



**4basebio AG**  
**(formerly: Expedeon AG) Heidelberg**

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Consolidated Financial Statements  
and Group Management Report

31 December 2019

## **FOREWORD BY THE MANAGEMENT BOARD**

**Dear Shareholders,**

We present our Annual Report for 2019 recognising that much has changed since our previous report. The Company, now moving in to 2020, is also significantly changed from the position at 31 December 2019.

These changes were brought about primarily following the transaction approved by shareholders at the Extraordinary General Meeting on 19 December 2019. This provided for the sale of the Group's immunology and proteomics businesses to Abcam PLC, a transaction which completed on 1 January 2020.

Over the past three years, the Company has transformed from a research-oriented entity to a dynamic organisation offering a wide range of products and services for biomarker research, drug discovery and clinical diagnosis. These have been developed, manufactured and marketed by our company formerly operating under the name of Expedeon to enable scientists worldwide to push the boundaries of research and product development.

The proteomics and immunology products and services which were sold to Abcam most notably included Lightning-Link<sup>®</sup>, a patented technology allowing single step, fast and accurate antibody conjugation to a range of reporter molecules, whilst overcoming the many constraints associated with traditional antibody labelling methods as well as CaptSure<sup>™</sup> a next-generation cross-platform immunoassay technology enabling fast and reliable capture of biomarker targets through creation of a universal capture surface. CaptSure<sup>™</sup> has also been successfully embedded in a high throughput drug discovery tool (SureFire<sup>®</sup>) and had also been deployed in ELISA assay formats.

With the sale to Abcam PLC of those businesses for €120m, in the process realising a threefold return on its investment in those businesses, the Company is refocussing on its assets and intellectual property in the field of genomics.

Along with the approval of the transaction, shareholders also approved a change in name to 4basebio AG, reflecting the change in strategic direction; and also gave consent to a share buy back programme which was completed successfully in February 2020, with the company repurchasing 9.99% of its then issued share capital. The share capital of the Company will be reduced by way of redemption of these acquired shares.

As a result of the changes brought about by the Abcam transaction, the Company has now disposed of its principal revenue and profit generating assets and is likely to record losses in the near term, before it expects to return to profit through exploitation of its genomics assets.

With this context, the Management Board is very pleased to present the results for 2019 and position of the Company as at 31 December 2019.

### **Financials**

As explained in the Management Report, the Company applies an adjusted measure of EBITDA to evaluate its financial performance which excludes non-cash items and adjustments to purchase price consideration post transaction, which under IFRS are included in the income statement.

The Company continued to demonstrate strong improvement in adjusted EBITDA during 2019, rising from EUR 1 million in 2018 to EUR 2.9 million in 2019. Included within the EBITDA result for 2019 are transaction costs of 360 thousand EUR relating to the Abcam transaction.

Revenues for the year grew to EUR 15.7 million from EUR 13.1 million in 2018, representing an increase of 19%. This came from a combination of acquisitive and organic growth.

The balance sheet at 31 December 2019 continued to present a high equity to total assets ratio of 77% and the Group ended the year with a cash balance in excess of EUR 3.7 million.

For the full year, both revenue and net loss per share improved significantly versus 2018.

### **Capital Increase**

The Company issued an additional 898,462 shares by way of contribution in kind for shares in Innova Biosciences and as part of an earn out agreement following the acquisition on 16 June 2017. These shares were issued in three stages: 148,458 shares in April; 747,484 shares in October and 2,520 shares in December. The earn out for Innova Biosciences is now complete.

### **Outlook**

As noted, following the Abcam transaction 4basebio AG has refocused its strategy on the exploitation of its genomics intellectual property and assets. While in the short term, the Company expects to report losses, the Management Board is very positive about the medium-term growth and profitability prospects for the Group and the opportunity to significantly enhance shareholder value.

During 2020, 4basebio will report a significant accounting profit due to the disposal of its proteomics and immunology assets to Abcam which completed on 1 January 2020 with proceeds of EUR 120 million. In the near term however, it is expected that the group will report operational losses and cash outflows as the Group re-invests to scale and expand its activities. The operational cash burn for 2020, excluding expenses relating to the Abcam transaction, from the remaining business is expected to be between EUR 2.5 million to EUR 3.5 million with revenues between EUR 0.5 million and EUR 1.0 million.

Our mission is to use the sales proceeds to once again become a pioneer and innovator in the rapidly growing market for pharmaceutical DNA and to work as a strategic partner with global developers of gene therapies and DNA vaccines in the future. The proven "Grow, Buy, Build" strategy, which has delivered significant value creation continues to form the basis for our renewed dynamic growth objectives.

We would like to thank our shareholders for their ongoing support and their confidence in our development. We would like to extend our appreciation to all departing Expedeon and TGR employees and remaining 4basebio employees for their efforts and the dedication over this exciting period. Success in 2019 and in the future is due to the attitude, commitment and the performance of the entire team. We would like to thank all of you for your trust in our Company and our team.

**Heikki Lanckriet**  
CEO

**David Roth**  
CFO

**28 April 2020**

# THE EXPEDEON SHARE

## Back on track

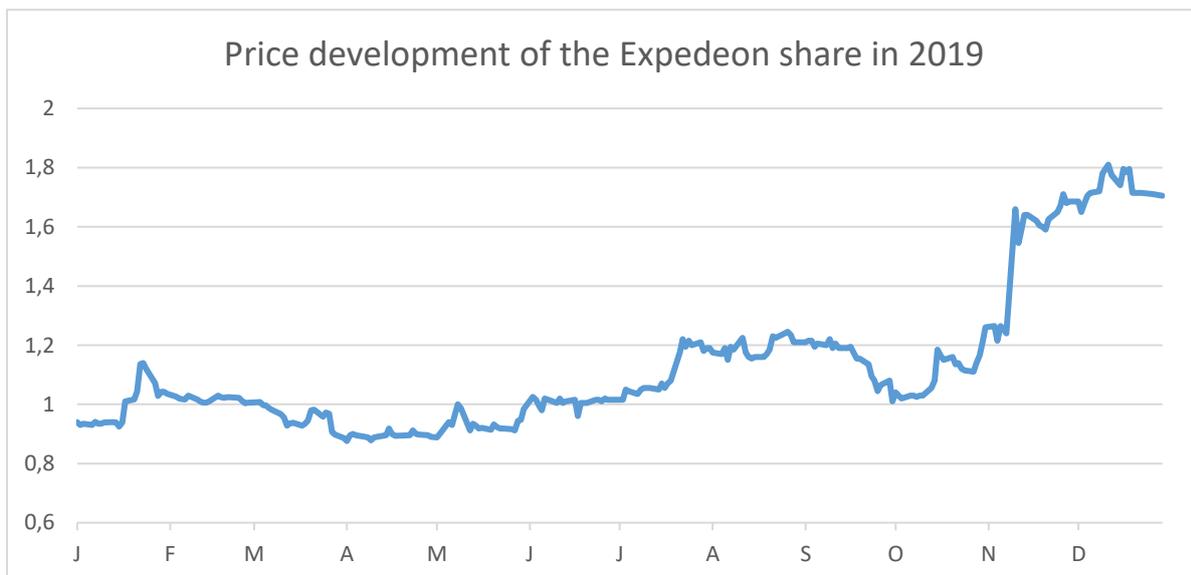
2019 was a very satisfactory year for stock markets and particularly for long-term oriented investors. The German stock index DAX, for example, grew more than a quarter, although various uncertainties were always present, such as the ongoing trade conflict between the USA and China, various fears of recession, the Brexit process and the growing populism in Europe.

However, a longer-term view beyond 2019 shows that in many cases the good development only made up for the price losses in the previous year. The Expedeon share also suffered and came under severe pressure in the second half of 2018, when concerns about the economy and the trade dispute between the United States and China shook the stock markets and caused stock prices to slide in general.

2019 trading of the Expedeon share closed at €1.70 compared with €0.89 at the close of 2018, representing a gain of 81 cents or just over 90% in value.

The product innovations announced during the year and the increasing sales figures contributed to a slow, but continuous positive share price development so that from the middle of the year the share price increased for more than 20%.

But the major part of the price gain was due to the of the sale of the immunology and proteomics businesses of Expedeon to Abcam for EUR 120 million, announced on November 11, 2019.



## Capital increases

As part of the acquisition of Innova Biosciences, which was completed in 2017, 148,458 subscription shares were issued on 29 April 2019, 747,484 subscription shares were issued on

31 October 2019 and 2,520 subscription shares were issued on 31 December 2019. As a result, all the remaining shares of the 1.5 million shares included in the purchase price for Innova Biosciences Limited were issued and registered under the terms of the convertible bond instrument.

As part of the complete acquisition of TGR BioSciences Pty Limited (hereinafter also referred to as TGR) on May 14, 2018, 1,612,642 shares from conditional capital were also issued through mandatory convertible bonds to partially finance the acquisition. After Expedeon completed the sale of the Company's proteomics and immunology business to Abcam plc, Cambridge, United Kingdom, on January 2, 2020, the issuance of subscription shares for the acquisition of TGR was to be accelerated and completed in 2020. To this end, 723,392 shares were issued in February 2020 and the remaining 889,250 shares for the acquisition of TGR will be issued in the coming months.

### **Conversion to registered shares**

On October 4, 2019 Expedeon AG converted its bearer shares into registered shares. The registered shares of Expedeon AG have been traded since then under the new ISIN DE000A2YN801 (formerly: DE000A1RFM03) or WKN A2YN80 (formerly: A1RFM0). The stock symbol changed to EXNN (formerly: EXN).

The conversion from bearer shares to registered shares was approved at the Annual General Meeting on 9 July 2019. Registered shares require the maintenance of a share register in which the shareholders of Expedeon AG are entered, stating their name, date of birth and address as well as the number of shares they hold. The legal status of the shareholders entered on the share register will not be affected by the conversion to registered shares. Their shareholding in the company remains unchanged. Furthermore, the right of shareholders to sell their shares or to purchase shares is not restricted or impeded.

### **Shareholder structure (%) per December 31, 2019**

<b>Shareholders</b>	<b>%</b>
Deutsche Balaton	11,9
Fernandez Trust	5,1
Heikki Lanckriet	3,2
Freefloat	79,8

## **REPORT OF THE SUPERVISORY BOARD**

**The Supervisory Board reports below on the performance of its duties during the fiscal year 2019. The business focus during the year is on the development and marketing of innovative reagents and services for life sciences and diagnostics.**

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

### **COOPERATION BETWEEN THE MANAGEMENT BOARD AND SUPERVISORY BOARD**

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

The Supervisory Board was also informed between meetings of important business transactions by means of written reports and, whenever it was deemed necessary, a resolution was drawn up in writing in close coordination with the Chairwoman/Chairman of the Supervisory Board. The Chairwoman/Chairman 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/the Chairman 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 3 physical meetings and one telephone conference in the fiscal year 2019. 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 2019 focused on providing detailed updates on the financial status of the Company, the business strategy, and the sale of the immunology and proteomics businesses to Abcam PLC, which completed on 1 January 2020. The information provided by the Management Board was substantiated occasionally by oral reports from the Chairman of the Audit Committee.

The Management Board reported in the plenary session on a regular basis on the financial position and planning of the Group.

The discussions of the Supervisory Board focused on the financial situation of the Company and any deviations to the business plan, the launch of new products, the integration plans for the newly acquired companies and the Abcam transaction. The Supervisory Board also discussed the agenda items for the Annual General Meeting in July 2019 and the Extraordinary General Meeting in December 2019. 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.

Already on 12 June 2017, the Capital Increase Committee approved of the resolution of the Management Board to issue up to a further 1,500,000 shares against contribution in kind by the shareholders of Innova under exclusion of the subscription rights of the existing shareholders as part of an earn out arrangement in relation to Innova Biosciences. On 30 April 2019, 148,458 of those shares were registered in relation to this transaction. On 31 October 2019, 747,484 of those shares were registered in relation to this transaction. On 31 December 2019, 2,520 of those shares were registered in relation to this transaction.

Already on 30 April 2018, the Supervisory Board approved of the resolution of the Management Board to issue up to a further 1,612,638 shares against contribution in kind by the shareholders of TGR under exclusion of the subscription rights of the existing shareholders as part of an earn out arrangement in relation to TGR BioSciences PTY Ltd..

In February 2020, the shares due under the first year TGR earn out, totalling 723,392 were registered.

## **MANAGEMENT BOARD MATTERS**

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

## **COMPOSITION OF THE SUPERVISORY BOARD AND THE COMMITTEES**

On 4 April 2019, Dr Cristina Garmendia Mendizabal resigned from her position on the Supervisory Board. Joseph Fernandez was appointed as Chairman on 12 April 2019. On 9 July 2019, the appointment of Hansjörg Plaggemars to the Supervisory Board was approved by the shareholders at the Annual General Meeting. Other members of the Supervisory Board continued to be Mr. Peter-Llewellyn-Davies, Mr. Tim McCarthy, Dr. Trevor Jarman and Mrs. Pilar de la Huerta.

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

- (a) Mr Peter Llewellyn-Davies continued to act as chair of the Audit Committee consisting of:
  - Peter Llewellyn-Davies (Chairman)
  - Pilar de la Huerta
  - Tim McCarthy
- (b) Mr. Joseph M. Fernandez was chair of the Nomination and Remuneration Committee until 12 April 2019; at which time, Mrs. Pilar de la Huerta became chair and replaced Mr. Joseph M. Fernandez in the Committee, which consisted of:
  - Mrs. Pilar de la Huerta (Chairwoman), from 12 April 2019
  - Peter Llewellyn-Davies
  - Trevor Jarman

## ACTIVITIES OF THE COMMITTEES

The existing Committees and sub-committees support the work carried out in the plenary sessions of the Supervisory Board. The committees prepare the resolutions and the topics to be discussed by the full Supervisory Board. The chairman of each committee subsequently reported to the Supervisory Board at the next plenary session on the details and results of the work performed at the committee meetings.

The Audit Committee held four ordinary meetings in the reporting period. Its activities mainly focused on monitoring the accounting process, the audit of the separate and consolidated financial statements and management reports for the fiscal year 2019, discussing the audit reports and defining the areas of audit focus with the external auditors. The Audit Committee discussed the quarterly reports with the Management Board prior to publication. The committee also dealt with the examination and review of financial planning, the risk management system and the effectiveness of the internal control system. The committee prepared the Supervisory Board's proposal to the annual general meeting for the election of external auditors, awarded this engagement for the annual and consolidated financial statements and monitored the independence of the external auditors as well as any non-audit services they had provided.

The Nomination and Remuneration Committee had two meetings during 2019.

## CORPORATE GOVERNANCE

The Supervisory Board, as in the past, regularly dealt with the continuing development of corporate governance and its implementation at 4basebio. The corporate governance report, which is part of this annual report, contains further details of corporate governance at 4basebio. In March 2020, the Supervisory Board and the Management Board of 4basebio 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 4basebio 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 2019. Significant transactions between the Company and the members of the Supervisory Board or parties related to members of the Supervisory Board require Supervisory Board approval. This also applies in the case of consultancy or other service agreements between a Supervisory Board member and the Company.

Since 25 February 2015 Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, provided consulting services for project support to Expedeon, S.L.U., Madrid, Spain. The member of the Supervisory Board of Expedeon, Mrs. Dr. Cristina Garmendia and the former member Mr. Pedro Agustín del Castillo are principal shareholders of Science & Innovation Link Office, S.L. (SILO), Madrid, Spain. For these consulting services, Expedeon, S.L.U., Madrid, Spain, paid in 2019 the amount of €12,165 to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain.

Due to a public soft loan 4basebio S.L.U. receives from Spanish institutions for its R&D activities in Spain, Dr. Heikki Lanckriet pledged 400,000 shares of his interest in 4basebio AG to secure this loan. According to the agreement on the payment of a share pledge fee between 4basebio and Dr Heikki Lanckriet, it was agreed that 4basebio has to compensate Dr Heikki Lanckriet, for creating this pledge as a security for 4basebio's fulfilment of its obligation arising from the public loan received from the Spanish institution by paying a so called share pledge fee. This fee is €10,000 annually. The pledged shares shall be released from the pledge once a corporate

transaction takes place (e.g. share or asset deal of 4basebio AG to a third party) or if 4basebio assumes the liability.

## **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 2019 to 31 December 2019, which were prepared by the Management Board in accordance with the provisions of the HGB [“Handelsgesetzbuch”: German Commercial Code], and the management report of 4basebio AG, as well as the consolidated financial statements ending 31 December 2019 prepared in accordance with IFRSs and Sec. 315a HGB and the group management report of the 4basebio Group (4basebio AG and its subsidiaries).

The external auditors are of the opinion that the consolidated financial statements and the separate financial statements, prepared in accordance with the applicable financial reporting standards, give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group. The Supervisory Board’s Audit Committee awarded the audit engagement in accordance with the resolution taken by the annual general meeting of EXPEDEON AG on 9 July 2019.

This year’s audit focused on the valuation / presentation of discontinued operations in accordance with IFRS 5, the accounting for deferred tax assets and liabilities, the underlying documentation of the valuation assumptions and the information on the consolidated financial reports as part of the reporting. Other examination topics included accounting for revenues in accordance with IFRS 15, accounting for leases in accordance with 16, accounting for bonds in accordance with IFRS 9, goodwill and the group management report (including the report on opportunities and risks).

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 20 April 2020 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 20 April 2020 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 4basebio AG and the consolidated financial statements for the fiscal year 2019 on 28 April 2020. The financial statements are therefore adopted.

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

Cambridge, United Kingdom, 28 April 2020

Joseph Fernandez  
Chairman of the Supervisory Board

# Combined management report

4basebio AG, Heidelberg (formerly: Expedeon AG, Heidelberg)

Financial year from 1 January to 31 December 2019

## Combined management report of the 4basebio Group

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## 1. General Information

### Reporting entity

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4basebio AG, Heidelberg (formerly Expedeon AG, Heidelberg; previously Sygnis AG, Heidelberg) is an incorporated company under German law (hereinafter "4basebio AG"). 4basebio AG and the subsidiaries controlled by it (hereinafter "4basebio Group" or "Group" or "Group of Companies") operate in the life sciences sector and are mainly active in the fields of immunology, proteomics and genomics as well as related services and the sale of instruments and reagents. 4basebio AG is registered in the Commercial Register at the Mannheim Local Court under the number HRB 335706 and has its registered office at Waldhofer Strasse 102, 69123 Heidelberg. On 6 August 2018 the change of name of Sygnis AG to Expedeon AG was entered in the commercial register. The Extraordinary General Meeting on 19 December 2019 approved the renaming of the company to 4basebio AG. The shares of 4basebio AG are listed on the Prime Standard on the Frankfurt Stock Exchange under the German securities identification number (WKN) A2YN80. In the course of the conversion from ordinary to registered shares approved by the Annual General Meeting on 9 July 2019, the international securities number (ISIN) has changed (DE000A2YN801).

### Accounting and auditing

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4basebio AG prepares its consolidated financial statements and interim reports in accordance with the applicable regulations of the International Financial Reporting Standards (IFRS), as they are applied in the EU. The annual financial statements are prepared in accordance with the provisions of the German Commercial Code (HGB). Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, was appointed as auditor for the annual and consolidated financial statements for the 2019 financial year at the Annual General Meeting on 9 July 2019. There are no business, personal, financial or other relationships between the auditing company, its executive bodies and audit managers on the one hand and the 4basebio Group on the other that could give rise to doubts about the independence of the auditors. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft did not participate in the bookkeeping or the preparation of the annual or consolidated financial statements of 4basebio AG.

For the 2019 financial year, use was made of the option of a combined management report (hereinafter also referred to as "management report"). The presented management report thus combines the management report of 4basebio AG and the group management report of the 4basebio Group and was prepared in accordance with §§ 289, 289a, 289f, 315, 315a and 315d HGB and in accordance with German Accounting Standards (GAS) No. 17 and 20.

### Distinction between parent company and group

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In order to clarify which information relates to the parent company and which to the group of companies, "4basebio AG" is always used for the parent company. "4basebio Group" or "Group" or "Group of Companies" is used for disclosures relating to the Group. Where the above distinctions are not applied and no other separate notes are made, the information relates equally to the group of companies and the parent company.

### Financial year

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The 2019 financial year of 4basebio AG began on 1 January 2019 and ended on 31 December 2019. The corresponding period of the previous year (hereinafter also referred to as "prior year") therefore covers the period from 1 January 2018 to 31 December 2018.

### Rounding differences

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Unless otherwise indicated, all amounts are stated in thousands of euros (€'000). For technical reasons, rounding differences of +/- one unit (€'000, %, etc.) may occur in the information presented in these financial statements.

### Forward-looking statements

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This management report contains forward-looking statements. These statements reflect our own estimates and assumptions - including those of third parties (such as statistical data relating to the industry and global economic developments) - at the time they were made or on the date of this report. Forward-looking statements are always subject to uncertainties. If the estimates and assumptions prove to be incorrect or only partially correct, the actual results may differ - even significantly - from the expectations.

## 2. Basic principles of the Group

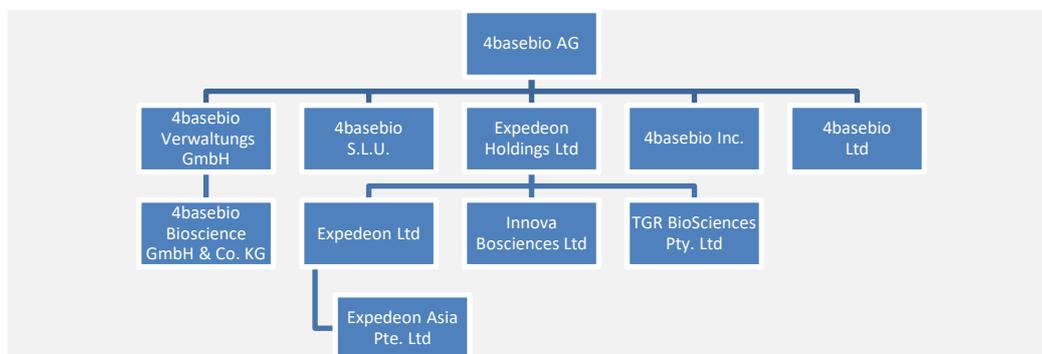
### 2.1. Group structure and organisation

#### Legal structure of the Group

4basebio AG acts as the management and functional holding company of the 4basebio Group and is responsible for the control and management of the corporate group. It also organises the technology and the associated intellectual property of the 4basebio Group. Furthermore, 4basebio AG is also responsible for the tasks of strategic significance, for example the expansion of the product portfolio, acquisitions and financial issues for the entire group. The holding company is also responsible for corporate identity, investor relations and marketing. In addition, 4basebio AG assumes, where necessary, the financing of strategically important development projects of the operating subsidiaries.

4basebio AG emerged from Lion Bioscience AG, Heidelberg, founded in 1997, which marketed software and IT applications for biotechnology companies and whose shares were listed on the German Stock Exchange in Frankfurt in 2000. With the reorientation in 2006, the Company's activities were concentrated on the development of biopharmaceuticals under the new company name "Sygnis Pharma AG". After the merger with the Spanish company X-Pol Biotech at the end of 2012, the business activities under the new company name Sygnis AG focused on molecular biological products for genomics and proteomics applications. In July 2018 Sygnis AG changed its company name to Expedeon AG and in January 2020 to 4basebio AG.

4basebio AG is the sole shareholder in the companies included in the consolidated financial statements. As of 31 December 2019, 4basebio AG directly (or indirectly) controls two domestic (prior year: two) and eight foreign (prior year: seven) subsidiaries (Australia, Singapore, Spain, UK and USA). Loans from the holding company were only granted to subsidiaries and their subsidiaries. The most important locations of the 4basebio Group with regard to the financial year 2019 were Cambridge/UK, San Diego/USA, Adelaide/Australia and Madrid/Spain. The 4basebio Group has rented premises in technology and business parks at most locations and owns real estate in Cambridge. As of 31 December 2019, 4basebio AG directly held 100% of the shares in 4basebio Bioscience GmbH & Co. KG (formerly: Expedeon Bioscience GmbH & Co. KG), Heidelberg/Germany; 4basebio Verwaltungs GmbH (formerly: Expedeon Verwaltungs GmbH), Heidelberg/Germany; 4basebio S.L.U. (formerly: Expedeon S.L.U.), Madrid/Spain; 4basebio Inc. (formerly: Expedeon Inc.), San Diego/USA; 4basebio Ltd, Cambridge/UK; and Expedeon Holdings Ltd, Cambridge/UK. As of 31 December 2019, the latter subsidiary again held 100% of the shares in TGR BioSciences Pty. Ltd, Adelaide/Australia, Innova Biosciences Ltd, Cambridge/UK and Expedeon Ltd, Cambridge/UK, which in turn held 100% of the shares in Expedeon Asia Pte. Ltd, Singapore. 4basebio Ltd, Cambridge/UK - a direct subsidiary of 4basebio AG - was founded in anticipation of the Abcam transaction during the 2019 financial year. The four employment contracts of the four employees remaining after the Abcam transaction and the assets remaining after this transaction were transferred to this company. The research and development activities of the 4basebio Group in the 2019 financial year were carried out by 4basebio S.L.U., Madrid/Spain; Expedeon Ltd, Cambridge/UK; and TGR BioSciences Pty Ltd, Adelaide/Australia. Expedeon Ltd, Cambridge/UK; 4basebio Inc., San Diego/USA; 4basebio S.L.U., Madrid/Spain; and TGR BioSciences Pty. Ltd, Adelaide/Australia manufactured and sold products in the 2019 financial year. Expedeon Asia Pte. Ltd, Singapore, acted as a sales company in the 2019 financial year. The group structure as at 31 December 2019 before the Abcam transaction is shown below (100% subsidiaries in each case):



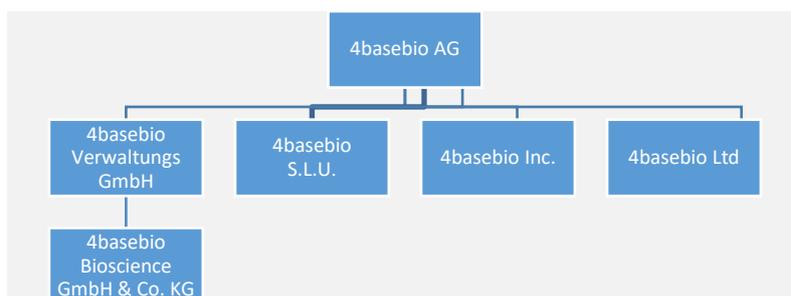
#### Sale of the proteomics and immunology businesses ("Abcam transaction")

On 2 January 2020, 4basebio AG, formerly known as Expedeon AG, concluded the transaction with Abcam PLC, Cambridge/UK (London Stock Exchange: ABC; ISIN: GB00B6774699; AIM MTF) - hereinafter referred to as "Abcam" - on the sale of its proteomics and immunology businesses for €120 million in cash with effect from 1 January 2020. The Annual General Meeting convened on 19 December 2019 gave its approval to this transaction and the change of name to 4basebio AG. The change of name from Expedeon AG to 4basebio AG, which was resolved at the extraordinary general meeting on 19 December 2019, was entered in the commercial register on 13 January 2020. With the change of name to 4basebio AG, the company's shares are

listed and traded under the new stock exchange code 4BSB. The company's shares will continue to be traded on the German Stock Exchange in Frankfurt under the unchanged WKN (A2YN80).

The agreement includes the sale and transfer of all shares in Expedeon Holdings Ltd, Cambridge/UK, a subsidiary of 4basebio AG, formerly known as Expedeon AG. Expedeon Holdings Ltd, Cambridge/UK, is divided as a holding company into the following two divisions: its subsidiary Expedeon Ltd, Cambridge/UK focuses on its proteomics business and the immunology business previously undertaken by Innova Biosciences Ltd (now dormant), Cambridge/UK; its subsidiary TGR BioSciences Pty. Ltd, Adelaide, Australia, is active in immunology. A further subsidiary of Expedeon Holding Ltd, Cambridge/UK, 4basebio Inc., San Diego/USA, was transferred to 4basebio AG, formerly known as Expedeon AG, with effect from 30 December 2019. With effect from 1 January 2020, the assets of the non-electrophoresis instruments business were transferred from 4basebio Inc., San Diego/USA to Abcam. In future the activities in the genomics business area will continue under the new company name "4basebio", based on the expertise and intellectual property of the Spanish subsidiary 4basebio S.L.U., Madrid/Spain (formerly: Expedeon Biotech S.L.U., Madrid/Spain). The group will focus on the manufacture of DNA for therapies and other applications requiring large amounts of highly purified DNA (e.g. the fast growing markets for novel gene therapies and gene vaccines). The sale of certain assets of the subsidiary 4basebio Inc., San Diego/USA as well as the sale of the investment in Expedeon Holdings Ltd, Cambridge/UK by 4basebio AG is referred as the "Abcam transaction". Not part of the Abcam transaction were 4basebio Bioscience GmbH & Co KG, Heidelberg/Germany; 4basebio Verwaltungs GmbH, Heidelberg/Germany; 4basebio S.L.U., Madrid/Spain; and 4basebio Inc., San Diego/USA, although the latter company sold certain inventories, customer contracts and fixed assets to Abcam.

The group structure of the 4basebio Group as of 1 January 2020 is shown below, taking into account the Abcam transaction (100% subsidiaries in each case):



## Business activities and operating segments

The 4basebio Group is a life sciences company that develops proprietary technologies that are used to create innovative products and services with high added value for biomarker research, drug discovery and clinical diagnostics. The Company's core technologies are in the fields of immunology, proteomics and genomics and thus cover the large areas of the market for molecular biology. The core business model of the 4basebio Group is the research, development and marketing of innovative kits that are used in research. The group of companies is positioning itself to achieve further added value from the application of its technology in clinical diagnostics. The product portfolio of the 4basebio Group continued to expand in 2019, both organically and through acquisitions, and at the end of the 2019 financial year consisted of a broad range of novel tools and technologies for molecular biology. The group of companies was particularly influenced by the recent acquisitions of Innova Biosciences Ltd, Cambridge/UK (acquisition date 16 June 2017) and TGR BioSciences Pty Ltd, Adelaide/Australia (acquisition date 2 May 2018), whose focus is on the field of immunology, especially antibody conjugates and immunoassays.

The 4basebio Group sells its products to a large number of customers from the academic and industrial sectors. Most of the products sold by the Group are used by customers for research purposes, although more and more products are supplied in connection with diagnostic products. This enables rapid market penetration due to the absence of regulatory hurdles (to which the industrial customers of the 4basebio Group, who develop products for diagnosis or clinical use, are subject). The products are used worldwide, with the Group selling its range through its own sales and marketing infrastructure and a global sales network to enable rapid market penetration. In addition, the Group also manufactures OEM products for key business partners.

Management, planning and control of the 4basebio Group are carried out at the level of the entire group of companies. Consequently, the 4basebio Group consists of only one business segment.

## Employees

The sustainable economic success of the 4basebio Group can only be achieved with a team of highly qualified and motivated employees. Consistent and forward-looking personnel development therefore forms a supporting pillar of the corporate strategy. The nature of the 4basebio Group's business activities in an innovative sector places high demands on the personnel in all areas of the group. The number of employees (full-time equivalent) remained largely constant in the 2019 financial year

and averaged 101 (2018: 113) over the year. As a result of the Abcam transaction, the number of employees was reduced to 29 as of 1 January 2020.

<b>Average personnel capacities by functional areas</b>	<b>2019</b>	<b>2018</b>
Operation and production	38	42
Sales and marketing	26	37
General finance and administration	20	19
research and development	17	15
<b>Number of employees (annual average)</b>	<b>101</b>	<b>113</b>

As of 31 December 2019, 4basebio AG had one employee (31.12.2018: one employee).

## **Diversity in the company**

The diversity of the people who work for the 4basebio Group form the basis for the performance and success of the company. By promoting diversity in the 4basebio Group, the right people can be brought together and a working culture can be created that promotes the performance, motivation and satisfaction of all staff. The 4basebio Group promotes the equal participation of women and men in management positions within the framework of the "Diversity Concept". In the 2019 financial year, women accounted for 44% of the 4basebio Group's total workforce. Due to the law on the promotion of women in management positions, 4basebio AG must set concrete targets for the two management levels. Below the Management Board, the second management level consists of managers who report directly to the Management Board. While no women were employed at the Executive Board level in the 2019 financial year, the proportion at the second management level was 57%. The proportion of women on the Supervisory Board in the 2019 financial year was 33% until 4 April 2019, 20% until 9 July 2019 and 17% thereafter.

## **2.2. Strategy**

### **Future Group strategy**

Following the sale of the proteomics and immunology business units as part of the Abcam transaction, the genomics business unit will in future be the focus of the 4basebio Group's business strategy. The expertise in this area is located in the Spanish subsidiary 4basebio S.L.U., Madrid/Spain. In future, the group will concentrate on the commercial applications of this proprietary technology, although the Management Board expects operating losses in the next two financial years (see section "5. Guidance report"). In addition to developing DNA production capability, the Group will continue its "buy and build" strategy, focusing on assets along the workflows in the areas of gene therapy and gene vaccines that complement the core DNA business.

The strategy of the 4basebio Group will in future concentrate on the following three areas of application in the business field of genomics.

- The Group will continue to produce and sell genomics kits for the research market. However, this field of application offers the lowest expected earnings for the Group in the future. For example, revenues generated from the sale of genomics kits in 2019 accounted for less than 2% of the Group's total revenues.
- In future the Group will increase its efforts to acquire major orders for the sale of enzymes used by customers for inclusion in their products for diagnostic use. Estimating the amount of revenue expected from these contracts and the timing of this revenue (which tends to be volatile) is subject to a high degree of uncertainty. The 4basebio Group expects an annual sales potential of €1 million or more from these customer contracts over time.
- The Group will primarily focus on the application of its technology in the commercial production of synthetic DNA for gene therapy and the application of gene vaccines. Following the completion of the Abcam transaction, this activity will in future represent the main focus of the 4basebio Group's activities. The Management Board expects the successful implementation of the project in the next two to three years, from the feasibility study and standardisation to the development of a manufacturing plant. The group expects that readiness for production will require accreditation according to the "Good Manufacturing Principles" (GMP) and that it will be possible to start producing DNA for sale to the pharmaceutical industry and biotechnology for gene therapy and vaccine applications within the aforementioned period.

The business model of the 4basebio Group will develop over the next three years, whereby the Group wishes to position itself ultimately as a contract manufacturer ("CMO") whose added value consists primarily in the creation of its own (legally protected) intellectual property. The earnings and earnings measures of this strategy could exceed the volume of Group revenues and adjusted EBITDA of the 2019 financial year within the next five years.

## Financial strategy

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In recent financial years, the 4basebio Group has concentrated primarily on the implementation of its "buy and build" strategy. The consistent pursuit of this strategy has had a fundamentally positive impact on the financial situation of the Group. This growth strategy was mainly responsible for more than doubling the adjusted EBITDA in the financial year 2019 compared with the prior year.

Even after the sale of the proteomics and immunology business units to Abcam, the 4basebio Group will continue to pursue an acquisition strategy where opportunities arise in the future. By acquiring complementary or additive technologies, products or content, the growth of the 4basebio Group should thus be further enhanced and its profitability further increased.

In recent financial years, the 4basebio Group has financed its operational trading and acquisition strategy through equity and debt financing. With the sale of the proteomics and immunology business units to Abcam, the Group has sufficient liquid funds to undertake its intended commercial strategy.

In the coming financial years, the 4basebio Group aims to improve both its EBITDA margins and sales revenues. The financial strategy is aimed at increasing the enterprise value of the 4basebio Group with regards to all stakeholders and to grow profitably.

## Customer profile

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Due to the recent acquisitions of Innova Biosciences Ltd, Cambridge/UK in the 2017 financial year and TGR BioSciences Pty. Ltd, Adelaide/Australia in the 2018 financial year, the Group's customer profile has shifted. While historically more than 70% of the customer base had been academic customers, there was a significant increase in industrial customers in the 2018 and 2019 financial years. Although academic customers were still in the majority compared to industrial customers at the end of the 2019 fiscal year, industrial customers already accounted for more than 80% of revenue.

The geographical distribution of the consolidated sales revenues has meanwhile shifted towards Europe and America, which, with a view to the 2019 financial year, account for 39% and 54% of the consolidated sales revenues of the 4basebio Group respectively (2018: 48% and 47%).

With the advance into the field of DNA manufacturing for gene therapies and DNA-based vaccines, 4basebio Group will continue to offer its services worldwide after the Abcam transaction. Europe and the USA are likely to be the future main sales markets with regards to this new field of activity for the Group, although it is difficult to forecast the future sales markets from today's position.

### 2.3. Management system - financial targets

The 4basebio Group is managed by the Management Board of 4basebio AG, which is responsible for managing the Group, setting goals and strategic direction, and controlling the implementation of the growth strategy ("buy and build").

The broader management team meets regularly to discuss emerging risks and operational issues in the Group and to discuss the review of key financial indicators. As part of this regular review process, deviations from expected performance are identified, their potential impact on liquidity and profitability is assessed and appropriate action is taken.

The primary objective of the Group's corporate development is to increase the value of the Company with regards to all stakeholders and to grow profitably. The financial management of 4basebio AG and the 4basebio Group is based on regular reports that present deviations from the budget using performance indicators. The following three financial performance indicators are considered to be the most important control parameters for the economic goals of the group:

- **Revenue** (IFRS);
- (unaffected by taxes and interest) adjusted operating profit before depreciation and amortisation (**adjusted EBITDA**); and
- **Cash**

In light of the Abcam transaction and the liquid funds secured as a result, cash will become less important as a control parameter for the Group in the future. However, for 4basebio AG cash held remains the only financial performance indicator.

In the 2019 financial year adjusted EBITDA was defined as earnings before interest, taxes, depreciation and amortisation (EBITDA) unaffected by taxes and interest, plus the expenses listed below:

- Entries (mainly non-cash) for earn-out obligations;
- Expenses for employee stock option plans; and
- (One-time) consultancy fees in connection with the sale of the proteomics and immunology businesses to Abcam with effect from 1 January 2020.

In particular in connection with the accounting for business combinations, International Financial Reporting Standards impose a number of burdens on earnings for which there is no impact on cash and cash equivalents (e.g. with regard to earn-out

obligations or employee stock option plans). These items are therefore added back when calculating adjusted EBITDA in order to improve the forecasting of earnings. Thus, EBITDA includes in particular the earnings effects from the revaluation of the earn-out obligations of the two acquisitions TGR BioSciences Pty Ltd, Adelaide/Australia (acquisition date 2 May 2018) and Innova Biosciences Ltd, Cambridge/UK (acquisition date 16 June 2017), which are linked to the share value of the 4basebio share and which must be carried out at the end of the respective financial year. Due to share price fluctuations between the acquisition date and the balance sheet date, these adjustment entries, which are expensed (but not initially cash-effective), are adjusted in the calculation of adjusted EBITDA.

Furthermore, with regard to the Abcam transaction, international accounting standards required certain expenses to be included in the profit and loss account for the financial year 2019, although the actual sale (and subsequently the total proceeds from the sale) will be recorded in the financial year 2020. The expenses to be recognised in the 2019 financial year include, among other things, the costs of the extraordinary general meeting necessary to approve the transaction as well as the valuation and legal costs directly related to the transaction. Adjusted EBITDA in the financial year 2020 will be adjusted accordingly for the net proceeds from the sale to Abcam. In the opinion of the Management Board, Adjusted EBITDA will allow better forecasting of the Group's performance and profitability.

## 2.4. Research & Development (R&D)

In future, research and development activities will be concentrated exclusively in 4basebio S.L.U., Madrid/Spain, which specialises in the research and development of genomics. Prior to the Abcam transaction, both Expedeon Ltd, Cambridge/UK and TGR BioSciences Pty Ltd, Adelaide/Australia, also conducted research and development activities in the fields of proteomics and immunology. Since the research and development activities in the fields of proteomics and immunology were part of the Abcam transaction, these two companies (Expedeon Ltd, Cambridge/UK and TGR BioSciences Pty Ltd, Adelaide/Australia) were removed from the scope of consolidation of the 4basebio Group with effect from 1 January 2020.

The proteomics and immunology products and services sold to Abcam include Lightning-Link<sup>®</sup>, a patented technology that enables rapid and accurate one-step conjugation of antibodies to a range of reporter molecules while overcoming the many limitations associated with traditional antibody labelling methods, and CaptSure<sup>™</sup>, a next-generation cross-platform immunoassay technology that enables rapid and reliable capture of biomarker targets by creating a universal capture surface. CaptSure<sup>™</sup> has also been successfully embedded in a high-throughput drug discovery tool (SureFire<sup>®</sup>) and has also been used in ELISA assay formats.

In the past financial years, the 4basebio Group has focused on DNA amplification technologies to promote research in oncology and to enable early diagnosis and monitoring of cancer progress using an NGS-based liquid biopsy approach. TruePrime<sup>™</sup> is the brand name of a series of technologies dedicated to the amplification of different DNA or RNA species for a variety of applications, including those with small amounts of available DNA.

The 4basebio Group has continued to invest in the technology of TruePrime<sup>™</sup>, where great potential is seen for new products and manufacturing services based on this proprietary platform technology. 4basebio S.L.U., Madrid/Spain, is distinguished above all by its know-how and IP in the field of polymerase enzymology.

R&D expenses in the 2019 financial year amounted to €1.4 million (prior year: €1.0 million). This increase is due to increased R&D activity in Expedeon Ltd, Cambridge/UK and the R&D activities of TGR BioSciences Pty Ltd, Adelaide/Australia, where R&D expenses for the latter were not included in the consolidated income statement of the Group for the 2018 financial year until the acquisition of this company with effect from 1 May 2018 (and therefore only on a pro rata basis).

## 3. Economic Report

### 3.1. Business overview

#### General economic and industry-related conditions

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The macroeconomic and industry-specific framework conditions primarily relate to the subsidiaries of 4basebio AG. Since the success of 4basebio AG is, however, largely determined by its subsidiaries, these framework conditions are not only important for the 4basebio Group as a whole, but also for the holding company.

#### MACROECONOMIC DEVELOPMENT

The global economic outlook is unstable and GDP growth in 2019 has been accordingly weak. A slowdown was observed in almost all economies and world trade stagnated. The United Nations reported global economic growth of 2.3% for 2019, the lowest level since the global financial crisis of 2008/2009 (source: UN, World Economic Situation and Outlook, 2019). According to its economic forecast published at the beginning of March, the Organisation for Economic Co-operation and Development (OECD) sees the spread of the coronavirus as the greatest threat to the global economy since the global financial crisis of

2008/2009 (OECD, Interim Economic Assessment, 2 March 2020). The spread of COVID-19, which was classified as a pandemic by the World Health Organization (WHO) on 11 March 2020, could have a significant negative impact on global growth in 2020, especially in view of the current significant restrictions on the movement of people, goods and services. In the case of the now global spread of COVID-19, the OECD has recently had to revise its forecasts downwards and now expects global economic growth of 1.5% in 2020, only half as strong as in its forecast of last November (OECD, Interim Economic Assessment, 2 March 2020). According to the OECD, the measures to contain the virus and the loss of confidence could have such an impact on production and consumption that some economies - including the eurozone - could slip into recession.

In view of these current developments, the 4basebio Group is concerned about the wellbeing of its employees and customers. Despite the unfavourable global economic situation, the Group considers itself to be relatively well positioned to meet the current economic challenges, in view of the liquid funds held following the Abcam transaction.

## **CAPITAL MARKETS**

The stock market proved to be satisfactory in 2019, especially for long-term investors. For example, the German share index DAX rose by more than a quarter, although various uncertainties remained, such as the ongoing trade conflict between the USA and China, fears of recession, the Brexit process and growing populism in Europe.

The positive development of the capital markets in 2019 has in many cases been able to compensate for the price losses of the previous year. This was also the case with the 4basebio share, which came under heavy pressure in the second half of 2018 as concerns about the economy and the trade dispute between the USA and China shook the stock markets and prices generally slumped. The share price of 4basebio shares was €1.70 at the end of 2019 compared with €0.89 at the end of 2018, which corresponds to an increase in value of €0.81 (absolute) or around 90% (percentage).

The product innovations announced in the course of the 2019 financial year and rising sales figures contributed to a slow but continuous positive share price development, so that the share price rose by more than 20% from mid-2019. Most of the share price gain was generated following the announcement of the sale of the proteomics and immunology businesses ("Abcam transaction").

In view of COVID-19 and the incipient corona pandemic, far-reaching effects on the global stock markets can already be observed at present, with higher market volatility than during the global financial crisis of 2008/2009. As a result of these price volatilities, the price of the 4basebio share is very volatile, as is the case with most listed small-cap companies.

## **DEVELOPMENT OF THE LIFE SCIENCES INDUSTRY**

Despite the current economic challenges, the outlook for the life sciences industry remains positive, mainly with regard to new technologies that could change the healthcare market in the long term. According to Deloitte (source: Deloitte, Global Outlook on Life Sciences, 2019), life science spending is expected to grow at an annual rate of 6.5% between 2018 and 2022. This will be driven by new therapies that address unmet needs and the increasingly important role of personalised medicine, as well as greater global access to medicines. 4basebio technologies and products are flowing into research and have the potential to be used in the fields of gene therapy and personalised medicine, with these areas showing above-average growth compared to the market average.

### **Key developments in the 2019 financial year**

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In January 2019 the 4basebio Group concluded a supply and licence agreement with Cell Guidance Systems, a developer of therapeutic products for use in medicine and life science research. The subject of the agreement is the use of the Company's proprietary Lightning-Link® rapid biotinylation technology for the production of TRIFic™ immunoassays (Time Resolved Immunofluorescence Exosome Detection Assay). Cell Guidance Systems had previously benefited from the application of 4basebio Group's Lightning-Link® technology for more than two years. According to this supply and licence agreement, the 4basebio Group became the preferred immunoreagent supplier for Cell Guidance Systems.

In May 2019, the 4basebio Group expanded its product range with CaptSure™ DIY ELISA, an assay technology for the analysis of cellular signalling pathways. The technology was developed by TGR BioSciences Pty Ltd, Adelaide/Australia, which was acquired by 4basebio AG in May 2018. CaptSure™ DIY ELISA is designed to significantly reduce the time required for the development of ELISA tests and to improve flexibility and sensitivity. This product enables the 4basebio Group to address new markets during a decisive growth and development phase of the group.

In June 2019, the 4basebio Group presented for the first time Lightning-Link® metal labelling kits for use in several immunoassay-based applications to support single cell analysis. The kits enable users to significantly improve the phenotypic analysis of heterogeneous cell populations by offering increased multiplexing capability compared to fluorophore labelling, thereby improving sample throughput and research performance.

In August 2019 the 4basebio Group signed a commercial agreement with Sona Nanotech Inc. (CSE: SONA.). The aim is to overcome the limitations in the development of complex multiplex point-of-care (POC) Lateral Flow Assay (LFA) diagnostic tests. Under the agreement, the 4basebio Group will provide gold nanoparticles, bioconjugation technologies and expertise. In return, Sona will contribute its Lateral Flow Assay development services.

4basebio AG, formerly known as Expedeon AG, signed an agreement with Abcam PLC, Cambridge/UK ("Abcam"; London Stock Exchange: ABC; ISIN: GBO0B6774699; AIM MTF) on 11 November 2019 for the sale of its proteomics and immunology businesses for €120 million in cash with effect from 1 January 2020 (subject to approval by the shareholders of 4basebio AG). The extraordinary general meeting convened on 19 December 2019 gave its approval to this transaction and subsequently the change of name to 4basebio AG. These business areas account for the majority of the balances reported in the consolidated balance sheet, consolidated income statement and consolidated cash flow statement. The financial figures attributable to the proteomics and immunology business units are therefore of minor importance for the purpose of assessing the future net assets, financial position and results of operations. For further explanations, please refer to section "2.1 Group Structure and Organization" ("Sale of the Proteomics and Immunology Business Units").

The 4basebio Group applied "IFRS 16 Leases" for the first time in the 2019 financial year. The effects on the asset, financial and earnings position of the consolidated financial statements of 4basebio AG are attributable to lessee accounting and here in particular to those leases that were previously classified as operating leases within the meaning of IAS 17 and which are to be recognised (for the first time) in the balance sheet in the 2019 financial year. This is due to the fact that IFRS 16 introduces a uniform accounting model according to which lessees must capitalise a right of use for all leases and recognise a corresponding lease liability for all outstanding lease payments (so-called right of use model). As a result, lessees need no longer classify leases as operating or finance leases. Overall, the first-time application led to only minor effects on the asset, financial and earnings position of the 4basebio Group. IFRS 16 was implemented by the 4basebio Group as of 1 January 2019 using the modified retrospective method. In accordance with the transitional provisions the comparative information was not adjusted. Nevertheless, the comparability with the previous year's figures is only slightly affected.

## General statement on the course of business and the economic situation of the Group

The 4basebio Group can once again look back on a successful financial year 2019, as both sales and adjusted EBITDA increased.

In the 2019 financial year, the Group's sales revenues of €15.7 million were up 19% on the previous year (2018: €13.1 million). This increase in revenue is primarily due to the first-time full-year consolidation of the subsidiary TGR BioSciences Pty Ltd, Adelaide/Australia, in the 2019 financial year, as the revenue of this subsidiary in the 2018 financial year was only included from the acquisition date of 2 May 2018 (and therefore only pro rata temporis for eight months).

[in €'000]	2019	2018
<b>Operating result</b>	<b>-1,780</b>	<b>-585</b>
Depreciation on property, plant and equipment	613	311
Amortization of intangible assets	2,282	2.034
<b>EBITDA</b>	<b>1,115</b>	<b>1,761</b>
Revaluation of earn-out obligations	1,372	-1,042
Expenses for stock options (non-cash)	69	265
Expenses Abcam transaction (1 January 2020)	360	0
<b>Adjusted EBITDA</b>	<b>2,916</b>	<b>984</b>

In addition to sales revenues, adjusted EBITDA also qualifies in the 4basebio Group as an important control parameter for the economic goals of the 4basebio Group. In the opinion of the Management Board, the adjusted EBITDA enables better forecasting of the performance and earning power of the group. For an explanation of the calculation basis, please refer to section "2.3. control system - financial targets".

EBITDA, using a conventional definition, is approximately 2.5 times lower than adjusted EBITDA in the 2019 financial year. Compared with the previous year, EBITDA in the 2019 financial year is around 1.5 times lower, while adjusted EBITDA is almost three times higher. For the purpose of calculating adjusted EBITDA, in the 2018 financial year the income from the revaluation of the relevant earn-out obligations in the amount of €1.0 million and in the 2019 financial year corresponding expenses from the revaluation of these obligations in the amount of €1.4 million were adjusted. The stock option expenses to be adjusted for the purpose of calculating adjusted EBITDA amounted to €69 thousand in the 2019 financial year (2018: €265 thousand). In addition, the expenses incurred in the 2019 financial year in connection with the "Abcam transaction" carried out in the 2020 financial year amounting to €360 thousand were adjusted in the adjusted EBITDA figure.

The cash flow from operating activities improved significantly compared to the previous year. At €1.1 million, the operating cash inflow for the 2019 financial year was positive and significantly above the level of the previous year (2018: cash outflow of €0.2 million). The positive development of the "cash flow from operating activities" is primarily the result of strong sales growth and consistent cost management. Cash and cash equivalents declined from €6.2 million at the end of the 2018 financial year to €3.7 million at the end of the 2019 financial year, primarily due to the payments in connection with the repayment of financial liabilities in the 2019 financial year of €2.8 million. With the sale of the proteomics and immunology business units to Abcam effective 1 January 2020, the Group has sufficient liquid funds to react quickly and flexibly to the needs of its customers in the future. As a result, cash holdings will become less important as a management parameter for the 4basebio Group in the future.

In addition to growth through established products, the Group continued to focus on internal innovations. Although new products were launched during 2019, these products did not make a significant contribution to the Group's key financial performance indicators in the 2019 financial year.

On 2 January 2020, 4basebio AG, formerly known as Expedeon AG, concluded the transaction with Abcam on the sale of its proteomics and immunology business units for €120 million in cash with effect from 1 January 2020 (see section 2.1. "Group structure and organisation" - "Sale of the proteomics and immunology business units"). Expedeon Holdings Ltd was classified as a disposal group held for sale and as a discontinued operation in accordance with IFRS 5 as of 31 December 2019. In accordance with the requirements of IFRS 5, no assets held for sale were reported as such in the consolidated balance sheet as of 31 December 2018, while in the consolidated income statement the prior year figures were adjusted. The proteomics and immunology business units account for the majority of the balances previously reported in the consolidated balance sheet, consolidated income statement and consolidated cash flow statement. The financial figures attributable to these business units are of minor importance for the purpose of assessing the future net assets, financial position and results of operations.

The Management Board of 4basebio AG expects that both the high level of economic uncertainty and the incipient corona pandemic could have a considerable negative impact on global growth in the 2020 financial year. Particularly in view of the already comprehensively introduced stabilising measures to mitigate the negative financial effects, the Management Board currently does not consider the economic situation of the 4basebio Group to be at risk beyond the end of the 2019 financial year. With the conclusion of the Abcam transaction, the 4basebio Group has sufficient liquid funds to cope with these current challenges.

### **3.2. Comparison of the actual development with the business performance forecast in the Forecast Report 2018**

Based on the original forecast made in April 2019 and the revised forecast in October 2019, the 4basebio Group had forecast a double-digit percentage increase in consolidated sales revenues for the 2019 financial year through a combination of organic and acquisition-driven growth. As a result of this revenue growth, the forecast made in April with a view to the 2019 financial year was to achieve an improved adjusted EBITDA of €2.0 million or more. This forecast was adjusted to €2.5 - €3.5 million in October 2019. Furthermore, the Management Board forecast a positive cash flow from operating activities for the 2019 financial year, which should contribute to a stable cash development of the Group.

The sales of the 4basebio Group in 2019 of €15.7 million increased compared to the previous year (2018: €13.1 million) in the double-digit percentage range (19%). The original adjusted EBITDA target set for the 2019 financial year was exceeded with an actual adjusted EBITDA of €2.9 million within the reforecast range set in October 2019. The cash flow target set was also achieved in the 2019 financial year. In contrast to the previous year, cash flow from operating activities was clearly positive in the 2019 financial year at €1.1 million (2018: cash outflow of €0.2 million).

### **3.3. Earnings situation of the Group**

#### **Discontinued operations: Proteomics and Immunology Business Units**

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The proteomics and immunology businesses sold to Abcam with effect from 1 January 2020 have been classified as a disposal group held for sale and as discontinued operations as of 31 December 2019 in accordance with the requirements of IFRS 5. In the consolidated income statement, the income and expenses attributable to the discontinued operations had to be summarized in one item and the prior-year figures adjusted accordingly. In the following table, the earnings situation of the 4basebio Group is presented both with regard to the discontinued business areas and with regard to the continued operations of the 4basebio Group. The two business areas proteomics and immunology account for the majority of the items previously reported in the consolidated income statement. The income statement items attributable to these business units are of minor importance for the purpose of assessing the future net assets, financial position and results of operations.

## Sales revenues

[in €'000]	2019			2018		
	Divisions			Divisions		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
<b>Nature of goods and services</b>						
Sales of products	1,022	12,436	<b>13,458</b>	1,025	11,552	<b>12,577</b>
Licenses and royalties	30	2,169	<b>2,229</b>	149	402	<b>551</b>
<b>Total</b>	<b>1,052</b>	<b>14,605</b>	<b>15,657</b>	<b>1,174</b>	<b>11,954</b>	<b>13,128</b>

The sales of the 4basebio Group in the 2019 financial year increased by 19% to €15.7 million compared to the previous year (2018: €13.1 million). The sales growth resulted from a combination of organic and acquisition-related growth. The increase in revenues is primarily due to the first-time full-year consolidation of the subsidiary TGR BioSciences Pty Ltd, Adelaide/Australia in the 2019 financial year, as the revenues of this subsidiary in the 2018 financial year were only included from the acquisition date of 2 May 2018 (and therefore only pro rata for eight months).

The vast majority of revenues in fiscal year 2019 were generated from the sale of products, in particular kits, with around 80% (2018: 70%) of revenues generated with industrial customers and around 20% (2018: 30%) with academic customers. The Company's revenues in the 2019 financial year were geographically allocated as follows: 54% to customers located in the United States (2018: 47%), 39% to European customers (2018: 48%) and 7% to customers located in other regions (2018: 5%). Revenue from customers that individually account for more than 10% of Group revenue amounted to €5.5 million in the 2019 financial year (2018: €3.6 million).

## Other operating income

[in €'000]	2019			2018		
	Divisions			Divisions		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
<b>Total</b>	<b>145</b>	<b>70</b>	<b>215</b>	<b>221</b>	<b>1,010</b>	<b>1,231</b>

At €215 thousand, other operating income for the financial year is significantly below the previous year's level (2018: €1.2 million). This decrease is largely due to income from the revaluation of earn-out obligations from acquisitions amounting to €1.0 million, which is included in other operating income in the 2018 financial year and relates to the two acquisitions TGR BioSciences Pty Ltd, Adelaide/Australia (acquisition date 2 May 2018) and Innova Biosciences Ltd, Cambridge/UK (acquisition date 16 June 2017). In addition, other operating income mainly includes income from exchange rate differences.

## Operating expenses

[in €'000]	2019			2018		
	Divisions			Divisions		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Cost of sales	-686	-2,803	<b>-3,489</b>	-663	-2,928	<b>-3,591</b>
Distribution costs	-134	-2,245	<b>-2,379</b>	-227	-2,582	<b>-2,809</b>
General and administrative expenses	-3,954	-5,077	<b>-9,031</b>	-3,378	-4,104	<b>-7,482</b>
Research and non-capitalised development costs	-220	-1,163	<b>-1,378</b>	-206	-837	<b>-1,043</b>
Other operating expenses	-	-1,370	<b>-1,370</b>	-	-19	<b>-19</b>
<b>Total</b>	<b>-4,994</b>	<b>-12,658</b>	<b>-17,652</b>	<b>-4,473</b>	<b>-10,470</b>	<b>-14,943</b>

Operating expenses include the cost of goods sold, personnel expenses related to sales and marketing, finance and administration, and research and development. Operating expenses rose from €14.9 million to €17.7 million (+ 18%) in the 2019 financial year compared to the previous year. €1.0 m of this increase is attributable to the subsidiary TGR BioSciences Pty Ltd, Adelaide/Australia, which was consolidated for the first time in financial year 2019 for the full year, as the operating expenses of this subsidiary were only included in financial year 2018 from the acquisition date of 2 May 2018 (and thus only pro rata temporis for eight months). Another reason for the increase in operating expenses in the 2019 financial year is the expenses of €1.4 million from the revaluation of earn-out obligations from the two acquisitions TGR BioSciences Pty. Ltd, Adelaide/Australia (acquisition date 2 May 2018) and Innova Biosciences Ltd, Cambridge/UK (acquisition date 16 June 2017), which are reported under other operating expenses. With regard to research and non-capitalized development costs, please refer to section "2.4. research & development (R&D)". Depreciation, amortisation and impairment losses included in operating expenses amounted to €2.9 million in the 2019 financial year 2019 (2018: €2.3 million).

## Result summary

[in €'000]	2019			2018		
	Divisions			Divisions		
	Continuing	Discon- tinued	Total	Continuing	Discon- tinued	Total
Sales revenues	1,052	14,605	<b>15,657</b>	1,174	11,954	<b>13,128</b>
Other operating income	145	70	<b>215</b>	221	1,010	<b>1,231</b>
Operating expenses	-4,994	-12,658	<b>-17,652</b>	-4,473	-10,470	<b>-14,943</b>
<b>Result from operating activities (EBIT)</b>	<b>-3,797</b>	<b>2,017</b>	<b>-1,780</b>	<b>-3,078</b>	<b>2,495</b>	<b>-585</b>
Financial result	-308	-460	<b>-768</b>	229	-147	<b>82</b>
Income taxes	317	-422	<b>-105</b>	20	182	<b>202</b>
<b>Result for the period</b>	<b>-3,787</b>	<b>1,134</b>	<b>-2,653</b>	<b>-2,829</b>	<b>2,528</b>	<b>-301</b>

The period loss of the 4basebio Group in the financial year 2019 was €2.7 million (2018: loss of €0.3 million). The €2.4 million greater net loss for the period compared to the previous year is mainly due to the recognition of earn-out obligations for the two acquisitions TGR BioSciences Pty Ltd, Adelaide/Australia (acquisition date 2 May 2018) and Innova Biosciences Ltd, Cambridge/UK (acquisition date 16 June 2017). While income of €1.0 million from the revaluation of these earn-out obligations had to be recognised in the income statement in fiscal year 2018, expenses of €1.4 million were incurred in fiscal year 2019. The balance of interest income and interest expense for fiscal year 2019 totalled -€0.8 million (2018: €0.1 million), including €0.5 million (2018: €0.2 million) for interest payments in connection with long-term and short-term credit financing. Despite the €2.5 million increase in sales revenues, earnings before interest and taxes (EBIT) in the 2019 financial year were -€1.8 million, €1.2 million lower than in the previous year (2018: -€0.6 million), which is largely due to the non-cash charges from the revaluation of earn-out obligations.

### 3.4. Net assets and financial position of the Group

#### Principles and objectives of financial management of the 4basebio Group

For the 4basebio Group, financial management means above all liquidity and capital structure management as well as the management of interest and currencies. The financial management of the 4basebio Group basically pursues the goal of maintaining the financial independence of the company by ensuring sufficient liquidity. In this way, the financial strength of the group should be maintained at a high level at all times. Risks should be avoided as far as possible or effectively hedged. The financing and liquidity risks are presented in section "4. opportunities and risk report". The 4basebio Group does not engage in speculative forward transactions and only uses derivative financial instruments when necessary.

The focus of the financial management of the 4basebio Group in the past financial years was primarily on ensuring sufficient liquidity. In order to anticipate future liquidity requirements, twelve-month liquidity plans were used. In view of the cash income from the Abcam transaction, the group of companies currently has not inconsiderable cash resources. The main focus in the future will therefore be on investing these cash funds. The capital is to be protected as far as possible from loss of value and the costs of holding deposits with banks minimised (e.g. in the event of negative interest rates).

Furthermore, the objectives of the financial management of the 4basebio Group focus on improving the profitability of the group measured by the adjusted EBITDA results. In recent financial years, this has been achieved through a combination of

earnings growth and effective cost management. With the Abcam transaction, 4basebio Group will achieve a significant capital gain in the first quarter of 2020 but the focus of financial management remains on minimizing the adjusted EBITDA losses in the near future and returning to positive adjusted EBITDA within the next two to three years. This is expected to be the case as soon as the 4basebio Group has developed the DNA production readiness and is able to generate revenues and profits.

## Discontinued operations: Proteomics and Immunology Business Units

The proteomics and immunology businesses sold to Abcam with effect from 1 January 2020 have been classified as a disposal group held for sale and as discontinued operations as of 31 December 2019 in accordance with the requirements of IFRS 5. In the consolidated balance sheet, the assets and liabilities attributable to the discontinued operations had to be summarized in separate items on the assets and liabilities side of the balance sheet, whereby the prior year figures did not have to be adjusted. In the following table, the assets and financial situation of the 4basebio Group is presented both with regard to the discontinued business areas and with regard to the continued operations of the 4basebio Group. The two business areas proteomics and immunology account for the majority of the balances previously reported in the consolidated balance sheet. The balance sheet items attributable to these business units are of minor importance for the purpose of assessing the future net assets, financial position and results of operations.

## Financial position

[in €'000]	31.12.2019		31.12.2018		Δ in %
<b>Non-current assets</b>	<b>52,214</b>	<b>84%</b>	<b>51,808</b>	<b>81%</b>	<b>+0.8</b>
<i>thereof: continuing operations</i>	3,646				
<i>thereof: discontinued operations</i>	48,568				
<b>Current assets</b>	<b>10,037</b>	<b>16%</b>	<b>12,369</b>	<b>19%</b>	<b>-18.9</b>
<i>thereof: continuing operations</i>	2,501				
<i>thereof: discontinued operations</i>	7,536				
<b>Total assets</b>	<b>62,251</b>	<b>100%</b>	<b>64,177</b>	<b>100%</b>	<b>-3.0</b>
<b>Equity</b>	<b>48,096</b>	<b>77%</b>	<b>46,502</b>	<b>73%</b>	<b>+3.4</b>
<b>Non-current liabilities</b>	<b>6,093</b>	<b>10%</b>	<b>9,916</b>	<b>15%</b>	<b>-38.5</b>
<i>thereof: continuing operations</i>	1,532				
<i>thereof: discontinued operations</i>	4,562				
<b>Current liabilities</b>	<b>8,061</b>	<b>13%</b>	<b>7,759</b>	<b>12%</b>	<b>-3.9</b>
<i>thereof: continuing operations</i>	2,535				
<i>thereof: discontinued operations</i>	5,527				
<b>Total equity and liabilities</b>	<b>62,251</b>	<b>100%</b>	<b>64,177</b>	<b>100%</b>	<b>-3.0</b>

The balance sheet total of 4basebio Group decreased by 3% to €62.3 million as of 31 December 2019 (31 December 2018: €64.2 million).

Non-current assets as of 31 December 2019, were up slightly on the prior-year level at €52.2 million (31 December 2018: €51.8 million). Intangible assets in the amount of €49.0 million (31 December 2018: €49.5 million) include goodwill in the amount of €35.0 million (31 December 2018: €33.9 million) and other intangible assets capitalized as part of company acquisitions in the amount of €14.0 million (31 December 2018: €15.6 million). With the sale of its proteomics and immunology businesses to Abcam with effect from 1 January 2020, all goodwill of the 4basebio Group will be removed from the consolidated balance sheet. The goodwill is subject to an impairment test at least once a year. In the 2019 financial year, in accordance with IFRS 16, rights of use from rental and leasing relationships were capitalised for the first time in the amount of €0.6 million and are included in property, plant and equipment. Nonetheless, property, plant and equipment as of 31 December 2019, at €2.1 million, remained roughly at the previous year's level (31 December 2018: €2.0 million) due to offsetting depreciation and disposals.

At €10.0 million, current assets as of 31 December 2019 were €2.3 million down on the prior-year figure (31 December 2018: €12.4 million). The reduction is mainly due to the not insignificant decrease in cash and cash equivalents by €2.5 million to €3.7 million as of 31 December 2019 (31 December 2018: €6.2 million). In contrast, trade receivables (€2.6 million), inventories (€2.4 million) and other current assets (€0.8 million) were roughly at the prior year's level as of 31 December 2019.

Non-current liabilities amounted to €6.1 million as of 31 December 2019, down €3.8 million on the prior year figure (31 December 2018: €9.9 million). This decline is largely due to non-current financial liabilities, which amounted to €3.9 million as of 31 December 2019, down €3.6 million on the prior year (31 December 2018: €7.5 million). The decline in non-current financial liabilities is mainly due to the reclassification of non-current liabilities to current. As of 31 December 2019, non-current liabilities also include €2.1 million in deferred tax liabilities (31 December 2018: €2.4 million).

At €8.1 million, current liabilities as of 31 December 2019 were up €0.3 million on the prior year figure (31 December 2018: €7.8 million). The loan bond to former TGR shareholders reported under current financial liabilities in the previous year, which was due in May 2019, was repaid on schedule in the current financial year. As a result of the reclassification of non-current financial liabilities as current, current financial liabilities of €4.0 million as of 31 December 2019 increased by €0.8 million against prior year's level (31 December 2018: €3.2 million). Trade accounts payable (€1.1 million), current provisions (€1.9 million) and other current liabilities (€1.1 million) were also subject to only minor fluctuations compared to the prior year.

Equity increased by €1.6 million to €48.1 million as of 31 December 2019 (31 December 2018: €46.5 million). The equity ratio rose to 77% at the end of fiscal year 2019 (31 December 2018: 73%).

Following the Abcam transaction effective 1 January 2020, certain debts of the Group to Boost & Co. and Santander were settled in 2020 from the proceeds of the sale of Abcam. As a result, debt was reduced by €4.7 million at the beginning of 2020. On the other hand, cash and cash equivalents increased by €122 million at that date. These liquid funds include restricted cash in the amount of €14.4 million, as this amount from the transaction proceeds is to be held for two years in an escrow account managed by JP Morgan on a fiduciary basis.

## Financial position

The proteomics and immunology businesses sold to Abcam with effect from 1 January 2020 have been classified as a disposal group held for sale and as discontinued operations as of 31 December 2019 in accordance with the requirements of IFRS 5. However, the consolidated cash flow statement includes cash inflows and outflows attributable to both discontinued operations and continuing operations. In the following, the financial situation of the 4basebio Group is presented both with regard to the discontinued operations and with regard to the continuing operations of the 4basebio Group. The two business areas proteomics and immunology account for the majority of the cash flows previously reported in the consolidated cash flow statement. The items attributable to these business units are of minor importance for the purpose of assessing the future net assets, financial position and results of operations.

[in €'000]	2019	2018	Δ in %
<b>Cash flow from operating activities</b>	<b>1,098</b>	<b>-158</b>	<b>+ &gt;100</b>
<i>thereof: continuing operations</i>	-2,694	-3,129	
<i>thereof: discontinued operations</i>	3,792	2,971	
<b>Cash flow from investing activities</b>	<b>-925</b>	<b>-6,707</b>	<b>+ 86.1</b>
<i>thereof: continuing operations</i>	-421	-441	
<i>thereof: discontinued operations</i>	-504	-6,266	
<b>Cash flow from financing activities</b>	<b>-2,875</b>	<b>+11,187</b>	<b>- &gt;100</b>
<i>thereof: continuing operations</i>	-902	7,224	
<i>thereof: discontinued operations</i>	-1,973	3,963	

The cash flow from operating activities improved significantly compared to the previous year. At €1.1 million, the operating cash inflow for the 2019 financial year was positive and significantly above the level of the previous year (2018: cash outflow of €0.2 million). The positive development of the "cash flow from operating activities" is primarily the result of strong sales growth and consistent cost management. The improved cash flow from operating activities is due, among other things, to the first-time full-year consolidation of the subsidiary TGR BioSciences Pty Ltd, Adelaide/Australia in the 2019 financial year, as the cash flows of this subsidiary in the 2018 financial year were only included from the acquisition date of 2 May 2018 (and thus only pro rata temporis for eight months).

Cash and cash equivalents decreased from €6.2 million at the end of the 2018 financial year to €3.7 million at the end of the 2019 financial year. This is primarily due to cash flows in connection with the repayment of financial liabilities in the 2019 financial year to the amount of €2.8 million. With the sale of the proteomics and immunology business units to Abcam effective 1 January 2020, the Group has sufficient liquid funds to react quickly and flexibly to the needs of its customers in the future.

The cash outflow from investing activities amounted to €1.0 million, compared with € 6.7 million in the previous year. If the cash outflow from investing activities is adjusted for the payments made in the 2018 financial year for the acquisition of TGR

BioSciences Pty Ltd, Adelaide/Australia, in the amount of €5.7 million, the cash flow from investing activities is almost identical to that of the previous year. The cash outflow from financing activities amounted to €2.9 million in the 2019 financial year, compared with a cash inflow of €11.2 million in the previous 2018 financial year, mainly due to payments in connection with the repayment of financial liabilities in the 2019 financial year in the amount of €2.8 million.

### 3.5. Assets, financial and earnings position of 4basebio AG

The annual financial statements of 4basebio AG are - in contrast to the consolidated financial statements, which are based on the IFRS of the IASB, as applicable in the EU - prepared in accordance with the principles of proper accounting in compliance with the provisions of §§ 242 to 256a and §§ 264 to 288 HGB and the special provisions of the German Stock Corporation Act (AktG). Since 4basebio AG generates its main income from management recharges from its subsidiaries, the annual financial statements of 4basebio AG show a very similar course of business to the consolidated financial statements of the 4basebio Group.

#### Earnings position

[in €'000]	2019	2018	Δ in %
Sales revenues	201	158	+27.2
Other operating income	9	1,483	-99.4
Personnel expenses	-5	-5	-
Depreciation	-9	-2	> 100.0
Other operating expenses	-2,070	-2,836	-27.0
Financial result	644	811	-20.6
Depreciation of financial assets	-31,601	-6,968	> 100.0
Other taxes	-1	-	-
<b>Net loss for the year</b>	<b>-32,832</b>	<b>-7,359</b>	<b>&gt; 100.0</b>

Revenue for fiscal year 2019 amounts to €0.2 million (2018: €0.2 million) and relates to revenue generated within the Group (ongoing charges for management services provided by 4basebio AG to the subsidiaries). The other operating income accrued in the 2019 financial year relates exclusively to income from the release of provisions (€9 thousand). The other operating income of the previous year amounting to €1.5 million is very much influenced by the income from the sale of Innova Biosciences Ltd, Cambridge/UK to another subsidiary of 4basebio AG, Expedeon Holdings Ltd, Cambridge/UK (€1.3 million).

Other operating expenses amounted to €2.1 million in the 2019 financial year and fell not insignificantly compared with the previous year (€2.8 million). The largest single items under other operating expenses in the 2019 financial year are non-refundable value-added tax of €0.2 million (2018: €0.5 million), legal and consulting fees in connection with company acquisitions of €0.4 million (2018: €0.0 million) and other operating expenses of €0.1 million (2018: €0.1 million). €0.4 million (2018: €0.0 million), other legal consulting fees of €0.1 million (2018: €0.2 million), investor relations expenses of €0.3 million (2018: €0.2 million), management and supervisory board compensation of €0.4 million (2018: €0.4 million) and audit fees of €0.4 million (2018: €0.4 million).

The financial result of €0.6 million (2018: €0.8 million) mainly includes interest income from interest-bearing loans granted within the Group and interest expenses from the use of prepaid expenses on the bond with warrants attached.

The write-downs on financial assets in the 2019 financial year relate to the write-down of the investment in 4basebio S.L.U., Madrid/Spain, in the amount of €31.6 million (and write-downs in the 2018 financial year for 4basebio Biosciences GmbH & Co. KG, Heidelberg in the amount of €7.0 million). 4basebio AG has sold its proteomics and immunology businesses to Abcam PLC, Cambridge/UK with effect from 2 January 2020 ("Abcam transaction"). Against this background, the Company has fully written off its investment in 4basebio S.L.U., Madrid/Spain as of 31 December 2019 due to an expected permanent impairment. While 4basebio S.L.U., Madrid/Spain conducted research and development activities in the fields of proteomics and immunology prior to the Abcam transaction, the research and development activities in the future will focus exclusively on genomics research and development. The reduction in the carrying amount of the investment in 4basebio S.L.U. reflects the uncertainty associated with long-term valuation models for accounting purposes regarding the ultimate value of the Spanish intellectual property that the Group is currently commercializing. The Management Board continues to see significant shareholder value in the commercial exploitation of the Spanish intellectual property by 4basebio AG.

The net loss for the financial year 2019 was €32.8 million compared to €7.4 million in the previous year. The net loss for the year is largely due to the impairment of the investment in 4basebio S.L.U., Madrid/Spain, in the 2019 financial year.

## Assets and financial position

In 4basebio AG, the same principles for financial management apply as they do for the group of companies (see section "3.4. Assets and financial position of the group").

[in €'000]	31.12.2019		31.12.2018		Δ in %
Intangible assets	18	0%	26	0%	-30.8
Property, plant and equipment	2	0%	4	0%	-50.0
Financial assets	25,818	49%	55,326	67%	-53.3
Receivables and other assets	26,696	50%	26,458	32%	+0.9
liquid assets	83	0%	205	0%	-59.5
Accruals and deferred income	662	1%	1,125	1%	-41.2
<b>Total assets</b>	<b>53,279</b>	<b>100%</b>	<b>83,144</b>	<b>100%</b>	<b>+35.9</b>
Equity	45,591	86%	75,851	91%	-39.9
Contributions made (resolved capital increase)	806	2%	213	0%	+ >100
Provisions	1,129	2%	2,250	3%	-49.8
Liabilities	5,753	10%	4,830	6%	+19.1
<b>Total liabilities and shareholders' equity</b>	<b>53,279</b>	<b>100%</b>	<b>83,144</b>	<b>100%</b>	<b>-35.9</b>

Intangible assets and property, plant and equipment decreased due to scheduled depreciation.

Financial assets decreased by €29.5 million to €25.8 million in the financial year 2019 due to the write-down of the investment in 4basebio S.L.U., Madrid/Spain (€31.6 million), partly offset by a revaluation of the earn-out obligation from the acquisition of TGR BioSciences Pty Ltd, Adelaide/Australia with effect from 2 May 2018 (€2.1 million).

Receivables include long-term loans to companies in the Group amounting to €26.7 million (31 December 2018: €26.5 million), the largest single item being receivables from Expedeon Holdings Ltd, Cambridge/UK in the amount of €18.3 million (31 December 2018: €16.8 million) and from Expedeon Ltd, Cambridge/UK in the amount of €5.1 million (31 December 2018: €5.1 million). The receivables from affiliated companies result from loans granted and other services provided by 4basebio AG and have a remaining term of up to one year.

The prepaid expenses include the deferred expenses from the warrant bonds shown under other liabilities, which were issued at a nominal value below the interest rate. The accruals and deferrals are distributed as expenses over the term of the options of 3 years.

Cash and cash equivalents amounted to €0.1 million as of 31 December 2019, compared to €0.5 million at the prior year's reporting date.

Equity decreased by €30.3 million to €46.8 million, mainly due to the write-down of the investment in 4basebio S.L.U., Madrid/Spain.

Other provisions decreased by €1.2 million to €1.1 million (31 December 2018: €2.3 million). This change is mainly due to the fact that the earn-out payments of €1.1 million accrued in the 2018 financial year were booked to equity in the 2019 financial year. Liabilities increased by €1.0 million to €5.8 million (31 December 2018: €4.8 million) and include liabilities from warrant bonds in the amount of €3.1 million (31 December 2018: €2.8 million), trade payables of €0.1 million (31 December 2018: €0.2 million) and liabilities to affiliated companies in the amount of €2.5 million (31 December 2018: €1.7 million).

## Overall assessment of the net assets, financial position and results of operations

The Management Board of 4basebio AG expects that both the high level of economic uncertainty and the incipient corona pandemic could have a considerable negative impact on global growth in the 2020 financial year. Particularly in view of the already comprehensively introduced stabilising measures to mitigate the negative financial effects, the Management Board currently does not consider the economic situation of the 4basebio Group to be at risk beyond the end of the 2019 financial year. With the conclusion of the Abcam transaction, the 4basebio Group has sufficient liquid funds to cope with these current challenges.

## 4. Report on opportunities and risks

The statements presented in the following opportunities and risk report apply equally to the group (4basebio Group) and the parent company (4basebio AG).

### 4.1. Opportunity and risk management system

The 4basebio Group operates in a dynamic market environment and is therefore exposed to various risks that are inseparably linked to entrepreneurial activity. In order to identify and analyse risks at an early stage and to take effective countermeasures, the Executive Board, in its overall responsibility for the 4basebio Group, has set up a system for risk management and internal controls. The main objective of risk management is to identify and monitor strategic, market-related, financial and business-specific opportunities and risks at an early stage in order to take the necessary, appropriate and appropriate measures after careful examination.

For this purpose, the Management Board has appointed a risk manager within the organisational structure. The most important mechanisms for risk identification are regular meetings of the upper management level at which newly emerging risks are identified and classified and the monitoring of business development against budget. This is supported by a regular exchange between the Management Board and the Supervisory Board, in which important issues are addressed and discussed. The risk situation of the 4basebio Group is also discussed with the audit committee in the context of the audit of the quarterly reports and the annual report.

The 4basebio Group continuously monitors all applicable environmental, health and safety, operational and other applicable legal or industrial guidelines and has implemented functions to effectively fulfil these guidelines at each of its business locations. In order to reduce the potential impact of numerous tax, business, labour, competition, IP and other legal frameworks, the Group bases its decisions and designs its policies and processes on advice from internal experts in each of these areas and, if necessary, on advice from external consultants. The 4basebio Group creates provisions to cover potential risks wherever this is reasonable and appropriate.

### Accounting related internal control and risk management system

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4basebio AG is obliged pursuant to § 289 Para. 4 and § 315 Para. 4 HGB to describe the main features of its accounting-related internal control and risk management system in the management report. The aim of the internal control and risk management system in relation to the group accounting process is to identify and assess risks that could conflict with the aim of ensuring that the consolidated financial statements comply with the regulations. This is intended to ensure sufficient certainty that the financial reporting, both with regard to the consolidated financial statements of the 4basebio Group and with regard to the individual financial statements of all subsidiaries to be included, is prepared in accordance with the law and in compliance with the generally recognised accounting principles.

The internal control and risk management system for financial reporting comprises principles, procedures and measures to ensure the effectiveness, efficiency and propriety of financial reporting and to ensure compliance with the relevant laws and standards. Key elements are clearly defined control mechanisms (in the form of system-related and manual coordination processes), the separation of functions ("dual control principle") and the existence of or compliance with guidelines and work instructions. In principle, any internal control system ("ICS") must take into account the fact that, regardless of its design, it cannot provide absolute certainty that material misstatements in accounting will be avoided or uncovered. The reasons for this could be, for example, incorrect discretionary decisions, inadequate controls or criminal acts. The Management Board bears overall responsibility for the internal control and risk management system for financial reporting.

Specific accounting-related risks may arise, for example, from the conclusion of unusual or complex transactions. Furthermore, business transactions that are not routinely processed are subject to latent risk. A limited group of persons necessarily has discretionary powers in the recognition and measurement of assets and liabilities, which may result in further accounting-related risks.

Significant changes in accounting processes due to new legislation, changes in legislation or changes in internal processes are analysed in Group Accounting for their effects in a timely manner. Special accounting and financial reporting issues or complex matters that either involve special risks or require special expertise are monitored and processed centrally. Fundamental issues arising in the course of preparing the annual or consolidated financial statements and financial matters arising during the year (e.g. accounting and tax issues) are discussed promptly with the Audit Committee. If necessary, additional external consultants are consulted on various topics (e.g. valuation of issued stock options in accordance with IFRS, tax loss carry forwards and deferred taxes).

The monthly, quarterly and annual financial information is analysed for plan/actual variances and accounting inconsistencies and inconsistencies. Prior to publication, the quarterly, annual and consolidated financial statements are discussed with the Audit Committee, which also carries out its own review.

The ICS is continuously reviewed for the effectiveness of the controls and adjusted as necessary. The accounting-related internal control system and the early warning system pursuant to Section 91 (2) of the German Stock Corporation Act (AktG) are reviewed as part of the audit of the financial statements. The auditor is obligated to inform the Supervisory Board of any

accounting-related risks or control weaknesses as well as other material weaknesses of the accounting-related internal control system and the early warning system pursuant to Section 91 (2) AktG identified during the audit.

## **4.2. Opportunities and risks of future business development**

The following is a list of the opportunities and risks that have been identified and are being pursued in the 4basebio Group as part of its risk management system. There is no offsetting of opportunities and risks. For the purposes of internal management, the individual risks presented in condensed form are not quantified using a consistent methodology throughout the group. The 4basebio Group distinguishes between "environment and business risks", "financial risks", "other risks" and "business opportunities".

### **Environmental and business risks**

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Among the "environment and business risks", the 4basebio Group monitors in particular risks that arise from macroeconomic, political, social and regulatory developments. In addition, the specific operating risks inherent in the 4basebio Group's business model are monitored.

#### **GENERAL INDUSTRY RISKS**

The 4basebio Group is exposed to the risks typical of the industry for companies in the life sciences sector. This naturally gives the group of companies a high risk profile, which can have a direct impact on the asset, financial and earnings position of the group and thus also directly influence the valuation of the company.

The biotech and pharmaceutical environment is extremely dynamic. Both the market environment and the competitive situation can change very quickly. Following the Abcam transaction and the associated operational realignment of the 4basebio Group, the number and identity of competitors has changed. Some of the competitors are significantly larger and financially more well placed than the 4basebio Group. There is also a risk that economically more important competitors could in future enter the market segment on which 4basebio Group has meanwhile focused after the conclusion of the Abcam transaction.

#### **RISKS FROM SELLING PRODUCTS**

In the past financial years, the 4basebio Group has concentrated on the sale of its own products, where the market success of these sales activities was of great importance with regard to the overall financial performance of the group. Accordingly, there were risks above all from insufficient market demand, declining customer needs or delays due to postponements in the market launch of further new and innovative products. As a result of its operational realignment, the Group will focus from 2020 onwards on the development of a DNA production capability, and product sales will no longer have a significant impact on the Group's overall financial performance (at least in the near future).

#### **RISKS FROM PRODUCT DEVELOPMENT**

The 4basebio Group develops new products and technologies in the field of molecular biology. Before new projects are launched, each project is intensively reviewed by the research management of the group of companies in regular meetings. These reviews cover both technical aspects and a careful analysis of the market potential.

#### **RISKS FROM BUSINESS COMBINATIONS**

Acquisitions of companies and product lines represent an important strategic instrument for the 4basebio Group to expand the service portfolio more quickly and to align it specifically with customer needs. Through the acquisition of companies or individual assets, the 4basebio Group can be exposed to risks associated with the integration of new technologies, business units, company locations and employees. In addition, in this context, risks may subsequently arise from the issue of equity instruments that could dilute the value of the shares held by the shareholders. Negative consequences on the enterprise value of 4basebio can arise in particular if an acquisition does not achieve the expected results.

#### **IP RISKS**

Patents are an important factor for life sciences companies in the marketing of products. The monitoring and protection of patents is therefore a very high priority for the 4basebio Group. Patent rights can be contested at any time and the granting of a new patent can involve a long and arduous process that offers no guarantee of a successful outcome. Patent disputes can entail considerable additional internal and external expenditure and, in extreme cases, can lead to the termination of a project.

#### **PERSONNEL RISKS**

In order to ensure the best possible corporate success, it is also extremely important for the 4basebio Group to hire a sufficient number of highly qualified employees and to commit them to the group. The group is in competition with other companies in terms of personnel resources. In this context, there is both the fundamental risk of turnover and the risk that the 4basebio

Group is not in a position to hire new employees with the necessary qualifications. In addition, the unforeseen loss of key employees and the associated loss of relevant know-how can have an adverse effect on the 4basebio Group, for example, particularly in a growth and expansion phase.

#### **FINANCING RISKS**

The implementation of a targeted growth strategy based on a "buy-and-build" concept requires additional liquid funds. In recent financial years, the 4basebio Group has examined various options for securing this capital requirement. Following the completion of the Abcam transaction and in view of the liquid funds generated by it, the Management Board of the 4basebio Group assumes that the Group is in a position to finance acquisitions from its own funds.

#### **GOING CONCERN**

The going concern assumption was an important management focus in the past fiscal years. For this purpose, the business planning process was of central importance in the 4basebio Group, which ultimately ensured sufficient liquidity. With the cash income from the Abcam transaction, the priority of the going concern assumption for the group of companies has in the meantime been significantly reduced.

#### **RISKS IN CONNECTION WITH THE RECOGNITION OF TAX LOSSES CARRIED FORWARD**

In addition to the previous regulations on loss deduction in accordance with Section 8 (4) KStG, the German legislator introduced more stringent legislation in Section 8c KStG, which came into force as part of the corporate tax reform on 1 January 2008, according to which the addition of new business assets is no longer an object and a transfer of more than 25% of the share capital before 1 January 2016 would result in at least part of the loss carry forwards no longer being deductible. A transfer of more than 50% of the share capital in accordance with the provisions of section 8c KStG would result in the entire loss carry forward no longer being deductible. The provisions of section 8d KStG apply to such transfers of shareholdings in the share capital that take place after 31 December 2015 - provided that the relevant conditions are met - so that in the event of a harmful acquisition of shareholdings pursuant to section 8c KStG, a so-called continuation-bound loss carry forward is granted upon application if the same business operations are continued and the other conditions are met.

#### **RISKS IN CONNECTION WITH THE REFUND OF INPUT TAX AMOUNTS**

With regard to 4basebio AG's entitlement to deduct input tax, an ongoing appeal process is underway with the tax authorities. In this process, there are different opinions between 4basebio AG and the relevant tax authorities. The risks are fully taken into account in the provisions and relate to the reimbursement of input tax amounts for periods prior to 31 December 2019.

#### **Financial risks**

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Various financial risks in connection with financial assets and financial liabilities can have an adverse effect on the asset, financial and earnings situation of the 4basebio Group. These are mainly interest rate risks, credit or default risks, liquidity risks and exchange rate risks. Supplementary explanations of the financial risks relating to the use of financial instruments can also be found in the notes to the consolidated financial statements in Note "22. Additional disclosures on financial instruments".

#### **INTEREST RATE RISKS**

The 4basebio Group does not currently hold any significant financial liabilities with variable interest rates in its balance sheet. However, after the Abcam transaction, the group currently has not inconsiderable cash holdings the interest rate on which is primarily dependent on the base interest rate of the European Central Bank. In the event of a reduction in the base rate, interest costs may arise for holding these bank deposits (e.g. in the event of negative interest rates).

#### **CREDIT OR DEFAULT RISKS**

In past financial years, credit or default risks existed in connection with the direct sale of the Company's own products regarding the timely collection or default of trade receivables from customers. Until the Abcam transaction, however, the actual bad debt losses were minimal. As the Group will focus on the development of DNA production readiness from fiscal year 2020 onwards due to the operational realignment, both the credit acceptance processes implemented to date and the credit control processes (e.g. the continuous monitoring of outstanding invoices) will no longer have a significant impact on the Group's risk position (at least in the near future).

Following the Abcam transaction, however, the group of companies currently has not inconsiderable cash holdings at banks. Against this background, the 4basebio Group is exposed to potential failures of the banking system and a resulting loss of capital. The financial stability of the banks used by the group is constantly monitored and the amount of deposits at the individual banks is regularly reviewed.

## **LIQUIDITY RISKS**

The liquidity risk describes the risk that the 4basebio Group is not in a position to settle its liabilities on maturity. The Group monitors its cash holdings closely to ensure that it has adequate liquidity at all times. With the cash income from the Abcam transaction, the liquidity risk of the 4basebio Group has in the meantime been reduced not insignificantly.

## **EXCHANGE RATE RISKS**

The majority of the activities of the 4basebio Group during 2019 are carried out in currencies other than the euro. Consequently, strong fluctuations in the exchange rate of the euro, especially against the US dollar or the British pound, can have a negative impact on the overall financial performance. From the financial year 2020, this risk has been significantly reduced as a result of the Abcam transaction with the sale of most British assets, all Australian assets and some US assets. With regard to 4basebio Inc., San Diego/USA, the transactions of the 4basebio Group will continue to be concluded in US dollars and certain employee-related costs will continue to be paid in British pounds. With a view to the closure of 4basebio Inc. San Diego/USA, which was decided in March 2020, the currency risk will be further reduced in fiscal year 2020. On the other hand, an exchange rate risk could exist in the future with regard to the cash investments of the liquid funds received as part of the Abcam transaction. This is only the case, however, if the funds received in euros are invested in currencies other than the euro.

## **Other risks**

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### **BREXIT**

The outcome of the Brexit process is currently still uncertain. Since the Abcam transaction, the Group has employed four people in the UK in administrative and management functions. There are no production, research and development or sales activities in the UK. Consequently, the significance of "Brexit" for the Group will be considered low in the future. Nevertheless, the 4basebio Group continues to monitor and consider the potential impact on the group itself and on its business partners.

### **CORONA / COVID-19**

The effects of the Coronavirus pandemic, which is ongoing at the time of the preparation of the management report, on the European and global economy in general and the 4basebio Group in particular cannot be estimated at the present time due to the current dynamics and the unforeseeable duration. Particularly in view of the already comprehensively initiated stabilising measures to mitigate the negative financial effects, the Management Board does not consider the economic situation of the 4basebio Group to be at risk beyond the end of the 2020 financial year at the time of preparation of the management report. With the conclusion of the Abcam transaction, the 4basebio Group has sufficient liquid funds to cope with the negative consequences of this pandemic.

## **Business Opportunities**

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Following the Abcam transaction, the main focus of the 4basebio Group over the next two years will be on the development of production facilities for the commercial production of synthetic DNA for use in gene therapy and gene vaccine applications. In due course (but not before the financial year 2022), cash income and profits from the sale of these development services should thus be generated. However, no significant income is expected before the financial year 2022. The Management Board is of the opinion that the concentration on the development of synthetic DNA production will contribute to increasing the value of the company.

In addition, the Group expects that in the future it will only rarely sell large quantities of enzymes that third parties intend to include in their diagnostics products. Both the timing and the amount of these product sales are difficult to predict, as they depend on a number of factors that are beyond the control of the 4basebio Group, in particular the progress made by potential customers in the development and marketing of diagnostic products.

Acquisitions will continue to offer the 4basebio Group the opportunity to complement the core competence of developing its production readiness for synthetic DNA along the genomic workflow. Against this background, the group will continue to pursue its "buy and build" strategy in the future.

## **General statement of the board**

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In its function as the body responsible for risk management, the Management Board of 4basebio AG reviews the risk and opportunity situation of the group of companies. The fundamental risk profile has changed considerably with the conclusion of the Abcam transaction. Following the Abcam transaction, the main focus of the 4basebio Group in the next two years will be on the development of its production readiness for synthetic DNA. The aim is to drive forward the commercial production of synthetic DNA in gene therapy and for gene vaccine applications. Despite the risks described above, in the opinion of the Management Board of 4basebio AG, an overall assessment shows that the future business opportunities outweigh the risks. The Management Board considers the risks to be appropriate overall and trusts in the effectiveness of the risk management system

with regard to changes in the environment and the requirements of the ongoing operating business. Particularly after the conclusion of the Abcam transaction, the 4basebio Group has sufficient cash at its disposal to successfully meet the new challenges of the current overall risk profile.

## 5. Guidance report

The following section may contain forward-looking statements based on the estimates and expectations of the Management Board regarding future developments, including financial forecasts and the future business situation of the company. These expectations are subject to the risks and uncertainties described in section "4. opportunities and risks report". Actual results may differ materially from the estimates due to a variety of factors beyond the control of the Management Board.

The total financial performance in financial year 2020 will depend on the progress made in the development of DNA production facilities, the related cost structure and the Group's ongoing research and development activities. In view of the closure of 4basebio Inc., San Diego/USA, the Management Board expects operating losses of this subsidiary until its final closure in the course of the 2020 financial year. In addition, additional costs for the closure of operations are expected.

During 2020, 4basebio will report a significant accounting profit due to the disposal of its proteomics and immunology assets to Abcam which completed on 1 January 2020 with proceeds of €120 million. In the near term however, it is expected that the Group will report operating losses and cash outflows as the Group re-invests to scale and expand our activities. The operational cash burn, excluding expenses relating to the Abcam transaction, from the remaining business for 2020 is expected to be between €2.5 million to €3.5 million with revenues between €0.5 million and €1.0 million

4basebio is now primarily focussed on the development of commercial quantities of synthetic DNA for use in gene therapy and gene vaccine markets, two rapidly emerging and fast-growing market segments. Current DNA supply for these markets is met by biofermentation production processes over which synthetic DNA, a new technology, has very clear performance, safety and cost benefits.

Over the next two years 4basebio expects to invest up to €15.0 million in the ongoing development of its proprietary technology for DNA manufacture, the subsequent scaling of its business and the development of a DNA manufacturing facility to produce commercial quantities of synthetic, clinical grade DNA. Alongside this we will continue our buy and build strategy with the aim of acquiring assets and technologies in gene therapy and vaccine workflows which are complementary to the core synthetic DNA production technology.

Management believes the pursuit of this strategy offers a value creation opportunity that can in due course significantly exceed the €120 million received from the sale of the immunology and proteomics assets.

## 6. Compensation Report

The remuneration report is part of the combined management report and contains both the basic principles of the remuneration systems for the Management Board and Supervisory Board as well as a disclosure of the amount and structure of the remuneration. The compensation report is based on the recommendations of the German Corporate Governance Code (DCGK) and meets the requirements of the applicable provisions of Sections 289a (2), 314 (1) No. 6a and b, 315a (2) of the German Commercial Code (HGB). In this remuneration report, 4basebio AG discloses both the remuneration of the Management Board and the remuneration of the Supervisory Board on an individual basis.

### 6.1. Management Board

#### Management Board members

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- **Dr Heikki Lanckriet** (CEO and CSO), member of the Executive Board since 2016, appointed until 31.12.2023.
- **David Roth** (CFO), member of the Management Board since 2017, appointed until 31.12.2023.

#### Main features of the remuneration system for the Management Board

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The overall structure of the remuneration system for the Management Board is discussed and regularly reviewed by the plenary session of the Supervisory Board, which is responsible for determining the appropriate remuneration of the individual Management Board members. In view of the importance of the composition of the Management Board and the associated remuneration of the individual members, the Supervisory Board has formed its own Nomination and Remuneration Committee. The non-performance-related components and the basic structures of the performance-related components are part of the employment contracts concluded with the individual Management Board members.

The aim and purpose of the remuneration system for the members of the Management Board of 4basebio AG is to enable the members of the Management Board to participate in the development of the company's business in accordance with their

individual tasks and performance for the group of companies and their success in managing the economic and financial situation of the company, taking into account the competitive environment. The total remuneration of the Management Board is performance-related and consisted of various components in the 2019 financial year:

- a non-performance-related remuneration (fixed remuneration); and
- a performance-related remuneration (variable remuneration).

At the Annual General Meeting on 7 July 2017, the Company received shareholder approval to allocate up to 2 million shares to the Management Board as part of an employee stock option plan. 1.75 million shares were allocated in the 2018 financial year.

The non-performance-related components consist of a fixed amount.

Since 1 August 2016, Dr Heikki Lanckriet has had an employment contract with 4basebio AG and an employment contract with Expedeon Ltd, Cambridge/UK. Since 1 March 2017, David Roth has had an employment contract with 4basebio AG and an employment contract with Expedeon Ltd, Cambridge/UK. From 1 January 2020 the employment contracts moved from Expedeon Ltd to 4basebio Ltd, Cambridge/UK.

With a view to the 2019 financial year, the performance-related remuneration consisted of a variable bonus. The amount of the respective bonus depends exclusively on the achievement of certain target parameters based on the Group's performance. The amount of the variable bonus is based on an annual assessment of the Company's performance, which is based on the achievement of strategic and operational goals such as the completion of the financing process, increasing the Company's visibility on the capital market and other corporate goals. During and after the end of the financial year, the Supervisory Board assessed the progress made in achieving the targets and determined the bonus taking all relevant factors into account.

The total remuneration of the members of the Management Board in the 2019 financial year amounted to €640 thousand (2018: €561 thousand).

#### Remuneration of the Management Board

[in €'000]	Performance-unrelated compensation	Performance-based compensation	Other benefits	Total cash compensation
<b>Dr Heikki Lanckriet</b>	<b>296</b>	<b>76</b>	–	<b>372</b>
<i>thereof from 4basebio AG</i>	<i>178</i>	<i>46</i>	–	<i>223</i>
<i>thereof from Expedeon Ltd</i>	<i>119</i>	<i>30</i>	–	<i>149</i>
<b>David Roth</b>	<b>213</b>	<b>55</b>	–	<b>268</b>
<i>thereof from 4basebio AG</i>	<i>171</i>	<i>43</i>	–	<i>214</i>
<i>thereof from Expedeon Ltd</i>	<i>43</i>	<i>11</i>	–	<i>54</i>

For the prior financial year 2018, the remuneration of the members of the Management Board is made up as follows:

[in €'000]	Performance-unrelated compensation	Performance-based compensation	Other benefits	Total cash compensation
<b>Dr Heikki Lanckriet</b>	<b>251</b>	<b>75</b>	–	<b>326</b>
<i>thereof from 4basebio AG</i>	<i>151</i>	<i>45</i>	–	<i>196</i>
<i>thereof from Expedeon Ltd</i>	<i>100</i>	<i>30</i>	–	<i>130</i>
<b>David Roth</b>	<b>181</b>	<b>54</b>	–	<b>235</b>
<i>thereof from 4basebio AG</i>	<i>145</i>	<i>43</i>	–	<i>188</i>
<i>thereof from Expedeon Ltd</i>	<i>36</i>	<i>11</i>	–	<i>47</i>

## Shares and subscription rights of members of the Management Board

	01.01.2019	Additions	Disposals	31.12.2019
<b>Dr Heikki Lanckriet</b>	1,629,019	57,500	–	1,686,519
<b>David Roth</b>	125,500	32,000	–	157,500
	<b>1,754,519</b>	<b>89,500</b>	–	<b>1,844,019</b>

In addition, as of 31 December 2019, Max Lanckriet, Nell Lanckriet and Finn Lanckriet, all persons affiliated with Dr Heikki Lanckriet, each hold 2,500 shares in 4basebio AG. Sarah Roth, a related person of David Roth, holds 89,000 shares in 4basebio AG as of 31 December 2019.

As of 31 December 2019, Dr Heikki Lanckriet holds 1,000,000 stock options in 4basebio AG and David Roth holds 750,000 stock options in 4basebio AG in 4basebio AG.

## 6.2. Supervisory Board

### Supervisory Board members

- **Dr Cristina Garmendia Mendizábal** (Chairwoman of the Supervisory Board until 4 April 2019)  
Self-employed entrepreneur, Madrid, Spain
- **Joseph M. Fernández**, *Chairman of the Supervisory Board*  
Chairman of the Board of Active Motif Inc., Carlsbad, California, USA
- **Dr Trevor Jarman**  
Independent entrepreneur, Cambridge, UK
- **Tim McCarthy**  
Chairman of the Executive Board of Unnamed Ltd, Cambridge, UK
- **Peter Llewellyn-Davies**  
Chief Executive Officer and Chief Financial Officer of APEIRON Biologics AG, Vienna, Austria
- **Pilar de la Huerta**  
Chief Executive Officer of ADL BioPharma, Madrid, Spain
- **Hansjörg Plaggemars** (member of the Supervisory Board since 9 July 2019)  
Management Consultant, Stuttgart, Germany

### Supervisory Board members' other memberships in statutory supervisory boards and comparable domestic and foreign supervisory bodies (section 125 (1) sentence 5 AktG)

- **Joseph M. Fernández**
  - Chairman of the Management Board of Active Motif Chromeon GmbH, Tegernheim, Germany
  - Member of the Board of Directors of Hiram College, Hiram, Ohio, USA
  - Member of the Board of Directors of Protein Fluidics, Santa Clara, San Francisco, CA, USA
  - Member of the Board of Directors of Delegate Advisors, San Francisco, CA, USA
- **Dr Trevor Jarman**
  - Chairman of the Board of Directors of Persavita Ltd, Cambridge, UK, *terminated during 2019*
  - Chairman of the Board of Natures Remedies Ltd, Cambridge, UK, *terminated during 2019*
  - Member of the Board of Directors of Cambridge Cell Networks Ltd, Cambridge, UK
  - Member of the Board of Directors of Swangap Flat Management Ltd, Cambridge, UK
  - Member of the Board of Directors of Protus Ltd, Cambridge, UK
  - Designated Partner of CB4Living LLP, Cambridge, UK
- **Tim McCarthy**
  - Chairman of the Board of Directors of ImmuPharma PLC, London, UK
  - Chairman of the Board of Directors of Dropped Ltd, Cambridge, UK

- Chairman of the Board of Directors of Incanthera Ltd, Manchester, UK
  - Member of the Board of Directors of Incanthera Therapeutics Ltd, Manchester, UK
  - Member of the Board of Directors of Incanthera R&D Ltd, Manchester, UK
  - Member of the Board of Directors of Frangipani Dreams Ltd, Cambridge, UK
- **Peter Llewellyn-Davies**
    - Chief Executive Officer and Chief Financial Officer of APEIRON Biologics AG, Vienna, Austria
    - Member of the Supervisory Board and Chairman of the Audit Committee of Shield Therapeutics PLC, London, UK
- **Pilar de la Huerta**
    - Member of the Board of Directors of Epidesease SL, Madrid, Spain
- **Hansjörg Plaggemars** (since 9 July 2019)
    - Non-Executive Director of KIN Mining NL, Perth, Australia
    - Non-Executive Director of Azure Minerals Limited, Perth, Australia
    - Non-Executive Director of Davenport Resources Limited, Perth, Australia
    - Supervisory Board Chairman of Nordic SSW 1000 Verwaltungs AG, Heidelberg, Germany
    - Supervisory Board Member of Carus AG, Heidelberg, Germany
    - Supervisory Board Member of Deutsche Balaton Immobilien I AG, Heidelberg, Germany

### **Main features of the remuneration system for the Supervisory Board**

The remuneration of the members of the Supervisory Board is determined by the Annual General Meeting and is set out in § 10 of the articles of association of 4basebio AG. In accordance with the German Corporate Governance Code, the individual members of the Supervisory Board of 4basebio AG receive both fixed remuneration that is not performance-related and variable remuneration that is performance-related.

The non-performance-related remuneration that each member receives amounts to €20,000. The Chairman receives twice and the Deputy Chairman 1.5 times the remuneration of a Supervisory Board member. In addition to this remuneration, each chairman of a Supervisory Board committee receives €10,000 in remuneration, provided that the committee meets at least twice during the fiscal year. In addition, the members of the Supervisory Board receive variable remuneration amounting to 10% of their fixed salary for the first fiscal year in which a positive return on equity is achieved. In subsequent years, the variable remuneration (performance-related remuneration) is measured as a percentage of the return on equity (percentage) of the consolidated financial statements. Supervisory Board members who are only active for part of the fiscal year receive an appropriate proportionate (reduced) remuneration. All members of the Supervisory Board are reimbursed for expenses incurred in the performance of their duties.

### **Remuneration of the Supervisory Board**

[in €'000]	2019			2018		
	Fix	Variable	Total	Fix	Variable	Total
Dr Cristina Garmendia Mendizábal	11	-	11	40	-	40
Joseph M. Fernandez	37	-	37	30	-	30
Dr Trevor Jarman	20	-	20	20	-	20
Tim McCarthy	27	-	27	20	-	20
Peter Llewellyn-Davies	30	-	30	30	-	30
Pilar de la Huerta	27	-	27	20	-	20
Hansjörg Plaggemars	10	-	10	-	-	-
<b>Total</b>	<b>162</b>	<b>-</b>	<b>162</b>	<b>160</b>	<b>-</b>	<b>160</b>

## Shares and subscription rights of members of the Supervisory Board

	01.01.2019	Additions	Disposals	31.12.2019
Joseph M. Fernández	2,649,921	39,548	–	2,689,469
Dr Trevor Jarman	608,288	–	–	608,288
Tim McCarthy	154,817	–	–	154,817
Peter Llewellyn-Davies	–	10,000	–	10,000
Pilar de la Huerta	–	–	–	–
Hansjörg Plaggemars	–	–	–	–
	<b>3,413,026</b>	<b>49,548</b>	–	<b>3,462,574</b>

In addition, Kathrin Plaggemars, a person closely associated with Hansjörg Plaggemars, holds 40,000 shares in 4basebio AG as of 31 December 2019.

### 6.3. Professional liability insurance (D&O insurance)

4basebio AG has taken out liability insurance (D&O insurance) with a deductible for members of the Supervisory Board, for members of the Management Board and for executive employees of affiliated companies in Germany and abroad. The deductible is based on the legal requirements and the recommendations of the German Corporate Governance Code. The insurance covers the costs of legal defence in the event of damage and any compensation payments to be made, which are covered by the insurance policy. The sum insured is deliberately kept low in order to ensure that the premium remains appropriate to the Company's financial situation. In the event of liability exceeding the sum insured, each individual member of the Management Board or Supervisory Board is held personally liable to the full extent.

## 7. Information relevant to takeovers

### Disclosures pursuant to Sections 289a (1), 315a (1) HGB

#### COMPOSITION OF THE SUBSCRIBED CAPITAL (NO. 1)

The share capital of 4basebio AG in the amount of €52,309,785 as of 31 December 2019, consists of 52,309,785 no-par value bearer shares with a notional interest in the share capital of €1 per share. Without exception, all ordinary shares carry voting rights. There are no holders of shares with special rights or other restrictions on voting rights.

#### RESTRICTIONS AFFECTING VOTING RIGHTS OR THE TRANSFER OF SHARES (NO. 2)

The Management Board is not aware of any restrictions affecting voting rights or the transfer of shares, in particular restrictions that may result from agreements between shareholders.

#### DIRECT OR INDIRECT SHAREHOLDINGS IN CAPITAL EXCEEDING 10% OF THE VOTING RIGHTS (NO. 3)

On 6 April 2020, a regulatory notification was made by Mr W. Zours confirming a total position in the shares of 4basebio AG of 21.01%.

#### HOLDERS OF SHARES WITH SPECIAL RIGHTS (NO. 4)

There were and are no shares in 4basebio AG with special rights that confer controlling powers.

#### NATURE OF CONTROL OF VOTING RIGHTS IN THE CASE OF EMPLOYEE PARTICIPATION (NO. 5)

There are no employees with an interest in the share capital of 4basebio AG who cannot directly exercise their control rights.

## **LEGAL PROVISIONS AND PROVISIONS OF THE ARTICLES OF ASSOCIATION CONCERNING THE APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION (NO 6)**

### **a) Appointment of Management Board members**

In accordance with § 6 of the articles of association of 4basebio AG, the Management Board consists of one or more members, while the actual number of additional Management Board members is determined by the Supervisory Board. The Supervisory Board can appoint a Chairman and one or more Deputy Chairmen of the Management Board.

### **b) Dismissal of members of the Management Board**

The appointment and dismissal of members of the Management Board is governed by sections 84 et seq. AktG and the supplementary provisions of the Supervisory Board Articles of Association.

### **c) Amendment of the Articles of Association of the Company**

The amendment of the company's articles of association is regulated in §§ 133 and 179 AktG in conjunction with § 9 para. 7 of the articles of association of 4basebio AG. According to the articles of association of 4basebio AG, a resolution of the Annual General Meeting that approves an amendment to the articles of association requires a simple majority of the share capital represented at the time of the resolution, unless mandatory statutory provisions require otherwise.

## **POWERS OF THE MANAGEMENT BOARD TO ISSUE OR BUY BACK SHARES (NO. 7)**

The Management Board was authorised by the Annual General Meeting to issue the following new shares or conversion or option rights

Pursuant to § 4 para. 4 of the articles of association of 4basebio AG, the Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital of the company by a total of EUR 25,561,278 by issuing new no-par value ordinary registered shares from the Authorised Capital 2018 against cash and/or non-cash contributions on one or more occasions up to and including 4 July 2023. The Management Board may, with the consent of the Supervisory Board, exclude the statutory subscription right of shareholders

- insofar as this is necessary to avoid fractional amounts;
- to grant shares against contributions in kind;
- insofar as it is necessary to protect against dilution, to grant the holders of convertible and/or warrant bonds, convertible bonds or warrants a subscription right to new shares to the extent to which the holders would be entitled after exercising their conversion or option rights or after fulfilling a conversion obligation; or
- in the case of a capital increase against cash contributions, if the proportion of the share capital of the new shares for which subscription rights are excluded does not exceed 10% of the share capital registered at the time the authorization\* becomes effective and at the time the authorization is exercised, and the issue price of the new shares is not significantly lower than the market price of existing listed shares of the same class.

(\*) The authorisation for Authorised Capital 2018 became effective on 24 October 2018 upon entry in the commercial register. The share capital amounted to €51,411,323 at that date.

As of 31 December 2019, the Executive Board had not yet exercised this authorization. Thus, authorised capital totalling €25,561,278 was available.

Pursuant to § 4 para. 5 of the articles of association of 4basebio AG, the Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital of the company by a total of €1,000,000 by issuing up to 1,000,000 new registered ordinary shares with no par value from the Authorised Capital 2019. The conditional capital increase from the Conditional Capital 2019 will only be implemented to the extent that the holders of stock options issued by the Company up to and including 6 July 2024 on the basis of the authorisation resolved by the General Meeting of 7 July 2017 (Stock Option Plan 2019) in the version of the General Meeting of 9 July 2019, exercise their subscription rights and the Company does not grant treasury shares, shares from existing or newly created authorised capital and does not opt for cash settlement. The new ordinary registered shares resulting from the exercise of these subscription rights are entitled to dividends from the beginning of the financial year for which, on the day of the issue of the shares, no resolution of the Annual General Meeting on the appropriation of the balance sheet profit has yet been adopted.

According to § 4 para. 6 of the articles of association of 4basebio AG, the share capital is conditionally increased by up to €4,000,000 through the issue of up to 4,000,000 ordinary registered shares (conditional capital 2018/I).

The conditional capital increase from Conditional Capital 2018/I will only be implemented to the extent that the holders of stock options issued by the Company up to and including 6 July 2022 on the basis of the authorization resolved by the Annual General Meeting on 7 July 2017 (Stock Option Plan 2017) with the amendments in accordance with the resolution of the Annual General Meeting on 5 July 2018, exercise their subscription rights and the Company does not grant treasury shares or shares from existing or newly created authorized capital and does not decide to pay a cash settlement. The new shares carry dividend rights

from the beginning of the financial year for which, at the time of the issue of the shares, no resolution of the Annual General Meeting on the appropriation of the balance sheet profit has yet been passed.

According to § 4 para. 7 of the articles of association of 4basebio AG, the share capital is conditionally increased by up to €18,000,000 through the issue of up to 18,000,000 ordinary registered shares (conditional capital 2018/II). The conditional capital increase will only be implemented to the extent that the holders of option or convertible bonds issued on the basis of the authorisation resolved by the Annual General Meeting on 5 July 2018 exercise their option or conversion rights or, to the extent that they are obliged to convert convertible bonds, fulfil their obligation to convert their convertible bonds, and the company does not grant treasury shares or shares from existing or newly created authorized capital and does not opt for a cash settlement. The new shares carry dividend rights from the beginning of the fiscal year for which, at the time the shares are issued, no resolution of the Annual General Meeting on the appropriation of the balance sheet profit has yet been passed.

According to § 4 para. 9 of the articles of association of 4basebio AG, the share capital is conditionally increased by up to €1,650,000 through the issue of up to 1,650,000 ordinary registered shares (Conditional Capital V). The conditional capital increase will only be implemented to the extent that the holders of option or convertible bonds issued on the basis of the authorization resolved by the Annual General Meeting on 20 June 2016 exercise their option or conversion rights or, to the extent that they are obliged to convert convertible bonds, fulfil their obligation to convert their convertible bonds and the company does not grant treasury shares or shares from existing or newly created authorized capital and does not opt for a cash settlement. The new shares carry dividend rights from the beginning of the fiscal year for which, at the time the shares are issued, no resolution of the Annual General Meeting on the appropriation of the balance sheet profit has yet been passed.

#### **MATERIAL AGREEMENTS SUBJECT TO THE CONDITION OF A CHANGE OF CONTROL FOLLOWING A TAKEOVER BID (NO. 8)**

As of the reporting date, there were no material agreements in which the company was involved that would take effect in the event of a change of control following a takeover bid.

#### **COMPENSATION AGREEMENTS IN THE EVENT OF A TAKEOVER BID (NO. 9)**

There are no agreements with members of the Management Board or with the staff regarding compensation payments in the event of a takeover bid.

### **8. Declaration on corporate governance**

The 4basebio Group is committed to the recognised standards of good and responsible corporate management and aligns management and control in accordance with the requirements of the German Corporate Governance Code (DCGK). The standards applied are set out in the declaration on corporate governance pursuant to § 289f in conjunction with § 289f of the German Corporate Governance Code. § Section 315d HGB. 4basebio AG publishes the Corporate Governance Declaration (§ 289f HGB) and the Group Corporate Governance Declaration (§ 315d HGB) on its homepage at <https://investors4basebio.com/corporate-governance>. This declaration includes the declaration of compliance with the German Corporate Governance Code pursuant to § 161 AktG, which can be accessed at <https://investors4basebio.com/corporate-governance>.

### **9. Responsibility statement by the legal representatives**

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements and the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group and the parent company, and the group management report and management report provides a fair review of the development and performance of the business and the position of the group and the company, together with a description of the principal opportunities and risks associated with the expected development of the group and the company.

Heidelberg, 28 April 2020

Dr Heikki Lanckriet

CEO

David Roth

CFO

# Consolidated Financial Statements

4basebio AG, Heidelberg (formerly Expedeon AG, Heidelberg)

Financial year 1 January – 31 December 2019

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## Consolidated statement of comprehensive income

[in €'000]	Note	01.01. – 31.12.	
		2019	2018 *)
<b>Continuing operations</b>			
Revenues	(1)	1,052	1,174
Cost of goods sold	(2)	(686)	(663)
<b>Gross profit</b>		<b>365</b>	<b>511</b>
Sales and distribution costs	(2)	(134)	(227)
Administration expenses	(2)	(3,954)	(3,377)
Research and non-capitalised development costs	(3)	(220)	(206)
Other operating expenses	(4)	-	-
Other operating income	(5)	145	221
<b>Operating result</b>		<b>(3,797)</b>	<b>(3,078)</b>
Finance income	(6)	122	498
Finance costs	(6)	(430)	(269)
<b>Financial result</b>		<b>(308)</b>	<b>229</b>
<b>Earnings before taxes from continuing operations</b>		<b>(4,104)</b>	<b>(2,849)</b>
Income tax	(7)	317	20
<b>Result from continuing operations</b>		<b>(3,787)</b>	<b>(2,829)</b>
<b>Discontinued operations</b>			
Earnings before taxes from discontinued operations		1,556	2,346
Income tax		(421)	182
Earnings after taxes from discontinued operations	(21)	1,133	2,528
<b>Result for the period</b>		<b>(2,653)</b>	<b>(301)</b>
Earnings per share	(8)		
- Undiluted (in EUR/share)		(0.05)	(0.01)
- Diluted (in EUR/share)		(0.04)	(0.01)
Earnings per share from continuing operations	(8)		
- Undiluted (in EUR/share)		(0.08)	(0.01)
- Diluted (in EUR/share)		(0.07)	(0.01)
<b>Items that may be reclassified to the income statement in subsequent periods</b>			
Exchange rate adjustments		1,152	(26)
<b>Other comprehensive income (after taxes)</b>		<b>1,152</b>	<b>(26)</b>
<b>Total comprehensive income</b>		<b>(1,501)</b>	<b>(327)</b>

\*) Comparability of prior year figures limited (for further explanation see section B in the notes to the consolidated financial statements)

Consolidated financial statements of 4basebio AG, Heidelberg (formerly Expedeon AG, Heidelberg)  
for the financial year 2019

## Consolidated statement of financial position

[in €'000]	Note	31.12.2019	31.12.2018 <sup>*)</sup>
<b>Assets</b>			
Goodwill	(10)	-	33,906
Other intangible assets	(10)	1,845	15,584
Property, plant and equipment	(11)	1,547	1,999
Deferred tax assets	(12)	254	319
<b>Non-current assets</b>		<b>3,646</b>	<b>51,808</b>
Inventory	(13)	442	1,966
Trade receivables	(14), (22)	581	2,627
Other current assets	(15)	488	1,538
Cash and cash equivalents	(16)	990	6,238
Assets held for sale	(21)	56,104	-
<b>Current assets</b>		<b>58,605</b>	<b>12,369</b>
<b>Total assets</b>		<b>62,251</b>	<b>64,177</b>
<b>Equity and liabilities</b>			
Issued capital		52,310	51,411
Capital reserves		21,947	19,753
Accumulated loss		(26,324)	(23,603)
Other reserves		163	(1,059)
<b>Equity</b>	(17)	<b>48,096</b>	<b>46,502</b>
Financial liabilities	(18)	1,532	7,476
Deferred tax liabilities	(12)	-	2,440
<b>Non-current liabilities</b>		<b>1,532</b>	<b>9,916</b>
Financial liabilities	(18)	1,264	3,171
Trade payables		336	1,498
Other current liabilities	(19)	934	3,090
Liabilities associated with assets held for sale	(21)	10,088	-
<b>Current liabilities</b>		<b>12,623</b>	<b>7,759</b>
<b>Total equity and liabilities</b>		<b>62,251</b>	<b>64,177</b>

<sup>\*)</sup> Comparability of prior year figures limited (for further information see section B in the notes to the consolidated financial statements)

## Consolidated statement of changes in equity

[in €'000]	Other comprehensive income						Total equity
	Issued capital	Capital reserves	Accumulated loss	Accumulated exchange difference	Exchange effect on long term assets	Total other comprehensive income	
<b>31 December 2018 (as reported)</b>	<b>51,411</b>	<b>19,753</b>	<b>(23,603)</b>	<b>64</b>	<b>(1,121)</b>	<b>(1,057)</b>	<b>46,501</b>
First time application of IFRS 16	-	-	-	-	-	-	-
<b>1 January 2019 (adjusted)</b>	<b>51,411</b>	<b>19,753</b>	<b>(23,603)</b>	<b>64</b>	<b>(1,121)</b>	<b>(1,057)</b>	<b>46,501</b>
Net loss for the period	-	-	(2,653)	-	-	-	(2,653)
Result recorded directly in equity representing exchange rate adjustments	-	-	(68)	7	1,213	1,220	1,152
<b>Overall result</b>	<b>-</b>	<b>-</b>	<b>(2,721)</b>	<b>7</b>	<b>1,213</b>	<b>1,220</b>	<b>(1,501)</b>
Reclassification of capital increases against contribution in kind	898	(898)	-	-	-	-	-
Capital increase in respect of SEDA facility	-	(33)	-	-	-	-	(33)
Capital increase for Innova earn-out not yet registered	-	757	-	-	-	-	757
Capital increase for TGR earn-out not yet registered	-	2,092	-	-	-	-	2,092
Interest on mandatory convertible bond charged to income	-	206	-	-	-	-	206
Share option expense charged to income	-	69	-	-	-	-	69
<b>31 December 2019</b>	<b>52,309</b>	<b>21,946</b>	<b>(26,325)</b>	<b>71</b>	<b>92</b>	<b>163</b>	<b>48,096</b>

For further information on the composition of equity see note 17 in the notes to the consolidated financial statements.

[in €'000]	Issued capital	Capital reserves	Accumulated loss	Other comprehensive income			Total equity
				Accumulated exchange difference	Exchange effect on long term assets	Total other comprehensive income	
<b>31 December 2017 (as reported)</b>	<b>46,934</b>	<b>16,644</b>	<b>(23,460)</b>	<b>93</b>	<b>(1,144)</b>	<b>(1,051)</b>	<b>39,066</b>
First time application of IFRS 15	–	–	178	–	–	–	178
<b>1 January 2018 (adjusted)</b>	<b>46,934</b>	<b>16,644</b>	<b>(23,282)</b>	<b>93</b>	<b>(1,144)</b>	<b>(1,051)</b>	<b>39,243</b>
Net loss for the period	–	–	(301)	–	–	–	(301)
Result recorded directly in equity representing exchange rate adjustments	–	–	(20)	(29)	23	(6)	(26)
<b>Overall result</b>	<b>–</b>	<b>–</b>	<b>(321)</b>	<b>(29)</b>	<b>23</b>	<b>(6)</b>	<b>(327)</b>
Reclassification of capital increases against cash	443	(443)	–	–	–	–	–
Capital increase for cash	2,995	1,198	–	–	–	–	4,193
Other capital increase costs	–	(480)	–	–	–	–	(480)
Capital increase in respect of SEDA registered	437	163	–	–	–	–	600
Capital increase for Innova earn-out not yet registered	602	259	–	–	–	–	861
Capital increase for Innova earn-out registered	–	213	–	–	–	–	213
Conversion of bond to mandatory convertible	–	1,576	–	–	–	–	1,576
Equity component of bond with option	–	358	–	–	–	–	358
Share option expense charged to income	–	265	–	–	–	–	265
<b>31 December 2018</b>	<b>51,411</b>	<b>19,753</b>	<b>(23,603)</b>	<b>64</b>	<b>(1,121)</b>	<b>(1,057)</b>	<b>46,502</b>

For further information on the composition of equity see note 17 in the notes to the consolidated financial statements.

## Consolidated statement of cash flows

[in €'000]	01.01. – 31.12.	
	2019	2018 *)
<b>Net loss for the period</b>	<b>(2,653)</b>	<b>(301)</b>
Income taxes	436	(202)
Financial result	768	(501)
Depreciation of property, plant and equipment	613	311
Amortisation and impairment of intangible assets	2,282	2,034
Movement in deferred tax	(499)	(230)
Gain (-) / loss (+) on non-cash revaluation of earn-outs	1,372	(1,042)
Share option charges	69	265
Gain on derivative	-	424
Other non-cash items	70	(47)
Change in operating assets and liabilities:		
Trade receivables and other current assets	107	(1,170)
Trade payables	(429)	697
Other current liabilities	163	38
Inventories	(268)	(185)
Cash flows from operating activities (before interest and tax)	2,031	92
Interest paid	(514)	(249)
Tax paid	(419)	-
<b>Cash flows from operating activities</b>	<b>1,098</b>	<b>(158)</b>
Business acquisitions, net of cash acquired	-	(5,662)
Investments in property, plant and equipment and intangible assets	(480)	(613)
Investments in capitalised development	(446)	(432)
<b>Cash flows from investing activities</b>	<b>(925)</b>	<b>(6,707)</b>
Cash in(out)flow due to changes in current financial liabilities	(2,458)	6,465
Capital increase by way of cash contribution (less costs of issuing equity)	(33)	4,722
Payments for the redemption portion of leasing liabilities	(384)	-
<b>Cash flows from financing activities</b>	<b>(2,875)</b>	<b>11,187</b>
Net change in cash and cash equivalents	(2,702)	4,323
Exchange differences	161	(39)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>6,238</b>	<b>1,954</b>
<b>Cash and cash equivalents at the end of the period **)</b>	<b>3,697</b>	<b>6,238</b>

\*) Comparability of prior year figures is limited (for further information see section B in the notes to the consolidated financial statements)

\*\*\*) As of 31 December 2019, cash and cash equivalents amounting to €2,707 thousand are reported under the balance sheet item "Assets held for sale" (for further information see section H and note 21 in the notes to the consolidated financial statements)

## Notes to the consolidated financial statements of the 4basebio Group

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## A. Basis of preparation

### Place and legal form of the entity

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4basebio AG, Heidelberg (formerly Expedeon AG, Heidelberg; previously Sygnis AG, Heidelberg) is an incorporated company under German law (hereinafter "4basebio AG"). 4basebio AG and the subsidiaries controlled by it (hereinafter "4basebio Group" or "Group" or "Group of Companies") operate in the life sciences sector and are mainly active in the fields of immunology, proteomics and genomics as well as related services and the sale of instruments and reagents. 4basebio AG is registered in the Commercial Register at the Mannheim Local Court under the number HRB 335706 and has its registered office at Waldhofer Strasse 102, 69123 Heidelberg. On 6 August 2018 the change of name of Sygnis AG to Expedeon AG was entered in the commercial register. The Extraordinary General Meeting on 19 December 2019 approved the renaming of the company to 4basebio AG. The shares of 4basebio AG are listed on the Prime Standard on the Frankfurt Stock Exchange under the German securities identification number (WKN) A2YN80. In the course of the conversion from ordinary to registered shares approved by the Annual General Meeting on 9 July 2019, the international securities number (ISIN) has changed (DE000A2YN801).

### Business activities and operating segments

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The 4basebio Group is a life sciences tools and reagents company that develops technologies protected by intellectual property rights that are used to create innovative products and services with high added value for biomarker research, drug discovery and clinical diagnostics. The company's core technologies are in the fields of immunology, proteomics and genomics, thus covering the large areas of the market for molecular biology. The core business model of the 4basebio Group is the research, development and marketing of innovative kits which are used in research. Management, planning and control of the 4basebio Group are carried out at the level of the entire group. Consequently, the 4basebio Group consists of only one business segment.

### Accounting standards and general principles of presentation

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The consolidated financial statements of 4basebio AG for the 2019 financial year ending on 31 December 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS) formulated by the International Accounting Standards Board (IASB), as applicable in the European Union (EU), applying § 315e HGB. All International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations of the IFRS Interpretations Committee (IFRS IC) for which application is mandatory for the 2019 financial year have been taken into account. In addition, all statutory disclosure and explanation requirements of the German Commercial Code (HGB) that go beyond the regulations of the IASB were met.

The financial year of the 4basebio Group corresponds to the calendar year. The consolidated financial statements of 4basebio AG were prepared in principle using the acquisition cost principle. This does not apply to derivative financial instruments, financial assets in the form of debt and equity instruments and contingent consideration measured at fair value.

The consolidated income statement is prepared using the cost of sales method and expenses are broken down accordingly by functional operating areas. Where items in the consolidated statement of financial position and/or the consolidated income statement (or consolidated statement of comprehensive income) have been combined to improve the clarity of presentation or for reasons of materiality, they are disclosed separately in the notes to the consolidated financial statements. An explanation of the accounting policies applied in respect of individual items of the consolidated statement of financial position and consolidated income statement (or consolidated statement of comprehensive income) is provided in section 0.

The reporting currency and functional currency of the consolidated financial statements of 4basebio AG is the euro (EUR, €). Unless otherwise indicated, all amounts are stated in thousands of euros (€'000). For calculation-related reasons, rounding differences of +/- one unit (€'000, % etc.) may occur in the information presented in these financial statements.

The consolidated financial statements of 4basebio AG for the financial year from 1 January to 31 December 2019 were released by the Management Board on 28 April 2020 and forwarded to the Supervisory Board for approval.

## B. Changes in accounting and valuation methods

### New and amended standards and interpretations applied for the first time in the 2019 financial year

The accounting methods applied in the consolidated financial statements of 4basebio AG for the 2019 financial year are basically the same as those of the previous year (2018 financial year). In deviation from this, the 4basebio Group has applied the following new or amended standards and interpretations, which have been adopted into European law by the European Union (EU), for the first time in the preparation of the consolidated financial statements as of 31 December 2019:

	Title	First application 4basebio Group	Adoption by EU	Effects on the 4basebio Group
IFRS 16	Leases	1 January 2019	31 October 2017	Description according to tabular overview
Changes to IFRS 9	Prepayment regulations with negative compensation	1 January 2019	22 March 2018	No impact
Changes to IAS 19	Plan amendment, reduction or settlement	1 January 2019	13 March 2019	No impact
Changes to IAS 28	Long-term investments in associated companies and joint ventures	1 January 2019	8 February 2019	No impact
Annual improvements	Annual improvements to the IFRS cycle 2015-2017: amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	1 January 2019	14 March 2019	No impact
IFRIC 23	Uncertainty regarding the income tax treatment	1 January 2019	23 October 2018	No material impact

The first-time application of "IFRS 16 Leases" in the 2019 financial year resulted overall in only minor effects on the asset, financial and earnings situation of the 4basebio Group. IFRS 16 was implemented by the 4basebio Group on 1 January 2019 using the modified retrospective method. The comparative information has not been restated in accordance with the transitional provisions. Nevertheless, comparability with the previous year's figures is only slightly affected by this.

The 4basebio Group only acts as lessee within the framework of leasing agreements. IFRS 16 replaces the existing guidance on leases, including 'IAS 17 Leases', 'IFRIC 4 Determining whether an Arrangement contains a Lease', 'SIC-15 Operating Leases - Incentives' and 'SIC-27 Assessing the Substance of Transactions in the Legal Form of Leases'. IFRS 16 abolishes the previous classification of leases as operating and finance leases for lessees. Instead, IFRS 16 introduces a uniform accounting model according to which lessees must capitalise a right of use for all leases and recognise a corresponding lease liability for all outstanding lease payments. The effects on the asset, financial and earnings situation of the consolidated financial statements of the 4basebio Group are attributable in particular to those leases that previously had to be classified as operating leases within the meaning of IAS 17 and which are to be recognised in statement of financial position for the first time from the 2019 financial year.

The acquisition cost of a right of use asset is calculated as the present value of all future lease payments adjusted for any lease payments made at or before the inception of the lease plus the initial direct costs of fulfilling the contract and the estimated costs of dismantling or restoring the leased asset. When measuring acquisition costs the 4basebio Group makes use of the option to regard payments for non-leasing components as leasing payments. Subsequent measurement of rights of use reported under property, plant and equipment is at cost less accumulated depreciation and accumulated impairment losses. Amortisation and impairment losses on right of use assets are reported under functional costs. As a rule, the rights of use are amortised on a scheduled basis over the term of the lease. Exceptionally, rights of use are amortised over the useful life of the underlying leased asset in those specific circumstances in which the lease payments to be taken into account also include the transfer of ownership of the underlying asset at the end of the lease term or the exercise of a purchase option is highly probable.

The lease liabilities reported under financial liabilities are initially recognised at the present value of the outstanding lease payments. In subsequent measurement the carrying amount of the lease liability is increased by the annual interest expense and reduced by the lease payments made. The resulting interest expenses are reported within the financial result ("financial expenses"). In contrast, under the old legal situation under IAS 17, lease expenses from operating leases were recognised in full under functional costs.

As part of the transition to IFRS 16, assets from the capitalisation of rights of use and liabilities from the recognition of lease liabilities were recognised as of 1 January 2019 in the amount of EUR 648 thousand respectively. There were no finance leases

in accordance with IAS 17 at the transition date. The transition effects resulting from the first-time application of IFRS 16 are therefore not material with regard to the asset, financial and earnings situation of the 4basebio Group.

The 4basebio Group has made use of the following practical simplifications for the first-time adoption of IFRS 16:

- For leases previously classified as operating leases in accordance with IAS 17, the lease liability was measured at the present value of the lease payments outstanding, discounted at the marginal interest rate as of 1 January 2019. The weighted average marginal interest rate was 8.1%. The corresponding right of use was recognised in the amount of the lease liability for reasons of simplification.
- Leases that end by 31 December 2019 are treated as short-term leases, irrespective of the original term of the lease, i.e. no rights of use were recognised but instead the agreed lease instalments were recognised directly in expenses (taking into account accruals and deferrals where applicable).
- No rights of use or lease liabilities for leases relating to leased assets of minor value were recognised in the balance sheet, but the agreed lease instalments (taking into account accruals and deferrals where applicable) were recognised directly in expenses.
- The initial direct costs were not taken into account when measuring the rights of use at the time of first-time adoption of IFRS 16.
- In determining the term of contracts with extension or termination options, the current state of knowledge at the time of conversion was taken into account.

Based on the lease obligations as of 31 December 2018, the following reconciliation to the opening balance sheet value of the lease obligations as of 1 January 2019 resulted:

<b>Reconciliation of leasing liabilities [in €'000]</b>	
<b>Future minimum lease payments from operating leases in accordance with IAS 17 as of 31 December 2018</b>	<b>733</b>
Practical relief for short-term leases and leases of low-value assets	(32)
<b>Additional leasing obligations as of 1 January 2019 (gross amount without discounting)</b>	<b>701</b>
Discounting	(53)
<b>Additional lease obligations at 1 January 2019 (discounted net amount)</b>	<b>648</b>
Lease liabilities from finance leases as of 31 December 2018	-
<b>Leasing liabilities in accordance with IFRS 16 as of 1 January 2019</b>	<b>648</b>

<b>Effects of the first-time adoption of IFRS 16 on the consolidated statement of financial position as of 1 January 2019</b>			
[in €'000]	31.12.2018 (as previously reported)	Adjustment effects (IFRS 16)	01.01.2019 (adjusted)
<b>Non-current assets</b>			
Property, plant and equipment	1,999	648	2,647
Deferred tax assets	-	153	153
<b>Non-current liabilities</b>			
Financial liabilities	7,476	428	7,904
Deferred tax liabilities	-	153	153
<b>Current liabilities</b>			
Financial liabilities	3,171	220	3,391

**Effects of the first-time adoption of IFRS 16 on the consolidated statement of financial position as of 31 December 2019**

[in €'000]	31.12.2019 (IFRS 16)	31.12.2019 (IAS 17)	Adjustment effects (IFRS 16)
<b>Non-current assets</b>			
Property, plant and equipment	1,547	1,289	258
Deferred tax assets	77	-	77
<b>Current assets</b>			
Assets held for sale	56,104	56,016	88
<b>Non-current liabilities</b>			
Deferred tax liabilities	80	-	80
<b>Current liabilities</b>			
Financial liabilities	(1,264)	(1,025)	(239)
Liabilities associated with assets held for sale	(10,088)	(9,999)	(89)

#### Effects of the first-time application of IFRS 16 on the consolidated income statement for the financial year 2019

[in €'000]	2019 (IFRS 16)	2019 (IAS 17)	Adjustment effects (IFRS 16)
General and administrative expenses	(3,954)	(3,974)	20
Financial expenses	(430)	(403)	(27)
<b>Result for the period</b>			<b>(7)</b>

Apart from this there were no significant changes for the 4basebio Group in the 2019 financial year from standards or interpretations to be applied for the first time.

#### New and amended standards and interpretations applied for the first time in the 2018 financial year

The two standards "IFRS 9 Financial instruments" and "IFRS 15 Revenue from customer contracts" were applied for the first time in the 2018 financial year. The first-time application of IFRS 9 had no significant impact on the asset, financial and earnings position of the 4basebio Group. IFRS 15 replaces "IAS 11 Construction Contracts", "IAS 18 Revenue" and the related interpretations and applies to all revenue from contracts with customers, with a few exceptions. The standard introduces a five-level model for accounting for revenue from contracts with customers. Revenue is recognised in the amount of the consideration that an entity expects to receive in exchange for the transfer of committed goods or services to a customer. IFRS 15 requires entities to make judgements and consider all relevant facts and circumstances when applying each level of the model to contracts with their customers. The standard also regulates the accounting for additional costs of initiating a contract and costs directly related to the performance of a contract. Finally, the standard contains extensive disclosure requirements. The 4basebio Group has chosen the modified retrospective approach for the first-time application of IFRS 15 as of 1 January 2018 (date of first-time application). Thereafter, the standard may be applied either to all contracts existing at the date of initial application or only to contracts that have not yet been completed at that date. The 4basebio Group has decided to apply the standard to all contracts as of 1 January 2018. The cumulative effect of the first-time adoption of IFRS 15 was recognised as an adjustment to the opening balance sheet value of retained earnings at the time of first-time adoption.

#### Effects of the first-time adoption of IFRS 15 on the consolidated statement of financial position as of 1 January 2018

[in €'000]	
<b>Current assets</b>	
Contract assets (reported under the balance sheet item "Other assets")	409
<b>Current liabilities</b>	
Contract liabilities (reported under the balance sheet item "Other liabilities")	(231)
<b>Equity adjustment</b>	

Retained earnings	178
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The main reason for the change is the treatment of licence revenues in accordance with IFRS 15. The 4basebio Group classified various licence agreements as "right-to-use" agreements, so that in these cases the revenues in accordance with IFRS 15 must be recognised upon conclusion of the agreement and therefore earlier than previously in accordance with IAS 18.

#### Effects of the first-time adoption of IFRS 15 on the consolidated balance sheet as of 31 December 2018

[in €'000]	31.12.2018 (IFRS 15)	31.12.2018 (IAS 18)	Adjustment effects (IFRS 15)
<b>Assets</b>			
Non-current assets	51,808	51,808	-
Trade accounts receivable and other receivables	2,627	2,676	(49)
Contract assets	579	-	579
Other current assets	9,163	9,163	-
<b>Total assets</b>	<b>64,177</b>	<b>63,647</b>	<b>530</b>
<b>Equity and liabilities</b>			
Equity	46,502	46,021	481
Contract liabilities	49	-	49
Other current and non-current liabilities	17,626	17,626	-
<b>Total equity and liabilities</b>	<b>64,177</b>	<b>63,647</b>	<b>530</b>

#### Effects of the first-time application of IFRS 15 on the consolidated income statement for the financial year 2018 (without consideration of discontinued operations)

[in €'000]	2018 (IFRS 15)	2018 (IAS 18)	Adjustment effects (IFRS 15)
Sales revenues	13,128	13,055	73
Cost of sales	(3,591)	(3,495)	(96)
Total operating expenses	(13,713)	(13,617)	(96)
operating result	(585)	(562)	(23)
Financial expenses	(82)	(82)	-
Profit before tax	(503)	(480)	(23)
Income taxes	202	202	-
<b>Result for the period</b>	<b>(301)</b>	<b>(278)</b>	<b>(23)</b>

The application of IFRS 15 had no significant impact on the cash flows from operating activities, investing activities and financing activities of the 4basebio Group.

#### New and amended standards and interpretations to be applied in future

The IASB and IFRS IC have issued the following announcements, the application of which was not yet mandatory in the 2019 financial year. The 4basebio Group does not intend to apply these new or amended standards and interpretations prematurely.

Title	First application 4basebio Group	Adoption by EU	Effects on the 4basebio Group	
IFRS 17	Insurance contracts	1 January 2021	Pending	Not applicable

Changes to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	1 January 2020	15 January 2020	No material impact
Changes to IFRS 3	Definition of a business operation	1 January 2020	21 April 2020	No material impact
Changes to IAS 1 and IAS 8	Definition of materiality	1 January 2020	29 November 2019	No impact
Changes to IAS 1	Classification of liabilities as current or non-current	1 January 2022	Pending	Analysis pending
Framework for financial reporting	Amendments to the references to the Framework concept in IFRS standards	1 January 2020	29 November 2019	No impact

## C. Basis of consolidation

### Consolidated companies

The present consolidated financial statements include 4basebio AG, formerly known as Expedeon AG, and its domestic and foreign subsidiaries over which 4basebio AG can exercise control ("4basebio Group" or "Group"). Control exists if 4basebio AG has a risk burden from or is entitled to fluctuating returns from its involvement in an associated company and it can also use its power of disposal over the associated company to influence these returns. In general, ownership of a majority of voting rights (direct or indirect) is presumed to result in control. The financial statements of subsidiaries to be included in the consolidated financial statements are included in the consolidated financial statements from the date on which the possibility of exercising control begins until the date on which the possibility of exercising control ends.

In addition to 4basebio AG, two domestic (prior year: two) and eight foreign (prior year: seven) subsidiaries were included in the consolidated financial statements as of 31 December 2019 on the basis of full consolidation.

Company name	Principal activities	Place of incorporation	Equity held (in %)	
			31.12.2019	31.12.2018
4basebio Bioscience GmbH & Co. KG	Applications/Reagents	Heidelberg, Germany	100	100
4basebio Verwaltungs GmbH	General Partner Company	Heidelberg, Germany	100	100
4basebio S.L.U.	Applications/Reagents	Madrid, Spain	100	100
4basebio Inc.	Applications/Reagents	San Diego, USA	100	100
4basebio Ltd	Dormant	Cambridge, UK	100	-
Expedeon Holdings Ltd	Holding company	Cambridge, UK	100	100
Expedeon Ltd (*)	Applications/Reagents	Cambridge, UK	100	100
Expedeon Asia Pte. Ltd (*)	Applications/Reagents	Singapore, Singapore	100	100
Innova Biosciences Ltd (*)	Applications/Reagents	Cambridge, UK	100	100
TGR BioSciences Pty Ltd (*)	Applications/Reagents	Adelaide, Australia	100	100

(\*) indirect shareholding (shareholding held by direct subsidiary Expedeon Holdings Ltd, Cambridge/UK)

### Changes in the scope of consolidation

	Domestic	Abroad	Total
<b>Number of companies as of 1 January 2018</b>	2	6	8
Additions through acquisition	-	1	1
Additions due to formation/ spin-off	-	-	-
Disposals through sale	-	-	-
Disposals through merger	-	-	-
<b>Number of companies as of 31 December 2018</b>	2	7	9
<b>Number of companies as of 1 January 2019</b>	2	7	9
Additions through acquisition	-	-	-
Additions due to formation/ spin-off	-	1	1
Disposals through sale	-	-	-
Disposals through merger	-	-	-
<b>Number of companies as of 31 December 2019</b>	2	8	10

## Acquisitions in the 2019 financial year

There were no company acquisitions in the 2019 financial year.

## Acquisitions in the 2018 financial year

### Acquisition of TGR BioSciences Pty Ltd ("TGR BioSciences")

On 2 May 2018, 77% of the shares in TGR BioSciences Pty Ltd, an unlisted company based in Adelaide, Australia, were acquired. The remaining 23% were acquired on 14 May 2018. The company acquisition was completed by Expedeon Holdings Ltd, Cambridge/UK. TGR BioSciences has been fully consolidated since 1 May 2018.

TGR BioSciences, like the 4basebio Group, is a life sciences business and is active in the field of immunology. The acquisition of TGR BioSciences by the 4basebio Group was driven by the technologies and products used in TGR BioSciences, which are complementary to the products previously available and marketed in the 4basebio Group. TGR BioSciences also has a strong customer base.

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

[in €'000]	Fair value at date of acquisition
Patents, licences and other intangibles	3,032
Customer lists	2,497
Plant, equipment and leasehold improvements	109
Inventories	549
Trade receivables	549
Other assets	22
Cash and cash equivalents	1,122
Deferred tax assets	442
<b>Total assets</b>	<b>8,322</b>
Trade payables	63
Other liabilities	294
Deferred tax liabilities	1,385
<b>Total liabilities</b>	<b>1,742</b>
<b>Net assets</b>	<b>6,580</b>
Goodwill (see Note 10)	3,309
<b>Consideration transferred</b>	<b>9,889</b>

The fair value of trade receivables (€549 thousand) differs only slightly from the relevant gross amount. Deferred tax liabilities mainly comprise the effects of higher tax depreciation of tangible and intangible assets. The goodwill of €3,309 thousand comprises the value of expected synergies from the company acquisition and growth potential from complementary products and customer bases. This is also expected to result in growth potential for the existing products. The goodwill was allocated in full to the 4basebio Group as the only cash-generating unit.

Since the acquisition date TGR BioSciences has contributed €2,800,000 to the sales revenues of the 2018 financial year and €930,000 to the earnings before taxes of the 4basebio Group for the 2018 financial year (which is treated as revenue from discontinued operations). If the business combination had taken place at the beginning of the 2018 fiscal year, the sales revenues from discontinued operations of the 4basebio Group for that year would have been greater by € 1,060 thousand and the earnings before taxes from discontinued operations would have been higher by €335 thousand.

The consideration transferred is composed as follows:

[in €'000]	
Consideration in cash and cash equivalents	6,784

Loan notes	1,222
Convertible bond and contingent cash consideration liability (earn-out liability)	1,882
<b>Consideration transferred</b>	<b>9,889</b>

The actual cash outflow due to the company acquisition is as follows:

[in €'000]	
Transaction costs of business acquisition (included in cash flows from operating activities)	(71)
Consideration in cash and cash equivalents	(6,784)
Cash acquired with the subsidiary (included in cash flows from investing activities)	1,122
Transaction costs attributable to the issue of shares (included in cash flows from financing activities)	-
<b>Actual cash outflow due to the acquisition</b>	<b>(5,733)</b>

In addition to cash consideration of €6,784 thousand for the business acquisition, a promissory note in the amount of AU\$2.0 million with 3.5% interest was issued, due on the first anniversary of the acquisition. The fair value at the acquisition date was determined to be €1,222 thousand. In addition, 1,612,642 restricted shares were issued through mandatory convertible notes and a further cash payment of up to AU\$721,541, 50% of which is due on the first anniversary and 50% on the second anniversary of the purchase, subject to certain sales targets being met. The fair value of the shares was calculated by reference to the quoted share price on the day of acquisition, which was €1.43. The fair value of the convertible bond represents its present value, applying a probability factor for the potential earn-out consideration. The fair value of the consideration was therefore €1,883 thousand. AU\$783,900 of the cash consideration represented cash balances of TGR BioSciences at acquisition due to former shareholders based on a working capital calculation. The transaction costs of €71 thousand were recognised as expenses ("General and administrative expenses").

At the time of the transaction, the fair value of the contingent consideration was estimated at €1,883 thousand. The underlying assumptions were updated on 31 December 2018 and 31 December 2019. The fair value of this tranche was measured at a price of €0.895 per share on 31 December 2018 and at a price of €1.705 per share on 31 December 2019. This results in a liability of €1,259 thousand as of 31 December 2018 and €2,545 thousand as of 31 December 2019.

The following table shows the development of the fair value of the earn-out liability

[in €'000]	
<b>2 May 2018</b>	<b>1,883</b>
Reduction of the fair value of the earn-out liability	(624)
<b>31 December 2018</b>	<b>1,259</b>
Increase of the fair value of the earn-out liability	1,286
<b>31 December 2019</b>	<b>2,545</b>

## Principles of consolidation and business combinations

The financial statements of 4basebio AG and its subsidiaries included in the consolidated financial statements are prepared in accordance with uniformly applicable recognition and measurement principles as of the reporting date of the consolidated financial statements (31 December 2019). Recognition, measurement, consolidation and classification principles were consistently applied by all companies included in the consolidated financial statements. All intercompany assets, liabilities, income and expenses as well as cash flows from business transactions between the companies included in the consolidated financial statements were eliminated in the course of consolidation. Income tax effects were taken into account and deferred taxes were recognised for consolidation processes affecting income.

Business combinations are accounted for using the acquisition method. Accordingly, the cost of the investment is allocated to the identifiable assets acquired and the identifiable liabilities and contingent liabilities assumed based on their fair values at the acquisition date. Costs incurred within the scope of a company acquisition are recorded as expenses in the consolidated income

statement ("general administrative expenses"). Deferred taxes are recognised for hidden reserves and liabilities disclosed in the course of initial consolidation, unless such disclosure is also recognised for tax purposes. Revealed hidden reserves and liabilities are carried forward in subsequent periods in accordance with the treatment of the corresponding assets and liabilities.

If the 4basebio Group acquires a company, the appropriate classification and designation of the acquired financial assets and liabilities is assessed in accordance with the contractual conditions, economic circumstances and conditions prevailing at the time of acquisition. This also includes a separation of derivatives embedded in host contracts. An agreed contingent consideration is recognised at fair value at the time of acquisition. Contingent consideration classified as equity is not remeasured and subsequent settlement is recognised in equity. Contingent consideration classified as an asset or liability in the form of a financial instrument falling within the scope of IFRS 9 is measured at fair value through profit or loss in accordance with IFRS 9. All other contingent consideration that is not within the scope of IFRS 9 is measured at fair value through profit or loss at each balance sheet date.

Any excess of the cost of acquisition of the investment over the proportional net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of the impairment test, goodwill acquired in the context of business combinations was allocated to the entire 4basebio Group as a single cash-generating unit from the time of acquisition.

## Currency translation

The items recorded in the financial statements of the individual subsidiaries of the 4basebio Group are measured on the basis of the respective functional currency. The reporting currency of the consolidated financial statements of the 4basebio Group is the euro (EUR, €).

Transactions in foreign currencies are translated into the respective functional currency at the current exchange rate on the day of the transaction. Monetary assets and liabilities in foreign currencies are translated at the exchange rate on the balance sheet date. Exchange differences arising from the settlement or translation of monetary items are recognised in the consolidated income statement. This does not apply to monetary items designated as part of a hedge of the Group's net investment in a foreign operation. These are recognised in other comprehensive income until the net investment is sold and reported in equity under the item "Exchange rate differences on non-current assets". The cumulative amount is not reclassified to the income statement until disposal. Taxes resulting from translation differences on these monetary items are also recognised in other comprehensive income. Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction.

The financial statements of the consolidated companies whose functional currency differs from the presentation currency of the consolidated financial statements of 4basebio AG (EUR) are translated as follows: assets and liabilities are translated at the exchange rate applicable on the balance sheet date (middle rate); equity at historic rates; and expenses and income at the average exchange rate for the year. Translation differences arising from exchange rate movements between financial years are generally recognised directly in equity under the item "Currency translation reserve". When a foreign operation is disposed of, the currency translation differences accumulated in the currency translation reserve in equity are reclassified to the consolidated income statement and recognised in profit or loss.

The principal currency rates of the Group have developed as follows in relation to the equivalent of one euro (EUR):

[in EUR]	Closing exchange rate		Average exchange rate	
	31.12.2019	31.12.2018	2019	2018
US Dollar	1.1234	1.1450	1.1193	1.1790
GBP	0.8508	0.8945	0.8773	0.8846
Singapore Dollar	1.5111	1.5591	1.5272	1.5924
Australia Dollar	1.5995	1.6220	1.6106	1.5833

## D. Significant accounting and valuation methods applied

### Current and non-current classifications

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The presentation in the consolidated statement of financial position distinguishes between current and non-current assets and liabilities. Assets and liabilities are classified as current if they are due within one year or within a longer normal business cycle. Deferred tax assets and deferred tax liabilities are reported as non-current items in the consolidated statement of financial position.

### Assets held for sale and discontinued operations

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Assets are classified as held for sale if their sale has been initiated or the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Non-current assets held for sale are measured at the lower of carrying amount or fair value less costs to sell. These assets are no longer depreciated or amortised from the date of classification as held for sale. The liabilities associated with assets held for sale are also shown separately as a current item in the consolidated statement of financial position.

Discontinued operations are significant parts of the 4basebio Group that can be clearly distinguished from the rest of the Group, both operationally and for accounting purposes, and which have been sold or classified as available for sale. In the consolidated income statement the results from discontinued operations for the reporting year and the previous year are shown separately. Cash inflows and outflows from discontinued operations are not shown separately in the consolidated cash flow statement, but in the disclosures in the notes (see Note 21). The explanations in the notes to the individual items of the consolidated statement of financial position and the consolidated income statement generally only refer to the continuing operations of the 4basebio Group.

### Revenue from contracts with customers

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Revenue from contracts with customers, in particular revenue from the sale of gels and kits and other goods, is recognised at the point that control of the goods or services is transferred to the customer. This is generally the point of delivery for gels and kits and other goods. Recognition amount is the amount of the consideration that the 4basebio Group will likely receive in exchange for these goods or services. The usual payment period is 30 to 90 days from delivery. The 4basebio Group has concluded that it acts as a principal in its sales transactions, as the 4basebio Group usually has control over the goods or services before they are transferred to the customer.

In addition to the sale of products, the 4basebio Group also provides services that are sold to customers either individually or together with gels and kits and other goods. The services can be provided not only by the 4basebio Group but also by other providers and do not lead to any significant adjustment or change of the underlying goods. If the 4basebio Group fulfils its contractual obligations by transferring goods or services to a customer before the customer pays the consideration or before the payment is due, a contractual asset is capitalised for the conditional claim to consideration. In contrast, the receivables reported as trade receivables are an unconditional claim of the 4basebio Group for consideration (i.e. the due date occurs automatically through the passage of time). If, on the other hand, a customer pays a consideration before the 4basebio Group transfers goods or services to him, a contractual liability is carried as a liability when the payment is made or due (whichever occurs earlier). Contractual liabilities are recognised as revenue as soon as the 4basebio Group fulfils its contractual obligations.

The 4basebio Group checks contracts with customers to see whether the contracts contain other commitments which represent separate performance obligations to which a part of the transaction price must be allocated (e.g. warranties). In determining the transaction price for the sale of gels and kits and other goods, the 4basebio Group takes into account the effects of variable consideration, significant financing components and non-cash consideration and, if applicable, consideration payable to a customer.

If a contractual consideration contains a variable component, the 4basebio Group determines the amount of the consideration that it is entitled to in exchange for the transfer of the goods to the customer. This applies in particular to some contracts for the sale of proteomics, which grant the customer a right of return or quantity discounts that result in a variable consideration. The variable consideration is estimated at the inception of the contract and included in the transaction price only when it is highly probable that the cumulative revenue recognised will not be significantly impaired once the uncertainty surrounding the variable consideration no longer exists.

A very small number of contracts with customers grant them the right to return the products within a set period of time. The 4basebio Group uses the expected value method to estimate the products that are not returned, as this method allows the variable consideration to which the 4basebio Group is entitled to be estimated most reliably. In addition, the provisions of IFRS 15 are applied with regard to the limitation of the estimate of variable consideration in order to determine the amount of variable consideration that may be included in the transaction price. The 4basebio Group does not record any revenues for expected product returns, but instead recognises a refund liability. In addition, an asset is recognised for the right to receive products back from a customer under rights of return (with a corresponding adjustment to cost of sales).

The 4basebio Group generally receives no and only in rare cases short-term advance payments from customers. Applying the simplification provisions provided for in IFRS 15, the 4basebio Group waives the right to adjust the amount of the promised consideration by the effects of a significant financing component if, at the start of the contract, it is expected that the time span between the transfer of the promised good or service to the customer and the payment of this good or service by the customer will not exceed one year. Normally, the 4basebio Group grants the legally required warranties for the elimination of defects that already existed at the time of sale. These so-called "assurance-type warranties" are recognised as provisions in accordance with IAS 37.

## **Government grants**

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Government grants are recognised when there is reasonable assurance that the grants will be received and the Company will comply with the conditions attached to them. The 4basebio Group receives state subsidies and grants from various public support programmes. Depending on the structure of the respective subsidy programme, the 4basebio Group decides whether these grants and subsidies are reported as revenues or offset against the resulting costs. Government grants and subsidies for research and development costs that can be directly allocated to a programme are offset against the corresponding expenses.

## **Income taxes**

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Income taxes comprise both current taxes on income and earnings and deferred taxes.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The calculation of the amount is based on the tax rates and tax laws that apply or will shortly apply on the reporting date in the countries in which the 4basebio Group operates and generates taxable income. Actual taxes relating to items recognised directly in equity are not recognised in the consolidated income statement. Management regularly assesses individual tax matters to determine whether there is room for interpretation in light of applicable tax regulations. Provisions for taxes are set up in cases where it is probable that amounts recognised in the tax returns cannot be realised (uncertain tax positions). The amount is determined by the best possible estimate of the expected tax payment (expected value or most probable value of the tax uncertainty).

Deferred taxes are recognised using the liability method for existing temporary differences between the carrying amount of an asset or liability in the consolidated statement of financial position and its tax base at the balance sheet date. Deferred tax assets and liabilities are measured using the tax rates expected to apply in the period in which an asset is realised or a liability settled. Changes in deferred tax assets and deferred tax liabilities are generally reflected in deferred taxes in the consolidated income statement. This does not apply to deferred taxes that relate to items recognised directly in equity and are also recognised directly in equity (either in other comprehensive income or directly in equity) in line with the underlying transaction. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the deferred tax asset can be at least partially utilised. Unrecognised deferred tax assets are reviewed on each balance sheet date and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax liabilities on taxable temporary differences from shares in subsidiaries are not recognised if the 4basebio Group can determine the time of the reversal and it is probable that the temporary difference will not be reversed in the foreseeable future. In accordance with IAS 12, deferred tax assets and deferred tax liabilities are offset only if the conditions for offsetting are met.

## **Value added tax**

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Receivables and liabilities are recognised in the consolidated statement of financial position together with the amount of value added tax included therein. Expenses and assets are recognised net of value added tax. An exception to this rule is when the sales taxes incurred when purchasing assets or using services cannot be reclaimed from the tax authorities. In this case, the sales taxes are exceptionally recorded as part of the acquisition costs of the asset or as part of the expenses. The sales tax amounts that are to be refunded by the tax authorities or transferred to them by the 4basebio Group are shown in the consolidated statement of financial position under other current assets or other current liabilities.

## **Intangible assets**

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Intangible assets are generally recognised initially at cost. The cost of intangible assets acquired in business combinations is the fair value at the time of acquisition. With the exception of capitalised development costs and internally generated patents, no internally generated intangible assets are recognised in the consolidated statement of financial position of the 4basebio Group. Instead, the corresponding expenses are recognised as expenses in the consolidated income statement in the period in which they were incurred. Development costs are only capitalised as intangible assets if the 4basebio Group can demonstrate that the specific recognition criteria according to IAS 38.57 are met. Research and non-capitalisable development costs are recorded as expenses in the period in which they are incurred and reported in a separate line in the consolidated income statement ("Research and non-capitalised development costs").

For the purposes of subsequent measurement of intangible assets, IFRSs distinguish between intangible assets with finite and indefinite useful lives. With the exception of goodwill, the consolidated financial statements of the 4basebio Group essentially only contain intangible assets with a definite useful life. These are amortised over their useful economic life and tested for possible impairment if there are indications that the intangible asset may be impaired. In the case of capitalised development costs, amortisation begins upon completion of the development phase and from the point at which the asset can be used. During the development phase, an annual impairment test is carried out. Amortisation is recognised for capitalised development costs within cost of sales and for all other intangible assets within the expense category that corresponds to the function of the intangible asset in the 4basebio Group. Depreciation periods and methods are reviewed at least at the end of each reporting period. If changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in an intangible asset necessitate changes in the amortisation method or amortisation period, these changes are treated as changes in accounting estimates and recognised prospectively in profit or loss for the period.

An intangible asset is derecognised either upon disposal or when no further economic benefit is expected from the continued use or sale of the recognised asset. Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period in which the intangible asset is derecognised.

The accounting and valuation methods applied to the intangible assets of the 4basebio Group are summarised as follows:

	<b>Licences</b>	<b>Patents</b>	<b>Capitalised development costs</b>
Useful life	Finite	Finite	Finite
Amortisation method	Amortised on a straight-line basis over the term of the licence	Amortised on a straight-line basis over the term of the patent	Amortised on a straight-line basis over the period of expected future sales from the related project
Type of access	Acquired	Acquired / Internally generated	Internally generated

## **Property, plant and equipment**

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of replacing part of an item of property, plant and equipment and borrowing costs for long-term construction projects, provided the recognition criteria are met. If significant parts of property, plant and equipment have to be replaced at regular intervals, the 4basebio Group depreciates them separately based on their respective useful lives. Scheduled straight-line depreciation is based on the following useful lives of the assets:

- Buildings: 15 to 20 years
- Office furniture and equipment: 4 to 10 years
- Laboratory apparatus and equipment: 3 to 10 years

Property, plant and equipment are derecognised either upon disposal or when no further economic benefit is expected from the continued use or sale of the recognised asset. Gains or losses arising from derecognition of the asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement in the period in which the asset is derecognised. The residual values, useful economic lives and depreciation methods of classes of property, plant and equipment are reviewed at the end of each financial year and adjusted prospectively if needed.

## **Leases**

According to IFRS 16 a lease is an agreement whereby the lessor transfers to the lessee the right to use an asset for an agreed period of time in return for a payment or series of payments. The 4basebio Group only acts as lessee within the framework of leasing agreements. For leasing relationships, the 4basebio Group capitalises a right of use and recognises a corresponding lease liability for all lease payments to be made over the term of the contract. For leased assets of minor value and for short-term leases (less than twelve months) payments are recognised as expenses in the consolidated income statement on a straight-line basis.

The cost of the right of use is calculated as the present value of all future lease payments plus any lease payments made at or before the inception of the lease plus the initial direct costs and the estimated costs of dismantling or restoring the leased asset. When measuring the acquisition costs, the 4basebio Group makes use of the option to regard payments for non-lease components as lease payments. Subsequent measurement of right of use assets reported under property, plant and equipment is at cost less accumulated amortisation and accumulated impairment losses. Amortisation of right of use assets is reported by function. As a rule, right of use assets are amortised on a scheduled basis over the term of the lease. Exceptionally, rights of use

are amortised over the useful life of the underlying leased asset in those specific circumstances in which the lease payments to be taken into account also include the transfer of ownership of the underlying asset at the end of the lease term or the exercise of a purchase option is highly probable.

The lease liabilities reported under financial liabilities are initially recognised at the present value of the outstanding lease payments. In subsequent measurement, the carrying amount of the lease liability is increased by the annual interest expense and reduced by the lease payments made. The resulting interest expenses are reported within the financial result ("financial expenses").

## **Impairment and reversal of impairment of non-current non-financial assets**

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The 4basebio Group determines on each reporting date whether there are any indications of impairment or reversal of impairment of non-current non-financial assets. If such indications exist or if an annual impairment test of an asset is required, the 4basebio Group makes an estimate of the recoverable amount of the asset. The recoverable amount is determined for each individual asset, unless an asset does not generate cash inflows that are largely independent of those from other assets or groups of assets (cash-generating units). If the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount, an impairment loss is recognised for the difference. Impairment losses are generally recognised in the income statement in the expense categories that correspond to the function of the impaired asset in the 4basebio Group.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. To determine the value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market expectations regarding the interest effect and the specific risks of the asset. Recent market transactions are taken into account in determining fair value less costs to sell. If no such transactions can be identified, an appropriate valuation model is applied. This is based on valuation multiples, quoted market prices of exchange-traded shares in companies or other available indicators of fair value.

The 4basebio Group bases its impairment assessments on detailed budget and forecast calculations for its single cash-generating unit ("4basebio Group"). Such budget and forecast calculations usually cover a detailed planning period of five years. From the sixth year onwards, a long-term growth rate is determined and used to forecast future cash flows.

At each balance sheet date, an assessment is made as to whether an impairment loss recognised in prior periods, other than in respect of goodwill, no longer exists or may have decreased. In these cases, the 4basebio Group carries out a partial or complete write-up. The carrying amount is increased to the recoverable amount. However, the increase in the carrying amount is limited to the carrying amount that would have been determined (less depreciation) had no impairment loss been recognised in prior years. Reversals of impairment losses are generally recognised in profit or loss.

The recoverability of the goodwill of the 4basebio Group is tested for impairment once a year (on 31 December). A review is also carried out if circumstances indicate that the value of goodwill may be impaired. Impairment is determined by calculating the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill was allocated. The impairment test for goodwill was carried out at the level of the 4basebio Group as the only cash-generating unit. If the recoverable amount of the cash-generating unit is less than the carrying amount of this unit, an impairment loss is recognised in the income statement. An impairment loss recognised for goodwill may not be reversed in subsequent reporting periods.

## **Financial instruments**

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A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments recognised as financial assets or financial liabilities are generally reported separately. Financial instruments are recognised as soon as the 4basebio Group becomes a contracting party to the financial instrument. Financial instruments are initially recognised at fair value. For subsequent measurement, the financial instruments are allocated to one of the measurement categories listed in IFRS 9. Transaction costs directly attributable to the acquisition or issue are taken into account in determining the carrying amount if the financial instruments are not measured at fair value through profit or loss.

The financial assets held by the 4basebio Group are predominantly non-derivative financial assets with contractual payments, which consist exclusively of interest and principal payments on the outstanding nominal amount and which are held with the aim of collecting the contractually agreed cash flows ("Hold" business model). Accordingly, these financial assets, which mainly comprise trade receivables and cash and cash equivalents, are allocated to the measurement category "at amortised cost". These are measured at amortised cost using the effective interest method less accumulated impairment losses. Gains and losses are recognised in the consolidated income statement when the financial assets are impaired or derecognised. The interest effects from the application of the effective interest method and effects from currency translation are also recognised in the consolidated income statement. The item cash and cash equivalents in the consolidated balance sheet comprises cash on hand, bank balances and short-term deposits with a maturity of less than three months that are subject to an insignificant risk of fluctuations in value. For the purposes of the cash flow statement, cash and cash equivalents comprise the cash and short-term deposits defined above and short-term deposits less utilised overdraft facilities, as these are an integral part of the 4basebio Group's cash management.

Upon initial recognition, financial liabilities are classified either in the measurement category "at amortised cost" or "at fair value through profit or loss" (FVTPL). A financial liability is classified as FVTPL if it is held for trading, is a derivative or is designated as such upon initial recognition. In addition, liabilities from contingent consideration (earn-out liabilities) recognised as liabilities in the context of business combinations in accordance with IFRS 3 must be classified as FVTPL. Financial liabilities at FVTPL are measured at fair value and net gains or losses, including interest expenses, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. These include in particular trade payables, which are generally non-interest-bearing and due between 30 and 60 days. Interest expenses and foreign currency translation differences are recognised in the consolidated income statement. Financial liabilities are derecognised when the obligation underlying a liability is discharged, cancelled or expires. Gains or losses from derecognition are recognised in the result for the period.

The 4basebio Group only establishes derivative financial instruments to hedge interest or exchange rate fluctuations in individual instances. Such derivatives are measured at fair value both on initial recognition and in subsequent measurement. Any resulting changes are generally recognised in profit or loss. The 4basebio Group does not make use of the option to designate a corresponding hedging relationship (so-called "hedge accounting").

### **Impairment and reversal of impairment of financial assets**

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In order to determine impairments for trade receivables, the 4basebio Group uses a simplified method for calculating expected credit losses based on calculated loss rates (the "expected credit loss model"). Impairments are then determined using an impairment matrix based on past experience of credit losses and adjusted for future factors specific to the borrower and the economic environment. For trade receivables with impaired creditworthiness, a special review of default risks is carried out on a case-by-case basis. Indicators of impaired creditworthiness of trade receivables include significant financial difficulties of the debtor or likely insolvency. Impairment losses are recognised in the consolidated income statement using an allowance account. If it becomes apparent in subsequent periods that the reasons for impairment no longer exist, the impairment loss is reversed through profit or loss up to a maximum of the original cost of acquisition.

### **Inventories**

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Inventories are stated at the lower of historical cost or net realisable value. The net realisable value is the estimated selling price less estimated costs of completion and estimated selling expenses. The cost of inventories is generally determined using the individual allocation method and includes the cost of acquisition and the costs incurred in bringing the inventories to their present location and condition. In the case of raw materials and supplies, acquisition or production costs are allocated using the moving average method. In the case of internally generated work in progress and finished goods, the cost of production also includes directly attributable material and production costs as well as appropriate portions of production overheads based on the normal capacity of the production facilities, excluding borrowing costs.

### **Provisions**

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Provisions are recognised if the 4basebio Group has a current (legal or de facto) obligation as a result of a past event, the outflow of resources with economic benefits to settle the obligation is probable, and a reliable estimate of the amount of the obligation is possible. The amount recognised as a provision represents the best possible estimate of the obligation as of the balance sheet date. If the interest effect resulting from discounting is material, provisions are discounted at a pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in provisions due to the passage of time is recognised as a financial expense. If the recognition criteria for provisions are not met and the possibility of an outflow of cash upon settlement is not unlikely, disclosure is made as a contingent liability. Provisions and contingent liabilities are regularly reviewed and adjusted in the light of new information or changed circumstances. Reimbursement claims (e.g. based on insurance contracts) are only capitalised as a separate asset if the inflow of the reimbursement is virtually certain. In the consolidated income statement, the expense resulting from the recognition of a provision as a liability is shown net of reimbursements.

The 4basebio Group offers a small number of legally required warranties for the rectification of defects that were already present at the time of sale. Warranty provisions for these so-called "assurance-type warranties" are formed at the time of sale of the underlying products or provision of the services to the customer. Initial recognition is based on past experience. The original estimate of costs related to warranties is reviewed annually.

If there is an onerous contract in the 4basebio Group, the current contractual obligation is recognised as a provision. An onerous contract is a contract in which the unavoidable costs (i.e. the costs that the 4basebio Group cannot avoid because it has entered into the contract) of fulfilling the contractual obligations exceed the expected economic benefit. The unavoidable costs from a contract reflect the minimum amount of net costs incurred when the contract is terminated. These represent the lower of the cost of settlement and any compensation or penalties resulting from non-performance. However, before a provision for an onerous contract is recognised in the consolidated statement of financial position, the 4basebio Group first recognises the impairment loss on assets associated with the contract.

## Share-based payment

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Employees (including senior executives) of the 4basebio Group receive remuneration in the form of share-based payments, whereby the employees render services in return for settlement with equity instruments (so-called "equity-settled share-based payment transactions"). Expenses from equity-settled transactions are determined by the fair value at the grant date using a suitable valuation model (see Note 23). The expense is recognised in functional costs together with a corresponding increase in equity (additional paid-in capital) over the period in which the service period and, if applicable, the performance conditions are fulfilled (so-called "vesting period"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date indicates the extent to which the vesting period has expired and the best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated statement of comprehensive income for a period represents the movement in cumulative expense at the beginning and end of that period.

In determining the fair value of the options granted, the probability that the conditions will be met is considered a component of the best estimate of the number of equity instruments that will ultimately vest. Non-market performance conditions are not taken into account. The market conditions are taken into account within the fair value at the time of granting. All other conditions that are linked to an award but are not linked to a performance obligation are considered non-vesting conditions. Non-vesting conditions are reflected in the fair value of a grant and result in immediate recognition of the grant unless service and/or performance conditions are also met.

No expense is recognised for compensation that does not ultimately vest because the non-market and/or performance conditions are not met. If the awards contain a market or non-vesting condition, the transactions are treated as vesting regardless of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

If the terms of an equity-settled award are modified, the minimum expense recognised is the fair value of the unmodified award if the original terms of the award are satisfied. An additional expense, measured at the date of modification, is recognised for each modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee. If an award is cancelled by the entity or the counterparty, any remaining part of the fair value of the award is recognised immediately in profit or loss.

The dilutive effect of outstanding options is taken into account in the calculation of diluted earnings per share (see Note 8).

## Measurement of fair value

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The 4basebio Group measures certain financial instruments at fair value on each reporting date. The fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants on the measurement date. In measuring fair value, the transaction involving the sale of the asset or transfer of the liability is assumed to take place either on the main market for the asset or the liability or, if there is no main market, on the most advantageous market for the asset or the liability.

The fair value of an asset or liability is measured on the basis of the assumptions that market participants would use to price the asset or liability. This is based on the assumption that market participants act in their best economic interest.

The 4basebio Group uses valuation techniques that are appropriate in the respective circumstances and for which sufficient data is available to measure the fair value. The use of relevant observable input factors should be kept as high as possible and non-observable input factors as low as possible. All assets and liabilities for which fair value is determined or reported in the consolidated financial statements are classified into the measurement hierarchy described below, based on the lowest level input factor that is significant to fair value measurement overall:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques where the lowest level input that is significant to the fair value measurement is observable, directly or indirectly, in the market
- Level 3: Valuation techniques where the lowest level input that is significant to the fair value measurement is not observable in the market.

In the case of assets and liabilities that are recognised in the consolidated financial statements on a recurring basis at fair value, the 4basebio Group determines whether reclassifications between levels of the hierarchy have taken place by reviewing the classification (based on the input factor of the lowest level that is material for the fair value measurement overall) at the end of each reporting period.

External valuers are consulted as needed for the valuation of significant assets and significant liabilities, e.g. contingent consideration. The decision as to whether external valuers should be commissioned is made annually by the Chief Financial Officer (CFO). Selection criteria include market knowledge, reputation, independence and compliance with relevant standards.

On each balance sheet date Management analyses the development in value of assets and liabilities that have to be revalued or reassessed in accordance with the accounting methods of the 4basebio Group. This analysis checks the main input factors applied in the last evaluation by comparing the information in the evaluation calculations with contracts and other relevant

documents. Together with the external valuers of the 4basebio Group, Management also compares the changes in the fair value of each asset and each liability with corresponding external sources in order to assess whether the respective changes are plausible.

In order to meet the disclosure requirements for the fair values, the 4basebio Group has defined classes of assets and liabilities based on their nature, characteristics and risks as well as the levels of the measurement hierarchy explained above. Information on the fair value of financial instruments that are measured at fair value or for which a fair value is reported is provided in Section E and Notes 18 and 22.

## **Earnings per share**

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The undiluted earnings per share are calculated by dividing the share of the period result attributable to the holders of ordinary shares of 4basebio AG by the weighted average number of shares in circulation during the year. The diluted earnings per share are calculated by dividing the share of the period result attributable to the holders of ordinary shares of 4basebio AG by the weighted average number of shares in circulation during the financial year plus the weighted average number of ordinary shares that would result from the conversion of all potential ordinary shares with a dilution effect into ordinary shares.

## E. Discretionary decisions by management and estimation uncertainties

In the consolidated financial statements of the 4basebio Group, discretionary assumptions and estimates must be made to a limited extent, which have an impact on the recognition, amount and disclosure of the assets and liabilities, income and expenses and contingent liabilities in the balance sheet. In assessing these discretionary exercises and estimation uncertainties, management is guided by past experience, estimates by experts (lawyers, rating agencies, associations, etc.) and the result of careful consideration of various scenarios. Actual results and developments beyond the control of management may differ materially from the developments and assumptions expressed. The 4basebio Group therefore continually reviews the estimates and assumptions made. Changes in estimates are recognised in profit or loss at the time of better knowledge. Significant discretionary exercises by management and estimation uncertainties relate in particular to:

- **Revenues from contracts with customers (Note 1):** Discretionary decisions in accounting for revenues from contracts with customers arise in particular in connection with the accounting for license fees. Licence agreements must be classified as "right to use" or "right to access" and also the expected licence income must be estimated and appropriately allocated.
- **Income taxes (Note 7 and Note 12):** Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable income will be available against which the losses carried forward can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable income and future tax planning strategies. As of 31 December 2019 the 4basebio Group has tax loss carryforwards amounting to €37.8 million (31 December 2018: €36.9 million). These exist in subsidiaries with a history of losses. The tax loss carryforwards cannot be offset against taxable income of other group companies. The subsidiaries only partially have taxable temporary differences or tax planning options that could lead in some cases to the recognition of deferred tax assets.
- **Development costs (Note 10):** The 4basebio Group capitalises the costs of product development projects if the recognition criteria according to IAS 38.57 are met. The capitalisation of development costs is based on management's assessment that the technical and economic feasibility has been demonstrated. This is generally the case when a product development project has reached a certain milestone in an existing project management model. For the purpose of determining the amounts to be capitalised, management makes assumptions about the amount of expected future cash flows from the project, the discount rates to be applied and the timing of inflow of the expected future benefit. As of 31 December 2019 the carrying amount of capitalised development costs amounted to €1,845 thousand (31 December 2018: €1,956 thousand).
- **Impairment and reversal of impairment of non-current non-financial assets (Note 10 and Note 11):** The calculation of fair value less costs to sell is based on available data from binding sale transactions between independent business partners for similar assets or observable market prices less directly attributable costs to sell the asset. A discounted cash flow (DCF) method is used to calculate the value in use. The cash flows are derived from the financial plan for the next five years, whereby neither restructuring measures, to which the 4basebio Group has not yet committed itself, nor significant future investments are included that will increase the earning power of the tested cash-generating unit. The recoverable amount depends on the discount rate used in the DCF method as well as on the expected future cash flows and the growth rate used for extrapolation purposes.
- **Allowance for expected credit losses on trade receivables and contract assets (Notes 14 and 22):** The 4basebio Group uses an allowance matrix to calculate the expected credit losses on trade receivables and contract assets. The impairment rates are determined on the basis of the period of overdue payments in days for different customer categories grouped together in groups with similar default patterns. The value adjustment table is based on the historical default rates of the 4basebio Group. This table adjusts historic credit defaults with future-oriented information. If, for example, it is assumed that forecast economic conditions (e.g. gross domestic product) will deteriorate in the course of the coming year, which could lead to an increase in credit defaults in the manufacturing industry, the historical default rates are adjusted accordingly. At each balance sheet date, the historic default rates are updated and changes in future-related estimates are analysed. The assessment of the relationship between historic default rates, forecast economic conditions and expected credit defaults represents a significant estimate. The amount of expected credit defaults depends on changes in circumstances and the forecast economic conditions. The historic credit defaults of the 4basebio Group and the forecast economic framework conditions may not be representative of the actual defaults of customers in the future.
- **Measurement of the fair value of financial instruments (Notes 18 and 22):** If the fair value of recognised financial instruments cannot be measured using quoted prices in active markets they are determined using valuation techniques, including the discounted cash flow method. The input factors used in the model are based as far as possible

on observable market data. If this is not available, the determination of fair values is based to a large extent on management's discretionary decisions. Discretionary decisions relate to input factors such as liquidity risk, default risk and volatility. Changes in the assumptions made for these factors can affect the fair values of the financial instruments. This applies in particular to financial liabilities from contingent consideration (earn-out liabilities) recognised as liabilities in the context of business combinations in accordance with IFRS 3, which are measured at fair value on each balance sheet date. The determination of fair value is based on discounted cash flows, whereby the basic assumptions take into account the probability of meeting each performance target and the discount factor.

- **Share-based payments (Note 23):** For the purpose of determining the fair value of options granted, the probability that the conditions will be met is considered a component of the best estimate of the number of equity instruments that will ultimately vest. Non-market performance conditions are not taken into account. Market performance conditions are considered within the fair value at the time of granting. All other conditions that are linked to the grant but are not associated with a performance obligation are considered non-vesting conditions. Non-vesting conditions are included in the fair value of a grant and result in immediate recognition of the grant unless service and/or performance conditions are also attached. No expense is recognised for awards that do not ultimately vest because the non-market service and/or performance conditions are not met. If the awards contain a market or non-vesting condition, the transactions are treated as vesting regardless of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. If the terms of an equity-settled award are modified, the minimum expense recognised is the fair value of the unmodified award if the original award conditions are satisfied. An additional expense, measured at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee. If a grant is cancelled by the entity or the counterparty, any remaining part of the fair value of the grant is recognised immediately in profit or loss.

## F. Notes to the consolidated statement of profit and loss

The proteomics and immunology businesses sold to Abcam effective 1 January 2020 have been classified as a disposal group held for sale and as discontinued operations as of 31 December 2019 in accordance with the requirements of IFRS 5 (see Note 21). In the consolidated statement of profit and loss the income and expenses attributable to the discontinued operations are summarised in one item and the prior year figures are adjusted accordingly.

### 1. Revenues

<b>Revenue by type</b>		
[in €'000]	2019	2018 *)
Revenue from sales of kits and other products	1,022	1,025
Revenue from licences and royalties	30	149
<b>Total revenue</b>	<b>1,052</b>	<b>1,174</b>

<b>Geographic markets</b>		
[in €'000]	2019	2018 *)
Europe	147	359
USA	905	815
Rest of world	-	-
<b>Total revenue</b>	<b>1,052</b>	<b>1,174</b>

<b>Timing of revenue recognition</b>		
[in €'000]	2019	2018 *)
At a point in time	1,052	1,174
Over a period of time	-	-
<b>Total revenue</b>	<b>1,052</b>	<b>1,174</b>

\*) Prior year's figures adjusted (for further information see Note 21)

### 2. Cost of sales, selling and general administrative expenses

[in €'000]	2019	2018 *)
Cost of goods sold	(117)	(268)
Amortisation of capitalised development costs	(560)	(378)
Other	(9)	(17)
<b>Cost of sales</b>	<b>(686)</b>	<b>(663)</b>

[in €'000]	2019	2018 *)
Staff costs	(114)	(169)
Material costs	(8)	(9)

Other	(11)	(49)
<b>Sales and distribution costs</b>	<b>(134)</b>	<b>(227)</b>

[in €'000]	2019	2018 *)
Staff costs	(865)	(1,025)
Legal consulting costs	(555)	(243)
Investor relations and PR	(416)	(339)
Audit and tax costs	(405)	(191)
M&A costs	-	(429)
2020 transaction costs	(360)	-
Management board	(640)	(561)
Lease costs	(223)	(215)
Supervisory board	(147)	(160)
Depreciation of property, plant and equipment and amortisation of intangible assets	(93)	(84)
Other occupancy costs	(91)	(66)
Other	(161)	(64)
<b>General and administrative expenses</b>	<b>(3,954)</b>	<b>(3,377)</b>

\*) Prior year's figures adjusted (for further information see Note 21)

### 3. Research and non-capitalised development costs

Research and non-capitalised development costs for the 2019 financial year amount to €556 thousand (2018: €600 thousand). Amortisation of capitalised development costs amounting to €560 thousand (2018: €378 thousand) is included in cost of sales (Note 0). Research and development costs consist of:

[in €'000]	2019	2018 *)
Research and non-capitalised development costs	(556)	(600)
Investments in capitalisable development costs	336	394
<b>Research and development costs</b>	<b>(220)</b>	<b>(206)</b>

\*) Prior year's figures adjusted (for further information see Note 21)

### 4. Other operating expenses

[in €'000]	2019	2018 *)
Foreign exchange losses	-	-
Other	-	-
<b>Other operating expenses</b>	<b>-</b>	<b>-</b>

\*) Prior year's figures adjusted (for further information see Note 21)

## 5. Other operating income

[in €'000]	2019	2018 <sup>*)</sup>
Government grants	116	124
Income from reversal of provisions	9	96
Other	21	1
<b>Other operating income</b>	<b>145</b>	<b>221</b>

<sup>\*)</sup> Prior year's figures adjusted (for further information see Note 21)

## 6. Financial result

[in €'000]	2019	2018 <sup>*)</sup>
Interest and similar income	122	498
<b>Finance income</b>	<b>122</b>	<b>498</b>
Interest expense on loans	(403)	(269)
Interest on lease liabilities	(26)	-
<b>Finance expenses</b>	<b>(430)</b>	<b>(269)</b>
<b>Financial result</b>	<b>(308)</b>	<b>229</b>

<sup>\*)</sup> Prior year's figures adjusted (for further information see Note 21)

## 7. Income taxes

[in €'000]	2019	2018 <sup>*)</sup>
<b>Current tax expense (-) or income (+)</b>	<b>(475)</b>	<b>-</b>
<b>Deferred tax expense (-) or income (+)</b>	<b>371</b>	<b>203</b>
of which resulting from temporary differences	108	(70)
of which from loss carryforwards and tax credits	263	273
<b>Total income tax</b>	<b>(104)</b>	<b>203</b>

<sup>\*)</sup> Prior year's figures adjusted (for further information see Note 21)

Thereof attributable to discontinued operations:

[in €'000]	2019	2018
<b>Current tax expense (-) or income (+)</b>	<b>(594)</b>	<b>-</b>
<b>Deferred tax expense (-) or income (+)</b>	<b>173</b>	<b>182</b>
of which resulting from temporary differences	91	(70)
of which from loss carryforwards and tax credits	82	252
<b>Total income tax</b>	<b>(421)</b>	<b>182</b>

## Tax reconciliation statement

The difference between the expected income tax expense and the income tax expense actually reported is shown in the following reconciliation. To determine the expected tax expenses, the tax rate of 30% (2018: 30%) applicable for the 2019 financial year was multiplied by the earnings before taxes. This tax rate is a combined income tax rate comprising a uniform corporate income tax rate of 15% plus 5.5% social security costs and an effective trade tax rate of approximately 14%.

[in €'000]	2019	2018 *)
Profit before tax	(2,549)	(503)
<b>Expected tax expense (-) or income (+)</b>	<b>765</b>	<b>151</b>
<b>Adjustments:</b>		
Effects of different tax rates	(97)	(157)
Changes to tax rates	(78)	-
R&D tax credits	121	132
Disallowable expenses / tax-free earnings	(694)	280
Changes to deferred taxation	481	205
Loss carryforwards on which no deferred tax recognised	(601)	(405)
Usage of loss carryforwards	2	1
Other	(3)	(5)
<b>Total adjustments</b>	<b>(869)</b>	<b>51</b>
<b>Income tax (actual tax expense)</b>	<b>(104)</b>	<b>202</b>

\*) Prior year's figures adjusted (for further information see Note 21)

## 8. Earnings per share

	2019	2018 *)
<b>Numerator</b> [in €'000]		
Result for the period	(2,653)	(301)
<b>Denominator</b> [number of share]		
Weighted average number of registered shares in circulation (2018: ordinary shares) for calculating the undiluted earnings per share	52,027,793	50,059,845
<b>Undiluted earnings per share</b>	<b>(0.05)</b>	<b>(0.01)</b>

	2019	2018 *)
<b>Numerator</b> [in €'000]		
Result for the period	(2,653)	(301)
<b>Denominator</b> [number of share]		
Weighted average number of registered shares in circulation (2018: ordinary shares) for calculating the undiluted earnings per share	52,027,793	50,059,845
Dilutive effect from:		

options	3,248,027	3,306,363
mandatory convertible bonds	4,974,307	2,290,267
<b>Weighted average number of registered shares (2018: ordinary shares) adjusted for the dilution effect</b>	<b>60,250,127</b>	<b>55,656,476</b>
<b>Diluted earnings per share</b>	<b>(0.04)</b>	<b>(0.01)</b>

\*) Prior year's figures adjusted (for further information see Note 21)

During the period between the balance sheet date and the approval for publication of the consolidated financial statements, 723,392 shares (2018: 148,462 shares) were issued in connection with the earn-out obligation for the acquisition of Innova Biosciences Ltd, Cambridge/UK, in the 2017 financial year.

The calculation of the diluted and undiluted earnings per share for continuing and discontinued operations (see Note 21) was based on the weighted average number of shares as determined above. The numerator is defined as earnings after tax from continuing operations and earnings after tax from discontinued operations.

## 9. Additional information on expense categories

### Cost of materials

The materials cost is the total value of inventories recognised as an expense in the reporting period, totalling €8 thousand for the 2019 financial year (2018: €9 thousand).

### Staff costs and headcount

[in €'000]	2019	2018 *)
Salaries	(478)	(469)
Social security	(118)	(97)
Share-based payment expense	(69)	(265)
<b>Staff costs</b>	<b>(665)</b>	<b>(831)</b>

\*) Prior year's figures adjusted (for further information see Note 21)

Average FTE headcount by function (continuing operations)	2019	2018 *)
Operations	11.3	19.3
Sales and marketing	1.0	1.0
GF&A	11.7	10.4
R&D	6.8	6.0
<b>Total</b>	<b>30.8</b>	<b>36.7</b>

\*) Prior year's figures adjusted (for further information see Note 21)

The number of employees (full-time equivalents) decreased overall from an average of 36.7 employees in fiscal year 2018 to 30.8 employees in fiscal year 2019. The average number of employees by function relating to discontinued operations is presented in Note 21.

### Depreciation, amortisation, and impairment

[in €'000]	2019	2018 *)
Amortisation	(574)	(392)
Impairment of intangible assets	-	-

of which impairment of goodwill	-	-
Depreciation	(80)	(31)
Impairment of tangible assets	-	-
<b>Total depreciation, amortisation, and impairment</b>	<b>(653)</b>	<b>(422)</b>

\*) Prior year's figures adjusted (for further information see Note 21)

## G. Notes to the consolidated statement of financial position

### 10. Intangible assets

[in €'000]	Goodwill	Licences and patents	Development costs	Other	Total
<b>Cost or acquisition value</b>					
<b>01.01.2018</b>	<b>30,408</b>	<b>10,093</b>	<b>2,768</b>	<b>2,839</b>	<b>46,108</b>
Exchange differences	192	-	-	-	192
Acquisition of subsidiary	-	493	-	-	493
Additions	3,309	4,668	394	797	9,168
Disposals	-	-	-	-	-
<b>31.12.2018</b>	<b>33,909</b>	<b>15,254</b>	<b>3,162</b>	<b>3,636</b>	<b>55,961</b>
<b>01.01.2019</b>					
Exchange differences	-	-	-	-	-
Acquisition of subsidiary	-	-	-	-	-
Additions	-	-	336	-	336
Disposals	-	-	-	-	-
Assets held for sale	(33,909)	(15,254)	-	(3,636)	(52,799)
<b>31.12.2019</b>	<b>-</b>	<b>-</b>	<b>3,498</b>	<b>-</b>	<b>3,498</b>
<b>Cumulative amortisation and impairment</b>					
<b>01.01.2018</b>	<b>-</b>	<b>1,040</b>	<b>935</b>	<b>2,459</b>	<b>4,434</b>
Exchange differences	-	-	-	-	-
Amortisation	-	1,025	271	738	2,034
Impairment	-	-	-	-	-
Disposals	-	-	-	-	-
<b>31.12.2018</b>	<b>-</b>	<b>2,065</b>	<b>1,206</b>	<b>3,197</b>	<b>6,468</b>
<b>01.01.2019</b>					
Exchange differences	-	-	-	-	-
Amortisation	-	-	447	-	447
Impairment	-	-	-	-	-
Disposals	-	-	-	-	-
Assets held for sale	-	(2,065)	-	(3,197)	(5,262)
<b>31.12.2019</b>	<b>-</b>	<b>-</b>	<b>1,653</b>	<b>-</b>	<b>1,653</b>
<b>Net book value</b>					
<b>31.12.2018</b>	<b>33,909</b>	<b>13,189</b>	<b>1,956</b>	<b>439</b>	<b>49,493</b>
<b>31.12.2019</b>	<b>-</b>	<b>-</b>	<b>1,845</b>	<b>-</b>	<b>1,845</b>

## Goodwill

Goodwill results from the reverse acquisition of Expedeon AG by Expedeon Biotech S.L.U., Madrid/Spain, in fiscal year 2012, the acquisition of the Expedeon Group in fiscal year 2016, the acquisition of CBS Scientific and Innova Biosciences Ltd, Cambridge/UK in the financial year 2017 and the acquisition of TGR BioSciences Pty Ltd, Adelaide/Australia in the financial year 2018. The total carrying amount of goodwill as of 31 December 2019 in the amount of €nil (31 December 2018: €33.9 million) was allocated to the 4basebio Group as the only cash-generating unit.

The impairment test for goodwill was carried out at the level of the 4basebio Group as the only cash-generating unit. Using the measurement hierarchy in accordance with IFRS 13, the 4basebio Group tested the goodwill for impairment by comparing the carrying amount of the cash-generating unit with the fair value less reasonable costs to sell, which was estimated at 5% of the fair value. The fair value was determined by reference to the market valuation of the company, which amounted to €89.2 million as of 31 December 2019 (31 December 2018: €46.4 million) and represents a fair value of level 1 in accordance with the fair value hierarchy of IFRS 13. The estimated cost of disposal is €3 million (31 December 2018: €2.3 million). This results in a fair value less costs to sell of €86.2 million (31 December 2018: €44.1 million). On this basis, management concludes that there was no impairment of goodwill in either fiscal year 2019 or the previous year. Management believes that no reasonably possible change in any of the key assumptions used to determine fair value less reasonable costs to sell would cause the carrying amount of goodwill to exceed the fair value less reasonable costs to sell.

## Licences and patents

Both licences and patents are intangible assets acquired through business combinations. Patents have been granted by the relevant state institution for a minimum period of ten years (with an option to extend). The 4basebio Group incurs no or only low costs for an extension.

## Development costs

The development costs relate to development work undertaken in 4basebio, S.L.U. in relation to enzyme formulation and application.

## 11. Property, plant and equipment

[in €'000]	Land and buildings	Operating equipment	Usage rights from leases	Total
<b>Cost or acquisition value</b>				
<b>01.01.2018</b>	<b>1,270</b>	<b>1,139</b>		<b>2,409</b>
Exchange differences	(11)	(44)		(55)
Acquisition of subsidiary	-	146		146
Additions	79	147		226
Disposals	-	(17)		(17)
<b>31.12.2018</b>	<b>1,338</b>	<b>1,371</b>		<b>2,709</b>
<b>01.01.2019</b>	<b>1,338</b>	<b>1,371</b>		<b>2,709</b>
First time application of IFRS 16	-	-	648	648
Exchange differences	-	-	-	-
Acquisition of subsidiary	-	-	-	-
Additions	54	249	-	303
Disposals	(217)	(429)	-	(646)
Assets held for sale	-	(801)	(220)	(1,021)
<b>31.12.2019</b>	<b>1,175</b>	<b>390</b>	<b>428</b>	<b>1,993</b>
<b>Cumulative amortisation and impairment</b>				

<b>01.01.2018</b>	<b>73</b>	<b>286</b>		<b>359</b>
Exchange differences	12	28		<b>40</b>
Depreciation	-	311		<b>311</b>
Impairment	-	-		-
Disposals	-	-		-
<b>31.12.2018</b>	<b>85</b>	<b>625</b>		<b>710</b>
<b>01.01.2019</b>	<b>85</b>	<b>625</b>		<b>710</b>
Exchange differences	-	-	-	-
Depreciation	52	302	344	698
Impairment	-	-	-	-
Disposals	-	(391)	-	(391)
Assets held for sale	(137)	(301)	(133)	(571)
<b>31.12.2019</b>	<b>-</b>	<b>235</b>	<b>211</b>	<b>446</b>
<b>Net book value</b>				
<b>31.12.2018</b>	<b>1,253</b>	<b>746</b>		<b>1,999</b>
<b>31.12.2019</b>	<b>1,175</b>	<b>155</b>	<b>217</b>	<b>1,547</b>

## Usage rights from leases

[in €'000]	Land and buildings	Operating equipment	Total
<b>31.12.2019</b>			
Acquisition cost	422	6	<b>428</b>
of which additions (FY 2019)	-	-	-
Depreciation (FY 2019)	(207)	(4)	<b>(211)</b>
<b>Net book value</b>	<b>215</b>	<b>2</b>	<b>217</b>

## 12. Deferred tax assets and liabilities

[in €'000]	Deferred tax assets		Deferred tax liabilities		Deferred tax expense (-) / deferred tax income (+) *)	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	2019	2018 **)
Intangible assets	-	-	(18)	-	(18)	-
Property, plant and equipment	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Provisions	35	-	-	-	35	-
Liabilities	-	-	-	-	-	-
Assets held for sale	74	103	(2,768)	(2,755)	(42) ***)	(70)

Liabilities in connection with assets held for sale	691	-	(558)	-	133 ***)	-
Tax losses carried forward	237	55	-	-	182	178
Tax losses carried forward from discontinued operations	549	381	-	-	168	-
R&D tax credits from discontinued operations	9	95	-	-	(86)	95
<b>Total (before netting)</b>	<b>1,595</b>	<b>635</b>	<b>(3,344)</b>	<b>(2,755)</b>	<b>-</b>	<b>-</b>
Netting	(1,183)	(635)	1,183	635	-	-
<b>Net amount</b>	<b>412</b>	<b>-</b>	<b>(2,161)</b>	<b>(2,120)</b>	<b>371</b>	<b>203</b>
<u>Split:</u>						
Continuing operations	254	-	-	(2,120)		
Discontinued divisions	158	-	(2,161)	-		

\*) recorded in the consolidated profit and loss account

\*\*) prior year figures adjusted (for further information see Note 21)

\*\*\*) within assets held for sale, £153 thousand results from the addition of deferred tax liabilities in connection with IFRS 16, while within liabilities in connection with assets held for sale, £153 thousand results from the addition of deferred tax claims with no effect on income

The deferred tax liabilities as of 31 December 2019, in the amount of €3,344 thousand (31 December 2018: €2,755 thousand) primarily relate to the individually identifiable intangible assets that were identified as part of the purchase price allocation in fiscal year 2012 (reverse acquisition) and as part of the purchase price allocations in fiscal years 2016 to 2018. The deferred tax liabilities arising from these purchase price allocations totalled €4,450 thousand, of which a total of €2,209 thousand had been used by 31 December 2019 (31 December 2018: €2,038 thousand). The change in deferred tax liabilities in the current financial year 2019 is attributable to the current amortisation of hidden reserves in intangible assets and the revaluation of deferred tax liabilities attributable to British companies (2018: acquisition of TGR BioSciences Pty Limited, Adelaide/Australia, and offsetting current amortisation of the acquired hidden reserves).

No deferred tax liabilities were recognised for possible future tax payments on retained earnings of subsidiaries in the amount of €2,335 thousand (31 December 2018: €1,994 thousand), as these earnings are required in the long term to finance the respective subsidiary and a distribution is not planned.

The 4basebio Group recognises deferred tax assets if it is probable that these tax benefits will be realised in future years. Deferred tax assets are not recognised if it is not sufficiently probable that the expected benefits from the deferred taxes will be realised. As of 31 December 2019, deferred tax assets capitalised on loss carryforwards amounted to €787 thousand (31 December 2018: €437 thousand). Of this amount, €568 thousand (31 December 2018: €437 thousand) was offset against deferred tax liabilities. The change in the total amount of deferred taxes by a total of €371 thousand (2018: €744 thousand) consists exclusively of a change in deferred taxes of €371 thousand (2018: €203 thousand through profit or loss and addition of deferred tax assets in equity of €438 thousand and deferred tax liabilities in equity of -€1,385 thousand from the acquisition of TGR BioSciences Pty Limited), changes in equity not affecting profit or loss are not to be taken into account in 2019. There was no change in deferred taxes in other comprehensive income (OCI) either in the current financial year 2019 or in the previous year.

As of 31 December 2019, a deferred tax asset of €219 thousand on loss carryforwards and a deferred tax asset on temporary differences of €35 thousand were capitalised at the level of 4basebio AG. In the following assessment period a deferred tax asset of €219 thousand was capitalised due to the agreement with Abcam plc. Cambridge/UK (London Stock Exchange: ABC; ISIN: GB00B6774699; AIM MTF) already concluded on 11 November 2019 for the sale of its immunology and proteomics business units for €120 million in cash with effect from 1 January 2020. Sufficient taxable income will be available in the following assessment period.

The tax loss carryforwards for which no deferred tax assets were recognised amounted to approximately €34.8 million as of 31 December 2019 (31 December 2018: €31.0 million). Of the unrecognised tax loss carryforwards, around €16.5 million (31 December 2018: €15.8 million) are attributable to Germany, around €10.3 million (31 December 2018: €9.5 million) to the Spanish subsidiary and around €4.8 million (31 December 2018: €4.9 million) to the US subsidiary. Further loss carryforwards for which no deferred tax assets were recognised relate to British subsidiaries and the Singapore subsidiary. Furthermore, no

deferred tax assets were recognised at the level of the Spanish and Australian subsidiaries for existing tax credits of around €1.4 million (31 December 2018: €1.0 million).

In Germany, loss carryforwards can be carried forward indefinitely. Loss carryforwards have been subject to minimum taxation since 2004 in accordance with the tax regulations for corporate income tax and trade tax. Accordingly, the loss deduction that can be offset per assessment period is limited to €1 million plus 60% of the taxable income exceeding this base amount. Since 2015 the loss carryforwards in Spain can be carried forward and used for an unlimited period of time, whereby the amount of the annually usable loss carryforwards is subject to a minimum taxation comparable to the German regulation. Accordingly, the loss deduction that can be credited per assessment period is limited to €1 million plus 70% (up to and including 2016 the percentage was 60%) of the taxable income exceeding this basic amount.

The remaining expiration periods of tax loss carryforwards and tax credits for which no deferred tax assets were recognised can be summarised as follows:

[in €'000]	31.12.2019	31.12.2018 *)
Expiration within 1 to 5 years	1,641	526
Expiration within 6 to 10 years	3,469	3,725
Expiration within 11 to 15 years	474	1,433
Expiration within 16 to 20 years	269	352
Non-forfeitable	30,350	26,006
<b>Total</b>	<b>36,203</b>	<b>32,042</b>

\*) adjusted

In addition to the current tax losses for which no deferred tax assets were capitalised, the change in the level of tax loss carryforwards compared with 31 December 2018 is also due to a change in German jurisdiction and statutory regulations regarding the loss carryforwards due to qualified changes in shareholders for the 2016 financial year. Accordingly, tax losses and loss carryforwards of €4.9 million would not be affected by the loss. Furthermore, it is assumed that the loss carryforwards and tax credits arising at the level of Expedeon Inc. in fiscal years prior to 2016 are not affected by a loss loss.

For the determination of the amount of the unused tax losses in Germany, it was taken into account that under current tax law, due to the capital increases and the transfers of shares of 4basebio AG in the 2012 financial year, the tax losses and loss carryforwards that arose before 4 December 2012 will no longer be available. These tax losses carried forward are not included in the above table.

Furthermore, the tax loss carryforwards of the former US subsidiary Lion Bioscience, Inc. were not taken into account in the above table due to the merger with Expedeon Inc. in 2017.

### 13. Inventories

[in €'000]	31.12.2019	31.12.2018
Raw materials	140	849
Finished goods	302	1,117
<b>Inventories</b>	<b>442</b>	<b>1,966</b>

In the 2019 financial year €117 thousand (2018: €286 thousand) of inventories cost at net realisable value was recognised within cost of sales. No material adjustments to inventory value were made in the 2019 financial year nor during the prior year.

### 14. Trade receivables

Trade receivables do not bear interest and generally fall due within 30 to 90 days. An impairment on trade receivables for expected credit losses of €31 thousand (2018: €71 thousand) was recognised in 2019.

Expected credit loss provision [in €'000]	2019	2018 *)

Impairment as at 1 January	71	N/A
Movement in provision	(40)	71
<b>Impairment as at 31 December</b>	<b>31</b>	<b>71</b>

\*) Prior year's figures adjusted (for further information see Note 21)

## 15. Other current assets

[in €'000]	31.12.2019	31.12.2018
Contract assets	-	579
Financial assets	-	897
Deposits	271	-
Other	217	62
<b>Other current assets</b>	<b>488</b>	<b>1,538</b>

## 16. Cash and cash equivalents

[in €'000]	31.12.2019	31.12.2018
Bank balances and cash in hand	990	6,238
<b>Cash and cash equivalents</b>	<b>990</b>	<b>6,238</b>

Bank balances bear interest at variable rates for daily callable deposits.

## 17. Equity

The share capital of 4basebio AG as of 31 December 2019 amounts to a total of €52,309,785 (31 December 2018: €51,411,323), divided into 52,309,785 (31 December 2018: 51,411,323) no-par value bearer shares. These are all registered ordinary shares without exception (31 December 2018: ordinary shares). There are no shares with special rights or other restrictions on voting rights.

### Authorised capital

#### Financial year 2019

In April 2019, 148,458 shares were issued under the terms of the Innova Biosciences Ltd, Cambridge/UK earn-out, which stem from the acquisition in 2017. In October 2019, 747,484 shares were issued under the terms of the Innova Biosciences Ltd, Cambridge/UK earn-out which stem from the acquisition in 2017.

Pursuant to § 4 para. 4 of the articles of association of 4basebio AG, the Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital of the company by a total of €25,561,278 by issuing new no-par value ordinary registered shares from the Authorised Capital 2018 against cash and/or non-cash contributions on one or more occasions up to and including 4 July 2023. The Management Board may, with the consent of the Supervisory Board, exclude the statutory subscription right of shareholders

- insofar as this is necessary to avoid fractional amounts;
- to grant shares against contributions in kind;
- insofar as it is necessary to protect against dilution, to grant the holders of convertible and/or warrant bonds, convertible bonds or warrants a subscription right to new shares to the extent to which the holders would be entitled after exercising their conversion or option rights or after fulfilling a conversion obligation; or

- in the case of a capital increase against cash contributions, if the proportion of the share capital of the new shares for which subscription rights are excluded does not exceed 10% of the share capital registered at the time the authorisation\* becomes effective and at the time the authorisation is exercised, and the issue price of the new shares is not significantly lower than the market price of existing listed shares of the same class.

(\* ) The authorisation for Authorised Capital 2018 became effective on 24 October 2018 upon entry in the commercial register. The share capital amounted to €51,411,323 at that date.

As of 31 December 2019, the Executive Board had not yet exercised this authorisation. Thus, authorised capital totalling €25,561,278 was available.

### **Financial year 2018**

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

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

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

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

On 19 March 2018 the Supervisory Board approved the Management Board's resolution to issue up to 4,737,725 shares by way of a private placement in order to partly finance the acquisition of TGR BioSciences Pty Ltd, Adelaide/Australia. On 20 March 2018 the Supervisory Board approved the resolution of the Management Board to carry out the private placement by issuing a total of 2,995,298 shares. These shares were registered on 23 March 2018.

By resolution of the Expedeon AG Annual General Meeting on July 5, 2018, the authorised capital still existing at that time was cancelled and newly authorised capital in the amount of €25,561,278 (Authorised Capital 2018) was created. Accordingly, the Management Board is authorised until 4 July 2023 to increase the Company's share capital, with the approval of the Supervisory Board, by a total of €25,561,278 by issuing new no-par value ordinary bearer shares from Authorised Capital 2018 on one or more occasions against cash and/or non-cash contributions. The Management Board may, with the approval of the Supervisory Board, exclude the statutory subscription right of shareholders;

- insofar as this is necessary to avoid fractional amounts in order to grant shares against contributions in kind;
- insofar as it is necessary for protection against dilution, to grant the holders of convertible and/or warrant bonds, convertible bonds or warrants a subscription right to new shares to the extent to which the holders would be entitled after exercising their conversion or option rights or after fulfilling a conversion obligation; or
- in the event of a capital increase against cash contributions, if the proportion of the share capital of the new shares for which the subscription right is excluded does not exceed 10% of the share capital registered at the time of the authorisation coming into effect and at the time of the authorisation being exercised and the issue price of the new shares is not significantly lower than the stock exchange price of the existing listed shares of the same class.

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

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

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

On 31 August 2018 601,538 shares were registered under the terms of the convertible bond instrument of Innova Biosciences Ltd, Cambridge/UK.

## Conditional capital

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### Financial year 2019

Pursuant to § 4 para. 5 of the articles of association of 4basebio AG, the Management Board is authorised, with the approval of the Supervisory Board, to increase the share capital of the company by a total of €1,000,000 by issuing up to 1,000,000 new registered ordinary shares with no par value from the Authorised Capital 2019. The conditional capital increase from the Conditional Capital 2019 will only be implemented to the extent that the holders of stock options issued by the Company up to and including 6 July 2024 on the basis of the authorisation resolved by the General Meeting of 7 July 2017 (Stock Option Plan 2019) in the version of the General Meeting of 9 July 2019, exercise their subscription rights and the Company does not grant treasury shares, shares from existing or newly created authorised capital and does not opt for cash settlement. The new ordinary registered shares resulting from the exercise of these subscription rights are entitled to dividends from the beginning of the financial year for which, on the day of the issue of the shares, no resolution of the Annual General Meeting on the appropriation of the balance sheet profit has yet been adopted.

According to § 4 para. 6 of the articles of association of 4basebio AG, the share capital is conditionally increased by up to €4,000,000 through the issue of up to 4,000,000 ordinary registered shares (conditional capital 2018/I).

The conditional capital increase from Conditional Capital 2018/I will only be implemented to the extent that the holders of stock options issued by the Company up to and including 6 July 2022 on the basis of the authorisation resolved by the Annual General Meeting on 7 July 2017 (Stock Option Plan 2017) with the amendments in accordance with the resolution of the Annual General Meeting on 5 July 2018, exercise their subscription rights and the Company does not grant treasury shares or shares from existing or newly created authorised capital and does not decide to pay a cash settlement. The new shares carry dividend rights from the beginning of the financial year for which, at the time of the issue of the shares, no resolution of the Annual General Meeting on the appropriation of the balance sheet profit has yet been passed.

According to § 4 para. 7 of the articles of association of 4basebio AG, the share capital is conditionally increased by up to €18,000,000 through the issue of up to 18,000,000 ordinary registered shares (conditional capital 2018/II). The conditional capital increase will only be implemented to the extent that the holders of option or convertible bonds issued on the basis of the authorisation resolved by the Annual General Meeting on 5 July 2018 exercise their option or conversion rights or, to the extent that they are obliged to convert convertible bonds, fulfil their obligation to convert their convertible bonds, and the company does not grant treasury shares or shares from existing or newly created authorised capital and does not opt for a cash settlement. The new shares carry dividend rights from the beginning of the fiscal year for which, at the time the shares are issued, no resolution of the Annual General Meeting on the appropriation of the balance sheet profit has yet been passed.

According to § 4 para. 9 of the articles of association of 4basebio AG, the share capital is conditionally increased by up to €1,650,000 through the issue of up to 1,650,000 ordinary registered shares (Conditional Capital V). The conditional capital increase will only be implemented to the extent that the holders of option or convertible bonds issued on the basis of the authorisation resolved by the Annual General Meeting on 20 June 2016 exercise their option or conversion rights or, to the extent that they are obliged to convert convertible bonds, fulfil their obligation to convert their convertible bonds and the company does not grant treasury shares or shares from existing or newly created authorised capital and does not opt for a cash settlement. The new shares carry dividend rights from the beginning of the fiscal year for which, at the time the shares are issued, no resolution of the Annual General Meeting on the appropriation of the balance sheet profit has yet been passed.

### Financial year 2018

The share capital of 4basebio AG, formerly trading under the name Expedeon AG, is conditionally increased by up to €4 million through the issue of up to 4 million no-par value bearer shares by resolution of the Annual General Meeting on 5 July 2018 (Conditional Capital 2018/I). The Conditional Capital 2018/I serves to fulfil the stock options issued on the basis of the authorisation resolved by the Annual General Meeting on 7 July 2017 (Stock Option Plan 2017). The Conditional Capital 2018/I took effect on 30 July 2018 upon entry in the commercial register and amounted to €4 million as at 31 December 2018.

The share capital of 4basebio AG, formerly trading under the name Expedeon AG, is conditionally increased by up to €18 million through the issue of up to 18 million no-par value bearer shares by resolution of the Annual General Meeting on 5 July 2018 (Conditional Capital 2018/II). The Conditional Capital 2018/II serves to grant shares to the holders of convertible bonds issued on the basis of the authorisation resolved by the Annual General Meeting of Expedeon AG on 5 July 2018. The Conditional Capital 2018/II took effect on 30 July 2018 upon entry in the commercial register and amounted to €18 million as at 31 December 2018.

On 31 August 2018 the authorisation was exercised and a convertible bond with a nominal value of €2,000,000 and a term until 30 August 2021 was issued. The mandatory convertible bond as an equity instrument is equipped with a conversion right, at the latest at maturity, into registered ordinary shares of 4basebio AG in the amount of 1,428,571. The conversion right may also be exercised at any time prior to this date in the period from 30 September 2018 to 10 days before maturity (but not during the non-exercise period pursuant to section 6.4 of the contractual provisions). The bond has a conversion ratio of €1.40 per share (subject to an adjustment of the conversion ratio as a result of the contractual provisions set out in section 6.2 or the antidilution

provisions set out in section 11) and was allocated to the capital reserve in the amount of €1,576,153 on 31 August 2018. The interest coupon is 6.3% p.a. and is payable in the event of early conversion, but no later than at maturity. Holders of the convertible bond therefore have the right or the obligation to convert the bond into 4basebio AG shares by 30 August 2021 at the latest.

In addition, the mandatory convertible bond also includes a short call position on own shares. Together with the mandatory convertible bond, the short position on treasury shares constitutes an equity instrument and is fulfilled by the registered ordinary shares of 4basebio AG. The holder of the option has the right at any time from 31 August 2018 to 30 August 2021 to acquire shares in 4basebio AG to the amount of 1,428,560 at €1.40 per share, at their own discretion. If the average share price is less than €1.40 10 days before maturity, the option period is extended by a further three years.

Furthermore, equity includes the equity option of the warrant bond, which was transferred to the capital reserve during 2018 at the amount of £312,031 (GBP). The option writer's position on treasury shares is fulfilled by registered ordinary shares of 4basebio AG. From 3 September 2018 until 1 August 2023 the holder of the option has the right, at any time and at their discretion, to acquire shares in 4basebio AG to the amount of 594,480 at €1.40 per share.

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

The share capital of 4basebio AG was conditionally increased by up to €6.5 million through the issue of up to 6.5 million no-par value shares by resolution of the Annual General Meeting on 20 June 2016 (Conditional Capital V). The Conditional Capital V serves to grant shares to the holders of convertible bonds that were issued on the basis of the authorisation resolved by the General Meeting of Expedeon AG on 20 June 2016 in the period until the cancellation of this authorisation by resolution of the General Meeting of Expedeon AG on 5 July 2018. By resolution of the Annual General Meeting of Expedeon AG on 5 July 2018, Conditional Capital V was reduced to €3.15 million.

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

## Additional paid-in capital

### Financial year 2019

In addition, a capital reserve for shares to be issued in connection with earn-out obligations relating to TGR BioSciences Pty Ltd, Adelaide/Australia (€2,092 thousand) and Innova Biosciences Ltd, Cambridge/UK (€767 thousand) was recognised in the 2019 financial year. The capital reserve was also increased in the 2019 financial year in view of the interest arising on the mandatory convertible bond (€206 thousand) and in view of share-based payment allocations (€69 thousand) (see Note 23).

### Financial year 2018

As part of the capital increase in March 2018, new shares with a nominal value of €2,995 thousand and a purchase price of €4,193 thousand were issued. Share premium of €1,198 thousand was added to the capital reserve. In addition, shares with a premium of €163 thousand were added to the capital reserve under the SEDA agreement. At the same time, shares not yet registered as of 31 December 2017 were reclassified to subscribed capital to the amount of €443 thousand.

The realisation of the first year earn-out on Innova, which was settled in shares, resulted in an increase in additional paid-in capital of €472 thousand in the 2018 financial year, of which €259 thousand represents the premium on shares already registered. The remaining €213 thousand is attributable to shares not yet registered and therefore also includes the nominal value of the shares.

In addition, during the 2018 financial year there were postings to the capital reserve from a mandatory convertible bond, which was classified as an equity instrument, to the amount of €1,576 thousand; and from a bond with warrants, the equity component of which was determined at €358 thousand.

4basebio AG directly charged the capital reserve with the costs attributable to the capital increase to the amount of €480 thousand (2017: €1,336 thousand).

The share-based payment resulted in allocations to the capital reserve of €265 thousand (see Note 23).

## 18. Financial liabilities

[in €'000]	31.12.2019			31.12.2018		
	Current	Non-current	Total	Current	Non-current	Total

Option bond	-	-	-	54	695	<b>749</b>
Soft loans	329	1,244	<b>1,573</b>	447	1,573	<b>2,020</b>
Shareholder loans	-	-	-	1,277	-	<b>1,277</b>
Earn-out liabilities	226	-	<b>226</b>	971	629	<b>1,600</b>
Obligations from contracts	188	29	<b>217</b>	-	-	-
Other loans	521	259	<b>780</b>	422	4,579	<b>5,001</b>
<b>Financial liabilities</b>	<b>1,264</b>	<b>1,532</b>	<b>2,796</b>	<b>3,171</b>	<b>7,476</b>	<b>10,647</b>

### Option bond

On 3 September 2018 4basebio AG issued a warrant bond with a denomination of 93,750 GBP (€105 thousand) and a total nominal volume of 750,000 GBP. The loan bears interest at 10% on the respective nominal amount and matures on 1 August 2022. In addition to interest payments on the respective nominal amount, the loan is to be repaid proportionately from the 13th month of the term until maturity. As of September 3, 2018, the bond was carried at a carrying amount of 428,594 GBP; the difference to the amount paid out results from transaction costs for the separate option (equity instrument). The warrant bond is not collateralised.

The bond has a current value of nil as of 31 December 2019 (31 December 2018: 54,148 GBP / €57 thousand) and a non-current portion of nil (31 December 2018: 695,852 GBP and €784 thousand). The option bond is neither a compound financial instrument nor a bond with an embedded derivative. Instead, they are two separate instruments. In accordance with IAS 32, the bond represents an independent debt instrument. During the 2019 financial year, interest expense of 14 GBP or €16 thousand (2018: 26,740 GBP or €30 thousand) was incurred for the liability using the effective interest method. 4basebio AG is entitled to repay the bond prematurely at the outstanding nominal amount plus, depending on the time, a percentage of the interest accrued but not yet paid up to the date of repayment.

As a further instrument, the warrant bond contains a short call position on own shares. The option writer position on own shares represents an equity derivative and is settled by registered ordinary shares of Expedeon AG. The holder of the option has the right to acquire 594,000 shares in 4basebio AG at any time between 3 September 2018 and 1 August 2023, at his own discretion, at a price of €1.40. In accordance with IAS 32, the equity option contained in the bond with warrants represents an equity instrument, which was recorded in the capital reserves in the amount of GBP 312 thousand or EUR 351 thousand.

### Shareholder loan

A shareholder loan was issued relation to the acquisition of TGR Biosciences in 2018. This was repaid in full in 2019.

### Earn-out liabilities (contingent consideration)

The obligations to pay purchase price components mainly comprise obligations from the acquisitions of Innova Biosciences Ltd and TGR BioSciences Pty Ltd. As part of the purchase agreement with the former owners of Innova Biosciences Ltd and TGR BioSciences Pty Ltd they will receive additional shares in 4basebio AG if future sales targets of the companies are achieved. Compared to the previous financial year 2018, earn-out liabilities decreased by €1,374 thousand in the financial year 2019. This reduction is due to the Abcam transaction (see Note 21).

### Credit facility

In the 2018 fiscal year, Expedeon AG took out a credit facility with the right to convert into a mandatory convertible bond. Depending on the term, the bond carries a fixed interest rate of 5% p.a. until 30 July 2018, 10% p.a. until 30 July 2019 and 15% p.a. thereafter. Furthermore, the bond is equipped with a conversion right into registered ordinary shares of Expedeon AG, whereby a mandatory conversion takes place at maturity at the latest.

In accordance with IAS 32, the credit facility represents a debt component and was recognised at an original value of €1,076.94 thousand after deduction of the issuing costs and embedded derivatives within the non-current financial liabilities. The original difference to the nominal value of €2,000 thousand in the amount of €923.06 thousand will be distributed as interest expense over the remaining term starting in the 2018 financial year using the effective interest method. As of 31 December 2018, there was no longer a financial liability due to the exercise of the conversion option.

In accordance with IFRS 9, the right of conversion securitised in the credit facility represents an embedded derivative that must be separated, which was recognised initially as a derivative financial asset in the amount of €730.8 thousand. In addition, the credit facility has an interest rate dependent on the share price and a so-called "kicker" as a further derivative that must be separated. Both components each represent embedded derivatives that must be separated and were initially recognised as derivative financial liabilities in the amount of €1,465.6 thousand for the variable interest rate and €188.31 thousand for the

kicker. Expedeon AG exercised its right on 31 August 2018 and converted the credit facility into a mandatory convertible bond. In total, financial income of nil (2018: €497.6 thousand) was recognised from derivative financial instruments during the 2019 financial year.

## 19. Other current liabilities

[in €'000]	31.12.2019	31.12.2018
Sales taxes payable	149	598
Supervisory board remuneration	160	173
Audit costs	150	150
Contract liabilities	-	49
Provision for legal and consultancy costs	360	-
Provision for earn-out	-	1,072
Other	116	1,048
<b>Other current liabilities</b>	<b>934</b>	<b>3,090</b>

## Provisions and accruals

As of 31 December 2019, the 4basebio Group has formed a provision for the repayment of input sales tax received in the amount of €149 thousand (31 December 2018: €598 thousand), which results from the two financial years 2017 and 2018. In addition, provisions for volume discounts and warranties in the amount of €5 thousand (31 December 2018: €33 thousand) and a provision of nil (31 December 2018: €5 thousand) for return rights granted to certain customers were recognised as of 31 December 2019.

## H. Notes to the consolidated statement of cash flows

### Reconciliation of cash and cash equivalents in the consolidated balance sheet to cash and cash equivalents in the consolidated statement of cash flows

[in €'000]	31.12.2019	31.12.2018
Bank balances and cash in hand	990	6,238
<b>Cash and cash equivalents (consolidated balance sheet)</b>	<b>990</b>	<b>6,238</b>
Cash and cash equivalents from operations held for sale	2,707	-
Overdrawn cash	-	-
<b>Cash and cash equivalents (consolidated statement of cash flows)</b>	<b>3,697</b>	<b>6,238</b>

### Changes in financial liabilities for which cash flows have been or will be presented in the cash flow statement as cash flows from financing activities

[in €'000]	Financial year 2019		Financial year 2018	
	short-term interest-bearing loans	non-current interest-bearing loans	short-term interest-bearing loans	non-current interest-bearing loans
<b>1 January</b>	<b>3,171</b>	<b>7,476</b>	<b>1,766</b>	<b>3,947</b>
Cash flows	(2,875)	-	88	6,377
Earn-out liability (Innova Biosciences Ltd)	(236)	-	(535)	(955)
Earn-out liability (TGR BioSciences Pty Ltd)	(405)	(405)	630	629
Shareholder loan (TGR BioSciences Pty Ltd)	-	-	1,222	-
Conversion into equity	-	-	-	(2,357)
Reclassification	3,954	(3,954)	-	-
Exchange rate differences	375	167	-	(39)
Other non-cash changes	54	648	-	(126)
<b>31 December</b>	<b>4,038</b>	<b>3,932</b>	<b>3,171</b>	<b>7,476</b>

## I. Other explanatory notes

### 20. Segment reporting

In accordance with IFRS 8, segment reporting follows the management approach. The allocation of resources and the internal evaluation of the 4basebio Group's performance by the management is based on the internal organisational and management reporting system for the entire Group. Consequently, the 4basebio Group consists of only one business segment for the purposes of segment reporting.

#### Information on products and services

Reference is made to the breakdown of revenues in Note 1.

#### Information by geographic region

[in €'000]	2019	2018
<b>Revenues <sup>*)</sup></b>	<b>1,052</b>	<b>1,174</b>
Europe	147	359
USA	905	815
Rest of world	-	-
<b>Non-current assets (as at 31.12)</b>	<b>3,646</b>	<b>17,583</b>
Europe	3,577	16,567
USA	69	224
Rest of world	-	792

<sup>\*)</sup> Prior year's figures adjusted (for further information see Note 21)

The allocation of sales revenues to geographical regions was based on the location of the customer's registered office. Non-current assets are allocated on the basis of the amounts reported in the individual financial statements, while intangible assets identified in the course of purchase price allocation were allocated to the respective acquired companies. Goodwill to the amount of nil (2018: € 33,906 thousand) was not allocated to a geographical region, as goodwill is allocated to the 4basebio Group as the only cash-generating unit.

#### Information on significant customers

[in €'000]	2019	2018 <sup>*)</sup>
Revenues from significant customers (customers which represent at least 10% of Group revenue)	-	-
Other revenues	1,052	1,174
<b>Total revenue</b>	<b>1,052</b>	<b>1,174</b>

<sup>\*)</sup> Prior year's figures adjusted (for further information see Note 21)

### 21. Discontinued operations

Expedeon AG signed an agreement with Abcam plc, Cambridge/UK (London Stock Exchange: ABC; ISIN: GB00B6774699; AIM MTF) – "Abcam" – on 11 November 2019 to sell its immunology and proteomics businesses for €120 million in cash with effect from 1 January 2020 (subject to approval by Expedeon AG shareholders). The Extraordinary General Meeting convened on 19 December 2019 gave its approval to this transaction ("Abcam transaction") and subsequently the change of name to 4basebio AG. The agreement includes the sale and transfer of all shares in Expedeon Holdings Ltd, Cambridge/UK (hereafter "Expedeon Holdings Ltd"), a subsidiary of 4basebio AG, formerly known as Expedeon AG. As a holding company, Expedeon Holdings Ltd is divided into the following three divisions: the subsidiary Expedeon Ltd, Cambridge/UK which focuses on the proteomics business, while the other two subsidiaries Innova Biosciences Ltd, Cambridge/UK and TGR BioSciences Pty Ltd, Thebarton/Australia are active in immunology. Another subsidiary of Expedeon Holdings Ltd, 4basebio Inc., San Diego/USA, was

transferred to 4basebio AG, formerly known as Expedeon AG, with effect from 30 December 2019. The assets of the non-electrophoresis instruments were transferred from Expedeon Inc. to the buyer with effect on 2 January 2020. Under the new company name 4basebio, the 4basebio Group will combine activities in the field of genomics, based on the expertise of the Spanish business unit 4basebio S.L.U., Madrid/Spain. The company will focus on the production of DNA products for therapies and other applications requiring large amounts of highly pure DNA (e.g. the fast growing markets for novel gene therapies and gene vaccines).

In accordance with the requirements of IFRS 5, Expedeon Holdings Ltd has been classified as a disposal group held for sale and discontinued operation as of 31 December 2019. In accordance with the requirements of IFRS 5, no assets held for sale were reported in the consolidated balance sheet as at 31 December 2018, while in the consolidated income statement the previous year's figures have been adjusted. The explanations in the notes to the individual items of the consolidated income statement relate primarily only to the continuing operations of the 4basebio Group.

### Material items within discontinued operations in the consolidated statement of comprehensive income

[in €'000]	01.01. – 31.12.	
	2019	2018
Revenues	14,605	11,954
Cost of sales	(2,803)	(2,928)
<b>Gross profit</b>	<b>11,802</b>	<b>9,026</b>
Sales costs	(2,242)	(2,582)
General and administrative expenses	(5,074)	(4,104)
Research and non-capitalised development costs	(1,163)	(837)
Other operating income (expenses)	(1,307)	991
<b>Operating result</b>	<b>2,016</b>	<b>2,493</b>
Finance income	65	4
Finance expense	(525)	(150)
<b>Financial result</b>	<b>(460)</b>	<b>(147)</b>
<b>Profit before tax from discontinued operations</b>	<b>1,556</b>	<b>2,346</b>
Income taxes	(423)	182
<b>Profit after tax from discontinued operations</b>	<b>1,133</b>	<b>2,528</b>

### Incomes taxes (discontinued operations):

[in €'000]	2019	2018
<b>Current tax expense (-) or income (+)</b>	<b>(594)</b>	-
<b>Deferred tax expense (-) or income (+)</b>	<b>173</b>	<b>182</b>
of which resulting from temporary differences	91	(70)
of which from loss carryforwards and tax credits	82	252
<b>Total income tax</b>	<b>(421)</b>	<b>182</b>

### Main categories of assets and liabilities classified as held for sale in the consolidated balance sheet as at 31.12.2019

#### Assets

[in €'000]	31.12.2019
Goodwill	34,955
Other intangible assets	12,207
Property, plant and equipment	805
Inventories	1,752
Trade receivables	1,977
Other assets	1,543
Cash and cash equivalents	2,707
Deferred tax assets	158
<b>Assets held for sale</b>	<b>56,104</b>

### Liabilities

[in €'000]	31.12.2019
Financial liabilities	5,176
Trade payables	783
Other liabilities	1,969
Deferred tax liabilities	2,161
<b>Liabilities associated with assets held for sale</b>	<b>10,088</b>

### Net cash flows from discontinued operations

[in €'000]	2019	2018
Cash flow from operating activities	3,792	2,971
Cash flow from investing activities	(504)	(6,266)
Cash flow from financing activities	(1,973)	3,963
Change in cash and cash equivalents due to exchange rates	156	(38)
<b>Change in cash and cash equivalents</b>	<b>1,471</b>	<b>630</b>

### Earnings per share from discontinued operations

[in EUR/share]	2019	2018
Undiluted earnings from discontinued operations	0.02	0.05
Diluted earnings from discontinued operations	<b>0.02</b>	<b>0.05</b>

Immediately prior to classification as a discontinued operation, the recoverable amount on individual items of property, plant and equipment was determined. No impairment requirement was determined.

Average FTE headcount by function (discontinued operations)	2019	2018
Operations	27	23

Sales and marketing	25	36
GF&A	8	9
R&D	10	9
<b>Total</b>	<b>70</b>	<b>76</b>

## 22. Additional information on financial instruments

### Financial risks

In addition to derivative financial instruments, the financial liabilities of the 4basebio Group consist primarily of loans and trade payables. The main purpose of these financial liabilities is to finance the business activities of the 4basebio Group. The financial assets of the 4basebio Group essentially consist of trade receivables, cash and cash equivalents, and short-term deposits that result directly from its business activities.

The 4basebio Group is exposed to various financial risks in the course of its business activities. These include default, liquidity and market risks. The management of these risks is the responsibility of the management of the 4basebio Group. All derivative financial transactions entered into for risk management purposes are managed centrally by the finance department. In accordance with the Group's internal guidelines, trading in derivatives for speculative purposes is not conducted. The guidelines for managing the risks described below are reviewed and approved by management.

### Default risks

Default risk is the risk that a business partner fails to meet its obligations under a financial instrument or customer contract and this leads to a financial loss. The 4basebio Group is exposed to default risks in the course of its operating activities (in particular with regard to trade receivables) as well as risks in the course of its financing activities, including those from deposits with banks and financial institutions, foreign exchange transactions, and other financial instruments. On the basis of the positive experience to date, the 4basebio Group estimates the probability of occurrence to be medium, but the financial impact to be extremely low.

The default risk from receivables from customers is managed by the respective business units based on the guidelines, procedures and controls of the 4basebio Group for default risk management for customers. Outstanding receivables from customers and contract assets are monitored regularly.

The need for impairment is analysed at each balance sheet date using an impairment matrix to determine the expected credit losses. The impairment rates are determined on the basis of the number of days past due for various customer segments (grouped together according to criteria such as geographic region, product type, customer type, and credit rating) with similar default patterns. The calculation includes the probability-weighted result, taking into account the interest effect as well as appropriate and reliable information on past events, current circumstances and expected future economic conditions available at the balance sheet date. Trade receivables are generally impaired if they are more than one year overdue and not subject to enforcement action.

The maximum default risk at the balance sheet date corresponds to the carrying amount of each class of financial assets reported. The 4basebio Group holds no collateral.

The 4basebio Group assesses the risk concentration in trade receivables and contract assets as moderate, as its customers are also moderately concentrated in the USA and Europe.

Information on the credit risk of trade receivables and contract assets of the 4basebio Group using an impairment matrix is shown below:

Impairment matrix (simplified approach)		Trade receivables					
		Contract assets	Not overdue	< 30 days overdue	30 to 60 days overdue	61 to 90 days overdue	> 90 days overdue
[in €'000]	31.12.2019						
Expected credit loss rate		0.03%	0.03%	0.03%	0.03%	2.00%	18.93%
Net book value	<b>581</b>	-	146	180	53	44	158
Expected credit loss	<b>31</b>	-	-	-	-	1	30

Impairment matrix (simplified approach)			Trade receivables				
			Contract assets	Not overdue	< 30 days overdue	30 to 60 days overdue	61 to 90 days overdue
[in €'000]	31.12.2018						
Expected credit loss rate		2.11%	0.21%	0.03%	0.03%	2.04%	35.26%
Net book value	<b>3,206</b>	579	1,967	378	103	23	156
Expected credit loss	<b>71</b>	12	4	-	-	-	55

### Liquidity risk

The 4basebio Group monitors the risk of a possible liquidity bottleneck using regular budget and planning measures. The aim of the 4basebio Group is to ensure adequate liquidity in order to bridge short-term liquidity bottlenecks.

The following table shows the financial liabilities by maturity class based on the remaining time to maturity at the respective balance sheet date. A reconciliation of the amounts shown in the consolidated balance sheet is not possible, as the table shows non-discounted cash flows.

[in €'000]	31.12.2019				31.12.2018			
	Maturity <1 year	Maturity >1 < 5 years	Maturity > 5 years	Total	Maturity <1 year	Maturity >1 < 5 years	Maturity > 5 years	Total
Trade payables	336	-	-	<b>336</b>	1,498	-	-	<b>1,498</b>
Option bond	-	-	-	-	54	695	-	<b>749</b>
Soft loans	329	763	481	<b>1,573</b>	447	901	672	<b>2,020</b>
Shareholder loans	-	-	-	-	1,277	-	-	<b>1,277</b>
Earn-out liabilities	-	-	-	-	971	629	-	<b>1,600</b>
Obligations from contracts	188	29	-	<b>217</b>	-	-	-	-
Other loans	747	259	-	<b>1,006</b>	422	4,579	-	<b>5,001</b>
<b>Total</b>	<b>1,600</b>	<b>1,051</b>	<b>481</b>	<b>3,132</b>	<b>4,669</b>	<b>6,804</b>	<b>672</b>	<b>12,145</b>

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk includes currency and interest rate risks.

**Currency risk** is the risk that the fair value or future cash flows of a financial instrument are exposed to fluctuations due to changes in exchange rates. Exchange rate fluctuations have an impact on the presentation of assets and liabilities in the consolidated financial statements of 4basebio AG prepared in euros, insofar as assets and liabilities are denominated in currencies other than euros. To control currency risk the 4basebio Group tries to carry out foreign cash flows in and out as promptly as possible and in a manner appropriate to that currency. Hedging transactions are not currently used. The assets and liabilities of the 4basebio Group reported in foreign currency largely relate to assets and liabilities denominated in US dollars and British pounds, which essentially result from the Group's business activities. The 4basebio Group reviews currency requirements in the course of the year in order to reduce currency risk if needed. In addition, the 4basebio Group generally endeavours to minimise the volume of assets held and liabilities entered into in foreign currencies.

The following table shows the effects on the result for the period before taxes and equity, which result from a five percent positive or negative development of either the British pound or the US dollar against the euro, the two most important currencies in which the 4basebio Group carries out transactions in addition to the euro:

Sensitivity analysis		USD development against EUR		GBP development against EUR	
		Impact on profit before tax	Impact on equity before tax	Impact on profit before tax	Impact on equity before tax
[in €'000]	Exchange rate movement				

<b>2019</b>	+5%	20	25	(2)	(2)
	-5%	(20)	(25)	2	2
<b>2018</b>	+5%	152	95	(40)	8
	-5%	(152)	(95)	40	(8)

Categories of financial instruments as at 31.12.2019 [in €'000]	Carrying amount per valuation category (IFRS 9)					Total
	Financial assets		Financial liabilities			
	At fair value through profit or loss	At amortised cost	At fair value through profit or loss	At amortised cost	Uncategorised <sup>*)</sup>	
<b>Current assets</b>						
Trade receivables	-	581	-	-	-	<b>581</b>
Other financial assets	-	-	-	-	-	-
Cash and cash equivalents	-	990	-	-	-	<b>990</b>
Assets held for sale	-	4,684	-	-	51,420	<b>56,104</b>
<b>Non-current liabilities</b>						
Financial liabilities	-	-	-	1,532	-	<b>1,532</b>
<b>Current liabilities</b>						
Financial liabilities	-	-	-	1,264	-	<b>1,264</b>
Trade payables	-	-	-	336	-	<b>336</b>
Liabilities relating to assets held for sale	-	-	-	10,088	-	<b>10,088</b>

<sup>\*)</sup> no scope of IFRS 7

Categories of financial instruments as at 31.12.2018 [in €'000]	Carrying amount per valuation category (IFRS 9)					Total
	Financial assets		Financial liabilities			
	At fair value through profit or loss	At amortised cost	At fair value through profit or loss	At amortised cost	Uncategorised <sup>*)</sup>	
<b>Current assets</b>						
Trade receivables	-	2,627	-	-	-	<b>2,627</b>
Other financial assets	-	298	-	-	1,240	<b>1,538</b>
Cash and cash equivalents	-	6,238	-	-	-	<b>6,238</b>
<b>Non-current liabilities</b>						
Financial liabilities	-	-	-	7,476	-	<b>7,476</b>
<b>Current liabilities</b>						
Financial liabilities	-	-	1,930	1,241	-	<b>3,171</b>
Trade payables	-	-	-	1,498	-	<b>1,498</b>

<sup>\*)</sup> no scope of IFRS 7

## Measurement of fair value (fair value hierarchy)

The following table contains a breakdown of financial assets and liabilities measured at fair value according to the measurement levels described in IFRS 13 (the so-called "fair value hierarchy"). The valuation levels shown in the table are defined as follows:

- *Level 1:* Financial instruments traded on active markets, whose prices were used unchanged for valuation purposes.
- *Level 2:* Valuation is based on valuation methods in which the input factors are derived directly or indirectly from observable market data.
- *Level 3:* Valuation is based on valuation techniques in which the input factors are not exclusively based on observed market data.

Fair value hierarchy as of 31.12.2019 [in €'000]	Level 1	Level 2	Level 3	Total
<b>Debts</b>				
Financial liabilities measured at fair value through profit or loss				
Soft loans	-	1,573	-	1,573
Financial liabilities for which a fair value is reported:				
Fixed interest loans	-	747	-	747
<b>Total</b>	-	<b>2,320</b>	-	<b>2,320</b>

Fair value hierarchy as of 31.12.2018 [in €'000]	Level 1	Level 2	Level 3	Total
<b>Debts</b>				
Financial liabilities measured at fair value through profit or loss				
Earn-out liabilities	-	-	1,930	1,930
Financial liabilities for which a fair value is reported:				
Fixed interest loans	-	10,647	-	10,647
<b>Total</b>	-	<b>10,647</b>	<b>1,930</b>	<b>12,577</b>

Management has determined that the carrying amounts in all measurement categories are reasonable approximations of the fair value of the respective financial instruments. The 4basebio Group has used the following methods and assumptions to determine fair values:

- Long-term fixed and variable interest receivables/loans are evaluated by the 4basebio Group based on parameters such as interest rates, country-specific risk factors, creditworthiness of individual customers, and the risk characteristics of the financed project. Based on this valuation, allowances are made to reflect the estimated default of these receivables.
- The fair values of the interest-bearing loans of the 4basebio Group are determined on the basis of the discounted cash flow method. A discount rate is used which reflects the borrowing rate of the issuer at the end of the reporting period. As of 31 December 2019, the Group's own non-performance risk was classified as low, as in the previous financial year 2018.

The balance sheet item "Financial liabilities" includes purchase price components from company acquisitions that are measured at fair value through profit or loss. The fair value is calculated as the present value of the expected discounted cash flows based on the planned further business development of the companies concerned. The valuation parameters for determining fair value are based on unobservable market data (Level 3).

## Information on capital management

The objectives of capital management are to secure liquidity and thus to ensure the company's ability to continue as a going concern as well as a sustainable increase in the company's value combined with an adequate return on equity. The 4basebio Group manages the capital structure and makes adjustments taking into account changes in the economic environment. The

equity ratio of the 4basebio Group as of 31 December 2019 is 77.3% (31 December 2018: 72.5%). Lenders to the 4basebio Group are entitled to increase the interest rate in the event of non-compliance with certain key financial ratios ("covenants") specified in the loan agreements and can, if necessary, terminate the loans and make them immediately payable. All key financial figures were adhered to both in the 2019 financial year and in the previous year. As of 31 December 2019 and 31 December 2018 respectively, no changes were made to the objectives, guidelines and procedures for capital management.

## **Deposits**

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The default risk from credit balances with banks and financial institutions is managed in accordance with Group guidelines. Investments with liquidity surpluses are only made with approved business partners and within the credit limit allocated to the respective party.

## **Disproportionately high concentration of risk**

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Concentrations of risk arise when several counterparties engage in similar business activities or activities in the same geographic region or have economic characteristics that cause them to be equally affected in their ability to meet their contractual obligations in the event of changes in the economic or political situation or other conditions. The 4basebio Group reacts sensitively to changes in the life science sector and the associated changes in demand.

## **23. Share-based payments**

### **General valuation policies**

Equity settled share-based compensation for employees, or for other parties who render similar services, is recognised at the fair value of the equity instruments at grant date.

The full amount of the fair value of the equity instruments, measured at the grant date, is recognised as an expense with a corresponding increase to equity (reserve for compensation to employees settled in equity instruments) on a straight-line basis over the vesting period and is based on the Company's expectation of the number of equity instruments that will vest. At the end of each reporting period the Company will examine the number of equity instruments expected to vest. The presentation requires that the total expense reflect any changes to the estimates and to results in a corresponding adjustment to the reserve for compensation to employees settled in equity instruments.

As of the balance sheet date the Company has two issued option series, with two different "Performance" agreements. These are weighted separately.

### **Employee share options programs of the Company**

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

In addition, the shareholders' meeting on 9 July 2019 has authorised the company to issue up to 1 million options until 8 July 2023 to its current and future employees, members of the Executive Board and management organs as well as the employees of its current and future affiliated companies. No options have been awarded under the 9 July 2019 scheme.

Upon exercise the option will be exchanged for a new registered share of 4basebio AG. For exercise of the option the employees should pay an individual settled "exercise price". The underlying exercise price for each share comprised in an option is measured as the higher amount of the following:

- the closing price of a share on the Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange on the trading day preceding the grant date, or;
- 95 % of the average closing price of a share in Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange during the 10 day period preceding the grant date, but;
- under no circumstances lower than 1.00 Euro.

The options entitle neither a dividend claim nor a voting right. The options can be exercised at any time from the end of the holding period to its expiration date. The number of granted options is determined by the share option plan 2017 approved by the shareholders' meeting. In general, the share options plan is subject to the vesting restrictions that the consolidated annual

revenue of the 4basebio group should exceed €20 million. Furthermore, quantitative objectives are outlined in the individual criteria:

- Membership of the company
- Development of the stock price

The following share-based compensation agreements have been settled in former reporting periods under which options still remain:

Option	No.	Grant date	Expiration date	Exercise price	Grant date fair value
Series 1	490,000	21.12.2017	20.12.2026	1.506	0.4309
Series 2	1,100,000	03.01.2018	02.01.2028	1.470	0.4232
Series 3	160,000	20.04.2018	19.04.2028	1.456	0.3658
Series 4	1,550,000	22.05.2018	21.05.2028	1.420	0.3617

During the reporting period, certain employee options were cancelled so that at the end of the reporting period 2,040,000 share options remain (from Series 2: 570,000; Series 3: 100,000; and Series 4: 1,370,000).

No share-based compensation agreements have been settled in the reporting period where options are outstanding.

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

#### Fair value of stock options granted

The employee stock options (calls) were valued using an option valuation model developed by John Hull and Alan White. The expected volatility p.a. was derived from the historical volatility of the 4basebio AG share. For this purpose, the standard deviation of the historical, daily changes in share price yields over the past 4 years was calculated and the expected volatilities p.a. were derived from this. Furthermore, it was assumed in the exercise behaviour that option holders will exercise their options prematurely if the share price is 100% above the respective exercise price. The model was based on the following assumptions and valuation parameters:

Employee Call Options; Series 2 Grant Date: 03.01.2018	Valuation date 03.01.2018
Stock price Expedeon AG (Xetra Close)	1.492
Exercise price	1.470
Vesting periods in year	4,00000000
Expected volatility (in % p.a.)	88.05
Max. remaining term until valuation date (years)	10,00000000
Expiration date	02.01.2028
Dividend yield (in % p.a.)	0
Risk-free interest rate (in %)	0.05
Employee Exit Rate pre-vesting (% p.a.)	20
Employee Exit Rate post-vesting (% p.a.)	20
Expected average term until exercise (years)	6.90
<b>Fair Value in Euro</b>	<b>0.4232</b>

Employee Call Options; Series 3 Grant Date: 20.04.2018	Valuation date 20.04.2018
Stock price Expedeon AG (Xetra Close)	1.444
Exercise price	1.456
Vesting periods in year	4,00000000
Expected volatility (in % p.a.)	74.51
Max. remaining term until valuation date (years)	10,00000000
Expiration date	19.04.2028

Dividend yield (in % p.a.)	0
Risk-free interest rate (in %)	0.07
Employee Exit Rate pre-vesting (% p.a.)	20
Employee Exit Rate post-vesting (% p.a.)	20
Expected average term until exercise (years)	6.82
<b>Fair Value in Euro</b>	<b>0.3658</b>

<b>Employee Call Options; Series 4 Grant Date: 22.05.2018</b>	<b>Valuation date 22.05.2018</b>
Stock price Expedeon AG (Xetra Close)	1.436
Exercise price	1.420
Vesting periods in year	4,00000000
Expected volatility (in % p.a.)	73.19
Max. remaining term until valuation date (years)	10,00000000
Expiration date	21.05.2028
Dividend yield (in % p.a.)	0
Risk-free interest rate (in %)	0.06
Employee Exit Rate pre-vesting (% p.a.)	20
Employee Exit Rate post-vesting (% p.a.)	20
Expected average term until exercise (year)	6.80
<b>Fair Value in Euro</b>	<b>0.3617</b>

### Changes to the share options during the reporting period

None of the outstanding share options is exercisable at the reporting date 31 December 2019, as was the case as the reporting date 31 December 2018.

### 24. Contingent liabilities and other financial obligations

The 4basebio Group is occasionally involved in legal disputes in the course of its business activities. Management is not aware of any events that would have a material adverse effect on earnings, liquidity, or financial position. Any risks from legal disputes are taken into account by setting up appropriate provisions.

Expenses for off-balance sheet leases amounted to €30 thousand in the 2019 financial year, of which €29 thousand is attributable to current leases and €1 thousand to leases for assets of minor value.

### 25. Related parties

Related parties as defined by IAS 24 are legal or natural persons that can exert influence on the 4basebio Group or are subject to control, joint management or significant influence by 4basebio AG. Related parties are also members of management in key positions, their close family members and companies that are controlled, jointly controlled or significantly influenced by this group of persons.

With regard to the 4basebio Group, transactions with related parties concern business transactions with the companies included in the consolidated financial statements. All transactions are carried out under normal market conditions and are completely eliminated in the preparation of the consolidated financial statements. In this respect, there are no effects on the asset, financial or earnings situation of the 4basebio Group.

Since 25 February 2015 the Science & Innovation Link Office, S.L. (SILO), Madrid/Spain, has been providing project support consulting services to 4basebio, S.L.U. (formerly Expedeon, S.L.U.), Madrid/Spain. The member of the Supervisory Board of 4basebio AG Dr Cristina Garmendia Mendizábal and the former member Mr Pedro Agustín del Castillo are the main shareholders of Science & Innovation Link Office, S.L. (SILO), Madrid, Spain. For these consulting services, 4basebio, S.L.U., Madrid/Spain, paid an amount of €12,165 (2018: €27,510) to Science & Innovation Link Office, S.L. (SILO), Madrid/Spain in the 2019 financial year..

Dr Heikki Lanckriet has pledged 400,000 of his shares in 4basebio AG for security on a public low-interest loan that 4basebio S.L.U. receives from Spanish institutions for its research and development activities in Spain. In accordance with the agreement

between the 4basebio Group and Dr Heikki Lanckriet, it was agreed that the 4basebio Group would make a compensation payment to Dr Heikki Lanckriet for the 4basebio Group to use this pledge as security for the fulfilment of its obligation from the public loan received from the Spanish institution by paying a so-called share pledge fee. This fee amounts to €10 thousand per year. The pledged shares are released as soon as a company transaction (e.g. a share or asset transaction of 4basebio AG to a third party) takes place or when the 4basebio Group takes over the payments of Dr Heikki Lanckriet's contractual conditions in a cash-effective manner.

### Management Board members

- **Dr Heikki Lanckriet** (CEO and CSO), member of the Management Board since 2016, appointed until 31 December 2023
- **David Roth** (CFO), member of the Management Board since 2017, appointed until 31 December 2023

### Total remuneration of the Management Board members

[in €'000]	2019	2018
Benefits due in the short term	640	561
<b>Total</b>	<b>640</b>	<b>561</b>

Detailed information on the remuneration system and the remuneration components of the members of the Management Board are presented in the remuneration report within the 4basebio Group management report.

### Supervisory Board members

- **Dr Cristina Garmendia Mendizábal** *Chairwoman of the Supervisory Board until 4 April 2019*  
Independent entrepreneur, Madrid, Spain
- **Joseph M. Fernández**, *Chairman of the Supervisory Board*  
Chairman of the Board of Directors of Active Motif Inc, Carlsbad, California, USA
- **Dr Trevor Jarman**  
Independent entrepreneur, Cambridge, UK
- **Tim McCarthy** **Chairman of the Executive Board** of Unnamed Ltd, Cambridge, UK
- **Peter Llewellyn-Davies**  
Chief Executive Officer and Chief Financial Officer of APEIRON Biologics AG, Vienna, Austria
- **Pilar de la Huerta**  
Chief Executive Officer of ADL BioPharma, Madrid, Spain
- **Hansjörg Plaggemars** *Member of the Supervisory Board since 9 July 2019*  
Management Consultant, Stuttgart, Germany

### Total remuneration of the Supervisory Board members

[in €'000]	2019	2018
Fixed remuneration	162	160
<b>Total</b>	<b>162</b>	<b>160</b>

Detailed information on the remuneration system and the remuneration components of the members of the Supervisory Board are presented in the remuneration report within the 4basebio Group management report.

## 26. Auditor's fees and services

At the Annual General Meeting on 9 July 2019, the shareholders of 4basebio AG appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (Ernst & Young GmbH), Mannheim, as the auditor and group auditor of 4basebio AG for the 2019 financial year. Expenses amounting to €163 thousand (2018: €268 thousand) were recognised for services provided by

Ernst & Young GmbH. Of the total amount, €129 thousand (2018: €183 thousand) relates to audit services and €34 thousand (2018: €85 thousand) to tax advisory services.

## 27. Declaration of compliance with § 161 AktG

The Management Board and Supervisory Board of 4basebio AG have issued the declaration of compliance with the recommendations of the German Corporate Governance Code (DCGC) in accordance with § 161 AktG and made it available to the shareholders. The complete declaration is permanently available on the company's homepage ([www.investors.expedeon.com/en/corporate-governance/declaration-of-conformity](http://www.investors.expedeon.com/en/corporate-governance/declaration-of-conformity)). The declarations of compliance from previous financial years are also available.

## 28. Going concern assumption

The 4basebio Group has prepared the financial statements for the 2019 financial year on the basis of the going concern assumption, also in view of the classification of significant business areas as discontinued operations (see Note 21). 4basebio AG retains approximately 38% of its operating assets at the level of the individual financial statements and approximately 15% at the level of the consolidated financial statements. These remaining parts of the company are shown as continuing operations in the consolidated financial statements for 2019. The 4basebio Group intends to use part of the proceeds from the sale to continue its growth, purchase and development strategy in the remaining genomics business. 4basebio AG will continue this area with the remaining Spanish business unit 4basebio S.L.U., Madrid/Spain and on the basis of the company's own TruePrime™ technology. Future activities will focus on DNA production and on the construction of GMP-certified production facilities. The company will supply DNA products for research and therapy as well as for other applications requiring large amounts of highly purified DNA. 4basebio AG is thus targeting the rapidly growing market for novel gene therapies. The 4basebio Group has drawn up a business plan for 2020, which foresees a positive result before taxes, depreciation and PPA adjustments for 2020 and expects that its activities will be managed with the resources available on 31 December 2019. On the basis of the business plan and the available financial resources, the management assumes that the 4basebio Group has sufficient liquid funds to maintain the current business operations.

## 29. Significant events after the balance sheet date

On 2 January 2020 4basebio AG, formerly known as Expedeon AG, concluded the transaction with Abcam plc, Cambridge/UK (London Stock Exchange: ABC; ISIN: GB00B6774699; AIM MTF) for the sale of its immunology and proteomics business for €120 million in cash with effect from 1 January 2020. The Annual General Meeting convened for an extraordinary meeting on 19 December 2019 approved this transaction. The agreement includes the sale and transfer of all shares in Expedeon Holdings Ltd, Cambridge/UK, a subsidiary of 4basebio AG, formerly known as Expedeon AG. The completion of the transaction triggers a payment of €120 million, of which €105.6 million is due immediately and €14.4 million is booked to an escrow account for two years in accordance with the contractual agreement. In future, the activities in the field of genomics will be bundled under the new company name 4basebio, based on the expertise of the Spanish business unit 4basebio S.L.U. in Madrid/Spain. The company will focus on the manufacture of DNA products for therapies and other applications requiring large amounts of highly purified DNA (e.g. the fast growing markets for advanced gene therapies and gene vaccines).

The change of name of Expedeon AG to 4basebio AG, which was approved in the extraordinary general meeting on 19 December 2019, was entered in the commercial register on 13 January 2020. With the change of name to 4basebio AG, the company's shares will be listed and traded under the new stock exchange code 4BSB. The company's shares will continue to be traded on the German Stock Exchange in Frankfurt under the unchanged WKN (A2YN80).

On 21 January 2020, 4basebio AG decided on the basis of the authorisation of the extraordinary general meeting of 19 December 2019 and with the approval of the Supervisory Board to acquire up to 2,056,452 own shares (approx. 4% of the Company's share capital) as part of a share buyback offer. On 10 February 2020, the offer was increased to acquire up to 5,230,726 own shares (approx. 10% of the Company's share capital) which were acquired on 21 February 2020. 4basebio AG is considering holding the repurchased shares until further notice in order to use them later in accordance with the authorisation of the Annual General Meeting of 19 December 2019 - for example as consideration for the acquisition of companies or investments as part of the continued buy & build strategy. Shares not required will be cancelled.

On 21 February 2020, the Company held 5,230,667 own shares in treasury following the completion of a share buyback. On 20 April 2020, the management and supervisory boards of the company resolved to redeem these shares, a process which is now underway.

Subsequent to year end, the closure of the 4basebio Inc. business unit was announced. The company expects operating losses at this subsidiary until its final closure in the course of the 2020 financial year. In addition, additional costs are expected for the closure of the operations.

The effects of the Coronavirus pandemic, which is ongoing at the time of the preparation of the consolidated financial statements, on the European and global economy in general and on the 4basebio Group in particular cannot be estimated at the present time due to the current dynamics and the unforeseeable duration. Particularly in view of the already comprehensively initiated stabilising measures to mitigate the negative financial effects, the Management Board does not consider the economic situation of the 4basebio Group to be at risk beyond the end of the 2019 financial year at the time of preparation of the consolidated financial statements. With the conclusion of the Abcam transaction, the 4basebio Group has sufficient liquid funds to cope with the negative consequences of this pandemic.

Heidelberg, 28 April 2020

Dr Heikki Lanckriet

CEO

David Roth

CFO

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## **Independent Auditor's Report**

To 4basebio AG

### **Note on the audit of the consolidated financial statements and the Group management report**

#### **Audit opinions**

We have audited the consolidated financial statements of 4basebio AG, Heidelberg, and its subsidiaries (the Group), comprising the consolidated statement of comprehensive income for the financial year from 1 January to 31 December 2019, the consolidated balance sheet as at 31 December 2019, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2019 and the notes to the consolidated financial statements, including a summary of significant accounting policies. We have also audited the group management report of 4basebio AG, which was combined with the management report of the Company, for the financial year from 1 January to 31 December 2019. In accordance with German legal requirements, we have not audited the contents of the Group management report in section 8.

In our opinion, based on the findings of our audit

- the accompanying consolidated financial statements comply in all material respects with IFRSs as adopted by the EU and the additional requirements of German law pursuant to Section 315e (1) HGB and give a true and fair view of the net assets and financial position of the Group as of 31 December 2019 and of its results of operations for the fiscal year from 1 January to 31 December 2019 in accordance with these requirements; and
- the attached Group management report provides a suitable understanding of the Group's position. In all material respects this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the Group management report does not extend to the content of the above-mentioned Group declaration on corporate governance.

In accordance with § 322 (3) sentence 1 HGB, we declare that our audit has not led to any objections to the correctness of the consolidated financial statements and the Group management report.

### **Basis for the audit opinion**

We conducted our audit of the consolidated financial statements and the Group management report in accordance with § 317 HGB and the EU Auditor Regulation (No. 537/2014; hereinafter "EU-APrVO") and in compliance with the generally accepted German auditing standards established by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under these rules and principles is described in more detail in the section "Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Group Management Report" in our audit opinion. We are independent of the Group companies in accordance with European law and German commercial and professional regulations and have fulfilled our other German professional duties in accordance with these requirements. In addition, we declare pursuant to Article 10 (2) (f) EU-APrVO that we have not performed any prohibited non-audit services pursuant to Article 5 (1) EU-APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements and the Group management report.

### **Audit issues of particular importance in the audit of the consolidated financial statements**

Matters of particular importance are those matters which in our opinion, based on our professional judgement, are most relevant to our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2019. These matters have been considered in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon; we do not express a separate opinion on these matters.

In the following, we describe the audit issues that we consider to be particularly important:

## **1. Discontinued Immunology and Proteomics Division**

### **Reasons for designation as a particularly important audit area**

In an agreement dated 11 November 2019, the legal representatives of 4basebio AG agreed, subject to shareholder approval, to sell the immunology and proteomics business to Abcam plc, Cambridge/UK. The shareholders' approval was given at the Extraordinary General Meeting on 19 December 2019 in Heidelberg. The assets and liabilities of the immunology and proteomics business have been classified as assets and liabilities held for sale in accordance with IFRS 5 and all related transactions have been classified as discontinued operations in the consolidated income statement and consolidated cash flow statement for all periods presented (final disposal on 2 January 2020) in accordance with IFRS 5. We have determined that this matter is of particular importance as the immunology and proteomics business accounts form a significant portion of the Group's business and the classification as discontinued operation has an impact on all components of the consolidated financial statements.

### **Auditing procedure**

The focus of our audit procedures was to separate the discontinued operations of the immunology and proteomics division from continuing operations and to measure the assets and liabilities of the discontinued operation. With regard to the disclosure as discontinued operation, we have assessed whether the requirements of IFRS 5 are met. For the valuation, we dealt with the underlying business processes and carried out individual case examinations. The audit procedures included reconciling the gross sales price with the sales contract and the net assets with the closing balance sheet. In addition, we reviewed the assumptions used to define and measure the assets and liabilities based on the underlying contracts, compared them with the valuations from previous periods and discussed them with the legal representatives of the company. We also examined the completeness and accuracy of the disclosures in the notes relating to the discontinued operation in accordance with IFRS 5.

Our audit did not give rise to any objections with regard to the disclosure as discontinued operation and the measurement of the assets and liabilities of the discontinued operation.

### **Reference to related information**

The Company has made disclosures on the recognition and measurement of the discontinued operation in the notes to the consolidated financial statements in section "D. Significant accounting policies applied" and in note "21. Discontinued operations".

## **2. Recognition and measurement of deferred taxes**

Reasons for designation as a particularly important audit subject

The recognition and measurement of deferred tax assets and liabilities requires a complete determination of the differences between the recognition and measurement of assets and liabilities in accordance with the respective local tax regulations and accounting under IFRS, as well as a determination of tax loss carryforwards. Due to different, usually complex local tax regulations, this requires extensive calculations. Detailed knowledge of the applicable tax law is required for this and for the measurement of deferred tax assets and liabilities. In addition, the assessment of the usability of deferred tax assets is based on the expectations of the legal representatives regarding the economic development of the company, which is influenced by the current market environment and future market developments. It is therefore subject to discretion. In view of the complexity of the matter and the associated susceptibility to error and the scope for discretion, the recognition and measurement of deferred taxes was one of the most significant issues in our audit.

### **Auditing procedure**

We have dealt with the process set up by the legal representatives for the complete recognition and measurement of deferred taxes. With the involvement of tax experts with knowledge of the respective local tax law, we have carried out spot checks to identify and quantify differences between the recognition and measurement of assets and liabilities in accordance with tax regulations and IFRS accounting, and the application of the appropriate tax rate in accordance with the requirements of IAS 12. We have examined the calculation of deferred taxes carried out by the legal representatives for arithmetical correctness. With regard to the recoverability of deferred tax assets from temporary differences and from loss carryforwards, we examined the tax planning made by the legal representatives to ensure that it was in line with corporate planning. In addition, we examined the tax planning to determine whether the Group-wide planning horizon was used to determine the usability of tax loss carryforwards and whether the respective country-specific tax regulations were observed.

Our audit did not give rise to any objections regarding the recognition and measurement of deferred taxes.

## **Reference to related information**

The company has made disclosures on the recognition and measurement of deferred taxes in the notes to the consolidated financial statements in section "D. Significant accounting policies applied" and in note "12. Deferred tax assets and liabilities".

## **Other information**

The legal representatives are responsible for other information. Other information includes the above-mentioned corporate governance statement.

Our audit opinion on the consolidated financial statements and the Group management report does not extend to the other information, and accordingly we do not express an audit opinion or any other form of conclusion on these matters.

In connection with our audit, we have a responsibility to read the other information and assess whether the other information

- contain material inconsistencies with the consolidated financial statements, the Group management report or our knowledge gained during the audit, or
- appear to be substantially misrepresented elsewhere.

## **Management's Responsibility for the Consolidated Financial Statements and the Group Management Report**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the EU, and the additional requirements of German law pursuant to § 315e Abs. 1 HGB and German commercial law, and for ensuring that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Furthermore, the legal representatives are responsible for the internal controls that they have determined to be necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing, where relevant, the matters relating to the Group's ability to continue as a going concern. They are

also responsible for disclosing, where relevant, the matters relating to the Group's ability to continue as a going concern. Furthermore, they are responsible for accounting on a going concern basis unless the Group is to be wound up or decommissioned or there is no realistic alternative to such.

In addition, the legal representatives are responsible for the preparation of the Group management report, which as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) which they have deemed necessary to enable the preparation of a Group management report in accordance with German legal requirements and to provide sufficient suitable evidence for the statements made in the Group management report.

The Supervisory Board is responsible for monitoring the accounting and financial processes of the Group for the preparation of the consolidated financial statements and the Group management report.

#### **Auditor's responsibility for the audit of the consolidated financial statements and the Group management report**

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development in all material respects in accordance with the consolidated financial statements and the findings of our audit, as well as to issue an audit opinion which includes our conclusions on the consolidated financial statements and the Group management report.

Adequate assurance is a high degree of certainty, but does not guarantee that an audit conducted in accordance with § 317 HGB and the EU-APrVO and in compliance with the generally accepted German auditing standards established by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can result from violations or inaccuracies and are considered material if it could reasonably be expected that they could individually or collectively influence the economic decisions of addressees made on the basis of these consolidated financial statements and the Group management report.

During the audit we exercise due discretion and maintain a critical attitude. Beyond that

- we identify and assess the risks of material misstatement of the consolidated financial statements and the group management report, whether due to fraud or error, plan and perform the audit procedures to respond to these risks and obtain audit evidence sufficient and

appropriate to provide a basis for our audit opinion. The risk that material misstatements will not be detected is higher for violations than for inaccuracies, as violations may involve fraudulent collusion, falsification, intentional incompleteness, misleading statements or the invalidation of internal controls;

- we obtain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the procedures and measures relevant to the audit of the group management report in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems;
- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we draw conclusions about the appropriateness of the accounting policies used by the legal representatives of the Group's going concern basis and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are obliged to draw attention in our audit opinion to the related disclosures in the consolidated financial statements and the group management report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances may result in the Group being unable to continue its operations;
- we assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements- give a true and fair view of the net assets-, financial position and results of operations of the Group in accordance with IFRS as adopted by the EU and the additional requirements of German law pursuant to Section 315e (1) HGB;
- we obtain sufficient and appropriate audit evidence for the accounting information of the companies or business activities within the group to enable us to express an opinion on the consolidated financial statements and the group management report. We are responsible for instructing, monitoring and performing the audit of the consolidated financial statements. We are solely responsible for our audit opinions;
- we assess the consistency of the Group management report with the consolidated financial statements, its legal representatives and the picture of the Group's situation conveyed by it;

- we perform audit procedures on the future-oriented statements made by the legal representatives in the group management report. On the basis of sufficient and appropriate audit evidence, we verify in particular the significant assumptions underlying the forward-looking statements made by the legal representatives and assess whether the forward-looking statements can be properly derived from these assumptions. We do not express an independent audit opinion on the forward-looking statements and the underlying assumptions. There is a significant unavoidable risk that future events could differ materially from the forward-looking statements.

We discuss with those responsible for monitoring, among other things, the planned scope and timing of the audit as well as significant audit findings, including any deficiencies in the internal control system that we discover during our audit.

We make a declaration to those responsible for monitoring that we have complied with the relevant independence requirements and discuss with them any relationships or other matters that can reasonably be expected to affect our independence and the safeguards put in place to protect it.

Of the matters that we have discussed with those responsible for supervision, we have identified those matters that were most significant in the audit of the consolidated financial statements for the current reporting period and are therefore the most significant audit matters. We describe these matters in our audit opinion unless laws or regulations preclude public disclosure of the matters.

#### **Other legal and regulatory requirements**

#### **Other information required under Article 10 EU-APrVO**

We were elected as auditors of the consolidated financial statements by the Annual General Meeting on 9 July 2019. We were commissioned by the Supervisory Board on 23 October 2019. We are auditors of the consolidated financial statements of 4basebio AG without interruption since the 2002 financial year.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the Audit Committee pursuant to Article 11 EU-APrVO (audit report).

**Responsible auditor**

The auditor responsible for the audit is Uwe Kaschub.

Mannheim, 28 April 2020

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Kaschub  
Auditor

Reiter  
Auditor

# CORPORATE GOVERNANCE REPORT

## (with disclosures pursuant to Secs. 289f and 315d of the German Commercial Code)

The Management Board and Supervisory Board of 4basebio AG are committed to responsible corporate management and control of the Company that is geared towards a sustained increase in shareholder value. The key factors that will enable us to achieve this goal are the long-term corporate strategy, a sound financial policy, compliance with legal and ethical principles as well as transparency in corporate communications.

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

### **IMPLEMENTATION OF THE RECOMMENDATIONS OF THE GERMAN CORPORATE GOVERNANCE CODE AND DECLARATION OF COMPLIANCE**

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

On 12 March 2020, the Management Board and Supervisory Board of 4basebio AG issued the following declaration of compliance with the German Corporate Governance Code in accordance with Sec. 161 AktG ["Aktengesetz": German Stock Corporation Act] which is also published on the Company's website.

"The Executive Board and the Supervisory Board of 4basebio AG hereby declare that, 4basebio AG has complied and continues to comply with the recommendations set forth by the German Government Commission in the German Corporate Governance Code (hereinafter also "GCGC") in the version of 7 February 2017 since the submittal of the last declaration of compliance on 12 April 2019, in each case with the exceptions set forth below.

- Item 5.4.1 (2) Sentence 1 GCGC: The Supervisory Board has specified concrete objectives regarding its composition, however, neither an age limit nor a regular limit of length of membership. The Supervisory Board is convinced that such limits are not adequate in times of prolonged working lives and shortage of skilled and experienced candidates for such positions and would thus unduly limit the selection of eligible Supervisory Board members. The Supervisory Board will discuss the introduction of an age limit and a regular limit of length of membership in due course.
- Item 7.1.2 Sentence 3 GCGC: The Consolidated Financial Statements for the fiscal year 2018 have been published on 30 April 2019. The Consolidated Financial Statements for the fiscal year 2019 are planned to be published on 30 April 2020. Thus, for the fiscal year 2018, the Company has not complied and will not comply

for the fiscal year 2019 with the recommendation of Item 7.1.2 Sentence 3 to publish the Consolidated Financial Statements within 90 days of the end of the financial year. In both cases, the exceeding of the period is owed to challenges in ensuring timely year end reporting and auditing in connection with the acquisition and/or sale of subsidiary entities, respectively. The Company aims to meet such deadline from 2021 onwards.

Heidelberg, 12 March 2020  
For the Management Board  
Dr. Heikki Lanckriet  
CEO/CSO

For the Supervisory Board  
Joseph M. Fernández  
Chairman of the Supervisory Board

4basebio provides detailed information on Corporate Governance on the Company's website at <https://investors.4basebio.com/> under *Corporate Governance*. This is also, where the current declaration of compliance and earlier versions of the declaration of compliance in accordance with Item 3.10 of the Code and the 4basebio Code of Ethics can be viewed and are available for download.

## **COMPLIANCE**

An integral element of the 4basebio 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 4basebio is perceived as a reliable partner of integrity. The Code of Ethics is also published on the Company's website under *Corporate Governance*.

As a matter of principle, compliance at 4basebio 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 4basebio 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.

## **GENERAL MEETING**

The shareholders exercise their rights in a General Meeting, where they also exercise their voting rights. Each registered non-par value share of 4basebio AG carries one vote.

Our Annual General Meeting was held on 9 July 2019, where around 38.44 % 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 then website at <https://investors.expedeon.com/> under *Events/Annual General Meeting*. 4basebio 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.

An Extraordinary General Meeting was held on 19 December 2019, where around 44.05 % of the Company's voting share capital was represented. The shareholders have approved all agenda items proposed by the Management. The Annual General Meeting's framework conditions for the shareholders applied accordingly.

## **WORKINGS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD - DUAL MANAGEMENT AND CONTROL SYSTEM**

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

### **Management Board**

From 1 January 2019 until 31 December 2019, the Management Board consisted of two persons, Dr Heikki Lanckriet as CEO/CSO and Mr David Roth as CFO. The Management Board is responsible for managing the Company and conducting its business. The Management Board develops the strategic alignment, which it subsequently coordinates with the Supervisory Board and ensures its implementation. Its actions and decisions are taken in the Company's best interests.

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

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

### **Supervisory Board**

From 1 January 2019 until 31 December 2019, the Supervisory Board of 4basebio AG consisted of six persons, except for the period 4 April 2019 until 9 July 2019, following the resignation of Dr. Cristina Garmendia and the subsequent appointment of Mr Hansjörg Plaggemars by the Annual General Meeting 2019. The Supervisory Board appoints, monitors and advises the Management Board on the management of the Company and is immediately involved in any decisions of fundamental significance for the Company. All members of the Supervisory Board with the exception of Mr Hansjörg Plaggemars were elected by the Annual General Meeting on 7 July 2017. Mr Hansjörg Plaggemars was elected by the Annual General Meeting on 9 July 2019 for the remaining term of office of Dr. Christina Garmendia.

In the interest of the Company, proposals for the election of Supervisory Board members are prepared with a focus on the knowledge, abilities and technical experience required to perform the duties. In addition, efforts are also made to consider diversity in the composition of the Company's Supervisory Board.

The term of office of the members of the Supervisory Board ends at the close of the Company's Annual General Meeting which resolves on the exoneration in respect of the fourth financial year following the beginning of the term of office, not counting the financial year in which the term of office begins. The Supervisory Board believes that it has a sufficient number of independent members. Details of the election, constitution and term of office of the Supervisory Board, of its meetings and resolutions, in addition to its rights and obligations are laid down in the articles of association of 4basebio AG, which are available for download on our website at <https://investors.4basebio.com/> under *Corporate Governance*.

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

Regular dialogue with the Management Board ensures that the Supervisory Board is informed about the development of business, financial situation, corporate planning and strategy at all times. It also deals in particular with the annual financial statements of the Company and the Group, taking into consideration the reports of the external auditors. The report of the Supervisory Board, which is included in this annual report, provides information on the key activities of the Supervisory Board and its committees in the financial year 2019.

### **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 4basebio AG has set up two permanent committees from among its members: The Audit Committee and the Nomination and Remuneration Committee, each composed of three members.

The members of the committees are elected with a majority of the votes cast by the Supervisory Board members. The committees hold meetings as required. The meetings are convened by the relevant committee chair, who forwards the minutes of the meetings to the members of the Supervisory Board and reports on the work of the committee in the next plenary meeting.

Composition of Supervisory Board committees:

	<b>Term of office ends</b>	<b>Audit Committee</b>	<b>Nomination and remuneration</b>
Dr. Joseph M. Fernández Chairman	AGM 2022		
Tim McCarthy Deputy Chairman	AGM 2022	X	
Mr Hansjörg Plaggemars <sup>1</sup>	AGM 2022		
Trevor Jarman	AGM 2022		X
Peter Llewellyn-Davies	AGM 2022	X (Chair)	X
Pilar de la Huerta	AGM 2022	X	X (Chair)
<i>Dr. Cristina Garmendia, Chairwoman (until resignation)</i>	<i>4 April 2019<sup>2</sup></i>		

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

During 2019 the Nomination and Remuneration Committee had 2 meetings.

<sup>1</sup> Hansjörg Plaggemars was elected to the Supervisory Board by the 2019 Annual General Meeting on July 9, 2019.

<sup>2</sup> Dr. Cristina Garmendia resigned from the Supervisory Board effective April 4, 2019.

## **Efficiency review of the Supervisory Board**

In accordance with Item 5.6 GCGC, the Supervisory Board of 4basebio 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 4basebio AG are committed to the interests of the Company. In performing their duties, they pursue neither personal interests nor do they grant other persons unjustified advantages. Secondary activities or business relations of members of the two boards with the Company are to be disclosed to the Supervisory Board immediately and require the Supervisory Board's approval. The Supervisory Board reports to the Annual General Meeting on any conflict of interests and how they have been treated.

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

Since 25 February 2015 Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, provided consulting services for project support to 4basebio S.L.U. (formerly EXPEDEON Biotech S.L.U.), Madrid, Spain. The former chairwoman of the Supervisory Board of 4basebio Mrs. Dr. Cristina Garmendia is principal shareholder of Science & Innovation Link Office, S.L. (SILO), Madrid, Spain. For these consulting services, 4basebio S.L.U., Madrid, Spain, paid in 2019 the amount of €12,165 to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain.

Due to a public soft loans 4basebio S.L.U. receives from Spanish institutions for its R&D activities in Spain, Dr. Heikki Lanckriet pledged 400,000 shares of his interest in EXPDEPEON AG to secure this loan. According to the agreement on the payment of a share pledge fee between 4basebio and Dr Heikki Lanckriet, it was agreed that 4basebio has to compensate Dr Heikki Lanckriet, for creating this pledge as a security for 4basebio's fulfilment of its obligation arising from the public loan received from the Spanish institution by paying a so called share pledge fee. This fee is €10,000 annually.

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

## **OPEN AND TRANSPARENT CORPORATE COMMUNICATION**

4basebio meets all recommendations applicable to the Company that are included in Item 6 of the German Corporate Governance Code. In the interest of ensuring the greatest possible degree of transparency, our corporate communications strategy is designed to keep the

general public informed and up to date on the Company's activities and thus confirm and strengthen confidence in us. The Company rigorously applies the principle that no shareholder may receive privileged information. To ensure that all market participants are provided with the same information at the same time, we make all press releases, ad-hoc messages and key documents available on our website <https://investors.4basebio.com/> under *News*.

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

## **RISK MANAGEMENT**

Dealing with all risks responsibly and appropriately is a key element of good corporate governance in our opinion. 4basebio has a risk management system in place which is structured to ensure periodic monitoring, enabling the Management Board to identify and assess risks and the trends associated with them at an early stage and to respond immediately to relevant changes in the risk profile in an appropriate manner. The Management Board keeps the Supervisory Board up to date on existing risks and their development. The risk management system is developed on a rolling basis to reflect changing circumstances and conditions and is discussed by the Audit Committee in connection with the quarterly reports and the audit of the annual financial statements. The group management report contains further details in the opportunities and risks report.

## **ACCOUNTING AND AUDITING OF THE FINANCIAL STATEMENTS**

The consolidated financial statements of the 4basebio Group for the financial year 2019 were prepared in accordance with the International Financial Reporting Standards (IFRSs), applying Sec. 315a HGB. The annual financial statements of 4basebio 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 9 July 2019. The external auditors issued a declaration of independence to the Audit Committee before the engagement was awarded.

## **DETERMINATIONS PURSUANT TO SECS. 76 AND 111 AKTG**

Pursuant to Sec. 76 para. 4 and Sec. 111 para. 5 AktG, the Supervisory Board and the Management Board of 4basebio AG have passed resolutions stipulating the targets for the proportion of females in management positions and the end dates for the fulfilment of these targets.

### **Target for Management Board**

In April 2019, the Supervisory Board of 4basebio AG adopted a target of 30 % for the proportion of female members of the Management Board to be achieved by 31 March 2024. Throughout the financial year 2019 the proportion of female members of the Management Board was 0 %.

### **Target for Supervisory Board**

In 2015, the Supervisory Board of 4basebio AG further adopted the target of 33 % for the proportion of female members of the Supervisory Board to be achieved by the end of 2017. Until 4 April 2019, the proportion of female members of the Supervisory Board was 33 %. From then until 9 July 2019, the proportion was 20 % and thereafter 17 % Thus, the target has not been met throughout the reporting period.

The Supervisory Board of 4basebio AG is working actively to address this discrepancy.

### **Target for First and Second Management Level below Management Board**

In 2018, the Management Board of 4basebio AG adopted the target of 40 % for the proportion of female executives on the first management level below the Management Board and the target of 40 % for the proportion of female executives on the 2nd level below the Management Board to be achieved by 1 January 2019. This target has been met.

### **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. A detailed presentation explanation of the compensation of the Management Board (with distinctions between fixed and variable compensation components as well as other benefits) and of the compensation of the members of the Supervisory Board is provided in a separate chapter "REMUNERATION REPORT" of the management report, which is also part of this corporate governance report.