



Interim Report for the nine months ending
30 September 2016



SYGNIS AG, Heidelberg

Interim report for the nine months ending 30 September 2016

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SYGNIS AG, Heidelberg

Interim group management report for the nine months ending 30 September 2016

This interim group management report has not been audited in accordance with section 317 of the German Commercial Code, nor has it been reviewed by an external auditor.

Business performance

In the third quarter of fiscal year 2016, the business focus was on acquiring Expedeon Holdings Ltd., Cambridge, UK ("Expedeon") as well as integrating Expedeon into SYGNIS AG. After the acquisition was approved by the Annual General Meeting of SYGNIS AG on 20 June 2016, SYGNIS successfully completed its rights offering and the subsequent private placement on 14 July 2016. This capital increase was oversubscribed by investors. Through these transactions, including the contribution in kind, the Company's share capital increased by €20,538,089.00 from €16,803,891.00 to €37,341,980.00 through the issue of 20,538,089 shares by way of a rights offering. Existing shareholders subscribed a total number of 3,016,734 new shares. An additional 1,801,466 shares were placed at a subscription price of €1.10 per share with qualified investors in a subsequent rump placement, which resulted in gross proceeds of €5.3 million. 15,719,889 remaining shares were successfully subscribed by Expedeon shareholders against contribution in kind.

In addition to the legal integration of Expedeon into SYGNIS AG, SYGNIS concentrated on the integration of Expedeon employees, merging the marketing and sales activities into one complementary market approach with its customers, distributors, OEM partners and collaborators as well as implemented cost reductions due to more efficient structures and processes in the administration, manufacturing and the research and development.

Since 1 August 2016, Expedeon and its subsidiaries Expedeon Ltd., Cambridge, UK, Expedeon Inc., San Diego, USA, as well as Expedeon Asia Pte. Ltd., Singapore, have been part of the consolidated group included in the consolidated financial statements of SYGNIS AG.

Thus, beginning 1 August 2016, all assets and liabilities subject to the Expedeon acquisition were included in the consolidated interim financial statements of SYGNIS AG as of 30 September 2016. All income and expenses linked to Expedeon's business were included for the partial period 1 August through 30 September 2016 in the consolidated interim financial statements of SYGNIS AG for the nine months ending 30 September 2016.

Revenues amounted to € 976 thousand for the period (prior year period: € 307 thousand) and consisted of revenue from kit sales as well as sales from the proteomics business for the partial period 1 August to 30 September 2016, since the consolidation of Expedeon. Income from the licensing business slightly exceeded the previous year period, and revenues from product sales, especially from kit sales, continued developing positively, in line with Management's expectations.

Despite certain one-off expenses as part of the integration process of Expedeon into SYGNIS AG, the net loss of the Company for the first nine months of the current fiscal year amounting to € 2,143 thousand was significantly lower compared to the prior year period (€ 2,779 thousand), representing a decrease of €636 thousand, an improvement of more than 20%. This significant decrease in net loss for the first nine months of 2016 was mainly driven by considerably higher revenues, only slightly higher operating expenses despite the integration process, and lower interest expenses.

The tripling of revenues compared to the previous year period was due to higher product sales, especially kit sales, as well as the inclusion for the first time of proteomics revenues for the partial period 1 August to 30 September 2016, following the consolidation of Expedeon into SYGNIS AG. Even including integration costs, total operating expenses only slightly exceeded the level of the prior year period. Higher sales expenses and cost of goods sold due to the direct marketing of the Company's own products and applications were offset by significantly lower administration and research and development expenses. In addition, interest expenses were significantly reduced in the first nine months of 2016 compared to the same period in 2015 as shareholder loans were repaid or exchanged for equity.

With the successful cash capital increase as part of the acquisition of Expedeon Holdings Ltd., Cambridge, UK, in July 2016, cash and cash equivalents as of 30 September 2016 amounted to €4,585 thousand compared with €2,409 thousand at the end of the previous quarter (30 June 2016) and €4,557 thousand as of 31 December 2015.

Key events during the reporting period (since 1 July 2016)

SYGNIS acquired Expedeon Holdings Ltd., Cambridge, UK

On 14 July 2016, SYGNIS successfully completed its rights offering and the subsequent private placement. Through these transactions, including the contribution in kind, the Company's share capital increased by €20,538,089.00 from €16,803,891.00 to €37,341,980.00 through the issue of 20,538,089 shares by way of a rights offering. Existing shareholders subscribed a total number of 3,016,734 new shares. An additional 1,801,466 shares were placed at a subscription price of €1.10 per share with qualified investors in a subsequent rump placement, which resulted in gross proceeds of €5.3 million. 15,719,889 remaining shares were successfully subscribed by Expedeon shareholders against contribution in kind. The cash capital increase of €5.3 million was registered on 2 August 2016 resulting in an increase of the issued capital by € 4,818,200.00 (nominal). The capital increase against contribution in kind of shares of Expedeon Holdings Ltd., Cambridge, UK, in SYGNIS AG at a subscription price of 1.10 € per each new share was registered on 19 October 2016.

SYGNIS strengthens Management Team with appointment of Dr. Heikki Lanckriet

With effective date of 5 August 2016, SYGNIS AG appointed Heikki Lanckriet, PhD, long-term Chief Executive Officer (CEO) of Expedeon Holdings Ltd., Cambridge, UK, that had been acquired in summer, as Co-CEO and Chief Scientific Officer (CSO). The CSO role is a newly created position at SYGNIS. Heikki Lanckriet, PhD, will also become a member of the Management Board of SYGNIS, along with Pilar de la Huerta, who will serve as co-CEO and Chief Financial Officer (CFO) of the combined organization.

SYGNIS enters into collaboration agreement with ECACC for licensing and distribution of Caco-2 cell line

The US-based Navicyte Scientific, that is part of SYGNIS AG, and the European Collection of Authenticated Cell Cultures (ECACC), part of Public Health England, an agency of the United Kingdom Department of Health have entered into a collaboration agreement for licensing and distributing the Caco-2 cell line to commercial companies. Under the collaboration, ECACC will organize that companies obtain the license for the use of the Caco-2 cell line from SYGNIS in the US and afterwards will provide the Caco-2 materials directly. This new collaboration will expand the Caco-2 activities to Europe and increase the commercialization potential for SYGNIS, as ECACC is very active in the distribution of cell lines to researchers. ECACC has a large customer data base and they will include Caco-2 cell line in their project developments.

SYGNIS global launch of CovCheck™ kit for quality control of the whole genome amplification process

SYGNIS globally launched the new CovCheck™ kit, a ready to use quality control tool for whole genome amplification (WGA) coverage to determine the quality and integrity of the amplified DNA. The end point PCR based kit, which includes 24 different sets of primer pairs each targeting a specific human chromosome, enables the evaluation of the genomic coverage of four independent single-cell whole genome amplification experiments simultaneously. CovCheck™ is an end point PCR based kit in a convenient 96-well plate format. No other product available is able to assess all human chromosomes in a single experiment. Due to its unique and proprietary design CovCheck™ shows a strong correlation between the samples amplified and the real coverage obtained through whole genome sequencing. The product brings the next-generation sequencing (NGS) analysis to a superior level of accuracy and reproducibility and is therefore poised to play a vital role in NGS workflows. CovCheck™ provides a homogenous and comparable approach to determine the quality of the WGA. This will greatly simplify the workflow process and will provide a huge decrease in the costs associated to sequencing samples that do not fulfill the minimum quality standards.

SYGNIS global launch of TruePrime™ Single Cell WGA Kit V2

The TruePrime™ Single Cell WGA Kit V2 has been optimized for whole genome amplification (WGA) from a broader range of cell types and an increased number of applications. SYGNIS' TruePrime™ product family covers a series of kits for WGA without the need of random primers based on SYGNIS' proprietary TruePrime™ technology. This innovative DNA amplification technology is based on a combination of proteins working together to amplify smallest amounts of DNA in a very efficient way.

The newly launched TruePrime™ Single Cell WGA V2 Kit shows the same outstanding features as its predecessor including complete absence of common artifacts linked to the use of oligonucleotides, a reduced amplification bias in genome coverage compared to methods using random synthetic primers and a surpassing reliability as contaminating DNA is not amplified and an exquisite reproducibility when DNA is amplified from single mammalian cells. The TruePrime™ Single Cell WGA V2 Kit shows superior sensitivity, is easy to use and works perfectly well with all commonly used NGS platforms such as Illumina and IonTorrent.

In addition to this, the kit provides new lysis conditions which allow WGA from a broader range of cell types and at the same time increase the number of applications. Lysis is a critical step in all amplification processes but especially in single cell analysis given the limited sample volumes. SYGNIS has developed an extensive project to define the best lysis reagents, buffers and conditions for a large number of different sample types. To keep tabs on the overall amplification process, the kit also includes human genomic DNA as an internal positive control.

Sales and Marketing

Following the acquisition of Expedeon in summer this year, SYGNIS is covering a much wider spectrum of the Life Science Market: from single cell genome to whole proteome with a much broader offering of products. The web portals of SYGNIS and Expedeon have been integrated and all SYGNIS products are now available through the Expedeon web shop. Furthermore, the marketing effort is being ramped up to support sales growth of the SYGNIS products through these newly acquired sales force and distribution channels.

Expedeon's sales force in Europe and the US has been educated in the SYGNIS product lines. The initial effort of the sales force will be focused around a Key Opinion Leader program to facilitate adoption of SYGNIS' innovative and groundbreaking TruePrime™ technology over both a wider user and application base. The Company continues to invest in the expansion of its sales channels and is actively exploring additional OEM and distribution opportunities whilst also expanding its own sales force in core markets.

During August and September this year, the capabilities of Expedeon's sales force has been very reduced due to the integration process of the new business group and the training of Expedeon's sales force in SYGNIS products. After the completion of the training of the sales force in SYGNIS products, the Company is aiming to be in the position of boosting the sales of these range of products by the fourth quarter of 2016/ beginning of 2017.

In addition, SYGNIS will attend several scientific congresses in the fourth quarter of 2016 such as:

4-8 Oct. 2016	DNA Polymerases Meeting	Biarritz, France
11-12 Oct. 2016	4th Annual Single Cell Analysis and 6th NGS Asia Congress	Singapore
18-22 Oct. 2016	66th Annual Meeting of the American Society of Human Genetics	Vancouver, Canada
10-11 Nov. 2016	4th Single cell Analysis Congress	London, UK
3-7 Dec. 2016	ASCB Annual Meeting	San Francisco, USA

Moreover, SYGNIS will start providing bioinformatics services in the fourth quarter of 2016. These services will be offered by SYGNIS to support customers in the process of whole genome amplification analysis with special focus in single cell and cell free DNA. SYGNIS will be able to closely work together with its customers in order to improve the customer relationship furthermore and to facilitate the integration of our new technologies and applications in the customer's lab workflow in the future.

Research and development

SYGNIS' R&D activities focus on the development of new products based on various proprietary platform technologies for the next generation sequencing (NGS), proteomics and other molecular biology markets. A key strength is the Company's know-how and IP position in polymerase enzymology, electrophoresis and spectroscopy. The Company continues to develop and launch new products and innovations whilst investing in expansion of a strong product pipeline for 2017 and beyond. The Company's core technologies and product ranges include: TruePrime™, a revolutionary new technology for whole genome amplification without the need for synthetic random primers, SunScript™, an innovative, highly thermostable reverse transcriptase for the transformation of RNA into DNA, RunBlue™ Electrophoresis, an innovative suite of products for separation and visualization of DNA and protein molecules, Versawave™ Spectroscopy to accurately and reproducibly determine DNA, RNA and protein concentrations in volumes as small as a droplet.

The flagship technology - TruePrime™ - is able to amplify the whole genomic information of cells or DNA from human beings or any other organism in a way that preserves the essential details of the genomic information better than the current gold standard in the market. SYGNIS has produced key data showing that especially important information on genetic differences (e.g. single nucleotide variants, SNVs) is better preserved than with competing technologies. TruePrime™ is based on a novel enzyme obtained from the thermophilic bacterium *Thermus thermophilus* called TthPrimPol. SYGNIS utilizes TthPrimPol's unique capability to synthesize DNA primers together with the highly processive Phi29 DNA polymerase to create a primer-free system of whole genome amplification.

SYGNIS launched several kits based on this platform technology and continues to develop products to supplement other elements of the workflow or additional core applications. Given TruePrime™'s superior sensitivity and accuracy, the amplification of cell free DNA (or circulating tumor DNA) has been identified as a valuable strategic opportunity for TruePrime™ technology. It is clear that a product in the oncology related liquid biopsy market, which increases the sensitivity and reliability, has significant commercial value.

In October 2016, SYGNIS launched the CovCheck™ kit for quality control of the whole genome amplification process. The product comprises an end point PCR method in a convenient 96-well plate format able to assess all human chromosomes in a single experiment. Due to its unique and proprietary design, CovCheck™ shows a strong correlation between the samples amplified and the real coverage obtained through whole genome sequencing. The product brings the next generation sequencing (NGS) analysis to a superior level of accuracy and reproducibility and is therefore poised to play a vital role in NGS workflows.

In addition to these innovative NGS products, SYGNIS has also launched additional proteomics products. Most notably a new range of RunBlue™ precast gel has been launched which seamlessly fits existing proteomics work flows. As with all RunBlue™ precast gels, this newest range is also based on the Company's proprietary composite photopolymerization technology which provides a more robust and reliable product with superior separation power. SYGNIS also continues to invest in the expansion of its manufacturing capabilities to ensure meeting to ever increasing demand from the market.

Financial analysis

SYGNIS business operations are focused on the development, the manufacturing as well as the marketing of new molecular biological technologies and the sale of own products based on various proprietary platform technologies for the next generation sequencing (NGS), proteomics and other molecular biology markets. There are not yet sufficient revenues to offset expenses, with the effect that negative results occur in the normal course of business. Results are in line with the Company's internal budget for 2016.

Earnings position

Since 1 August 2016, Expedeon and its subsidiaries Expedeon Ltd., Cambridge, UK, Expedeon Inc., San Diego, USA, as well as Expedeon Asia Pte. Ltd., Singapore, have been part of the consolidated group included in the consolidated interim financial statements of SYGNIS AG. Thus, all income and expenses linked with Expedeon have been included partially as of 30 September 2016 for the period 1 August until 30 September 2016.

Despite certain one-off expenses as part of the integration process of Expedeon in SYGNIS AG, the net loss of the Company for the first nine months of the current fiscal year amounting to € 2,143 thousand was significantly lower compared with the level of the previous year period (net loss as of 30 September 2015: € 2,779 thousand). This means a decrease in the Group's net loss of €636 thousand and a plus of more than 20%. This significant decrease of the net loss for the nine-months period of 2016, is mainly driven by considerably higher revenues (+€ 636 thousand), operating expenses that are slightly higher compared with the prior year period in spite of the integration process (+€ 82 thousand) and lower interest expenses (-€ 65 thousand).

Revenues

Revenues amount to € 976 thousand (previous year period as of 30 September 2015: € 307 thousand) consist of revenues from kit sales as well as sales from the proteomics business at least for the period of 1 August to 30 September 2016 since the first-time consolidation of Expedeon. Income from licensing business is slightly exceeding the previous year period's amount whereas revenues from product sales especially from the sale of kits continued developing positively which is in line with Management's expectations.

Operating expenses

Despite the integration efforts, operating expenses in total only slightly exceed the level of the prior year period. Higher sales expenses and the costs of goods sold due to the direct marketing of own products and applications have been compensated by significantly lower administration and research and development expenses.

Interest expenses

Interest expenses are clearly below the level of the previous year period since shareholder loans were repaid as well as swapped into equity.

Asset and financial position

With the successful cash capital increase as part of the acquisition of Expedeon Holdings Ltd., Cambridge, UK, in July 2016, cash and cash equivalents as of 30 September 2016 amounted to €4,585 thousand compared with €2,409 thousand at the end of the previous quarter (30 June 2016) and €4,557 thousand as of 31 December 2015. Cash outflow from operating activities amounted to €2,130 thousand (prior year period: €3,121 thousand). Cash outflow from investing activities amounted to €2,036 thousand (prior year period: €356 thousand). This significant increase was driven by cash outflows of € 1,700 thousand for the acquisition of Expedeon Holdings Ltd., Cambridge, UK, in 2016. Cash inflow from financing activities amounted to € 4,191 thousand (prior year period: €360 thousand) and was due to the cash capital increase of €5.3 million as described above after deducting capital increase costs of € 1,109 thousand.

After the acquisition of Expedeon and the consolidation into the interim financial statements of SYGNIS AG as of 30 September 2016 by way of full consolidation, the main assets were goodwill amounting to € 21,423 thousand, other intangible assets of € 4,795 thousand, and cash and cash equivalents of € 4,585 thousand. The balance sheet total significantly increased from €14,033 thousand as of 31 December 2015 to €34,449 thousand as of 30 September 2016 due to the acquisition of Expedeon and the capital increases against cash and against contribution in kind of € 20.5 million in summer 2016. The equity ratio of 86% was considerably higher compared to 31 December 2015 (74%). The current asset and financial position of SYGNIS AG are considered to be stable.

Opportunities and risks report

Financial risks

The liquidity level of SYGNIS AG as of 30 September 2016 amounted to €4.6 million. The liquidity requirement is calculated on the basis of a long-term financial plan derived from the business plan and a liquidity preview. Based on the current financial resources and considering the business plan assumptions, the Company's Management Board sees the operating expenses of SYGNIS as being covered until the break-even situation which is estimated to be reached at the end of 2017.

The business plan of SYGNIS AG comprises new products and applications based on various proprietary platform technologies for the next generation sequencing (NGS), proteomics and other molecular biology markets. In addition, there are several licenses in place i.e. SensiPhi™ (licensed to Qiagen), Caco-2 cell line (mostly used for pharmacokinetic assays in the pharmaceutical industry) as well as Double Switch (protein-protein interactions technology).

The business plan includes revenues from the direct sales of own products and revenues in the form of upfront payments and sales royalties. Since the kits had been launched and after the acquisition of Expedeon that has a wide range of products and applications for the proteomics area including the a broad customer base as well as onw sales force in the key marekts in USA, Europe and in large areas of Asia, SYGNIS covers the entire workflow of molecular biology. However, the revenue estimations are still uncertain and may differ from the actual amounts.

Other opportunities and risks of SYGNIS have not changed materially with regard to the Group Management Report 2015.

Employees

After the acquisition of Expedeon, the number of employees as of 30 September 2016 is 46.10 (full-time equivalents, including Management Board) (30 June 2016: 20.90/ 30 September 2015: 21.65).

Related party transactions

In the first nine months of the 2016 fiscal year the Company maintained business relationships with Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, where one member of the supervisory board of SYGNIS AG, Mrs. Dr. Cristina Garmendia, is one of the main shareholders of that Company. Since last year, SYGNIS Biotech S.L.U., Madrid, Spain, provided IT services to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain. On the other hand, since last year Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, provided consulting services for competitive projects to SYGNIS Biotech S.L.U., Madrid, Spain. For IT services rendered to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, SYGNIS Biotech S.L.U. charged €0.5 thousand per month to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain. For consulting services received from Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, for competitive projects, SYGNIS Biotech S.L.U., Madrid, Spain, paid €0.9 thousand per month to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain.

Due to a public soft loan SYGNIS received from Spanish institutions for its R&D activities in Spain, the main shareholder Genetrix S.L., Madrid, Spain, pledged 350,000 shares of its interest in SYGNIS AG to secure this loan. According to the agreement on the payment of a share pledge fee between SYGNIS and Genetrix S.L., Madrid, Spain, it was agreed that SYGNIS has to compensate Genetrix S.L., Madrid, Spain, for creating this pledge as a security for SYGNIS' fulfillment of its obligation arising from the public loan received from the Spanish institution by paying a so called share pledge fee. This fee accrues yearly at a rate of 3% calculated over the loan amount. 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 AG is deemed to be cash positive under the conditions according to the agreement on the payment of a share pledge fee between Genetrix S.L., Madrid, Spain, and SYGNIS.

As of 30 September 2016, there are two shareholder loans amounting to € 28 thousand outstanding that have been provided by Dr. Heikki Lanckriet in previous years to two subsidiaries of SYGNIS AG. These loans become due by June 2020 and have an interest rate of 7.0% p.a.

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

Significant events after 30 September 2016

SYGNIS to receive €1.9 million in non-dilutive R&D funding from the Spanish government

The Spanish Ministry of Economy and Competitiveness (MINECO), Department of Research and Development, has granted two soft loans under its prestigious and very competitive RETOS program to fund DNA research projects undertaken by SYGNIS in collaboration with the National Center for Molecular Biology, San Carlos Hospital and the R&D foundation Juan Dominguez. All collaborators are based in Spain. Through RETOS, the Spanish government is financing innovation and scientific research projects of high social and economic impact for small, medium-sized and larger enterprises by providing grants and interest-free or low-interest long-term soft loans.

The selection process of business projects for the RETOS program is very strict. The fact that SYGNIS was chosen amongst many candidates, validates the quality and high level of innovation in SYGNIS' research and development activities.

The soft loans have been granted for research and development activities undertaken by SYGNIS and its collaborators relating to SYGNIS' TruePrime™ and PrimPol™ technologies and the development of a cell-free DNA kit. SYGNIS is entitled to receive up to €1.2 million over a period of three years. The loan duration is ten years and interest rate is 0.06%. There is a grace period for the first three years of the loan. Up to €0.75 million will be received by SYGNIS' collaborators as government grants.

Registration of contribution in kind capital increase from acquisition of Expedeon

On 14 July 2016, SYGNIS successfully completed its rights offering and the subsequent private placement. Through this cash capital increase of € 5.3 million, issued capital increased by € 4,818,200.00 (nominal). The registration of the capital increase against contribution in kind of shares of Expedeon Holdings Ltd., Cambridge, UK, in SYGNIS AG at a subscription price of €1.10 per new share was registered on 19 October 2016. Thus, the issued capital of the Company amounted to € 37,341,980.00 following the registration of the contribution in kind capital increase.

Outlook

Since 1 August 2016, Expedeon and its subsidiaries Expedeon Ltd., Cambridge, UK, Expedeon Inc., San Diego, USA, as well as Expedeon Asia Pte. Ltd., Singapore, have been part of the consolidated group included in the consolidated financial statements of SYGNIS AG. Thus, beginning 1 August 2016, all income and expenses linked to Expedeon's business will be included in the consolidated financial statements of SYGNIS AG. This was reflected accordingly in the consolidated interim financial statements of SYGNIS AG as of 30 September 2016 where Expedeon income and expenses were included for the partial period 1 August through 30 September 2016. Given that the acquisition materially affected the Company's business plan, it is expected to impact SYGNIS' financial results for the fourth quarter of 2016 and going forward.

As a result of the acquisition, SYGNIS has new products and applications available, in addition to its existing products, based on various proprietary platform technologies for the next generation sequencing (NGS), proteomics and other molecular biology markets. In addition, there are several licenses in place: SensiPhi™ (licensed to Qiagen), the Caco-2 cell line (mostly used for pharmacokinetic assays in the pharmaceutical industry), and Double Switch (protein-protein interactions technology).

Following the acquisition of Expedeon in summer this year, SYGNIS is covering a much wider spectrum of the Life Science Market: from single cell genome to whole proteome with a much broader offering of products. The web portals of SYGNIS and Expedeon have been integrated and all SYGNIS products are now available through the Expedeon web shop. Furthermore, the marketing effort is being ramped up to support sales growth of the SYGNIS products through these newly acquired sales force and distribution channels. The Company continues to invest in the expansion of its sales channels and is actively exploring additional OEM and distribution opportunities whilst also expanding its own sales force in core markets.

During August and September 2016, the capabilities of Expedeon's sales force were significantly reduced due to the integration process and training on SYGNIS products. After the completion of the training, the Company expects to increase sales of these product ranges, beginning in the fourth quarter of 2016/early 2017.

In addition, SYGNIS will attend several scientific congresses in the fourth quarter of 2016 such as:

4-8 Oct. 2016	DNA Polymerases Meeting	Biarritz, France
11-12 Oct. 2016	4th Annual Single Cell Analysis and 6th NGS Asia Congress	Singapore
18-22 Oct. 2016	66th Annual Meeting of the American Society of Human Genetics	Vancouver, Canada
10-11 Nov. 2016	4th Single cell Analysis Congress	London, UK
3-7 Dec. 2016	ASCB Annual Meeting	San Francisco, USA

Moreover, SYGNIS will start providing bioinformatics services in the fourth quarter of 2016. These services will be offered by SYGNIS to support customers in the process of whole genome amplification analysis with special focus in single cell and cell free DNA. SYGNIS will be able to closely work together with its customers in order to improve the customer relationship furthermore and to facilitate the integration of our new technologies and applications in the customer's lab workflow in the future.

SYGNIS launched several kits based on the TthPrimPol platform technology (novel enzyme obtained from the thermophilic bacterium *Thermus thermophilus* called TthPrimPol) and continues to develop products to supplement other elements of the workflow or additional core applications. Given TruePrime™'s superior sensitivity and accuracy, the amplification of cell free DNA (or circulating tumor DNA) has been identified as a valuable strategic opportunity for TruePrime™ technology. The Company continues to develop and launch new products and innovations whilst investing in expansion of a strong product pipeline for 2017 and beyond.

In addition to these innovative NGS products, SYGNIS has also launched additional proteomics products. Most notably a new range of RunBlue™ precast gel has been launched which seamlessly fits existing proteomics work flows. As with all RunBlue™ precast gels, this newest range is also based on the Company's proprietary composite photopolymerization technology which provides a more robust and reliable product with superior separation power.

As part of the integration process, SYGNIS is moving all the manufacturing processes in Europe to the UK. The goal is to have all manufacturing processes merged in UK by end of 2016. This will optimize the organizational and cost structure of the whole Company. In addition, this will improve efficiency in the delivery as well as the stocking of the products and will increase the gross margins of the genomic product portfolio since the facilities in UK have a much higher level of automation.

The revenues for the remaining fiscal year 2016 as well as for fiscal year 2017 are dependent on the success of the sales strategy implemented since the acquisition of Expedeon and the marketing efforts. Assuming these commercialization activities are successful, the Management Board forecasts revenues for 2016 within a range of €1.7 million to €2.0 million, with a strong upside potential in 2017. Together with the positive synergies after the acquisition of Expedeon and additional cost reductions due to more efficient structures and processes in the administration, production and manufacturing and the research and development areas, operating expenses will be decreased further in order to improve the Group's net result situation.

Due to the development and the manufacturing of own products, research and development expenses will further decrease in 2016. Thus, sales and marketing expenses will increase due to the commercialization of own products. General administration expenses will decrease compared with 2015 due to optimization measures implemented during 2016. The Management Board forecasts the 2016 net loss to be significantly lower than 2015. During 2017, Management expects to hit break-even whereas reaching break-even based on a full fiscal year will be expected for 2018.

The financial resources available as of 30 September 2016 as well as the expected financial resources will provide SYGNIS with sufficient liquidity for the financing of the Company. Based on the current financial resources and considering the business plan assumptions, the Company's Management Board sees the operating expenses of SYGNIS as being covered until the break-even situation which is estimated to be achieved during 2017.

Heidelberg, 9 November 2016

Pilar de la Huerta
Co-CEO/CFO

Dr. Heikki Lanckriet
Co-CEO/CSO



SYGNIS AG, Heidelberg
Interim consolidated financial statements for the period
1 January to 30 September 2016

SYGNIS AG

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in €thousands)

	Note	30 September 2016	31 December 2015
ASSETS			
Property, plant and equipment.....	4	1.061	270
Goodwill.....	5	21.423	5.942
Other intangible assets.....	6	4.795	1.826
Deferred tax assets.....		0	420
Other Non-current assets.....		129	136
Non-current assets.....		27.408	8.593
Trade receivables.....	7	417	206
Inventory.....	8	1.577	100
Other current assets.....		463	577
Cash and cash equivalents.....		4.585	4.557
Current assets.....		7.041	5.440
Total assets.....		34.449	14.033
EQUITY AND LIABILITIES			
Issued capital.....	9	21.622	16.457
Capital reserves.....	9	25.067	8.749
Accumulated loss.....		(16.981)	(14.837)
Other comprehensive income.....		41	44
Equity.....		29.750	10.413
Deferred tax liabilities.....	10	167	0
Financial liabilities.....	11	2.419	1.913
Non-current liabilities.....		2.586	1.913
Financial liabilities.....	11	142	204
Trade payables.....		400	322
Other current liabilities.....		1.572	1.181
Current liabilities.....		2.113	1.707
Total equity and liabilities.....		34.449	14.033

SYGNIS AG

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

	Note	1 July - 30 September		1 January - 30 September	
		2016	2015	2016	2015
Revenues	12	657	111	976	307
Costs of goods sold		(221)	0	(267)	0
Expenses:					
Sales.....		(163)	(85)	(450)	(298)
Administration.....		(588)	(487)	(1.364)	(1.463)
Research and development.....		(377)	(443)	(1.063)	(1.265)
Other operating income.....		4	68	42	6
Total operating expenses		(1.345)	(947)	(3.102)	(3.020)
Results of operating activities		(688)	(836)	(2.126)	(2.713)
Finance costs.....		(13)	(28)	(23)	(88)
Earnings before taxes		(701)	(864)	(2.149)	(2.801)
Income tax.....		3	0	6	22
Net profit/loss for the period		(698)	(864)	(2.143)	(2.779)
thereof allocable to owners of SYGNIS AG		(698)	(864)	(2.143)	(2.779)
Exchange rate adjustments (after deducting deferred taxes of € 0 thousand)		(1)	(33)	(3)	38
Other comprehensive income (after taxes)		(1)	(33)	(3)	38
Total comprehensive income		(699)	(897)	(2.146)	(2.741)
thereof allocable to owners of SYGNIS AG		(699)	(897)	(2.146)	(2.741)
Earnings per share (diluted and undiluted)	13	(0,04)	(0,06)	(0,12)	(0,21)
Average number of shares outstanding.....	13	19.946.195	13.344.934	17.766.652	13.265.924

SYGNIS AG

CONSOLIDATED STATEMENT OF CASH FLOWS (in €thousands)

	1 January to 30 September	
	2016	2015
Operating activities:		
Net loss for the period	(2.143)	(2.779)
Reconciliation of net profit/loss to cash flow from operating activities:		
Depreciation of property, plant and equipment.....	52	36
Amortisation and impairment of intangible assets.....	213	272
Losses (gains) on the sale of property, plant and equipment and intangible assets.....	0	(71)
Other non-cash items.....	17	109
Share-based payment expense.....	0	5
Change in operating assets and liabilities:		
Trade receivables.....	(212)	(119)
Other current assets.....	(510)	17
Trade payables.....	78	(202)
Other current liabilities.....	391	(343)
Deferred taxes.....	(10)	(39)
Cash outflow from operating activities.....	(2.123)	(3.114)
Interest paid.....	(6)	(7)
Net cash outflow from operating activities.....	(2.130)	(3.121)
Investing activities:		
Investments in property, plant and equipment and intangible assets.....	(28)	(113)
Investments in development expenses recognized as an asset.....	(309)	(295)
Proceeds from the sale of property, plant and equipment and intangible assets.....	0	71
Payments for long term security deposits.....	0	(19)
Payments for the acquisition of subsidiaries and business units.....	(1.700)	0
Cash outflow from investing activities.....	(2.036)	(356)
Financing activities:		
Cash inflow due to capital increase (minus capital increase costs of €1,109 thousand).....	4.191	360
Cash inflow from financing activities.....	4.191	360
Net change in cash and cash equivalents.....	25	(3.117)
Exchange differences.....	3	(38)
Cash and cash equivalents at the beginning of the period.....	4.557	3.764
Cash and cash equivalents at the end of the period.....	4.585	609

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 30 September 2016. As of 30 September 2016, cash outflows for investing activities include an amount of €309 thousand (30 September 2015: €295 thousand) for the expansion of the operating business.

The payments for the acquisition of subsidiaries and business units amounting to € 1,700 thousand resulted from the acquisition of the shares in Expedeon Holdings Ltd., Cambridge, UK in 2016.

SYGNIS AG

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

	Issued capital		Capital reserves	Accumulated loss	Other comprehensive income		Total equity
	Number	Amount			Accumulated exchange differences	Total	
1 January 2015	10.822.662	10.823	8.698	(10.826)	(353)	(353)	8.342
Capital increases against cash	2.522.272	2.522	(2.162)				360
Expenses from share-based compensation			5				5
Result recorded directly in equity					38	38	38
Net loss for the year				(2.779)			(2.779)
Total comprehensive income			5	(2.779)	38	38	(2.736)
30 September 2015	13.344.934	13.345	6.541	(13.605)	(315)	(315)	5.966
1 January 2016	16.457.486	16.457	8.749	(14.837)	44	44	10.413
Capital increases against cash	4.818.200	4.818	482				5.300
Capital increases against contribution in kind			17.292				17.292
Reclassification of capital increases against cash	30.616	31	(31)				0
Reclassification of capital increases against contribution in kind	315.789	316	(316)				0
deducting capital increase costs (€378 thousand)			(1.109)				(1.109)
Result recorded directly in equity					(3)	(3)	(3)
Net loss for the year				(2.143)			(2.143)
Total comprehensive income				(2.143)	(3)	(3)	(2.146)
30 September 2016	21.622.091	21.622	25.067	(16.980)	41	41	29.750



SYGNIS AG

**Selected notes to the consolidated interim financial statements
for the first nine months ended 30 September 2016**

A. Basis of presentation

1. Basis and operations of the Company

SYGNIS AG, Heidelberg (hereinafter referred to as "SYGNIS" or "the Company") is a biotech Company listed on the Prime Standard segment of the Deutsche Börse, the main German stock exchange. The Company is focused on the development and marketing of new molecular diagnostic technologies, e.g., in the field of DNA amplification and sequencing. In August 2016, Expedeon Holdings Ltd., Cambridge, UK, was acquired and became a subsidiary of SYGNIS AG. As a result of this corporate transaction, the business activities of SYGNIS also now include the proteomics field. This new area includes a portfolio of products and applications for protein purification, detection and analysis. Thus, SYGNIS covers the entire workflow of molecular biology.

SYGNIS' abbreviated consolidated interim financial statements for the first nine months ended 30 September 2016 were prepared in accordance with the International Financial Reporting Standards (IFRSs) in force at that date. All mandatory standards and announcements of the International Financial Reporting Standards Interpretations Committee (IFRS IC) have been adopted, provided they have been approved by the European Union. The rules of International Accounting Standard (IAS) 34 "Interim Financial Reporting" have also been adopted. These consolidated interim financial statements as of 30 September 2016 are to be read in conjunction with the consolidated financial statements as of 31 December 2015.

As of 1 August 2016, Expedeon Holdings Ltd., Cambridge, UK, and its subsidiaries Expedeon Ltd., Cambridge, UK, Expedeon Inc., San Diego, USA, as well as Expedeon Asia Pte. Ltd., Singapore, became part of the consolidated group included in the consolidated financial statements of SYGNIS AG. Thus, beginning 1 August 2016, all assets and liabilities subject to the Expedeon acquisition were included in the consolidated interim financial statements of SYGNIS AG as of 30 September 2016. All income and expenses linked to Expedeon's business were included for the partial period 1 August until 30 September 2016 in the consolidated interim financial statements of SYGNIS AG for the nine months ending 30 September 2016.

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

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

2. General information

New Accounting Regulations

Since 1 January 2016, no IFRSs have been adopted that would have a material impact on the Company's consolidated financial statements.

3. Summary of significant accounting policies

The accounting policies adopted in the consolidated interim financial statements as of 30 September 2016 remain unchanged with respect to the accounting policies adopted in the consolidated financial statements as of 31 December 2015. A description of these policies is published in the notes to the consolidated financial statements as of 31 December 2015. This report is also available on the Company's website at <http://www.sygnis.com>.

In accordance with IFRS 8 the financial result of the segments is reported using the management approach. The internal organization 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 AG as a whole. Therefore, the SYGNIS is managed in one single segment for segment reporting purposes, such that no separate reporting is required.

B. Additional balance sheet and income statement information

4. Property, plant and equipment

In €thousands	Useful life	<u>30 Sept.</u> <u>2016</u>	<u>31 Dec.</u> <u>2015</u>
Properties	30 to 50 years	404	0
Other equipment, factory and office equipment	5 to 15 years	<u>657</u>	<u>270</u>
		<u>1,061</u>	<u>270</u>

The properties include the office and production building owned by Expedeon in Cambridge, UK.

5. Goodwill

The Goodwill of € 21,423 thousand includes on the one hand an amount of € 15,481 thousand from the acquisition of Expedeon Holdings Ltd., Cambridge, UK, and its subsidiaries and on the other hand € 5,942 thousand arising from the Reverse Acquisition of SYGNIS AG by SYGNIS Spain in the 2012 fiscal year. The goodwill was allocated to SYGNIS as the cash generating unit.

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

6. Other intangible assets

In €thousands	Useful life	<u>30 Sept.</u> <u>2016</u>	<u>31 Dec.</u> <u>2015</u>
Acquired patent and licence rights	10 to 20 years	3,089	310
Capitalized development expenses	5 years	1,617	1,451
Software licenses and other licenses	3 to 10 years	<u>89</u>	<u>65</u>
		<u>4,795</u>	<u>1,826</u>

Acquired patent and licence rights

Acquired patent and licence rights were resulting from the acquisition of Expedeon Holdings Ltd., Cambridge, UK, and its subsidiaries where patents and licence rights of €2,839 thousand have been acquired. In addition, this position contains the value of the marketing possibilities for patent rights relates to protein-protein interactions ("DoubleSwitch") and to the Caco-2 cell lines. The carrying amounts as of 30 September 2016 were €151 thousand for Double Switch and €125 thousand for Caco-2.

Capitalized development expenses

The Company has capitalized development expenses amounting to €1,617 thousand which relate mainly to the development of RT enzymes, Phi29 and PrimPol.

7. Trade receivables

Trade receivables amount to € 417 thousand as of 30 September 2016 (31 December 2015: € 206 thousand) and include allowances for doubtful accounts of € 54 thousand (31 December 2015: € 15 thousand). The aging structure of trade receivables as of 30 September 2016 is the following:

- € 241 thousand (not due)
- € 126 thousand (due since < 30 days) and
- € 50 thousand (due > 30 days).

The payment terms agreed with customers is approx. 14-60 days.

8. Inventories

Inventories relate to raw materials and consumables as well as work in progress and finished goods and amount in total to € 1,577 thousand. The increase compared to the previous year amount (31 December 2015: € 100 thousand) is mainly due to the acquisition of Expedeon where inventory stock of € 1,424 thousand measured at fair value as part of the purchase price allocation have been acquired.

In €thousands	<u>30 Sept. 2016</u>	<u>31 Dec. 2015</u>
Raw materials and consumables	222	34
Work in progress	81	0
Finished goods	<u>1,274</u>	<u>66</u>
	<u>1,577</u>	<u>100</u>

9. Equity

In the nine months of the current fiscal year, the capital increase of € 315,789.00 (nominal) by way of a contribution in kind of the main shareholder Genetrix S.L., Madrid, Spain, was registered on 17 March 2016 at the commercial register. Furthermore, another capital increase of € 30,616.00 (nominal) that was registered on 1 February 2016, was reclassified from capital reserves to issued capital accordingly.

On 14 July 2016, SYGNIS has successfully completed its rights offering and the subsequent private placement. Through these transactions, including the contribution in kind, the Company's share capital increased by €20,538,089.00 from €16,803,891.00 to €37,341,980.00 through the issue of 20,538,089 shares by way of a rights offering. Existing shareholders subscribed a total number of 3,016,734 new shares. Further 1,801,466 shares were placed at a subscription price of €1.10 per share with qualified investors in a subsequent rump placement, which resulted in gross proceeds of €5.3 million. 15,719,889 remaining shares were successfully subscribed by Expedeon shareholders against contribution in kind.

The cash capital increase of €5.3 million was registered on 2 August 2016 resulting in an increase of the issued capital by € 4,818,200.00 (nominal). The registration of the capital increase against contribution in kind of shares of Expedeon Holdings Ltd., Cambridge, UK, in SYGNIS AG at a subscription price of 1.10 € per each new share was registered on 19 October 2016.

Thus, the issued capital of the Company amounts to € 21,622,091.00 as of 30 September 2016 whereas issued capital increased to € 37,341,980.00 after the registration of the described contribution in kind capital increase on 19 October 2016.

10. Deferred taxes

As of 30 September 2016, deferred tax liabilities amount to € 167 thousands (31 December 2015: € 420 thousand [(net)deferred tax asset]). The amount of deferred tax liabilities includes an amount of € 597 thousand (net) from the first-time consolidation of Expedeon Holdings Ltd., Cambridge, UK, and its subsidiaries in SYGNIS AG interim consolidated financial statements as of 30 September 2016 as well as deferred tax assets on tax loss carry forwards and R&D Credits for 2015 in Spain amounting in total to € 430 thousand. Allowances on the carrying amount of the remaining deferred tax assets are recorded if realisation of the expected benefits from the deferred taxes are not more likely than not. The estimate made can be subject to change over time, which can then lead to an increase or reversal in subsequent periods.

11. Financial liabilities

Non-current financial liabilities
break down as follows:

	<u>30. Sept.</u> <u>2016</u>	<u>31. Dec.</u> <u>2015</u>
In €thousands		
Bank loans	249	0
Shareholder loans	165	0
Soft loans	<u>2,005</u>	<u>1,913</u>
	<u>2,419</u>	<u>1,913</u>

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

Bank loans are secured. The duration is up to 5 years. The bank loan secured by a mortgage has a duration of up to 2034. The shareholder loans have a duration up to 5 years and an interest rate of 7% p.a.

The company as measured the financial liabilities at amortised costs applying the effective-interest-method.

Current financial liabilities
break down as follows:

	<u>30. Sept.</u> <u>2016</u>	<u>31. Dez.</u> <u>2015</u>
In €thousands		
Bank loans	61	0
Shareholder loans	28	0
Soft loans	38	204
Others	<u>14</u>	<u>0</u>
	<u>142</u>	<u>204</u>

Current financial liabilities become due within the next twelve months.

12. Revenues

Composition of revenues:

In €thousands	<u>30 Sept.</u> <u>2016</u>	<u>30 Sept.</u> <u>2015</u>
Product sales	811	65
License business	<u>165</u>	<u>242</u>
	<u>976</u>	<u>307</u>

Revenues from product sales already include revenues from the proteomics business of Expedeon for the period 1 August until 30 September 2016 since the first-time consolidation of Expedeon in SYGNIS AG consolidated interim financial statements as of 30 September 2016.

C. Other Information

13. Earnings per share

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

(In €thousands, except share and per-share data)	<u>1 January – 30 Sept.</u>	
	<u>2016</u>	<u>2015</u>
Numerator		
Net loss for the period.....	<u>(2,143)</u>	<u>(2,779)</u>
Denominator		
Weighted averages of shares outstanding.....	17,766,625	13,265,924
Earnings (basic and diluted) per share	<u>(0.12)</u>	<u>(0.21)</u>
(basic = diluted)		

14. Other Statements

Shares and subscription rights held by executive officers

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

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

Shares	1 January 2016	additions	disposals	30 Sept. 2016
<u>Management Board</u>				
Pilar de la Huerta (Co-CEO/CFO)	0	0	0	0
Dr. Heikki Lanckriet (Co-CEO/CSO)	0	0	0	0
	0	0	0	0
<u>Supervisory Board</u>				
Dr. Cristina Garmendia Mendizábal	0	3,715	0	3,715
Joseph M. Fernández	0	0	0	0
María Jesús Sabatés	0	0	0	0
Dr. Franz Wilhelm Hopp	0	0	0	0
Dr. Trevor Jarman (since 20 June 2016)	0	0	0	0
Tim McCarthy (20 June 2016)	0	0	0	0
Dr. Friedrich von Bohlen und Halbach (until 20 June 2016)	87,797	0	0	87,797
Pedro-Agustín del Castillo Machado (until 20 June 2016)	0	0	0	0
	87,797	3,715	0	91,512

Responsibility statement by the Executive Board

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

Heidelberg, 9 November 2016

Pilar de la Huerta
Co-CEO/CFO

Dr. Heikki Lanckriet
Co-CEO/CSO

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Editorial

SYGNIS AG

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