expedeon

SYGNIS

Interim Report for the half year ending 30 June 2018

Expedeon AG (formerly SYGNIS AG), Heidelberg, Germany

Interim report for the half year ending 30 June 2018

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Expedeon AG (formerly SYGNIS AG), Heidelberg, Germany Interim group management report for the half year ending 30 June 2018

On 6 August 2018, the name of the Company was formally changed at the Mannheim Commercial Register to Expedeon AG from SYGNIS AG. This follows approval of the change of name at the Annual General Meeting of 5 July 2018.

- Strong half year revenues of €5.6 million (H1 2017: €3.0 million), an increase of 89%
- Reiterated full year revenue guidance of €13-14 million
- EBITDA positive in H1 2018 (H1 2017: loss of €1.6 million) and expected for full year
- Acquisition of TGR Biosciences successfully completed in May 2018

Business performance

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

Expedeon continues to pursue its "Grow, Buy and Build" strategy focussed on creating a market leader in molecular biology. In line with this strategy, in late December 2016, Expedeon acquired C.B.S. Scientific, a San Diego, USA based company; this was followed on 16 June 2017 with the acquisition of Innova Biosciences, a Cambridge, U.K. based company. In March 2018, the Company announced the acquisition of Adelaide, Australia based TGR Biosciences.

These acquisitions along with the reshaping of Expedeon itself have enabled the development of a vertically integrated life sciences group innovating, manufacturing and selling products for the life sciences research market, with the further potential of supplying product and licensing technology into diagnostics companies over time.

The most recent acquisition, TGR Biosciences, has strong complementary technology and products in the area of biomarker capture and is expected to integrate well into the broader product offering.

Following the Group strategy and with a combination of acquisitions and organic growth, revenues have continued to increase strongly and Expedeon is pleased to report H1 2018 revenues of €5.6 million, an increase of 89% on the same period in 2017 (€3.0 million).

With the additional revenues and scale of the business, Expedeon is able to report a strong improvement in EBIT and EBITDA for the half year compared with H1 2017. Reported results from operating activities ("EBIT") improved from a loss of €2.2 million in the same period in 2017 to a loss of €1.0 million in H1 2018. Earnings before interest, tax and depreciation ("EBITDA") improved from a loss of €1.6 million in H1 2017 to a positive €23 thousand in the first half of 2018.

In both periods, the reported results include amortisation and depreciation and other non-cash items. The impact of these items on the reported results is shown in the following table:

	Effect of Non-cash Charges Six Months to 30 June			
	2018		2017	
	€'000	€'000	€'000	€'000
Reported EBIT		(1,011)		(2,188)
Amortisation and Depreciation		1,034		541
EBITDA		23		(1,647)
Other non-cash charges:				
PPA Fair value charge for inventory acquired and now sold	17		658	
Equity settled share compensation	124		0	
		141		658
EBITDA Adjusted		164		(989)

In H1 2018, EBIT includes amortisation and depreciation of €1.0 million, a charge of €124 thousand for equity settled share compensation and a (purchase price allocation) fair value charge of €17 thousand for acquired inventories since sold; in 2017, EBIT includes amortisation and depreciation of €541 thousand and a fair value charge of €658 thousand for acquired inventories since sold.

The management focuses on "EBITDA Adjusted" as a measure of underlying operational performance of the business. The improvement in the reported EBITDA and EBITDA Adjusted positions versus H1 2017 point towards the success of the Company's strategy and the Management Board believes the Group remains on track to achieve its market guidance of an overall EBITDA positive result for the year.

Key events during the reporting period

Expedeon AG extends OEM agreement with leading global research tools provider

In February, Expedeon announced it had signed an extended OEM agreement with one of its key strategic partners, a leading global research tools provider to the life science industry.

The new two-year rolling contract is expected to grow Expedeon's revenues through this customer channel by 35% per annum, to over €800,000, resulting from increased access to new product lines and the extension of the scope of the Company's long term commercial arrangements.

Expedeon completes integration of acquired companies' products and services under Expedeon brand name

In March, Expedeon announced that Innova Biosciences, Expedeon Holdings, and C.B.S. Scientific were now fully integrated and operating under the Expedeon brand name, effective 1 March 2018. The strong sales and marketing team were unified in Expedeon's existing facilities in Cambridge, UK. Expedeon's combined offering comprises complementary products and services spanning the complete customer workflow in genomics and proteomics.

Expedeon announces completion of Sales and Marketing team restructuring to support continued strong revenue growth

In March, Expedeon announced the growth in its sales and marketing team to over 30 staff over the past year, with the reorganisation of team to focus on separate revenue streams from product sales and partnering arrangements.

Expedeon AG raise approximately €4.2 million in private placement to fund TGR Biosciences acquisition

In March, Expedeon announced that it had raised gross proceeds of approximately €4.2 million in a private placement. Expedeon issued approximately 3.0 million new shares at a price of €1.40 per share. The proceeds would be applied to the acquisition of TGR Biosciences.

Expedeon AG enters into debt finance arrangement to complete acquisition of TGR Biosciences
In May, Expedeon announced that it has obtained debt finance to complete the acquisition of the Australian TGR Biosciences PTY LTD. As announced, the completion of the transaction was dependent thereon.

Expedeon completes acquisition of TGR Biosciences
In May, Expedeon announced the completion of the acquisition of TGR Biosciences, an Australian research reagents company.

Expedeon introduces 2view™ unique Western blot detection technology
In May, Expedeon announced the introduction of 2view™, a unique detection method optimised for Western blotting, under the Expedeon brand name. 2view™ is an innovative double labelled secondary antibody that enables extended detection within the widely used Western blot application.

Expedeon raises revenue guidance for 2018 after closing the acquisition of TGR Biosciences
After assessing the impact of the TGR Biosciences acquisition on the expected results for 2018, in May, Expedeon has raised its 2018 full year revenue guidance to €13-14 million (previous revenue guidance: €11-12 million), an increase of at least 67% against 2017 reported revenues.

Financial analysis

Expedeon completed an equity fund raising of €4.2 million (gross of expenses) on 20 March 2018; this was followed on 2 May 2018 with the signing of a debt finance agreement for €2.0 million (gross of expenses). The combination of these measures enabled Expedeon to acquire TGR Biosciences through its subsidiary Expedeon Holdings Limited.

The TGR Biosciences transaction completed with the acquisition of 77% of the company from majority shareholders on 2 May 2018 and the purchase of the remaining minority shares on 14 May 2018. TGR Biosciences has been accounted for within these half year results from 1 May 2018.

The purchase price of the acquisition was denominated in Australian dollars and included immediate net cash consideration of AUD10.0 million (€6.3 million); an AUD2.0 million (€1.3 million) loan note due after one year; and a combination of a cash earn out of up to AUD721 thousand (about €450 thousand) and a mandatory convertible bond of up to a further 1,612,638 shares if certain turnover targets are met within a period of two years (gross cash consideration was €6.7 million calculated to include all cash balances held on completion above €630 thousand; cash acquired on completion was €1.1 million; see note 6.).

Preliminary fair value accounting entries for the acquisition of TGR Biosciences have been reflected within the balance sheet for Expedeon AG as at 30 June 2018. It is expected these entries will be subject to revision as the purchase price allocation process is completed over the next months. More detail of the accounting for the transaction is shown in note 6.

Expedeon's 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 and immuno-diagnostic workflows, in particular liquid biopsy, ELISA and lateral flow assay.

Revenues are growing strongly and the Company continues to expect to meet its previously issued full year guidance for 2018 of revenues of €13-14 million and positive EBITDA over the year.

Reported EBIT for the first half of 2018 was a loss of €1.0 million (2017: €2.2 million) including amortisation and depreciation charges of €1.0 million (2017: €541 thousand), equity settled share compensation of €124 thousand (2017: €0) and non-cash charges in cost of goods for inventory acquired on acquisition and since resold of €17 thousand (2017: €658 thousand).

Allowing for the aggregate of these non-cash items, "EBITDA Adjusted" for the first half of 2018 was a profit of €164 thousand (2017: loss of €989 thousand). EBITDA calculated as EBIT less amortisation and depreciation of tangible and intangible assets was a profit of €23 thousand (2017: loss of €1.6 million).

On both measures the underlying results for H1 2018 present a strong improvement on the previous H1.

Earnings position

The net loss for the first six months of 2018 was €873 thousand, a significant improvement on the net loss of €2.0 million in 2017. Revenues increased by 89% against the same period in 2017, while total operating expenses increased by 28%.

The exchange rate adjustments of €287 thousand favourable (H1 2017: €1.0 million debit) credited directly to Other Comprehensive Income represent non-cash translational exchange rates differences, primarily on goodwill balances recorded in foreign currencies.

Revenues

Revenues amounted to €5.6 million (H1 2017: €3.0 million) and is primarily attributable to the sale of kits and devices from Group companies. Expedeon anticipates continued revenue growth over the remainder of 2018.

Operating expenses

Total operating expenses, including cost of goods, increased to €6.6 million from €5.2 in H1 2017, an increase of 28%. The modest increase in expenditure relative to the change in revenue is in part due to certain charges in the prior period for restructuring of €418 thousand and purchase price allocation in relation to inventory of €658 thousand which were not completely offset by the €492 thousand increase in amortisation and depreciation (due to purchase price allocation charges) and €124 thousand equity settled share compensation charge, noted above.

Nevertheless, operating expenses grew more slowly than revenues as the business scales and reflects the increasing sales activities, manufacturing and R&D capabilities of the Group. This profile is expected to continue with further future growth.

Assets and cash flows and financial position

In the first half of 2018, the cash and cash equivalent levels decreased by €882 thousand to €1.1 million. The cash outflow from operating activities amounted to €741 thousand (previous year: €1.6 million). The cash outflows from investing activities amounted to €6.2 million (H1 2017: €8.6 million). As noted elsewhere, this relates primarily to the purchase of TGR Biosciences in 2018 and Innova Biosciences and C.B.S. Scientific in 2017.

The principal assets are goodwill and other intangible assets. Current assets also include trade receivables and inventory balances of €2.8 million and €2.0 million respectively. The balance sheet total has increased from €50.0 million as of 31 December 2017 to €60.7 million as of 30 June 2018.

The equity ratio is 72%, from 80% at 31 December 2017. This change is due to the debt finance entered into in May 2018 along with the earn out arrangement for TGR Biosciences recorded under financial liabilities.

Cash flows

Liquid funds as at 30 June 2018 amounted to €1.1 million compared with €2.0 million as at 31 December 2017, as noted above. This change comprises a number of inflows and outflows. Overall cash outflows for the half year were a net €883 thousand (H1 2017: €1.1 million) comprising operating outflows of €741 thousand (H1 2017: €1.6 million), investing activity net outflows of €6.2 million (H1 2017: €8.6 million), offset by financing activity inflows of €6.1 million (H1 2017: 9.2 million).

The change in working capital reflects primarily a backward weighting of sales in Q2 2018 which is expected to even out over forthcoming quarters. The bulk of the flows from investing and financing activities relate to the acquisition of TGR Biosciences.

Investing activities further include repayments of Spanish soft loans of €330 thousand (H1 2017: €291 thousand outflow and €253 thousand inflow) and financing activities include SEDA capital increases of €400 thousand (H1 2017: €100 thousand).

Opportunities and risks report

Financial risks

The liquidity level of the Company as at 30 June 2018 remains good with a cash and cash equivalents position of €1.1 million, although the Group continued to experience cash outflows during the first half of the year. Expedeon anticipates an improvement in its cash flows over the second half of the year and it continues to be very focussed on its overall cash position. The addition of TGR Biosciences will have a favourable impact on the cash position of the Group.

With a significant proportion of its operations located in the United Kingdom, Expedeon continues to monitor the Brexit process closely. Expedeon believes with its operating locations in continental Europe and the USA, it is well placed to manage any issues which may arise from this process.

Other opportunities and risks of Expedeon have not changed materially since the 2017 Group Management Report.

Employees

The number of employees as of 30 June 2018 is 108 (full-time equivalents, including Management Board) (previous year: 94).

Related party transactions

In the first half of the 2018 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 Expedeon 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, pays €0.45 thousand per month to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain. 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, Expedeon S.L.U. receives from Spanish institutions for its R&D activities in Spain, Dr. Heikki Lanckriet pledged 400,000 shares of his interest in Expedeon AG to secure this loan. According to the agreement on the payment of a share pledge fee between Expedeon and Dr. Heikki Lanckriet, it was agreed that Expedeon has to compensate Dr. Heikki Lanckriet, for creating this pledge as a security for Expedeon's fulfilment of its obligation arising from the pubic loan received from the Spanish institution by paying a so called share pledge fee. This fee is €10,000 annually. The pledged shares shall be released of the pledge once a corporate transaction

takes place (e.g. share or asset deal of Expedeon AG to a third party) or if Expedeon Group is deemed to be cash positive under the conditions according to the agreement on the payment of a share pledge fee to Dr. Heikki Lanckriet.

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 interim consolidated financial statements.

Events of special significance since 30 June 2018

On 5 July 2018, the Annual General Meeting of the Company approved the Annual Report in relation to the year ended 31 December 2017. At that meeting, it was resolved to replace the existing authorised share capital by a new authorised share capital of €25,561,278.00; this is yet to be registered.

In addition, the shareholders approved the change of name from SYGNIS AG to Expedeon AG. This was registered with the Mannheim Commercial Register on 6 August 2018. The Company's shares continue to be listed on the Regulated Market of the Frankfurt Stock Exchange's Prime Standard under the existing ISIN and German securities identification code (WKN). The ticker symbol has been changed to EXN.

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 about achieving its 2018 financial plan and being EBITDA positive over the course of the year.

Following the acquisition of TGR Biosciences in May 2018, Expedeon increased its full year revenue targets and reported revised revenues to be in the range of €13-14 million for 2018 from a previous range of €11-12 million. Expedeon continues to expect to achieve the revised guidance.

Heidelberg, Germany, 9 August 2018

Dr. Heikki Lanckriet
CEO

David Roth
CFO

Expedeon AG (formerly SYGNIS AG), Heidelberg, Germany
Interim consolidated financial statements for the period 1 January to 30 June 2018

Expedeon AG

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in € thousands)

€ thousand	30 June 2018	31 December 2017
ASSETS		
Property, plant and equipment	2,345	2,050
Goodwill	34,838	30,665
Other intangible assets	16,581	11,267
Non-current assets	**53,764**	**43,982**
Trade receivables	2,778	1,655
Inventory	2,006	1,234
Other current assets	1,077	1,147
Cash and cash equivalents	1,072	1,954
Current assets	**6,933**	**5,990**
Total assets	**60,697**	**49,972**
EQUITY AND LIABILITIES		
Issued capital	50,372	46,934
Capital reserves	17,562	16,644
Accumulated loss	(23,357)	(22,483)
Other comprehensive income	(764)	(1,052)
Equity	**43,813**	**40,043**
Deferred tax liabilities	2,838	1,377
Financial liabilities	6,716	3,947
Non-current liabilities	**9,554**	**5,324**
Financial liabilities	4,010	1,766
Trade payables	1,416	849
Other current liabilities	1,904	1,990
Current liabilities	**7,330**	**4,605**
Total equity and liabilities	**60,697**	**49,972**

Expedeon AG

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

€ thousand	Three Months ended 30 June		Six Months ended 30 June	
	2018	2017	2018	2017
Revenues	3,311	1,610	5,620	2,980
Costs of goods sold	(878)	(609)	(1,543)	(1,508)
Expenses:				
Sales	(760)	(320)	(1,338)	(574)
Administration	(2,027)	(1,414)	(3,240)	(2,719)
Research and development	(315)	(158)	(528)	(335)
Other operating income (expenses)	34	35	18	(32)
Total operating expenses	(3,946)	(2,466)	(6,631)	(5,168)
Results of operating activities	(635)	(856)	(1,011)	(2,188)
Finance costs	(27)	(13)	(39)	(20)
Earnings before taxes	(662)	(869)	(1,050)	(2,208)
Income tax	111	88	177	225
Net profit/loss for the period	(551)	(781)	(873)	(1,983)
Share compensation charges	96	0	124	0
Exchange rate adjustments	301	(1,072)	287	(1,001)
Other comprehensive income (after taxes)	397	(1,072)	411	(1,001)
Total comprehensive income	(154)	(1,853)	(462)	(2,984)
Earnings per share				
> Basic, loss for the year attributable to ordinary equity holders	(0.01)	(0.02)	(0.02)	(0.05)
> Diluted, loss for the year attributable to ordinary equity holders	(0.01)	(0.02)	(0.02)	(0.05)
>Basic average number of shares outstanding	50,372,556	37,617,291	48,983,025	37,507,167
>Diluted average number of shares outstanding	55,361,124	37,617,291	52,543,009	37,507,167

Expedeon AG

CONSOLIDATED STATEMENT OF CASH FLOWS
(in € thousands)

€ thousand	Six Months ended 30 June 2018	2017
Operating activities:		
Net loss for the period	(873)	(1,983)
Reconciliation of net profit/loss to cash flow from operating activities:		
Depreciation of property, plant and equipment	149	77
Amortisation and impairment of intangible assets	884	464
Other non-cash items	(82)	519
Change in operating assets and liabilities:		
Trade receivables and other current assets	(550)	(303)
Other current assets	(77)	32
Trade payables	179	142
Other current liabilities	(201)	(459)
Inventories	(143)	(79)
Cash outflow from operating activities	(714)	(1,590)
Interest paid	(28)	(24)
Net cash outflow from operating activities	(741)	(1,614)
Investing activities:		
Business acquisitions, net of cash acquired	(5,656)	(7,465)
Investments in property, plant and equipment and intangible assets	(358)	(1,266)
Investments in development expenses recognized as an asset	(216)	(277)
Proceeds from the sale of property, plant and equipment and intangible assets	0	376
Cash outflow from investing activities	(6,230)	(8,632)
Financing activities:		
Cash in(out)flow due to changes of current financial liabilities	1,544	530
Capital increase by way of cash contribution (less costs of issuing equity)	4,544	8,625
Cash inflow from financing activities	6,088	9,155
Net change in cash and cash equivalents	(883)	(1,091)
Exchange differences	1	(29)
Cash and cash equivalents at the beginning of the period	1,954	3,795
Cash and cash equivalents at the end of the period	1,072	2,675

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

€ thousand (except Number)	Issued capital		Capital	Accumulated	Other comprehensive income			Total
	Number	Amount	reserves	loss	Accumulated exchange differences	Exchange effect on long term assets	Total	equity
1 January 2017	37,341,980	37,342	12,871	(19,225)	54	365	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					18	(1,019)	(1,001)	(1,001)
Net loss for the period				(1,983)				(1,983)
Total comprehensive income				(1,983)	18	(1,019)	(1,001)	(2,984)
30 June 2017	37,617,291	37,617	25,586	(21,208)	72	(654)	(583)	41,413
1 January 2018	46,934,087	46,934	16,644	(22,483)	93	(1,144)	(1,051)	40,044
Reclassification of capital increases against cash	443,171	443	(443)					0
Capital increase for cash	2,995,298	2,995	1,198					4,193
Other capital increase costs			(361)					(361)
Capital increase in respect of SEDA pending registration			400					400
Result recorded directly in equity representing exchange rate adjustments					(5)	292	287	287
Share option expense charged to income			124					124
Net loss for the period				(873)				(873)
Total comprehensive income			124	(873)	(5)	292	287	(462)
30 June 2018	50,372,556	50,372	17,562	(23,356)	88	(852)	(764)	43,814

Expedeon AG

Selected notes to the interim consolidated financial statements for the first half year ended 30 June 2018

A. Basis of presentation

1. Basis and operations of the Company

The Expedeon Group of companies (hereinafter referred to as either "Expedeon" or "the Company") with its parent company Expedeon AG, Heidelberg, Germany, is a life sciences 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, proteomics and immunology. The business address of Expedeon AG is: Waldhofer Strasse 102, 69123 Heidelberg, Germany.

The interim consolidated financial statements of Expedeon AG as at 30 June 2018 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 2017, 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 2017. Detailed explanations can be found in Note 2.4 in the notes to those consolidated financial statements which form part of the annual report.

These interim consolidated financial statements as of 30 June 2018 are to be read in conjunction with the interim consolidated financial statements as of 31 March 2018 and the consolidated financial statements as of 31 December 2017.

As of 2 May 2018, TGR Biosciences became part of the consolidated Group and was included in the consolidated financial statements of Expedeon from 1 May 2018 for accounting purposes. Beginning 1 May 2018, all assets and liabilities subject to the TGR Biosciences acquisition were included in the interim consolidated financial statements of Expedeon. All income and expenditure linked to TGR Biosciences' business were included for the partial period 1 May 2018 until 30 June 2018 in the interim consolidated financial statements of Expedeon for the six months ended 30 June 2018. Further information is provided in note 6.

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 interim consolidated 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

On 1 January 2018, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers became effective. The implementation of these IFRSs has not had a material impact on the Company's consolidated financial statements.

IFRS 9 Financial Instruments governs the accounting of financial instruments and replaces IAS 39 (Financial Instruments: Recognition and Measurement). IFRS 9 pursues a new approach for the categorisation and measurement of financial assets. In this approach, the classification and measurement of financial assets is based on the cash flow characteristics and the business model in use.

Financial assets held within a business model whose objective is to hold assets to collect the contractual cash flows are measured at amortised cost.

IFRS 9 introduces a new impairment model that is applicable to all financial assets that are either measured at amortised cost or at fair value through other comprehensive income. This model provides for the recognition of expected credit losses at the time of initial recognition. This has led to a negligible increase in risk provisions. For trade receivables, the simplified impairment approach from IFRS 9 is applied. For bank deposits, loans, and other financial receivables not classified as fair value through profit or loss, the general impairment approach of IFRS 9 is used.

The following table shows the reconciliation of the original measurement categories and carrying amounts of the financial assets and liabilities under IAS 39 as at 31 December 2017 with the new measurement categories and carrying amounts in accordance with IFRS 9 as at 1 January 2018:

Reconciliation IFRS 9 - classification and measurement

€ thousand	Category of IAS 39 (1)	Carrying amount ISA 39 31 Dec. 2017	Reclassification	Measurement adjustment	Category of IFRS 9 (2)	Carrying amount IFRS 9 1 Jan. 2018
Assets						
Cash and cash equivalents	LaR	1,954			AC	1,954
Trade receivables	LaR	1,655			AC	1,655
Other current assets	LaR	1,147			AC	1,147
		4,756	**-**	**-**		**4,756**
Liabilities						
Loans and miscellaneous financial liabilities	FLAC	5,713			AC	5,713
Trade payables	FLAC	849			AC	849
Other current liabilities	FLAC	1,990			AC	1,990
		8,552	**-**	**-**		**8,552**

(1) LaR: Loans and receivables, FLAC: Financial liabilities at amortised cost
(2) AC: Amortised cost

IFRS 15 Revenue from Contracts with Customers replaced all existing guidance and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group is primarily in the business of providing products sales to customers. It also provides some services and licences.

(a) Sale of goods
For contracts with customers in which the sale of product is the only performance obligation, adoption of IFRS 15 has not affected the Group's revenue and profit or loss.

(b) Services
For contracts with customers for services where the provision and delivery of a discreet service is generally the only performance obligation, adoption of IFRS 15 has not had any impact on the Group's revenue and profit or loss. Revenue recognition occurs at a point in time when the service is completed and delivered.

(c) Licences
Licences are primarily recognised on a straight line basis over the period of time for which a licence for right of use is granted. From time to time, licences are granted in perpetuity which are recognised when all performance conditions under the customer contract have been fulfilled.

The Group also enters into contracts from time to time where a use right is bundled with contract for supply of product. The accounting effect of IFRS 15 on the current portfolio of contracts is negligible.

3. Summary of significant accounting policies

The accounting policies adopted in the interim consolidated financial statements as of 30 June 2018 remain unchanged with respect to the accounting policies adopted in the consolidated financial statements as of 31 December 2017. A description of these policies is published in the notes to the consolidated financial statements as of 31 December 2017. This report is also available on the Company's investors website at https://investors.expedeon.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 26 in the notes to the consolidated financial statements as of 31 December 2017).

B. Additional balance sheet information

4. Goodwill

Goodwill arose from the Reverse Acquisition of Expedeon AG (formerly SYGNIS AG) by SYGNIS Spain in the 2012 fiscal year, the acquisition of Expedeon Group in July 2016, the acquisition of C.B.S. Scientific accounted for from 1 January 2017, the acquisition of Innova Biosciences acquired on 16 June 2017 and the acquisition of TGR Biosciences accounted for from 1 May 2018. The goodwill was allocated to Expedeon Group as the cash generating unit.

For the purpose of impairment testing, using the valuation hierarchy under IFRS13, the Company has tested the carrying amount of the CGU by comparing the carrying amount of its fair value less reasonable costs of disposal which are expected to be approximately 5% of fair value. Fair value has been established with reference to the Company's market valuation which on 30 June 2018 was €69.0 million less cost of disposal of €3.5 million, which is a fair value category one according to the fair value hierarchy of IFRS13, give rise to a fair value of €65.5 million. On this basis it is concluded there is no impairment in goodwill.

5. Other intangible assets

In € thousands	Useful life	30 June 2018	31 December 2017
Acquired patent and license rights	9 to 19 years	7,137	5,032
Capitalised development expenses	5 to 13 years	2,279	1,834
Software licenses and other licenses	3 to 10 years	355	281
Customer lists	5 years	6,810	4,119
		16,581	11,266

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, the acquisition of Innova Biosciences in June 2017 and TGR Biosciences in May 2018. Expedeon 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 Biosciences, the value of the marketing possibilities for patent rights relates to bioconjugation, antibody and protein labelling, gold nanoparticle and phosphate detection enzyme assay technologies. In relation to TGR Biosciences, the value of marketing possibilities for patent rights relates to single and multiplex capture of biomarkers for research and diagnostic applications.

Capitalised development expenses

The Company has capitalised development expenses amounting to €216 thousand in the period. In addition, the Company has capitalised in the period €168 thousand of third party development costs associated with the development of antibodies for commercial manufacturing which are being amortised over the lives of related patents of 13 years.

Customer lists

Upon the acquisition of Expedeon Holdings Group, a fair value exercise was undertaken using assumptions regarding the future cash flows 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 €2.2 million and is being amortised over its considered useful life of five years.

Following the acquisition of Innova Biosciences, a fair value exercise was undertaken using assumptions regarding the future cash flows arising from revenues less marketing costs expected to derive from the customer lists held by Innova Biosciences at acquisition date. The customer list is capitalised at €2.7 million and is being amortised over its considered useful life of five years.

Following the acquisition of TGR Biosciences, an indicative fair value exercise has been undertaken using assumptions regarding the future cash flows arising from revenues less marketing costs expected to derive from the customer lists held by TGR Biosciences at acquisition

date. Based on a preliminary calculation, the customer list is capitalised at €2.9 million and is being amortised over its considered useful life of five years.

6. Acquisition of TGR Biosciences

As noted above, the Company acquired TGR Biosciences during the period and has been accounted for in these interim consolidated financial statements from 1 May 2018.

A preliminary fair value exercise has been undertaken in preparing these interim consolidated financial statements; the values assigned may be subject to change as further detailed analysis is progressed:

	Fair value In € thousand
ASSETS	
Plant, equipment and leasehold improvements	109
Cash and cash equivalents	1,114
Trade receivables	545
Inventories	645
Other assets	21
Patents, technology and development costs	2,997
Customer lists	2,944
	8,375
LIABILITIES	
Trade payables	62
Accruals and provisions	292
Deferred tax liability	1,666
	2,020
Sum of separately identifiable net assets at fair value	**6,354**
Goodwill	3,883
Purchase Consideration Transferred	10,237

The analysis of purchase consideration was as follows:

	In € thousand
Consideration	
Cash consideration	6,733
Loan Notes	1,249
Cash earn out	361
Convertible bond at fair value (earn out)	1,894
	10,237

Cash flows arising from the acquisition as at 30 June 2018 were as follows:

	In € thousand
Cash settlement	(6,733)
Transaction costs arising from the acquisition (included in the cashflows under operating activities	(70)
Cash acquired included in the cashflows under investing activities	1,114
Actual flows arising from the acquisition	(5,689)

7. Equity

On 18 January 2018, 19 January 2018, 24 January 2018 and 25 January 2018, shares were registered under the Company's SEDA arrangement with Yorkville Partners of 124,223, 123,456, 139,860 and 55,632 respectively.

On 23 March 2018, 2,995,298 shares were registered arising from the private placement of up to 10% of the registered share capital with exclusion of shareholders' pre-emptive rights at a subscription price of €1.40 per share, in relation to the TGR Biosciences acquisition.

On 26 April 2018 and 21 May 2018, Expedeon further resolved to issue in both cases 142,857 shares at a subscription price €1.40 per share. As at the balance sheet date, the contributions of €400 thousand were made to implement the resolved capital increases, but they were not yet entered in the commercial register.

8. Non-current/current financial liabilities

The non-current financial liabilities break down as follows:

In € thousands	**30 June 2018**	**31 December 2017**
Soft loans	1,923	1,923
Bank loans	848	861
Convertible bonds	1,739	955
Earn out cash settled	157	0
Third party loan	1,950	78
Cash received in advance for royalties	98	130
	6,715	3,947

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 ten years. The Company has recognised the payments received at amortised costs using the effective interest method.

Convertible bonds
Former Innova Biosciences and TGR Biosciences shareholders can receive additional Expedeon shares depending on the future revenue performance of Innova Biosciences and TGR Biosciences as follows:

In thousands	Innova Biosciences	TGR Biosciences
16 June 2018	750	-
30 April 2019	-	806
16 June 2019	750	-
30 April 2020	-	806
	1,500	1,612

Based on a probability model, the value assigned to the Innova Biosciences earn out as at 31 December 2017 and 30 June 2018 was €2.2 million in total split between current and non-current financial liabilities. The value assigned to the TGR Biosciences earn out at 30 June 2018 was €2.3 million.

In addition, some TGR Biosciences shareholders elected for a cash earn out instead of shares giving rise to a cash liability calculation based on a probability model.

The current financial liabilities break down as follows:

In € thousands	30 June 2018	31 December 2017
Soft loans	157	472
Bank loans	83	52
Loan note TGR Biosciences	1,268	0
Convertible bonds	2,274	1,209
Earn out cash settled	203	0
Other	25	33
	4,010	1,766

The initial value of the earn out, treated as a convertible bond for accounting purposes, was based on an estimation of the amount likely to fall due. On 16 June 2018, Innova Biosciences shareholders secured 100% of the initial earn out due as all earn out targets were met. This did not give rise to a revaluation of the liability.

C. Other information

9. Other notes on financial instruments

In accordance with IFRS 13, the carrying value of cash and cash equivalents, trade receivables, other assets, trade payables and other liabilities falling due in the short term are held at carrying amounts which approximate their fair value.

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

10. Earnings per share

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

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

Basic earnings per share:	**1 January - 30 June**	
	2018	**2017**
Numerator		
Net loss for the period	(873)	(1,983)
Denominator		
Weighted average number of shares outstanding	48,983,025	37,507,167
Basic earnings basic per share	(0.02)	(0.05)

Diluted earnings per share:	**1 January - 30 June**	
	2018	**2017**
Numerator		
Net loss for the period	(873)	(1,983)
Denominator		
Weighted average number of shares outstanding	52,543,009	37,507,167
Diluted earnings basic per share	(0.02)	(0.05)

11. Share-based payments

This note should be read in conjunction with note 20 of the consolidation financial statements for the year ended 31 December 2017. During the period Expedeon extended the number of share options granted under the share option program approved by Annual General Meeting of 7 July 2017.

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

Option	No.	Grant date	Expiration date	Exercise price	Grant date fair value
Series 1	490.000	21.12.2017	20.12.2027	1,506	0.4309

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

Option	No.	Grant date	Expiration date	Exercise price	Grant date fair value
Series 2	1.100.000	03.01.2018	02.01.2028	1,470	0.4232
Series 3	160.000	20.04.2018	19.04.2028	1,456	0.3658
Series 4	1.550.000	22.05.2018	21.05.2028	1,400	0.3617

None of the share options is exercisable at the reporting date. A charge of €124 thousand was recognised in the period (2017: €0) for equity settled share based compensation.

12. 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 Expedeon 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 2018

Supervisory Board	Number of shares acquired in period	Number of shares end of period
Dr. Cristina Garmendia Mendizábal	71,428	485,437
Peter Llewellyn-Davies	-	-
Tim McCarthy	-	154,817
Dr. Trevor Jarman	-	608,288
Joseph M. Fernández	-	2,649,921
Pilar de la Huerta	-	-
Total	**71,428**	**3,898,463**
Management Board		
Dr. Heikki Lanckriet (CEO)	25,000	1,568,224
David Roth (CFO)	30,000	83,500
Total	**55,000**	**1,651,724**

Jaizikibel 2007, S.L. a company closely associated with Dr. Cristina Garmendia Mendizábal acquired and holds 72,464 shares from the May 2017 capital increase.

On 3 January 2018, Dr. Heikki Lanckriet and David Roth were each awarded 190,000 stock options at an exercise price of €1.47 subject to certain vesting conditions specified by the Supervisory Board in relation to share price performance and length of service, as well as exercise conditions approved at the 2017 Annual General Meeting that options may not be exercised within four year of grant and unless Expedeon has reached revenues of €20.0 million per annum.

On 22 May 2018 Dr. Heikki Lanckriet was awarded a further 810,000 stock options and David Roth was awarded 560,000 stock options at an exercise price of €1.40 on the same conditions as the options awarded on 3 January 2018.

Responsibility statement by the Executive Board

To the best of our knowledge, and in accordance with the applicable reporting principles, the interim consolidated 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, Germany, 9 August 2018

Dr. Heikki Lanckriet
CEO

David Roth
CFO

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