



## Interim Report for the half year ending 30 June 2017



# **SYGNIS AG, Heidelberg, Germany**

## **Interim report for the half year ending 30 June 2017**

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# **SYGNIS AG, Heidelberg, Germany**

## **Interim group management report for the half year ending 30 June 2017**

- Half year revenues of € 3 million (previous year: € 319 thousand)
- Upward revision of full year revenue guidance to € 7 million - € 8 million
- Continue to expect operational cashflow break even in Q4 2017
- Strong closing cash position following successful capital fund raising and completion of Innova Biosciences Limited acquisition in June 2017

### **Business performance**

The SYGNIS group of companies (hereinafter referred to as either "SYGNIS" or "the Company") with its parent company SYGNIS AG, Heidelberg, Germany, is a biotech company listed on Prime Standard segment of Deutsche Börse, the main German stock exchange.

Revenues have continued to grow strongly in the first half of the year 2017 with all key product lines contributing to growth. Total revenue for the half year was € 3.0 million, a nine-fold increase on the same period last year (€ 319 thousand) and 103% higher than H2 2016 (€ 1.460 thousand).

The sales channels acquired via the Expedeon acquisition have been very effective for stimulating TruePrime™ revenue growth with strong double-digit quarter to quarter growth being observed. Furthermore, the sales force has been expanded substantially in the first quarter of the year most notably in USA and Germany which provides a solid platform for continued growth in the remainder of the year and beyond.

In December 2016, the Company announced the acquisition of San Diego, USA based C.B.S. Scientific ("C.B.S."). C.B.S. has developed a strong global brand in electrophoresis equipment and scientific instrumentation for genomics and proteomics research and its product offering is highly complementary with SYGNIS' product ranges. The acquisition and integration of C.B.S. into the SYGNIS Group has been completed with the end of the first quarter 2017. C.B.S. financials have been consolidated with SYGNIS, effective January 2017 and the sites of Expedeon Inc. and C.B.S., both located in San Diego have been merged into a single 12,000 SQFT facility. In addition to integration cost synergies, C.B.S. products will now also be sold through SYGNIS sales channels which is expected to deliver additional revenue growth.

A capital increase of 275,311 shares was recorded on 13 March 2017 which formed part of the consideration for the purchase of C.B.S..

Furthermore, on 8 May 2017, SYGNIS AG entered into an agreement to acquire Innova Biosciences Limited ("Innova"), a privately held UK-based bio-conjugation company. This transaction was subsequently completed on 16 June 2017.

The acquisition of Innova represents an important strategic addition to the Group, complementing both existing companies and technologies. Innova has developed market leading technology and products to label biomolecules such as protein and DNA in order to detect, purify and quantify these molecules. The patent-protected products Innova manufactures fit perfectly in the proteomics and genomics workflows targeted by SYGNIS. Additionally, Innova's well-developed customer base in the pharmaceutical and clinical diagnostic market segments complements the Company's already strong position in academic research and is expected to deliver revenue growth opportunities.

The purchase price comprised a cash payment of € 8 million and 2 million shares of SYGNIS AG issued by way of a capital increase against contribution in kind from authorised capital as well as up to a further 1.5 million shares which will be issued through a mandatory convertible bond if certain turnover targets are met within a period of two years.

To finance the cash payment, SYGNIS AG has increased the Company's share capital from authorised capital by way of a rights issue and subsequent private placements raising € 10,018,754 in total.

SYGNIS continues to progress its R&D programmes focussed on new product development and validation of TruePrime™ for Liquid Biopsy applications. We have already launched a product focussed on the selective amplification of cancerous cell free DNA. This technology is currently being validated for different types of cancer. Furthermore, a new workflow is being developed for amplification of apoptic cell free DNA as well as DNA from extracellular vesicles enabling TruePrime™ based analysis of all types of DNA in bodily fluids. The bioinformatics team also developed an online platform hosting bioinformatics tools for NGS data analysis. "TruePure" was the first tool launched to check the quality and contamination of NGS sequences. This was followed by "TruePlane" to check the evenness of the amplification of NGS sequencing.

The adjusted net loss for the first half year of 2017 was € 893 thousand compared with a loss of € 1,451 thousand in the previous year period, representing a strong improvement of 38%. The reported results reflect a number of non-cash items relating to the fair value acquisition accounting for recent acquisitions, Expedeon, C.B.S. and Innova; as well as costs associated with the Group restructuring following those transactions and some transaction costs.

These items lifted the result from the adjusted loss of € 893 thousand to the reported loss of € 1,983 thousand. The following table shows the composition of operating income and expenses for H1 2017 split out for comparison purposes with H1 2016:

€ thousands except number of shares	Half Year Period 30 June					2016 H1
	2017 H1	Acquisition fair value non-cash	Transaction Costs	Reorg cost charged in period	2017 for comparison	
<b>Revenues</b> .....	2,980				2,980	319
<b>Costs of goods sold</b> .....	(1,508)	658			(850)	(46)
<b>Expenses:</b>						
Sales.....	(574)				(574)	(287)
Administration.....	(2,719)	301	170	185	(2,063)	(776)
Research and development.....	(335)				(335)	(686)
Other operating income (expense).....	(32)				(32)	38
<b>Total operating expenses</b> .....	(5,168)	959	170	185	(3,854)	(1,757)
<b>Results of operating activities</b> .....	(2,188)	959	170	185	(874)	(1,438)
Finance costs.....	(20)				(20)	(10)
<b>Earnings before taxes</b> .....	(2,208)	959	170	185	(894)	(1,448)
Income tax.....	225	(224)			1	(3)
<b>Net profit/loss for the period</b> .....	(1,983)	735	170	185	(893)	(1,451)
Exchange rate adjustments.....	(1,001)				(1,001)	2
<b>Other comprehensive income (after taxes)</b> .....	(1,001)				(1,001)	2
<b>Total comprehensive income</b> .....	(2,984)				(1,894)	(1,449)
<b>Earnings per share (diluted and undiluted)</b> .....	(0.05)				(0.02)	(0.09)
Average number of shares outstanding.....	37,507,167				37,507,167	16,664,905

The cost of goods fair value adjustments for Expedeon, C.B.S and Innova represent uplifts at acquisition date between original inventory cost and eventual sales value (less selling costs) as required under IFRS. Therefore, H1 results include non-cash charges of € 658 thousand for the group inventory held at acquisition date and subsequently sold. In addition, Administration expenses include € 301 thousand for the amortisation of patents and customer lists capitalised on the acquisition of Expedeon and Innova, transaction expenses of € 170 thousand on C.B.S. and Innova and reorganisation costs of € 185 thousand not accrued.

Net operating cash outflows moved from € 1,506 thousand in H1 2016 to € 1,614 thousand in H1 2017 and to below € 1,100 thousand allowing for reorganisation and transaction outflows in the period:

€ thousand	1 January to 30 June	
	2017	2016
Net cash outflow from operating activities.....	(1,614)	(1,506)
One off restructuring outflows.....	418	0
Transaction outflows.....	120	0
Adjusted net cash outflow from operating activities.....	<u>(1,076)</u>	<u>(1,506)</u>

Liquid funds as at 30 June 2017 amounted to € 2,675 thousand compared with € 3,795 thousand as at 31 December 2016. This change comprises a combination of significant inflows and outflows. Outflows relate primarily to € 7,465 thousand on investing activities linked to the Innova and C.B.S purchases, € 277 thousand capitalised development, € 1,090 thousand capital expenditure associated with additional operational capacity in the UK (offset by the disposal of previous premises for € 376 thousand) and € 1,614 thousand on operating activities (of which € 418 thousand related to one off restructuring expenditure). This is offset by € 8,625 thousand of funds less costs received to date in relation to the capital fund raisings.

## Key events during the reporting period

### ***SYGNIS announces launch of TrueHelix***

In February 2017, **SYGNIS announced the launch of TrueHelix a new bioinformatics services platform, for Next Generation Sequencing (NGS) providers and customers to analyse sequencing data.** TruePure the first bioinformatics tool that was launched on the platform validates sample purity and checks for potential sample contamination, which is a key concern in NGS workflows and can originate either from the lab environment or introduced during the sequencing process.

### ***SYGNIS AG announces management changes***

David Roth has been appointed on 1 March 2017 as the new Chief Financial Officer of the Company.

### ***SYGNIS announces launch of TrueAdvance™***

TrueAdvance™ is the DNA amplification and validation service launched in March 2017. The objective of the new service is to support and enable single cell and Liquid Biopsy applications and reinforce SYGNIS' position in the NGS (Next Generation Sequencing) market.

TrueAdvance™ is targeting to support the initial workflow steps of NGS users. Through this newly launched service SYGNIS will provide customers both with a high-quality amplification service, based on the patented TruePrime™ technology, as well as a sample validation service, based on the CovCheck™ technology, confirming the amplified DNA is of highest quality and suitable for NGS. Only validated samples will be returned to the customer for NGS analysis.

## ***SYGNIS Completes Integration of C.B.S. Scientific***

The integration of C.B.S. Scientific Company Inc., a profitable life sciences tools company located in San Diego, CA, USA into the SYGNIS Group has been completed with the end of the first quarter 2017. As with the successful integration of Expedeon into the SYGNIS Group, the C.B.S. integration went very smoothly. Having the consolidated organisation fully operational in only three months post-acquisition is an important achievement, enabling the unit to contribute quickly to growing revenues and, ultimately, achieving profitability for SYGNIS.

## ***SYGNIS AG successfully completes the acquisition of Innova Biosciences Limited***

On 16 June 2017, SYGNIS successfully completed the acquisition of Innova Biosciences Limited for € 8 million in cash and 2 million shares of SYGNIS AG as a contribution in kind. Depending on agreed performance indicators, the purchase price will also include up to 1.5 million shares issued as convertible bonds. To finance this transaction, SYGNIS successfully completed two capital increases in May 2017. This acquisition strengthens the SYGNIS brand and marks an important step towards leadership in the genomic and proteomic market by adding an industry leading bioconjugation technology to the SYGNIS portfolio.

## **Financial analysis**

During the second quarter of 2017, SYGNIS completed its equity fund raising of € 10 million (gross of transaction expenses). It also concluded the acquisition of Innova on 16 June 2017 for immediate consideration of € 8 million and 2 million in shares, with a further earn out over two years of up to 1.5 million shares. Innova is included in the half yearly results from 30 June 2017.

Preliminary fair value accounting entries for the acquisition of Innova have been reflected within the balance sheet for SYGNIS AG as at 30 June 2017. It is expected this will be subject to revision as the purchase price allocation process is completed over the next months.

SYGNIS business operations continued to be centred around the development and commercialisation of innovative high added value tools and reagents for life sciences research with a strong focus on Next Generation Sequencing workflows, in particular Liquid Biopsy and Single Cell DNA analysis.

Revenues are growing strongly and the Company continues to expect to achieve operational cashflow break even position in the final quarter of 2017. The Company also continued to trade in line with its internal budget for 2017.

As noted above, the underlying results for H1 2017 present a strong improvement on the previous H1.

## ***Earnings position***

Also, as noted, the net result reflects a number of non-cash items relating to the fair value acquisition accounting for acquisitions in 2016 and 2017, as well as costs associated with the Group restructuring following those transactions and some transaction costs. The Group's net loss for the first half of the fiscal year was € 1,983 thousand compared to a net loss of € 1,451 thousand for the same period of the last year.

The exchange rate adjustments of € 1,001 thousand charged directly to Other Comprehensive Income represent non-cash translational exchange rates differences, primarily on goodwill balances recorded in foreign currencies.

## **Revenues**

Revenues amounted to € 2,980 thousand (H1 2016: € 319 thousand) and is primarily attributable to the sale of own kits and devices. This represents an increase of 103% on H2 2016 revenue; we anticipate continued revenue growth over the remainder of 2017.

## **Operating expenses**

The increase in operating expenses against the comparative period reflects the increasing sales activities, manufacturing and R&D capabilities of the Group. It also includes reorganisation costs incurred during the half year as well as fair value accounting under IFRS for acquisitions.

## **Asset and financial position**

In the first half of 2017, the cash and cash equivalent levels decreased by € 1,120 thousand to € 2,675 thousand. The cash outflow from operating activities amounted to € 1,614 thousand (previous year: € 1,506 thousand). The cash outflows from investing activities amounted to € 8,632 thousand (previous year: € 237 thousand). As noted elsewhere this relates primarily to the purchase of Innova and C.B.S. and the relocation of UK operations.

The principal assets are goodwill and other intangible assets as well as cash and cash equivalents. The balance sheet total has increased from € 38,042 thousand as of 31 December 2016 to € 50,472 thousand as of 30 June 2017. The equity ratio of 82% is unchanged from 31 December 2016.

## **Opportunities and risks report**

### **Financial risks**

The liquidity level of the Company as at 30 June 2017 remains strong with a cash and cash equivalents position of € 2,675 thousand although the Group continues to experience net cash outflows. SYGNIS has now completed the group restructuring following the purchase of Expedeon and C.B.S..

SYGNIS anticipates modest restructuring in relation to Innova; as that business is cash generative, any such cost will not adversely affect the SYGNIS cash position overall.

SYGNIS appraises its cash needs based on a long-term financial planning process. Considering business plan assumptions made and based on the financial resources that are currently available, the Company's Management Board believes the operating expenses of SYGNIS can be met from existing resources until the operational break even point is reached which is foreseen in Q4 2017.

The addition of Innova will have a favourable impact on the cash position of the Group. Other opportunities and risks of SYGNIS have not changed materially since the 2016 Group Management Report.

## **Employees**

The number of employees as of 30 June 2017 is 94 (full-time equivalents, including Management Board) (previous year: 21).

## **Related party transactions**

In the first half of the 2017 fiscal year the Company maintained business relationships with Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, where the member of the supervisory board of SYGNIS AG, Mrs. Dr. Cristina Garmendia is main shareholder of that Company. Since 2015 Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, provided consulting services for competitive projects to Expedeon, S.L.U., Madrid, Spain. For consulting services received from Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, for competitive projects, Expedeon,

S.L.U., Madrid, Spain, paid € 0.9 thousand per month to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain until 1 February 2017. After that date, this amount was decreased to € 0.45 thousand per month. Also, the variable fee to be paid on soft loans and grants obtained with SILO support, are 4.5% in case of grants, and 1% in case of soft loans.

Due to a public soft loan SYGNIS received from Spanish institutions for its R&D activities in Spain, the main shareholder Genetrix S.L., Madrid, Spain, pledged 350,000 shares of its interest in SYGNIS AG to secure this loan until 9 March 2017. According to the agreement on the payment of a share pledge fee between SYGNIS and Genetrix S.L, Madrid, Spain, it was agreed that SYGNIS has to compensate Genetrix S.L., Madrid, Spain, for creating this pledge as a security for SYGNIS' fulfilment of its obligation arising from the public loan received from the Spanish institutions by paying a so-called share pledge fee. This fee accrues yearly at a rate of 3% calculated over the loan amount. On 9 March 2017, Dr. Heikki Lanckriet pledged 400.000 shares of his interest in SYGNIS AG to secure this loan. According to the agreement on the payment of a share pledge fee between SYGNIS and Dr. Heikki Lanckriet it was agreed that SYGNIS has to compensate Dr. Heikki Lanckriet for creating this pledge as a security for SYGNIS' fulfilment of its obligation arising from the public loan received from the Spanish institutions by paying a so-called share pledge fee. This fee is € 10.000 per year, payable on a quarterly basis.

Regarding the number of shares and stock options held by the members of the Management and Supervisory Boards, we refer to the selected notes to these consolidated interim financial statements.

## **Events of special significance since 30 June 2017**

On 7 July 2017, the Annual General Meeting of the Company approved the Annual Report in relation to the year ended 31 December 2016. At that meeting it was resolved to replace the existing authorised share capital by a new authorised share capital of € 22.467.043,00. In addition, the shareholders approved the appointment of Mrs Pilar de la Huerta and Mr Peter Llewellyn-Davies to the Supervisory Board to replace Mrs Maria Jesus Sabatés and Dr. Franz Hopp, neither of whom stood for re-election. Consequently, on 7 July 2017 Mrs Pilar de la Huerta resigned from her position as Co-CEO of the Company and Dr. Heikki Lanckriet became sole CEO, retaining his position as CSO as well.

The implementation of the capital increases to finance the cash purchase price for the acquisition of Innova was entered in the commercial register on 4 July 2017. Thus, the Company's share capital was increased from € 37,617,291.00 to € 44,877,258 composed of 44,877,258 shares, by issuing 7,259,967 new shares from authorised capital. On 6 July, the until then partially outstanding contributions on the new shares in the amount of € 1.3 million were paid. The gross proceeds from the capital increases in the amount of € 10,018,754 were and are being applied to pay the cash purchase price and transaction costs.

## **Outlook**

The outlook is a result of different planning assumptions based on discretionary decisions. Revenue expectations, in particular, are subject to uncertainty outside the control of the Group. The Group continues to remain positive of achieving its 2017 financial plan and reaching operational cashflow break even in Q4.

Following the acquisition of Innova in June 2017, the SYGNIS Group has increased its full year revenue targets and expects revenues to be in the range of € 7 million - € 8 million for 2017 from a previous range of € 6.5 million - € 7.5 million.

Heidelberg, 3 August 2017

Heikki Lanckriet  
CEO

David Roth  
CFO



**SYGNIS AG, Heidelberg, Germany**  
**Interim consolidated financial statements for the period**  
**1 January to 30 June 2017**

**SYGNIS AG**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(in € thousands)**

	30 June 2017	31 December 2016
<b>ASSETS</b>		
Property, plant and equipment.....	2,077	957
Goodwill.....	30,402	23,829
Other intangible assets.....	9,943	6,926
<b>Non-current assets.....</b>	<b>42,422</b>	<b>31,712</b>
Trade receivables.....	1,611	771
Inventory.....	1,890	1,092
Other current assets.....	1,874	672
Cash and cash equivalents.....	2,675	3,795
<b>Current assets.....</b>	<b>8,050</b>	<b>6,330</b>
<b>Total assets.....</b>	<b>50,472</b>	<b>38,042</b>
<b>EQUITY AND LIABILITIES</b>		
Issued capital.....	37,617	37,342
Capital reserves.....	25,587	12,871
Accumulated loss.....	(21,208)	(19,225)
Other comprehensive income.....	(583)	419
<b>Equity.....</b>	<b>41,413</b>	<b>31,407</b>
Deferred tax liabilities.....	1,902	1,152
Financial liabilities.....	2,824	2,285
<b>Non-current liabilities.....</b>	<b>4,726</b>	<b>3,437</b>
Financial liabilities.....	225	421
Trade payables.....	1,910	656
Other current liabilities.....	2,198	2,121
<b>Current liabilities.....</b>	<b>4,333</b>	<b>3,198</b>
<b>Total equity and liabilities.....</b>	<b>50,472</b>	<b>38,042</b>

**SYGNIS AG**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**(in € thousands, except share and per-share data)**

	1 April - 30 June		1 January - 30 June	
	2017	2016	2017	2016
<b>Revenues</b> .....	1,610	228	2,980	319
<b>Costs of goods sold</b> .....	(609)	(34)	(1,508)	(46)
<b>Expenses:</b>				
Sales.....	(320)	(173)	(574)	(287)
Administration.....	(1,414)	(434)	(2,719)	(776)
Research and development.....	(158)	(368)	(335)	(686)
Other operating income.....	35	15	(32)	38
<b>Total operating expenses</b> .....	(2,466)	(994)	(5,168)	(1,757)
<b>Results of operating activities</b> .....	(856)	(766)	(2,188)	(1,438)
Finance costs.....	(15)	(3)	(23)	(10)
Finance income.....	2	0	3	0
<b>Earnings before taxes</b> .....	(869)	(769)	(2,208)	(1,448)
Income tax.....	88	(6)	225	(3)
<b>Net profit/loss for the period</b> .....	(781)	(775)	(1,983)	(1,451)
Exchange rate adjustments.....	(1,072)	3	(1,001)	2
<b>Other comprehensive income (after taxes)</b> .....	(1,072)	3	(1,001)	2
<b>Total comprehensive income</b> .....	(1,853)	(772)	(2,984)	(1,449)
<b>Earnings per share (diluted and undiluted)</b> .....	(0.02)	(0.05)	(0.05)	(0.09)
Average number of shares outstanding.....	37,617,291	16,803,891	37,507,167	16,664,905

## SYGNIS AG

### CONSOLIDATED STATEMENT OF CASHFLOWS (in € thousands)

	1 January to 30 June	
	2017	2016
<b>Operating activities:</b>		
Net loss for the period	(1,983)	(1,450)
Reconciliation of net profit/loss to cash flow from operating activities:		
Depreciation of property, plant and equipment.....	77	27
Amortisation and impairment of intangible assets.....	464	120
Other non-cash items.....	519	(3)
Change in operating assets and liabilities:		
Trade receivables and other current assets.....	(303)	(31)
Other current assets.....	32	89
Trade payables.....	142	211
Other current liabilities.....	79	(467)
Inventories.....	(79)	0
Restructuring.....	(418)	0
Transaction costs.....	(120)	0
Cash outflow from operating activities.....	(1,590)	(1,504)
Interest paid.....	(24)	(2)
Net cash outflow from operating activities.....	(1,614)	(1,506)
<b>Investing activities:</b>		
Business acquisitions, net of cash acquired.....	(7,465)	0
Investments in property, plant and equipment and intangible assets.....	(1,266)	(21)
Investments in development expenses recognized as an asset.....	(277)	(216)
Proceeds from the sale of property, plant and equipment and intangible assets.....	376	0
Payments for long term security deposits.....	0	0
Cash outflow from investing activities.....	(8,632)	(237)
<b>Financing activities:</b>		
Cash in(out)flow due to changes of current financial liabilities.....	530	(25)
Capital increase by way of cash contribution (less costs of issuing equity).....	8,625	(378)
Cash inflow from financing activities.....	9,155	(403)
Net change in cash and cash equivalents.....	(1,091)	(2,146)
Exchange differences.....	(29)	(2)
Cash and cash equivalents at the beginning of the period.....	3,795	4,557
Cash and cash equivalents at the end of the period.....	2,675	2,409

**SYGNIS AG**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
(in € thousands, except share and per-share data)

	Issued capital		Capital reserves	Accumulated loss	Other comprehensive income		Total equity
	Number	Amount			Accumulated exchange differences	Total	
<b>1 January 2016</b>	16,457,486	16,458	8,749	(14,837)	44	44	10,413
Reclassification of capital increases against cash	30,616	31	(31)				0
Reclassification of capital increases against contribution in kind deducting capital increase costs (€378 thousand)	315,789	316	(316)				0
			(378)				(378)
Result recorded directly in equity					2	2	2
Net loss for the year				(1,450)			(1,450)
Total comprehensive income				(1,450)	2	2	(1,448)
<b>30 June 2016</b>	16,803,891	16,805	8,024	(16,287)	46	46	8,587
<b>1 January 2017</b>	37,341,980	37,342	12,871	(19,225)	419	419	31,407
Capital increase for CBS Inc. acquisition	275,311	275	97				372
Capital increase of 7.3m shares awaiting registration (net of accrued expenses)			8,887				8,887
Capital increase of 2m shares for Innova Limited acquisition awaiting registration			3,631				3,631
Capital increase in respect of SEDA pending registration			100				100
Result recorded directly in equity representing exchange rate adjustments					(1,001)	(1,001)	(1,001)
Net loss for the period				(1,983)			(1,983)
Total comprehensive income				(1,983)	(1,001)	(1,001)	(2,984)
<b>30 June 2017</b>	37,617,291	37,617	25,586	(21,208)	(583)	(583)	41,413



## **SYGNIS AG**

### **Selected notes to the consolidated interim financial statements for the first half year ended 30 June 2017**

#### **A. Basis of presentation**

##### **1. Basis and operations of the Company**

The SYGNIS group of companies (hereinafter referred to as either "SYGNIS" or "the Company") with its parent company SYGNIS AG, Heidelberg, Germany, is a biotech company listed on Prime Standard segment of Deutsche Börse, the main German stock exchange. The Company is focused on the development and marketing of new technologies across the fields of genomics and proteomics. The business address of SYGNIS AG is: Waldhofer Strasse 104, 69123 Heidelberg, Germany.

The interim consolidated financial statements of Expedeon AG as at 30 June 2017 were prepared on the basis of IAS 34 (Interim Financial Reporting). All International Financial Reporting Standards (IFRS), including the interpretations of the IFRS Interpretations Committee (IFRS IC), that were binding as at the reporting date and had been adopted into European law by the European Commission were applied.

In accordance with the regulations of IAS 34, a condensed report scope in comparison with the consolidated financial statements as at 31 December 2016, with selected explanatory notes, was chosen. The accounting and valuation principles applied in the preparation of the interim consolidated financial statements correspond in principle to those of the consolidated financial statements as at 31 December 2016. Detailed explanations can be found in Note 3 in the notes to those consolidated financial statements which form part of the annual report.

These consolidated interim financial statements as of 30 June 2017 are to be read in conjunction with the interim consolidated financial statements as of 31 March 2017 and the consolidated financial statements as of 31 December 2016.

As of 16 June 2017, Innova Biosciences Limited, Cambridge UK became part of the consolidated group included in the consolidated financial statements of SYGNIS. Beginning 16 June 2017, all assets and liabilities subject to the Innova acquisition were included in the consolidated interim financial statements of SYGNIS. All income and expenditure linked to Innova's business were included for the partial period 16 June 2017 until 30 June 2017 in the consolidated interim financial statements of SYGNIS for the six months ended 30 June 2017. Further information is provided in note 7.

All the amounts included in the consolidated financial statements – unless otherwise stated – are given in euros ("€"). Due to rounding differences, figures in tables and cross references may differ slightly from the actual figures.

These consolidated interim financial statements have not been audited in accordance with § 317 of the German Commercial Code, nor have they been reviewed.

## 2. General information

### New Accounting Regulations

Since 1 January 2017, no IFRSs have been adopted that would have a material impact on the Company's consolidated financial statements.

## 3. Summary of significant accounting policies

The accounting policies adopted in the consolidated interim financial statements as of 30 June 2017 remain unchanged with respect to the accounting policies adopted in the consolidated financial statements as of 31 December 2016. A description of these policies is published in the notes to the consolidated financial statements as of 31 December 2016. This report is also available on the Company's website at <http://www.sygnis.com>.

The Group is currently managed as a single segment for segment reporting purposes, with the result that, in accordance with IFRS 8, no separate reporting is required (see note 22 in the notes to the consolidated financial statements as of 31 December 2016).

## B. Additional balance sheet information

### 4. Goodwill

Goodwill arose from the Reverse Acquisition of SYGNIS AG by SYGNIS Spain in the 2012 fiscal year, the acquisition of Expedeon Group in 2016, the acquisition of C.B.S. accounted for from 1 January 2017 and for Innova acquired on 16 June 2017. The goodwill was allocated to SYGNIS Group as the cash generating unit.

For impairment testing the Company uses revenue assumptions for its product portfolio. If these assumptions are not achieved within the planning period, it may be necessary to recognise an impairment on goodwill may be necessary. An impairment test in accordance with IAS 36 is performed at the end of each fiscal year or in case of any indication of impairment.

### 5. Other intangible assets

<b>In € thousands</b>	<b>Useful life</b>	<b><u>30 June</u> <u>2017</u></b>	<b><u>31 December</u> <u>2016</u></b>
Acquired patent and license rights	9 to 19 years	5,041	3,182
Capitalised development expenses	5 years	1,862	1,722
Software licenses and other licenses	3 to 10 years	59	37
Customer lists	5 years	<u>2,981</u>	<u>1,985</u>
		<u>9,943</u>	<u>6,926</u>

### Acquired patent and licence rights

Acquired patent and license rights resulted from the Reverse Acquisition in the fiscal year 2012, the acquisition of Expedeon Group in 2016 and the acquisition of Innova in June 2017. SYGNIS based its calculation of fair value for the marketing potential of the acquired patents and license rights on various assumptions, in particular the estimated market revenues of current and future products and services including potential licensing revenue from partners.

In relation to Expedeon, the value of the marketing possibilities for patent rights relates to a range of electrophoresis products, protein detection and quantitation products and protein

stabilising products and technologies. In relation to the Reverse Acquisition, the value of the marketing possibilities for patent rights relates to protein-protein interactions (Double Switch) and the Caco-2 cell lines. In relation to Innova, the value of the marketing possibilities for patent rights relates to bioconjugation, antibody and protein labelling, gold nanoparticle and phosphate detection enzyme assay technologies.

### **Capitalised development expenses**

The Company has capitalised development expenses amounting to € 277 thousand in the period.

### **Customer lists**

Upon the acquisition of Expedeon Group, a fair value exercise was undertaken using assumptions regarding the future cashflows arising from revenues less marketing costs expected to derive from the customer lists held by Expedeon Holdings Limited and its subsidiaries at the time of the transaction. The customer list is capitalised at € 2,165 thousand and is being amortised over its considered useful life of five years.

Following the acquisition of Innova, an interim fair value exercise has been undertaken using assumptions regarding the future cashflows arising from revenues less marketing costs expected to derive from the customer lists held by Innova at acquisition date. Based on a preliminary calculation, the customer list is capitalised at € 1,223 thousand and is being amortised over its considered useful life of five years.

## **7. Equity**

On 8 May 2017 SYGNIS AG entered into an agreement to acquire Innova Biosciences Limited, a privately held UK-based bioconjugates company. The purchase price consisted of a cash payment of € 8 million, 2 million shares of SYGNIS AG to be issued by way of a capital increase against contribution in kind from authorised capital as well as up to a further 1.5 million shares which will be issued through a mandatory convertible bond if certain turnover targets are met within a period of two years.

To finance the cash payment, SYGNIS AG decided to increase the Company's share capital from authorised capital in two steps, i.e.

- by € 3,582,598.00 from € 37,617,291.00 to € 41,199,889.00 by issuing 3,582,598 new shares by way of a rights offering at a subscription price of € 1.38 per share with any new shares not subscribed for being offered to select qualified investors in a private placement
- by € 3,677,369.00 from € 41,199,889.00 to € 44,877,258 by issuing 3,677,369 new shares by way of a private placement of up to 10% of the registered share capital with exclusion of shareholders' pre-emptive rights at a subscription price of € 1.38 per share.

As at the balance sheet date, contributions of € 10,018,754 were made to implement the resolved capital increases, but they were not yet entered in the commercial register. At the balance sheet date € 8.7 million had been received directly by the Company with the € 1.3 million balance shown as a receivable due under "other current assets"; this amount was received by the Company on 6 July 2017.

## **8. Non-current/current financial liabilities**

The non-current financial liabilities break down as follows:

<b>In € thousands</b>	<b><u>30 June</u></b> <b><u>2017</u></b>	<b><u>31 December</u></b> <b><u>2016</u></b>
Soft loans	1,895	1,895
Bank loans	884	282
Shareholder loans	<u>45</u>	<u>108</u>
	<u>2,824</u>	<u>2,285</u>

The Company receives public loans from Spanish institutions for its R&D activities at the site in Madrid, Spain. These soft loans bear no interest and have a term of more than 10 years. The Company has recognised the payments received at amortised costs using the effective interest method.

The current financial liabilities break down as follows:

<b>In € thousands</b>	<b><u>30 June</u></b> <b><u>2017</u></b>	<b><u>31 December</u></b> <b><u>2016</u></b>
Soft loans	85	376
Bank loans	46	45
C.B.S. deferred consideration	<u>93</u>	<u>0</u>
	<u>225</u>	<u>421</u>

## C. Other Information

### 9. Earnings per share

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

**(In € thousands, except share and per-share data)**

	<b><u>1 January - 30 June</u></b>	
	<b>2017</b>	<b>2016</b>
<b>Numerator</b>		
Net loss for the period	<u>(1,983)</u>	<u>(1,451)</u>
<b>Denominator</b>		
Weighted average number of shares outstanding	37,507,167	16,664,905
<b>Earnings (basic and diluted) per share</b>	<u>(0.05)</u>	<u>(0.09)</u>
(basic = diluted)		

### 10. Other Statements

#### Shares and subscription rights held by executive officers

The Company has business relationships with members of the Supervisory and Management Board as related parties.

The following table sets forth the number of shares of SYGNIS AG that were owned directly by members of the Company's Management and Supervisory Boards and the changes during the first six months of the current fiscal year:

### **Shareholdings held by the Supervisory Board and Management as of 30 June 2017**

Supervisory Board	Number of shares
Dr. Cristina Garmendia Mendizábal	76,179
Maria Jesús Sabatés	-
Tim McCarthy	154,817
Dr. Trevor Jarman	608,288
Joseph M. Fernández	2,649,921
Dr. Franz Wilhelm Hopp	-
<b>Total</b>	<b>3,489,205</b>
 Management Board	
Dr. Heikki Lanckriet (Co-CEO)	1,533,224
Pilar de la Huerta (Co-CEO)	-
David Roth (CFO)	43,500
	<b>1,576,724</b>

No stock options were held.

### **Responsibility statement by the Executive Board**

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

Heidelberg, 3 August 2017

Heikki Lanckriet  
CEO

David Roth  
CFO

## **Imprint**

### **Publisher and copyright**

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### **Editorial**

SYGNIS AG

### **Date of publication**

3 August 2017

## **Financial Calendar**

Nov 8, 2017: Financial Report Q3 (1 July – 30 September 2017)