the audit of the dependent company report carried out by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft.

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

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

Madrid, Spain, 26 April 2016



Dr. Cristina Garmendia
Chairwoman of the Supervisory Board



Group Manademe



| Group Management Report

nt Report

2015

Group Management Report for the 2015 fiscal year

I. Basic information of SYGNIS AG and SYGNIS Group

Business model of SYGNIS AG and SYGNIS Group

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

The product portfolio of SYGNIS comprises technologies and tools for molecular biology, with a focus on polymerases, DNA amplification and reverse transcription / quantitative PCR. Proprietary polymerases are: QualiPhi™/SensiPhi®, TthPrimPol, and SunScript™ Reverse Transcriptase (RT). The kit series based on these enzymes and proprietary technology are the TruePrime™ product line (with kits for single cell whole genome amplification (scWGA), whole genome amplification and rolling circle amplification (RCA)) and the SunScript™ product line (with kits for reverse transcription, single step RT-PCR, and single step RT-quantitative PCR). While the SunScript™ product line offers solutions for broad needs in molecular biology, the TruePrime™ product line focuses mostly on NGS applications. QualiPhi™/SensiPhi® has been outlicensed to Qiagen and is marketed as a key component of three kits in the area of DNA /RNA amplification and next generation sequencing (NGS). In addition, the Company is licensing the Caco2 cell line (mostly used for pharmacokinetic assays in the pharmaceutical industry) and has outlicensed its Double Switch protein-protein interaction detection technology. Kit sales for SYGNIS' own products have started in January 2015.

Internal management system of SYGNIS AG and SYGNIS Group

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

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

II. Report on Economic Position

a. Macroeconomic and sector-specific environment

Economic development

The world economy will lose some of its momentum based on the growth forecast of the International Monetary Fund (IMF). In 2015, the world economy only grew by 3.1%. For the current year 2016 the IMF expects a growth rate of 3.4%. For 2017 the IMF estimates a higher growth of 3.6%. Thus, the IMF has decreased their autumn forecast by 0.2 points. For Germany the IMF has increased their expected growth rate by 0.1 points for 2016 and 0.2 points for 2017. As a result, the IMF forecasted a growth rate for Germany of 1.7% for 2016 and 2017. This forecast is slightly below the growth rate of other European countries i.e. Spain and Great Britain. Overall, the economic growth in Europe will be mainly driven by the consumer spending. In addition, the low inflation rate puts downward pressure on prices of exporters and this will have negative impact on the German economy.

For China the IMF expects a decrease in the economic growth from 6.9% in 2015 to 6.3% in 2016 and 6.0% in 2017. This is in line with the forecast. However, the change in the economic structure from an industrial economy to a service economy will adversely affect China's economy.

Sources: IMF, IfW Kiel

Capital markets

Overall, the stock market performance was relatively good for the first eight months of 2015, but lost drive in August 2015 as a result of the global anxiety over a severe economic downturn in China. In addition, pharmaceutical and biotechnology shares suffered from the plans by presidential candidate Hillary Clinton to challenge pricing policies for innovative drugs.

The stock markets in Germany developed positively, especially in the area of technology. The DAX biotechnology subsector was up 30.4% (prior year 23.1%). Some listed companies were able to newly fund their pipelines with fresh capital. TecDAX closed after a varying year with a plus of 32.5% (prior year 17.5%), while the DAX strongly increased by 12.5% (prior year: 2.7%). The euro has again reduced its value compared with the US dollar in 2015 by 10.2% (prior year -11.4%).

Development of the pharmaceutical and biotechnology industry

As a result of the ageing global population and the market developments in emerging economies such as China or India, the general growth trend in the health care industry is still unbroken. Based on the US market research institute IMS Health, pharmaceutical spending reached the USD 1 trillion mark in 2014 for the first time, an increase of approximately 20% year-on-year. For 2017, it is expected to rise to USD 1.2 trillion.

It is still a fact that the biotech sector remains the strongest and possibly the only growth sector. North America continues to be the largest market with approx. 40% of the global pharmaceutical revenue.

The positive impact in the United States reached Europe in 2015. Year-on-year, 82% more capital was raised on stock exchanges. The volume remained well below US levels. In Europe 125 financing deals brought € 5.1 trillion, which is 130% more than in the prior year. The positive message is that the most attractive segment for investors was oncology. The subsidy programs as established by the EU also had a significant impact.

In Germany the environment in 2015 was also much favourable and reflected a significantly improved financing situation. Biotech companies raised € 553 million which is more than 38% compared to 2014. Especially the financing with venture capital experienced an increase of 53% compared with prior year. Private investors financed German biotech firms with € 263 million in 2015.

Sources: IMS Institute for Healthcare Informatics, FDA, Biocentury 2016, Biocom Facts & Trends 2015

b. Business performance of the SYGNIS Group

1. General performance

In 2015 the business focus was on developing and launching of the kits based on the new and patented technology targeting users of Next Generation Sequencing (NGS). SYGNIS has strengthened its activities to focus on marketing and product development in order to increase corporate control over the commercialization of the proprietary technology and related products through direct sales and distribution agreements and proprietary product launches in addition to the previous licensing strategy. Based on PrimPol, SYGNIS has developed its own product line TruePrime™ addressing a multitude of applications for the amplification of various DNA or RNA species. The first proprietary kits targeting DNA amplification from single cells were launched in January 2015.

In 2015, SYGNIS successfully launched three new kits based on the True Prime™ technology. In addition, the Company licensed in from the Spanish National Council of Research a new thermostable reverse transcriptase with new and improved properties. Based on this enzyme, the Company has developed three new proprietary kits and successfully introduced these kits on the market.

Furthermore, SYGNIS advanced in negotiations with additional new distributors and closed concrete agreements with distributors and therefore, successfully implemented the new product sales strategy. As a result, SYGNIS was able to close worldwide non-exclusive distribution agreements i.e. Axil in Singapore, Biocat in Germany, Bionova in Spain, Cambridge Bioscience in Great Britain, D-Mark Bioscience in Canada, Funakoshi in Japan, Geneworks in Australia, Labgene in Switzerland, Lucigen and Mayflower in USA, Nanodigmbio in China, Ozyme in France, Philekorea, Pharmatech und Thunderbio in South Korea as well as Welgene in Taiwan. Some non-exclusive distribution agreements may turn into exclusive distribution agreements if certain conditions were met i.e. reach of a specific sales level.

Moreover, the Company is in discussions for outlicensing products in non-exclusive conditions, in order to have agreements in place within a short period of time.

Besides the sale of SYGNIS' own kits through regional and international distributors who are specialized in the commercialization of molecular biological products for gene sequencing and the Next Generation Sequencing (NGS), the SYGNIS-Group directly sells all own kits through the SYGNIS Online Shop. The main customers are leading research centers, academic institutions, laboratories affiliated with government authorities, hospitals and reference laboratories as well as pharmaceutical, biotechnological and commercial genomics and molecular diagnostics companies.

The net loss for 2015 was €4,011 thousand compared with €3,480 thousand in the previous year. The increase in the net loss is mainly driven by one off items resulting from the optimization efforts with respect to the cost structure of the Company due to the new core business activities as well as from investment activities of SYGNIS in the marketing, promotion and launching process of the new products. The one-off items mostly affected the administration and the research and development areas. The Company improved its administrative structure by reducing its administrative staff and moving its facilities in Heidelberg to a smaller location as the Company has stopped its basic research activities at the location in Heidelberg. With these actions the Company will save costs in the future and make its operating business more efficient. Since the Company did not develop any marketing and sales activity compared with the prior year period, the sales and marketing expenses were significantly higher in 2015. In order to stronger focus on these sales and commercialization activities, SYGNIS hired a new VP Sales and Marketing with long-term experience in this area and in the biotech sector.

The following table (in € thousand) shows the composition of operating income and expenses as well as one-off items that affected the loss of the period of the fiscal year 2015:

	2015	2014
Revenues	555	392
Costs of goods sold	(27)	0
Administration and selling	(2.387)	(1.935)
Research and development	(1.258)	(1.413)
Impairments on other intangible assets	(128)	(283)
Other operative income	52	31
<i>Operating result before one-off items</i>	(3.193)	(3.208)
Operating expenses from one-off items	(670)	0
<i>thereof out-of-period-expenses</i>	<i>(267)</i>	<i>0</i>
<i>Operating result after one-off items</i>	(3.863)	(3.208)
Financial results	(178)	(137)
Taxes	29	(135)
Loss of the period	(4.011)	(3.480)

Although revenues are exceeding the prior year amount, the revenues associated to the kit sales included big discounts to customers and distributors during the ramp-up phase in the first half of 2015. In the second half of 2015, kit sales experienced an increasing demand and several distributors and customers reordered kits which is an indicator for the increasing acceptance and a rising interest in the Company's kits. In addition to the revenues from kit sales, SYGNIS could generate further revenues from the marketing of Caco-2 licensing rights in the USA, the non-exclusive license agreement with Thermo Fisher for the Double Switch technology and the royalty income from the exclusive license agreement with Qiagen.

Total revenues amounted €555 thousand in 2015 (previous year: €392 thousand). Thereof, an amount of €252 thousand (previous year: €301 thousand) result from the marketing of the Caco-2 license rights in the USA which are attributable to LION bioscience Inc., Needham/MA, USA.

In 2015, the operating loss before one-off items amounted to €3,193 thousand and decreased by €15 thousand compared with the prior year's amount of €3,208 thousand. Expenses before one-off items

for research & development decreased whereas administration expenses increased compared to the prior year period. The rise in administration expenses is mainly driven by higher costs for consulting services in 2015. Concurrently, higher costs for sales and marketing due to the ramp-up phase of the kits, costs for direct commercialization activities and for the production of the new kits overall led to an increase in sales and production expenses in the 2015.

Operating expenses from one-off items amount to €670 thousand and mainly result from severances for employees amounting to €183 thousand, costs for the development of additional sales channels and investments in the distribution network of €130 thousand and expenses for the moving to the new location in Heidelberg-Wieblingen of €90 thousand. Hereby, SYGNIS expects savings in operating costs in the future in order to further increase efficiency of the operating business. In addition, out-of-period expenses of €267 thousand linked to previous accounting periods are shown as one-off items which mostly arose from non-cash related items.

Liquid funds as at 31 December 2015 amounted to €4,557 thousand compared with €3,764 thousand as at 31 December 2014. This increase is mainly driven by the successful capital increase in December 2015 as described below.

Key events in fiscal 2015 – in chronological order

SYGNIS announces the global launch of TruePrime™ Single Cell WGA Kit - the first product of SYGNIS' TruePrime™ product line

With the TruePrime™ Single Cell WGA kit, SYGNIS in January opened up a series of product launches based on its revolutionary novel multiple displacement amplification (MDA) technology for use with various DNA or RNA species for a multitude of applications.

Single cell analysis has become one of the most exciting applications in next generation sequencing (NGS) today, as it provides, for example, the accurate analysis of cancer related mutations in cells, taken via biopsies, from different locations in a tumor. This allows more accurate treatment decisions and monitoring of treatment effects. Thus, the TruePrime™ Single Cell WGA kit is an important new tool in the arsenal of precision or personalized medicine. Moreover, single cell genomic analysis is of key importance in pre-implantation diagnostics during in vitro fertilization procedures.

SYGNIS globally launched the second kit from its TruePrime™ product line: TruePrime™ WGA Kit

Based on the combination of SYGNIS' recently discovered DNA primase TthPrimPol with the Phi29 DNA polymerase, SYGNIS' TruePrime™ technology stands for a revolution in the way DNA or RNA are amplified from a sample. While the current standard technologies in WGA need short pieces of DNA ("oligonucleotides") to start the reaction, the TruePrime™ technology does not rely on any synthetic random primers at all. Like SYGNIS' first product dedicated to the amplification of DNA from single cells, the new product for the amplification of entire genomes from various sample types and smaller volumes shows outstanding capabilities including the complete absence of common artefacts linked to the use of oligonucleotides, a reduced amplification bias in genome coverage compared to methods using random synthetic primers and a high reproducibility. In addition, the TruePrime™ WGA Kit shows superior sensitivity, is easy to use and works perfectly well with all commonly used NGS platforms such as Illumina and Ion Torrent.

SYGNIS globally launched the first kit from its SunScript™ product line: SunScript™ RT Kit

SYGNIS' SunScript™ product line covers a series of kits based on novel, proprietary engineered reverse transcriptase (RT) which today is one of the most thermostable and fastest enzyme commercially available. RTs are commonly used in molecular biology to convert genetic information from RNA molecules

back to DNA, enabling a number of downstream analyses of RNA molecules using DNA analysis methods such as next generation sequencing or polymerase chain reaction (PCR) in gene expression profiling and molecular diagnostics. The enzyme is available as both an RNaseH plus and minus version for different applications.

SYGNIS globally launched the third kit from its TruePrime™ product line: TruePrime™ RCA Kit for big and small circular molecules

The RCA kit is designed and optimized for the amplification of circular nucleic acids. RCA stands for “rolling circle amplification”, which refers to the ability to rapidly synthesize multiple copies of circular molecules of DNA and RNA from smallest amounts of samples such as plasmids from single bacterial colonies, liquid culture or glycerol stock as well as genomes of bacteriophages (cosmids).

One of the most common work steps in every molecular biology lab around the globe is the growing and isolation of small circular pieces of DNA, so-called plasmids that are the main working tools for manipulating genetic information. SYGNIS' new TruePrime™ RCA kit has superior features that allow a significant reduction in these steps by enabling direct amplification of plasmids from purified DNA or bacteria. Furthermore, it brings down the work and time involved in this standard process from 18 to just one hour.

SYGNIS grants non-exclusive license on Double Switch Technology to Thermo Fisher Scientific

On 30 June 2015, SYGNIS signed a non-exclusive worldwide license agreement for Double Switch technology with Thermo Fisher Scientific. Under the terms of the agreement, SYGNIS has granted Thermo Fisher non-exclusive global rights to develop, to market and to sell products and services for the detection and analysis of protein interactions in vivo based on its proprietary Double Switch technology to researchers working in the field of proteomics.

SYGNIS globally launched the second kit from its SunScript™ product line: SunScript™ One Step Reverse Transcriptase-PCR Kit

The SunScript™ One Step RT-PCR Kit is an easy and reliable system designed for fast, specific and sensitive end point RT-PCR reactions. The kit contains all the components needed to perform both reverse transcription and PCR amplification in the same single tube by using gene specific primers, in a “one step” reaction. This minimizes contaminations and constitutes a convenient system to process multiple samples.

The novel high-temperature One Step RT-PCR kit is based on the combination of SunScript™ Reverse Transcriptase RNaseH- and high-quality Taq Polymerase for the reverse transcription and PCR amplification of specific RNA fragments in one convenient single step. SunScript™ enzymes provide an improved thermal stability for the RT step, allowing temperatures of up to 85°C to resolve even the most complicated RNA structures to obtain a faithful picture of the original genetic information accompanied by high yields of DNA in the amplification step. Additional advantages consist in the high sensitivity and reproducibility of reactions and an easy single step handling.

RTs are commonly used in molecular biology to convert genetic information from RNA molecules back to DNA, enabling a number of downstream analyses of RNA molecules using DNA analysis methods such as next generation sequencing or polymerase chain reaction (PCR) in gene expression profiling and molecular diagnostics.

SYGNIS Announces Global Launch of SunScript™ One Step RT-qPCR Kit

SYGNIS has globally launched the SunScript™ One Step RT-qPCR Kit. This product is the third of its SunScript™ product line allowing both transcription and amplification of genomic DNA in a one-step reaction that can be measured at real time. This new kit was developed for a multitude of cutting edge

applications like gene expression analysis or microRNA detection, both crucial assays nowadays in oncology and molecular diagnosis research.

SunScript™ One Step RT-qPCR Kit combines SYGNIS' unique high-temperature SunScript™ Reverse Transcriptase with high-quality optimized components in a ready-to-use format that allows every user to obtain real-time quantitative results with high sensitivity and reproducibility.

SunScript™ One Step RT-qPCR Kit has a superior performance in comparison to all competitor kits based on high-temperature RT reactions. Its increased overall specificity and sensitivity even for difficult RNA targets make it the perfect option for any RNA template. In addition, the kit has been designed to be compatible with all qPCR instruments and is optimized for plate format, which makes it suitable for regular research labs and hospitals.

With the introduction of the sixth kit on the market, SYGNIS successfully completed its product launch schedule for 2015.

SYGNIS signed several distribution agreements for the TruePrime™- and the SunScript™-product family with European, American and Asian partners

In the fiscal year 2015, SYGNIS signed several distribution agreements for its proprietary TruePrime™ and SunScript™ product line. The partners are i.e. Axil in Singapore, Biocat in Germany, Bionova in Spain, Cambridge Bioscience in Great Britain, D-Mark Bioscience in Canada, Funakoshi in Japan, Geneworks in Australia, Labgene in Switzerland, Lucigen and Mayflower in USA, Nanodigmbio in China, Ozyme in France, Philekorea, Pharmatech und Thunderbio in South Korea as well as Welgene in Taiwan. Under the terms of the agreements, SYGNIS has granted non-exclusive rights to promote, market and sell the existing and all future TruePrime™ and SunScript™ products to customers working in the wide field of molecular biology in the corresponding countries. Some non-exclusive distribution agreements may turn into exclusive distribution agreements if certain conditions were met i.e. reach of a specific sales level.

Use of SEDA equity line

In 2015, SYGNIS AG has made use of the SEDA equity line in several tranches. In total, SYGNIS has received new equity (capital increase by cash) amounting to € 438 thousand. In this regard, the Company issued around 150,000 new shares to the US based investment Company YA Global Master SPV LTD, Jersey City, USA, (YA Global). For 30,616 new shares, the registration at the trade register was pending as of 31 December 2015.

Successful completion of capital increase

On 10 December 2015, SYGNIS AG successfully completed a capital increase. With this transaction, the Company's share capital increased by € 2,962,552.00 due to the issuing of additional 2,962,552 new shares. The increase was registered on 16 December 2015. The new shares carry full dividend rights as of 1 January 2015. Gross proceeds amounted to €5.6 million. In addition, the main shareholder Genetrix S.L., Madrid, Spain, participated in the capital increase with a contribution in kind and signed additional 315,789 new shares. The registration of the new shares from this contribution in kind was closed on 17 March 2016 after the reporting period.

2. Results of operations, financial position and net assets

Results of operations

Revenues

Revenues in fiscal year 2015 amounted to €0.6 million (previous year: €0.4 million) which is in line with the forecast for 2015. The revenues are still not sufficient for balancing operating expenses.

Although revenues are exceeding the prior year amount, the revenues associated to the kit sales included big discounts to customers and distributors during the ramp-up phase in the first half of 2015. In the second half of 2015, kit sales experienced an increasing demand and several distributors and customers reordered kits that is an indicator for the increasing acceptance and a rising interest in the Company's kits. In addition to the revenues from kit sales, SYGNIS could generate further revenues from the marketing of Caco-2 licensing rights in the USA, the non-exclusive license agreement with Thermo Fisher for the Double Switch technology and the royalty income from the exclusive license agreement with Qiagen.

Development of operating expenditure

Compared with the previous year, the total operating expenditure increased by €0.8 million to €4.4 million. This development is mainly due to one-off items resulting from the optimization efforts with respect to the cost structure of the Company due to the new core business activities as well as from investment activities of SYGNIS in the marketing, promotion and launching process of the new products. Expenses from one-off items amount to €0.7 million and mainly result from severances for employees amounting to €0.2 million, costs for extraordinary activities not linked with the regular business of €0.1 million and expenses for the moving to the new location in Heidelberg-Wieblingen of €0.1 million. Hereby, SYGNIS expects savings in operating costs in the future in order to further increase efficiency of the operating business. In addition, non-recurring expenses of €0.3 million linked to previous accounting periods are shown as one-off items that mostly arose from non-cash related out-of-period items. Expenses before one-off items for research & development decreased whereas administration expenses increased compared to the prior year period. The rise in administration expenses is mainly driven by higher costs for consulting services in 2015. Concurrently, higher costs for sales and marketing due to the ramp-up phase of the kits, costs for direct commercialization activities and for the production of the new kits overall led to an increase in sales and production expenses in the 2015.

Operating expenditure by cost type (€million)

	2015	2014
Personnel expenditure	1.6	1.7
Legal, consultancy and costs for annual financial statements	0.9	0.5
Marketing and Investor Relations	0.5	0.2
Amortisation and depreciation of tangible and intangible assets	0.4	0.6
Rental costs	0.3	0.3
Materials and purchased services	0.2	0.1
Royalties	0.2	0.2
Patent and licensing costs	0.1	0.1
Travel costs	0.1	0.1
Insurance and fees	0.0	0.1
Other expenditure	0.6	0.3
Expenditure before offsetting and before recognition of development expenses as asset	4.9	4.2
Offsetting research grants	-0.1	-0.1
Recognition of development expenses as asset	-0.4	-0.5
Expenditure according profit & loss statement	4.4	3.6

Impairment of intangible assets

During the Reverse Acquisition at the end of 2012, SYGNIS has recognised intangible assets amounting to €1.7 million. This was mainly due to the Double Switch project. According to the Management Board's updated estimation of the market potential of Double Switch and the estimated market revenues of future licensing partners, the Company has identified and recorded an impairment loss of €0.1 million in the 2015 fiscal year (previous year: €0.3 million).

Net loss

Net loss in fiscal year 2015 amounted to €4.0 million (previous year: -€3.5 million) and therefore was weaker than the original planning. Different effects caused this development: Although revenues were increased by €0.2 million compared with prior year, which was in line with management's forecast, operating expenses increased by €0.5 million. The deviation in operating expenses is mainly driven by one-off items as outlined before. In addition, higher selling and administration expenses affected the net result of 2015 whereas lower impairments on other intangible assets had a compensating effect.

Financial position

The negative cash flow from operating activities was slightly below previous year's level at €3.4 million (2014: €3.5 million). Cash flow from investing activities amounted to -€0.5 million, compared to -€0.6 million in the previous year. Cash flow from financing activities amounts to €4.6 million, compared to €5.3 million in the year 2014. The variation is due to the lower inflows of cash from capital increases compared with prior year.

Capital structure as of	31 December 2015	31 December 2014
Non-current assets	61%	67%
Current assets	39%	33%
Equity	74%	67%
Non-current liabilities	14%	23%
Current liabilities	12%	10%

Objectives of financial management

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

Liquid funds as at 31 December 2015 increased due to an additional capital increase in December 2015 to €4.6 million compared to last year (€3.8 million as of 31 December 2014) and are higher than forecasted due to the successful capital increases.

Asset position

Non-current assets at €8.6 million were slightly higher than in the previous year (€ 8.4 million).

As of 31 December 2015, deferred tax assets for tax loss carry-forwards were recognised amounting to €0.5 million (previous year: €0.8 million). They were offset with deferred tax liabilities resulting in a carrying amount of €0.4 million.

Long-term debt as at 31 December 2015 of €1.9 million were €1.0 million below the previous year and mainly consist of soft loans (€1.9 million) while shareholder loans of €0.2 million were repaid and an

amount of €0.6 million was swapped to equity in 2015. Short-term debt increased from €1.3 million in the previous year to €1.7 million, as €0.2 million soft loans became short-term debt due to their maturity and other current liabilities increased by €0.2 million as a result of higher accrued liabilities. Compared with the previous year, total assets were up from €12.5 million to €14.0 million, mainly due to the higher liquidity level. The equity ratio increased to 74%, (previous year: 67%).

Overall assessment of financial key performance indicators

In the year 2015 SYGNIS started selling own kits for the first time in a market with global players and followed the new business strategy and marketing approach. In this new environment, SYGNIS Group was very successful in 2015 and launched three new kits from the innovative TruePrime™ product family and another three kits from the highly competitive SunScript™ product line. The development of the revenues in the fiscal year 2016 will depend on the success of the sales strategy implemented during 2015 and the marketing efforts that will be spend during 2016. SYGNIS will also focus on increasing its presence in the USA as this is the key market for the commercialization of its revolutionary products.

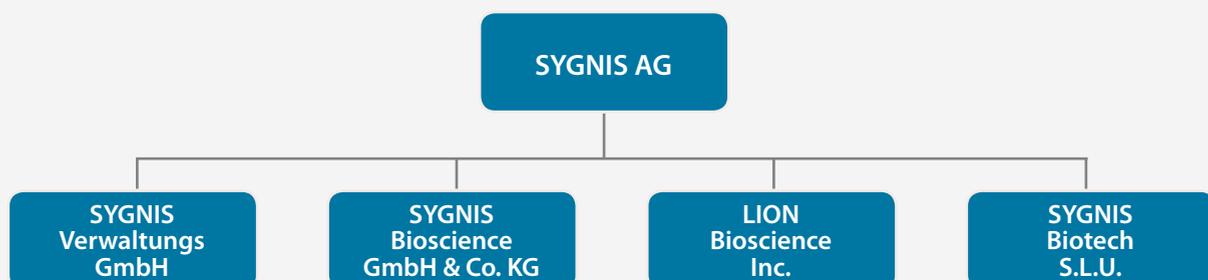
We are confident that thanks to the capital increase in December 2015 and the expected financial inflows in 2016 the SYGNIS Group will be on track for all upcoming projects and for its intended commercialization activities in order to succeed with its marketing and business strategy. When this management report was prepared, there were no material changes in the structure of asset, financial and earnings position. In consequence, the Management Board assesses the development of asset, financial and earnings positions for the fiscal year 2015 as mainly positive. Earnings position is still affected by losses.

III. Organisation

Corporate structure

SYGNIS holds its main business locations in Heidelberg, Germany, and Madrid, Spain. The Company has leased premises in the technology/ commercial parks there and owns no property. SYGNIS is organised as a holding structure, with SYGNIS AG registered on the German stock exchange as the publicly traded parent Company. Development activities are conducted by SYGNIS Biotech S.L.U., Madrid, Spain, whereas the manufacturing and the sale of own products is being driven by SYGNIS Bioscience GmbH & Co. KG and SYGNIS AG holds 100% of the shares in SYGNIS Bioscience GmbH & Co. KG, SYGNIS Biotech S.L.U., SYGNIS Verwaltungs GmbH, Heidelberg, and LION bioscience Inc., Needham/MA, USA. Amnestix Inc., Needham/MA, USA, was merged with LION bioscience Inc., Needham/MA, USA, on 30 November 2015.

As at 31 December 2015, the following corporate structure is in place (wholly-owned subsidiaries in each case):



Employees

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

The number of employees (full-time equivalent) slightly increased from 20 as at 31 December 2014 to 21 as at 31 December 2015. 62% of the employees are still employed in research and development department.

Employees by division *	31 December 2015	31 December 2014
Research & development	13	14
Sales, Marketing & Administration	8	6
Total	21**	20

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

** The number of employees also includes 3 employees that are still in maternity leave.

IV. Research & Development

SYGNIS' R&D activities strongly focus on the development and production of new products based on various proprietary platform technologies for the next generation sequencing (NGS) and molecular biology markets. A key strength is the Company's know-how and IP position in polymerase enzymology. The Company has successfully launched its first products throughout 2015 and expects a steady flow of products to be launched in 2016 and beyond. The Company has successfully developed two product lines: TruePrime™ technology, a revolutionary new technology for whole genome amplification without the need for synthetic random primers and SunScript™, an innovative, highly thermostable reverse transcriptase for the transformation of RNA into DNA.

The TruePrime™ technology is able to amplify the whole genomic information of cells or DNA from human beings or any other organism in a way that preserves the essential details of the genomic information better than the current gold standard in the market. SYGNIS has produced key data showing that especially important information on genetic differences (e.g. single nucleotide variants, SNVs) is better preserved than with competing technologies.

TruePrime™ is mainly based on a novel enzyme obtained from the thermophilic bacterium *Thermus thermophilus* called TthPrimPol. SYGNIS utilizes TthPrimPol's unique capability to synthesize DNA primers together with the highly processive Phi29 DNA polymerase to create a primer-free system of whole genome amplification.

SYGNIS launched three kits based on this technology during the first nine months of 2015. The Company is working on new kits for core applications to be launched during 2016, most importantly a cell free DNA (or circulating tumor DNA) amplification kit, targeting the oncology market. The market for such an application that increases the sensitivity of the so-called liquid biopsy is huge.

The SunScript™ product line is based on a novel proprietary, highly thermostable reverse transcriptase. A reverse transcriptase (RT) is an enzyme used to generate complementary DNA (cDNA) from an RNA template. The cDNA can then be processed and analysed by numerous downstream techniques

including DNA arrays, polymerase chain reaction (PCR), Sanger or Next Generation Sequencing (NGS). Reverse transcriptases are used in a wide range of life science applications like gene expression and transcriptome analysis or pathogenic organism detection in diagnostics. The Company has launched two versions of this enzymes as stand-alone kits, and two single step high-temperature RT-PCR kits, one of them for quantitative PCR applications, during 2015.

Next to these two proprietary product lines, SYGNIS licensed SensiPhi® to Qiagen in July 2012. SensiPhi® is an improved version of the wild-type Phi29 polymerase showing a significantly higher affinity to DNA resulting in improved efficiency when amplifying DNA. At the end of 2015, the Company transferred the exclusive licence agreement based on SensiPhi® to a non-exclusive agreement. The contract with Qiagen included the possibility to change the conditions to non-exclusivity since Qiagen did not reach certain sales levels in 2015. Thus, SYGNIS and Qiagen agreed to sign an agenda moving the agreement from exclusivity to non-exclusivity with respect to the development and marketing of the enzyme. The other terms and conditions remained unchanged. During 2016, the Company will develop new kits based on SensiPhi® and will promote this enzyme in order to sign new agreements under non-exclusivity with third parties.

Sales & Marketing

During 2015, SYGNIS made big progress in setting up its direct sales capacities and started to promote its own products by implementing a SYGNIS online shop, developing promotional material, establishing relationships with key opinion leaders in molecular biology in the fields of next generation sequencing and single cell analysis, and having (a visible) presence at the key scientific congresses.

At the same time, SYGNIS signed several non-exclusive agreements with numerous international distributors covering the most important markets for the products in 2015 like North America, EU and most important countries in Asia).

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

V. Opportunities and risks report

1. Risks

Going concern assumption

The Company focusses on research, development and marketing of new tools for DNA amplification and sequencing. In the fiscal year 2015 the Company focussed on advancing the negotiations with additional distributors as well as the closing of concrete agreements with distributors in order to implement the new product sales strategy after SYGNIS had launched the first three kits from the True Prime™ series and the first three kits of the SunScript™ series before. As a result, SYGNIS signed worldwide non-exclusive distribution agreements i.e. in Germany, Switzerland, France, Spain, Great Britain and Ireland as well as USA, Canada, China, Japan, Taiwan and Australia. Furthermore, the Company is in discussions for outlicensing products in non-exclusive agreements.

Besides the sale of SYGNIS' own kits through regional and international distributors who are specialized in the commercialization of molecular biological products for gene sequencing and the Next Generation Sequencing (NGS), the Company directly sells all own kits through the SYGNIS Online Shop. The main customers are leading research centres, academic institutions, laboratories affiliated with govern-

ment authorities, hospitals and reference laboratories as well as pharmaceutical, biotechnological and commercial genomics and molecular diagnostics companies.

The business plan of the SYGNIS Group comprises products in the field of Next Generation Sequencing as TruePrime™, SunScript™ and SensiPhi™ (licensed to Qiagen), the licensing of a unique Caco2 cell line (mostly used for pharmacokinetic assays in the pharmaceutical industry) as well as technologies like an innovative screening platform to be used for drug development (Double Switch).

The business plan includes revenues from the sale of own products and revenues in the form of upfront payments and sales royalties. Since the kits had been launched, the Company is not solely dependent on future licensing partners anymore. However, the revenue estimations are still uncertain and may differ from the actual amounts.

The liquidity level of the Company as at 31 December 2015 has improved additionally compared with the previous year and amounts to €4.6 million, as the Company has successfully completed an additional capital increase with gross proceeds of €5.6 million in December 2015. The liquidity requirement is calculated on the basis of a long-term financial plan derived from the business plan and a liquidity preview. Considering the business plan assumptions and based on the financial resources that are currently available, the Company's Management Board sees the operating expenses of SYGNIS as being covered until the break-even situation which is estimated to be in 2017.

The business plan includes revenue estimations from the sale of own products which are already in the market as well as revenues from license fees. In addition, the Company expects funds from new public loans and by the use of the SEDA agreement (standby equity distribution agreement). Only if the SYGNIS Group is not able to realize the estimated revenues or public loans or the use of the SEDA agreement in the fiscal year 2016, the ability to reach the break-even situation is not given and additional funds from shareholders are necessary to maintain the liquidity from the mid of 2017 onwards and to be able to continue as a going concern.

Fundamentals of risk management

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

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

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

In addition, the extended management team meets on a weekly basis. The Supervisory Board met at least once every quarter, and more frequently when there were important decisions to be made, and was kept informed by the Management Board of current status in those areas of significance for the SYGNIS-Group (progress made in projects, financing and corporate development). The SYGNIS-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, SYGNIS is required to describe the main features of the internal control and risk management system with respect to the Group accounting process, which also includes the accounting processes for companies included in the consolidated financial statements.

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

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

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

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

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

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

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

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

Specific business risks

General industry risks

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

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

Risks of marketing products

Since January 2015 SYGNIS sells its own products (kits) of the TruePrime™ as well as SunScript™ product line. Risks could arise due to a lower demand in the market, customer related decline in revenues or delay in the launch process of additional, new and innovative products. In addition, the marketing of the SYGNIS kits could be negatively influenced by market consolidation. However, we believe that the diversification of revenues sources presents less risk than our initial dependence on licensing deals that may be subject to strategic decisions taken by the partners affecting commercial prospects.

In terms of reducing the risks associated with the remaining licensing agreements, SYGNIS is continuing to support its partners and supply them with expertise and know-how required to succeed in the market.

The dependence from the commercial success of its partners remains a risk factor, especially when strategic decisions of partners lead to a change in their focus areas.

Product development risks

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

Risks of in-licensing

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

Risks from business combinations

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

IP risks

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

Personnel risks

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

Financing risks

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

Risks associated with the recognition of tax losses carried forward

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

Financial risks

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

Risks from cash flow fluctuations/interest rate risks

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

Credit or default risks

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. The Company has a very solvent customer base. Bad debt losses did not occur so far. In addition, the Company signed long-term agreements with its distributors which minimizes the default risk. Furthermore, outstanding invoices from customers are being monitored constantly and reminders are being sent out to customers for overdue amounts. The correct cash receipt is being monitored on a regular basis.

Liquidity risk

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

Other risks

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

2. Opportunities

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

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

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

Overall assessment of risk situation

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

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

1. The share capital of SYGNIS AG as at 31 December 2015 amounted to €16,457,486 made up of 16,457,486 no-par value bearer shares. These are exclusively ordinary voting shares. There are no holders of shares with special rights or any other restrictions concerning voting rights. There were sale restrictions with regard to 8,408,368 shares of the Company agreed between the shareholders Genetrix S.L., Madrid, Spain, (previously Genetrix Life Sciences A.B., Uppsala, Sweden) (5,523,992 shares), dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, (1,146,950 shares), Veriphi, S.L., Sant Cugat de Vallés (Barcelona), Spain, (672,240 shares), Ms. Margarita Salas Falgueras, Madrid, Spain, (580,186 shares) and Mr. Luis Blanco Dávila, Madrid, Spain, (485,000 shares) on the basis of a lock-up-agreement valid until 28 February 2015. For the capital increase in cash in December 2015 of €2,962,552 and the

capital increase of € 315,789 by way of a contribution in kind which was not registered as of 31 December 2015 at the trade register in Mannheim, a new lock-up agreement was signed, wherein the shareholders Genetrix S.L., Madrid, Spain, (previously Genetrix Life Sciences A.B., Uppsala, Sweden) (4,833,898 shares), dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, (1,146,950 shares), Veriphi, S.L., Sant Cugat de Vallés (Barcelona), Spain, (672,240 shares), Ms. Margarita Salas Falgueras, Madrid, Spain, (580,186 shares) and Mr. Luis Blanco Dávila, Madrid, Spain, (426,884 shares) agree not to sell their shares before 29 February 2016.

Due to a public soft loan SYGNIS received from Spanish institutions for its R&D activities in Spain, the new main shareholder Genetrix S.L., Madrid, Spain, pledged 350,000 shares of its interest in SYGNIS AG to secure this loan. The pledged shares shall be released of the pledge once a corporate transaction takes place (e.g. share or asset deal of SYGNIS AG to a third party) or if SYGNIS Group is deemed to be cash positive under the conditions according to the agreement on the payment of a share pledge fee between Genetrix S.L. and SYGNIS.

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

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

Shareholder	Percentage of voting rights	
	Direct	Attribution
Genetrix S.L., Madrid, Spain (previously Genetrix Life Sciences, A.B., Uppsala, Sweden)	29.15%	

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

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

4.1 In accordance with Section 4 para. (4) of the Articles of Association of SYGNIS AG, the Management Board is authorized, subject to the approval of the Supervisory Board, to increase the share capital on or before 7 July 2020 by issuing new ordinary bearer shares against contributions in cash or in kind once or more than once, by up to a total of € 3,559,915.00 (authorized capital as of 31 December 2015). Only

with the approval of the Supervisory Board the Management Board is authorized to exclude the shareholders' statutory subscription rights:

- for fractional amounts,
- for issuing shares against contributions in kind, particularly in the context of mergers with companies or in connection with the acquisition of companies, parts of companies or interests in companies or in the context of the acquisition of patents or other intellectual property rights or license rights or of assets which constitute an undertaking in their entirety,
- insofar as is necessary for protection against dilution to grant to the holders of convertible and/or warrant-linked bonds, convertible loans or warrants which were reached out or will be reached out by the Company or its subordinate affiliated companies subscription rights to new shares to the extent that they would be entitled to such rights after exercising their option or conversion rights or fulfilling a conversion obligation, or
- where the capital is increased against contributions in cash and the prorated amount of the share capital attributable to the new shares, for which subscription rights are excluded, does not exceed in total 10 % of the share capital registered at the time this authorization becomes effective and at the time this authorization is utilized and the issue price of the new shares is not significantly lower (in the meaning of section 203 para. 1 and 2 and section 186 para. 3 sentence 4 German Stock Corporation Act) than the quoted price of the shares of the same class and terms already listed at the time of the final determination of the issue price by the Management Board. Shares that are or are to be issued or sold during the validity of this authorization under exclusion of subscription rights in direct or analogous application of section 186 para. 3 sentence 4 German Stock Corporation Act are to be included in the aforementioned prorated amount of the share capital.

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

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

4.4 In accordance with Section 4 (8) of the Articles of Association of SYGNIS AG, the share capital is contingently increased (contingent capital IV) by up to €500,000 by issuing up to 500,000 ordinary bearer

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

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

5. At the reporting date, no material agreements involving the Company existed that would take effect in the event of a change of control following an acquisition bid.

The terms of the stock options based on the stock option programme concluded in 2011, however, stipulate that, in the event of a change of control, the three-year waiting period for 50% of the stock options granted can be reduced by the Company to two years.

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

VII. Remuneration report

The remuneration report summarises the key elements of the remuneration system for the Management Board of SYGNIS AG and describes in particular the structure and the amount of remuneration for the members of the Management Board. It also includes a description of the basic principles and the amount of remuneration for the members of the Supervisory Board. It is prepared on the basis of the recommendations of the German Corporate Governance Code and also includes the disclosures that are required in accordance with the relevant legal regulations, primarily the German Commercial

Code (HGB). This report is also an integral part of the Corporate Governance Report. The Corporate Governance Report is included in the SYGNIS AG annual report, which can be downloaded at www.sygnis.com.

Management Board remuneration

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

The aim and purpose of the remuneration system for the board members of our Company is to allow the members of the Management Board to share in the development of the Company's business commensurate with their individual duties and performance for the Group and the successes achieved in managing the economic and financial position of the Company, taking into account the environment in which it competes. The total remuneration of the Management Board is performance-based and in the 2015 fiscal year was made up of various components:

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

Until the merger with the former X-Pol Biotech S.L., Tres Cantos, Spain, in October 2012, the Company has granted stock options to the Management Board as a component with a long-term incentive effect. In the 2015 fiscal year no further stock options have been granted. The Company will decide in future periods to implement again similar remuneration components.

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

The CEO of the Company, Pilar de La Huerta has not agreed an employment contract with SYGNIS AG. In this respect, Mrs. de La Huerta has received a non-performance-related component as a consulting fee on the basis of a consulting agreement between SYGNIS AG and herself for services rendered to SYGNIS AG. Based on this consulting agreement Mrs. de la Huerta also received a variable bonus. However, she was not granted any stock options. On the other side, Mrs. de la Huerta is also CEO of SYGNIS Biotech S.L.U., Madrid, Spain, and, she entered into an employment contract with SYGNIS Biotech S.L.U., Madrid, Spain.

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

Total remuneration for the Management Board in 2015 was as follows:

In €thousands	Non-performance-related	Performance-related	Other benefits*	Total cash remuneration 2015
Pilar de la Huerta	190	49	14	253
From SYGNIS AG	139	49	6	194
From SYGNIS Biotech S.L.U.	51	0	8	59

The table below shows in detail the remuneration paid to the Management Board in the 2014 financial year:

In €thousands	Non-performance-related	Performance-related	Other benefits*	Total cash remuneration 2014
Pilar de la Huerta	187	71	15	273
From SYGNIS AG	129	71	0	200
From SYGNIS Biotech S.L.U.	47	0	15	62
From SYGNIS Biotech S.L.U. to Genetrix S.L.	11	0	0	11

*) These mainly include insurance benefits and a Company car.

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

Supervisory Board remuneration

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

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

The remuneration of the Supervisory Board members (without out-of-pocket expenses) were €160 thousand in fiscal year 2015. The allocation of the remuneration for 2014 is as follows:

in €thousand	Fixed	Variable
Dr. Cristina Garmendia Mendizábal	40	-
Dr. Friedrich von Bohlen und Halbach	30	-
Pedro-Agustin del Castillo Machado	20	-
Dr. Joseph M. Fernandez	20	-
Dr. Franz-Wilhelm Hopp	30	-
Maria Jesús Sabatés Mas (since 14 July 2014)	9	-
Werner-Friedrich Knuth Schäfer (until 14 July 2014)	11	-
Total	160	-

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

Professional liability insurance (D&O insurance)

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

VIII. Diversity in the workforce, in the Management Board and in the Supervisory Board

SYGNIS-Group explicitly supports diversity with respect to the engagement of new personnel for leadership positions. In 2015, the proportion of women of the total workforce of the SYGNIS-Group was 62%. The proportion of women in the leadership positions was 20%.

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 SYGNIS-Group. The proportion of women at the level of the Management Board was 100% in 2015 whereas the proportion at the second level of the management was 0%. SYGNIS-Group decided to gradually increase the proportion of women at the second level of management until the mid of 2017.

The proportion of women in the Supervisory Board was 30% in 2015.

IX. Events of special significance since the end of fiscal year 2015

There were no events of special significance since 31 December 2015.

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 commercialization opportunities

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

The Management Board is convinced, that the Company will gain more value from developing and selling its own range of products in line with its new product and commercialization strategy. SYGNIS already developed kits based on its True Prime™ technology (TthPrimPol) and SunScript™ (TR). The first kits were launched in January and February 2015, the first SunScript™ kits in April, followed by further launches throughout 2015. At the end of 2015, six new kits were available in the market through distributors and our own online shop.

At the end of 2015, the Company transferred the exclusive licence agreement with Qiagen based on SensiPhi® to a non-exclusive agreement. Thus, SYGNIS and Qiagen agreed to sign an agenda moving the agreement from exclusivity to non-exclusivity with respect to the development and marketing of the enzyme. During 2016, the Company will develop new kits based on SensiPhi® and will promote this enzyme in order to sign new agreements under non-exclusivity with third parties. The Management Board expects to increase the revenues linked to this enzyme with own kits jointly with the royalties coming from the existing agreement with Qiagen.

Moreover, the Management Board has great expectations in developing the TruePrime™ technology towards applications in the liquid biopsy market, a market with multi-billion revenue expectations. The product development is ongoing and the first feasibility data look highly promising. SYGNIS is aiming to launch the first cell-free DNA kit based on the TruePrime™ technology in the third quarter of 2016. This kit will open the clinical market for the Company, with potential applications in the clinical research of cancer or prenatal diagnosis among others. All those fields may create huge revenue opportunities for SYGNIS in this field.

During the first months of 2016, sales of kits are showing an increasing trend supporting a good potential growth throughout the fiscal year 2016 in revenues.

Financial outlook

The revenues in the fiscal year 2016 are dependent on the success of the sales strategy implemented during 2015 and the marketing efforts that will be spent during 2016. Furthermore, SYGNIS has increased the marketing effort during the initial months of 2016, especially in order to grow the presence in the US where approx. more than 50% of NGS users are located. Depending on the success of these commercialization activities, the Management Board forecasts revenues for 2016 within a range of €1.2 million to €1.5 million, with a strong upside potential in 2017. This will result in an expected revenue increase of more than 150% while the operating expenses will be decreased, improving the Group's net result situation.

In 2016, expenditure for Research & Development will further decrease as SYGNIS is focusing in product development instead of basic research. On the other hand, marketing and commercial expenses will increase due to the commercialization of own products and production of own kits. General administration expenses will decrease compared with 2015 due to cost reduction actions. The Management Board forecasts the 2016 net loss to be significantly lower than 2015.

Additionally, the Company expects significantly lower liquid funds.

As a result of the successful capital increase in December 2015, cash and cash equivalents at year-end 2015 amounted to € 4.6 million. With these financial resources and the expected additional cash inflows SYGNIS possesses sufficient liquidity until break-even is reached which is estimated to be in 2017.

Overall assessment of the outlook

The outlook is a result of different planning assumptions based on discretionary decisions. Especially revenue expectations are subject to uncertainty that cannot be influenced by the Management Board. However, the Management Board considers the Group in a good position to reach the financial forecasts in 2016.

Heidelberg, 19 April 2016

Pilar de la Huerta
CEO/CFO



SYGNIS[®]

2015



Consolidated Financial Statements

4C2HII

Consolidated Financial Statements

H.

H.

20

8C3HIII

ts

2015

Consolidated Financial Statement

Consolidated statement of financial position

(in € thousands)	Note	31 December 2015	31 December 2014
ASSETS			
Property, plant and equipment	4	270	169
Goodwill	5	5.942	5.942
Other intangible assets	6	1.826	1.678
Deferred tax assets	14	420	615
Other Non-current assets		136	15
Non-current assets		8.593	8.419
Trade receivables		206	37
Inventory		100	19
Other current assets	7	577	298
Cash and cash equivalents	8	4.557	3.764
Current assets		5.440	4.118
Total assets		14.033	12.537
EQUITY AND LIABILITIES			
Issued capital	9	16.457	10.823
Capital reserves	9	8.749	8.698
Accumulated loss		(14.837)	(10.826)
Other comprehensive income		44	(353)
Equity		10.413	8.342
Financial liabilities	12	1.913	2.890
Non-current liabilities		1.913	2.890
Financial liabilities	12	204	0
Trade payables		322	316
Other current liabilities	13	1.181	989
Current liabilities		1.707	1.305
Total equity and liabilities		14.033	12.537

Consolidated statement of comprehensive income

(in € thousands, apart from disclosures on shares)	Note	Fiscal year ended 31 December	
		2015	2014
Umsatzerlöse	15	555	392
Costs of goods sold	0	(27)	0
Expenses			
Sales		(646)	(442)
Administration		(1.990)	(1.493)
Research and development		(1.411)	(1.413)
Impairment of other intangible assets	6	(128)	(283)
Other operating income		52	31
Other operating expenses		(267)	0
thereof out-of-period expenses		(267)	0
Total operating expenses		(4.417)	(3.600)
Results of operating activities		(3.862)	(3.208)
Finance costs		(201)	(161)
Finance income		24	24
Earnings before taxes		(4.040)	(3.345)
Income tax	14	29	(135)
Net profit/loss for the period		(4.011)	(3.480)
thereof allocable to owners of SYGNIS AG		(4.011)	(3.480)
Exchange rate adjustments (after deducting deferred taxes of/ 0 T€)		396	(329)
Other comprehensive income (after taxes)		396	(329)
Total comprehensive income		(3.615)	(3.809)
thereof allocable to owners of SYGNIS AG		(3.615)	(3.809)
Earnings per share (diluted and undiluted)	23	(0,30)	(0,33)
Average number of shares outstanding	23	13.426.081	10.659.773

Consolidated statement of cash flows

in € thousands

1 January to 31 December

	2015	2014
Operating activities:		
Net loss for the period	(4.011)	(3.480)
Reconciliation of net profit/loss to cash flow from operating activities:		
Depreciation of property, plant and equipment	51	57
Amortisation and impairment of intangible assets	329	524
Losses (gains) on the sale of property, plant and equipment and intangible assets	(67)	0
Other non-cash items	260	607
Share-based payment expense	0	13
Change in operating assets and liabilities:		
Trade receivables	(169)	5
Other current assets	(341)	(40)
Trade payables	6	(203)
Other current liabilities	192	(1.100)
Deferred taxes	195	122
Cash outflow from operating activities	(3.556)	(3.495)
Interest paid	(259)	(84)
Net cash outflow from operating activities	(3.815)	(3.579)
Investing activities:		
Investments in property, plant and equipment and intangible assets	(176)	(135)
Investments in development expenses recognized as an asset	(406)	(486)
Proceeds from the sale of property, plant and equipment and intangible assets	71	0
Payments for long term security deposits	(19)	0
Cash outflow from financing activities	(530)	(621)
Financing activities:		
Cash outflow due to repayments of current financial liabilities	(345)	(550)
Capital increase by way of cash contribution (less costs of issuing equity of €981 thousand)	5.086	5.923
Cash inflow from financing activities	4.741	5.373
Net change in cash and cash equivalents	397	1.239
Exchange differences	396	329
Cash and cash equivalents at the beginning of the period	3.764	2.196
Cash and cash equivalents at the end of the period	4.557	3.764

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

The Company has no credit lines open as of 31 December 2015. For 2015, cash outflows for investing activities include an amount of €406 thousand (previous year: €486 thousand) for the expansion of the operating business.

Consolidated statement of changes in equity

	Issued capital Number	Amount	Capital reserves	Accumulated loss	Other comprehensive income		Total Equity
					Exchange differences	Total	
(in € thousand, apart from disclosures on shares)							
1 January 2014	10.534.790	10.535	2.788	(7.345)	(24)	(24)	5.954
Capital increases against cash (after deducting transactions costs of €491 thousand)	287.872	288	5.897				6.185
Capital increases against contribution in kind							0
Expenses from share-based compensation			13				13
Result recorded directly in equity					(329)	(329)	(329)
Net loss for the year				(3.480)			(3.480)
Total comprehensive income			13	(3.480)	(329)	(329)	(3.796)
31 December 2014	10.822.662	10.823	8.698	(10.825)	(353)	(353)	8.343
1 January 2015	10.822.662	10.823	8.698	(10.826)	(353)	(353)	8.343
Capital increases against cash (after deducting transactions costs of €981 thousand)	3.112.552	3.113	1.973				5.085
Capital increases against contribution in kind			600				600
Reclassification of capital increases against cash	2.522.272	2.522	(2.522)				0
Expenses from share-based compensation							0
Result recorded directly in equity					396	396	396
Net loss for the year				(4.011)			(4.011)
Total comprehensive income				(4.011)	396	396	(3.615)
31 December 2015	16.457.486	16.458	8.749	(14.837)	43	43	10.413

Notes to the consolidated financial statements

31 December 2015

A. Basis of the consolidated financial statements

1. Business objective and business divisions of the Company

SYGNIS-Group (hereinafter referred to as “SYGNIS” or “the Company”) with its parent company SYGNIS AG, Heidelberg, is a biotech company listed on Prime Standard segment of Deutsche Börse, the main German stock exchange. The Company is focused on the development and marketing of new molecular-diagnostic technologies, e.g. in the field of DNA amplification and sequencing. The business address of SYGNIS AG is: Waldhofer Strasse 104, 69123 Heidelberg, Germany. The main shareholder is Genetrix S.L., Madrid, Spain (former: Genetrix Life Sciences A.B., Uppsala, Sweden).

The Company’s consolidated financial statements as of 31 December 2015 were prepared in accordance with the International Financial Reporting Standards (IFRSs) and the International Accounting Standards (IASs) of the International Accounting Standards Board (IASB) as well as the interpretations of the Standing Interpretations Committee (SIC) and of the International Financial Reporting Standards Interpretation Committee (IFRS IC) as adopted by the EU. All those standards (IFRSs/IASs) and interpretations (IFRICs) subject to mandatory adoption for the fiscal year 2015 were considered. The consolidated financial statements further satisfy all standards and interpretations as ratified by the IASB.

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

Preparation of these consolidated financial statements was completed by the Management Board on 19 April 2016. The approval of these consolidated financial statements was done by the Supervisory Board on the 19 April 2016.

2. Accounting policies

The accounting policies adopted are consistent with those of the previous reporting year of SYGNIS except as follows.

The application of numerous new standards, interpretations and amendments to existing standards became mandatory for the 2015 fiscal year. The following new or amended standards and interpretations became mandatory for the first time in the 2015 fiscal year and have no material effects on the consolidated financial statements of SYGNIS:

- Improvements and supplements to a selection of IFRS 2010–2012
- Improvements and supplements to a selection of IFRS 2011–2013
- Changes to IAS 19 “Employee Benefits”
- IFRIC 21 “Levies”

The application of the following standards, interpretations and amendments to existing standards was not yet mandatory for the 2015 fiscal year. SYGNIS also did not choose to apply them in advance. Their application will be mandatory for the fiscal years following the dates stated in the following table:

Relevant New Standards, Interpretations and Amendments to Existing Standards and Implementations

	Effective date for SYGNIS
Improvements and supplements to a selection of IFRS 2012-2014	01/01/2016
Amendments to Standards	
IAS 1 "Presentation of Financial Statements"	01/01/2016
IAS 7 "Statement of Cash Flows"	01/01/2017*
IAS 12 "Income Taxes"	01/01/2017*
IAS 16 "Property, Plant and Equipment" 01/01/2016	01/01/2016
IAS 27 "Separate Financial Statements" 01/01/2016	01/01/2016
IAS 28 "Investments in Associates and Joint Ventures" 01/01/2016	01/01/2016*
IAS 38 "Intangible Assets" 01/01/2016	01/01/2016
IAS 41 "Agriculture" 01/01/2016	01/01/2016
IFRS 10 "Consolidated Financial Statements" 01/01/2016*	01/01/2016*
IFRS 11 "Joint Arrangements" 01/01/2016	01/01/2016
IFRS 12 "Disclosure of Interests in Other Entities" 01/01/2016*	01/01/2016*
New Standards	
IFRS 9 "Financial Instruments: Classification and Measurement"	01/01/2018*
IFRS 14 "Regulatory Deferral Accounts" 01/01/2016*	01/01/2016*
IFRS 15 "Revenue Recognition" 01/01/2018*	01/01/2018*
IFRS 16 "Leases"	01/01/2019*

* not yet endorsed

The amendments to IFRS 10 and IAS 28 will not have any effect on SYGNIS' consolidated financial statements.

IAS 7 "Statement of Cash Flows"

The amendments to IAS 7 require entities to provide disclosures on changes in financial liabilities where the associated inflows and outflows are shown in the statement of cash flows as cash flow from financing activities. Corresponding financial assets are also to be included in the disclosures. The IASB proposes that these disclosures be made in a reconciliation statement or in other disclosures. The amendments are mandatory for fiscal years beginning on or after January 1, 2017; earlier application is permitted. SYGNIS is examining the effects of the new standard. Based on the preliminary assessment the adoption of the amendments will not have a material effect on the Company's results of operations, financial position and net assets.

IFRS 16 "Leases"

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model. This model requires lessees to recognize all assets and liabilities for leases in the balance sheet unless the lease term is 12 months or less or the underlying asset has a low value. The approach to lessor accounting in the new standards, on the other hand, is substantially unchanged from its predecessor, IAS 17. Lease contracts continue to be classified

as operating leases or finance leases. The new standard is mandatory for fiscal years beginning on or after January 1, 2019; earlier application is permitted as long as IFRS 15 is also applied. SYGNIS is examining the effects of the new standard. The financial statements for the previous year already contain a description of the other new and amended standards and interpretations and their possible impact on SYGNIS' consolidated financial statements. Based on the preliminary assessment the adoption of the amendments will not have a material effect on the Company's results of operations, financial position and net assets.

3. Summary of significant accounting policies

Basis of consolidation

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

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

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

Scope of consolidation

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

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

On 30 November 2015 Amnestix Inc., Needham, MA, USA, was merged with LION Bioscience Inc., Needham, MA, USA.

IFRS 2 Share-based Payment

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

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

Foreign currency translation

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

In the fiscal year 2015 exchange rate losses of €12 thousand (previous year: exchange rate losses of €106 thousand) were recognised in the item "Other operating expenses (previous year: other operating income)"; these resulted from the translation of foreign currency assets and liabilities. In addition, unrealised exchange rate gains of €396 thousand from consolidation at group level were recognised in other comprehensive income in the fiscal year 2015 (previous year: exchange rate losses of €329 thousand).

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

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

	Rate at the end of the reporting period		Average rate for the fiscal year	
	31 December 2015	31 December 2014	2015	2014
	Equivalent of 1 €	Equivalent of 1 €	Equivalent of 1 €	Equivalent of 1 €
US Dollar	1,0887	1,2155	1,1095	1,3290

Significant accounting judgments, assumptions and estimates

Accounting judgments

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

Obligations from operating leases

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

Estimates and assumptions

Preparation of the consolidated financial statements requires estimates and assumptions by the Management Board that affect the amount of assets, liabilities, income, and expenses reported in the consolidated financial statements and the contingent assets and contingent liabilities reported. Actual results may differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

Impairment of goodwill

The Company tests goodwill for impairment at least once a year. This requires an estimation of the value in use of the underlying cash generating units (CGUs) to which the respective goodwill is allocated.

In order to estimate the value in use, management must estimate the anticipated future cash flows of the individual CGUs, assess the prospects for success of the underlying projects and an appropriate discount rate. The review of goodwill is based on a planning period of five years which corresponds to the current business plan assumptions. The long-term nature of the planning horizon means that the related assumptions and forecasts are subject to great uncertainty, in particular with regard to whether the products can be developed successfully, whether the planned out-licensing agreements could be closed and whether the budgeted revenues can be generated. The carrying amount of goodwill of €5.9 million as of 31 December 2015 (31 December 2014: €5.9 million) is allocated to the SYGNIS group as one CGU.

Deferred tax assets

When calculating deferred taxes on loss carry-forwards the Company had to make several assumptions. These assumptions especially relate to achieving sufficient positive taxable income in the future. Due to the long planning horizon assumptions and estimations are characterized by a high uncertainty. Deferred tax assets on loss carry-forwards amounted to €402 thousand as of 31 December 2015 (31 December 2014: €351 thousand). In total, deferred tax assets amounted to €520 thousand. They were offset with deferred tax liabilities amounting to €100 thousand, so the carrying amount was €420 thousand.

Property, plant and equipment

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

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

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

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

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

Business combinations and goodwill

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

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

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

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

Intangible assets acquired separately and during a business combination

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

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

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

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

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

Leases

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

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

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

Impairment of non-current and intangible assets

The Group assesses whether there is any indication that an asset may be impaired as of the end of each reporting period. If there is any indication of impairment or if an annual impairment test is required, the Group makes a formal estimate of the recoverable amount. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell or its value in use and is determined for an individ-

ual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If the carrying amount of an asset exceeds its recoverable amount, the asset is described as impaired and written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recorded in the statement of comprehensive income as expenses incurred in the respective function and, if the amounts are material, stated as a separate item in the results of operating activities.

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

Impairment losses of €0.1 million were recognised on intangible assets in 2015 (previous year: €0.3 million).

Investments and other financial assets

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

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

Receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value, and any gain or loss is recognised in a separate item under equity. On derecognition of the investment or identification of impairment, any cumulative gain or loss that had previously been recognised directly in equity is released to the statement of comprehensive income. Impairment losses are not recorded on available-for-sale financial assets until one or more (loss) events occur pursuant to initial

recognition and there are objective indications of impairment and such loss will have an effect on the future cash flow of the asset that can be estimated reliably. Objective indications of the impairment of securitised debt instruments include but are not limited to failure to pay or delay in interest or principal payments.

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

Fair value of financial instruments

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

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

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

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

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

Inventory

Inventories relate to finished products and consumables for research activities. The valuation was carried out on the basis of the lower of manufacturing or acquisition costs and fair value. As of the balance sheet date the stock was listed by physical inventory. As of 31 December 2015 raw materials, auxiliary materials and consumables amount to €34 thousand are recognized at cost in inventories and €66 thousand are shown as finished goods measured at conversion costs according to IAS 2.12 et seq. From the sale of finished goods an amount of €27 thousand had to be expensed as costs of goods sold in 2015.

Trade receivables

Trade receivables, which generally have 14-60 day payment terms, are recognised at the original invoice amount less an allowance for any uncollectible amounts. A bad debt allowance is recognised when there is sufficient objective evidence indicating that the receivables are fully or partially uncollectible or it is likely that they cannot be collected, and the amount of the allowance can be determined sufficiently reliably. Receivables are written off as soon as they become uncollectible.

Trade receivables as of 31 December 2015 amount to €206 thousand and include bad debt allowances of €15 thousand (31 December 2014: €28 thousand). Excluding the bad debt allowances trade receivables had the following aging structure as of 31 December 2015: Not due 89% (31 December 2014: 50%), due between 1 day and 30 days 1% (31 December 2014: 0%) and due since more than 30 days 10% (31 December 2014: 50%).

Cash and cash equivalents

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

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

Financial liabilities

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

Current liabilities are disclosed at the amount repayable.

Provisions

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

Revenue recognition

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

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

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

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

Government grants

The Company receives government grants and subsidies from various government support programs. Depending on the structure of the support program in question, the Company decides whether these grants and subsidies are recognised as revenue or are offset against the costs incurred. Government

grants and subsidies for the research and development costs which can be directly allocated to a program are offset against the corresponding expenses. €87 thousand were offset against the corresponding expenses in the fiscal year 2015 and €82 thousand in 2014.

Research and development costs

Research and development costs are expensed in the period in which they are incurred. Total research and development costs, before offsetting against government grants and subsidies, were €1,876 thousand in 2015 and €1,495 thousand in 2014.

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

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

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

Income taxes

Current tax assets and liabilities

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

Deferred taxes

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

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

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

at the end of each reporting period and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be realised.

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

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

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

Earnings per ordinary share

Earnings per share are calculated by dividing the Group's profit or loss by the weighted average number of outstanding ordinary shares. For calculation of average number of outstanding shares in the fiscal year 2015, reference is made to note 23. Outstanding share options were not taken into consideration in calculating diluted earnings per ordinary share, as the performance target (increase in the price of the SYGNIS share by at least 50%) had not been reached by the end of the reporting period. Consequently, basic earnings correspond to diluted earnings.

B. Notes to the statement of financial position

4. Property, plant and equipment

In € thousands	31 December 2015	31 December 2014
Laboratory equipment	245	140
Office fixtures and fittings	25	29
Other	-	-
	270	169

Depreciation of property, plant and equipment amounted to €50 thousand in 2015 and €5781 thousand in 2014.

5. Goodwill

	In € thousand
Goodwill resulting from business combinations	
Book value goodwill as of 31 December 2014	5,942
Impairment fiscal year 2015	-
Impairment cumulated until fiscal year 2015	-
Book value goodwill as of 31 December 2015	5,942

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

The recoverable amount of the CGU SYGNIS was used as base for the calculation of the value in use. As of 31 December 2015 the recoverable amount exceeded its carrying amount and was €12.5 million. No

intangible assets with indefinite useful lives are allocated to this CGU. The fair value of the CGU is based on the projected discounted cash flows from the assets allocated to the CGU. These assets relate mainly to the exclusive license agreement with Qiagen for the DNA amplification technology (QualiPhi), the patent rights on protein-protein interactions (Double Switch) and the Caco-2 license business as well as from the sale of own products (True Prime and other kits). The estimated cash inflows are based on customary assumptions of market prices that are made within the industry. These assumptions take into account the corresponding likelihood of success using probabilities and the expenses yet to be incurred to arrive at a final result for the CGU. This final result is then discounted over the planning period of five years using an interest rate of 15% p.a. The Company has used a growth rate of 0% to extrapolate cash flow projections beyond the period covered by the planning period.

If the revenue assumptions will not be realised or only to a reduced amount within the planning period, it may be necessary to recognise an impairment on goodwill or even to write it off in full. In estimating the fair value of the CGU, the Management Board does not expect to have a reasonable possible change in a key assumption. An impairment test is performed at the end of each fiscal year or in case of triggering events. The impairment test performed at 31 December 2015 and 31 December 2014 showed no hints of impairment of the goodwill. When calculating the value in use sensitivity analyses were performed. Neither a change in the interest rate of 5% base points nor a revenue reduction of 20%-40% base points resulted in an impairment loss of goodwill. The company assesses the appropriateness of its assumptions used in the sensitivity analysis with respect to deviations in interest rates and revenues on a yearly basis in order to better reflect the current market conditions with respect to interest rates, market risk premium, beta-factor and capital structure as well tax rates in the valuation model. Therefore, the company assumed that an increase in the interest rate of 5% base points adequately reflects the existing risk arising from changes in the interest rate instead of using 10% base points as in previous years.

6. Other intangible assets

In € thousands	Useful life	31 December 2015	31 December 2014
Acquired patent and license rights	10 years	310	507
Capitalised development expenses	5 years	1,451	1,146
Software licenses and other licenses	3 to 10 years	65	25
		1,826	1,678

Amortisation and impairment losses on other intangible assets amounted to €298348 thousand in the fiscal year 2015 and €524 thousand in the fiscal year 2014. These are included in expenses research & development and administration. Thereof amortization expenses and impairment losses accounted for an amount of €128 thousand (previous year: €283 thousand). We refer to the further details given below.

Acquired patent and license rights

Acquired patent and license rights were resulting from the Reverse Acquisition in the fiscal year 2012. The value of the marketing possibilities for patent rights relates to protein-protein interactions (Double Switch) with €170 thousand and to the Caco-2 cell lines with €140 thousand.

In January 2013 SYGNIS has been granted the European and US patent for Double Switch. This asset is subject to scheduled amortisation on the basis of the existing patent term of ten years. Double Switch claims a technology platform for the detection of protein-protein interactions, which can be used as screening tool during the development of new drugs. SYGNIS based its calculation of fair value for the marketing potential of Double Switch on various assumptions, in particular the estimated market revenues of future licensing partners. On the basis of the current negotiations, SYGNIS has reviewed these estimations and realised that current expectations are lower than originally assumed. Therefore, an impairment of this asset amounting to €128 thousand was recognised in fiscal year 2015 (previous year: €283 thousand).

On the basis of the license rights for Caco-2 the Company achieves revenues, which are estimated in the upcoming financial years with an amount of around €220 to 240 thousand yearly. The Company has the right to commercialize Caco-2 cell lines for a period of ten years until the beginning of 2024. The amortisation of this asset is carried out over the estimated life time of ten years.

Capitalised development expenses

In fiscal year 2015 the Company has capitalised development expenses amounting to €406 thousand (previous year: €486 thousand). The development expenses relate to the following projects:

In €thousands	31 December 2015	31 December 2014
Phi 29 mutants	5	133
TruePrime Cell	15	0
TruePrime WGA	23	0
TruePrime RCA	48	0
RT-PCR	36	0
TruePrime WTA	116	0
TruePrime Cell-free DNA amplification	85	0
PrimPol	0	289
Reverse Transcriptase HIV	78	64
	406	486

As of 31 December 2015, the total amount capitalised amounts to €1,451 thousand (31 December 2014: €1,146 thousand). In fiscal year 2015 no impairment loss was recorded.

7. Other current assets

In €thousands	31 December 2015	31 December 2014
VAT credits	122	127
Security deposits	103	59
Prepaid expenses	233	65
R&D credits 2013 (Spain)	114	0
Other	5	47
	577	298
<i>thereof financial assets</i>	450	124

Prepaid expenses increased by €168 thousand from the deferral of capital increase costs. Furthermore, R&D credits 2013 (Spain) have been reclassified from deferred tax assets to other current assets since the company is entitled to claim the reimbursement from the Spanish tax authorities in less than one year.

8. Cash and cash equivalents

Cash and cash equivalents break down as follows:

In €thousands	31 December 2015	31 December 2014
Cash on hand and at banks	4,557	3,706
Overnight and time deposits	0	58
	4,557	3,764

9. Equity

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

Goals of equity management

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

Issued capital

The capital stock amounts to €16,457,486.00 as of 31 December 2015 (31 December 2014: €10,822,662.00) and relate to the issued capital of SYGNIS AG. It is divided into 16,457,486 no-par-value bearer shares with an imputed share in capital of €1.00 each.

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

In addition, SYGNIS AG issued further equity as part of two capital increases of €47 thousand with a total subscription price of €123 thousand, which was registered in the Commercial Register on 2 April 2015. Both capital increases were also executed by using the authorised capital of the Company and the new shares were fully subscribed by the US based investment company YA Global Master SPV LTD, Jersey City, USA (YA Global). The issued capital was thus increased to €13,344,934.00.

In 2015 SYGNIS AG has resolved additional several capital increases against cash amounting to €150 thousand. The capital increase was divided into six tranches and the registration in the Commercial Register was done in November 2015, the issued capital was thus increased to €13,494,934.00. The total subscription price amounted to €366 thousand.

In October and November 2015 SYGNIS AG issued further equity of €31 thousand with a total subscription price of €72 thousand, which was registered in the Commercial Register on 1 February 2016. The capital increases were also executed by using the authorised capital of the Company and the new shares were fully subscribed by the US based investment company YA Global Master SPV LTD, Jersey City, USA (YA Global).

In December 2015, the Management Board with the approval of the Supervisory Board has resolved a capital increase against cash of €2,962,552.00, which was completed on 10 December 2015. The subscription price amounted to €5,628,848.80. The capital increase was executed by using the authorised capital of the Company. This capital increase was recorded in the commercial register on 16 December 2015. Thus, issued capital was increased to €16,457,486.00. In addition, the main shareholder Genetrix S.L., Madrid, Spain, also participated in the capital increase with a contribution in kind and signed additional 315,789 new shares. The registration of the new shares from this contribution in kind in the Commercial Register was closed on 17 March 2016, after the reporting period.

Authorised capital

Subject to the approval of the Supervisory Board, the Management Board was authorised by resolution of the annual general meeting of SYGNIS AG on 8 July 2015 to cancel the remaining existing authorized capital and create a new authorized capital excluding subscription rights of shareholders with the con-

sent of the Supervisory Board and corresponding amendment to the articles of association. The share capital of the Company might be increased by and including 7 July 20120 by issuing new ordinary bearer shares as no-par-value shares against contributions in cash and / or in kind, once or several times, in total by not more than €6,672,467.00 (authorized capital 2015). The Management Board exercised this authorisation in 2015 for an amount of €3,112,552.00. As of 31 December 2015, authorised capital of €3,559,915.00 (31 December 2014: €5,222,679.00) remained.

Conditional capital

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

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

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

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

Capital reserves

In December 2014, new shares amounting to €2,475,678.00 were issued and registered in January 2015. Therefore, the nominal amount was transferred from the capital reserves to issued capital. Furthermore, SYGNIS AG issued additional equity of €46,594.00 which was registered in the Commercial Register on 2 April 2015 and also transferred from capital reserves to issued capital.

By the capital increases in 2015 new shares with a nominal amount of €150,000.00 at a subscription price of €366,456.12 were issued in return for cash contribution. Furthermore, new shares amounting to €30,616.00 were issued in October and November 2015, but only registered in February 2016. Therefore, the nominal amount was shown in capital reserves.

In addition, new shares amounting to €2,962,552.00 were issued and registered in December 2015. The subscription price amounted to €5,628,848.80. So, €2,666,296.80 was recorded in capital reserves. As part of this capital increase, the main shareholder Genetrix S.L., Madrid, Spain, made a contribution in kind and signed additional 315,789 new shares. The subscription price was €599,999.10 and the registration of the new shares from this contribution in kind at the trade register was closed on 17 March 2016, after the reporting period. Therefore, the nominal amount was shown in capital reserves, too.

In total an amount exceeding the nominal amounts of the capital increases of €3,208,344.38 was recorded in capital reserves. The Company has deducted expenses for the capital increases of €981 thousand from capital reserves.

10. Stock options

Prior to the Reverse Acquisition in the fiscal year 2012, SYGNIS AG had installed three stock option plans for the Management Board and employees. On this basis stock options had been granted to Management Board and employees only before the date of the Reverse Acquisition. The following information continues the previous notes to stock options given in the consolidated financial statements of SYGNIS AG (as of 31 March 2012) until 31 December 2015.

2008 stock option plan

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

2011 stock option plan

The maximum number of stock options that can be issued from this stock option plan amounts to 500,000 until 24 November 2016. The conditional capital IV of €500,000 is available to secure and serve the stock options. In the past fiscal year 2015 no stock options were issued from the 2011 stock option plan. A total of 6,000 stock options were outstanding and valid as of 31 December 2015. None of the valid stock options are exercisable as of 31 December 2015. With the exception of the term and the waiting period, the 2011 stock option plan is structured identically to the 2008 stock option plan.

Structure of the stock option plans

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

The exercise price is determined on the basis of the more closely defined average price of SYGNIS shares over the last 30 days of trading prior to the date on which the options are issued. The options from the 2011 stock option plan can be exercised after a vesting period of four years.

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

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

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

The Company currently expects it is more likely than not that the stock options will not be exercised.

The stock options granted were recognised in accordance with the requirements of IFRS 2. The fair value of the stock options at the grant date is calculated using a binomial model and posted to personnel expenses over the vesting period of four years with an effect on income. In the consolidated financial statements €0 thousand (previous year: €13 thousand) were shown as personnel expense. Thus, the capital reserve remained unchanged.

11. Deferred tax liabilities

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

The decrease of deferred tax liabilities amounting to €59 thousand is due to the amortisation and the impairment loss on those intangible assets and the corresponding decrease of the carrying amounts. The remaining value of €100 thousand was offset with deferred tax assets.

12. Financial liabilities

The non-current financial liabilities break down as follows:

In €thousands	31 December 2015	31 December 2014
Soft loans		
INNFACTO program	1,115	1,259
Madrid Network program	448	487
ENISA program	300	234
CDTI program	51	51
	1,913	2,031
Loan Genetrix S.L., Madrid, Spanien (former Genetrix A.B., Uppsala, Sweden)/dievini Hopp Biotech holding GmbH & Co. KG, Walldorf, Germany	0	859
	1,913	2,890

The current financial liabilities break down as follows:

In €thousands	31 December 2015	31 December 2014
Soft loans		
INNFACTO program	143	0
Madrid Network program	57	0
Others	54	0
	2055	0

The Company receives for its R&D activities at the site in Madrid public loans from Spanish institutions. The soft loan of the INNFACTO program bears no interest and has a term of 11 years. The Company has recognised the payments received amounting to €1,637 thousand at amortised costs using the effective interest method as of 31 December 2015 amounting to €1,258 thousand (31 December 2014: €1,259 thousand).

The soft loan of the Madrid network program bears no interest and has a term of 13 years. The Company has recognised the payments received totalling €625 thousand at amortised costs using the effective interest method as of 31 December 2015 amounting to €505 thousand (31 December 2014: €487 thousand).

Since 2013, the Company held a loan from Genetrix S.L., Madrid, Spain, (former lender of the loan was Genetrix Life Sciences, A.B., Uppsala, Sweden) and one of the main shareholders dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany, with a total amount of €713 thousand. Genetrix S.L. had participated in this loan with an amount of €600 thousand and dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany, with €113 thousand. The loan from dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany, including accumulated interest expenses amounted to €150 thousand and was repaid on 31 December 2015 by the Company. The nominal amount of the loan from Genetrix S.L., Madrid, Spain, amounting to €600 thousand had been swapped to equity as part of a capital increase by way of a contribution in kind in December 2015. The accumulated interest expenses of €195 thousand were completely repaid on the 31 December 2015 to Genetrix S.L., Madrid, Spain.

13. Other current liabilities

Other current liabilities can be broken down as follows:

In €thousands	31 December 2015	31 December 2014
Soft loans	200	107
Bonus	177	182
Supervisory Board remuneration	173	160
Legal & consulting services	129	27
Deferred income	112	139
Tax payments	99	82
Audit of financial statements	90	77
Annual report and Annual General Meeting	75	90
Outstanding invoices	63	0
Other personnel expenses	16	21
Loan/interest Genetrix S.L. Madrid/Spain	0	30
Other	47	74
	1,181	989
<i>thereof financial liabilities</i>	1,181	989

14. Income tax expense and deferred taxes

Income tax expenses are classified by origin as follows:

In €thousands	Year ended 31 December 2015	Year ended 31 December 2014
Current taxes	0	12
Deferred taxes	(29)	123
	(29)	135

The theoretical tax expenses on the basis of the loss before taxes of €4,040 thousand (previous year: loss of €3,345 thousand) and the average tax rate of 30% (previous year: 30%) are reconciled to the current tax expense as follows:

In €thousands	31 December 2015	31 December 2014
Loss for the year before taxes	(4,040)	(3,345)
Theoretical tax expenses	(1,20312)	(1,004)
Foreign taxes	0	12
Tax impact of non-deductible operating expenses	28	32
Change deferred tax assets	(34)	252
Losses without deferred taxes	1,217	869
Utilization of unrecognised tax loss carry-forwards	(14)	(9)
Other effects	(2312)	(17)
Income taxes	(29)	135

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 €100 thousand (previous year: €159 thousand) relate solely to intangible assets that were identified in the course of the purchase price allocation performed during the Reverse Acquisition in 2012. They were offset with deferred tax assets of €520 thousand.

In €thousands	31 December 2015	31 December 2014
Deferred tax assets		
Other current and non-current liabilities	19	123
Inventories	7	13
Unused tax losses	402	351
R&D Credits 2015 (Spain)	90	287
Deferred tax assets, net	520	774
Deferred tax liabilities		
Intangible assets	100	159
	100	159

The Company's deferred tax assets are recorded to the extent it is probable that such tax benefits would be realised in future years. A Non-recognition of deferred tax assets is applied if the realisation of the expected benefits from the deferred taxes are not more likely than not. As of 31 December 2015, deferred tax assets on tax loss carry forwards amounted to €402 thousand and were offset with deferred tax liabilities of €100 thousand. As of 31 December 2014 deferred tax assets on tax loss carry forwards amounted to €351 thousand. In addition, deferred tax assets for R&D credits (Spain) for the years 2013 and 2014 amounted to €287 thousand were recognized. Based on the Company's business plan for the 3 subsequent years, it is expected that this entity will be profitable in the future. The estimate made can be subject to change over time, which can then lead to an increase or reversal in subsequent periods. Furthermore, the Company recognized deferred tax assets of €90 thousand for R&D Credits 2015 in Spain. As a result of the current status of the reimbursement procedures pending with the Spanish tax authorities with respect to the R&D Credits for the years 2013 and 2014, an amount of €114 thousand (R&D Credits 2013) was reclassified from deferred tax assets to other current assets as of 31 December 2015 as the Company is entitled expects to receive the refund from the Spanish tax authorities within

one year. The expected refund of €117 thousand for 2014 is included in other long-term assets as of 31 December 2015.

The unused tax losses amounted to approx. €84.1 million as of 31 December 2015 (31 December 2014: €74.6 million). Of the total unused tax losses, around €69.5 million is due to the US subsidiary Lion bioscience Inc., Needham/MA, USA, with the remainder spread among Germany (€9.1 million) and Spain (€5.5 million). In Germany, unused tax losses can be carried forward indefinitely. German tax law provides for minimum taxation of tax loss carry-forwards under corporate income tax and trade tax, effective since 2004. As a result, the loss deduction is limited per assessment period to €1 million plus 60% of any taxable income in excess of the €1 million threshold. Under US tax legislation, they can be used within a period of 20 years, or 15 years for losses incurred prior to August 1997. Under Spanish tax legislation, tax losses can be carried forward and used indefinitely for the first time since 2015. However, Spanish tax law provides for minimum taxation of tax loss carry-forwards under corporate income tax which is comparable to the German legislation. As a result, the loss deduction is limited per assessment period to €1 million plus 60% (from 2017 onwards the percentage will be increased to 70%) of any taxable income in excess of the €1 million threshold.

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

In €thousands	31 December 2015	31. Dezember 2014
Expiry within 1 – 5 years	41,690	-
Expiry within 6 – 10 years	27,316	58,217
Expiry within 11 – 15 years	471	6,113
Expiry within 15 – 20 years	17	5,146
Unlimited usability of unused tax loss carry-forwards	14,570	5,109
Total	84,064	74,585

In total, the increase in tax loss carry-forwards compared with the previous year mainly results from foreign currency translation effects, the current losses of the year 2015 and opposite effects due to the omission of a portion of the tax loss carry-forward in the USA from the merger of Amnestix Inc., Needham/MA, USA, with LION bioscience Inc., Needham/MA, USA as of 30 November 2015.

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

The foreign subsidiaries have no capital available for distribution at the balance sheet date. Therefore, no deferred tax liabilities on capital available for distribution have to be calculated at the level of the foreign subsidiaries (previous year: € 0.3 million).

C. Notes to the statement of comprehensive income

15. Revenues

Total revenues amounted €555 thousand in 2015 (previous year: €392 thousand). An amount of €252 thousand (previous year: €301 thousand) result from the marketing of the Caco-2 license rights in the USA which are attributable to LION bioscience Inc.

16. Personnel expenses

Personnel expenses break down as follows:

In €thousands	2015	2014
Wages and salaries	1,343	1,390
Social security	220	218
Personnel expenses for stock options	0	13
Other personnel expenses	42	34
Total	1,605	1,655

Employee structure as of 31 December 2015 and 2014:

	2015	2014
Research & Development	13	14
Sales und Administration	8	6
Total	21	20

Full-time employees, incl. Management Board, have been rounded to full FTEs (full time equivalent), all of whom are employees at the Heidelberg and Madrid location. The number of employees also includes 3 employees that are still in maternity leave.

The average number of employees for 2015 was 20 employees (previous year: 25 employees).

D. Other notes

17. Other notes on financial instruments

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

In € thousands	Measurement category pursuant to IAS 39	31 December 2014		31 December 2013	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents		4.557	4.557	3.764	3.764
thereof cash on hand and at banks	(1)	4.557	4.557	3.764	3.764
Financial assets	(2)	0	0	0	0
thereof current		0	0	0	0
thereof non-current		0	0	0	0
Trade receivables	(1)	206	206	37	37
Other assets	(1)	713	713	139	139
thereof current		577	577	124	124
thereof non-current		136	136	15	15
Total		5.476	5.476	3.940	3.940
Financial liabilities					
Financial liabilities	(3)	2.117	2.117	2.890	2.890
thereof current		204	204	0	0
thereof non-current		1.913	1.913	2.890	2.890
Trade payables	(3)	322	322	316	316
Other liabilities	(3)	1.181	1.181	989	989
thereof current		1.181	1.181	989	989
thereof non-current		0	0	0	0
Total		3.620	3.620	4.195	4.195
Thereof aggregated into the measurement categories of IAS 39					
(1) Loans and receivables		5.476	5.476	3.940	3.940
(2) Available-for-sale financial assets		0	0	0	0
(3) Liabilities carried at amortised cost		3.620	3.620	4.195	4.195

Fair values

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

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

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

In € thousands	Net gain/loss Year ended 31 Dec.		Recognised directly in equity Year ended 31 Dec.	
	2015	2014	2015	2014
Measurement category pursuant to IAS 39				
Loans and receivables	0	0	0	0
Available-for-sale financial assets	0	0	0	0
Liabilities carried at amortised cost	(382)	(146)	0	0
	(382)	(146)	0	0

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

In € thousands	Net gain/loss Year ended 31 Dec.	
	2015	2014
Measurement category pursuant to IAS 39		
Available-for-sale financial assets		
Gain (loss) on sale of securitised debt instruments	0	0
	0	0
Liabilities carried at amortised cost		
Valuation of soft loans at amortised cost	(382)	(146)
	(382)	(146)

Hedge of net investments in foreign operations

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

18. Financial risk management

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

The possibility of obtaining additional equity or receiving further license income critically depends on the progress made in the development and marketing of the Company's products or technologies. In this regard, the capital structure of the Group only plays a subordinate role. For this reason, management focuses on the management and monitoring of the individual development projects, the amount of available liquidity and on securing future cash requirements. In addition to the absolute level of cash and cash equivalents, the most important indicator for management is the liquidity ratio, i.e., the ratio of cash and cash equivalents to total assets. As of 31 December 2015 this stood at 32% and as of 31 December 2014 at 30%.

Financial and operational risks are effectively monitored and communicated within the framework of the risk management system set up by the Management Board. In the process, the risks are reported by

the risk officer to the risk manager who analyses and aggregates the results in a regular risk report to the Management Board. The financial risks of the Group are described below.

Cash flow risks / interest rate risks

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

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

Foreign currency risk

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

Credit risk

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

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

Liquidity risk

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

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

19. Going concern assumption

The Company focusses on research, development and marketing of new tools for DNA amplification and sequencing. In the fiscal year 2015 the company focussed on advancing the negotiations with additional distributors as well as the closing of concrete agreements with distributors in order to implement the new product sales strategy after SYGNIS had launched the first three kits from the True Prime™ series and the first three kits of the SunScript™ series before. As a result SYGNIS signed worldwide non-exclusive distribution agreements i.e. in Germany, Switzerland, France, Spain, Great Britain and Ireland as well as USA, Canada, China, Japan, Taiwan and Australia. Furthermore, the Company is in discussions for outlicensing products in non-exclusive agreements.

Besides the sale of SYGNIS' own kits through regional and international distributors who are specialized in the commercialization of molecular biological products for gene sequencing and the Next Gener-

ation Sequencing (NGS), the Company directly sells all own kits through the SYGNIS Online Shop. The main customers are leading research centres, academic institutions, laboratories affiliated with government authorities, hospitals and reference laboratories as well as pharmaceutical, biotechnological and commercial genomics and molecular diagnostics companies.

The business plan of the SYGNIS Group comprises products in the field of Next Generation Sequencing as TruePrime™, SunScript™ and SensiPhi™ (licensed to Qiagen), the licensing of a unique Caco2 cell line (mostly used for pharmacokinetic assays in the pharmaceutical industry) as well as technologies like an innovative screening platform to be used for drug development (Double Switch).

The business plan includes revenues from the sale of own products and revenues in the form of upfront payments and sales royalties. Since the kits had been launched, the Company is not solely dependent on future licensing partners anymore. However, the revenue estimations are still uncertain and may differ from the actual amounts.

The liquidity level of the Company as at 31 December 2015 has improved additionally compared with the previous year and amounts to €4.6 million, as the Company has successfully completed an additional capital increase with gross proceeds of €5.6 million in December 2015. The liquidity requirement is calculated on the basis of a long-term financial plan derived from the business plan and a liquidity preview. Considering the business plan assumptions and based on the financial resources that are currently available, the Company's Management Board sees the operating expenses of SYGNIS as being covered until the break-even situation which is estimated to be in 2017.

The business plan includes revenue estimations from the sale of own products which are already in the market as well as revenues from license fees. In addition, the Company expects funds from new public loans and by the use of the SEDA agreement (standby equity distribution agreement). Only if the SYGNIS Group is not able to realize the estimated revenues or public loans or the use of the SEDA agreement in the fiscal year 2016, the ability to reach the break-even situation is not given and additional funds from shareholders are necessary to maintain the liquidity from the mid of 2017 onwards and to be able to continue as a going concern.

20. Contingent liabilities and other financial obligations

Financial obligations

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

Total rental expenses for facilities in Madrid (Spain) and Heidelberg (Germany) amounted to €192 thousand in the fiscal year 2015 and €174 thousand in the fiscal year 2014.

In addition, the Company has contractual obligations to pay sales royalties in case of any product sales by the license partner (Qiagen), from kits sales and from the marketing of the Caco-2 license rights in the USA.

Litigation

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

21. Transactions with related parties

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

In the 2015 fiscal year the Company maintained business relationships with Coretherapix, S.L.U., Madrid, Spain, which is a subsidiary of Genetrix S.L., Madrid, Spain, (former: Genetrix Life Sciences A.B., Uppsala, Sweden) (main shareholder of SYGNIS AG). In this regard, SYGNIS has received services in the areas of competitive projects and IT. SYGNIS has expensed amounts of €25 thousand in fiscal 2015. Since 28 February 2015, SYGNIS Biotech S.L.U., Madrid, Spain, provided IT services to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain. On the other hand, since 4 August 2015 Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, provided consulting services for competitive projects to SYGNIS Biotech S.L.U., Madrid, Spain. The members of the supervisory board of SYGNIS Mrs. Dr. Cristina Garmendia and Mr. Pedro Agustín del Castillo are main shareholders of Science & Innovation Link Office, S.L. (SILO), Madrid, Spain. For IT services rendered to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, SYGNIS Biotech S.L.U. charged €0.5 thousand per month to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain. For consulting services received from Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, for competitive projects, SYGNIS Biotech S.L.U., Madrid, Spain, paid €1.8 thousand per month to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain.

Since 2013, the Company held a loan from Genetrix S.L., Madrid, Spain, (former lender of the loan was Genetrix Life Sciences, A.B.) and one of the main shareholders dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany, with a total amount of €713 thousand. Genetrix S.L. had participated in this loan with an amount of €600 thousand and dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany, with €113 thousand. The loan from dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany, including accumulated interest expenses amounted to €150 thousand and was repaid on 31 December 2015 by the Company. The nominal amount of the loan from Genetrix S.L., Madrid, Spain, amounting to €600 thousand had been swapped to equity as part of a capital increase by way of a contribution in kind in December 2015. The accumulated interest expenses of €195 thousand were completely repaid on the 31 December 2015 to Genetrix S.L., Madrid, Spain.

Due to a public soft loan SYGNIS received from Spanish institutions for its R&D activities in Spain, the new main shareholder Genetrix S.L., Madrid, Spain, pledged 350,000 shares of its interest in SYGNIS AG to secure this loan. According to the agreement on the payment of a share pledge fee between SYGNIS and Genetrix S.L., Madrid, Spain, it was agreed that SYGNIS has to compensate Genetrix S.L., Madrid, Spain, for creating this pledge as a security for SYGNIS' fulfillment of its obligation arising from the public loan received from the Spanish institution by paying a so called share pledge fee. This fee accrues yearly at a rate of 3% calculated over the loan amount. The pledged shares shall be released of the pledge once a corporate transaction takes place (e.g. share or asset deal of SYGNIS AG to a third party) or if SYGNIS Group is deemed to be cash positive under the conditions according to the agreement on the payment of a share pledge fee between Genetrix S.L., Madrid, Spain, and SYGNIS.

Regarding the number of shares and stock options held by the members of the Supervisory Board, we refer to note 24.

22. Segment reporting and entity-wide disclosures

In accordance with IFRS 8 the financial result of the segments is reported using the management approach. The internal organisation and management reporting system did not lead to a different segmentation. The allocation of resources and the internal assessment of SYGNIS' performance by man-

agement is performed for the SYGNIS Group as a whole. Therefore, the Group is managed in one single segment for segment reporting purposes, such that no separate reporting is required.

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

Information about products and services

Total revenues amounted €555 thousand in 2015 (previous year: €392 thousand). An amount of €252 thousand (previous year: €301 thousand) result from the marketing of the Caco-2 license rights in the USA which are attributable to LION bioscience Inc.

Information about geographical areas

In €thousands	2015	2014
Revenue		
Spain	158	31
Germany	145	60
USA	252	301
Total	555	392
Non-current assets		
Germany	356	875
Spain	2,156	1,424
USA	140	178
Total	2,652	2,477

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

Information about major customers

In €thousands	2015	2014
Revenue		
Revenue with major customers*	155	356
Other revenue	400	36
Total	555	392

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

Revenue with major customers was generated with one customer in the fiscal year 2015.

23. Earnings per ordinary share

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

In €thousands, apart from number of shares and earnings per share	2015	2014
Numerator		
Net profit or loss for the period	(4,011)	(3,480)
Denominator		
Weighted average number of outstanding ordinary shares	13,426,081	10,659,773
Earnings (basic and diluted) per ordinary share	(0.30)	(0.33)

(basic = diluted)

The weighted average number of outstanding ordinary shares in the fiscal year 2015 is as follows:

		Weighted average number of ordinary shares
Outstanding ordinary shares 1 January 2015 to 7 January 2015	10,822,662	
Time-weighting factor (7 days, 365 days in total)	1.92%	207,558
Outstanding ordinary shares 8 January 2015 to 1 April 2015	13,298,340	
Time-weighting factor (84 days, 365 days in total)	23.01%	3,060,440
Outstanding ordinary shares 2 April 2015 to 16 November 2015	13,344,934	
Time-weighting factor (229 days, 365 days in total)	62.74%	8,372,575
Outstanding ordinary shares 17 November 2015 to 16 December 2015	13,494,934	
Time-weighting factor (30 days, 365 days in total)	8.22%	1,109,173
Outstanding ordinary shares 17 December 2015 to 31 December 2015	16,457,486	
Time-weighting factor (15 days, 365 days in total)	4.11%	676,335
		13,426,081

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

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

In the fiscal year 2015 the Company has completed several capital increases against cash. Further details are given in note 9.

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

24. Composition of company boards

Management Board

Pilar de la Huerta, CEO/CFO

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

Benefits granted (in € thousands)	Pilar de la Huerta CEO/CFO			
	2014	2015	Amount (min)	Amount (max)
Fixed remuneration	187	190		
Fringe benefits	15	14		
Sum	202	204		
One-year variable remuneration	-	-	-	85
Multi-year variable remuneration	-	-	-	-
Sum	-	-	-	289
Benefit expenses	-	-	-	-
Total remuneration	202	204	204	289

Benefits paid (in € thousands)	Pilar de la Huerta CEO/CFO	
	2014	2015
Fixed remuneration	187	190
Fringe benefits	15	14
Sum	202	204
One-year variable remuneration	71	49
Multi-year variable remuneration	-	-
Other	-	-
Sum	273	253
Benefit expenses	-	-
Total remuneration	273	253

The table below shows in detail by which company the remuneration was paid to Pilar de la Huerta, CEO/CFO in the 2015 financial year:

In € thousands	Non-performance-related	Performance-related	Other benefits*	Total cash remuneration 2015
Pilar de la Huerta	190	49	14	253
From SYGNIS AG	139	49	6	194
From SYGNIS Biotech S.L.U.	51	0	8	59

*) These mainly include insurance benefits and a company car.

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

In € thousands	Non-performance-related	Performance-related	Other benefits*	Total cash remuneration 2014
Pilar de la Huerta	187	71	15	273
From SYGNIS AG	129	71	0	200
From SYGNIS Biotech S.L.U.	47	0	15	62
From SYGNIS Biotech S.L.U. to Genetrix S.L.	11	0	0	11

*) These mainly include insurance benefits and a company car.

The CEO of the Company, Pilar de La Huerta has not agreed an employment contract with SYGNIS AG. In this respect, Mrs. de La Huerta has received a non-performance-related component as a consulting fee on the basis of a consulting agreement between SYGNIS AG and herself for services she rendered to SYGNIS AG. Based on this consulting agreement Mrs. de la Huerta also received a variable bonus. However, she was not granted any stock options. On the other side, Mrs. de la Huerta is also CEO of SYGNIS Biotech S.L.U., Madrid, Spain, and, she entered into an employment contract with SYGNIS Biotech S.L.U., Madrid, Spain.

Shareholdings and number of stock options held by the Management Board as of 31 December 2015

As of 31 December 2015, the CEO/CFO does not hold shares or stock options of the Company.

Supervisory Board

Dr. Cristina Garmendia Mendizábal, Chairwoman of the Supervisory Board
Independent entrepreneur, Madrid, Spain

Dr. Friedrich von Bohlen, Deputy Chairman of the Supervisory Board
Managing Director of the general partner of dievini Hopp BioTech holding GmbH & Co. KG, Walldorf

Maria Jesús Sabatés Mas
Head of the Family Office of the Sabatés family, Barcelona, Spain

Pedro Agustín del Castillo Machado,
Independent entrepreneur, Madrid, Spain

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

Dr. Franz Wilhelm Hopp, Chairman of the Audit Committee
Partner of Laplace Investment GmbH, Munich, Germany

The remuneration of the Supervisory Board members (without out-of-pocket expenses) were €160 thousand in fiscal year 2015. The allocation of the remuneration for 2014 paid in 2015 is as follows:

in €thousand	Fixed	Variable
Dr. Cristina Garmendia Mendizábal	40	-
Dr. Friedrich von Bohlen und Halbach	30	-
Pedro-Agustin del Castillo Machado	20	-
Joseph M. Fernandez	20	-
Dr. Franz-Wilhelm Hopp	30	-
Maria Jesús Sabatés Mas (since 14 July 2014)	9	-
Werner-Friedrich Knuth Schäfer (until 14 July 2014)	11	-
Total	160	-

Shareholdings and number of stock options held by the Supervisory Board as of 31 Dec. 2015

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

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

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

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

Dr. Cristina Garmendia Mendizábal

- Member of the Board of Directors of Ysios Capital Partner, SGEGR S.A., Barcelona, Spain
- Member of the Board of Directors of Pelayo Mutua de Seguros, Madrid, Spain
- Member of the Board of Directors of Everis Spain, S.L., Madrid, Spain
- 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
- Member of the Board of Directors of Satlantis Microsats, S.L., Madrid, Spain

Dr. Friedrich von Bohlen and Halbach

- Member of the Supervisory Board of Agennix AG, Heidelberg, Germany
- General Manager de dievini Verwaltungs GmbH, Walldorf, Germany
- Member of the Supervisory Board of Wilex AG, Munich, Germany
- Chairman of the Supervisory Board of CureVac AG, Tübingen, Germany
- Chairman of the Supervisory Board of Apogenix AG, Heidelberg, Germany
- Member of the Advisory Board of Cytonet GmbH & Co. KG, Weinheim, Germany
- Member of the Advisory Board of Immatics biotechnologies GmbH, Tübingen, Germany
- Chairman of the Advisory Board of Molecular Health GmbH, Heidelberg, Germany
- Member of the Supervisory Board of Cosmo S.p.A., Luxemburg
- Chairman of the Advisory Board of Novaliq GmbH, Heidelberg, Germany
- Member of the Board of Directors of AC Immune SA, Lausanne, Switzerland

María Jesús Sabatés Mas

- Sole Administrator of Arceus Holding, S.L., Barcelona, Spain
- Chairwoman of the Board of Directors of Eurofragance, S.L., Barcelona, Spain
- CEO of Ever Smarter WW, S.L., Barcelona, Spain
- CEO of Ñaki Investments, S.L., Barcelona, Spain
- Chairwoman of the Board of Directors of OMB Self Storage, S.L., Barcelona, Spain
- CEO of Veriphi, S.L., Barcelona, Spain
- Member of the Board of Directors of Linked S&B Sociedad de Inversión de Capital Variable, S.A., Boadilla del Monte-Madrid, Spain

Pedro Agustín del Castillo Machado

- Chairman of the Board of Directors of Casticapital, S.L., Las Palmas de Gran Canaria, Spain
- Chairman of the Board of Directors of Binter Canarias Airline, S.A., Telde, Gran Canaria, Spain
- Member of the Board of Directors of Genetrix, 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 Corporation, Cambridge, UK
- Member of the Board of Directors of Hiram College, Hiram, Ohio, USA

Dr. Franz Wilhelm Hopp

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

25. Declaration on the German Corporate Governance Code

The Management Board and Supervisory Board of SYGNIS AG have made the declaration of compliance with the German Corporate Governance Code pursuant to Sec. 161 AktG [“Aktiengesetz”: German Stock Corporations Act].

The declaration was made accessible to the shareholders on the Company’s website at <http://www.sygnis.com>.

26. Services rendered by the auditor

At the annual general meeting held on 8 July 2015, the shareholders of SYGNIS AG elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Mannheim (Ernst & Young GmbH) as auditor of the financial statements and consolidated financial statements of SYGNIS AG for the fiscal year 2015. Expenditure totalling €117 thousand (previous year: €68 thousand) was recognised for the services of Ernst & Young GmbH. The total amount of €117 thousand is attributable with €71 thousand to audit services (previous year: €61 thousand), with €21 thousand to tax advisory services (previous year: €7 thousand) and with €25 thousand to other assurance services (previous year: €0 thousand).

For audit services rendered for SYGNIS Spain by KPMG Auditores S.L. Madrid, Spain, expenses in an amount of €18 thousand (previous year: €12 thousand) were included.

27. Events after the reporting period

There were no events of special significance since 31 December 2015.

Heidelberg, 19 April 2016

Pilar de la Huerta CEO/CFO

Annex to the notes to the consolidated financial statements as of 31 December 2015

Statement of changes in no-current assets as of 31 December 2015

in € thousands	Acquisition and production costs				Accumulated depreciation				Book values	
	1 Jan 2015	Additions	Disposals	31. Dec 2015	1 Jan. 2015	Additions	Disposals	31. Dec 2015	31. Dec 2015	31. Dec 2014
I. Tangible Assets										
Other equipment, factory and office equipment	385	152	0	537	217	50	0	267	270	169
	385	152	0	537	217	50	0	267	270	169
II. Intangible assets										
1. Goodwill	5.942	0	0	5.942	0	0	0	0	5.942	5.942
2. Other intangible assets	4.028	446	0	4.474	2.350	298	0	2.648	1.826	1.678
	9.970	446	0	10.416	2.350	298	0	2.648	7.768	7.620
III. Other non-current assets										
	15	121	0	136	0	0	0	0	136	15
	10.370	719	0	11.089	2.566	348	0	2.914	8.175	7.804

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

Statement of changes in no-current assets as of 31 December 2014

in € thousands	Acquisition and production costs				Accumulated depreciation				Book values	
	1 Jan 2014	Additions	Disposals	31. Dec 2014	1 Jan. 2015	Additions	Disposals	31. Dec 2014	31. Dec 2014	31. Dec 2013
I. Tangible Assets										
Other equipment, factory and office equipment	338	47	0	385	160	57	0	217	169	178
	338	47	0	385	160	57	0	217	169	178
II. Intangible assets										
1. Goodwill	5.942	0	0	5.942	0	0	0	0	5.942	5.942
2. Other intangible assets	3.460	598	0	4.028	1.826	524	0	2.350	1.678	1.634
	9.402	568	0	9.970	1.826	524	0	2.350	7.620	1.634
III. Other non-current assets										
	9	6	0	15	0	0	0	0	15	9
	9.749	621	0	10.370	1.986	580	0	2.566	7.804	7.763



SYGNIS[®]

2015



Confirmations

| Confirmations



2015

Confirmations

Responsibility statement by the Executive Board

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

Heidelberg, 26 April 2016

Pilar de la Huerta

CEO/CFO

Audit opinion

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

“We have audited the consolidated financial statements prepared by SYGNIS AG, Heidelberg, comprising the statement of financial position, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity, and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 January to 31 December 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [“Handelsgesetzbuch”: German Commercial Code] is the responsibility of the Company’s management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

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

financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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

Without qualifying this opinion, we refer to the discussion in the group management report in section V. 1. This states that SYGNIS Group has a liquidity of €4.6 million. The future liquidity needs are determined on the financial plan which is based on the business plan, as well as a liquidity forecast. Considering the business plan assumptions and based on the financial resources that are currently available, the Company's Management Board sees the operating expenses of SYGNIS as being covered until break-even situation which is estimated to be in 2017. The business plan assumptions include revenue estimations from products which are already in the market and license revenues. In addition, the Company expects funds from new public loans and by the use of the SEDA agreement (standby equity distribution agreement). Only if the SYGNIS Group is not able to realize the estimated revenues or public loans or the use of the SEDA agreement in the fiscal year 2016, the ability to reach out the break-even situation and therefore the assumption to continue as a going concern is not given and additional funds from shareholders are necessary to maintain its solvency from the middle of 2017 onwards."

Mannheim, 26 April 2016
Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Grathwol
Wirtschaftsprüfer
[German Public Auditor]

Jakob
Wirtschaftsprüfer
[German Public Auditor]

Corporate Governance Report

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

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

Implementation of the Recommendations of the German Corporate Governance Code and Declaration of Compliance

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

On 18 March 2016, the Management Board and Supervisory Board of SYGNIS AG issued the following declaration of compliance with the German Corporate Governance Code in accordance with Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] and published it on the Company's website.

"The Executive Board and the Supervisory Board of SYGNIS AG hereby declare that, SYGNIS AG has complied with the recommendations of the German Government Commission on the German Corporate Governance Code (hereinafter also "GCGC") in the version of 24 June 2014 and respectively since their effectiveness in the version of 5 May 2015 since the last declaration of compliance in March 2015, complies and intends to comply with the recommendations of the GCGC in the version of 5 May 2015 (published by the Ministry of Justice in the official part of the Federal Gazette on 12 June 2015), in each case with the exceptions set forth below:

- Item 4.2.1 Sentence 1 GCGC: Since 1 April 2013, the Management Board consists of one person. The Management Board and the Supervisory Board of the Company are convinced that a one person management board is sufficient with respect to the size and the financial situation of the Company. Should the Company grow as envisaged, the situation will again be reviewed.
- Item 5.3.3 GCGC: The Supervisory Board has not formed a nomination committee exclusively composed of shareholder representatives as the Supervisory Board regards the formation of such a committee as not appropriate considering that the size of the Supervisory Board is limited to six members all of them being shareholder representatives.
- 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 4 GCGC: The Consolidated Financial Statements for the fiscal year 2014 have been published on 29 April 2015. The Consolidated Financial Statements for the fiscal year 2015 will be published on 28 April 2016. Thus, for the fiscal years 2014 and 2015, the Company has not complied and will not comply, respectively, with the recommendation of Item 7.1.2 Sentence 4 to publish the Consolidated Financial Statements within 90 days of the end of the financial year. In 2015 the exceeding of the period was due to the implementation of the new strategy of the Company which made it inappropriate to meet this deadline. In 2016 the exceeding of the period is owed to staff changes in the accounting and finance department. The Company aims to meet such deadline from 2017 onwards.

Heidelberg, 18 March 2016

The Management Board

The Supervisory Board"

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

Compliance

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

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

In addition, the Company's Compliance Officer supports the development and implementation of procedures designed to ensure that our ethical standards are met and any applicable international and national legal regulations are observed.

Annual General Meeting

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

Our Annual General Meeting was held on 8 July 2015, where around 59% of the Company's voting share capital was represented. The shareholders have approved all agenda items proposed by the Management. All shareholders who were unable to attend our Annual General Meeting had the opportunity to download the presentation of the CEO and all documents and information relating to the Annual General Meeting from our website at www.sygnis.de under Investor Relations/Annual General Meeting. SYGNIS also provided assistance to its shareholders in issuing powers of representation and supported them, in accordance with the recommendation in the German Corporate Governance Code, in appointing a proxy to exercise their voting rights in accordance with the shareholder's instructions. This opportunity was also available during the Annual General Meeting itself. It was possible to issue instructions to these proxies on the exercise of voting rights before and during the Annual General Meeting until the end of the voting.

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 associ-

ation 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

In 2015, the Management Board of SYGNIS AG consists with the CEO/ CFO Pilar de la Huerta of one person only. The CEO is responsible for managing the Company and conducting its business. The Supervisory Board will conduct a thorough assessment of the question of whether to enlarge the Management Board in light of the demands placed on management in future. The Management Board develops the strategic alignment, which it subsequently coordinates with the Supervisory Board and ensures its implementation. Its actions and decisions are taken in the Company's best interests.

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

activities for any other supervisory boards or comparable control bodies of other companies.

Supervisory Board

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

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

In accordance with Item 5.1.3. of the German Corporate Governance Code, the Supervisory Board established separate rules of pro-

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

Regular dialogue with the Management Board ensures that the Supervisory Board is informed about the development of business, financial situation, corporate planning and strategy at all times. It also deals in particular with the annual financial statements of the Company and the Group, taking into consideration the reports of the external auditors. The report of the Supervisory Board, which is included in this annual report, provides information on the key activities of the Supervisory Board and its committees in fiscal 2015.

Supervisory Board committees

Another integral part of the Supervisory Board's activities is the work performed in the committees, which are set up in accordance with the provisions of the AktG, the recommendations of the Code and the Company's needs. The Supervisory Board of SYGNIS AG has set up three permanent committees from among its members: the Audit Committee, the Capital Increase Committee and the Nomination and Remuneration

Committee, each composed of three members. Although a Nomination and Remuneration Committee exists, this is not formed according to AktG because it is not exclusively composed of shareholder representatives. The members of the committees are elected with a majority of the votes cast by the Su-

perisory 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	Capital Increase Committee	Nomination and remuneration
Dr. Cristina Garmendia Mendizábal, Chairwoman	2016		X	
Dr. Friedrich von Bohlen und Halbach, Deputy Chairman	2016		X (Chair)	
Joseph M. Fernández	2016			X (Chair)
Pedro-Agustín del Castillo	2016	X		X
Maria Jesús Sabatés Mas	2016	X		
Dr. Franz Wilhelm Hopp	2016	X (Chair)	X	X

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

During 2015 the Capital Increase Committee did not receive a specific remuneration and no physical meetings (all communications were done electronically).

During 2015 the Nomination and Remuneration Committee had no meetings.

Efficiency review of the Supervisory Board

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

Avoidance of Conflicts of Interests

The Management Board and Supervisory Board of SYGNIS AG are committed to the interests of the Company. In performing their duties, they pursue neither personal interests nor do they grant other persons unjustified

advantages. Secondary activities or business relations of members of the two boards with the Company are to be disclosed to the Supervisory Board immediately and require the Supervisory Board's approval. The Supervisory Board reports to the Annual General Meeting on any conflict of interests and how they have been treated.

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

In the 2015 fiscal year the Company maintained business relationships with Coretherapix, S.L.U., Madrid, Spain, which is a subsidiary of Genetrix S.L., Madrid, Spain, (former: Genetrix Life Sciences A.B., Uppsala, Sweden) (main shareholder of SYGNIS AG). In this regard, SYGNIS has received services in the areas of competitive projects and IT. SYGNIS has expensed amounts of €25 thousand in fiscal 2015. Since 28 February 2015, SYGNIS Biotech S.L.U., Madrid, Spain, provided IT services to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain. On the other hand, since 4 August 2015 Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, provided consulting services for competitive projects to SYGNIS Biotech S.L.U., Madrid, Spain. The members of the Supervisory Board of SYGNIS Mrs. Dr. Cristina Garmendia and Mr. Pedro Agustín del Castillo are main shareholders of Science & Innovation Link Office, S.L. (SILO), Madrid, Spain. For IT services rendered to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, SYGNIS Biotech S.L.U. charged €0.5 thousand per month to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain. For consulting services received from Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, for competitive projects, SYGNIS Biotech S.L.U., Madrid, Spain, paid €1.8 thousand per month to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain.

Since 2013, the Company held a loan from Genetrix S.L., Madrid, Spain, (former lender of the loan was Genetrix Life Sciences, A.B.) and one of the main shareholders dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany, with a total amount of €713 thousand. Genetrix S.L. had participated in this loan with an amount of €600 thousand and dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany, with €113 thousand. The loan from dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany, including accumulated interest expenses amounted to €150 thousand and was repaid on 31 December 2015 by the Company. The nominal amount of the loan from Genetrix S.L., Madrid, Spain, amounting to €600 thousand had been swapped to equity as part of a capital increase by way of a contribution in kind in December 2015. The accumulated interest expenses of €195 thousand were completely repaid on the 31 December 2015 to Genetrix S.L., Madrid, Spain.

Due to a public soft loan SYGNIS received from Spanish institutions for its R&D activities in Spain, the new main shareholder Genetrix S.L., Madrid, Spain, pledged 350,000 shares of its interest in SYGNIS AG to secure this loan. According to the agreement on the payment of a share pledge fee between SYGNIS and Genetrix S.L, Madrid, Spain, it was agreed that SYGNIS has to compensate Genetrix S.L., Madrid, Spain, for creating this pledge as a security for SYGNIS' fulfillment of its obligation arising from the public loan received from the Spanish institution by paying a so called share pledge fee. This fee accrues yearly at a rate of 3% calculated over the loan amount. The pledged shares shall be released of the pledge once a corporate transaction takes place (e.g. share or asset deal of SYGNIS AG to a third party) or if SYGNIS Group is deemed to be cash positive under the conditions according to the agreement on the payment of a share pledge fee between Genetrix S.L., Madrid, Spain, and SYGNIS.

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

Management Board and Supervisory Board shareholdings

The table below provides an overview of all shares held by members of the Management Board and Supervisory Board as of 31 December 2015:

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

Reportable Securities Transactions – Directors’ Dealings

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

In fiscal year 2015 no transactions by directors in accordance with Sec. 15a WpHG have been reported to the Company.

Open and Transparent Corporate Communication

SYGNIS meets all recommendations applicable to the Company that are included in Item 6 of the German Corporate Governance Code. In the interest of ensuring the greatest possible degree of transparency, our corporate communications strategy is designed to keep the general public informed and up to date on the Company’s activities and thus confirm and strengthen confidence in us. The Company rigorously applies the principle that no shareholder may receive privileged information. To ensure that all

market participants are provided with the same information at the same time, we make all press releases, ad-hoc messages and key documents available on our website www.sygnis.de under Investor Relations and News and Media.

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

Risk Management

Dealing with all risks responsibly and appropriately is a key element of good corporate governance in our opinion. SYGNIS has a risk management system in place which is structured to ensure periodic monitoring, enabling the Management Board to identify and assess risks and the trends associated with them at an early stage and to respond immediately to relevant changes in the risk profile in an appropriate manner. The Management Board keeps the Supervisory Board up to date on existing risks and their development. The risk management system is developed on a rolling basis to reflect changing circumstances and conditions and is dis-

cussed by the Audit Committee in connection with the quarterly reports and the audit of the annual financial statements. The group management report contains further details in the opportunities and risks report.

Accounting and Auditing of the Financial Statements

The consolidated financial statements of the SYGNIS Group for the fiscal year 2015 were prepared in accordance with the International Financial Reporting Standards (IFRSs), applying Sec. 315a HGB. The annual financial statements of SYGNIS AG were prepared in accordance with the provisions of the HGB.

The Audit Committee awarded the audit engagement to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, in accordance with the resolution of the Annual General Meeting on 8 July 2015. The

external auditors issued a declaration of independence to the Audit Committee before the engagement was awarded.

Remuneration Report

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



SYGNIS AG
Waldhofer Str. 104.
69123 Heidelberg
(Germany)
www.sygnis.com

General information:

- **Phone:** +49 (0) 6221 3540 120
- **Email:** info@sygnis.com

Customer service:

- **Phone:** +49 (0) 3222 1091 975
- **Fax:** +49 (0) 6221 3540 122
- **Email:** customerservice@sygnis.com

Investments information:

- **Phone:** +49 (0) 6221 3540 125
- **Email:** investors@sygnis.com

Imprint

Publisher and Copyright: © 2015 SYGNIS. All rights reserved
Text: SYGNIS AG
Design: Mainzer Producción Gráfica, S. L., Madrid, Spanien
Photos: All rights of photos belong to SYGNIS AG
Date of publication: 28 April 2016

Financial Calendar

12 May 2016: Financial Report Q1 (1 January - 31 March 2016)
20 June 2016: Annual General Meeting
11 August 2016: Financial Report Q2 (1 April - 30 June 2016)
9 November 2016: Financial Report Q3 (1 July - 30 September 2016)