SYGNIS

Group Financial Statements 2017

SYGNIS AG

Group Management Report for the 2017 fiscal year

I. Basic information of SYGNIS AG and SYGNIS Group

Business model of SYGNIS AG and SYGNIS Group

SYGNIS is now a commercially focused Life Sciences Tools & Reagents Company developing innovative, high added value products and services for use in Life Science and Diagnostic Research. The Company has core technologies in fields of sample preparation for Next Generation Sequencing, electrophoresis and immunology, thereby spanning the large sections of the molecular biology market spectrum from DNA across RNA to protein. As described in section b.1, the acquisitions of C.B.S. Scientific and Innova Biosciences Limited contributed significantly during the year to these developments.

SYGNIS' core business model is the development and commercialisation of innovative high added value kits whilst positioning the Company to extract value from applications of its technology in clinical diagnostics. During 2017, the product portfolio has continued to expand both organically and through acquisition and now comprises a very broad range of novel tools and technologies for molecular biology.

The Company sells its products to a wide variety of customers including both academic and industrial users. Most products are supplied for research purpose although an increasing amount of product is supplied for incorporation into diagnostic products. This approach enables fast market penetration due to lack of regulatory burden which falls to our industrial clients developing the products for diagnostic or clinical use.

SYGNIS products are used across the world with the Company selling its offering predominantly through its own sales and marketing infrastructure alongside a global network of distributors to facilitate rapid market penetration. The Company has made substantial investments in developing and expanding direct sales and marketing reach and capabilities with a team of over 30 staff. SYGNIS now operates a comprehensive e-marketing platform which drives new lead generation. This is supported by an extensive key account management system focused on delivering cross-selling opportunities within the existing customer base. The combination of strong new account development in conjunction with extensive cross-selling are the key drivers for sustained strong organic growth.

Additionally, the Company also OEM-manufactures for key partners who enable access to more challenging markets such as China for example.

Alongside this core business, the Company remains very focussed on its disruptive DNA amplification technology, TruePrime™. TruePrime™ technology is truly a ground-breaking technology to accurately and reliably amplify (copy) DNA molecules in biological samples, with the key benefits of sensitivity, accuracy, coverage and quality. TruePrime™ enables accurate and high-quality amplification of the smallest amounts of DNA to a quantifiable level.

TruePrime™ is expected to have utility in the field of precise medicine and has the potential to take up a pivotal role in the diagnosis and monitoring of cancer; the Company expects to see the benefits of this over the next three to five-year time span.

Internal management system of SYGNIS AG and SYGNIS Group

The financial management system of SYGNIS AG and SYGNIS Group is based on regular reports showing deviations from budget using key performance indicators, which for the Group are revenues, EBITDA and cash balances. Significant deviations are reflected in the financial planning process. By simulating different scenarios, the planning tool used for this purpose enables the Management to identify and assess opportunities and risks at an early stage and determine their influence on the future development of the Group, particularly with regard to the liquidity, revenue and overall profitability.

The management of the development activities is based on detailed project plans that contain defined milestones associated with specified reporting and information obligations. The results are continuously monitored by the internal project teams and reported to the Management and Supervisory Board on a regular basis.

II. Report on Economic Position

Macroeconomic and sector-specific environment

Economic development

The economic background for business operations remains positive. The world economy continues to strengthen based on the growth forecast of the International Monetary Fund (IMF). The IMF reported 120 economies accounting for 75% of world Gross Domestic Product (GDP) saw improvements in year on year growth during 2017.

Overall, the world economy grew by 3.7% in 2017 up from 3.2% in 2016. This improvement in growth "has been broad based, with notable upside surprises in Europe and Asia. Global growth forecasts for 2018 and 2019 have been revised upward by 0.2 percentage point to 3.9%. The revision reflects increased global growth momentum and the expected impact of the recently approved U.S. tax policy changes." (IMF World Economic Outlook)

The IMF also notes world trade has grown strongly with increase in investment, particularly in advance economies as well as increased manufacturing output in Asia. Risks to continued growth lie primarily in the medium term and with the tightening of global financing terms and related corrections in the financial markets.

Source: IMF World Economic Outlook

Capital markets

Overall, the Dax performed well. It reached an all-time high in November 2017 of 13,525 points before it closed the year at 12,917, an increase of 12.5% on the previous year. This also represented its largest gain since 2013.

Stock market performance was boosted by strong global economic outlook, solid corporate earnings reporting and continued low interest rates. This was further supported by IMF predictions on global growth, dovish statements from the Federal Reserve on interest rates and European Central Bank (ECB) plans to maintain near zero interest rates for as long as possible.

Nevertheless, the final part of the year presented a more mixed picture as the Federal Reserve increased interest rates and the ECB revised upwards its inflation and growth forecasts. This along with concern about the sustainability of the stock market rally saw markets end the year off their highs but remain in positive territory.

Development of the life sciences industry

The ageing population of the western world in combination with increased health and life style expectations from the populations of emerging economies such as China or India, continues to support the solid growth trend in the health care industry. Based on the US market research institute IMS Health, pharmaceutical spending reached the US $1.1 trillion mark in 2016, an increase of approximately 3% year-on-year. By 2021, it is expected to rise to US $1.5 trillion. Furthermore, pharmaceutical companies continue to invest heavily in R&D with the top ten companies alone spending over €60 billion in 2016 in research and development, equivalent to around 17% of the revenues they generated.

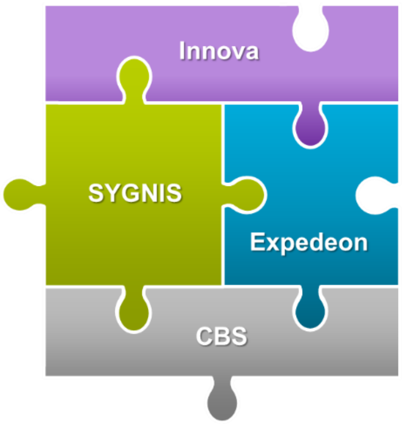
Public funding for Life Science research also remains well supported. A good indicator for public funding support is the budget of the National Institute of Health (USA) which increased by 2.5% in 2017 to US $33.1 billion with the National Cancer Institute remaining the most prominent area of investment accounting for 17.8% of the total NIH budget. Closer to home the €75 billion Horizon 2020 programme demonstrated the EU’s continued investment in research and innovation.

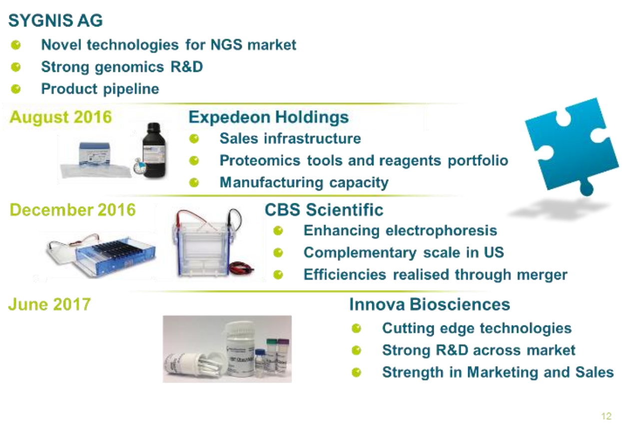
b. Business performance of the SYGNIS Group

1. General performance

2017 has been another transformative year for SYGNIS with substantial growth both organically and through strategic acquisitions. Reported revenues grew from €1.8M in 2016 to €7.8M. This in particular underscores the evolution of the organisation to a vertically integrated commercial entity able to effectively develop and commercialise the innovation it is creating. The ultimate objective remains obtaining a market leading position in the Life Sciences Research and Diagnostics Tools and Reagents market segment.

During the course of 2017, the Company continued the implementation of its Grow, Buy and Build strategy to deliver further scale and support strong growth. Towards to end of 2016, early 2017 the Company acquired US-based C.B.S. Scientific. This acquisition delivered scale in our US operations in addition to strengthening the electrophoresis product portfolio, one of the three revenue growth drivers in the organisation. C.B.S. was fully integrated by the end of the first quarter and was followed by the acquisition of Innova Biosciences Ltd, a UK-based immuno-reagents company. This acquisition not only provided the Group with complementary products and an innovative technology base but also enabled extensive cross selling opportunities through the Company’s automated e-marketing platform. The integration of Innova Innova Biosciences into the Group was completed in March 2018.





Alongside this, the Company continued to focus on internal innovation, a core group value, with several product launches announced during the year.

Against this backdrop, the reported net loss for 2017 was €3,261 thousand compared with €4,388 thousand in the previous year. Included within both results are non-cash purchase price allocation adjustments in respect of inventory and patent and customer list amortisation totalling €1,583 thousand in 2017 and €764 thousand in 2016. Excluding these items, the reported loss for 2017 would have been €2,130 thousand against €3,624 thousand in 2016, an improvement of 41%.

The following table (in € thousand) shows the composition of operating income and expenses for the fiscal year 2017 split out for comparison purposes with 2016:

Adjusted consolidated statement of comprehensive income

€ thousand	12 Months 2017 Reported	Non cash acquisition PPA 2017	**2017 for comparison**		12 Months 2016 Reported	Non cash acquisition PPA 2016	**2016 for comparison**
Revenues	7,797		**7,797**		1,789		**1,789**
Costs of goods sold	(2,881)	764	**(2,117)**		(1,026)	526	**(500)**
Expenses:							
Sales	(1,870)		**(1,870)**		(895)		**(895)**
Administration	(6,315)	841	**(5,474)**		(2,771)	238	**(2,533)**
Research and development	(794)		**(794)**		(1,219)		**(1,219)**
Other operating income (expense)	4		**4**		102		**102**
Total operating expenses	(11,856)	1,605	**(10,251)**	0	(5,809)	764	**(5,045)**
Results of operating activities	(4,059)	1,605	**(2,454)**	0	(4,020)	764	**(3,256)**
Finance costs	(163)		**(163)**		(128)		**(128)**
Earnings before taxes	(4,222)	1,605	**(2,617)**	0	(4,148)	764	**(3,384)**
Income tax	961		**961**		(240)		**(240)**
Net profit/loss for the period	**(3,261)**	**1,605**	**(1,656)**	**0**	**(4,388)**	**764**	**(3,624)**
Share option charges	1		1				0
Exchange rate adjustments	(1,469)		(1,469)		376		376
Other comprehensive income (after taxes)	(1,468)		(1,468)	0	376	0	376
Total comprehensive income	(4,729)	1,605	(3,124)		(4,012)	764	(3,248)

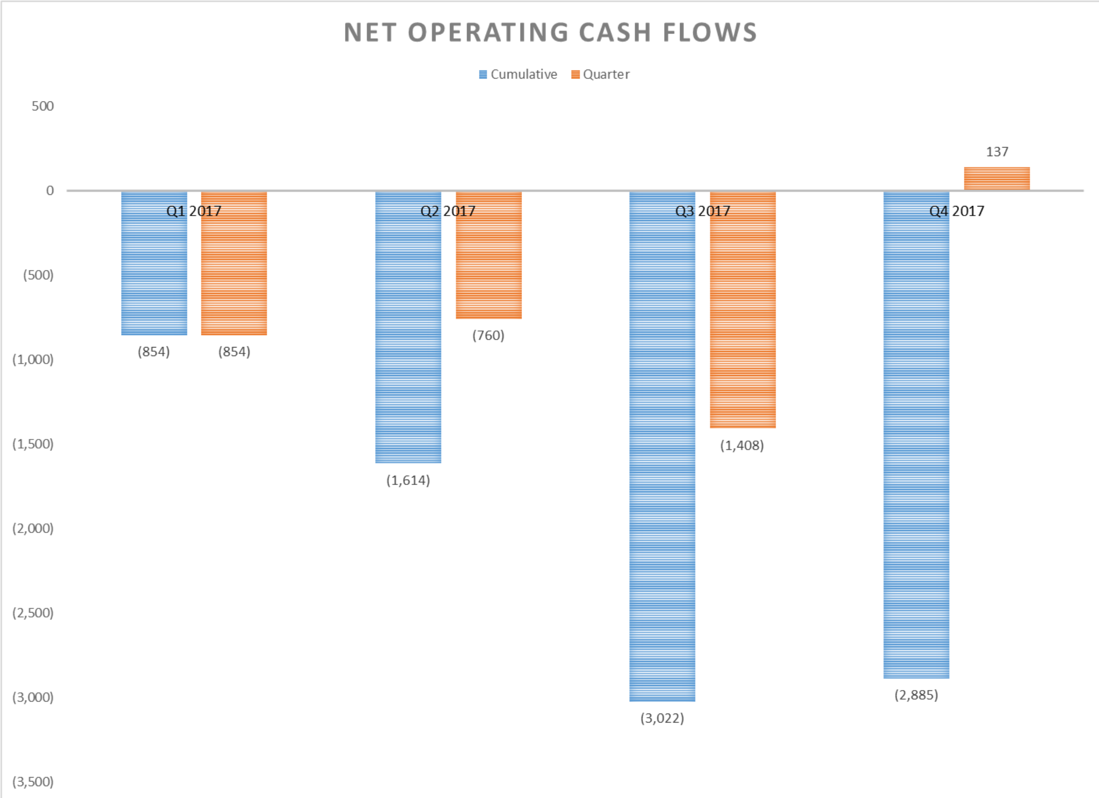
The fair value adjustments arising from the purchase price allocation for Expedeon, C.B.S. and Innova Biosciences included a €764 thousand charge to cost of goods for inventory held at acquisition dates and subsequently sold (2016: €526 thousand). In addition, administration expenses include €841 thousand for the amortisation of patents and customer lists capitalised on the acquisitions (2016: €238 thousand)

As expected, the ongoing improvement in operational performance led to the Group reporting a break-even EBITDA position for Q4 2017 of €11 thousand, a highly significant milestone for SYGNIS:

EBITDA Q4

€ thousands	12 Months 2017 Reported	3 Months ended 31 December 2017 - Q4
Revenues……………………………………	7,797	2,460
Costs of goods sold………………………………	(2,881)	(561)
Expenses:		
Sales..	(1,870)	(582)
Administration……………………	(6,315)	(1,736)
Research and development…………	(794)	(328)
Other operating income (expense)…	4	35
Other operating expenses..................	(11,856)	(3,172)
thereof out-of-period expenses		
Total operating expenses......................................	(4,059)	(712)
Add back: Amortisation and depreciation………	1,606	723
Earnings before interest, tax, depreciation and	(2,453)	11

Underlying net cash outflows from operating activities improved from €3.2 million in 2016 to €2.9 million in 2017. As a result of the strong reported organic revenue growth in conjunction with stringent cost control, the operating cash flows have been on an improving trend over the course of the year with the Group moving into a positive operating cash flow position in the final quarter of the year as anticipated. The reported operating cash inflow of for Q4 2017 was €137 thousand:



Liquid funds as at 31 December 2017 amounted to €1,954 thousand compared with €3,795 thousand as at 31 December 2016. This change is mainly driven by the cash demands during the first three quarters of the year. Net cash balances increased by €461 thousand in Q4 2017.

Key events in fiscal 2017 – in chronological order

SYGNIS AG announces the launch of TrueHelix

SYGNIS AG announced the launch of TrueHelix, a new bioinformatics service platform, delivered through a dedicated web portal, for Next Generation Sequencing (NGS) providers and customers to analyse their sequencing data. The service platform strengthens SYGNIS' position in the NGS user market and facilitates a service approach, which complements and supports SYGNIS' genomic product range by addressing the key customer needs.

The first service launched on the TrueHelix platform will be TruePure, a bioinformatics tool that validates sample purity and checks for potential sample contamination, which is a key concern in NGS workflows and can originate either from the lab environment or introduced during the sequencing process. Often contamination goes unnoticed resulting in poor quality results and potentially faulty analysis. With the TruePure tool, customers obtain valuable information on the quality of the data and contamination. The TrueHelix platform and tools will be available to all NGS users and will be of particular interest to existing TruePrime™ users and scientists engaged in whole genome sequencing data analysis.

SYGNIS AG announces management changes

SYGNIS announced that the Supervisory Board has appointed David Roth as the new Chief Financial Officer of the Company, with effect from 1 March 2017. Pilar de la Huerta continues to contribute her expertise to the Company, remaining Co-CEO together with Dr Heikki Lanckriet, and additionally assuming a new role as the Company's Chief Business Development Officer (CBDO).

SYGNIS AG launches TrueAdvance amplification service to address quality needs in next-generation sequencing

SYGNIS AG announced the launch of the DNA amplification and validation service TrueAdvance. Aim of the new service is to support and enable single cell and liquid biopsy applications and reinforce SYGNIS' position in the NGS (Next Generation Sequencing) market.

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

SYGNIS' goal is to extend and enhance the support of customers with single cells or liquid biopsies needs and address not only DNA amplification, but also NGS and bioinformatics data analysis needs, ensuring the highest quality of the results at every stage of the work flow.

SYGNIS AG successfully completes integration of recently acquired C.B.S. Scientific

SYGNIS announced the successful completion of the integration of C.B.S. Scientific Company Inc. (C.B.S.), a profitable life sciences tools company located in San Diego, CA, USA. SYGNIS had announced the acquisition of C.B.S. in December 2016 and completed it in early January 2017. C.B.S. will be consolidated with the SYGNIS accounts, effective January 2017.

As part of the integration, SYGNIS consolidated the former sites of Expedeon and C.B.S., respectively, both located in San Diego. The SYGNIS Group will join its U.S. business at the former C.B.S. facilities with a total space now just under 12,000 SQFT, with expanded manufacturing and engineering capabilities. The lease for the former Expedeon site ended in March 2017, incurring no further costs. As of March 31, 2017, all teams had been integrated and are now fully operational. C.B.S. products will now also be sold through SYGNIS sales force.

SYGNIS AG expands access to Chinese market with second OEM deal with TANON

SYGNIS AG announced the successful completion of a second contract with TANON, the leading Chinese proteomics company. The OEM deal expands the current agreement, granting the rights to sell three SYGNIS product lines. The earlier agreement, which covered precast gels, now adds InstantBlue for easy protein detection and Ultrafast blotting buffer for Western Blotting (a widely used analytical technique used to detect specific proteins in a sample). Under the terms of the new agreement, TANON will sell the SYGNIS products under the TANON label to the Chinese market. This arrangement will enable TANON to deliver a more comprehensive solution to its customers, underpinning proteomics research. With this new agreement, the annual revenues from the TANON relationship are expected to exceed €1 million.

SYGNIS AG successfully completes Rights Offering and Private Placement

SYGNIS announced that the Company has successfully completed two capital increases announced on May 8 and May 11, respectively.

In a rights offering, 3,582,598 new shares were offered at a share price of €1.38. In a second capital increase of up to ten percent of the Company's share capital, a total of 3,677,369 shares were issued at the issue price of €1.38. These new shares were issued with exclusion of shareholders' pre-emptive rights by way of a private placement to select qualified investors.

By completion of this transaction, the Company's share capital will increase from €37,617,291.00 to €44,877,258 composed of 44,877,258 shares, by issuing 7,259,967 new shares from authorised capital.

SYGNIS plans to use the gross proceeds of €10 million to finance the acquisition of Innova Biosciences Ltd, covering one-off transaction and integration costs, as well as working capital.

SYGNIS AG announces Management and Supervisory Board changes

SYGNIS AG announced changes to the Management Team and Supervisory Board. Dr Heikki Lanckriet (previously Co-CEO) will become sole CEO of SYGNIS AG and will also retain his role as Chief Scientific Officer.

The appointment of all members of the SYGNIS Supervisory Board ends at the General Meeting on July 7, 2017. Maria-Jesús Sabatés Mas and Dr Franz Wilhelm Hopp will not stand for re-election. Pilar de la Huerta and the long-time financial and biotech executive Peter Llewellyn-Davis will be nominated to replace these members. Pilar de la Huerta resigns from her position as member of the Management Board with effect of the upcoming annual shareholders meeting on July 7, 2017 in order to take advantage of other opportunities in the pharmaceutical industry.

SYGNIS AG announces successful Completion of Acquisition of Innova Biosciences Ltd.

SYGNIS announced that the Company has successfully completed its acquisition of Innova Biosciences Ltd.

SYGNIS AG paid €10.8 million, consisting of €8 million in cash and 2 million shares of SYGNIS AG as a contribution in kind. Depending on agreed performance indicators, the purchase price will also include up to 1.5 million shares issued as convertible bonds. To finance this transaction, SYGNIS successfully completed two capital increases in May 2017. The consideration transferred in accordance with IFRS 13 thus amounted to € 14.5 million.

SYGNIS AG announces completion of relocation of its Innova Biosciences unit to allow for expansion

SYGNIS announced the completion of the relocation of its subsidiary company, Innova Biosciences, into the Company's existing facilities in Cambridge, UK.

The relocation follows the recent acquisition of Innova Biosciences by SYGNIS AG, and the continued integration of Innova Biosciences within the SYGNIS Group of companies. This change completes the relocation of Innova Biosciences' R&D, manufacturing and logistics departments. To enable the relocation, the Company has invested in the development of 3,000 sqft of new laboratory space at its Cambridge facility. This has doubled the Group's R&D capabilities in Cambridge and also provides the necessary space and resource required to meet the increasing demand for the Company's services offering, as well as allow for expansion of its kit manufacturing capabilities.

SYGNIS AG announces the launch of the Universal Lateral Flow Assay kit and associated patent filing

SYGNIS announced the launch of its Universal Lateral Flow Assay (LFA) kit, the latest addition to its expanding range of lateral flow assay products and services which are being commercialised under the Innova Biosciences brand name. The novel product provides a tool for the easy, quick development of customised sandwich lateral flow assays. This enables researchers to rapidly progress the R&D of their point-of-care (POC) diagnostic tools thereby providing physicians with faster access to POC testing for rapid early detection of disease. The Company has filed a patent application to protect its newly developed product and technology.

The global market for lateral flow assays is growing at 16% per annum and projected to be worth US $8.2 billion by 2022. This growth is driven by the rising demand for point-of-care testing and the high prevalence of infectious diseases worldwide. The launch of the Universal LFA kit enables researchers to streamline the R&D of their diagnostic tests, enabling rapid development of POC diagnostic tools for entry into this growing market.

SYGNIS AG partners with Abingdon Health to provide full service custom lateral flow assay design and supply

SYGNIS announced it has established a partnership with Abingdon Health Ltd (Abingdon), which will enable SYGNIS to provide its customers with full lateral flow assay (LFA) development services as well as establishing SYGNIS as the preferred colloidal gold supplier to Abingdon.

As a result of this partnership, SYGNIS is now able to offer a full custom LFA service, from proof-of-principle dipsticks, to full strips, sample pads, conjugate pads and absorbent pads, as well as subsequent transfer to small commercial or bulk manufacture.

SYGNIS AG signs supply agreement with US Biological for the Lightning-Link® antibody labelling technology

SYGNIS announced it has signed a supply agreement with US Biological, Salem, MA, USA, for its Innova Biosciences Lightning-Link® technology. US Biological is a global manufacturer and distributor of bioreagents, offering world-wide distribution of over 1,000,000 antibodies, biochemicals, biologicals, cell culture media, research kits and molecular biology bioreagents. The Company will use Lightning-Link® as its preferred antibody conjugation technology to expand its existing catalogue by enabling the production of additional labels and allowing the Company to address a broader range of markets. In addition to core labels for the Lightning-Link® range (horseradish peroxidase, alkaline phosphatase, and Fluorescein), the agreement gives US Biological the option to access the full range of Innova Biosciences-branded products, including Europium and gold nanoparticles.

SYGNIS AG launches TruePrime™ apoptotic cell free DNA amplification kit for the liquid biopsy market

SYGNIS announced the launch of its TruePrime™ apoptotic cell free DNA amplification kit, under the Expedeon brand. The kit enables accurate DNA amplification using cell free DNA (cfDNA) obtained from plasma, serum, urine, cerebrospinal fluid (CSF), or many other bodily fluids.

The TruePrime™ apoptotic cell free DNA amplification kit uses a novel multiple displacement amplification method to overcome the common limitations with the analysis of bodily fluid for cell free DNA analysis. By exponentially amplifying cell-free DNA derived from apoptosis, the cell-death mechanism, these TruePrime™ kits provide users with excellent sensitivity, error-free amplification in high yields and a streamlined workflow for reduced hands-on time.

The new technology expands the Company's range of TruePrime™ kits, further strengthening its offering within the growing liquid biopsy market, which is set to increase at a CAGR of 23% by 2022. Kits and consumables are the leading sub-segment to the global liquid biopsy market value. Key factors driving this market include the demand for the detection and monitoring of cancer, which is increasing alongside disease prevalence. The new technology has potential to meet this demand through its use in Next Generation Sequencing (NGS)-based clinical diagnostics.

2. Results of operations, financial position and net assets

<u>Results of operations</u>

As noted above, the underlying results for 2017 present a strong improvement on the previous year:

Result

The decrease in the reported net loss includes a number of non-cash items relating to the fair value accounting for group acquisitions. These entries lifted the result from a loss of €1,656 thousand to €3,261 thousand. As noted above, this compares with a loss of €3,624 thousand before fair value accounting in 2016, rising to €4,388 thousand including those entries. The improvement in the loss reflected the increasing revenues and tight cost control.

Revenues

Revenues in fiscal year 2017 amounted to €7.8 million (previous year: €1.8 million) ahead of the original forecast for the year and in line with the forecast prepared at the time of the Innova Biosciences acquisition. The growth in revenues arose from a combination of acquisitive and organic growth resulting in strong quarter to quarter revenue growth leading to eight consecutive quarters of sustained growth; and includes the revenues of C.B.S. and Innova Biosciences from dates of acquisition. Revenues included in the 2017 result grew organically by 24% on a like for like basis from 2016. Revenues are expected to continue to grow during 2018 as a result of the solid organic growth supported by new product launches and the increased investment in sales and marketing.

Development of operating expenditure

Compared with the previous year, the total operating expenditure increased by €6.1 million to €11.9 million. This increase reflects the full year accounting in 2017 of the Expedeon acquisition in July 2016, the inclusion of C.B.S. from 1 January 2017 and Innova Biosciences from 16 June 2017. This total also includes approximately €1.6 million of purchase price allocation non-cash fair value adjustments (gross of deferred tax) as well as non-recurring costs during the earlier part of the year relating to the restructuring of Spanish and German operations.

Operating expenditure

Operating costs comprise manufacturing cost of sold products; personnel expenditure associated with sales and marketing, finance and administration and research and development. Expenditure also includes property related expenditure, legal and regulatory costs including investor relations.

Net loss

Net loss in fiscal year 2017 amounted to €3.3 million (previous year: loss of €4.2 million).

Underlying Company performance shows a year on year improvement particularly in the latter part of the financial year where EBITDA break-even was reached.

Financial position

The negative cash flow from operating activities was below previous year's level at €2.9 million (2016: €3.2 million). Cash outflow from investing activities amounted to €9.3 million, compared to €1.8 million in the previous year. Cash inflow from financing activities amounts to €10.4 million, compared to €4.2 million in the year 2016.

This activity level reflects primarily the acquisition of Innova Biosciences in 2017 which included a payment to Innova Biosciences shareholders of €8.6 million funded from a €10 million capital increase closed in May 2017. The Group also invested approximately €1.2 million in new manufacturing facilities in Cambridge, UK.

Capital structure as of	31 December 2017	31 December 2016
Non-current assets	88% (€44.0 million)	83%(€31.7 million)
Current assets	12% (€6.0 million)	17%(€6.3 million)
Equity	80% (€40.0 million)	83%(€31.4 million)
Non-current liabilities	11% (€5.3 million)	9%(€3.4 million)
Current liabilities	9% (€4.6 million)	8%(€3.2 million)

Objectives of financial management

The Company's objective during 2017 was to reach a break-even position during Q4. This has been achieved with EBITDA of €11 thousand for Q4 and positive operating cash flow of €137 thousand.

The ongoing financial management of SYGNIS AG is focussed on improving this Q4 outcome during the course of 2018 and for the Group to become overall cash generative during 2018. To anticipate future demands for liquidity, twelve-months liquidity plans are used.

Liquid funds as at 31 December 2017 fell by €1.8 million and stood at €2.0 million (previous year €3.8 million). This reflected underlying cash outflows from operating activities and investing activities during the earlier part of the year.

Asset position

Non-current assets at €44.0 million were significantly higher than in the previous year (€31.7 million) and reflect goodwill and other intangible assets recognised following the acquisitions of C.B.S. and Innova Biosciences.

Current assets stood at €6.0 million compared with €6.3 million in 2016. This comprises a €1.8 million decrease in cash balances offset by increases in trade receivables and other current assets, driven primarily by the increase in group size.

Long-term financial liabilities as at 31 December 2017 were €5.3 million, €1.9 million above the previous year and consists of Spanish soft loans (€1.9 million) with and bank loans of €0.8 million. In addition, long term financial liabilities also include €1.0 million reflecting the fair value of a convertible bond which becomes due to former Innova Biosciences shareholders should certain earn out targets be met in 2019. This obligation will be met by the issue of SYGNIS shares.

Non-current liabilities also include €1.4 million of deferred tax liabilities (2016: €1.2 million). This represents non-cash amounts relating to purchase price allocation fair value accounting entries.

Short-term financial liabilities increased from €0.4 million in the previous year to €1.8 million. This increase relates primarily to €1.2 million accrual reflecting the fair value of a convertible bond which becomes due to former Innova Biosciences shareholders should certain earn out targets be met in 2018. This obligation will be met by the issue of SYGNIS shares.

Other short-term liabilities were €2.8 million versus €2.8 million in 2016.

Overall assessment of financial key performance indicators

In the year 2017, SYGNIS continued to deliver strong revenue growth through a combination of acquisitive and organic growth. This enabled the Group to achieve EBITDA break-even during Q4 2017. This has created a strong baseline from which to continue to build revenues during 2018 and to continue to improve the overall trading performance. As a result, the Management Board anticipates strong growth in revenues during 2018 and expects an overall positive EBITDA position for 2018.

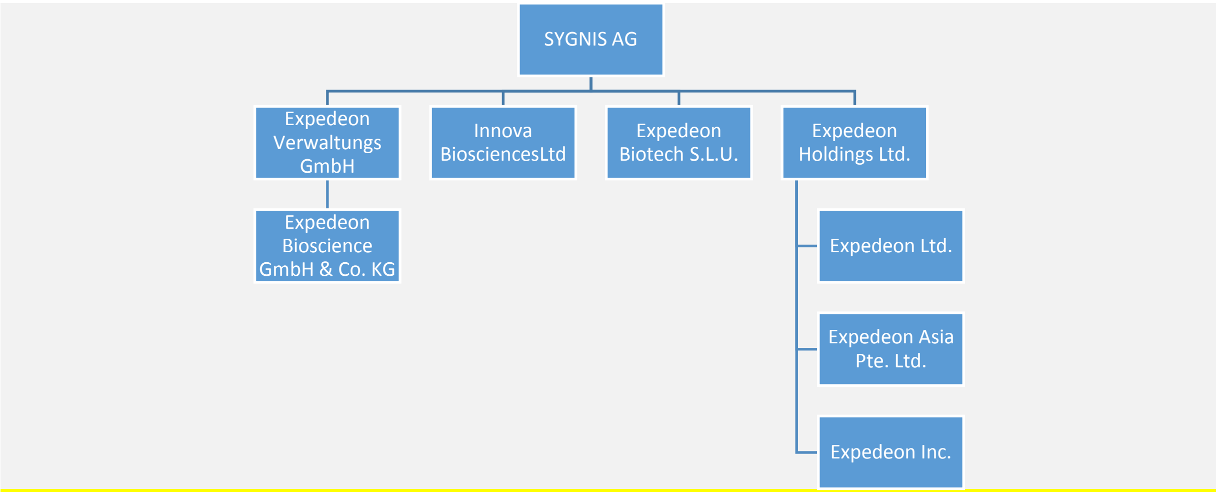
III. Organisation

Corporate structure

The main operating locations of SYGNIS are Heidelberg, Germany; Madrid, Spain; Cambridge, UK; and San Diego, USA. The Company has rented premises in the technology and business parks in most locations and owns property in Cambridge.

SYGNIS AG, the parent company, is listed on the German stock exchange. The development activities are carried out by Expedeon Biotech S.L.U., Madrid, Spain and Expedeon Limited, Cambridge, UK. Expedeon Limited, Innova Biosciences and Expedeon Inc. manufacture and distribute products. Expedeon Asia Pte. Ltd. is a distribution company. SYGNIS AG holds 100% of the company shares in Expedeon Bioscience GmbH & Co. KG, Expedeon S.L.U., Expedeon Verwaltungs GmbH, Heidelberg, Germany, Innova Biosciences and Expedeon Holdings Limited (a holding company). This in turn holds 100% of the shares in Expedeon Limited, Expedeon Inc. and Expedeon Asia Pte. Ltd.

As of December 31, 2017, the following corporate structure (each 100% subsidiaries) existed:



Employees

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

The number of employees (full-time equivalent) increased from an average 31 during 2016 to 66 during 2017.

Employees by function	At 31 December 2017	At 31 December 2016
Research & Development*	15	11
Sales & Marketing	30	12
Operations & Manufacturing	30	12
General Finance and Administration	14	12
Total	**89**	**47***

*The number of employees also includes three employees that are on maternity leave.

IV. Research & Development

The Company's research and development activities are undertaken by its subsidiaries Expedeon S.L.U., Madrid, Spain and Expedeon Limited, Cambridge, United Kingdom, UK. Expedeon S.L.U. focuses on genomics research and development, while Expedeon Limited is focussed on proteomics and immunology research and development.

SYGNIS' R&D activities strongly focus on the development and production of new products based on various proprietary platform technologies. A key strength is the Company's know-how and IP position in polymerase enzymology, electrophoresis and immunology.

V. Opportunities and risks report

1. Risks

Going concern assumption

The going concern position of the Group has been a key management focus over previous year. To that end the business planning process has been key in ensuring the Company continued to have adequate cash resources.

Having prepared its business plan for 2018, the Group expects to generate positive EBITDA during the year and meet cash flow requirements through its operating activities and the use of SEDA should it be necessary to support non-operating cash flow investments.

The Company is satisfied that significant progress has been made in being able to meet all obligations from operating activities.

Fundamentals of risk management

In compliance with the legal requirements, SYGNIS has set up an effective system for detecting, evaluating, communicating, and managing financial risks and risks to the Company. The key aim of risk management is to identify and monitor strategic, market-related, financial, and business-specific risks and opportunities at an early stage, in order to take whatever action is necessary, proper and appropriate after careful appraisal.

For this purpose, the Management Board has appointed a risk manager within the organisational structure. The principal mechanisms for identifying risk are regular senior management meetings in which emerging risks are identified and classified; and the monitoring of business performance versus budget. This is supported by regular interaction between the Management Board and Supervisory Board where key issues are raised and discussed.

The Group's risk situation is also discussed with the Audit Committee during the examination of the quarterly reports and the annual report.

Accounting-related risk management system and internal control system

In accordance with Section 315 (2) No. 5 of the German Commercial Code, SYGNIS is required to describe the main features of the internal control and risk management system with respect to the Group accounting process, which also includes the accounting processes for companies included in the consolidated financial statements.

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

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

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

- signature rules, including authorisation and approval levels when entering into financial commitments,
- extensive documentation of business transactions,
- clear assignment of responsibilities,
- four eyes principle,
- appropriate financial accounting systems including associated authorisation concept,
- use of checklists when preparing quarterly and annual financial statements,

- use of guidelines and work procedures (e.g. accounting standards, guidelines for financial investments and purchasing guidelines), and
- job descriptions.

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

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

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

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

Specific business risks

General industry risks

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

The biotech/pharmaceutical environment is very dynamic. Both the market environment and the competitive situation can change very quickly. This also applies to the framework for in/out-licensing of projects. There are a large number of competitors who in part are significantly larger and financially stronger than SYGNIS.

Risks of selling products

SYGNIS sells its own products. Risks could arise as a result of insufficient market demand, declining customer needs or delays due to shifts in the market launch of further new and innovative products. In addition, the market for SYGNIS products could be impaired by a consolidation of the market. We believe, however, that the diversification of our products and sales guards against this.

Product development risks

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

Risks of in-licensing

In order to reduce the Group's dependence on the success of single products, it strives to expand its product portfolio. We are frequently considering options for in-licensing further products and/or technologies thereby extending the product and technology base. Upfront licensing fees, milestone payments and royalty payments on the final end products are common elements of in-licensing agreements. There is however a financial risk that in-licensed product and technologies cannot be commercialised in a timely fashion or fail to reach the envisaged commercial success.

Risks from business combinations

SYGNIS may acquire additional companies or product lines that could contribute to sustainable corporate development. The acquisition of such assets can expose SYGNIS to risks associated with the integration of new technologies, business units, company locations and staff members. Furthermore, risks can also arise when equity instruments are issued and these can lead to a dilution in the value of the shares held by shareholders. In the event that an acquisition does not achieve the anticipated results, this can reduce group value.

IP risks

Patents are an important factor in the commercialisation of products. Monitoring and protection of patents has a very high priority for the Company. Patent rights can be challenged at any time, and the grant of a new patent can be a lengthy and cumbersome process with no guarantee on a successful outcome. Patent litigation can result in considerable additional internal and external expenditure and in extreme cases, may result in projects being abandoned.

Personnel risks

To ensure corporate success, it is extremely important for SYGNIS to hire and retain adequate numbers of highly qualified and skilled staff members. The Company is in competition with other companies for its human resources and there is a risk it is not able to hire new staff with the qualifications needed and/or to secure their long-term commitment to the Company in a timely fashion. Furthermore, the unforeseen loss of key employees and the associated relevant know-how may have an adverse effect on the Company's ability to expand and deliver on its growth targets.

Financing risks

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

Risks associated with the recognition of tax losses carried forward

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

Financial risks

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

Risks from cash flow fluctuations/interest rate risks

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

Credit or default risks

Due to the direct distribution of own products, credit or default risks are relevant with respect to the timely collection or the default of trade accounts receivables from customers. To date bad debt losses are minimal and the Group operates a credit acceptance process with new customers. Outstanding invoices from customers are monitored constantly and reminders are sent out to customers for overdue amounts.

Liquidity risk

Liquidity risk describes the risk arising when the Company is not in a position to meet its liabilities associated with financial instruments when they fall due.

This risk can also result from being unable to sell financial assets at an appropriate price.

Foreign exchange

The majority of the Group’s activities are undertaken in currencies other than the euro. Consequently, major fluctuations in the exchange rate of the euro against in particular the US dollar or Great British pound can have an adverse effect on overall financial performance.

Other risks

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

Brexit

The Company continues to monitor the potential impact of Brexit on its activities and in particular its UK based assets. Currently, the Company does not anticipate a material adverse effect arising from Brexit. This is due to its products being free from tariff under World Trade Organisation rules so that even in the event of a “hard Brexit”, the Company expects to continue to trade freely.

2. Opportunities

Existing or planned projects within the life science research market typically require shorter development times and limited development cost when compared with drug development. Furthermore, economic success can be foreseen earlier in development than is the case in drug development. As a result, the Company believes it can use the available resources more efficiently and more purposefully.

The growth in the Group with the consequential expansion in the product portfolio and sales channels provides opportunities for the Group to continue to strongly growth organically. Additionally, the Company’s enlarged, active and loyal customer base provides an excellent platform for new product introductions further stimulating revenue growth.

The Company's facilities in key geographic markets support the development of the Company's brand awareness and general visibility in the market place. The local presence further facilitates a closer relationship with key customers in the different territories and may create collaborative opportunities in addition to strengthening revenue growth.

Overall assessment of risk situation

The Management Board considers the risks to be appropriate overall and trusts the effectiveness of the risk management system with regards to changes in the environment and the need of the current business. The Management Board considers the opportunities available to the Group to be very promising.

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

Supervisory Board

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

Joseph M. Fernández, Deputy Chairman of the Supervisory Board
Chief Executive Officer, Chairman of Active Motif Inc., Carlsbad, California, USA

Dr Trevor Jarman
Independent Entrepreneur, Cambridge, UK
Chief Executive Director of Natures Remedies Ltd., Cambridge, U.K.

Tim McCarthy
Executive Director of Unnamed Ltd., Cambridge, UK

Dr. Franz-Wilhelm Hopp (until 7 July 2017)
Member of Board of Directors of Schneider Golling Bosserhoff VermögensInvest AG, Vaduz, Liechtenstein

Maria Jesús Sabatés (until 7 July 2017)
Sole manager of Arceus Holding, S.L., Barcelona, Spain

Peter Llewellyn-Davies (from 7 July 2017)
CFO and CBO of APEIRON Biologics AG, Vienna, Austria

Pilar de la Huerta (from 7 July 2017)
Chief Executive Officer, ADL BioPharma, Madrid, Spain

Shares and subscription rights held by members of the Management and Supervisory Boards

	1 January 2017	additions	disposals	31 Dec. 2017
Management Board				
Pilar de la Huerta (Co-CEO/CBDO) (until 7 July 2017	0	0	0	0
Dr Heikki Lanckriet (Co-CEO/CSO)	1,478,162	65,062	0	1,543,224
David Roth (CFO) (since 1 March 2017)	0	53,500	0	53,500
	1,478,162	**118,562**	**0**	**1,596,724**
Supervisory Board				
Dr Cristina Garmendia Mendizábal	3,715	410,294	0	414,009
Joseph M. Fernández	2,649,921	0	0	2,649,921
Maria Jesús Sabatés (until 7 July 2017)	0	0	0	0
Dr Franz Wilhelm Hopp (until 7 July 2017)	0	0	0	0
Dr Trevor Jarman	608,288	0	0	608,288
Tim McCarthy	154,817	0	0	154,817
Peter Llewellyn-Davies (since 7 July 2017)	0	0	0	0
Pilar de la Huerta (since 7 July 2017)	0	0	0	0
	3,416,741	**410,294**	**0**	**3,827,035**

Included in the above on 15 November 2017, Dr Cristina Garmendia Mendizábal received 402,294 shares by way of contribution in kind following the dissolution of Genetrix S.L. and previous shareholder in SYGNIS AG and in which Dr Cristina Garmendia Mendizábal was a shareholder. In addition, 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.

Membership of Supervisory Board members in other statutory supervisory boards and comparable domestic and foreign supervisory bodies:

Dr Cristina Garmendia Mendizábal

- Member of the Board of Directors, Ysios Capital Partner, SGECR S.A., Barcelona, Spain
- Member of the Board of Directors, Member of the Board of Trustees, Pelayo Mutua de Seguros, Madrid, Spain
- Member of the Board of Directors, Everis Spain, S.L., Madrid, Spain
- Member of the Board of Directors, Gas Natural SDG, S.A. Madrid, Spain
- Member of the Board of Directors, Corporación Financiera ALBA, Madrid, Spain
- Sole Administrator, Jaizkibel, S.L., Madrid, Spain
- Member of the Board of Directors, Science & Innovation Link Office, S.L., Madrid, Spain
- Member of the Board of Directors, Compañía De Distribución Integral Logista Holdings, S.A., Madrid, Spain
- Chairwoman of the Board of Directors, Satlantis Microsats, S.L., Madrid, Spain

Joseph M. Fernández

- Chairman of the Board of Directors of Active Motif Chromeon GmbH, Tegernheim, Germany
- Member of the Board of Directors of Expedeon Inc., San Diego, CA, USA
- Member of the Board of Directors of Hiram College, Hiram, Ohio, USA

Dr Trevor Jarman

- Member of the Board of Directors of Expedeon Ltd, Cambridge, UK
- Chairman of The Board of Directors of Persavita Ltd, Cambridge, UK
- Chief Executive Director of Natures Remedies Ltd, Cambridge UK
- Member of the Board of Directors of Cambridge Cell Networks Ltd, Cambridge UK
- Member of the Board of Directors of Swangap Flat Management Ltd, Cambridge, UK
- Member of the Board of Directors of Protus Ltd, Cambridge, UK

Tim McCarthy

- Chairman of the Board of Directors of ImmuPharma PLC, London, U.K.
- Chairman of the Board of Directors of ARK Analytics Solutions Ltd., Cambridge, U.K.
- Member of the Board of Directors of Spear Therapeutics Ltd., Manchester, U.K.
- Chairman of the Board of Directors of Dropped Ltd., Cambridge, U.K.
- Chairman of the Board of Directors of Incanthera Ltd., Manchester, U.K.
- Chairman of the Board of Directors of Harvard Healthcare Ltd., Liverpool, U.K.

- Member of the Board of Directors of Wise old owl Ltd., Cambridge, U.K.
- Member of the Board of Directors of Frangipani Dreams Ltd., Cambridge, U.K.
- Member of the Board of Directors of Expedeon Holdings Limited, Cambridge, U.K.

Peter Llewellyn-Davies
- APEIRON Biologics AG, Vienna, Member of the Executive Board, CFO/CBO
- Shield Therapeutics plc London, NED and chairman of the Audit Committee

Pilar de la Huerta
- ADL Biopharma, Spain, Board member, CEO
- Epidesease SL, Board member

Authorised capital

By resolution of the Annual General Meeting of SYGNIS AG on 20 June 2016, the remaining authorised capital existing at that time was cancelled and (a) a new authorised capital in the amount of €8,401,945.00 (Authorised Capital 2016/I) and (b) a further new authorised capital in the amount of €7,859,444.00 (Authorised Capital 2016/II) was created.

By and including 19 June 2021, the Management Board was authorised, subject to the consent of the Supervisory Board, to increase the share capital of the Company by €16,261,389.00 in total issuing new ordinary no-par-value bearer shares from Authorised Capital 2016/I and II against contributions in cash and/or in kind, once or several times. The Management Board may, subject to the consent of the Supervisory Board, exclude the legal subscription right of the shareholders

- insofar as this is required to avoid fractional amounts,
- in order to grant shares against contributions made in kind,
- insofar as it is required for protection against dilution to grant holders of convertible bonds and/or warrant bonds, convertible loans or warrants subscription rights for new shares to the extent that the holders would be entitled to after exercise of their conversion or option rights or performance of a conversion obligation, or
- in case of a capital increase against contributions in cash if the proportion of share capital pertaining to the new shares for which subscription rights are excluded does not exceed 10% of the share capital registered at the time *when the authorisation became effective** and when it is exercised and the issue price of the new shares does not substantially fall short of the market price of existing listed shares of the same class.

  * For Authorised Capital 2016/I the authorisation became effective on 4 August 2016 when Authorised Capital 2016/I was registered in the commercial register and the share capital was €21,622,091.00.

  * For Authorised Capital 2016/II the authorisation became effective on 19 October 2016 when Authorised Capital 2016/II was registered in the commercial register and the share capital was €37,341,980.00.

As of 31 December 2016, the Management Board had not yet used this authorisation, but already promised 275,311 shares from authorised capital against contribution in kind under a pre-subscription agreement, i.e. an authorised capital of €15,986,078.00 in total remained available.

As of 31 December 2017, the Management Board had made use of this authorisation by issuing a total of 9,592,107 new ordinary no-par-value bearer shares (including the aforementioned 275,311 shares and another 2,000,000 shares issued against contribution in kind excluding subscription rights, 3,582,598 shares issued against cash contribution with subscription rights and 3,734,198 shares issued against cash contribution excluding subscription rights), Thus an authorised capital of €6,669,282.00 in total (31 December 2016: €15,986,078.00) remained available.

Conditional capital

By resolution of the Annual General Meeting on 25 November 2011, the capital stock of SYGNIS AG has been conditionally increased by a maximum of €500,000.00 by issuing up to 500,000 no-par value bearer shares (Conditional Capital IV). The Conditional Capital IV serves to grant shares to the holders of convertible bonds which were issued by and including 24 November 2016 based on the authorisation given by resolution of the Annual General Meeting of SYGNIS AG on 25 November 2011.

By resolution of the Annual General Meeting of SYGNIS AG on 20 June 2016, the remaining Conditional Capital II and III as well as original Conditional Capital V was cancelled.

By resolution of the Annual General Meeting on 20 June 2016, the capital stock of SYGNIS AG has been conditionally increased by a maximum of €6,500,000.00 by issuing up to 6,500,000 no-par value bearer shares (new Conditional Capital V). The new Conditional Capital V serves to grant shares to the holders of convertible bonds which are issued by and including 19 June 2021 based on the authorisation given by resolution of the Annual General Meeting of SYGNIS AG on 20 June 2016.

By resolution of the Annual General Meeting on 7 July 2017, the capital stock of SYGNIS AG has been conditionally increased by a maximum of €4,000,000.00 by issuing up to 4,000,000 no-par value bearer shares (Conditional Capital 2017). The Conditional Capital 2017 serves to grant shares to the holders of convertible bonds which are issued by and including 6 July 2022 based on the authorisation given by resolution of the Annual General Meeting of SYGNIS AG on 7 July 2017. The Conditional Capital 2017 is not yet registered in the commercial register and therefore not yet effective.

VI. Disclosures required under Section 315a (1) of the German Commercial Code (HGB)

1. The share capital of SYGNIS AG as at 31 December 2017 amounted to €46.934.087.00 made up of 46.934.087 no-par value bearer shares. These are, without exception, voting ordinary shares. There are no holders of shares with special rights or any other restrictions concerning voting rights.

   In the context of the transfer of all shares in Expedeon Holdings Limited to SYGNIS AG as contribution in kind, former Expedeon shareholders, who together acquired 13,000,689 new shares in SYGNIS AG, have undertaken not to dispose of their shares for different periods:

   a. Alpenfels Family Trust (2,783,390 shares), Daniel Jones (772,732 shares) and Dr Heikki Lanckriet (1.478.162 shares) may not sell their shares (5,034,284 shares in total) until 30 June 2017. Thereafter, each party may sell a gradually growing percentage of its shares, namely
      - from 1 July 2017 up to 20%,
      - from 1 October 2017 up to 40%,
      - from 1 January 2018 up to 60%,
      - from 1 April 2018 up to 80%
      - from 1 July 2018 100%

   b. Sarah Roth, Tim McCarthy, Dr Trevor Jarman, Peter De Busschere, Frans De Busschere, Sante Health Ventures I LP, Brenn-Cogen Trust and Fernandez Trust obliged not to sell their shares (6.195.262 shares in total) until 31 December 2016. Thereafter, each party may sell a gradually growing percentage of its shares, namely
      - since 1 January 2017 up to 20%,
      - from 1 April 2017 up to 40%,
      - from 1 July 2017 up to 60%
      - from 1 October 2017 up to 80%.
      - from 1 January 2018 100%

   c. Allan Coxon, Jenny Breton, John Hancock, Memphis Biomed Ventures II LP, Nigel Rowbotham, Southern Appalachian Fund LP, Toby Wilson Water-worth and Trust for Lisa Lanckriet own 1.771.143 shares in total and may sell a gradually growing percentage of them, namely
      - until 3 September 2016 up to 20%,
      - since 1 October 2016 up to 40%,
      - since 1 January 2017 up to 60%,
      - from 1 April 2017 up to 80%.
      - from 1 July 2017 100%.

The lock-in obligation regarding the 13,000,689 new shares from the Expedeon transaction provides for certain exemptions for over-the-counter transactions.

In the context of the transfer of all shares in C.B.S. Scientific Co. Inc. to SYGNIS AG as contribution in kind, the former C.B.S. shareholders, who together acquired 275,311 new shares in SYGNIS AG, have undertaken not to dispose of 5/6 of their new shares for the first six month after the registration of their new shares in the commercial register (which was effective as of 14 March 2017). After this period with the beginning of every month 1/6 of the new shares shall be released from the lock-up obligation.

In the context of the transfer of all shares in Innova Biosciences Limited to SYGNIS AG as contribution in kind, former Innova Biosciences shareholders, who together acquired 2,000,000 new shares in SYGNIS AG, have undertaken not to dispose of their new shares for different periods:

a. Nick Gee (886,933 new shares) shall not directly or indirectly sell, transfer, mortgage, charge, assign, grant options over or otherwise dispose of his new shares for a period of twelve months commencing on 30 June 2017, i.e. until 30 June 2018. After such twelve months, and after each month from thereon one twelfth (1/12) of his initial new shares will be released from the Lock-In as follows:

Locked	**Released**	
886.933	0	30.06.2018
813.022	73.911	01.07.2018
739.111	73.911	01.08.2018
665.200	73.911	01.09.2018
591.289	73.911	01.10.2018
517.378	73.911	01.11.2018
443.467	73.911	01.12.2018
369.556	73.911	01.01.2019
295.645	73.911	01.02.2019
221.734	73.911	01.03.2019
147.823	73.911	01.04.2019
73.912	73.911	01.05.2019
0	73.912	01.06.2019

b. All other Innova Biosciences shareholders (together 1,113.067 new shares) were not allowed to directly or indirectly sell, transfer, mortgage, charge, assign, grant options over or otherwise dispose of his new shares for a period of six months commencing on 30 June 2017, i.e. until 31 December 2017. After such six months, and after each month from thereon one twelfth (1/12) of their respective initial number of new shares is released from the Lock-In

The lock-in obligation regarding the 2,000,000 new shares from the Innova Biosciences transaction provides for certain exemptions.

In Addition to the 2,000,000 new shares the Innova Biosciences shareholders received 1,500,000 Convertible Notes which may be automatically converted to up to 1,500,000 additional Consideration shares (“Deferred Shares”) dependent on Innova Biosciences’ revenue during the first two years after completion (which took place 8 May 2017). 150,000 Notes will be converted to 150,000 Deferred Shares for every complete £100,000 of revenue for the period from 9 May 2017 to 8 May 2018 in excess of £3,000,000 and for every complete £100,000 of revenue for the period from 9 May 2018 to 8 May 2019 in excess of £3,500,000 The Lock-In as described above shall apply to the Deferred Shares accordingly commencing upon conversion.

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

2. In accordance with Section 315a (1) No. 3 of the German Commercial Code, direct or indirect holdings of share capital that exceed 10% of the voting rights are to be disclosed. As to the information given to the Company as of 31 December 2017, no direct or indirect shareholdings exist that exceed 10% of the voting rights.

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

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

4.1 By resolution of the Annual General Meeting of SYGNIS AG on 20 June 2016, the remaining authorised capital existing at that time was cancelled

and (a) a new authorised capital in the amount of €8,401,945.00 (Authorised Capital 2016/I) and (b) a further new authorised capital in the amount of €7,859,444.00 (Authorised Capital 2016/II was created.)
By and including 19 June 2021, the Management Board was authorised, subject to the consent of the Supervisory Board, to increase the share capital of the Company by €16,261,389.00 in total issuing new ordinary no-par-value bearer shares from Authorised Capital 2016/I and II against contributions in cash and/or in kind, once or several times. The Management Board may, subject to the consent of the Supervisory Board, exclude the legal subscription right of the shareholders

- insofar as this is required to avoid fractional amounts,
- in order to grant shares against contributions made in kind,
- insofar as it is required for protection against dilution to grant holders of convertible bonds and/or warrant bonds, convertible loans or warrants subscription rights for new shares to the extent that the holders would be entitled to after exercise of their conversion or option rights or performance of a conversion obligation, or
- in case of a capital increase against contributions in cash if the proportion of share capital pertaining to the new shares for which subscription rights are excluded does not exceed 10% of the share capital registered at the time when the authorisation became effective* and when it is exercised and the issue price of the new shares does not substantially fall short of the market price of existing listed shares of the same class.

* For Authorised Capital 2016/I the authorisation became effective on 4 August 2016 when Authorised Capital 2016/I was registered in the commercial register and the share capital was €21,622,091.00.

* For Authorised Capital 2016/II the authorisation became effective on 19 October 2016 when Authorised Capital 2016/II was registered in the commercial register and the share capital was €37,341,980.00.

As of 31 December 2016, the Management Board had not yet used this authorisation, but already promised 275,311 shares from authorised capital against contribution in kind under a pre-subscription agreement, i.e. an authorised capital of €15,986,078.00 in total remained available.

As of 31 December 2017, the Management Board had made use of this authorisation by issuing a total of 9,592,107 new ordinary no-par-value bearer shares (including the aforementioned 275,311 shares and another 2,000,000 shares issued against contribution in kind excluding subscription rights, 3,582,598 shares issued against cash contribution with subscription rights and 3,734,198 shares issued against cash contribution excluding subscription rights), Thus, an authorised capital of €6,669,282.00 in total (31 December 2016: €15,986,078.00) remained available.

By resolution of the Annual General Meeting of SYGNIS AG on 7 July 2017, the authorised capitals 2016/I (former Sec. 4 para. 4 of the Articles of Association) and 2016/II (former Sec. 4 para. 5 of the Articles of Association) ware cancelled with effect from the entering of the new Authorized Capital 2017 into the commercial register as far as it has not yet been utilised until then and the Management Board was authorised to increase, with the consent of the Supervisory Board, the share capital of the Company by and including 6 July 2022 by issuing new ordinary bearer shares as no-par-value shares against contributions in cash and/or in kind, once or several times, in total by not more than €22,467,043.00 (Authorized Capital 2017). The Authorized Capital 2017 was registered in the Commercial Register on 30 January 2018.

4.2 In accordance with Section 4 (8) of the Articles of Association of SYGNIS AG, the share capital is contingently increased (Conditional Capital IV) by up to €500,000 by issuing up to 500,000 ordinary bearer shares, which are equivalent to the previously issued ordinary bearer shares. The contingent capital increase will be carried out only insofar as the holders of stock options issued by the Company prior to 24 November 2016 in accordance with the authorisation given by the Annual Shareholders' Meeting held on 25 November 2011, within the last 15 business days of each calendar month, but on the first occasion no earlier than the entry of the creation of contingent capital IV in the German Commercial Register, exercise their subscription rights and the Company does not grant treasury shares in fulfilment of the subscription rights or the value of the shares to be issued based on the exercise of the subscription rights less the exercise price is paid in the form of a cash payment for the waiver of the beneficiary's corresponding subscription rights. The new ordinary bearer shares resulting from the exercising of these subscription rights carry dividend rights from the beginning of the fiscal year for which a resolution of the Annual General Meeting on the appropriation of retained profits had not yet been made on the date on which the subscription rights were exercised.

4.3 In accordance with Section 4 (9) of the Articles of Association of SYGNIS AG, the share capital is contingently increased (Conditional Capital V) by up to €6,500,000 by issuing up to 6,500,000 ordinary bearer shares. The contingent capital increase will be carried out only insofar as the holders of convertible bonds or persons required to exercise their conversion rights on convertible bonds issued or guaranteed by the Company or by a Group Company within the meaning of Section 18 of the German Stock Corporation Act, in which the Company has a direct or indirect shareholding of more than 50%, in accordance with the authorisation given by the Annual Shareholders' Meeting held on 20 June 2016, exercise their conversion rights or, insofar as they are required to convert the convertible bonds, meet their requirement to convert their convertible bonds and insofar as the contingent capital in accordance with the terms and conditions of the convertible bonds is needed for granting shares to service conversion rights and/or obligations. The issue of new shares is carried out at the conversion price to be determined in each case on the basis of the above-mentioned authorisation. The new shares carry dividend rights from the beginning of the fiscal year for which a resolution of the Annual General Meeting on the appropriation of retained profits had not yet been made on the date on which the subscription rights were exercised. The Conditional Capital V was registered in the Commercial Register on 4 August 2016.

4.4 By resolution of the Annual General Meeting on 7 July 2017, the capital stock of SYGNIS AG has been conditionally increased by a maximum of €4,000,000.00 by issuing up to 4,000,000 no-par value bearer shares (Conditional Capital 2017). The Conditional Capital 2017 serves to grant shares to the holders of convertible bonds which are issued by and including 6 July 2022 based on the authorisation given by resolution of the Annual General Meeting of SYGNIS AG on 7 July 2017. The Conditional Capital 2017 is not yet registered in the commercial register and therefore not yet effective.

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

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

VII. Remuneration report

The remuneration report summarises the key elements of the remuneration system for the Management Board of SYGNIS AG and describes in particular the structure and the amount of remuneration for the members of the Management Board. It also includes a description of the basic principles and the amount of remuneration for the members of the Supervisory Board. It is prepared on the basis of the recommendations of the German Corporate Governance Code and also includes the disclosures that are required in accordance with the relevant legal regulations, primarily the German Commercial Code (HGB). This report is also an integral part of the Corporate Governance Report. The Corporate Governance Report is included in the SYGNIS AG annual report, which can be downloaded at www.sygnis.com.

Management Board remuneration

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

The aim and purpose of the remuneration system for the board members of our Company is to allow the members of the Management Board to share in the development of the Company's business commensurate with their individual duties and performance for the Group and the successes achieved in managing the economic and financial position of the Company, taking into account the environment in which it competes. The total remuneration of the Management Board is performance-based and in the 2016 fiscal year was made up of various components:

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

At the Annual General Meeting of 7 July 2017, the Company received shareholder approval to make awards under an employee share option scheme of up to 2 million shares to the Management Board. No awards were made in 2017.

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

Pilar de la Huerta was Co-CEO of the Company until resigning on 7 July 2017.

Pilar de la Huerta has not agreed an employment contract with SYGNIS AG. In this respect, Mrs de la Huerta has received a non-performance-related component as a consulting fee on the basis of a consulting agreement between SYGNIS AG and herself for services rendered to SYGNIS AG. Based on this consulting agreement, Mrs de la Huerta also received a variable bonus. Mrs de la Huerta was also CEO of Expedeon S.L.U., Madrid, Spain, until 7July 2017 and had an employment contract with Expedeon S.L.U., Madrid, Spain.

Dr Heikki Lanckriet has an employment contract with SYGNIS AG since 1 August 2016, 2017 and an employment contract with Expedeon Limited. David Roth has an employment contract with SYGNIS AG since 1 March 2017 and an employment contract with Expedeon Limited.

The performance-related remuneration was paid in the form of a variable bonus for fiscal 2017. The amount of the bonus in each case depends solely on the achievement of specific target parameters based on the Company's performance. The amount of the variable bonus is based on a yearly assessment of the Company's performance that was calculated by the achievement of strategic and operational goals, such as the completion of the funding process, the increase of the visibility of the Company at the capital market, in addition to other corporate goals. During and at the end of the fiscal year, the Supervisory Board assessed the progress made in achieving the goals and specified the bonus, taking into due consideration of all relevant factors.

Total remuneration for the Management Board in 2017 was as follows:

In € thousand	Non-performance-related	Performance-related	Other benefits*	Total cash remuneration 2017
Pilar de la Huerta	155	97		252
From SYGNIS AG	122	97		219
From SYGNIS Biotech S.L.U.	33			33

In € thousand	Non-performance-related	Performance-related	Other benefits*	Total cash remuneration 2017
Dr Heikki Lanckriet	160	112	45	317
From SYGNIS AG	*96*	*67*	*27*	*190*
From Expedeon Limited	*64*	*45*	*18*	*127*

In € thousand	Non-performance-related	Performance-related	Other benefits*	Total cash remuneration 2017
David Roth	100	49	20	169
From SYGNIS AG	*80*	*39*	*16*	*135*
From Expedeon Limited	*20*	*10*	*4*	*34*

The table below shows in detail the remuneration paid to the Management Board in the 2016 financial year:

In € thousand	Non-performance-related	Performance-related	Other benefits*	Total cash remuneration 2016
Pilar de la Huerta	194	89	14	297
From SYGNIS AG	*51*		*2*	*53*
From SYGNIS Biotech S.L.U.	*143*	*89*	*12*	*244*

In € thousand	Non-performance-related	Performance-related	Other benefits*	Total cash remuneration 2016
Dr Heikki Lanckriet	54	100	10	164
From SYGNIS AG	*32*	*100*	*6*	*138*
From Expedeon Limited	*22*		*4*	*26*

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

Included in other benefits for Dr Heikki Lanckriet and David Roth is a pension contribution which is 10% of base salary. There are no other Company pension commitments with respect to members or former members of the Management Board of the SYGNIS Group. Loans, advance payments or benefits other than those mentioned in this remuneration report were not granted to the members of the Management Board in the reporting year. The members of the Management Board did not receive benefits from third-parties that were either promised or granted in view of their position as members of the Management Board.

Supervisory Board remuneration

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

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

Professional liability insurance (D&O insurance)

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

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

SYGNIS Group recognises the importance of diversity within the workplace. In 2017, the proportion of women of the total workforce of the SYGNIS Group was 40%.

Due to the Law for the Promotion of Women in Leadership Positions, the Company has to establish concrete goals for the two management levels. Executives that report directly to the Management Board constitute the second level with management responsibility below the Management Board in the SYGNIS Group. Following the departure of Pilar de la Huerta in July 2017 to pursue other interests, the proportion of women at the level of the Management Board by the end of 2017 was nil. The proportion at the second level of the management was 0% during 2017 but since year end has risen to 25%. SYGNIS Group's objective is to recruit the best the candidate for each position, recognising the importance of a diversified workplace.

The proportion of women in the Supervisory Board was 33% throughout 2017.

IX. Events of special significance since the end of fiscal year 2017

For the subsequent events report, please refer to the notes to the financial statements.

X. Outlook

The following section may contain forward-looking statements that are based on the Management Board's estimates and expectations on future developments, including financial forecasts and the Company's future business situation. These expectations are subject to risks and uncertainties, as described in the section entitled "Opportunities and Risks Report". Actual results, due to a large number of factors that are beyond the control of the Management Board, may differ significantly from the estimates given.

Product development and commercialisation opportunities

The SYGNIS Group's objective is to continue developing and marketing innovative, high added value products for life science and diagnostic research. The Company's products target lucrative markets such as NGS sequencing, single cell DNA analysis liquid biopsy and immunology. These are rapidly growing market segments where the Company's products are poised to take a central role. It is therefore reasonable to expect that the Company profile on the capital markets and associated shareholder value should benefit over time.

The Management Board's view is that continuing to scale the now vertically integrated SYGNIS Group, will enable sustained development, manufacturing and commercialisation of innovative high margin products.

The Company has a highly skilled R&D team with a proven track record of bringing products to market. We continue to invest significant resource in research and development with a strong focus on the liquid biopsy application of TruePrime™. We also see additional potential of TruePrime™ technology in other diagnostic areas where sample input is limited including point-of-care diagnostic devices and we are engaged in a proof of concept research programme to advance this further.

Additionally, we see cross-platform development opportunities with TruePrime™ and Lightning-Link® technology which is expected to result in a new product family with both research based and diagnostic based applications. The Company's R&D activity is expected to yield a solid stream of new product opportunities designed for cross-selling into our existing and expanding customer base, thereby supporting solid long term sustainable organic revenue growth.

SYGNIS has invested substantial resource in building a sales and marketing platform capable of driving and supporting strong product revenue growth. In conjunction, we have set up a business development group tasked with a more industrial and diagnostic focussed commercialisation of the Company's products and technologies. Whilst the business development group has clear short term commercial goals, one of its objectives is to pave the way for incorporation of TruePrime™ technology into liquid biopsy diagnostics.

Life Sciences continues to grow strongly in China with antibody manufacturing in particular being a strong growth segment in China. Whilst we maintain excellent relationships with our partners in China, we are exploring the possibility of engaging more direct with customers in China and we are considering further investment in the Chinese opportunity to enhance our growth prospects in this market.

Financial outlook

The overall financial performance moving forward is largely dependent on the level of revenues for the fiscal year 2018 and beyond. These sales are expected to contribute a blended gross profit margin of 70%-75%. In order to support continued revenue growth, the Company has increased its sales force during 2017 and will continue to do so during 2018, targeting a spend ratio of approximately 20% of revenues. The Management Board is therefore confident the Group will continue to achieve significant levels of organic growth. On the basis of this continued organic growth and in the absence of further acquisitions, revenues in the range of €11-12 million are expected by the Management Board for the year.

Alongside this, it is also very possible that further acquisitions may occur during 2018 which could have a material impact on the results for the year.

Product innovation continues to be important to the Group and the Group plans to spend approximately 9%-10% of revenues on Research and Development activity during 2018. The Group will also continue to add to general administration resourcing as the business grows.

Overall, from an EBITDA break-even position in Q4 2017, the Group expects to be able to deliver positive EBITDA during 2018, and thereby a significant improvement on the previous year, as revenues increase and as a significant proportion of that increase flows directly to EBITDA.

Based on the projected strong revenue growth and reorganised and optimised cost structure the Management Board forecasts the Company to move into an operational cash flow positive position in 2018 overall, thereby a significant improvement on the previous year.

The Company's cash and cash equivalents at the 2017 year-end amounted to €2.0 million. With the projected revenue growth these financial resources are expected to suffice to support the Company.

Overall assessment of the outlook

The outlook is a result of different planning assumptions based on discretionary decisions. Especially revenue expectations are subject to uncertainty that cannot be influenced by the Management Board. However, the Management Board considers the Group in a strong position to achieve its financial objectives for 2018.

Confirmation of legal representatives

We hereby assure, to the best of our knowledge, that we have presented the management report including the business results in a way that gives a true and fair view and that the significant opportunities and risks have been adequately described.

Heidelberg, 23 April 2018

Dr Heikki Lanckriet CEO	David Roth CFO

Consolidated Financial Statements 2017

SYGNIS AG

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in €thousands)

€ thousand	Note	31 December 2017	31 December 2016
ASSETS			
Property, plant and equipment	5	2,050	957
Goodwill	6	30,665	23,829
Other intangible assets	7	11,267	6,926
Non-current assets		**43,982**	**31,712**
Trade receivables		1,655	771
Inventory		1,234	1,092
Other current assets	8	1,147	672
Cash and cash equivalents	9	1,954	3,795
Current assets		**5,990**	**6,330**
Total assets		**49,972**	**38,042**
EQUITY AND LIABILITIES			
Issued capital	10	46,934	37,342
Capital reserves		16,644	12,871
Accumulated loss		(22,483)	(19,225)
Other comprehensive income		(1,052)	419
Equity		**40,043**	**31,407**
Deferred tax liabilities	11	1,377	1,152
Financial liabilities	12	3,947	2,285
Non-current liabilities		**5,324**	**3,437**
Financial liabilities	12	1,766	421
Trade payables		849	656
Other current liabilities	13	1,990	2,121
Current liabilities		**4,605**	**3,198**
Total equity and liabilities		**49,972**	**38,042**

SYGNIS AG

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in € thousands)

€ thousand	Note	Fiscal year ended 31 December	
		2017	2016
Revenues	15	7,797	1,789
Costs of goods sold	16	(2,881)	(1,026)
Expenses:			
Sales		(1,870)	(895)
Administration		(6,315)	(2,771)
Research and development		(794)	(1,219)
Other operating income	17	96	132
Other operating expenses	17	(92)	(30)
Total operating expenses		(11,856)	(5,809)
Results of operating activities		(4,059)	(4,020)
Finance costs	18	(173)	(140)
Finance income	18	10	12
Earnings before taxes		(4,222)	(4,148)
Income tax	14	961	(240)
Net profit/loss for the period		(3,261)	(4,388)
Share based payments	20	1	0
Exchange rate adjustments		(1,469)	376
Other comprehensive income (after taxes)		(1,468)	376
Total comprehensive income		(4,729)	(4,012)
Earnings per share			
> Basic, loss for the year attributable to ordinary equity holders	27	(0.08)	(0.20)
> Diluted, loss for the year attributable to ordinary equity holders	27	(0.08)	(0.20)

SYGNIS AG

CONSOLIDATED STATEMENT OF CASH FLOWS (in € thousands)

€ thousand	2017	2016
Operating activities:		
Net loss for the period	(3,261)	(4,388)
Reconciliation of net profit/loss to cash flow from operating activities:		
Depreciation of property, plant and equipment	301	278
Amortisation and impairment of intangible assets	1,297	534
Other non-cash items	0	1,129
Change in operating assets and liabilities:		
Trade receivables and other current assets	(690)	(216)
Other current assets		
Trade payables	(51)	(234)
Other current liabilities	(471)	119
Inventories	28	(322)
Cash outflow from operating activities	(2,847)	(3,100)
Interest paid	(38)	(115)
Net cash outflow from operating activities	(2,885)	(3,215)
Investing activities:		
Business acquisitions, net of cash acquired	(7,584)	(1,129)
Investments in property, plant and equipment and intangible assets	(1,627)	(182)
Investments in development expenses recognized as an asset	(495)	(491)
Proceeds from the sale of property, plant and equipment and intangible assets	390	0
Cash outflow from investing activities	(9,316)	(1,802)
Financing activities:		
Cash in(out)flow due to changes of current financial liabilities	1,095	129
Capital increase by way of cash contribution (less costs of issuing equity)	9,330	4,115
Cash inflow from financing activities	10,425	4,244
Net change in cash and cash equivalents	(1,776)	(773)
Exchange differences	(65)	11
Cash and cash equivalents at the beginning of the period	3,795	4,557
Cash and cash equivalents at the end of the period	1,954	3,795

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

The Company has no credit lines open as of 31 December 2017.

SYGNIS AG

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in € thousands)

	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
1 January 2016	16,457,486	16,458	8,749	(14,837)	43	0	43	10,413
Capital increases against cash (after deducting transactions costs)	4,818,200	4,818	482					5,300
Capital increases against constribution in kind	15,719,889	15,720	3,986					19,706
Reclassification of capital increases against cash	346,405	346	(346)					0
Result recorded directly in equity representing exchange rate adjustments					11	365	376	376
Net loss for the year				(4,388)				(4,388)
Total comprehensive income				(4,388)	11	365	376	(4,012)
31 December 2016	37,341,980	37,342	12,871	(19,225)	54	365	419	31,407
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	60					335
Capital increase	7,259,967	7,260	2,759					10,019
Capital increase of 2m shares for Innova	2,000,000	2,000	1,631					3,631
Capital increase in respect of SEDA registered	56,829	57	43					100
Capital increase in respect of SEDA pending registration			616					616
Other capital increase costs			(1,336)					(1,336)
Result recorded directly in equity representing exchange rate adjustments				2	39	(1,509)	(1,470)	(1,468)
Share option expense charged to income			1	(1)				0
Net loss for the period				(3,261)				(3,261)
Total comprehensive income				(3,260)	38	(1,509)	(1,471)	(4,730)
31 December 2017	46,934,087	46,934	16,644	(22,483)	93	(1,144)	(1,051)	40,042

SYGNIS AG
Notes to the consolidated financial statements
31 December 2017

A. Basis of the consolidated financial statements

1. Corporate information

SYGNIS-Group (hereinafter referred to as “SYGNIS” or “the Company”) with its parent company SYGNIS AG, Heidelberg, is a life sciences tools and services company listed on Prime Standard segment of Deutsche Börse, the main German stock exchange. The Company is focused on the development and sale of molecular-biology products and services in the fields of genomics, proteomics and immunology. The business address of SYGNIS AG is: Waldhofer Strasse 102, 69123 Heidelberg, Germany.

2. Significant accounting policies

2.1 Basis of preparation

The Company’s consolidated financial statements as of 31 December 2017 were prepared in accordance with the International Financial Reporting Standards (IFRSs) and the International Accounting Standards (IASs) of the International Accounting Standards Board (IASB) as well as the interpretations of the Standing Interpretations Committee (SIC) and of the International Financial Reporting Standards Interpretation Committee (IFRS IC) as adopted by the EU. All those standards (IFRSs/IASs) and interpretations (IFRICs) subject to mandatory adoption for the fiscal year 2017 were considered. The consolidated financial statements further satisfy all standards and interpretations as ratified by the IASB.

Unless otherwise indicated, all amounts in the consolidated financial statements are stated to the nearest thousands of euro (“€ thousand”). Due to rounding differences, figures in tables and cross-references may differ slightly from the actual figures. The consolidated financial statements also provide comparative information in respect of the previous period.

Preparation of these consolidated financial statements was completed by the Management Board on 23 April 2018. The consolidated financial statements were approved by the Supervisory Board on the 23 April 2018.

2.2 Basis of consolidation

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

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

Subsidiaries are consolidated in full from the date of acquisition, i.e., the date on which control is transferred to the Group, and are deconsolidated as soon as the parent loses control over the subsidiary. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

2.3 Scope of consolidation

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

Expedeon Bioscience GmbH & Co. KG, Heidelberg
Expedeon Verwaltungs GmbH, Heidelberg
LION bioscience Inc., Needham, MA, USA (was merged into Expedeon Inc. from 1 July 2017)
Expedeon S.L.U., Madrid, Spain
Expedeon Holdings Limited, Cambridge, UK
Expedeon Limited, Cambridge, UK
Expedeon Asia Pte. Limited, Singapore
Expedeon Inc., San Diego, USA
Innova Biosciences Limited, Cambridge, UK (since 16 June 2017)
C.B.S. Scientific Inc., San Diego, CA, USA (since 06 January 2017, was merged into Expedeon Inc. from 1 March 2017

2.4 Summary of significant accounting policies

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

The following new or amended standards and interpretations became mandatory for the first time in the 2017 fiscal year and have no material effects on the consolidated financial statements of SYGNIS:

- Changes to IAS 7 Statement of Cash Flows (disclosure Initiative)
- Changes to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvement Cycle 2014 - 2016

Foreign currency translation

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

In the fiscal year 2017 exchange rate losses of €92 thousand (previous year: exchange rate losses of €30 thousand) were recognised in the item "Other operating expenses (previous year: other operating income)"; these resulted from the translation of foreign currency assets and liabilities. In addition, unrealised exchange rate loss of €1,509 thousand from consolidation at group level were recognised in other comprehensive income in the fiscal year 2017 (previous year: exchange rate gain of €365 thousand).

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

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

	Rate at the end of the year		Average rate for the year	
	31 Dec. 2017	31. Dec 2016	2017	2016
	Equvalent of 1€	Equvalent of 1€	Equvalent of 1€	Equvalent of 1€
US-Dollar	1.1993	1.0592	1.1274	1.1069
Pound Sterling	0.8872	0.8562	0.8762	0.8623
Singapore-Dollar	1.6023	1.5230	1.5576	1.5193

Property, plant and equipment

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

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

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

Leasehold improvements are depreciated over their useful lives or, if shorter, over the term of the lease.

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

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

Business combinations and goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group’s CGU. The CGU to which the goodwill is allocated

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

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

Intangible assets acquired separately and during a business combination

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

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

Software licenses and other licenses...	3 to 10 years
Rights of use and patents...	4 to 20 years
Customer lists…………………………………………………………	5 to 10 years

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

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

Leases

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

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

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

Impairment of non-current and intangible assets

The Group assesses whether there is any indication that an asset may be impaired as of the end of each reporting period. If there is any indication of impairment or if an annual impairment test is required, the Group makes a formal estimate of the recoverable amount. The recoverable amount of an asset is the higher of the asset’s fair value less costs to sell or its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If the carrying amount of an asset exceeds its recoverable amount, the asset is described as impaired and written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recorded in the statement of comprehensive income as expenses incurred in the respective function and, if the amounts are material, stated as a separate item in the results of operating activities.

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

Investments and other financial assets

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

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

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

Available-for-sale financial assets
The Group has no available for sale financial assets.

Fair value of financial instruments

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

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

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

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

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

Inventory

Inventories relate to finished products and consumables for research activities. The valuation was carried out on the basis of the lower of manufacturing or acquisition costs and fair value. As of the balance sheet date the stock was listed by physical inventory. As of 31 December 2017 raw materials, auxiliary materials and consumables amount to €537 thousand (prior year: €528 thousand) are recognized at cost in inventories and €697 thousand (prior year: €564 thousand) are shown as finished goods measured at conversion costs according to IAS 2.12 et seq. These amounts did not include any fair value adjustments arising on the acquisitions of the Expedeon group, CBS Scientific or Innova Biosciences (prior year: €284 thousand). From the sale of finished goods an amount of €1,871 thousand (prior year: €1,026 thousand) had to be expensed as costs of goods sold in 2017. This includes an amount of €764 thousand in respect of the fair value adjustment for inventories held by Expedeon group, CBS Scientific and Innova Biosciences on the dates of acquisition (prior year: €526 thousand).

Trade receivables

Trade receivables, which generally have 30-90 day payment terms, are recognised at the original invoice amount less an allowance for any uncollectible amounts. A bad debt allowance is recognised when there is sufficient objective evidence indicating that the receivables are fully or partially uncollectible or it is likely that they cannot be collected, and the amount of the allowance can be determined sufficiently reliably. Receivables are written off as soon as they become uncollectible.

Trade receivables as of 31 December 2017 amount to €1,655 thousand (prior year €771 thousand) and include bad debt allowances of €158 thousand (prior year: €59 thousand). Excluding the bad debt allowances trade receivables had the following aging structure as of 31 December 2017: Not due 71% (31 December 2016: 70%), due between 1 day and 30 days 11% (31 December 2016: 18%) and due since more than 30 days 18% (31 December 2016: 12%).

Cash and cash equivalents

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

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

Financial liabilities

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

Current liabilities are disclosed at the amount repayable.

Provisions

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

Revenue recognition

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

Revenue from the sale of own products is recognised when goods and products are delivered to the customer or received by the buyer's carrier and the significant risks and rewards incidental to ownership have been transferred to the buyer.

Revenue from license fees is recognised over the contractual period on a straight-line basis. If a perpetual license has been agreed in license agreements, the license fees are recorded in the period in which the fees are due and receipt of payment is likely. Service fees in connection with research and development cooperation work are reported in the period in which the service is rendered. Revenue from the out-licensing of own products is recognised in the period in which the fees are due and receipt of payment is likely. Non-refundable one time payments are recorded as revenue in the period in which the fee is due and receipt of payment is likely.

Government grants

The Company receives government grants and subsidies from various government support programs. Depending on the structure of the support program in question, the Company decides whether these grants and subsidies are recognised as revenue or are offset against the costs incurred. Government grants and subsidies for the research and development costs which can be directly allocated to a program are offset against the corresponding expenses. €78 thousand were offset against the corresponding expenses in the fiscal year 2017 and €78 thousand in 2016.

Research and development costs

Research and development costs are expensed in the period in which they are incurred. Total research and development costs were €794 thousand in 2017 and €1,219 thousand in 2016.

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

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

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

Share-based Payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 20.

The cost is recognised in employee benefits expense (Note 19), together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 27).

Income taxes

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

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

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

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

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

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

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

Earnings per ordinary share

Earnings per share are calculated by dividing the Group's profit or loss by the weighted average number of outstanding ordinary shares. For calculation of average number of outstanding shares in the fiscal year 2017, reference is made to note 27.

2.5 Significant accounting judgments, assumptions and estimates

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

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

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

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

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

On this basis it is concluded there is no impairment in goodwill.

The basis of calculation has changed from the previous year. In 2016, the impairment test was done by comparing the Value in Use with the carrying amount of the CGU. This basis requires the determination of a peer group of companies from which to estimate the weighted average cost of capital and beta of the SYGNIS share, which is derived. Given the size and market position of the Company, there is no immediately size specific peer group from which to make these calculations with a high degree of accuracy.

Share-based payments
Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a binomial model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 20.

Deferred tax assets
When calculating deferred taxes on loss carry-forwards the Company had to make several assumptions. These assumptions especially relate to achieving sufficient positive taxable income in the future. Due to the long planning horizon assumptions and estimations are characterized by a high uncertainty. Deferred tax assets on loss carry-forwards amounted to €259 thousand as of 31 December 2017 (31 December 2016: €259 thousand). In total, deferred tax assets amounted to €259 thousand. They were offset with deferred tax liabilities amounting to €1,636 thousand, so the total carrying amount was €1,377 thousand at 31 December 2017. Further detail can be found in note 12.

Business combination
In 2017, the Company accounted for CBS Scientific from 1 January 2017 and acquired Innova Biosciences Limited from 16 June 2017. In the context of the purchase price allocations arising from these acquisitions the Company undertook an assessment of the carrying value of the assets and liabilities of that group. As well as an estimation of the consideration transferred. This includes estimations related to the earn-out of former Innova shareholders. Former Innova shareholders can receive additional SYGNIS shares of up to to1,500 thousand shares depending on the future revenue performance of Innova over the next two years. Based on a probability model, the value assigned to this earn out in these financial statements is €2,164 thousand and treated as a financial liability.

The valuation was in part substantiated using the discounted cashflow method. To estimate the value, management was required to estimate the prospective future cashflows of the CGU, the likelihood of the success of underlying projects and an appropriate discount rate. In addition, the contribution of individual assets to the cashflow was also estimated.

A summary of the valuation of assets and liabilities can be found in Note 4.

3. Standards issued but not yet effective

The standards and interpretations that are issued by the IASB and IFRS IC, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Title	Date of first-time-application[1)]	Endorsement by the EU Commission
Amendments to IFRS 2: Group Cash-Settled Share-based Payment Arrangements	1 January 2018	Yes
IFRS 9 Financial Instruments	1 January 2018	Yes
IFRS 15 Revenue from Contracts with Customers	1 January 2018	Yes
Clarification of IFRS 15 Revenue from Contracts with Customers	1 January 2018	Yes
IFRS 16 Leases	1 January 2019	Yes
IFRS 17 Insurance Contracts	1 January 2021	No
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	Yes
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019	No
Amendments to IFRS 4: Application of IFRS 9 Financial Instruments together with IFRS 4 Insurance Contracts	1 January 2018	Yes
Amendments to IFRS 9: Prepayment arrangements with negative compensation	1 January 2019	Yes
Amendments to IAS 40: Transfer to and from investment property	1January 2018	Yes
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019	No
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1 January 2019	No
Annual improvements to IFRS Standards 2015-2017 Cycle	1 January 2019	No

1) Fiscal years beginning on or after that date

IFRS 9 Financial Instruments – effective 1 January 2018

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest.

IFRS 9 requires the Group to record expected credit losses on all of its trade receivables, either on a 12-month or lifetime basis. The Group plans to apply the simplified approach and record lifetime expected losses on all trade receivables. The differences from foreign currency translation are adjusted. The identified adjustment amount is insignificant.

IFRS 15 Revenue from Contracts with Customers – effective 1 January 2018

IFRS 15 was issued in May 2014, and amended in April 2016, 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 new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which was continued with a more detailed analysis completed in 2017.

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 generally expected to be the only performance obligation, adoption of IFRS 15 is not expected to have any impact on the Group's revenue and profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on acceptance of the goods by the customer or customer appointed carrier.

(b) Services
For contracts with customers for services where the provision and delivery of a discreet service is generally expected to be the only performance obligation, adoption of IFRS 15 is not expected to have any impact on the Group's revenue and profit or loss. The Group expects the revenue recognition to occur 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 will be granted in perpetuity which will be 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. In these instances, product is supplied on normal commercial terms and the licence fee is recognised annually. The effect of IFRS 15 on the current portfolio of contracts is considered to be negligible.

(d) Advances received from customers
Generally, the Group receives only advances from one of its customers to secure larger production volumes from the Company. They are presented as part of current liabilities. Under IFRS 15, the Group must determine whether there is a significant financing component in its contracts. However, the Group decided to use the practical expedient provided in IFRS 15, and will not adjust the promised amount of the consideration for the effects of a significant financing components in the contracts, where the Group expects, at contract inception, that the period between the Group transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less. Therefore, for short term advances, the Group will not account for a financing component and in any event does not expect it to be material.

Overall, the application of IFRS 15 will therefore have no significant impact on the net assets, financial position and results of operations. Additional quantitative and qualitative disclosures are required.

IFRS 16 Leases – Effective 1 January 2019

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of ’low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.
.
IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs. In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

Assessment of other new but not yet effective standards:

The other new or amended standards and interpretations noted in the table above, according to current estimates, have no relevance or significant impact on the consolidated financial statements of SYGNIS AG.

B. Notes to the Statement of Financial Position

4. Acquisition Accounting

Innova Biosciences

On 16 June 2017, the Company acquired 100% of the voting shares of Innova Biosciences Limited, a non-listed company based in England, specialising in the provision of immunology products to scientists. The Company acquired Innova Biosciences Limited to complement the technologies and products already owned by Sygnis AG and its subsidiaries as well as Innova's strong customer base.

Acquired assets and liabilities

The fair value of the identifiable assets and liabilities of Innova Biosciences Limited as at the date of acquisition were:

	Fair value In € thousand
ASSETS	
Plant, equipment and leasehold improvements…………	216
Cash and cash equivalents……………………………..	1,491
Trade receivables..	344
Inventories..	390
Other assets..	310
Patents and licences..	2,488
Customer lists...	2,703
	7,942
LIABILITIES	
Trade payables…………………………………………	304
Corporation tax liability………………………………	95
Deferred tax liability...	962
Other liablities…………………………………………	160
	1,521
Sum of separately identifiable net assets at fair value	**6,422**
Goodwill………………………………………………..	8,067
Purchase Consideration Transferred	14,489

The fair value of trade receivables amounts to T € 344 and corresponds to the Gross amount. None of the trade receivables were impaired and the entire contracted amounts are expected to be recoverable.

The deferred tax liabilities reflect primarily the accelerated tax deductions the fair value of intangible assets. The goodwill of €8,067 thousand from the acquisition comprises the value of acquired synergies and market shares that cannot be allocated to any other determinable and separable intangible asset. Since the company has no individual cash-generating units (CGUs), the business or goodwill is allocated to the Group as a whole. It is assumed that the recognized goodwill is not tax deductible.

From the date of acquisition, Innova Biosciences contributed €2,300 thousand of revenue and €246 thousand profit to earnings before tax from continuing operations of the Group. In addition, the profit includes fair value adjustments arising on sale of inventories and amortisation of intangible assets fair valued at the date of acquisition. If the combination had taken place at the beginning of 2017, the group's revenue from continuing operations would have been €9,060 thousand and the loss before tax from continuing operations would have been €3,785 thousand which includes fair value adjustments and costs associated with the Innova Biosciences transaction.

Consideration

	In € thousand
Consideration	
Issued shares valued as at 16 June 2017………………	3,631
Cash consideration………………………………..	8,694
Convertible bond at fair value……………………….	2,164
	14,489

The Company has by way of consideration for the acquisition of Innova Biosciences Limited issued 2,000,000 ordinary shares and 1,500,000 deferred shares by way of compulsory convertible bonds which is due on the 50% on the first anniversary and 50% on the send second anniversary of the acquisition, if certain revenue targets are reached. The fair value of the shares has been calculated with reference to the recorded share price on the date of acquisition, which stood at €1.82. The fair value of the convertible bond represents its net present value having applied a probability factor to the potential earn out consideration . The fair value of consideration therefore stood at €5,795 thousand in addition to cash consideration of €8,694 thousand. €694 thousand of the cash consideration represented cash balances held by Innova Biosciences at acquisition which were due to selling shareholders on the basis of a working capital calculation.

Analysis of cashflows in relation to the acquisition

	In € thousand
Transaction costs arising from the acquisition (included in the cashflows under operating activities………..………………………………..	(110)
Cash acquired included in the cashflows under investing activities……..…..……………..………	1,491
Transaction costs associated with the issue of shares (included in the cashflows under financing activity after tax)………..………..……	(25)
Actual outflows arising from the acquisition	1,356

The transaction costs of €110 thousand have recorded as an expense and included in administrative expenses. The costs associated with the issue of shares of €25 thousand have been treated as a reduction in the value of shares and offset against share capital.

CBS Scientific

On 16 December 2016, the Company acquired 100% of the voting shares of C.B.S. Scientific, a non-listed company based in the USA, specialising in the provision of electrophoresis equipment and accounted for the acquisition from 1 January 2017. The Company acquired CBS through its subsidiary Expedeon Holdings Limited to augment its existing range of proteomics products.

Acquired assets and liabilities

The fair value of the identifiable assets and liabilities of CBS Scientific as at 1 January 2017 were:

	Fair value
	In € thousand
ASSETS	
Plant and equipment	55
Cash and cash equivalents	28
Trade receivables	232
Inventories	543
Other assets	10
	869
LIABILITIES	
Trade payables	83
Deferred tax liability	142
Other liablities	84
	310
Sum of separately identifiable net assets at fair value	**559**
Goodwill	279
Purchase Consideration Transferred	837

The fair value of trade receivables amounts to €232 thousand and corresponds to the Gross amount. None of the trade receivables were impaired and the entire contracted amounts are expected to be recoverable.

The deferred tax liabilities reflect primarily the accelerated tax deductions the fair value of intangible assets. The goodwill of €279 thousand from the acquisition comprises the value of acquired synergies and market shares that cannot be allocated to any other determinable and separable intangible asset. Since the company has no individual cash-generating units (CGUs), the business or goodwill is allocated to the Group as a whole. It is assumed that the recognized goodwill is not tax deductible.

The acquired business was merged into Expedeon Inc. from 1 March 2017; consequently after that date no separate financial information was held for CBS Scientific.

Consideration

	In € thousand
Consideration	
Issued shares valued as at 1 January 2017……………….	(335)
Cash consideration………………………………………..	(409)
Deferred consideration due 1 January 2018……………	(93)
	(837)

The Company has by way of consideration for the acquisition of CBS Scientific issued 275,311 ordinary shares. The fair value of the shares has been calculated with reference to the recorded share price on 1 January 2017, which stood at €1.22. The fair value of consideration therefore stood at €335 thousand in addition to cash consideration of €409 thousand and deferred cash consideration of €93 due on 1 January 2018.

Analysis of cashflows in relation to the acquisition

	In € thousand
Transaction costs arising from the acquisition (included in the cashflows under operating activities…………………………………………	(25)
Cash acquired lincluded in the cashflows under investing activities…………………………	28
Transaction costs associated with the issue of shares (included in the cashflows under financing activity after tax)………………	(15)
Actual outflows arising from the acquisition	(12)

The transaction costs of €25 thousand have been recorded as an expense and included in administrative expenses. The costs associated with the issue of shares of €15 thousand have been treated as a reduction in the value of shares and offset against share capital.

Acquisition during 2016

On 18 July 2016, in consideration for shares and a cash payment, the Group acquired 100% of the voting rights in Expedeon Holdings Limited; an unlisted UK-based company, which is engaged in the manufacture and distribution of proteomics reagents and instruments, which are sold worldwide directly through Expedeon's sales force and distributors. The Group acquired Expedeon Holdings Limited to merge the sales channels of SYGNIS AG and the Expedeon Group, benefiting in particular from the position of the Expedeon Group in US and UK markets.

Acquired assets and liabilities

The fair value of the identifiable assets and liabilities of Expedeon Holdings Limited as at the date of acquisition were:

	Fair value
	In € thousand
ASSETS	
Land and buildings…………………………………………	777
Cash and cash equivalents…………………………………	571
Trade receivables..	343
Inventories..	1,377
Other assets...	65
Patents and licences..	2,985
Customer lists..	2,165
	8,283
LIABILTIES	
Trade payables……………………………………………	381
Deferred income…………………………………………	353
Provision for restructuring...	257
Deferred tax liability...	1,219
Financial liabilities………………………………………	534
Provisions…………………………………………………	437
Other liablities……………………………………………	56
	3,237
Sum of separately identifiable net assets at fair value	**5,046**
Goodwill…………………………………………………	17,546
Purchase Consideration Transferred	**22,592**

The fair value of trade receivables amounts to €343 thousand and corresponds to the gross amount. None of the trade receivables were impaired and the total contractually agreed amounts are expected to be recoverable.

Deferred tax liabilities mainly comprise the effects of higher tax depreciation on tangible and intangible assets.

The goodwill of €17.5 million from the acquisition comprises the value of acquired synergies and market share that can not be allocated to any other determinable and separable intangible asset. Since the Company does not have individual cash-generating units (CGUs), goodwill has been allocated to the Group as a whole. It is assumed that the recognized goodwill is not tax deductible.

Since the acquisition date, Expedeon Holdings Limited has contributed €1,311 thousand to Group sales and €-640 thousand to earnings before taxes. If the business combination had taken place at the beginning of the year, the Group's revenue from continuing operations would have amounted to €3,217 thousand and earnings before taxes to €-4,127 thousand.

Consideration

	In € thousand
Consideration	
Issued shares valued as at 18 July 2016……………………	20,892
Cash consideration………………………………	1,700
	22,592

Analysis of cashflows in relation to the acquisition

	In € thousand
Cash settlement	(1,700)
Cash acquired included in the cashflows under investing activities…………………………	571
Payments for the acquisition (less acquired cash…….	(1,129)
Transaction costs arising from the acquisition (included in the cashflows under operating activities……………	(237)
Transaction costs associated with the issue of shares (included in the cashflows under financing activity after tax)…….	(1,116)
Total Cash outflows arising from the acquisition……….	**(2,482)**

The Company has by way of consideration for the acquisition of Expedeon Holdings Limited issued 15,719,889 ordinary shares. The fair value of the shares has been calculated with reference to the recorded share price on the date of acquisition, which stood at €1.329. The fair value of consideration therefore stood at €20,892 thousand in addition to cash consideration of €1,700 thousand.

The transaction costs of €237 thousand have recorded as an expense and included in administrative expenses. The costs associated with the issue of shares of €1,116 thousand have been treated as a reduction in the value of shares and offset against share capital.

5. Property, plant and equipment

In € thousands	31 December 2017	31 December 2016
Land and buildings……...	1,230	392
plant, equipment, fixtures and fittings........................	852	566
	2,049	957

Depreciation of property, plant and equipment amounted to €301 thousand in 2017 and €96 thousand in 2016.

6. Goodwill

	In € thousand
Goodwill resulting from business combinations	
Book value goodwill as of 31 December 2016	**23,829**
Impairment fiscal year 2017	-
Impairment cumulated until fiscal year 2017	-
Acquired goodwill during 2017	8,346
Foreign exchange movement on goodwill acquired	(1,509)
Book value goodwill as of 31 December 2016	**30,665**

Goodwill arose from the Reverse Acquisition of SYGNIS AG by SYGNIS Biotech S.L.U., Madrid, Spain, (hereinafter referred to as “SYGNIS Spain”) in the fiscal year 2012, the 2016 acquisition of the Expedeon group and the 2017 acquisitions of CBS Scientific and Innova Biosciences. The goodwill was allocated to SYGNIS Group as the cash generating unit. Impairment testing is carried out at least annually and if there is any indication of impairment in accordance with IAS 36.

The carrying amount of goodwill of €30.7 million as of 31 December 2017 (31 December 2016: €23.8 million) is allocated to the SYGNIS group as one CGU.

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 31 December 2017 was €69.9 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 €66.4 million. On this basis it is concluded there is no impairment in goodwill.

7. Other intangible assets

In €thousands	Useful life	31 December 2017	31 December 2016
Acquired patent and license rights	9 to 19 years	5,032	3,182
Capitalised development expenses	5 years	1,834	1,722
Software licenses and other licenses	3 to 10 years	281	37
Customer lists	5 – 10 years	4,119	1,985
		11,266	6,926

Amortisation and impairment losses on other intangible assets amounted to €1,305 thousand in the fiscal year 2017 and €534 thousand in the fiscal year 2016. These are included in expenses research & development and administration.

Acquired patent and license rights

Acquired patent and license rights arose from the Reverse Acquisition in the fiscal year 2012, the acquisition of Expedeon in 2016 and the 2017 acquisition of Innova Biosciences. SYGNIS based its calculation of fair value of the marketing potential of the acquired patents and license rights based 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 Innova Biosciences, the value of the marketing possibilities for patent rights relates to a range of immunology products and technologies. 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 relating to Doubleswitch and the Caco-2 cell lines.

Capitalised development expenses

In fiscal year 2017 the group has capitalised development expenses amounting to €495 thousand (previous year: €491 thousand).

As of 31 December 2017, the total amount capitalised amounts to €1,834 thousand (31 December 2016: €1,722 thousand). In fiscal year 2017 no impairment loss was recorded.

Customer lists

Upon the acquisitions of Innova Biosciences and Expedeon group, fair value exercise were undertaken using assumptions regarding the future cashflows arising from revenues less marketing costs expected to derive from the customer lists held by Innova Biosciences and Expedeon Holdings Limited and its subsidiaries at the time of the transactions. These cashflows are discounted using an interest rate of 8.3% and 12% p.a. respectively. The customer list for Innova Biosciences is capitalised at €2,703 thousand and is being amortised over its considered useful life of ten years. The customer list for Expedeon group was capitalised at €2,165 thousand in 2016 and is being amortised over its considered useful life of five years.

8. Other current assets

In € thousands	31 December 2017	31 December 2016
VAT credits	106	74
Security deposits	202	27
Accruals	410	182
R&D credits	242	112
RETOS loans due	0	257
Prepaid royalties	144	0
Other	43	20
	1,147	672
thereof financial assets	*1,104*	*466*

R&D credits for Spain have been reclassified from deferred tax assets to other current assets since the company is entitled to claim the reimbursement from the Spanish tax authorities in less than one year.

9. Cash and cash equivalents

Cash and cash equivalents break down as follows:

In € thousands	31 December 2017	31 December 2016
Cash on hand and at banks...........................	1,954	3,712
Overnight and time deposits………………….	0	83
	1,954	3,795

10. Equity

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

Goals of equity management

The objectives of equity management are to secure liquidity and thus to ensure the continuation of the business as well as a sustainable increase in the value of the company combined with an adequate return on equity. On the basis of the financial approach of SYGNIS AG, the Management Board regularly reviews various key financial figures in particular the debt ratios, gearing and equity ratio. The reduction of the cost of capital as well as the optimisation of the capital structure and the cash inflows and outflows from financing activities contribute to achieving these goals. The goal of equity management of the Company is an equity ratio of at least 25%. The approach to equity management includes regular coordination between the Management Board and the Supervisory Board of the Company as part of Supervisory Board meetings.

Issued capital
Equity amounts to €46,934,087.00 as of 31 December 2017 (31 December 2016: €37,341,980.00) and relate to the issued capital of SYGNIS AG. It is divided into 46,934,087 no-par-value bearer shares with an imputed share in capital of €1.00 each.

On 24 February 2017, 1 March 2017 and 22 March 2017, the Capital Increase Committee approved of the resolutions of the Management Board to issue in aggregate 56,829 shares from authorised share capital under a SEDA arrangement under exclusion of the subscription rights of the existing shareholders. The shares were registered on 3 August 2017.

On 7 May 2017 and 13 May 2017 the Capital Increase Committee approved of the resolutions of the Management Board to issue up to 3,582,598 shares by way of a rights issue as well as up to 3,402,058 shares and up to 275,311 shares by way of two private placements in order to partly fund the acquisition of Innova Biosciences. On 5 June 2017, the Capital Increase Committee approved of the resolutions of the Management Board to determine that the rights issue shall be completed by issuing 3,582,598 shares and that the private placements shall be completed by issuing in aggregate 3,677,369 shares. These shares were registered on 4 July 2017.

On 9 June 2017, the Capital Increase Committee approved of the resolution of the Management Board to issue a further 2,000,000 shares against contribution in kind by the shareholders of Innova under exclusion of the subscription rights of the existing shareholders. On 7 November 2017 2,000,000 shares were registered in relation to the contribution in kind under the Innova transaction.

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

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

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

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

In June 2016, the Management Board with the approval of the Supervisory Board and the Annual General Meeting agreed a capital increase of €20,358,089.00. This took place on 14 July 2016 where 4,818,200 shares were issued for cash and 15,719,889 were issued in consideration for the acquisition of Expedeon Holdings Limited, Cambridge, UK. The reference price for the share issue for cash was €1.10 per share. The capital increase was issued from approved shares. The capital increase for cash was recorded in the commercial register on 2 August 2016; the capital increase for non-cash consideration was recorded in the commercial register on 19 October 2016.

Authorised capital

By resolution of the annual general meeting of SYGNIS AG on 20 June 2016 the remaining authorised capital existing at that time was cancelled and (a) a new authorised capital in the amount of € 8,401,945.00 (Authorised Capital 2016/I) and (b) a further new authorised capital in the amount of € 7,859,444.00 (Authorised Capital 2016/II was created.)

By and including 19 June 2021 the Management Board was authorised, subject to the consent of the Supervisory Board, to increase the share capital of the Company by € 16,261,389.00 in total issuing new ordinary no-par-value bearer shares from Authorised Capital 2016/I and II against contributions in cash and / or in kind, once or several times. The Management Board may, subject to the consent of the Supervisory Board, exclude the legal subscription right of the shareholders.

As of 31 December 2016 the Management Board had not yet used this authorisation, but already promised 275,311 shares from authorized capital against contribution in kind under a pre-subscription agreement, i.e. an authorised capital of € 15,986,078.00 in total remained available.

As of 31 December 2017 the Management Board had made use of this authorisation by issuing a total of 9,592,107 new ordinary no-par-value bearer shares (including the aforementioned 275,311 shares and another 2,000,000 shares issued against contribution in kind excluding subscription rights, 3,582,598 shares issued against cash contribution with subscription rights and 3,734,198 shares issued against cash contribution excluding subscription rights), Thus an authorised capital of € 6,669,282.00 in total (31 December 2016: € 15,986,078.00) remained available.

Capital reserves

In the context of the capital increase for cash in May 2017, new shares with a nominal value of €7,256 thousand and a purchase price of €10,018 thousand were issued. The share premium of €2.759 thousand was added to capital reserves.

In the context of the capital increase for non-cash consideration the shareholders of Innova Biosciences, Cambridge, subscribed for 2,000,000 new shares at a total price of €3,631 thousand. The share premium of €1,631 thousand was added to capital reserves.

In addition, 56,829 shares were issued under SEDA with the share premium of €43 thousand added to capital reserves. A further €684 thousand was raised by SEDA but the shares were only registered in 2018. This amount is included in capital reserves, net of SEDA costs of €68 thousand.

The Company debited costs associated with the capital increase of €1,336 thousand (prior year €1,116 thousand) directly to capital reserves.

11. Deferred tax liabilities

Deferred tax liabilities were created for the recognition of individually identifiable intangible assets in connection with the Reverse Acquisition of SYGNIS AG by SYGNIS Spain. At 31 December 2017, no assets were carried forward in this respect.

Deferred tax liabilities arose on the fair value of assets and liabilities acquired following the acquisitions of the Expedeon group, Innova and CBS. This amounted to €2,264 thousand of which €887 thousand has been amortised to date.

12. Financial liabilities

The non-current financial liabilities break down as follows:

In € thousands	**31 December 2017**	**31 December 2016**
Soft loans		
INNPACTO program	894	1,115
Madrid Network program	338	393
ENISA program	100	200
RETOS program	591	187
	1,923	1,895
Bank loans	861	283
Shareholder loans	0	107
Third Party Loan	78	0
Cash Received in Advance for Royalties	130	0
Innova Earn Out Liability	955	0
	3,947	2,285

The current financial liabilities break down as follows:

In €thousands	**31 December 2017**	**31 December 2016**
Soft loans		
INNPACTO program	276	205
Madrid Network program	71	71
Others	125	100
	472	376
Bank loans	52	45
Shareholder loan	33	0
Innova Earn Out Liability	1,209	0
	1,766	421

The Company receives for its R&D activities at the site in Madrid public loans from Spanish institutions. The soft loan of the INNPACTO program bears no interest and has a term of 10 years. The Company has recognised the payments received amounting to €1,327 thousand at amortised costs using the effective interest method as of 31 December 2017 amounting to €1,170 thousand (31 December 2016: €1,320 thousand).

The soft loan of the Madrid network program bears no interest and has a term of 13 years. The Company has recognised the payments received totalling €468 thousand at amortised costs using the effective interest method as of 31 December 2017 amounting to €409 thousand (31 December 2016: €464 thousand).

Bank loans are held by Expedeon Limited secured against property owned by that company; in addition, shareholder loans were acquired upon the acquisition of Expedeon group and are due in 2018.

Former Innova shareholders can receive additional SYGNIS shares of up to 1,500 thousand shares depending on the future revenue performance of Innova over the next two years. Based on a probability model, the value assigned to this earn out in these financial statements assumes the award of 1,410 thousand shares which are treated as a financial liability. €955 thousand is included in long term financial liabilities and €1,209 thousand included in current financial liabilities.

The change in liabilities due to cash flows and financing activities are as follows:

€ thousand	31.12.2016	Cash Changes	Non-Cash changes			**31.12.2017**
			Innova Earn Out	Differences	Other Changes	
Long term financial liabilities	2,285	707	955	5	(5)	**3,947**
Short term financial liabilities	421	136	1,209	0	0	**1,766**
Total	2,706	843	2,164	5	(5)	**5,713**

13. Other current liabilities

Other current liabilities can be broken down as follows:

In € thousands	**31 December 2017**	**31 December 2016**
Bonus	0	117
Supervisory Board remuneration	160	286
Legal & consulting services	89	76
Deferred income	496	702
Tax payments	105	21
Audit of financial statements	145	160
Annual report and Annual General Meeting	85	85
Invoice accruals	497	204
Redundancy and restructuring provisions	0	257
Other personnel expenses	48	78
Regulatory payment	175	0
Pension obligation	53	0
Other	135	135
	1,990	2,121
thereof financial liabilities	*1,990*	*2,121*

Included in deferred in deferred income is €458 thousand received from customers as payments in advance.

14. Income tax expense and deferred taxes

Income tax expenses are classified by origin as follows:

In € thousands	**Year ended 31 December 2017**	**Year ended 31 December 2016**
Current taxes	(95)	109
Deferred taxes	(866)	(349)
	(961)	(240)

The theoretical tax expenses on the basis of the loss before taxes of €4,222 thousand (previous year: loss of €4,148 thousand) and the average tax rate of 30% (previous year: 30%) are reconciled to the current tax expense as follows:

In € thousands	**31 December 2017**	**31 December 2016**
Loss for the year before taxes	(4,222)	(4,148)
Theoretical tax expenses	(1,267)	(1,244)
Change in tax rates	(438)	(71)
Spanish R&D tax credits	(130)	112
Tax impact of non-deductible operating expenses	95	0
Change deferred tax assets	(55)	(433)
Losses without deferred taxes	835	1,274
Utilization of unrecognised tax loss carry-forwards	(24)	(4)
Other effects	23	(16)
Income taxes	(961	(240)

The effect of changes in tax rates resulted from tax rate reductions in England and the US (US Tax Reform), which had an adverse impact on deferred tax liabilities from the PPA.

Deferred tax assets from temporary differences between the carrying amount and the tax base of assets and liabilities are shown in the table below. The deferred tax liabilities of €1,626 thousand (previous year: €1,411 thousand) relate to intangible assets that were identified in the course of the purchase price allocation performed during the Reverse Acquisition in 2012 and the acquisitions during 2016 and 2017. They were offset with deferred tax assets of €259 thousand (prior year €259 thousand).

No deferred tax liabilities were recognized for potential tax payments on future distributions of retained earnings of the subsidiaries in the amount of T € 1,972 (previous year: T € 0), as these profits are required to finance the respective subsidiary in the long term and a dividend is not planned.

In € thousands		**31 December 2017**	**31 December 2016**
Deferred tax assets			
	Other current and non-current liabilities	0	36
	Inventories	0	0
	Unused tax losses	259	223
	R&D Credits (Spain)	0	112
	Transfer to other current assets	0	(112)
	Tax liabilities	(259)	(259)
	Deferred tax assets, net	0	0
Deferred tax liabilities			
	Property	9	7
	Inventory	27	5
	Intangible assets	1,600	1,399
	Deferred Tax Liabilities (net)	1,636	1,411
	Offset with deferred tax assets	(259)	(259)
	Deferred Tax Liabilities (after offset)	1,377	1,152

The Company recognises deferred tax assets to the extent that realisation of these tax benefits is probable in future years. A deferred tax asset is not recognized if it is not sufficiently probable that the expected benefits from the deferred tax will be realised. As of 31 December 2017, deferred tax assets recognised on loss carry forwards amounted to € 259 thousand, which was offset against deferred tax liabilities of €1,636 thousand. Deferred tax assets due to anticipated tax credits from research and development activities in Spain in the amount of € 130 thousand in 2017 were not reported under deferred tax assets as at 31 December 2017, but under other current assets. As of 31 December 2016, deferred taxes capitalized on loss carry forwards amounted to €259,000, which was then offset against deferred tax liabilities of € 1,411 thousand.

The tax loss carry forwards on which no deferred tax assets were recognized amounted to approximately € 17.9 million as of 31 December 31 2017 (31 December 2016: €82.2 million). Of the unrecognised loss carry forwards, about €9.1 million are attributable to Germany and approximately €8.8 million to the Spanish subsidiary. In addition, deductible temporary differences of approximately €94 thousand were not recognised as deferred tax assets.

In Germany, loss carry forwards can be carried forward indefinitely. Tax loss carry forwards in Germany have been subject to minimum taxation since 2004 for corporation tax and trade tax. Accordingly, the deductible loss deductible for each assessment period is limited to €1 million plus 60% of the taxable income exceeding this base amount. The tax loss carry forwards in Spain can be carried forward and used indefinitely since 2015, where the amount of tax loss carry forwards that can be used annually is subject to a minimum taxation comparable to the German regulation. Thus, the deduction per taxable period is limited to

€1 million plus 70% (up to and including 2016 the percentage was 60%) of the taxable income exceeding this base amount.

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

In € thousands	**31 December 2017**	**31. December 2016**
Expiry within 1 – 5 years	0	60,158
Expiry within 6 – 10 years	0	11,762
Expiry within 11 – 15 years	0	1,815
Expiry within 15 – 20 years	0	557
Unlimited usability of unused tax loss carry-forwards	18,057	7,924
Total	18,057	82,216

Overall, the change in the tax loss carry forwards compared to the previous year mainly results from the loss of tax loss carry forwards in the USA.

For the calculation of the amount of unused tax losses in Germany and the USA, it was taken into account that according to applicable law due to the capital increases and the transfer of shares of SYGNIS AG before 4 December 2012 and 18 July 2016 respectively tax losses will no longer or only partially be available. These tax loss carry forwards are not included in the table above.

C. Notes to the statement of comprehensive income

15. Revenues

Total revenues amounted €7,797 thousand in 2017 (previous year: €1,789 thousand). Further analysis is provided in Note 26.

16. Cost of Goods

Cost of goods includes the manufactured cost of goods sold including direct labour expenditure. In addition cost of goods includes the amortization of development costs in relation to internally developed products now being sold of €197 thousand (2016: €199 thousand)

17. Other Operating Income/Expense

Other Operating Income relates primarily to income arising from the Softloans advanced by the Spanish government, a portion of which is not repayable and amounts to €82 thousand (2016: €109 thousand). Other Operating Expense relates primarily to exchange loss on foreign currency activity of €92 thousand (2016: €30 thousand).

18. Finance Income and Costs

Finance interest includes €11 thousand of interest on deposits (2016: €12 thousand). Finance Costs include €130 thousand notional interest on Softloans (€2016: €105 thousand) and bank interest of €43 thousand (2016: €10 thousand).

19. Personnel expenses

Personnel expenses break down as follows:

In € thousands

	2017	2016
Wages and salaries	3,563	2,210
Social security	360	247
Personnel expenses for stock options	1	0
Other personnel expenses	86	8
Total	4,011	2,465

Employee numbers as of 31 December 2017 and 2016:

	2017	2016
Manufacturing	31	12
Selling and distribution	30	12
Research & Development	15	11
Administration	14	12
Total	89	47

The average number of employees for 2017 was 66 employees (previous year: 31 employees).

20. Share based payments

A. General valuation policies

Share-based compensations with equity instruments settlement for employees or other parties, who render similar services, is recognized as the fair value of the equity instruments at the grant date.

The full amount of the fair value of the equity instruments, measured at the grant date, is recognized as an expense with the corresponding increase in equity (Reserves for compensations to employees settled in equity instruments) on a straight-line basis over the vesting period and is based on the company's expectation regarding the equity instruments which are presumed to vest. At the end of each reporting period the company shall examine the number of the equity instruments expected to vest. The presentation requires that the total expense to reflect the changes of the estimates and to results in a corresponding adjustment of the reserves for the compensations to employees settled in equity instruments.

At the end of the reporting period, the company has issued an option series with two different "Performance" agreements. These are weighted separately.

Share-based compensations

1) Employee share options program of the company

The group has implemented a share option program "Aktienoptionsprogramm 2017" for eligible employees. The shareholder's meeting on July 7, 2017 has authorized the company to issue up to 4 Mio. options until July 6, 2022 to its current and future employees, members of the Executive Board and management organs as well as the employees of its current and future affiliated companies.

For the exercise of the option the employees should pay an individual settled "exercise price". The underlying exercise price for each share comprised in an option is measured as the higher amount of the following:

A) the closing price of a share on the Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange on the trading day preceding the grant date, or;

B) 95 % of the average closing price of a share in Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange during the 10 day period preceding the grant date, but;

C) under no circumstances lower than 1.00 Euro.

The options entitle neither a dividend claim nor a voting right. The options can be exercised anytime from the end of the holding time to its expiration date. The number of the granted options is determined by the share options plan 2017 approved by the shareholders' meeting. In general, the share options plan is subject to the vesting restrictions that the consolidated annual revenue of the Sygnis group should exceed 20 Mio. EUR. Furthermore, quantitative objectives are outlined in the individual criteria:

- Membership to the company
- Development of the stock price

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

Option	No.	Grant date	Expiration date	Exercise price	Grant-date fair value
Series 1	490,000	21.12.2017	20.12.2026	1.506	0.4309

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

2) Fair value of the granted share options in the financial year on December 31, 2017

The weighted-average fair value in the financial year 2017 of the granted share option is measured at Euro 0.4261 at the end of the financial year. The employee call options (Calls) are valued using the option pricing model developed by John Hull and Alan White. The expected volatility p.a. is derived from the historical volatility of the stocks of the Sygnis AG. In addition, the standard deviation of the historical, daily yield change of the stock price in the past 4 years is determined to derive an expected volatility p.a.. Furthermore, it is presumed by exercise of the option that the option holders will exercise the options ahead of schedule given that the stock price is 100% higher than the exercise price. This model is subject to the following presumptions and valuation parameters:

Employee Call Options; **Grant Date: 21.12.2017**	**Valuation date 21.12.2017**	**Valuation date 31.12.2017**
Stock price Sygnis AG (Xetra Close)	1.508	1.490
Exercise price	1.506	1.506
Vesting periods in year	4.00000000	3.97260274
Expected volatility (in % p.a.)	89.61	89.31
Max. remaining term until valuation date (year)	10.00000000	9.97260274
Expiration date	20.12.2027	20.12.2027
Dividend yield (in % p.a.)	0	0
Risk-free interest rate (in %)	0.05	0.05
Employee Exit Rate pre-vesting (% p.a.)	20	20
Employee Exit Rate post-vesting (% p.a.)	20	20
Expected average term until exercise (year)	6.92	6.91
Fair Value in Euro	**0.4309**	**0.4261**

The existing conditions of a minimal consolidated annual revenue of the Sygnis Group of more than 20 Mio. Euro until the time of the exercise in the employee participation program is not considered impairing in regard of the option valuation. The annual revenue of the Sygnis AG increased from 2012 to 2016 with an average growth rate of around 92% due to organic growth and acquisitions (compare: Management report Sygnis AG; 2012 to 2016) and amounted to Euro 1.789 Mio. as of December 31, 2016. Under the presumption that this average growth rate will continue, it is estimated that after the vesting periods of 4 years (earliest possible exercise begins from December 21, 2021) the revenue will significantly exceed. Should the average growth rate of the consolidated annual revenue of the Sygnis AG change significantly, there would be a “real restriction‘, which must be further taken into account. According to the estimates of the Managements this is so far unnecessary.

3) Changes of the share options during the reporting period

The development of the share options is outlined as follows. In the prior period there were no options and the outline is omitted without replacement.

	Number of the options	**Weighted-average exercise price**
As per January 1, 2017	0	
Options granted during the reporting period	490,000	1.506
Options forfeited during the reporting period	0	0
Options exercised during the reporting period	0	0
Options expired during the reporting period	0	0
As per December 31, 2017	490,000	1.506

None of the outstanding share options is exercisable at the reporting date.

D. Other notes

21. Other notes on financial instruments

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

In € thousands		31 December 2017		31 December 2016	
	Measurement category pursuant to IAS 39	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents	(1)	1.954	1.954	3.795	3.795
thereof cash on hand and at banks		1.954	1.954	371	371
thereof cash on short term deposit		0	0	82	82
Financial assets	(2)	0	0	0	0
thereof current		0	0	0	0
thereof non-current		0	0	0	0
Trade receivables	(1)	1.655	1.655	771	771
Other assets	(1)	1.147	1.147	672	672
thereof current		1.147	1.147	672	672
thereof non-current		0	0	0	0
	Total	**4.756**	**4.756**	**5.238**	**5.238**
Financial liabilities					
Financial liabilities	(3)	5.713	5.713	2.706	2.706
thereof current		1.766	1.766	421	421
thereof non-current		3.947	3.947	2.285	2.285
Trade payables	(3)	849	849	656	656
Other liabilities	(3)	1.990	1.990	2.121	2.121
thereof current		1.990	1.990	2.121	2.121
thereof non-current		0	0	*0*	*0*
	Total	**8.552**	**8.552**	**5.483**	**5.483**
Thereof aggregated into the measurement categories of IAS 39					
(1) Loans and receivables		4.756	4.756	5.238	5.238
(2) Available-for-sale financial assets		0	0	0	0
(3) Liabilities carried at amortised cost		8.552	8.552	5.483	5.483

Fair values

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

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

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

In € thousands	Net gain/loss Year ended 31 December		Recognised directly in equity Year ended 31 December	
Measurement category pursuant to IAS 39	2017	2016	2017	2016
Loans and receivables	0	0	0	0
Available-for-sale financial assets	0	0	0	0
Liabilities carried at amortised cost	(455)	(478)	0	0
	(455)	(478)	0	0

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

In € thousands	Net gain/loss Year ended 31 December		Recognised directly in equity Year ended 31 December	
Measurement category pursuant to IAS 39	2017	2016	2017	2016
Loans and receivables	0	0	0	0
Available-for-sale financial assets	0	0	0	0
Liabilities carried at amortised cost	(455)	(478)	0	0
	(455)	(478)	0	0

22. Financial risk management

In the fiscal year, the business activities of SYGNIS were focused on the research, manufacture and sale of tools and reagents for use in Life Science and Diagnostic Research. The Company has core technologies in fields of sample preparation for Next Generation Sequencing, electrophoresis and immunology, thereby spanning the large sections of the molecular biology market spectrum from DNA across RNA to protein.

During the course of 2017, the Management Board has placed significant emphasis on reducing cash outflows from the Group and seeking to ensure that the Company is able to fund its ongoing activities without recourse to capital increases without recourse to external financing. Consequently, management focuses on improving revenues and sales to secure cash flow self-sufficiency in the near team.

Financial and operational risks are effectively monitored and communicated within the framework of the risk management system set up by the Management Board. In the process, the risks manager coordinates risk management activity through senior management and departmental meetings with information aggregated and reported to the Management Board. These are summarised in an annual report to the Audit Committee and communicated as necessary during the course of the year to the Audit Committee and Supervisory Board. The financial risks of the Group are described below.

Cash flow risks / interest rate risks
Fluctuations in market interest rates can have a particular impact on the cash flows from floating-rate assets and liabilities. This is mitigated as group cash resources are held on short-term deposit to ensure their availability to fund operating activities.

As of the end of the reporting period, the Company has invested available liquid funds exclusively in current bank accounts and short term deposits with a daily availability. Accordingly, there is no material risk from interest fluctuation when reinvesting the amounts as they fall due. The primary goal of the investing activities of SYGNIS is to avoid placing cash balances at risk.

Expedeon Limited, a subsidiary has certain loans outstanding as disclosed in Note 12; these are fixed rate loans.

Foreign currency risk
The consolidated financial statements of the Company have been prepared in Euro. Currency risks exist in particular where receivables or liabilities are carried in another currency or will arise in the ordinary course of business. The assets and liabilities of the Company carried in foreign currency relate primarily to those denominated in US Dollar and British Pound and result primarily from the business activities of the Expedeon group, Innova and Lion Biosciences. The Company reviews the need for currency over the course of the year in order to mitigate the currency risk where appropriate. As a point of principal, the Group seeks to minimise conversion of assets and liabilities between currencies.

The following table presents the impact on Group profit before tax and Equity of a 5% favourable or adverse movement in either British Pounds or US Dollars relative to the euro, the two main currencies in addition to euro in which the Group operates:

€ thousand	2017 euro Group profit before Tax	change	Equity		2016 euro Group profit before Tax		Equity	
Reported	(4,221)		40,043		(4,148)		(31,407)	
Change from								
5% increase in euro to GBP	(11)	0.26%	79	0.20%	(5)	0.13%	48	-0.15%
5% decrease in euro to GBP	11	0.08%	(79)	-0.20%	5	-0.13%	(48)	0.15%
5% increase in euro to US$	(3)	0.08%	(44)	-0.11%	(2)	0.04%	(10)	0.03%
5% decrease in euro to US$	3	-0.08%	44	0.11%	2	-0.04%	10	-0.03%

Credit risk

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

The Company manages the risk of trade receivables default by robust credit management policies. Where necessary, allowances have been recognised for uncollectible receivables.

Liquidity risk

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

The Company forecasts cash and working capital requirements with a view to ensuring there remain adequate resources to meet its liabilities as they fall due.

23. Going concern assumption

With the acquisition of Expedeon group in 2016 and CBS Scientific and Innova Biosciences in 2017, along with organic growth during the year, the overall operating cash position of the Group has significantly improved relative to previous years. The Company has prepared a business plan in respect of 2018 where it anticipates generating positive Earning before tax, depreciation and amortisation and operational cash flows during 2018 and expects to manage its activities within the resources available at 31 December 2017.

Based on the business plan and the financial resources that are currently available, the Company's Management Board believes the Company has adequate cash resources to support its ongoing operations.

24. Contingent liabilities and other financial obligations

Financial obligations

The Company's financial obligations from rental agreements and other long-term contracts are not material to the results of operations generated by the Company.

Litigation

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

25. Transactions with related parties

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

Since 25 February 2015 Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, provided consulting services for project support to Expedeon, S.L.U. (formerly SYGNIS Biotech S.L.U.), Madrid, Spain. The member of the Supervisory Board of SYGNIS Mrs. Dr. Cristina Garmendia and the former member Mr. Pedro Agustín del Castillo are principal shareholders of Science & Innovation Link Office, S.L. (SILO), Madrid, Spain. For these consulting services, Expedeon, S.L.U. (formerly SYGNIS Biotech S.L.U.), Madrid, Spain, paid in 2017 the amount of €27,910 to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain.

Due to a public soft loans 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 SYGNIS AG to secure this loan. According to the agreement on the payment of a share pledge fee between SYGNIS and Dr Heikki Lanckriet, it was agreed that SYGNIS has to compensate Dr Heikki Lanckriet, for creating this pledge as a security for SYGNIS’ fulfilment of its obligation arising from the 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 SYGNIS AG to a third party) or if SYGNIS Group is deemed to be cash positive under the conditions according to the agreement on the payment of a share pledge fee Dr Heikki Lanckriet, and SYGNIS.

Regarding the number of shares and stock options held by the members of the Supervisory Board, we refer to Note 28.

26. Segment reporting and entity-wide disclosures

In accordance with IFRS 8 the financial result of the segments is reported using the management approach. The internal organisation and management reporting system did not lead to a different segmentation. The allocation of resources and the internal assessment of SYGNIS’ performance by management is performed for the SYGNIS Group as a whole. Therefore, the Group is managed in one single segment for segment reporting purposes, such that no separate reporting is required.

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

Information about products and services

Total revenues amounted €7,797 thousand in 2017 (previous year: €1,789 thousand).

Company does not disclose sales analysis by products due to the commercial sensitivity of this analysis. The geographic split of sales is as follows:

In per cent and €'thousands	**2017**	**2016**
Revenue		
USA	43%	42%
UK	31%	30%
Europe	15%	19%
Asia	10%	10%
Other	2%	1%
Total	100%	100%
Non-current assets		
Germany	21	62
Spain	2,049	1,984
USA	373	419
UK	10.874	5,417
Total	13,317	7,882

Revenue is allocated to the geographical areas based on the registered office of the reporting business unit. Non-current assets are allocated with reference to the amounts reported in the separate financial statements, while intangible assets identified in the course of purchase price allocations were allocated to the acquirees in question. The goodwill resulting from the Reverse Acquisition, the Expedeon group, CBS and Innova acquisitions amounting to €30,665 thousand (2016: €23,829 thousand) was not allocated to geographical areas, as the goodwill is allocated to the group as a whole.

Information about major customers

In € thousands	2017	2016
Revenue		
Revenue with major customers*.................................	0	0
Other revenue...	7.797	1,789
Total..	7.797	1,789

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

27. Earnings per ordinary share

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

In € thousands, apart from number of shares and earnings per share	2017	2016
Numerator		
Net profit or loss for the period..	(3,261)	(4,388)
Denominator		
Weighted average number of outstanding ordinary shares...	41,488,011	21,915,064
Earnings (basic and diluted) per ordinary share..	(0.08)	(0.20)

The weighted average number of oustanding ordinary shares during the financial year 2017 was as follows:

		Weighted average number of ordinary shares
Outstanding Ordinary shares 1 January 2017 – 13 March 2017 Time weighted factor (72 days, 365 days in total)	37,341,980 19.7%	7,366,089
Outstanding Ordinary shares 14 March 2017 – 3 July 2017 Time weighted factor (112 days, 365 days in total)	37,617,291 30.7 %	11,542,840
Outstanding Ordinary shares 4 July 2017– 2 August 2017 Time weighted factor (30 days, 365 days in total)	44,877,258 8.2 %	3,688,542
Outstanding Ordinary shares 3 August 2017 – 6 November 2017 Time weighted factor (96 days, 365 days in total)	44,934,087 26.3%	11,818,280
Outstanding Ordinary shares 7 November 2017– 31 December 2017 Time weighted factor (55 days, 365 days in total)	46,934,087 15.1%	7,072,260
		41,488,011

In the fiscal years 2017 and 2016 the Company has completed a capital increases against cash and non-cash consideration. Further details are given in Note 10.

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

In €thousands, apart from number of shares and earnings per share	**2017**	**2016**
Numerator		
Net profit or loss for the period	(3,261)	(4,388)
Denominator		
Weighted average number of outstanding ordinary shares	42,124,312	21,915,064
Earnings (basic and diluted) per ordinary share	(0.08)	(0.20)

28 Composition of company boards

Management Board

Pilar de la Huerta, Joint CEO (until 7 July 2017)
Dr. Heikki Lanckriet, CEO
David Roth, CFO (from 1 March 2017)

The tables below show which company paid the remuneration to each member of the Management Board in the 2017 financial year:

In € thousands	**Non-performance-related**	**Performance-related**	**Other benefits)**	**Total cash remuneration 2017**
Pilar de la Huerta	155	97	0	252
From SYGNIS AG	*122*	*97*	*0*	*219*
From Expedeon S.L.U.	*33*	*0*	*0*	*33*

In € thousands	**Non-performance-related**	**Performance-related**	**Other benefits**	**Total cash remuneration 2017**
Dr. Heikki Lanckriet	160	112	45	317
From SYGNIS AG	*96*	*67*	*27*	*190*
From Expedeon Limited	*64*	*45*	*18*	*127*

In € thousands	**Non-performance-related**	**Performance-related**	**Other benefits**	**Total cash remuneration 2017**
David Roth	100	49	20	169
From SYGNIS AG	*80*	*39*	*16*	*135*
From Expedeon Limited	*20*	*10*	*4*	*34*

Benefits relate primarily to contributions to pension schemes.

The tables below show which company paid the remuneration to each member of the Management Board in the 2016 financial year:

In € thousands	**Non-performance-related**	**Performance-related**	**Other benefits)**	**Total cash remuneration 2017**
Pilar de la Huerta	194	89	14	297
From SYGNIS AG	*143*	*89*	*12*	*244*
From Expedeon S.L.U.	*51*	*0*	*2*	*53*

In € thousands	**Non-performance-related**	**Performance-related**	**Other benefits**	**Total cash remuneration 2017**

Dr. Heikki Lanckriet	54	100	10	164
From SYGNIS AG	*32*	*100*	*6*	*138*
From Expedeon Limited	*22*	*0*	*4*	*26*

Benefits for Pilar de la Huerta relate primarily insurance and company car; benefits for Dr. Heikki Lanckriet relate primarily to contributions to a pension scheme.

Pilar de La Huerta has not agreed an employment contract with SYGNIS AG. In this respect, Mrs. de La Huerta has received a non-performance-related component as a consulting fee on the basis of a consulting agreement between SYGNIS AG and herself for services rendered to SYGNIS AG. Based on this consulting agreement Mrs. de la Huerta also received a variable bonus. Mrs. de la Huerta was also CEO of Expedeon S.L.U., Madrid, Spain, until 7July 2017 and, had an employment contract with Expedeon S.L.U., Madrid, Spain.

Dr. Heikki Lankriet has a service contract with SYGNIS AG since 1 August 2016, 2017 and an employment contract with Expedeon Limited. David Roth has a service contract with SYGNIS AG since 1 March 2017 and an employment contract with Expedeon Limited.

Shareholdings and number of stock options held by the Management Board as of 31 December 2017

Dr. Lanckriet holds 1,543,224 shares and David Roth 53,500 shares.

Supervisory Board

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

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

Dr. Trevor Jarman
Independent Entrepreneur, Cambridge, UK
Chief Executive Director of Natures Remedies Ltd., Cambridge, U.K.

Tim McCarthy
Executive Director of Unnamed Ltd., Cambridge, UK

Peter Llewellyn-Davies
CFO Apeiron Biologics AG, Vienna Austria

Pilar de la Huerta
Chief Executive Officer, ADL BioPharma, Madrid, Spain

The remuneration of the Supervisory Board members (without out-of-pocket expenses) were €160 thousand in fiscal year 2017:

in € thousand	Fixed	Variable
Dr. Cristina Garmendia Mendizábal	40	-
Mr. Joseph M. Fernandez	30	-
Dr. Franz-Wilhelm Hopp (until 7 July 2017)	15	-
Mrs. Maria Jesús Sabatés (until 7 July 2017)	10	-
Dr. Trevor Jarman	20	-
Mr. Tim McCarthy	20	
Mr. Peter Llewellyn-Davies (from 7 July 2017)	15	
Mrs. Pilar de la Huerta (from 7 July 2017)	10	
Total	**160**	**-**

Shareholdings and number of stock options held by the Supervisory Board as of 31 December 2017

	Number of shares	Number of stock options
Dr. Cristina Garmendia Mendizábal	414,009	-
Maria Jesús Sabatés (until 7 July 2017)	-	-
Tim McCarthy	154,817	
Dr. Trevor Jarman	608,288	
Joseph M. Fernández	2,649,921	-
Dr. Franz Wilhelm Hopp (until 7 July 2017)	-	-
Mr. Peter Llewellyn-Davies (from 7 July 2017)	-	
Mrs. Pilar de la Huerta (from 7 July 2017)	-	
Total	**3,827,035**	**-**

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

Dr. Cristina Garmendia Mendizábal

- Member of the Board of Directors, Ysios Capital Partner, SGECR S.A., Barcelona, Spain
- Member of the Board of Directors, Member of the Board of Trustees, Pelayo Mutua de Seguros, Madrid, Spain
- Member of the Board of Directors, Everis Spain, S.L., Madrid, Spain:
- Member of the Board of Directors, Gas Natural SDG, S.A. Madrid, Spain:
- Chairwoman of the Board of Directors, Genetrix, S.L., Madrid, Spain:
- Member of the Board of Directors, Corporación Financiera ALBA, Madrid, Spain:.
- Sole Administrator, Jaizkibel, S.L., Madrid, Spain:
- Member of the Board of Directors, Science & Innovation Link Office, S.L., Madrid, Spain
- Member of the Board of Directors, Compañía De Distribución Integral Logista Holdings, S.A., Madrid, Spain
- Chairwoman of the Board of Directors, Satlantis Microsats, S.L., Madrid, Spain

Joseph M. Fernández

- Chairman of the Board of Directors of Active Motif Chromeon GmbH, Tegernheim, Germany
- Member of the Board of Directors of Expedeon Inc., San Diego, CA, USA
- Member of the Board of Directors of Hiram College, Hiram, Ohio, USA

Dr. Trevor Jarman

- Member of the Board of Directors of Expedeon Ltd, Cambridge, UK
- Chairman of The Board of Directors of Persavita Ltd, Cambridge, UK
- Chief Executive Director of Natures Remedies Ltd, Cambridge UK
- Member of the Board of Directors of Cambridge Cell Networks Ltd, Cambridge UK
- Member of the Board of Directors of Swangap Flat Management Ltd, Cambridge, UK
- Member of the Board of Directors of Protus Ltd, Cambridge, UK

Tim McCarthy

- Chairman of the Board of Directors of ImmuPharma PLC, London, U.K.
- Chairman of the Board of Directors of ARK Analytics Solutions Ltd., Cambridge, U.K.
- Member of the Board of Directors of Spear Therapeutics Ltd., Manchester, U.K.
- Chairman of the Board of Directors of Dropped Ltd., Cambridge, U.K.
- Chairman of the Board of Directors of Incanthera Ltd., Manchester, U.K.
- Chairman of the Board of Directors of Harvard Healthcare Ltd., Liverpool, U.K.
- Member of the Board of Directors of Wise old owl Ltd., Cambridge, U.K.
- Member of the Board of Directors of Frangipani Dreams Ltd., Cambridge, U.K.
- Member of the Board of Directors of Expedeon Holdings Limited, Cambridge, U.K.

Peter Llewellyn-Davies

- APEIRON Biologics AG, Vienna, Member of the Executive Board, CFO / CBO
- Shield Therapeutics plc London, NED and chairman of the Audit Committee

Pilar de la Huerta

- ADL Biopharma, Spain, Board member, CEO
- Epidesease SL, Board member

29. Declaration on the German Corporate Governance Code

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

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

30. Services rendered by the auditor

At the annual general meeting held on 7 July 2017, the shareholders of SYGNIS AG elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Mannheim (Ernst & Young GmbH) as auditor of the financial statements and consolidated financial statements of SYGNIS AG for the fiscal year 2017. Expenditure totalling €211 thousand (previous year: €230 thousand) was recognised for the services of Ernst & Young GmbH. The total amount is attributable with €192 thousand to audit services (previous year: €73 thousand), with €19 thousand to tax advisory services (previous year: €65 thousand) and with €0 thousand to other assurance services (previous year: €92 thousand).

For audit services rendered for SYGNIS Spain by KPMG Auditores S.L. Madrid, Spain, expenses in an amount of €15 thousand (previous year: €18 thousand) were included.

31. Events after the reporting period

On 21 March 2018, the Company raised €4,193 thousand by way of private placement of 2,925 thousand shares. The Company also announced its intention to acquire TGR Biosciences Ltd, an Australian company, subject to negotiating a debt facility alongside the proceeds of the capital increase.

Heidelberg, 23 April 2018

Heikki Lanckriet CEO	David Roth CFO

Annex to the note to the consolidated financial statements as of 31 December 2017

Statement of changes in non-current assets as of 31 December 2017

in € thousands	Acquisition and production costs							Accumulated depreciation						
	1 January 2017	Additions	Erwerb Innova und CBS	Foreign Exchange	Transfer	Disposals	31 December 2017	1 January 2017	Additions	Foreign Exchange	Disposals	31 December 2017	31 December 2017	31 December 2016
I. Tangible assets														
Other equipment, factory and office equipment	887	288	292	(119)	0	(209)	1,139	322	224	(91)	(168)	287	852	565
Land and Buildings	437	1,246	0	(388)	0	(25)	1,270	45	77	(48)	(1)	73		
	1,324	1,534	292	(507)	0	(234)	2,409	367	301	(139)	(169)	360	2,049	957
II. Intangible assets														
1 Goodwill	23,829	8,346	0	0	0	(1,509)	30,666	0	0	0	0	0	30,666	23,829
2 Other intangible assets	10,059	5,719	21	0	(76)	(23)	15,700	3,137	1,305	0	(8)	4,434	11,266	6,922
	33,888	14,065	21	0	(76)	(1,532)	46,366	3,137	1,305	0	(8)	4,434	41,932	30,751
III Other non-current assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	35,212	15,599	313	(507)	(76)	(1,766)	48,775	3,504	1,606	(139)	(177)	4,794	43,981	31,708

Annex to the note to the consolidated financial statements as of 31 December 2016

Statement of changes in non-current assets as of 31 December 2016

in € thousands		Acquisition and production costs						Accumulated depreciation						
		1 January 2016	Additions	Acquired via Expedeon acquisition	Foreign Exchange	Disposals	31 December 2016	1 January 2016	Additions	Foreign Exchange	Disposals	31 December 2016	31 December 2016	31 December 2015
I.	Tangible assets													
	Other equipment, factory and office equipment	537	182	764	23	(182)	1,324	267	96	8	(4)	367	957	270
		537	1,534	764	23	(182)	2,676	267	96	8	(4)	367	2,309	270
II.	Intangible assets													
	Goodwill	5,942	17,546	0	341	0	23,829	0	0	0	0	0	23,829	5,942
	Other intangible assets	4,474	491	5,143	1	0	10,109	2,648	534	1	0	3,183	6,926	1,826
		10,416	18,037	5,143	342	0	33,938	2,648	534	1	0	3,183	30,755	7,768
III	Other non-current assets	136	0	0	0	(136)	0	0	0	0	0	0	0	136
		11,089	18,219	5,907	365	(318)	35,262	2,915	630	9	(4)	3,550	31,712	8,174

B. Reproducing the opinion

We have issued the following auditors' report on the consolidated financial statements and the group management report of SYGNIS AG:

Independent auditor’s report

To SYGNIS AG,

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of SYGNIS AG, Heidelberg and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31. December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from 01. January 2017 to 31. December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of SYGNIS AG for the fiscal year from 01. January 2017 to 31.December 2017. In accordance with German statutory provisions, we have not examined the content of the consolidated corporate governance statement contained in the consolidated management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB [“Handelsgesetzbuch”: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31. December 2017, and of its financial performance for the fiscal year from 01. January 2017 to 31. December 2017, and

- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the group non-financial statement or the group statement on corporate governance referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements and of the group management report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 01. January 2017 to 31. December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Impairment of goodwill

Reasons for the provision as a particularly important examination case:

The consolidated financial statements of SYGNIS AG include goodwill of EUR 30.7 million (previous year: EU 23.8 million). This corresponds to 61.4% (prior year: 62.2%) of the balance sheet total. The annual review of goodwill by the Management Board is based on a determination of the fair value less cost of disposal, which requires specific information from the capital market, in particular the share price. In addition, the necessary forecasts of the legal representatives are discretionary.

Test procedure:

We have gained an understanding of the evaluation process. In a second step, we examined the identification and delineation of the cash-generating unit. We compared the definition of the entity with independent cash inflows and the internal reporting structure. We followed the evaluation model both methodically and arithmetically. We have compared the parameters used in the calculation, such as share price and outstanding shares, with the published voting rights information. In addition, we compared the information in the notes with the assumptions made and checked for an appropriate presentation.

Overall, the valuation parameters and assumptions used by the legal representatives are in line with our expectations.

Reference to related information:

The Company has provided information on the recoverability of goodwill in section 6 of the notes to the consolidated financial statements.

2. Recognition and measurement of deferred taxes

Reasons for the provision as a particularly important examination case:

The recognition and measurement of deferred tax items at the level of the Group include both a full determination of all differences between the recognition and measurement of assets and liabilities under local tax regulations and IFRS accounting, as well as the determination of tax loss carry forwards. Due to different and mostly complex local tax regulations, this requires complex calculations. For this purpose and for the valuation of deferred tax assets or tax liabilities, detailed knowledge in the area of applicable tax law is necessary. In addition, the assessment of the usability of any deferred tax assets is based on the expectations of the legal representatives regarding the economic development of the Company, which is influenced by the current market environment and the assessment of future market development and is therefore subject to discretion.

Test procedure:

To assess the appropriateness of the approach and the valuation of deferred taxes, we examined the underlying processes for the complete recognition and measurement of deferred taxes across the Group companies during the audit. Based on the required knowledge of the respective tax regulations, we involved internal tax experts from the individual Group regions. We randomly reviewed the identification and correct quantification of discrepancies between the recognition and measurement of assets and liabilities under IFRS tax regulations and accounting, as well as the calculation of deferred taxes and the application of the applicable tax rate. To review the recoverability of deferred tax assets from temporary differences and tax loss carry forwards, we have reviewed the tax planning in line with the corporate planning. In addition, we examined the tax planning to determine whether the Group-wide planning horizon was applied to assess the usability of tax loss carry forwards and the respective country-specific tax regulations for the use of loss carry forwards.

The assumptions of the legal representatives regarding the recognition and valuation of deferred taxes are in line with our expectations.

Reference to related information:

The Company has provided information in sections 11 and 14 of the notes to the consolidated financial statements on the recognition and measurement of deferred taxes.

3. Business Combinations

Reasons for the provision as a particularly important examination case:

Due to its business model, SYGNIS AG regularly buys groups and companies to generate external growth. In the financial year, the acquisition of Innova Bioscience Ltd. and CBS Scientific Company Inc. have a significant impact on the consolidated financial statements of SYGNIS AG. Significant assumptions were made, in particular, in the determination of the recognition and measurement of the acquired assets and liabilities. Determining the useful lives of the identified assets also involves significant estimation uncertainty and has a significant impact on the consolidated financial statements of SYGNIS AG.

Review procedure and, if necessary, important findings:

We have gained an understanding of the underlying processes for fully recording and evaluating purchase price allocations. In addition, we included internal experts in the field of company valuation in order to test the mathematical calculation, the assessment of the valuation model and the calculation parameters used. To assess the correct accounting, it was first checked whether the acquirer was correctly identified in accordance with IFRS 3. In addition, the appropriateness of the acquisition date and the correct determination of the purchase price were examined on the basis of the purchase agreement. In this context, the contract was also examined for additional risks. In the context of the review of the purchase price allocations, the appropriateness of the determination of the fair value of assets and encumbrances as well as the useful lives of any acquired consumable assets were assessed. The assumptions were compared with externally available and internal planning data and examined for plausibility.

The assumptions of the legal representatives regarding the accounting of business combinations are in line with our expectations.

Reference to related information:

The Company has provided information on business combinations in section 4 of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the group non-financial statement contained in the group management report and the group statement on corporate governance contained in the group management report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group’s position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group’s financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor’s responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group’s position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 7. July 2017. We were engaged by the supervisory board on 26 September 2017. We have been the group auditor of SYGNIS AG without interruption since fiscal year 2002.

We declare that the opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Uwe Kaschub.

Mannheim, 25. April 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Kaschub Wirtschaftsprüfer	Hofsäß Wirtschaftsprüfer

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board reports below on the performance of its duties during the fiscal year 2017. The business focus is on the development and marketing of innovative reagents and services for life sciences and diagnostics.

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

COOPERATION BETWEEN THE MANAGEMENT BOARD AND SUPERVISORY BOARD

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

The Supervisory Board was also informed between meetings of important business transactions by means of written reports and, whenever it was deemed necessary, a resolution was drawn up in writing in close coordination with the Chairwoman of the Supervisory Board. The Chairwoman of the Supervisory Board and the Chairman of the Audit Committee were also kept up to date by the Management Board on all relevant key developments and decisions taken in the Company. Where necessary, the Chairwoman of the Supervisory Board arranged for important matters to be dealt with in plenary sessions or by the appropriate Supervisory Board committee. As a result, the Supervisory Board was informed of current developments and upcoming decisions at all times.

The Supervisory Board held 3 physical meetings and 3 telephone conferences in the fiscal year 2017. Each member of the Supervisory Board attended at least half of the Supervisory Board meetings in the reporting period. Prior to each Supervisory Board meeting, the Management Board sent detailed reports and comprehensive draft resolutions to the members of the Supervisory Board. Referring to the reports received from the Management Board, the Supervisory Board discussed in detail at each meeting the development of business and any decisions of significance to the Company taken in the committees and plenary sessions.

FOCUS OF SUPERVISORY BOARD ACTIVITIES

From an early stage, the Supervisory Board was closely involved in all decisions of significance for the Company. Decisions were based on the Company's agreed business strategy. The discussions held and decisions taken by the Supervisory Board were based on comprehensive documentation provided by the Management Board in advance of each meeting.

The Management Board's reports during the past fiscal year 2017 focused on providing detailed updates on the financial status of the Company, the development of projects, the business strategy, the acquisition of Innova Biosciences Limited, Cambridgeshire (UK), the negotiations around this acquisition and the subsequent integration and merger activities around C.B.S. Scientific Co. Inc (Califorinia, USA), acquired in December 2016 and Innova Biosciences, as well as the funding process for Innova Biosciences through the rights offer and private placement; and other significant corporate matters. The information provided by the Management Board was substantiated occasionally by oral reports from the Chairman of the Audit Committee.

The Management Board reported in the plenary session on a regular basis on the liquidity situation and the financial planning of the SYGNIS group.

The discussions of the Supervisory Board focused on the financial situation of the Company and the deviations to the business plan, the launch of new products, the development of projects, the acquisition of Innova Biosciences Limited, the right offering and private placement needed for that acquisition and integration plans for the newly acquired companies. The Supervisory Board also discussed the agenda items for the Annual General Meeting and the terms of the capital increase. Via the Audit Committee and at plenary sessions, the Supervisory Board was also updated regularly on the Group's risk situation and risk management as well as compliance.

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

Already on 21 December 2016 the Management and Supervisory Boards of SYGNIS AG have in principle and subject to a satisfactory result of the at that time ongoing negotiations on details of the terms resolved to issue 275,311 new shares from authorized capital under exclusion of the subscription rights of the existing shareholders against acquisition of all shares in C.B.S. SCIENTIFIC CO. INC. (with an additional cash compensation of $ 540,000.00 being granted). This capital increase was registered on 14 March 2017.

On 24 February 2017, 1 March 2017 and 22 March 2017, the Capital Increase Committee approved of the resolutions of the Management Board to issue in aggregate 56,829 shares from authorised share capital under a SEDA arrangement under exclusion of the subscription rights of the existing shareholders. The shares were registered on 3 August 2017.

On 7 May 2017 and 13 May 2017 the Capital Increase Committee approved of the resolutions of the Management Board to issue up to 3,582,598 shares by way of a rights issue as well as up to 3,402,058 shares and up to 275,311 shares by way of two private placements in order to partly fund the acquisition of Innova Biosciences. On 5 June 2017, the Capital Increase Committee approved of the resolutions of the Management Board to determine that the rights issue shall be completed by issuing 3,582,598 shares and that the private placements shall be completed by issuing in aggregate 3,677,369 shares. These shares were registered on 4 July 2017.

On 9 June 2017, the Capital Increase Committee approved of the resolution of the Management Board to issue a further 2,000,000 shares against contribution in kind by the shareholders of Innova under exclusion of the subscription rights of the existing shareholders. On 7 November 2017 2,000,000 shares were registered in relation to the contribution in kind under the Innova transaction.

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

On 19 September 2017, the Supervisory Board approved of the resolution of the Management Board to issue 123,456 shares from share capital under a SEDA arrangement with exclusion of the subscription rights of the existing shareholders. These shares were registered on 19 January 2018.
On 11 November 2017, the Supervisory Board approved of the resolution of the Management Board to issue 139,860 shares from authorised share capital under under a SEDA arrangement with exclusion of the subscription rights of the existing shareholders. These shares were registered on 24 January 2018.

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

MANAGEMENT BOARD MATTERS

Mrs Pilar de la Huerta and Mr Heikki Lanckriet acted as joint CEOs of the Management Board until 7 July 2017. Mrs de la Huerta acted as CFO until 1 March 2017 at which time she assumed the role of CDO until 7 July 2017. Mr. David Roth was appointed as a member of the Management Board for a five-year term. On 7 July 2017, Mrs de la Huerta resigned from her roles on the Management Board and Mr Lanckriet became sole CEO as well as CSO.

COMPOSITION OF THE SUPERVISORY BOARD AND THE COMMITTEES

Dr. Franz Wilhelm Hopp and Mrs. Maria Jesus Sabates Mas have each resigned from their position as a member of the Supervisory Board with effect as of the end of the General Meeting on 7 July 2017, to allow the General Meeting to elect Mr. Peter Llewellyn-Davies and Mrs. Pilar de la Huerta who were elected with effect from the date of the close of the Annual General Meeting on 7 July 2017 for the period until the end of the AGM which decides on the approval of the relief of the Supervisory Board for the fiscal year 2017.

In a first meeting following the AGM the Supervisory Board appointed appointed new members of the Committees of the Supervisory Board:

(a) Mr Peter Llewellyn-Davies was appointed as a new chair of the Audit Committee now consisting of
    - Peter Llewellyn-Davies (Chairman) (since 7 July 2017 replacing Franz Wilhelm Hopp)

– Pilar de la Huerta (since 7 July 2017 replacing Maria Jesus Sabates Mas)
– Tim McCarthy

(b) Mr. Peter Llewellyn-Davies was appointed as new member of the Nomination and Remuneration Committee now consisting of:
– Joseph M. Fernandez (Chairman)
– Peter Llewellyn-Davies (since 7 July 2017 replacing Franz Wilhelm Hopp)
– Trevor Jarman

The membership of Tim McCarthy (Chairman), Cristina Garmendia Mendizabal and Franz Wilhelm Hopp as members of the Capital Increase Committee ended upon the Committee's dissolution following the AGM.

ACTIVITIES OF THE COMMITTEES

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

The Audit Committee held four ordinary meetings in the reporting period. Its activities mainly focused on monitoring the accounting process, the audit of the separate and consolidated financial statements and management reports for the fiscal year 2017, discussing the audit reports and defining the areas of audit focus with the external auditors. The Audit Committee discussed the quarterly reports with the Management Board prior to publication. The committee also dealt with the examination and review of financial planning, the risk management system and the effectiveness of the internal control system. The committee prepared the Supervisory Board's proposal to the annual general meeting for the election of external auditors, awarded this engagement for the annual and consolidated financial statements and monitored the independence of the external auditors as well as any non-audit services they had provided.

The Capital Increase Committee passed three resolutions by e-mail during the fiscal year 2017 and was dissolved following the Annual General Meeting. It was resolved that all further capital increases would be considered by the Supervisory Board in full session.

The Nomination and Remuneration Committee had two meetings during 2017.

CORPORATE GOVERNANCE

The Supervisory Board, as in the past, regularly dealt with the continuing development of corporate governance and its implementation at SYGNIS. The corporate governance report, which is part of this annual report, contains further details of corporate governance at SYGNIS. In April 2017, the Supervisory Board and the Management Board of SYGNIS AG issued the declaration of compliance with the German Corporate Governance Code in accordance with Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] and made it permanently available on the Company's website. It is a component of the corporate governance report included in this annual report.

The Management Board and Supervisory Board of SYGNIS AG are committed to the interests of the Company. In performing their duties, they pursue neither personal interests nor do they grant other persons unjustified advantages. Secondary activities are to be disclosed to the Supervisory Board and require the Supervisory Board's approval. The members of the Management Board and of the Supervisory Board inform about any conflict of interests without delay. There were no conflicts of interests regarding members of the Management Board and Supervisory Board in the fiscal year 2017. Significant transactions between the Company and the members of the Supervisory Board or parties related to members of the Supervisory Board require Supervisory Board approval. This also applies in the case of consultancy or other service agreements between a Supervisory Board member and the Company.

Since 25 February 2015 Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, provided consulting services for project support to Expedeon, S.L.U. (formerly SYGNIS Biotech S.L.U.), Madrid, Spain. The member of the Supervisory Board of SYGNIS Mrs. Dr. Cristina Garmendia and the former member Mr. Pedro Agustín del Castillo are principal shareholders of Science & Innovation Link Office, S.L. (SILO), Madrid, Spain. For these consulting services, Expedeon, S.L.U. (formerly SYGNIS Biotech S.L.U.), Madrid, Spain, paid in 2017 the amount of €27,910 to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain.

Due to a public soft loans 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 SYGNIS AG to secure this loan. According to the agreement on the payment of a share pledge fee between SYGNIS and Dr Heikki Lanckriet, it was agreed that SYGNIS has to compensate Dr Heikki Lanckriet, for creating this pledge as a security for SYGNIS' fulfilment of its obligation arising from the 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 SYGNIS AG to a third party) or if SYGNIS Group is deemed to be cash positive under the conditions according to the agreement on the payment of a share pledge fee Dr Heikki Lanckriet, and SYGNIS.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, rendered an unqualified audit opinion on the annual financial statements for the period from 1 January 2017 to 31 December 2017, which were prepared by the Management Board in accordance with the provisions of the HGB ["Handelsgesetzbuch": German Commercial Code], and the management report of SYGNIS AG, as well as the consolidated financial statements ending 31 December 2017 prepared in accordance with IFRSs and Sec. 315a HGB and the group management report of the SYGNIS Group (SYGNIS AG and its subsidiaries).

The external auditors are of the opinion that the consolidated financial statements and the separate financial statements, prepared in accordance with the applicable financial reporting standards, give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group. The Supervisory Board's Audit Committee awarded the audit engagement in accordance with the resolution taken by the annual general meeting of SYGNIS AG on 7 July 2017.

This year's audit focused on the Purchase Price Allocation arising from the Innova Biosciences acquisition, the consolidation and the impairment testing of intangible assets (including goodwill) and the verifiable documentation of the valuation assumptions as well as the reporting in the notes to the consolidated financial statements, the group management report (including the opportunities and risk report) and the Company's forecasts with respect to going concern.

The annual financial statements, the consolidated financial statements, the management reports and the audit reports of the external auditors were presented to the members of the Supervisory Board in good time. Following detailed initial discussion at the meeting of the Audit Committee held on 23 April 2018 a resolution was passed on the same day recommending them for approval to the Supervisory Board. The Chairman of the Audit Committee presented a detailed report in the plenary session on 23 April 2018 of the Supervisory Board on the Audit Committee's examination of the annual financial statements, the consolidated financial statements and the management reports. The auditor attended the Audit Committee and Supervisory Board meetings to report on the key scope and findings of the audit and was available to answer the Supervisory Board's follow-up queries and supply supplementary information. Following its own in-depth examination and discussion, the Supervisory Board raised no objections to the financial statements or the audit by the external auditors. The Supervisory Board accepted the findings of the audit and, in accordance with the recommendation of the Audit Committee, approved the annual financial statements of SYGNIS AG and the consolidated financial statements for the fiscal year 2017 on 23 April 2018. The financial statements are therefore adopted.

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

Madrid, Spain, 23 April 2018

Dr. Cristina Garmendia
Chairwoman of the Supervisory Board

Imprint

SYGNIS AG
Waldhofer Str. 104
69123 Heidelberg

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

www.sygnis.com