expedeon

Half-Year Report as of 30 June 2019

Expedeon AG, Heidelberg

Interim report for the half year ending 30 June 2019

Contents

3 Interim group management report

Abbreviated interim consolidated financial statements

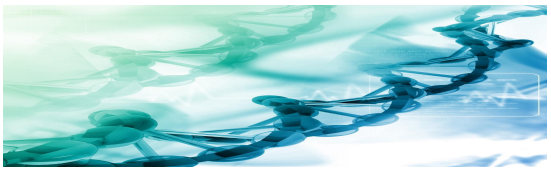
8 Consolidated statement of financial position 30 June 2019

9 Consolidated statement of comprehensive income 1 January – 30 June 2019

10 Consolidated statement of cash flows 1 January – 30 June 2019

11 Consolidated statement of changes in equity 1 January – 30 June 2019

12 Selected notes to the interim consolidated financial statements



Expedeon AG, Heidelberg, Germany
Interim group management report for the half year ending 30 June 2019

- Reported revenues of € 7.4 million, a 31% increase on (H1 2018: €5.6 million)
- Adjusted EBITDA of € 1.2 million, a strong increase (H1 2018: € 164 thousand)
- Financial guidance reconfirmed: On track for adjusted EBITDA in excess of € 2 million and double-digit year on year revenue growth

Introduction

The Expedeon Group (hereinafter referred to as "Expedeon" or "the Company") with Expedeon AG, Heidelberg, as the parent company, is a life sciences company listed on the Prime Standard of Deutsche Börse, the main German Exchange.

Over the past three years, Expedeon has pursued a *Grow, Buy, Build* strategy, with the acquisitions of Expedeon Holdings, CBS Scientific, Innova Biosciences and most recently TGR BioSciences. These acquisitions have enabled the Company to combine exciting technologies, highly innovative R&D capabilities with a strong manufacturing and commercial base, thereby enabling the Company to develop, manufacture and commercialise a wide range of products and services used in biomarker research, drug discovery and clinical diagnostics.

Expedeon is an expert in the area of antibody conjugation and immuno-assays, with the application of its Lightning-Link® and CaptSure™ technologies; and continues to invest in its TruePrime™ technology with exciting potential in the areas of DNA manufacturing and amplification. All the Company's products are protected by patents and know-how enabling continued innovation with regular product launches.

The Company's current revenue generation is focussed on antibody-based workflows with significant growth opportunities both in this market and the area of DNA manufacture (for gene therapy applications), in particular. This revenue is generated primarily in the life sciences "research use only" market through a combination of direct sales, resellers and partnering arrangements, primarily through the sale of kits and products; over time, we expect increasing pull for Expedeon products to be integrated into diagnostic and therapeutic products by our customers.

Business performance

The Company continues to focus on revenue growth and improving profitability; the strategy implemented to date has been successful in making significant progress in both areas. In the first half of 2019, Expedeon generated sales of € 7.4 million, an increase of 31% over the same period of the previous year (€ 5.6 million).

Due to the higher sales in the period of its high margin products, Expedeon significantly improved adjusted EBITDA, this being a key measure of business performance for the Management Board. Adjusted EBITDA for H1 2019 was €1.2 million an increase of over € 1.0 million on the same period in 2018 (€164 thousand) and underscores the strongly improving financial performance of the Company.

The Company reported a loss of € 1.2 million from Results from operating activities (EBIT) in H1 2019, after a loss of € 1.0 million in the same period of 2018. This measure of business performance includes depreciation and amortisation and, in 2019, a significant charge following the revaluation under IFRS accounting rules of the earn outs arising on the acquisitions of Innova Biosciences and TGR BioSciences, primarily non-cash charges.

The effects on the reported results of depreciation, amortisation, acquisition earn out revaluations and other non-cash items is shown in the following table:

	2019	2018
	€'000	€'000
Results of operating activities (EBIT)	**(1,228)**	**(1,011)**
Depreciation of property, plant and equipment	320	149
Amortisation and impairment of intangible assets	1,181	885
EBITDA	**274**	**23**
PPA Fair value charge for inventory acquired and now sold	0	17
Share option charges	125	124
Effect of revaluation of Acquisition Earn outs	812	0
Adjusted EBITDA	**1,211**	**164**

As noted above, management considers "adjusted EBITDA" an important measure of underlying operating performance and routinely uses this as a measure. The improvement in reported and adjusted EBITDA reaffirms the continued progress of the Company in pursuing its strategy. The Management Board is satisfied that the Group is still on track to achieve the market guidance of more than € 2 million adjusted EBITDA for the financial year.

Key events during the reporting period

Expedeon AG licenses Lightning-Link® Rapid Biotinylation technology to Cell Guidance Systems in supply agreement

In January Expedeon announced that it had signed a supply and licence agreement with Cell Guidance Systems, a developer of therapeutic products for medicine and life science research, for use of Expedeon's proprietary Lightning-Link® Rapid Biotin technology in the development and production of TRIFic™ (Time Resolved Immunofluorescence Exosome Detection Assay) immunoassays.

Expedeon Announces Supervisory Board Changes

Expedeon announced that Dr Cristina Garmendia Mendizábal was to step down as chairwoman of the Supervisory Board effective 4 April 2019. Dr Garmendia assumed a new role in Spain which she will be unable to combine with her duties at Expedeon.

Expedeon AG adds ELISA-ONE™ next generation cell signalling assay technology to product offering

Expedeon announced in May that it has added ELISA-ONE™ to its product offering. The technology was developed by TGR BioSciences, which was acquired by Expedeon in May 2018. This product enables Expedeon to address new markets, such as cell signalling.

Expedeon AG adds CaptSure™ DIY ELISA to immunoassay technology product range

Expedeon announced in May the addition of CaptSure™ DIY ELISA which will complement Expedeon’s product offering. The technology was developed by TGR BioSciences. CaptSure™ DIY ELISA is designed to significantly reduce time and improve flexibility and sensitivity for ELISA assay development, enhancing Expedeon's offering for the immunoassay market at a critical time in the Company's growth and development.

Expedeon AG mandates ODDO SEYDLER BANK AG as Designated Sponsor

Expedeon announced in June that ODDO SEYDLER BANK has been mandated as Designated Sponsor to ensure continuous trading on XETRA, thus improving the tradability of Expedeon shares for investors.

Expedeon AG introduces Lightning-Link® Metal Labelling Kits to support single cell analysis

Expedeon announced in June it had introduced Lightning-Link® Metal Labelling Kits for use in multiple immunoassay-based applications to support single cell analysis. The new kits will enable users to dramatically enhance the phenotypic analysis of heterogeneous cell populations, providing increased multiplexing capability compared to fluorophore labelling, improving sample throughput and research output.

Financial Analysis

As noted above, revenues and adjusted EBITDA grew strongly in the reporting period. The Company continues to expect to achieve its previously published guidance for the full year 2019 of double-digit revenue growth compared with 2018 and a positive adjusted EBITDA result in excess of € 2 million.

The reported EBIT for the first half of 2019 was a loss of € 1.2 million (2018: loss of € 1.0 million). This change arose, despite increasing revenues, from increasing operating expenses which were € 8.6 million compared with € 6.6 million in H1 2018. This change is primarily due the full half year impact of the TGR acquisition in May 2018 and the impact of revaluations of € 86 thousand and € 726 thousand from the earn-outs for Innova and TGR respectively, which are primarily non-cash charges.

The Company also reported increased depreciation and amortisation noted above of € 1.5 million (2018: € 1.0 million). Allowing for these items, the Company has shown a strong improvement in EBIT for the half year.

During the first half of the year, the Company's settled financial liabilities in relation to Spanish soft loans and a shareholder loan note arising on the TGR transaction, in total €1.5 million. This contributed to a decline in cash balances of €2.4 million, with further outflows from capital additions of €0.5 million and interest of € 0.3 million. The Company is pleased to report a cash inflow from operating activities before interest of €0.2m (H1 2018: outflow of € 0.7 million).

Earnings

The net loss in the first half of 2019 was € 1.8 million (H1 2018: € 873 thousand loss), primarily as a consequence of the revaluation of earn outs and increased depreciation and amortisation.

Revenues increased by 31% in the first half of the year while total operating expenses increased by 29% compared with the same period in the previous year. At the same time, adjusted EBITDA, as noted above, improved from € 164 thousand in H1 2018 to € 1.2 million in H1 2019. This measure excludes the effect of IFRS acquisition accounting and changes in amortisation and depreciation and demonstrates the strong year on year progress made in financial performance.

Revenues

Revenues amounted to € 7.4 million (H1 2018: € 5.6 million) and mainly related to the sale of kits and equipment by the Group companies. Expedeon expects continued sales growth in the rest of 2019.

Operating expenses

Operating expenses, including production costs, increased by 29% to € 8.6 million, compared to € 6.6 million in the first half of 2018. The reasons for this are noted above and relate primarily to the full year impact of the TGR acquisition, acquisition accounting for earn outs and depreciation and amortisation. The Innova earn out is now concluded and 50% of the TGR remains outstanding until April 2020. Consequently, it is anticipated that the impact of the acquisition accounting will become significantly less over time.

Assets, cash flows and financial position

Goodwill and other intangible assets are the main assets. Current assets also include trade receivables and inventories of € 2.4 million and € 2.3 million, respectively. Total assets decreased to € 61.6 million as of 30 June 2019 compared with € 64.2 million as of 31 December 2018.

The equity ratio stood at 75% at 30 June 2019 to compared with 72% at 31 December 2018.

Cash flows

In the first half of 2019, cash and cash equivalents decreased by € 2.4 million to € 3.9 million.

Cash outflows from operating activities amounted to €131 thousand (H1 2018: € 742 thousand). This included in Q2 2019 a one-time outflow of € 540 thousand. The results for 2018 included full provision in relation to input tax recoveries in Germany for the years 2016 and 2017 due to an ongoing disagreement with the tax authorities. During Q2 2019, the Company settled a demand of € 540 thousand from the tax authorities for input tax amounts previously refunded to the Company as well as deemed output tax on intercompany management charges levied by Expedeon AG. The Company made this payment to avoid significant interest charges being levied while discussions between the tax authorities and the Company continued.

Cash outflow from investing activities amounted to € 0.5 million (H1 2018: € 6.2 million relating primarily to the acquisition of TGR BioSciences).

In addition, the financing activity included the repayment of interest-free Spanish loans of € 268 thousand (H1 2018: outflow of € 330 thousand) and the repayment of a TGR shareholder loan noted above of €1.2 million, while the financing activity in 2018 also included the SEDA capital increases in the amount of € 400 thousand.

Opportunity and risks Report

Financial risks

Although the Group continued to record net cash outflows in the first half of the year, the Company's liquidity remained solid as of 30 June 2019 with cash and cash equivalents amounting to € 3.9 million. Expedeon expects cash flow to improve in the second half of the year and will continue to monitor the development of overall liquidity.

As a significant proportion of Expedeon's business is based in the UK, the Company continues to monitor closely the developments in the Brexit process through a dedicated steering committee. The Company also continues to liaise with its logistics partners, as the Company considers the shipping of products immediately following a disorderly Brexit to be its key business concern. With its locations in continental Europe and the US, the Company is well positioned to deal with possible consequences from this process.

The further opportunities and risks of Expedeon have not changed significantly since the Group Management Report for 2018 was prepared.

Employees

The number of employees as of 30 June 2019 is 103 full-time equivalents, including the Management Board (previous year: 108).

Transactions with related parties

In the first half of the 2019 fiscal year the Company maintained business relations with Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, where the former chairwoman of the Supervisory Board of Expedeon AG, Dr Cristina Garmendia, is an important shareholder. Since 2015, Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, has provided consulting services to Expedeon, S.L.U., Madrid, Spain for competitive projects. For these consulting services, Expedeon, S.L.U., Madrid, Spain, pays € 0.45 thousand per month (2018: € 0.45 thousand per month) to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain. Also, the variable fees 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.

Dr Heikki Lanckriet pledged 400,000 of his shares in Expedeon AG as security for a low-interest loan which was granted from Spanish public institutions to Expedeon S.L.U., to support its research and development activities in Spain. In accordance with the agreement between Expedeon and Dr Heikki Lanckriet, Expedeon must pay Dr Heikki Lanckriet compensation in return for the security being pledged as collateral for the fulfilment of Expedeon S.L.U.'s obligations under the Spanish public loan. This compensation is a so-called share deposit fee payment of 10,000 euros per year. The pledged shares will be released as soon as a corporate transaction (e.g. a share or asset transaction of Expedeon AG to a third party) takes place or if the Expedeon Group is deemed to be cash positive per the contractual conditions.

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 2019

Following the end of the second quarter and first six months of 2019, Expedeon announced on 10 July 2019 that during the Annual General Meeting held in Heidelberg, Germany, on 9 July 2019 all management proposals were approved and Hansjörg Plaggemars was appointed as a new member of the Supervisory Board.

Outlook

The outlook is a result of different planning assumptions based on discretionary decisions. In particular, revenue expectations are subject to uncertainty and are beyond the Company's control. The Company remains confident that its result for the full year 2019 will be in line with expectation and that the Group will report adjusted EBITDA for the year in excess of € 2 million. The Company further expects to achieve double digit revenue growth versus 2018.

Heidelberg, 14 August 2019

Dr Heikki Lanckriet
CEO

David Roth
CFO

Expedeon AG, Heidelberg
Interim consolidated financial statements for the period 1 January to 30 June 2019

Expedeon AG

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in € thousands)

	30 June 2019	31 December 2018
ASSETS		
Property, plant and equipment	2,010	1,999
Goodwill	33,934	33,906
Other intangible assets	14,756	15,584
Other non-current assets	816	319
Non-current assets	**51,516**	**51,808**
Trade receivables	2,390	2,627
Inventory	2,328	1,966
Other current assets	1,470	1,538
Cash and cash equivalents	3,861	6,238
Current assets	**10,048**	**12,369**
Total assets	**61,564**	**64,177**
EQUITY AND LIABILITIES		
Issued capital	51,560	51,411
Capital reserves	21,246	19,753
Accumulated loss	(25,394)	(23,603)
Other comprehensive income	(1,071)	(1,059)
Equity	**46,342**	**46,502**
Deferred tax liabilities	2,298	2,440
Financial liabilities	5,774	7,476
Non-current liabilities	**8,073**	**9,916**
Financial liabilities	3,177	3,171
Trade payables	1,468	1,498
Other current liabilities	2,505	3,090
Current liabilities	**7,150**	**7,759**
Total equity and liabilities	**61,564**	**64,177**

Expedeon AG

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

	3 Months ended 30 June		6 Months ended 30 June	
	2019	2018	2019	2018
Revenues	**3,899**	**3,311**	**7,351**	**5,620**
Costs of goods sold	(938)	(878)	(1,760)	(1,543)
Expenses:				
Sales	(647)	(760)	(1,249)	(1,338)
Administration	(2,982)	(2,027)	(4,907)	(3,240)
Research and development	(339)	(315)	(772)	(528)
Other operating income (expenses)	58	34	109	18
Total operating expenses	**(4,848)**	**(3,946)**	**(8,578)**	**(6,631)**
Results of operating activities	(948)	(635)	(1,228)	(1,011)
Finance costs	(263)	(27)	(395)	(39)
Earnings before taxes	**(1,211)**	**(662)**	**(1,623)**	**(1,050)**
Income tax	(110)	111	(162)	177
Net profit/loss for the period	**(1,321)**	**(551)**	**(1,785)**	**(873)**
Exchange rate adjustments	1,099	301	(20)	287
Other comprehensive income (after taxes)	1,099	301	(20)	287
- to reclassify where necessary to the profit and loss account in subsequent periods				
Total comprehensive income	**(222)**	**(250)**	**(1,805)**	**(586)**
Earnings per share				
> Basic, loss for the year attributable to ordinary equity holders	(0.03)	(0.01)	(0.03)	(0.02)
> Diluted, loss for the year attributable to ordinary equity holders	(0.02)	(0.01)	(0.03)	(0.02)

Expedeon AG

CONSOLIDATED STATEMENT OF CASH FLOWS
(in € thousands)

	6 Months ended 30 June	
	2019	2018
Operating activities:		
Net loss for the period	**(1,785)**	**(873)**
Reconciliation of net profit/loss to cash flow from operating activities:		
Depreciation of property, plant and equipment	320	149
Amortisation and impairment of intangible assets	1,181	884
Movement in deferred tax	(163)	(158)
Share option charges	125	124
Interest charges	395	(39)
Other non-cash items	860	(47)
Change in operating assets and liabilities:		
Trade receivables and other current assets	309	(626)
Trade payables and other current liabilities	(657)	15
Inventories	(380)	(143)
Cash in(out)flow from operating activities	206	(714)
Interest paid	(336)	(28)
Net cash outflow from operating activities	**(131)**	**(742)**
Investing activities:		
Business acquisitions, net of cash acquired	(0)	(5,656)
Investments in property, plant and equipment and intangible assets	(326)	(358)
Investments in development expenses recognized as an asset	(183)	(216)
Cash outflow from investing activities	**(509)**	**(6,230)**
Financing activities:		
Cash in(out)flow due to changes of current financial liabilities	(1,728)	1,544
Capital increase by way of cash contribution (less costs of issuing equity)	(34)	4,544
Cash inflow from financing activities	**(1,762)**	**6,088**
Net change in cash and cash equivalents	**(2,402)**	**(883)**
Exchange differences	25	1
Cash and cash equivalents at the beginning of the period	6,238	1,954
Cash and cash equivalents at the end of the period	**3,861**	**1,072**

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

€ thousand (except Number)	Issued capital Number	Issued capital Amount	Capital reserves	Accumulated loss	Other comprehensive income: Accumulated exchange differences	Other comprehensive income: Exchange effect on long term assets	Other comprehensive income: Total	Total equity
For the period from 1 January to 30 June 2018								
1 January 2018	46,934,087	46,934	16,644	(23,460)	93	(1,144)	(1,051)	39,065
IFRS15 modified approach effect on opening reserves				178				178
1 January 2018 position adjusted	46,934,087	46,934	16,644	(23,282)	93	(1,144)	(1,051)	39,243
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 for cash			400					400
Share option expense charged to income			124					124
Result recorded directly in equity representing exchange rate adjustments					(5)	292	287	287
Net loss for the period				(873)				(873)
Total comprehensive income				(873)	(5)	292	287	(586)
30 June 2018	50,372,556	50,372	17,562	(24,155)	88	(852)	(764)	43,013
For the period from 1 January to 30 June 2019								
1 December 2019	51,411,323	51,411	19,753	(23,603)	64	(1,121)	(1,057)	46,502
Other capital increase costs			(33)					(33)
Share option expense charged to income			125					125
Result recorded directly in equity representing exchange rate adjustments				(6)	(42)	28	(14)	(20)
Reclassification of capital increases against contribution in kind	148,458	148	(148)					0
Capital increase against contribution in kind relating to Innova earn out			757					757
Capital increase against contribution in kind relating to TGR earn out			717					717
Interest on mandatory convertible bond			75					75
Net loss for the period				(1,785)				(1,785)
Total comprehensive income				(1,791)	(42)	28	(14)	(1,805)
30 June 2019	51,559,781	51,560	21,246	(25,394)	22	(1,093)	(1,071)	46,340

Expedeon AG

Selected notes to the interim consolidated financial statements for the first half year ended 30 June 2019

A. Basics of presentation

1. Basics and business activities 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 the 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.

The interim consolidated financial statements of Expedeon AG as at 30 June 2019 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 IAS 34, a condensed report with selected explanatory notes was chosen, its scope condensed in comparison with the consolidated financial statements as of 31 December 2018. 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 of 31 December 2018. Detailed explanations can be found in Note 2 in the notes to those consolidated financial statements which form part of the annual report.

These interim consolidated financial statements as of 30 June 2019 are to be read in conjunction with the interim results as of 31 March 2019 and the consolidated financial statements as of 31 December 2018.

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

Application of new accounting standards

On 1 January 2019 the new standard IFRS 16 *Leases* came into effect. The application of this standard had no material impact on the consolidated financial statements.

In January 2016 the IASB published IFRS 16 *Leases*, which superseded IAS 17 *Leases* and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. IFRS 16 removes the previous classification of leases into operating and finance leases for lessees. Instead, IFRS 16 introduces a single accounting model under which lessees are required to have an asset for the right-of-use asset for all leases and a lease liability for all outstanding lease payments.

As a result, all leases in the future - largely similar to today's accounting for finance leases - must be recognised in the consolidated balance sheet. However, IFRS 16 grants the option to waive the recognition of a right-of-use asset and lease liability for leases with a term of up to twelve months (short-term leases) and for leases for low-value assets. Expedeon takes advantage of these options. The lease payments related to these leases are recognised as an expense either on a straight-line basis over the term of the lease or on another systematic basis.

The rights-of-use assets recognised in property, plant and equipment are stated at cost less accumulated depreciation and any necessary impairments. The cost of the right-of-use asset is calculated as the present value of all future lease payments plus any lease payments made on or before lease commencement, as well as the contract completion costs and the estimated cost of dismantling or restoring the leased asset.

All leasing incentives received are deducted. In this context, Expedeon avails itself of the option of generally considering payments for non-leasing components as lease payments. If the lease payments to be considered also include the transfer of ownership of the underlying asset at the end of the lease term, including the exercise of a purchase option, the asset is depreciated over the useful economic life. Otherwise, the right of use will be amortised over the term of the lease. The initial recognition of the lease liabilities allocated to the financing liabilities is determined as the present value of the lease payments to be made. In the subsequent measurement, the carrying amount of the lease liability is increased by the annual interest cost and reduced by the lease payments made.

The depreciation of the right-of-use asset is allocated to the functional costs in accordance with IFRS 16. Interest accrued on the lease liability is included in interest expenses. The leasing expenses of the leasing contracts classified as operating leases have so far been recognised in full in functional costs under IAS 17. Lessor accounting in accordance with IAS 17 is almost identical in IFRS 16 and does not impact the Expedeon financial statements.

Expedeon applied IFRS 16 for the first time as of 1 January 2019. In accordance with the transitional provisions, the previous year's figures were not restated. The non-material transition effects are reported cumulatively in retained earnings. When implementing the new standard, Expedeon applies the following practical expedients granted by IFRS 16 to the lessee:

- In the case of leases previously classified as operating leases under IAS 17, the lease liability is recognised at the present value of the outstanding lease payments discounted at the incremental borrowing rate of interest as of 1 January 2019. The weighted average incremental borrowing rate was 8.1%. The associated right-of-use asset is always recognised in the amount of the lease liability.
- There is no impairment test. Instead, at the time of first-time application, the right-of-use asset is reduced by the amount recognised as a provision for onerous leases as of 31 December 2018.
- Leases that end no later than 31 December 2019 are accounted for as short-term leases, irrespective of the original contract period.
- When measuring the right-of-use asset at the time of initial application, the initial direct costs are disregarded.
- When determining the duration of contracts with renewal or termination options, current knowledge is taken into consideration.

As part of the transition to IFRS 16, as of 1 January 2019 the right-of-use assets amounting to € 648 thousand (all operating leases, there being no finance leases held) and lease liabilities of € 648 thousand were recognised. Based on the other financial obligations arising from rental, lease and lease agreements as of 31 December 2018, the reconciliation statement shown below was based on the opening balance of lease liabilities as of 1 January 2019.

Reconciliation of lease liabilities in accordance with IFRS 16
in €'000

Other financial obligations arising from rental, lease and leasing contracts in accordance with IAS 17 as of 31 December 2018	733
Practical expedient for short-term / low-value leases	-32
Obligations arising from operating leases (undiscounted)	**701**
Effect of discounting	-53
Obligations arising from operating leases (discounted)	**648**
Carrying amount of finance lease liabilities according to IAS 17 as of 31 December 2018	733
Carrying amount of lease liabilities in accordance with IFRS 16 as of 1 January 2019	**648**

The right-of-use assets and lease liabilities include leases that were accounted for under IAS 17 as finance leases until 31 December 2018.

3. Summary of key accounting policies

The accounting policies used in the consolidated interim financial statements as of 30 June 2019 remained unchanged compared to the accounting policies used in the consolidated financial statements as of 31 December 2018, with the exception that IFRS 16, which was only disclosed in the year-end financial statements, has now been applied. The Company's accounting policies are explained in the notes to the consolidated financial statements as of 31 December 2018. This report is also available on the Company's website at https://investors.expedeon.com.

For segment reporting, as the Group is currently managed as a single segment, no separate reporting is required, in accordance with IFRS 8 (see Note 27 in the consolidated financial statements as of 31 December 2018).

B. Additional information on the balance sheet

4. Goodwill

Goodwill results from the reverse acquisition of Expedeon AG (formerly SYGNIS AG) by SYGNIS Spain in the 2012 financial year, the acquisition of the Expedeon Group in July 2016, the acquisition of C.B.S. Scientific on 1 January 2017, the acquisition of Innova Biosciences on 16 June 2017 and the acquisition of TGR BioSciences on 2 May 2018. Goodwill was assigned to the Expedeon Group as a cash generating unit ("CGU").

Using the fair value hierarchy in accordance with IFRS 13, the Company reviewed the carrying amount of the CGU by comparing the carrying amount with fair value less reasonable disposal costs estimated at 5% of fair value. The fair value was determined as the Company's market valuation of € 52.3 million as at 30 June 2019 less disposal costs of € 3.5 million, resulting in a fair value of € 48.8 million (Fair Value of Category 1 according to the IFRS 13 Fair Value Hierarchy). On this basis, it is concluded that there is no impairment of goodwill.

5. Other intangible assets

In €'000	Useful life	30 June 2019	31 December 2018
Acquired patent and licence rights	9 to 19 years	7,319	7,637
Capitalised development costs	5 to 13 years	2,014	1,994
Software licenses and other licences	3 to 10 years	194	242
Customer lists	5 years	5,228	5,710
		14,756	15,584

Acquired patent and licence rights

The acquired patent and licence rights result from the reverse acquisition of the Company in the 2012 financial year, the acquisition of the Expedeon Group in July 2016, the acquisition of Innova Biosciences in June 2017 and the acquisition of TGR BioSciences in May 2018. Expedeon bases the fair value of the acquired patents and licensing rights on various assumptions, in particular the estimated revenues from current and future products and services including potential licensing revenue from partners.

For Expedeon patents the value of the marketing opportunities for patent rights refers to a number of electrophoresis products, protein detection and quantification products, and protein stabilisation products and technologies. In the context of reverse acquisition, the value of the marketing opportunities for patent rights refers to the protein-protein interactions (Double Switch) and the Caco-2 cell lines. With regard to Innova Biosciences, the value of the marketing opportunities for patent rights refers to bioconjugation, antibody and protein marking, gold nanoparticles, and phosphate detection enzyme assay technologies. In the context of TGR BioSciences, the value of the marketing opportunities for patent rights refers to simple and multiplex biomarker capture technologies for research and diagnostic applications.

Capitalised development costs

In the reporting period the Company capitalised development expenses of € 297 thousand. These are amortised over 13 years, this being the useful life of the corresponding patents.

Customer lists

In the acquisition of the Expedeon Holdings Group, the fair value was determined using assumptions about future cash flows from sales, less expected marketing costs from the customer lists of Expedeon Holdings Limited and the subsidiaries it held at the time of the acquisition. The customer base was capitalised at € 2.2 million and is amortised over the assumed useful life of five years.

In the acquisition of Innova Biosciences, the fair value was determined using assumptions about future cash flows from sale, less expected marketing costs from the customer list at the time of acquisition. The customer base was capitalised at € 2.7 million and is amortised over the assumed useful life of five years.

In the acquisition of TGR BioSciences, the fair value was determined on an indicative basis using assumptions about future cash flows from sales, less expected marketing costs from TGR BioSciences' customer list at the time of acquisition. The customer base was capitalised at € 2.5 million and is amortised over the assumed useful life of five years.

6. Acquisition of TGR BioSciences

As described above, the Company acquired TGR BioSciences during the prior reporting period. The acquisition was included in the Company's financial statements with effect from 1 May 2018.

The values incorporated in the financial statements are as reported in the consolidated financial statements for the year ended 31 December 2018, and as shown below.

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

The consideration transferred is as follows:

	€'000
Cash consideration	6,784
Loan notes	1,222
Convertible bond and cash earn out at fair value	1,883
	9,889

As at 30 June 2019, the remaining obligation is € 994 thousand due on 30 April 2020 in relation to the second year of the TGR earn-out.

7. Equity

On 30 April 2019, 148,458 shares were registered in relation to the Innova Biosciences earn-out. As at the balance sheet date, contributions of € 757 thousand and € 717 thousand respectively were made in relation to the Innova and TGR earn outs achieved during the period,

to be settled by 750,004 share and 806,321 shares respectively not yet recorded in the commercial register.

8. Non-current/current financial liabilities

The non-current financial liabilities are as follows:

In €'000	30 June 2019	31 December 2018
Loans at reduced interest rates	1,452	1,342
Bank loans	3,742	5,225
Earn-out	0	629
Lease liability (IFRS 16)	492	0
Prepayments for royalties and licences	88	49
	5,774	**7,476**

The Company receives public loans from Spanish public institutions for the R&D activities at its site in Madrid, Spain. These soft loans are either low- or non-interest-bearing and have a maturity of more than ten years. The Company has measured the payments received using the effective interest method at amortised cost.

Current financial liabilities are as follows:

In €'000	30 June 2019	31 December 2018
Loans at reduced interest rates	496	447
Bank loans	1,357	476
Shareholder loans	57	1,277
Earn-out with partial cash settlement	1,267	971
	3,177	**3,171**

Earn-outs (convertible bonds)
Former shareholders of TGR BioSciences may receive additional Expedeon shares depending on the future sales development of Innova Biosciences and TGR BioSciences:

In thousand shares	TGR BioSciences
30 April 2020	806

9. Breakdown of revenues

The following table shows the breakdown of the Company's revenues:

In €'000	Six months to 30 June 2019	Six months to 30 June 2018
Sales by Type		
Sales of products	6,546	5,377
Licences and royalties	805	243
	7,351	**5,620**
Sales by Geography		
USA	3,602	2,473
Europe	3,455	2,529
Rest of World	294	618
	7,351	**5,620**

10. Functional costs

Cost of sales
The cost of sales in the first half of 2019 amounted to € 1,760 thousand (H1 2018: € 1,543 thousand). These mainly include expenses for products and depreciation of capitalised development costs.

Sales costs
The sales, marketing and distribution costs in the first half of 2019 amounted to € 1,249 thousand (H1 2018: € 1,338 thousand). These cover the sales costs and overheads incurred and consist of personnel, material and other distribution costs.

General administrative costs
In the first half of 2019, the cost of general administration was € 4,907 thousand (H1 2018: € 3,240 thousand). These include expenses not attributable to production, distribution or research and development and include personnel expenses, amortisation of intangible assets and depreciation of property, plant and equipment, and other administrative costs.

Research and development costs not capitalised
Research and development costs not capitalised in the first half of 2019 amounted to € 772 thousand (H1 2018: € 528 thousand). These mainly include personnel and material costs.

C. Further information

11. Other information on financial instruments

For cash and cash equivalents, trade receivables, other assets, trade payables and other liabilities with short residual maturities, the carrying amount approximate fair value in accordance with IFRS 13.

The fair value of non-current financial liabilities is based on the historical interest rate of loans on similar terms with the same maturity and creditworthiness and approximate the carrying amount.

The table below shows the carrying amount and fair value of the Group's financial instruments. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In view of varying influencing factors, the presented fair values can only be regarded as indicators for values that can actually be realised on the market.

Carrying amounts and fair values of financial instruments, in €'000:

	30 June 2019		31 December 2018	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Trade receivables	2,390	2,390	2,627	2,627
Cash and cash equivalents	3,861	3,861	6,238	6,238
Other financial assets	1,470	1,470	1,538	1,538
Financial liabilities				
Financing liabilities	8,951	8,951	10,647	10,647
Trade payables	1,535	1,535	1,498	1,498
Contract and refund liabilities	88	88	49	49

The fair values of the financial instruments were determined on the basis of market information available at the balance sheet date; the following methods and premises were used:

Contract and refund liabilities
Contract and refund liabilities include obligations arising from sales transactions that constitute financial instruments. Obligations arising from sales transactions are generally regarded as short-term. It is assumed that the fair values correspond to the carrying amount of these financial instruments due to the short maturities. The below table shows the measurement hierarchies (according to IFRS 13) of the financial assets and liabilities measured at fair values. At the end of the reporting period, the Company reviews whether any reclassifications need to be made among hierarchies. The determination of the credit risk from derivative financial instruments assigned to level 2 of the fair value hierarchy is based on the portfolios which are managed on a net basis.

Fair value measurement hierarchy for liabilities as at 30 June 2019:

	Measurement date	**Total**	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		€'000	**€'000**	**€'000**	**€'000**
Liabilities measured at fair value:					
Contingent consideration liability	30 June 2019	1,267	-	-	1,267
Liabilities for which fair values are disclosed:					
Fixed rate borrowings	30 June 2019	7,684	-	7,684	-

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

	Measurement date	**Total**	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		€'000	**€'000**	**€'000**	**€'000**
Liabilities measured at fair value:					
Contingent consideration liability	31 December 2018	1,930	-	-	1,930
Liabilities for which fair values are disclosed:					
Fixed rate borrowings	31 December 2018	8,717	-	8,717	-

12. Earnings per share

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

	1 January - 30 June	
Basic earnings per share:	**2019**	**2018**
Numerator		
Net loss for the period €' thousand	(1,785)	(873)
Denominator		

Weighted average number of shares outstanding	51,485,962	48,983,025
Basic earnings basic per share (€0.00)	(0.03)	(0.02)
Diluted earnings per share:		
Numerator		
Net loss for the period €' thousand	(1,785)	(873)
Denominator		
Weighted average number of shares outstanding	60,340,261	52,543,009
Diluted earnings basic per share (€0.00)	(0.03)	(0.02)

13. Share-based compensation

This section should be read in conjunction with Note 24 of the consolidated financial statements for the financial year ended 31 December 2018. During the reporting period, Expedeon granted further stock options under the stock option program approved by the Annual General Meeting on 4 January 2019.

The following share-based compensation agreements were in place in previous reporting periods:

Option	Number	Date of grant	Expiration	Exercise price	Fair value to Date of grant
Series 1	490,000	21/12/2017	20/12/2027	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	1.400	0.3617

The following share-based compensation agreements are in place in the current reporting period:

Option	Number	Date of grant	Expiration	Exercise price	Fair value to Date of grant
Series 5	300,000	04/01/2019	03/01/2029	0.93	0.2271

None of the stock options is exercisable at the balance sheet date. In the reporting period an expense of € 125 thousand (H1 2018: € 124 thousand) was recognised for share-based payments.

14. Other disclosures

Shares and subscription rights of legal representatives

The Company maintains business relations with members of the Supervisory Board and the Management Board as related persons.

The following table shows the number of shares of Expedeon AG held directly by members of the Company's Supervisory Board and Management Board, as well as the changes in the first six months of the current financial year:

Shareholdings of the Supervisory Board and the Management Board as of 30 June 2019

Supervisory Board	Number of shares acquired in the reporting period	Number of shares at the end of the reporting period
Dr Cristina Garmendia Mendizábal (until 4 April 2019)	-	511,219
Peter Llewellyn-Davies	-	-
Tim McCarthy	-	154,817
Dr Trevor Jarman	-	608,288
Joseph M. Fernández	-	2,649,921
Pilar de la Huerta	-	-
Sum	**-**	**3,924,317**
Management Board		
Dr Heikki Lanckriet (CEO)	27,500	1,656,519
David Roth (CFO)	12,000	137,500
Sum	**39,500**	**1,794,019**

Joseph M. Fernández was appointed Chairman following the resignation of Dr Cristina Garmendia Mendizábal.

Jaizkibel 2007, S.L., a company closely associated with Dr Cristina Garmendia Mendizábal, acquired 72,464 shares in May 2017 as part of a capital increase and held them on the reporting date.

Max Lanckriet, Nell Lanckriet and Finn Lanckriet, all closely associated persons with Dr Heikki Lanckriet each have held 2,750 shares since 16 January 2019. Sarah Roth, a person closely associated with David Roth, held 63,000 shares at 31 December 2018 and acquired another 14,500 shares during the period.

Dr Heikki Lanckriet holds 190,000 stock options granted on 3 January 2018 at an exercise price of €1.47 and 810,000 stock options granted on 22 May 2018 with an exercise price of € 1.40. David Roth holds 190,000 stock options granted on 3 January 2018 at an exercise price of € 1.47 and 560,000 stock options granted on 22 May 2018 with an exercise price of € 1.40.

15. Information on relations with related parties

In accordance with IAS 24 *Related Party Disclosures*, transactions with related parties must be disclosed. Related parties within the meaning of IAS 24.9 are essentially the Management Board and the Supervisory Board. With regard to the remuneration and shareholdings of the members of the Management and Supervisory Boards, reference is made in Note 29 *Composition of Company boards* in the consolidated financial statements as of 31 December 2018.

Since 25 February 2015, Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, has been providing project support consulting services for Expedeon, S.L.U. (formerly SYGNIS Biotech S.L.U.), Madrid, Spain. The former chairwoman of the Supervisory Board of Expedeon AG, Dr Cristina Garmendia, is an important shareholder of Science & Innovation Link Office, S.L. (SILO), Madrid, Spain. For these consulting services, Expedeon, S.L.U. pays € 0.45 thousand per month (2018: € 0.45 thousand per month) to Science & Innovation Link Office, S.L. (SILO). Also, the variable fees 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.

Dr Heikki Lanckriet pledged 400,000 of his shares in Expedeon AG as security for a low-interest loan which was granted from Spanish public institutions to Expedeon S.L.U., to support its research and development activities in Spain. In accordance with the agreement between Expedeon and Dr Heikki Lanckriet, Expedeon must pay Dr Heikki Lanckriet compensation in return for the security being pledged as collateral for the fulfilment of Expedeon S.L.U.'s obligations under the Spanish public loan. This compensation is a so-called share deposit fee payment of 10,000 euros per year. The pledged shares will be released as soon as a corporate transaction (e.g. a share or asset transaction of Expedeon AG to a third party) takes place or if the Expedeon Group is deemed to be cash positive per the contractual conditions.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting standards, 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 management report of the Group 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 in the remaining months of the financial year.

Heidelberg, 14 August 2019

Dr Heikki Lanckriet
CEO

David Roth
CFO

Publishing details

Publisher and Copyright
© 2019
Expedeon AG

Editor
Expedeon AG

Release date
14 August 2019

Calendar

7 November 2019: Financial Report Q3 (1 July - 30 September 2019)