2017 Marinomed Biotech AG

Annual Report 2017

Innovative therapies and unique solutions
Solving the un(dis)solvable

Marinomed researches and develops pioneering technology platforms that pave the way for innovative therapies to treat respiratory and ophthalmic conditions. We devise new patents, brands and products on the basis of scientific ideas.

Our approved products derived from the Carragelose® platform have a proven track record spanning several years throughout the world. We are continuing to develop this platform. The first product from the promising new Marinosolv® technology platform is about to be the subject of a pivotal clinical Phase III approval study.

27

Employees as
at December 31, 2017

4.8

Revenues
increased from
EUR 2.6 million to
EUR 4.8 million

2.2

R&D expenses
in EUR million

6.0

Cash and cash
equivalents in 2017
EUR 6.0 million

7.0

Convertible bond
successfully placed
in 2017
EUR 7.0 million

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Milestones

2006
Marinomed Biotechnologie GmbH is founded

Seed investment via aws, investment by Acropora

2007
Development of Carragelose® platform

2008
Market launch of the first Carragelose® product and equity investment by Acropora

2010
Licensing partnership with Boehringer Ingelheim, initially for 54 countries

2011
Approval of Carragelose® products in 22 additional countries

Development of an independent sales network with outsourced production and logistics begins

First-time investment by ARAX Capital Partners (atypical silent partner)

2012–2016
Further product launches and sales partnerships

2016
Revenues double thanks to the sale of Carragelose® products

Development of and feasibility study for Marinosolv® technology platform

Completion of a joint round of funding involving aws Mittelstandsfonds Beteiligungs GmbH & Co KG, Invest Unternehmensbeteiligungs AG, together with investors from the management team and Company environment

2017
Revenues double again thanks to the sale of Carragelose® products in existing and new markets

The Company becomes a stock corporation

Issue of a convertible bond worth a total of EUR 7 million with a conversion option in the event of an IPO

Carragelose® website directly contributes to branding

Development of a decongestant Carragelose® medical device; launch scheduled for 2018

Marinosolv® makes the leap from the laboratory to the clinic: the anti-allergy development project Budesolv is suitable for direct clinical testing in a pivotal Phase III study. Once the primary endpoint is reached, rapid approval is possible, allowing the product to be launched on the market earlier than expected.

Marinomed at a glance

Marinomed Biotech AG ("Marinomed" or the "Company") is a biopharmaceutical company. It was founded in 2006 as a spin-off of the University of Veterinary Medicine in Vienna, which is also home to the Company's headquarters, offices and laboratories.

The Company focuses on the development of innovative products based on patent-protected technology platforms in the field of respiratory and ophthalmic diseases. Marinomed has received multiple prestigious research awards for its activities. The Company has developed two platforms to date – the Carragelose® platform and the Marinosolv® technology platform.

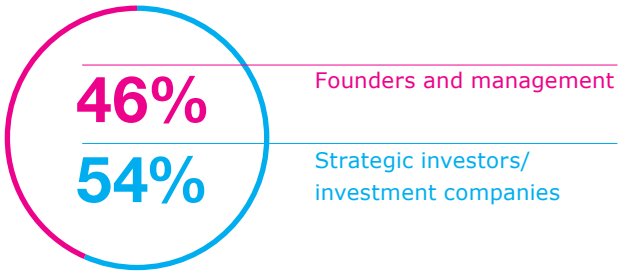
Carragelose® is already used in five different products to treat viral infections of the respiratory system, which are sold in most parts of the world via the Company's partners. Marinomed has generated increasing revenues via Carragelose® and has ambitious growth targets for the platform.

Marinosolv® enhances the efficacy of hardly soluble compounds. This innovative technology has the potential to change a number of therapies for allergies and auto-immune diseases in the long term. The flagship product from the Marinosolv® technology platform is about to be the subject of a pivotal Phase III approval study.

Marinomed generated revenues of EUR 4.8 million in the 2017 fiscal year, primarily thanks to sales of its approved products. Its research and development expenses totalled EUR 2.2 million. Staff at Marinomed amounted to 27 at the end of 2017 and were mainly employed in research and development.

Owners

The founders and management team own around 46% of Marinomed, while the remaining shares are held by strategic investors or holding companies. ARAX Capital Partners (*www.arax.at*) is also an atypical silent partner in the business via three holding companies.



Strategy

Marinomed's aim is to achieve-long term profitability via the exploitation and commercialisation of a strong technology portfolio. The Company's entrepreneurial and scientific autonomy during this process is a key objective for the founders and management of Marinomed.

Lean business model

Marinomed researches, develops and commercialises pioneering technology platforms. Thanks to a high level of research, the Company creates intellectual property, which is protected via patents and brands. Marinomed uses its technology platforms to develop biopharmaceutical products for manufacture and sale via partners and/or licences after obtaining approval or a declaration of conformity for medical devices. By outsourcing the cost-intensive components of the value chain, Marinomed has achieved a lean, asset-light business model in tandem with strong growth.

Products are manufactured by various producers in Western Europe on behalf of Marinomed. Its sales partners, most of which are well-known pharmaceutical firms, obtain licences from Marinomed to sell its products for particular geographical regions. With relatively little input, this approach enabled the Company to supervise and organise 12 partners in the sale of its products across more than 25 countries in 2017.

Two-pillar strategy

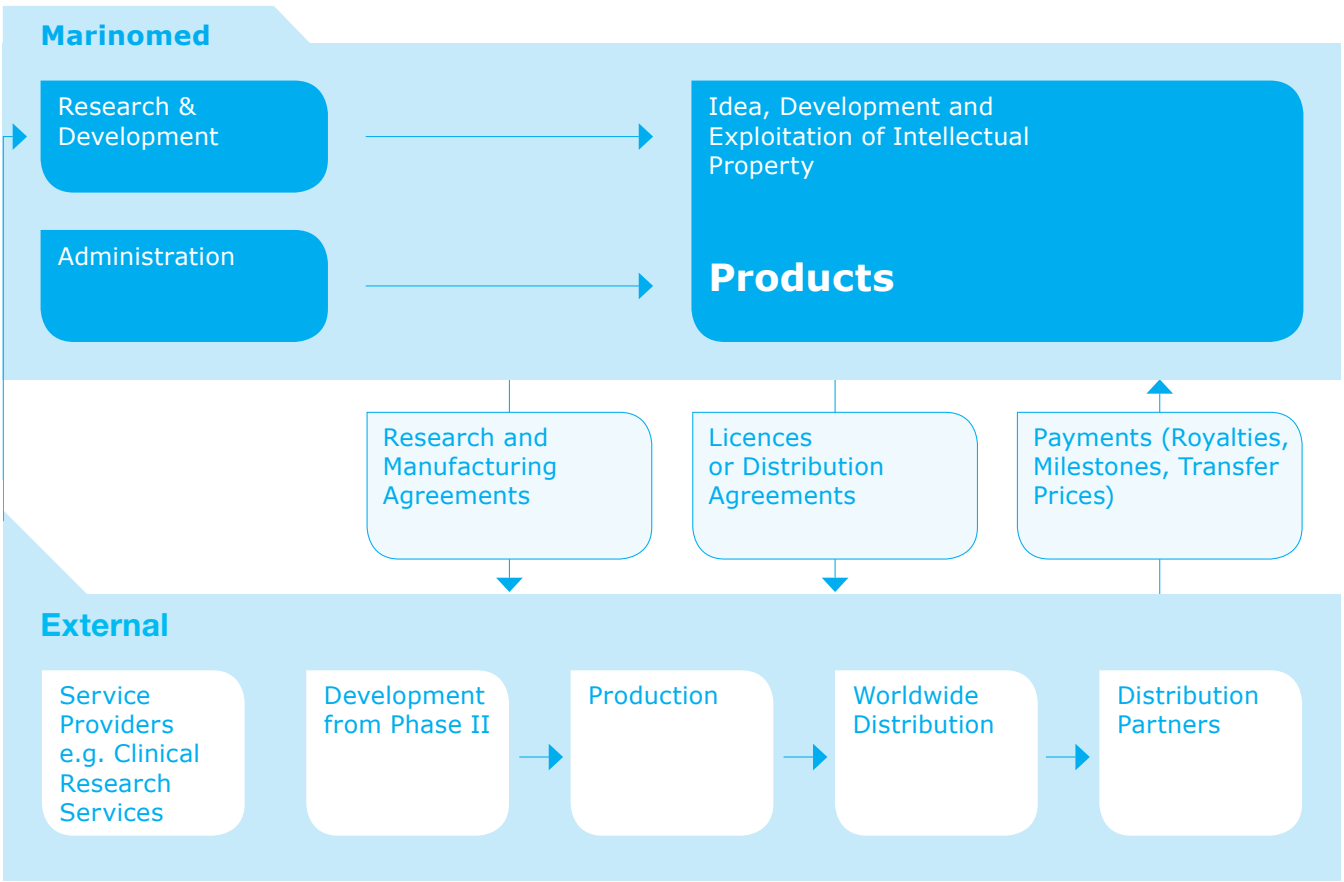
Unlike many conventional biotechnology companies, Marinomed is already generating revenues from the Carragelose® platform and the sale of its products, as well as pursuing its research and development activities.

The Company's concept involves conducting research and development programmes over several years before the first significant returns can be realised. Accordingly, the current losses (negative EBIT) are in line with the Company's strategy.

Marinomed has simultaneously managed to develop marketable products, license them to well-known international partners and build up an external sales network within a short space of time. It plans to generate further revenue growth by gaining access to new markets and rolling out more products on the existing markets.

During the short history of the Company, Marinomed's research and management team has already demonstrated its success in the research, development and marketing of its products.

Marinomed business model



Strategic goals

Marinomed's mid-term objective is to become a leading niche player in the global market for OTC medicines to treat coughs, colds and allergies via its Carragelose® products and to modify the treatment of these illnesses from purely symptomatic to causal therapy.

Once they have been approved, the Marinosolv® technology platform and the products derived from it will also be marketed via partners. The universality of these platforms allows Marinomed to provide the technology itself under technology licences, as well as the various products. This will also become a key source of income going forward.

Technology platforms

Carragelose®

The Carragelose® platform comprises innovative patent-protected products targeting viral infections of the respiratory tract. Carragelose® is based on a red algae compound that can treat more than 200 different strains of virus.

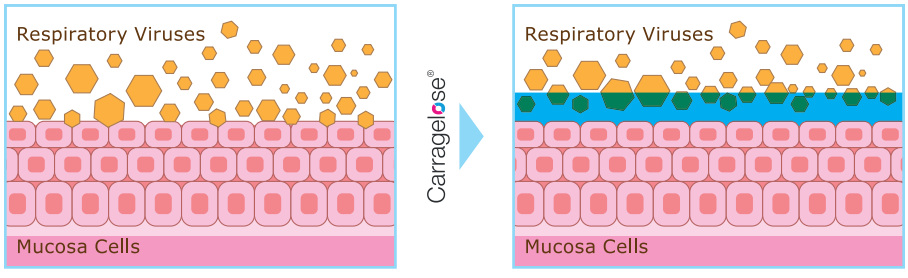
The Carragelose® polymer forms a physical barrier on the nasal and oral mucosa to prevent viruses from attaching to cells. This can prevent or noticeably reduce the duration of a cold. At the same time, the compound forms a soothing and moisturising barrier on the nasal cavity.

The Company made its debut on the market in 2008 with a medical device in Austria. Carragelose® is now used in five different nasal and throat products which are sold in most countries of the world via Marinomed's partners: three nasal sprays in different doses (one of which is for children), a throat spray and lozenges. Other versions of the products such as different flavours of lozenges and throat spray are in the pipeline.

Marinomed began to develop a marketable anti-viral medical device with decongestant properties on a physical basis in 2017. This was a new nasal spray to combat the replication of viruses and release blocked airways. Marinomed obtained certification as a Class Is medical device in July 2018.

A series of additional products is currently in the development stage. This will ensure that Marinomed continues to supply the market for cold medicines with innovative products in future.

Mode of action of Carragelose®



Marinosolv®

In 2015, Marinomed succeeded in increasing the bioavailability of hardly soluble compounds to treat sensitive tissues such as nose and eyes via the Marinosolv© technology platform. Marinosolv® is currently registered as a patent in all of the Company's internationally important target markets.

As it is often not possible to use solutions such as alcohol on mucous membranes, nasal sprays – to treat allergic rhinitis, for example – contain undissolved particles of the medicinal product. Marinomed has developed a technology to dissolve these compounds and enhance their bioavailability.

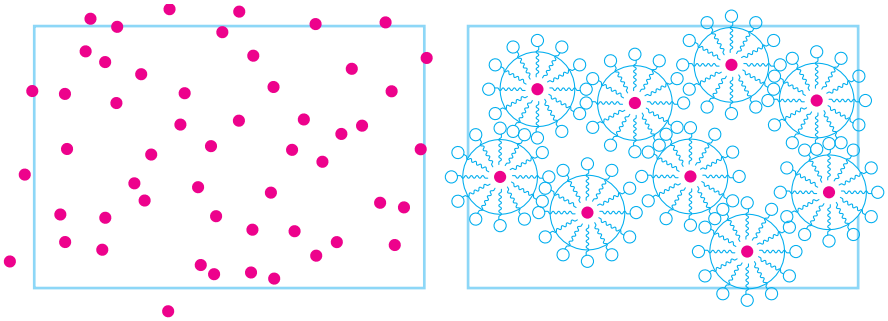
This allows the dose to be lowered, while boosting the drug's efficacy at the same time. The lower dose can also reduce undesirable side effects and costs.

Marinomed initially uses the technology in familiar compounds such as corticosteroids for well-known applications to treat allergies. However, as Marinosolv® is not limited to specific drugs or indications, it may be used for other applications, offering a vast amount of potential.

Clinical trials for the first product from this technology platform, budesonide dissolved in Marinosolv® (Budesolv), were prepared in 2017. The National Scientific Advice of the Austrian medicines authority found that there are sufficient data available for an approval study to be conducted directly on humans. This means that Marinomed can begin its Phase III study in autumn 2018, which is earlier than expected.

An ophthalmic product is also in the process of development.

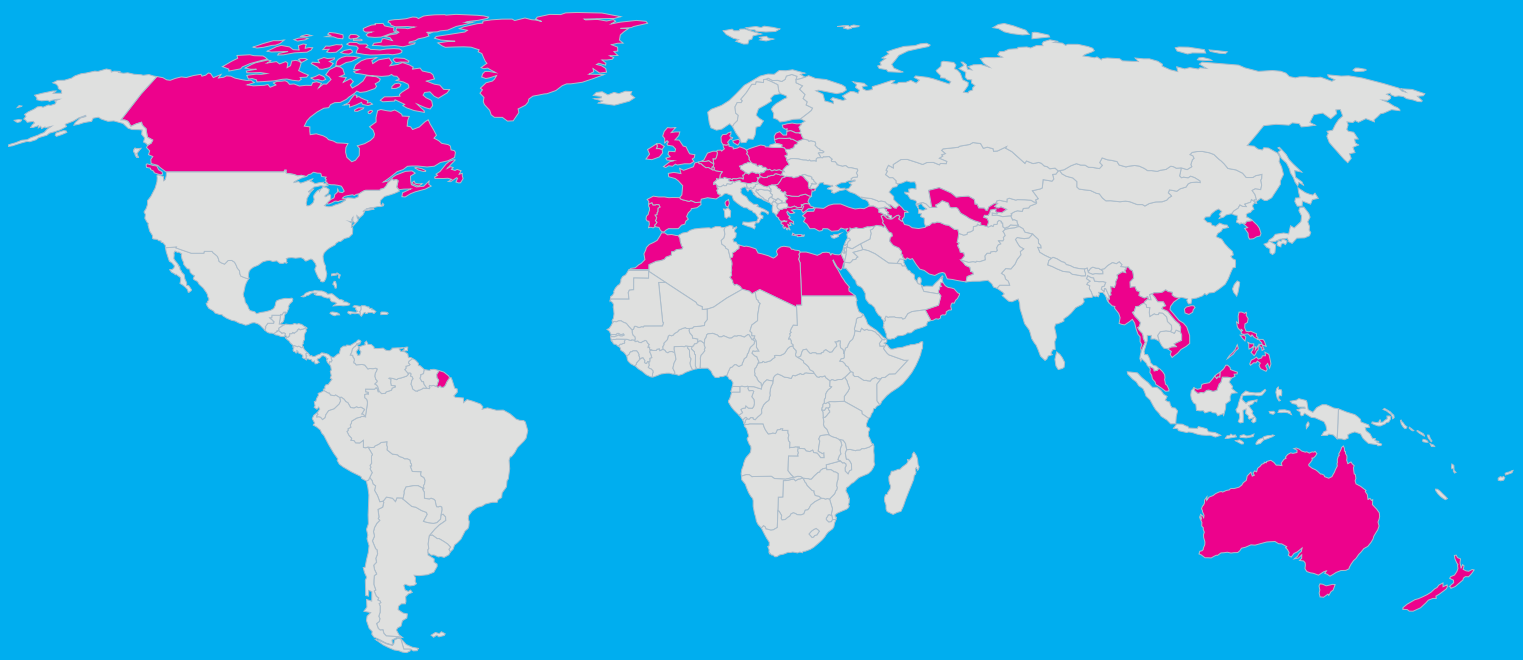
Aqueous formulation
of hardly soluble products



Suspended Particles

Stable Micelles by means of Marinosolv®

Product launches



Markets and sales

Markets and sales

Marinomed concludes licensing and sales agreements with pharmaceutical firms and pharmacy chains whose research and development capacities do not focus on OTC medicines. Most are well-known companies that do not yet have this type of product in their portfolios and are aiming to enter the market.

Marinomed allows the products to be manufactured according to the clients' design under its sales partnerships and sold as retail products. As a result, Marinomed's Carragelose® products were available on the market under its sales partners' own brands in more than 25 countries worldwide in 2017. Most of the pharmaceutical companies also use their licences to list Carragelose® in the product description, which ensures that Marinomed is visible on most products via the brand.

Growth

Marinomed sees a whole host of growth opportunities in the coming years stemming from access to markets in other countries and new partnerships in significant countries, as well as from additional Carragelose®-based products. The Marinosolv® technology platform also harbours huge market potential via its initial product and follow-up products once it is approved for the market.

Management

Management board

Andreas Grassauer, Chief Executive Officer

Andreas Grassauer was one of the founders of Marinomed in 2006 and has been the Company's CEO since then. He previously built up other high-tech businesses having raised capital from private and public sources. He has successfully completed several funding rounds since Marinomed was established. Mr. Grassauer is co-inventor of several patents and patent applications for the Carragelose® and Marinosolv® platforms, which are all held by Marinomed. He holds a doctorate in biotechnology with a focus on virology from the University of Natural Resources and Life Sciences, Vienna.

Eva Prieschl-Grassauer, Chief Scientific Officer

Eva Prieschl-Grassauer was also one of the founders of Marinomed in 2006 and has been the Company's CSO ever since. She has more than 20 years' experience in drug development. Prior to her role at Marinomed she headed up an allergy programme for Novartis, as part of which she described the mechanism of action of a medicine to treat multiple sclerosis. Ms. Prieschl-Grassauer has published numerous academic articles. She holds a doctorate in biology with a focus on immunology from the University of Vienna.

Extended management team

Helmut Baranyovszki, Head of Finance and Administration

Helmut Baranyovszki joined Marinomed in 2011, initially as an experienced external consultant. Since 2017 he has been a member of staff with a general commercial power of attorney. He previously held various management functions in the IT, biopharmaceutical and medical technology sectors, including positions as CFO and COO at the Novartis Institutes for BioMedical Research, Vienna. Mr. Baranyovszki holds an MA in business and social sciences from the Vienna University of Economics and Business. He completed an MBA programme at California State University Hayward and holds a Master of Business Administration and Master of Laws and Economics from Imadec® University in Vienna.

Renate Moser, Head of Business Development

Renate Moser has worked for Marinomed since 2015. As an experienced independent consultant, she initially supported business development. She has been a member of staff with a general commercial power of attorney since January 2018. Ms. Moser previously spent 15 years working in the fields of product management and marketing within the diagnostic and pharmaceutical industry, as well as in business development and licensing at one of Austria's largest pharmaceutical companies. She holds a doctorate in biology and biochemistry from the University of Graz.

Letter to the shareholders

Dear reader,

We made significant progress at Marinomed in the 2017 fiscal year. Our research and development platforms achieved growth that proved to be considerably faster and better than expected. With a successful convertible bond issue, we also succeeded in securing attractive terms for funding our growth plans. All in all, we are very satisfied with our performance in recent months and are looking forward to the future with optimism.

Besides the further development and expansion of our Carragelose® platform, the 2017 fiscal year was defined by developments in the second technology platform, Marinosolv®. During the reporting period we made the leap from the experimental stage towards clinical trials. After we were able to skip Phase II, the clinical Phase III study is set to commence as soon as October 2018, which is earlier than anticipated. The successful conclusion of the study, approval of the first product and ongoing development of the technology platform are the next steps envisaged by the Company.

In contrast to most conventional biotech companies with a product pipeline that is only in the development stage, Marinomed has been generating revenues from the sale of its existing Carragelose® products for many years. We more than doubled these revenues for the second consecutive year in 2017. With total revenues of EUR 4.8 million, we exceeded our own expectations. Investments in our research and development programmes, particularly the Marinosolv® technology platform including the preparation of clinical studies, continued to exceed revenues. We therefore require external funding if we do not wish to restrict the projects we tackle. This was the backdrop to the Company's changing its legal form to a stock corporation and its issuance of a convertible bond in July 2017.

The admission to trading of the convertible bond on the Third Market of the Vienna Stock Exchange and our other international growth plans also prompted the decision to prepare our annual financial statements pursuant to the IFRS accounting standards in future.

As part of our growth strategy, we have also made additions to our personnel: Pascal Schmidt has strengthened our team since he was appointed CFO in August 2018. He has an in-depth financial background and expertise in the fields of business development and M&A.

It has now been 12 years since we founded Marinomed. We were driven by a desire not just to obtain scientific findings, but to use them to develop technologies and products beneficial to patients. We still have countless ideas today. Our core mission at all times is to filter out those ideas that are scientifically feasible, address a real medical problem, can be funded and whose implementation or patent protection have the prospect of turning a profit.

Above all, we would therefore like to thank our investors for supporting our ideas and Marinomed’s scientific abilities. We also thank our customers for the trust they have placed in our ability to innovate, both now and in the future.

Andreas Grassauer Eva Prieschl-Grassauer

Report on the fiscal year

2017

Market environment

As a biopharmaceutical company, Marinomed is firmly established in the global pharmaceutical and biotechnology market environment.

Pharmaceutical market

Marinomed's primary role on the pharmaceutical market is in the over-the-counter (OTC) space. The OTC market comprises drugs that can be sold directly to consumers without a doctor's prescription. This applies to all of Marinomed's Carragelose® products that are currently authorised for sale.

According to experts from Nicolas Hall (Nicholas Hall's OTC YearBook 2018), the sub-segment of coughs, colds and allergies was the second largest category of the OTC market in 2017 with global revenues of some USD 28 billion. Growth of 5% p.a. is expected in the subsequent years to around USD 35 billion in 2022. The highest growth rates – at 9% – are expected in Latin America, with the lowest – at just 1% – in Japan.

The market environment is characterised by intense competition, strict regulations and fragmented distribution networks. Above and beyond product development and brands, it is therefore essential to be able to bring innovations to the market. With an innovative, patent-protected product portfolio as well as highly specialised distribution partners in the various countries and regions, Marinomed believes it is ideally prepared for this challenge.

Biotechnology industry

The strong growth in the global biotechnology industry has slowed down slightly in recent years. According to experts from EY (EY Biotechnology Report 2017), growth has come in at around 7% in the past few years, with this trend set to continue.

Increasing spending on research and development and the potential for newly established biotech companies to mobilise significant volumes of risk capital also point to a positive trend in the sector.

Austria

The pharmaceutical and biotechnology industries also play a significant role in the Austrian economy. Over the past few years numerous companies have achieved great success, for example by obtaining market approvals for drugs. There have also been major takeovers alongside funding rounds. In the fiscal year 2017, Marinomed successfully raised capital by issuing a convertible bond.

Business performance

In line with the two technology platforms, Marinomed reports separately for the Carragelose and Marinosolv operating segments. Business performance is characterised by different factors in the two segments. It is essential that these are taken into account in any analysis of the earnings situation.

Carragelose business area

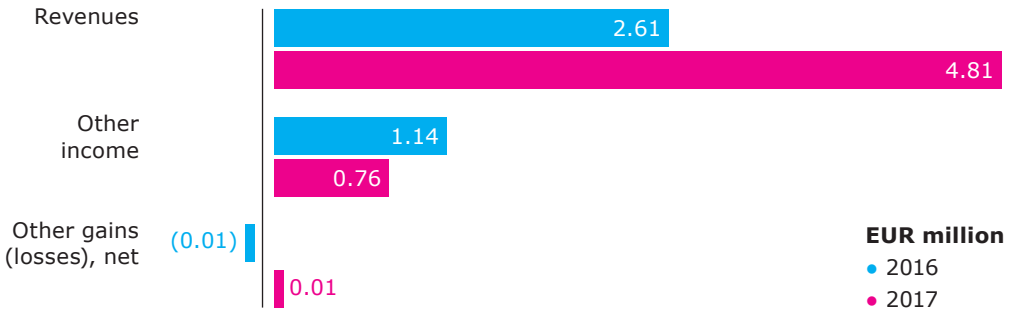
The Carragelose® platform business area for treating cold-related illnesses continued to exhibit a highly dynamic performance in 2017. This business area encompasses sales and distribution of the existing Carragelose® products alongside ongoing research and development. Following an increase of 136% in the fiscal year 2016, product sales more than doubled once again in the 2017 reporting period. With total revenue surging from EUR 2.61 million to EUR 4.81 million, the business area performed much better than expected despite the fall in licensing and other revenues. New product launches in key markets in Europe and Asia were the main contributors in this regard.

Marinosolv business area

No distribution licensing rights or other intellectual property rights have been issued to third parties for products of the newly developed Marinosolv® technology platform to date. As a result, the exceptionally positive trend at the research and development level has not yet been reflected in revenues or income. This business area is characterised by high spending on research and development, which is not expected to generate revenues for some years.

Marinomed achieved key development milestones for Budesolv, its flagship Marinosolv® product, in the 2017 fiscal year. The start of a pivotal Phase III study – which is the prerequisite for subsequent authorisation – is scheduled for 2018. It is therefore possible that approval may be granted in the near future, which could lead to an earlier than expected market launch.

Aggregate operating performance



Revenues and earnings

In the fiscal year 2017, Marinomed therefore generated all of its revenues of EUR 4.81 million from the Carragelose business area. Other income largely comprised a reversal of a provision worth EUR 0.50 million, non-repayable development grants and the research premium in 2016. Due to the non-recurring nature of the reversed provision, other income declined from EUR 1.14 million to EUR 0.76 million in the fiscal year 2017. Other gains (losses) are mostly related to exchange gains and losses based on revenues in GBP.

The increase in product sales by 127% led to a rise in material costs and services obtained from EUR 2.43 million to EUR 4.16 million. These expenses consist primarily of cost of goods sold as well as material and services related to research and development in the amount of EUR 1.09 million in 2017 (EUR 1.27 million in 2016). Personnel costs came in at EUR 1.77 million in the fiscal year 2017, which was only slightly higher than the previous year's level of EUR 1.69 million.

Other expenses climbed from EUR 0.96 million to EUR 1.08 million, primarily on account of higher advisory costs as well as transaction costs in connection with the Company's change of legal form to a stock corporation.

Operating result (EBIT), at EUR -1.64 million, was down on the prior-year level of EUR -1.53 million. The financial result decreased from EUR -0.45 million in the previous year to EUR -0.74 million in the reporting period. The increase in financial expenses is primarily due to an increase in shareholder loans interest, and interest payments on the 2017 convertible bonds. The valuation of the conversion right at the fair market value of EUR 0.22 million had a positive effect on financial income. Loss for the year therefore came in at EUR -2.38 million in 2017, which was down on the corresponding figure in the previous year of EUR -1.97 million.

Assets and financial situation

The assets and financial situation largely reflects the negative trend in earnings, which is to be expected for a biopharmaceutical firm during the development stage. The funding measures in the 2015, 2016 and 2017 fiscal years should ensure long-term investment in research and development.

The changes in Marinomed's assets and balance sheet structure in fiscal 2017 were largely a result of the bond issue. On July 14, 2017, Marinomed issued a convertible bond with a volume of EUR 7.0 million. The ordinary interest rate is 4% and the bond matures on July 14, 2021. If the Company lists its shares via a Qualifying Public Offering, investors have the right to convert their bonds into shares.

Total assets were up from EUR 4.92 million as at December 31, 2016 to EUR 9.33 million as at December 31, 2017. Non-current assets remained stable at EUR 1.48 million compared with EUR 1.53 million on the cut-off date in the prior year, while current assets rose from EUR 3.40 million to EUR 7.85 million. Cash and cash equivalents, which were higher at EUR 6.03 million compared with EUR 2.01 million on the balance sheet date in 2016, were the main reason for this.

Equity capital declined further over the reporting period due to the loss for the period. Equity totalled EUR -5.03 million on the balance sheet date versus EUR -2.65 million in the previous year.

Non-current liabilities rose in the fiscal year 2017, primarily on account of the convertible bond issue alongside an increase in other financial liabilities. The shift from long-dated to short-term loans had the opposite effect. This mainly related to shareholder loans with a volume of EUR 2.35 million that will fall due for repayment in 2018. As a result, non-current liabilities rose to EUR 7.49 million from EUR 4.07 million a year earlier. In this context, current liabilities climbed from EUR 3.51 million to EUR 6.86 million.

The changes in cash flow reflect the earnings situation and the success of the funding raised by the bond issue. Cash and cash equivalents increased by EUR 4.02 to EUR 6.03 million in the 2017 fiscal year.

Outlook for 2018

Marinomed sees further substantial growth potential in the pharmaceutical market for OTC products against a backdrop of what remains intense competitive pressure. Of the ten largest regional OTC markets, the Company has so far only supplied the UK and France as well as – recently – also Germany. To make the best use of this potential, Marinomed is aiming to forge additional new partnerships. The upcoming product launches in China, Japan, Russia and other markets over the next few years will make a particularly significant contribution to this growth.

Against this backdrop, Marinomed expects a further rise in revenues from its Carragelose® products. This increase is set to come from product launches in new markets as well as the introduction of additional products in existing markets.

The US is a special case. There are barriers to market entry in the US in the form of regulatory provisions and licensing criteria that differ from those in the rest of the world. As a result, before entering clinical trials, the Company plans to initiate discussions with the FDA in 2019/2020, including Pre-Investigational New Drug Application (Pre-IND) and reclassification talks. Nevertheless, Marinomed is endeavouring to access this especially attractive market.

The potential for Marinosolv®

Budesolv, the anti-allergy drug which is the flagship product of the promising Marinosolv® technology platform, will enter clinical testing in a pivotal study before the end of this year. Marinomed is also researching further developments based on this technology platform. This will ensure optimum use of the Company's intellectual property so that Marinomed can continue to offer valuable products in future.

The universal applicability of the Marinosolv® technology platform will enable Marinomed to make this technology available to external partners as well in future for the development of their proprietary substances, thus generating income in the form of technology licensing payments. All in all, the commercial exploitation of this development offers significant revenue opportunities.

In the foreseeable future, further investment in research and development will be required to leverage the potential of the two platforms. Depending on the scale of this investment and the commercial success realised, there may be a need for more capital. Marinomed is involved in ongoing discussions regarding additional project financing.

Risk report

Marinomed is a research and development company that supplies its products to pharmaceutical firms on all continents. As such, Marinomed is exposed to various risks. The risks described below are continuously monitored so that action can be taken quickly and countermeasures adopted if necessary.

Risks relating to funding and funding instruments

The main financial risks include default and liquidity risks. As a research and development company, Marinomed continues to report a loss in its accounts, which means that it has no access to conventional credit instruments. Accordingly, there is a risk that the capital requirement will not be met in future, or only at unfavourable conditions. This is a typical risk for a biotech firm.

The Company does not have any derivative financial instruments.

Strategic risks

The risk for Marinomed is that long-term potential will not be utilised or will be misjudged. The partnerships it has entered into or may establish in future for both technology platforms could prove disadvantageous. The current assessment of the products' potential on the global markets may be overly optimistic. Accordingly, there is a risk that the revenue targets will not be met. A further risk is that competitors may develop better or cheaper products, which would erode the profitability of Marinomed's portfolio.

Government authorities are endeavouring to rein in health care costs by encouraging greater competition among providers and permanently reducing the reimbursement limits for drugs in nearly all regional markets. The rapidly growing OTC market is less vulnerable to these influences, but competition is fierce and there are some very powerful providers that have far more financial, organisational and business options available to them than Marinomed and its partners in the respective countries.

Operational risks

Marinomed is dependent on partners on both the supplier and marketing sides. Despite equitable contracts, there is a risk that one or more partners may be unable to resolve financial or technical problems through no fault of Marinomed, resulting in losses for the Company. Such problems may relate to supply delays, payment difficulties or other risks typical of the sector.

With more than 90% of sales billed in euros, the Company considers the currency risk to be low. However, in non-Eurozone countries (excluding the United Kingdom), appreciation of the EUR against local currencies could make the Company's products more expensive for distributors and the end consumers, resulting in reduced sales for the Company's products.

Liquidity risk

Liquidity risk arises from the potential inability to raise the requisite funds for servicing obligations relating to financial instruments. To date, the Company has primarily financed its operating business via equity investments and shareholder loans, income from licensing and distribution contracts, product sales, atypical silent partnerships, the issue of a convertible bond as well as subsidies, subsidised loans and other government assistance.

Marinomed expects the Company’s research and development spending and operational losses to remain substantial over the coming years at least. It projects that the existing cash reserves will be sufficient to fund the Company's operating costs and investments until the second half of 2019. This estimate is based on assumptions that could prove to be wrong and the Company could exhaust its capital resources more quickly than it currently expects.

Marinomed believes that the Company could forgo certain expenditures to reduce its cash requirements. If Marinomed becomes unable to raise capital when needed or at attractive conditions, this may result in delays, cutbacks or termination of the research and development programmes and all future commercialisation efforts.

If necessary, Marinomed may endeavour to procure additional capital on account of favourable market conditions or strategic considerations even if the Company believes that it has sufficient funds for its current or future operating plans.

Location risk

Marinomed is a sublessee of the University of Veterinary Medicine in Vienna, which also holds a stake in the Company. The rental agreement has a fixed term until the end of June 2019. This lease contract will not be prolonged. Obtaining an alternative location of the same quality may fail. Even if the Company is successful in finding a suitable/affordable new premise for the Company's offices and laboratories, moving the Company to a new headquarters would require significant resources and could have a negative impact on the operating results and the financial condition of the Company.

Risk relating to patents

The Carragelose® technology is protected by several patents worldwide. The patents of the Marinosolv® technology are currently in the nationalisation phase. Nonetheless, it is possible that patents will be contested or unique selling points will be undermined by new technologies or products.

Research and development risk

Marinomed's success largely depends upon to what degree its research and development initiatives achieve the expected results. The research activities of Marinomed serve to increase knowledge for the benefit of humanity, while protecting the environment at the same time. Its internal and external researchers act in accordance with statutory rules and ethical principles. A responsible approach to research primarily involves the following measures in the event of research that is at risk of abuse: identifying and minimising research risks, carefully managing publications, documenting risks, as well as implementing educational and training measures.

Nonetheless, it is possible that the results of the research and clinical trials will not reach the expected primary or secondary endpoints or will not be significantly better than existing or new rival products. This could materially erode the value of Marinomed's research projects. In extreme cases, individual projects could become worthless and the envisaged income impossible to realise.

Personnel risk

Due to the small number of personnel, there is a risk that any deficit of key staff members will lead to a loss of essential expertise and their replacement will cause delays in meeting targets.

Research and development

Marinomed has a research and development facility on its premises, including a state-of-the-art laboratory to facilitate research in the fields of pharmacy, biology, molecular biology, cell biology and *in vivo* pharmacology. Its research and development activities focus on the two platforms, Carragelose® and Marinosolv®. Spending on research and development amounted to EUR 2.19 million in the 2017 fiscal year, down from EUR 2.66 million in the fiscal year 2016.

The Carragelose® platform is set to be extended in future with products that have additional decongestant properties. The first newly developed medical device on a physical basis received certification in July 2018. The Company plans to develop a drug with decongestant properties in due course. Marinomed expects approval to be obtained in 2020 at the earliest, depending on the authorities' regulatory requirements.

The flagship product of the Marinosolv® technology platform is Budesolv, a new medicine to treat allergic rhinitis. Marinomed has devised a method for fully dissolving the hardly soluble compound Budesonide. This can achieve better results in treating allergies while using a lower dose of the compound. The clinical trial will be initiated in 2018 as a basis for the subsequent approval process. Initial approval for the medicine is expected in 2021 at the earliest. Other products to treat eye conditions are in the pre-clinical development stage.

Emloyees and corporate bodies

Personnel

Marinomed employed 27 staff at the end of the 2017 fiscal year (2016: 26), including 16 in research and development. The majority of its personnel have academic qualifications.

Management board

The management board of Marinomed Biotech AG comprises a minimum of one and a maximum of four members in accordance with the Articles of Association. The members are appointed by the supervisory board for up to five years and can be reappointed. Marinomed's management board consisted of two members at the end of the 2017 fiscal year.

Management board Name and function	**Year of birth**	**Initial appointment**	**End of function period**
Andreas Grassauer Chairman and Chief Executive Officer	1969	2006	2022
Eva Prieschl-Grassauer Chief Scientific Officer	1968	2006	2022

Supervisory board Name and function	**Year of birth**	**Initial appointment**	**End of function period**
Simon Nebel Chair	1966	2017	2022
Ute Lassnig Deputy chair	1970	2017	2022
Karl Lankmayr Member	1978	2017	2022
Gernot Hofer Member	1980	2017	2022

Supervisory board

In accordance with the Articles of Association, the supervisory board of Marinomed Biotech AG comprises a minimum of three and a maximum of four members, who are elected at the AGM for a period of four years. If a workers' council is established in future, it can delegate two staff representatives to the supervisory board. The supervisory board consisted of four members at the end of the 2017 fiscal year. They were all members of the Company's advisory council before the change of legal form to a limited stock corporation.

Simon Nebel is a managing partner at Aravis SA, a private equity firm in Switzerland. He holds a degree in biophysics and has been involved in the financing of several biotech companies as well as various M&A transactions for Aravis portfolio companies. Mr. Nebel holds four positions on other supervisory boards. He has been a member of the advisory council at Marinomed since 2008, and joined the supervisory board in 2017.

Ute Lassnig is responsible for the Corporate Development and Innovate BD division at Evotec AG. She was previously employed in investment banking (health care) at Goldman Sachs in London and was a managing partner at Mummert & Company. Ms. Lassnig studied computer science and business administration. She has been a member of the advisory council at Marinomed since 2016, and joined the supervisory board in 2017.

Karl Lankmayr studied international economics and has many years of experience in M&A, corporate finance and investment banking, including at Raiffeisen Investment and PWC Corporate Finance. Mr. Lankmayr holds four positions on other supervisory boards or advisory councils. He has been a member of the advisory council at Marinomed since 2015, and joined the supervisory board in 2017.

Gernot Hofer is managing director at Invest AG. He previously held international roles, including as a consultant in Hong Kong. Mr. Hofer has a degree in business studies from Vienna University, where he is a lecturer at the Institute for Entrepreneurship and Innovation. He holds two positions on other supervisory boards. Mr. Hofer has been a member of the supervisory board at Marinomed since 2017, having joined the advisory council in 2016.

Financial statements

Statement of profit or loss and other comprehensive income (loss)

Year ended December 31 all amounts in EUR	Notes	2017	2016
Profit or loss			
Revenues	5	4,810,974.77	2,608,282.50
Other income	6	757,233.82	1,137,100.46
Other gains (losses), net	7	5,099.97	9,684.86
Expenses of materials and services	8	(4,159,552.44)	(2,432,127.41)
Personnel expenses	9	(1,773,159.40)	(1,689,994.76)
Depreciation and amortisation	10	(202,579.50)	(183,516.58)
Other expenses	11	(1,076,058.07)	(956,057.21)
Operating result (EBIT)		**(1,638,040.85)**	**(1,525,997.86)**
Financial income	13	218,001.78	361.67
Financial expenses	13	(956,401.50)	(447,555.41)
Financial result		**(738,399.72)**	**(447,193.74)**
Loss before taxes		**(2,376,440.57)**	**(1,973,191.60)**
Taxes on income	14	(1,750.00)	(1,750.00)
Loss for the year		**(2,378,190.57)**	**(1,974,941.60)**
Other comprehensive income (OCI)			
Items that may be reclassified subsequently to profit or loss, net of tax			
Fair value gains (losses) on available-for-sale financial assets		0.00	0.00
Other comprehensive income (loss) for the year		0.00	0.00
Total comprehensive loss for the year		**(2,378,190.57)**	**(1,974,941.60)**

All results are attributable to shareholders of the Company.

Year ended December 31 all amounts in EUR	**Notes**	**2017**	**2016**
Earnings per share			
Basic (EUR per share)	15	(2,38)	(1.97)
Diluted (EUR per share)	15	(2,38)	(1.97)

The Notes are an integral part of these financial statements.

Statement of financial position

Year ended December 31 all amounts in EUR	Notes	2017	2016
ASSETS			
Non-current assets			
Intangible assets	18	1,311,587.61	1,337,930.93
Property, plant and equipment	17	162,989.83	185,304.74
Long-term receivables	21	2,910.00	2,920.00
		1,477,487.44	1,526,155.67
Current assets			
Inventories	19	177,722.92	47,792.78
Trade and other receivables	21	1,643,823.37	1,302,731.14
Current tax receivables	14	16.90	41,250.00
Cash and cash equivalents	22	6,030,381.94	2,006,221.63
		7,851,945.13	3,397,995.55
Total assets		**9,329,432.57**	**4,924,151.22**

Year ended December 31 all amounts in EUR	**Notes**	**2017**	**2016**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	23	132,360.00	132,360.00
Capital reserves		6,979,333.83	6,979,333.83
Retained losses		(12,138,564.77)	(9,760,374.20)
		(5,026,870.94)	(2,648,680.37)
Non-current liabilities			
Borrowings	25	1,085,290.96	4,027,766.45
Silent partnerships	24	0.00	0.00
Convertible bond	26	4,941,930.62	0.00
Other financial liabilities	27	1,464,354.25	14,635.08
Other non-current liabilities	29	1,487.16	23,934.38
		7,493,062.99	4,066,335.91
Current liabilities			
Borrowings	25	4,613,136.89	1,897,288.47
Trade payables	28	730,994.20	348,606.53
Convertible bond	26	131,178.08	0.00
Other financial liabilities	27	17,278.43	0.00
Other current liabilities	29	607,652.92	497,600.68
Provisions	30	763,000.00	763,000.00
		6,863,240.52	3,506,495.68
Total equity and liabilities		**9,329,432.57**	**4,924,151.22**

The Notes are an integral part of these financial statements.

Statement of cash flows

Year ended December 31 all amounts in EUR	Notes	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the year		(2,378,190.57)	(1,974.941.60)
Adjustments for:			
Taxes on income recognised in profit or loss		1,750.00	1,750.00
Financial income recognised in profit or loss		(218,001.78)	(361.67)
Financial expense recognised in profit or loss		956,401.50	447,555.41
Depreciation and amortisation expense		202,579.50	183,516.58
Net book value of disposals of assets		0.02	0.01
(Gain)/Loss on disposal of assets		(50.00)	0.00
Non-cash income from grant due to debt relief		(563,281.00)	0.00
Other non-cash income (interest advantage)		(31,813.31)	(31,617.34)
Changes in deposits		10.00	(2,800.00)
Changes in inventories		(129,930.14)	(47,792.78)
Changes in trade and other receivables		(341,092.23)	(371,297.60)
Changes in provisions		0.00	(534,200.00)
Changes in trade and other liabilities		500,500.37	(78,779.99)
Interest paid		(220,840.34)	(76,344.56)
Interest received		315.87	361.67
Taxes paid		39,483.10	(43,313.00)
Cash flow utilised by operating activities	16	**(2,182,159.01)**	**(2,528,264.87)**
Purchase of plant and equipment and intangible assets		(153,921.29)	(112,525.67)
Proceeds from sale of property, plant and equipment		50.00	0.00
Cash flow utilised by investing activities	16	**(153,871.29)**	**(112,525.67)**

Year ended December 31 all amounts in EUR	**Notes**	**2017**	**2016**
Proceeds from shareholders		0.00	379,678.19
Proceeds from convertible bond		6,367,397.08	0.00
Proceeds from shareholders' loans		0.00	1,047,662.70
Repayments of long-term borrowings		0.00	(397,907.00)
Finance lease payments		(7,206.47)	(9,361.32)
Equity transaction costs		0.00	(22,388.79)
Changes in restricted cash		0.00	39,600.00
Cash flow generated from financing activities	16	**6,360,190.61**	**1,037,283.78**
Net cash flow		**4,024,160.31**	**(1,603,506.76)**
Cash & cash equivalents at beginning of period	22	2,006,221.63	3,609,728.39
Cash & cash equivalents at end of period	22	6,030,381.94	2,006,221.63
Thereof effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		3,666.05	(8,158.66)

The Notes are an integral part of these financial statements.

Statement of changes in equity

all amounts in EUR	Nominal capital/ share captial	Capital reserves
January 1, 2016	**130,705.00**	**6,623,699.43**
Loss for the year	0.00	0.00
Other comprehensive income (loss), net of tax	0.00	0.00
Total comprehensive income (loss) for the year	0.00	0.00
Paid-in capital, net of transaction cost	1,655.00	230,956.21
Equity element of shareholders' loans	0.00	124,678.19
December 31, 2016	**132,360.00**	**6,979,333.83**
Loss for the year	0.00	0.00
Total comprehensive income (loss) for the year	0.00	0.00
December 31, 2017	**132,360.00**	**6,979,333.83**

The Notes are an integral part of these financial statements.

Retained losses	Available-for-sale reserves	Total
(7,785,432.60)	**0.00**	**(1,031,028.17)**
(1,974,941.60)	0.00	(1,974,941.60)
0.00	0.00	0.00
(1,974,941.60)	0.00	(1,974,941.60)
0.00	0.00	232,611.21
0.00	0.00	124,678.19
(9,760,374.20)	**0.00**	**(2,648,680.37)**
(2,378,190.57)	0.00	(2,378,190.57)
(2,378,190.57)	0.00	(2,378,190.57)
(12,138,564.77)	**0.00**	**(5,026,870.94)**

Notes to the financial statements

1. General information

Marinomed Biotech AG ("Marinomed" or the "Company"; formerly Marinomed Biotechnology GmbH – see Note 23) is a biopharmaceutical company focusing on the development of innovative products in the field of respiratory and ophthalmological diseases based on its IP-protected technology platforms. The Company develops therapies against respiratory diseases using its innovative antiviral respiratory technology platform, Carragelose®. The Company was incorporated in March 2006 as a spin-off from the Veterinary University of Vienna. The Company's headquarters is located at Veterinärplatz 1, 1210 Vienna, Austria.

The management board approved the financial statements for issuance on 20.09.2018.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise noted.

2.1. Basis of preparation

The financial statements of the Company have been prepared on a historical cost basis in accordance with the International Financial Reporting Standards, or IFRS, issued by the International Accounting Standards Board, or IASB, London, and the Interpretations of the International Financial Reporting Interpretations Committee, or IFRIC, as adopted by the European Union, or EU.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Going concern

Since inception, the Company has incurred significant losses from its operations. As the Company is a biotech company in the research phase, the losses are not unexpected, but according to plan. The business model of the Company foresees a phase of research and development over several years before gaining its own relevant income. The research and development risk as well as the financing and liquidity risk is covered primarily by use of support programmes by the Austrian Research Promotion Agency (Österreichische Forschungsförderungsgesellschaft, or FFG), the research premium from the Austrian government and external research assignments. The Company received further capital (share capital kEUR 16, capital reserves kEUR 2,377 and shareholders' loans kEUR 1,075) in 2015. In a second tranche of the financing round the Company received further funds (share capital kEUR 2, capital reserves kEUR 253 and shareholders' loans kEUR 1,277; before deducting any transaction costs) in 2016. Moreover, in 2017 the Company generated further liquidity by Marinomed Biotech AG Section VI 9 placing a convertible bond listed on the Third Market (MTF) of the Vienna Stock Exchange with a nominal amount of kEUR 7,000.

Further to this, within a very short time the Company managed to develop marketable products (prophylactic nasal spray, antiviral nasal spray for children, antiviralnasal spray, antiviral lozenges, antiviral throat spray) and partially licensed them to international partners. The antiviral nasal spray was introduced to the Austrian market in 2008 and is currently available in more than 30 countries. In 2011, the Company started building up an export business in order to place approved products in various markets through different distribution channels. With revenue growth of 127% (2016: 136%), sales of goods (merchandise) were above kEUR 4,500 for the first time in 2017. By entering new markets and the roll-out of further products on existing markets, the Company expects a further significant increase in sales in 2018. Thereby the Company managed to establish a profitable source of income in addition to income from research and development projects.

Moreover, the patented Marinosolv® technology allows dissolving of substances that are poorly soluble and thereby represents a platform technology for development of new pharmaceutical dosage forms. In the future revenues from licensing of Marinosolv® are expected to represent a further main source of earnings, which have not yet been considered in the financial planning 2018/19, although intensive work for the commercialisation is already being performed. The Company raised EUR 7 million from its convertible bond issuance. It aims to primarily use the funds to conduct a pivotal phase III study of its Budesonide product. When finalising this study successfully in 2019, the Company can obtain approval for an allergy product. Accordingly, the value of the project would increase significantly and the efficacy of the Marinosolv® technology on humans would have been proven for the first time. Thereby the concept would become applicable to further substances. For this prospect, further financing needs for follow-up projects together with respective earnings may arise. Such costs for potential follow-up projects are not yet included in the financial planning.

The Company's ability to continue as a going concern depends on both an increase in sale of goods and further revenues from licensing and milestone payments from existing contracts and contracts currently under negotiation for the commercialisation of existing and future products and technologies. In addition, the Company is continuously assessing various other sources of financing, including primarily equity and debt instruments. Under consideration of existing available cash, the planned revenues in 2018 and advanced discussions on financing options on the one hand and the expected (cash effective) expenses primarily to advance its technology platforms on the other hand, the management expects liquidity to be most probably ensured until end of 2019. In case payments may not be realised as expected, the maturity of various financial instruments can be extended or – under an alternative scenario – costs for research and development can be reduced drastically in order to ensure sufficient liquidity of the Company until end of 2019.

These financial statements have therefore been prepared on a going concern basis that contemplates that the Company will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of operations.

2.2. Application of new and revised International Financial Reporting Standards (IFRSs)

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Company has applied the following amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for accounting periods that begin on or after January 1, 2017:

- Amendments to IAS 7 – Disclosure Initiative: The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

  The Company's liabilities arising from financing activities consist of the convertible bond, borrowings and certain other financial liabilities. A reconciliation between the opening and closing balances of these items is provided in Note 16. Consistent with the transition provisions of the amendments, the Company has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 16, the application of these amendments has had no impact on the Company's financial statements.

Amendments to other IFRSs that are mandatorily effective for accounting periods that begin on or after January 1, 2017 did not have any impact on the Company's financial statements.

New and revised standards and interpretations in issue but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2017 reporting periods and have not been adopted early by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below:

- IFRS 9 Financial Instruments (applicable to financial years beginning on or after January 1, 2018; EU endorsement: November 22, 2016): IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

  IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not reclassified. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

The Company has reviewed its financial assets and liabilities and is expecting no material impact from the adoption of the new standard on January 1, 2018. Financial assets only consist of loans and receivables currently measured at amortised cost under IAS 39, which will be measured on the same basis under IFRS 9. Further, there will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company did not designate liabilities at fair value through profit or loss.

- IFRS 15 Revenue from Contracts with Customers (applicable to financial years beginning on or after January 1, 2018; EU endorsement: September 22, 2016): IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. The Company does not expect a material impact on the accounting for contracts with customers.

- IFRS 16 Leases (applicable to financial years beginning on or after January 1, 2019; EU endorsement: October 31, 2017): IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets (the right to use the leased item) and financial liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Company is in the process of assessing the impact of IFRS 16.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

2.3. Segment reporting

In 2017, the Company reports the two operating segments, Carragelose and Marinosolv, based on the Company's platforms. Carragelose combines activities from products which are already distributed, as well as research and development of new products based on the Carragelose® technology. Marinosolv does not generate any revenues yet, but is expected to contribute in the future. Residual operating activities which cannot be attributed to Carragelose or Marinosolv are reported as "Corporate".

The Carragelose® containing products with unique anti-viral properties target viral infections of the respiratory tract of more than 200 different virus strains. Marinomed has achieved market validation with its antiviral nasal spray for common cold, initially launched in 2008. IP protection lasts until 2036 for particular products (decongestant medical device nasal spray). The Company managed to conclude licence and distribution agreements for various Carragelose® products with OTC partners in countries almost all over the world.

Marinosolv® is an innovative technology platform that increases the bioavailability of hardly soluble compounds for the treatment of sensitive tissues such as nose and eyes. Stable aqueous formulations of hardly soluble compounds such as corticosteroids and immunosuppressants allow a faster onset of action, high local activity, an increased bioavailability and aseptic production. Currently, two products are in development targeting inflammatory diseases of the nose (Budesolv) and eyes (Tacrosolv). A patent application was filed in 2015, which is currently in the nationalisation phase subsequent to the patent cooperation treatment (PCT) phase. Depending on the active ingredient, the products may be either OTC (over the counter, or nonprescription drug) or Rx (prescription drug).

In 2017, the Marinosolv segment evolved from an Antiallergic Carragelose® project. In 2016, financial results arising from this project (EBIT of kEUR (448.7)) were neither clearly attributable to Carragelose nor to Marinosolv and are therefore presented in "Corporate", similarly to a Malaria project, which accounted for less than 10% of total external income and operating result (EBIT).

General information on revenues from the Carragelose segment are provided in section "Break-down of revenues by catergories and geographical area".

The reporting format was derived from the Company's internal reporting, with the presented figures being switched from Austrian GAAP to IFRS. IFRS segment information is provided to the management.

The following is an analysis of the Company's revenues, operating result (EBIT) and certain other profit or loss information and result from continuing operations by reportable segment.

Year ended December 31, 2016 in kEUR	**Carragelose®**	**Marinosolv®**	**Corporate**	**Total**
Total revenues	2,608.3	-	0	2,608.3
Thereof sale of goods	*2,017.7*	-	*0*	*2,017.7*
Cost of goods sold	(1,513.3)	-	0	(1,513.3)
Contract research	(293.3)	-	(222.0)	(515.3)
Personnel expenses	(999.6)	-	(690.4)	(1,690.0)
Other miscellaneous income/(expense)	(462.0)	-	(351.1)	(813.1)
Depreciation and amortisation	(145.9)	-	(37.6)	(183.5)
Non-recurring items	430.9	-	150.0	0
Operating result (EBIT)	**(374.8)**	**-**	**(1,151.2)**	**(1,526.0)**

Year ended December 31, 2017				
Total revenues	4,811.0	0	0	4,811.0
Thereof sale of goods	*4,585.4*	*0*	*0*	*4,585.4*
Cost of goods sold	(3,419.8)	0	0	(3,419.8)
Contract research	(187.8)	(84.6)	0	(272.4)
Personnel expenses	(482.2)	(785.5)	(505.5)	(1,773.2)
Other miscellaneous income/(expense)	(614.0)	(219.9)	(432.3)	(1,266.3)
Depreciation and amortisation	(132.0)	(33.1)	(37.5)	(202.6)
Non-recurring items	0	0	485.2	485.2
Operating result (EBIT)	**(24.9)**	**(1,123.1)**	**(490.1)**	**(1,638.0)**

Additional information on 2016 figures

"Cost of goods sold" include expenses for merchandise, variable delivery-related charges (excluding exceptional charges) and inventory valuation income/expenses related to "Sale of goods" and build part of, but do not equal the P&L item "Expenses of materials and services". Research services provided by third parties are presented as "Contract research".

"Non-recurring items" include award money from the "Houskapreis" in the amount of kEUR 150.0 as well as provision reversals in the amount of kEUR 500.0 and losses from damage events amounting to kEUR 69.1.

Additional information on 2017 figures

General explanations on "Cost of goods sold" and "Contract research" for 2017 also apply to the 2016 figures. "Non-recurring items" include income from the conversion of loans to non-repayable grants in the amount of kEUR 563.3 as well as expenses related to the change of the Company's legal form of kEUR 78.1.

Break-down of revenues by categories and geographical area

Revenues from the sale of goods include nasal and throat products based on the Carragelose® technology. Other revenues relate to income from licences and royalties, contractual milestone payments and miscellaneous other services. The geographical breakdown is based on distribution markets.

Year ended December 31, 2016 in kEUR	**Sale of goods**	**Other revenues**	**Total revenues**
Austria	0	78.3	78.3
Other European countries	1,095.5	394.4	1,489.9
Non-European countries	922.2	117.9	1,040.1
Total	**2,017.7**	**590.6**	**2,608.3**

Year ended December 31, 2017			
Austria	11.7	73.7	85.4
Other European countries	3,080.9	34.7	3,115.6
Non-European countries	1,492.8	117.2	1,610.0
Total	**4,585.4**	**225.6**	**4,811.0**

Between 10 and 20% of total revenue were generated in the Iranian market in 2016 and 2017.

Long-term assets

Long-term assets are fully attributable to Austria where the Company's premises are located in 2017 and 2016.

Major customers

In total, four customers account for approximately 84 % (kEUR 4,055) of the Company's revenues in 2017 (2016: kEUR 2,012/77 %):

Segment Carragelose
Year ended December 31

2016 in kEUR	**Total revenue**	**%**
Top 1	872.9	33%
Top 2	424.9	16%
Top 3	368.1	14%
Top 4	346.1	13%
Total	**2,012.0**	**77%**

2017 in kEUR	**Total revenue**	**%**
Top 1	1,598.3	33%
Top 2	982.0	20%
Top 3	841.8	17%
Top 4	632.5	13%
Total	**4,054.6**	**84%**

2.4. Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which it operates (the functional currency). The financial statements are presented in euro, which is the Company's functional and presentation currency.

Transactions and balances

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the exchange rates prevailing at the dates of the transactions. Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income (loss) (see also Note 7).

2.5. Basic recognition and valuation principles

These financial statements are prepared on the basis of historical cost of acquisition with the exception of certain items such as available-for-sale financial assets, which are shown at fair value. The statement of profit or loss and other comprehensive income (loss) is presented using the nature-of-expense method. In the statement of profit or loss and other comprehensive income (loss) and statement of financial position certain items are combined for the sake of clarity or immateriality. As required by IAS 1, assets and liabilities are classified by maturity. They are classified as current if they mature within one year, and otherwise as non-current.

2.6. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is shown net of value added tax and is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefit associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Licence revenue

Licence revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably). Licence and distributor agreements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

Milestone payments

Revenue from milestone payments is recognised when all contractual obligations are fulfilled by the Company and the amount is non-refundable.

2.7. Grant income

Grant income comprises (a) grants received from FFG and the Vienna Business Agency (Wirtschaftsagentur Wien, or WAW), (b) the research premium from the Austrian government, (c) the interest advantage of government loans according to IAS 20.10A and (d) award money for the category research and development SME (Houska award). Please refer to Note 6 for further details on all forms of grant income.

The FFG and WAW grants were provided to support specific research projects and are recognised according to the progress of the respective project. The research premium is calculated as 12% of a specified research and development cost base. It is recognised to the extent that the research and development expenses have been incurred. All grants are non-refundable as long as the conditions of the grant are met. The Company is and has been in full compliance with the conditions of the grants and all related regulations. If, in the future, compliance with all obligations cannot be fully assured, any related contingent liability will be treated in accordance with IAS 37.

According to IAS 20.10A, the benefit of a government loan at a below-market rate of interest is treated as a government grant. The benefit due to the difference between the market rate of interest and the rate of interest charged by the governmental organisation is measured as the difference between the initial carrying value of the loan determined in accordance with IAS 39 and the proceeds received. This benefit is deferred (recorded in the line item "other liabilities" (see Note 29)), and recognised through profit and loss over the term of the corresponding financial liabilities in accordance with IAS 20.10A. For further information on the market interest rate and the nominal interest rates of the government loans please refer to Note 25. The loan is recognised and measured in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

2.8. Leases

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

An operating lease is a lease other than a finance lease. Payments made by the Company on operating leases, mainly in connection with the rental agreements for the premises in Austria, are charged to the statement of profit or loss over the period of the lease.

2.9. Dividend distribution

To date the Company has not paid dividends. Dividend distribution to the Company's shareholders shall be recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.10. Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and amortisation. Historical costs include the acquisition price, ancillary costs and subsequent acquisition costs less any discounts received on the acquisition price.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset where appropriate, but only when it is probable that future economic benefits associated with the item will accrue to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to the statement of profit or loss and other comprehensive income (loss) during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method over the estimated useful lives of the assets. In calculating the estimated useful life, the economic and technical life expectancy has been taken into consideration. In 2016 and 2017, the estimated useful lives of property, plant and equipment are as follows: 3-5 years for IT equipment, 2-8 years for laboratory equipment and 4-10 years for other plant and office equipment. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. When assets are sold, closed down or scrapped, the difference between the net proceeds and the net carrying amount of the asset is recognised as a gain or a loss in other operating income or expenses.

2.11. Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire the software and bring it into use. These costs are amortised on a straight-line basis over their estimated useful lives (3-5 years) in 2016 and 2017.

2.12. Research and development expenses (IAS 38)

Research expenses are defined as costs incurred for current or planned activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development expenses are defined as costs incurred for the application of research findings or specialist knowledge to production, production methods, services or goods prior to the commencement of commercial production or use.

All research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate the following:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- Management intends to complete the intangible asset and to utilise or sell it;
- There is an ability to utilise or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and/or other resources to complete the development and to utilise or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

The amount initially recognised for internally-generated intangible assets is the sum of directly attributable costs incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible assets can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised on a straight-line basis over the period of expected future benefit.

2.13. Impairment of non-financial assets

Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date. During the reporting period, no events were identified that made an impairment necessary.

2.14. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of purchased inventories (merchandise) are assigned by specific identification and include the cost of acquisition after deducting rebates and discounts. Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

2.15. Financial assets

Purchases and sales of financial assets are recognised on the date of transaction – the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when such financial assets have been transferred, or substantially all risks and rewards of ownership have been transferred, or when the rights to receive cash flows from such financial assets have terminated. The Company classifies its financial assets into the following categories: (a) Loans and receivables, (b) Held-to-maturity financial assets and (c) Available-for-sale financial assets. The classification of the financial instruments depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at the time of initial recognition, and reviews the classification at each reporting date.

Loans and receivables

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for items with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. Loans and receivables are classified as long-term or current receivables in the statement of financial position. Loans and receivables are carried at amortised cost.

2.16. Impairment of financial assets

At the end of each reporting period the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

2.17. Cash and cash equivalents and restricted cash

Cash and cash equivalents are classified as cash on hand and deposits held on call with banks and may include other short-term highly liquid investments with original maturities of three months or less. They are recorded at their principal amount. Cash which is not available for the Company's immediate and general use is not included in cash and cash equivalents, but recorded as a separate asset (restricted cash) in the statement of financial position.

2.18. Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs (transaction costs).

Compound instruments

Compound instruments have both a liability and an equity component from the issuer's perspective. The component parts of compound instruments issued by the Company are classified separately as financial liabilities and equity according to their substance based on the definitions of liability and equity. The split is made at issuance and not revised for subsequent changes in market interest rates, share prices or other events.

In 2015, certain shareholders provided the Company with shareholders' loans (see Note 25). The shareholders' loans attract interest at a below-market rate. They shall be repaid in cash at the end of the period. However, the Company is entitled to request conversion of the loans into non-repayable shareholders' contributions upon fulfillment of certain criteria and agreement in the general meeting of shareholders by at least 80% of the votes cast.

The Company has an unavoidable obligation to make yearly interest payments on the outstanding amount. Further, there is an obligation to repay the loan at the end of the loan period. Whilst the loan may be converted into a shareholders' contribution, this is not at the Company's sole discretion. Accordingly, the shareholders' loans represent a financial liability, which is initially recognised at fair value and subsequently measured at amortised cost.

Due to the fact that the interest rate in the loan agreements is below market rate, the market rate (estimated at 15.0% p.a. in 2015 and following years, see Note 25) has been taken into account to calculate the fair value of the loans at inception. The difference between the fair value and the amounts received is recognised directly in equity. This is because, in essence, the shareholders have provided the Company with the benefit of finance at an advantageous rate of interest.

Transaction costs that relate to the issue of the shareholders' loans are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are deducted from the carrying amount of the liability component and are amortised over the lives of the shareholders' loans using the effective interest method.

Financial liabilities

Financial liabilities are classified as either liabilities "at fair value through profit or loss", FVTPL, or "other financial liabilities" and include the convertible bond, borrowings, silent partnerships, trade payables and other financial liabilities as described in more detail below.

2.19. Convertible bond

On July 14, 2017 the Company placed a pre-IPO 4% bond listed on the Austrian Stock Exchange under ISIN AT0000A1WD52. The bond has a conditional conversion right, whereas bondholders have the right to convert their entire claim into ordinary shares of the Company upon execution of a qualifying public offering.

The convertible bond represents two financial instruments: an interest-bearing loan and an option in the form of an equity conversion right for the holders of these instruments. The loan feature of the contract represents a host debt contract that is accounted for at fair value at inception, net of transaction costs incurred, in line with IAS 39.43 and subsequently at amortised cost following the effective interest method.

The loan feature also includes the contingent payment of a trade sales premium and/or licence payment premium, which represents a financial liability containing a contingent settlement provision. Any adjustments to the underlying cash flow projections and probabilities of such premiums are taken into consideration, with any fluctuations being recognised in line with IAS 39 AG 8 in the line items finance income or finance expense.

Due to the fact that the conversion price is not fixed but dependent on future developments, the equity conversion right is considered a financial liability in accordance with IAS 32. The conversion right represents an embedded derivative that is separated from the host contract and accounted for at fair value at inception and in subsequent periods with changes in fair value being recognised as profit or loss in the financial result line item in the statement of profit or loss and other comprehensive income (loss).

Upon initial recognition the fair value of the host contract (loan) was estimated using a market interest rate of 15.0% p.a. The fair value of the embedded derivative (equity conversion right) is the difference between the fair value of the hybrid (combined) instrument and the fair value of the host contract in line with IAS 39.13. For further details please also refer to Note 2.23 and to Note 4.3.

2.20. Borrowings

According to IAS 39 borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss and other comprehensive income (loss) over the period of the borrowings using the effective interest method.

The Company has obtained loans from various governmental agencies for certain research and development projects. These loans bear an interest rate below the market interest rate. The difference between fair value and the notional amount at inception is treated as a grant in accordance with IAS 20.10A (please refer to Note 2.7 for further details).

2.21. Silent partnerships

The Company has entered into three silent partnership agreements over recent years, which entitle the silent partners to a proportionate share in the fair value of the Company, similar to a shareholder, including a share in profit or loss, according to an agreed participation rate (see Note 24).

Upon termination of the silent partnership agreements, the Company has to settle its obligation vis-à-vis the silent partner in cash. Accordingly, the Company does not have the ability to avoid a cash payment to settle the liability, but has a contractual obligation to pay the silent partners (i.e. not at the discretion of the Company). Therefore, the silent partnership agreements are classified as a financial liability according to IAS 32.11. According to IAS 39, contributions of the silent partner have been initially measured at fair value and subsequently at amortised cost. Amortised cost in this sense is taken as the original paid-in amount plus cumulative profit allocations less cumulative loss allocations and dividend payments made. As the silent partners do not have an additional funding obligation, amortised costs cannot go below EUR 0.00 after loss allocations.

2.22. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.23. Other financial liabilities

Financial liabilities are classified as either liabilities "at fair value through profit or loss", FVTPL, or "other financial liabilities".

Financial liabilities "at fair value through profit or loss" (FVTPL)

Financial liabilities are classified as "at fair value through profit or loss", or FVTPL, when the financial liability is either held for trading or it is designated as "at fair value through profit or loss".

Financial liabilities "at fair value through profit or loss" are stated at fair value, with any gains or losses arising on re-measurement, incorporating any interest paid on the financial liability, recognised in the line items financial income or financial expenses in the statement of profit or loss and other comprehensive income (loss).

The equity conversion feature from the convertible bond (see Note 27), which is shown under other financial liabilities in the statement of financial position, is classified as embedded derivatives to the respective bond and is separated from the main contract (held-for-trading derivatives according to IAS 39.9). The fair value of optional derivative instruments is calculated as the difference between the fair value of the hybrid (combined) instrument and the fair value of the host contract in line with IAS 39.13 (see Note 2.19 and Note 4.3).

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest rate method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The carrying amount of other liabilities is effectively the same as their fair value because they are predominantly short-term.

There is an obligation to pay to Austria Wirtschaftsservice GmbH, or AWS, a certain amount upon the occurrence of specific future events, i.e. an IPO or the sale of more than 25% of the shares in Marinomed to a strategic investor (see Note 27). This represents a financial liability that has to be accounted for at fair value initially and at amortised cost following the effective interest method in subsequent periods. Any adjustments to the underlying cash flow projections and probabilities of such events are taken into consideration, with any fluctuations being recognised in line with IAS 39 AG 8 in the line items finance income or finance expense.

2.24. Employee benefits

The Company is legally required to make monthly contributions to a state plan classified as a defined contribution plan. These contributions are recognised under expenses for social security and payroll related taxes (see Note 9).

2.25. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income (loss).

2.26. Income tax

The income tax expense (or credit) for the period is the tax payable on the current period's taxable income based on the applicable income tax rate (adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, if any – see below).

Deferred income tax (income or expenses) results from temporary differences between the carrying amount of an asset or a liability in the statement of financial position and its tax base. In accordance with IAS 12 (Income Taxes), the deferred tax assets/liabilities reflect all temporary valuation and accounting differences between financial statements prepared for tax purposes and IFRS financial statements.

Deferred income tax is provided in full using the liability method on temporary differences. Tax losses carried forward are taken into account in calculating deferred tax assets. Deferred income tax assets have not been recognised up to the end of the reporting period, as it is not foreseeable, when future taxable profits will be available against which the temporary differences can be utilised. For further details please refer to Note 4.2 and 14.3.

3. Financial risk management

3.1. Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company has not used derivatives or other hedging instruments to mitigate these risk factors.

a) Market risk

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the British pound (GBP). Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

As of December 31 all amounts in EUR	**2017** **GBP**	**2016** **GBP**
Trade receivables	216,656.80	248,991.47
Cash and cash equivalents	874.74	(22.85)
Trade payables	(389.46)	(1,170.79)
Total	**217,142.08**	**247,843.53**

Foreign currency denominated receivables and payables are short term in nature (generally 30 days to max. 75 days after the last day of the month following the issuance of the invoice). As a result, foreign exchange rate movements during the year had no material effect on the financial statements.

As stated in the table above, the Company is primarily exposed to changes in GBP/EUR exchange rates. The Company's sensitivity to a 10% increase/decrease in EUR against the GBP amounts to EUR 21,714.20 (2016: EUR 24,784.35). The sensitivity analysis includes only outstanding GBP-denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number above indicates an increase in profit or loss where the EUR strengthens 10% against the GBP. For a 10% weakening of the EUR against the GBP, there would be a comparable impact on the profit or loss, and the amounts above would be negative.

Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term borrowings with variable interest rates.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. Although the Company has no specific requirements on the exact proportion of interest that should be fixed or floating, the position is reviewed regularly by management.

Long-term borrowings with variable rates only comprise finance lease contracts in 2017 (see Note 25). The majority of interest-bearing financial liabilities carry fixed interest rates. Further, the Company's operating cash flows are substantially independent of changes in market interest rates. Cash flow interest rate risk ist therefore immaterial.

The Company's fixed-rate borrowings are carried at amortised cost. They are therefore not subject to interest rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates. Fair value interest rate risk is therefore limited to the valuation of the AWS Profit Share and the equity conversion right included under other financial liabilities (see Note 27). Changing interest rates do not have a material impact on the valuation of the AWS Profit Share. The Company's sensitivity to a change of 100 basis points in market interest rate on the equity conversion feature amounts to EUR (158,926.09) and EUR 165,193.70 respectively. The sensitivity stated above represents the effect of a change in market interest rate only with all other variables held constant. A positive number above indicates an increase in financial income where the fair value of the conversion right declines, whereas a negative number indicates an increase in financial expense where the fair value of the conversion right increases.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in the market price.

The Company is currently not exposed to equity or debt securities price risk from investments held by the Company and classified in the statement of financial position as available-for-sale. The Company is not exposed to commodity price risk.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit quality of the customer is assessed based on past experience and other factors. Outstanding customer receivables are regularly monitored and collection measures set as required. To reduce the credit risk, advance payments are mandatory for specific customers.

The requirement for an impairment is analysed at each reporting date on an individual basis. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable (see Note 21).

The credit risk on liquid funds (bank accounts, cash balances and securities) is limited because the counterparties are banks with high credit ratings from international credit rating agencies.

c) Liquidity risk

Liquidity risk (funding risk) is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Prudent liquidity risk management involves maintaining sufficient cash, ensuring the availability of adequate funding in the form of committed credit facilities and being able to close out market positions. The Company manages liquidity risk by maintaining adequate reserves, continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

The table below shows the residual maturities of non-derivative financial liabilities and receivables at the end of the reporting period. The amounts disclosed are the contractual undiscounted cash flow values.

As of December 31, 2016 all amounts in EUR	**Less than 1 year**	**Between 1 and 5 years**	**Over 5 years**
Borrowings	(2,125,011.52)	(3,813,961.26)	(1,208,320.13)
Other financial liabilities (AWS Profit Share)	0.00	(79,200.00)	0.00
Trade payables	(348,606.53)	0.00	0.00
Trade receivables	839,949.63	0.00	0.00
Total	**(1,633,668.42)**	**(3,893,161.26)**	**(1,208,320.13)**

As of December 31, 2017 all amounts in EUR	**Less than 1 year**	**Between 1 and 5 years**	**Over 5 years**
Borrowings	(5,100,018.34)	(74,663.40)	(1,208,320.13)
Convertible bond	(280,000.00)	(13,440,000.00)	0.00
Other financial liabilities (AWS Profit Share)	(79,200.00)	0.00	0.00
Trade payables	(730,994.20)	0.00	0.00
Trade receivables	1,190,256.19	0.00	0.00
Total	**(4,999,956.35)**	**(13,514,663.40)**	**(1,208,320.13)**

For borrowings with variable interest rates, the cash flows have been estimated using the interest rate applicable to the contract at the end of the reporting period.

The contractual undiscounted cash flows resulting from the convertible bond stated in the table above represent the maximum amount of possible payments including contigently payable licence/trade sale premiums to the highest possible extent (max. licence premium: EUR 2,800,000.00; max. trade sale premium: EUR 2,800,000.00).

3.2. Capital risk management

The main objectives of the Company's capital management are to ensure the Company's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may issue new shares or sell assets to reduce debt.

The Company has set a strong focus on liquidity planning in order to meet its financial commitments. In this regard, the total amount of assets in relation to borrowings and financial liabilities as recorded on the statement of financial position is used by the Company to monitor capital.

4. Critical accounting estimates and assumptions

The preparation of financial statements requires management to make estimates and other judgements that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

4.1. Development costs

Development costs are capitalised in accordance with the accounting policy (see Note 2.12). Initial capitalisation of costs is based on management's judgement that technical and economic feasibility is confirmed. In line with industry practice, the date of approval by the notified body is deemed to be the point at which the development costs fulfil all the conditions listed in Note 2.12. Starting with the commercialisation of the product no further development costs are capitalised.

Development costs incurred after that date that are directly attributable to the development activities have been recognised as an intangible asset. Directly attributable costs include employee costs, material costs as well as an appropriate portion of relevant overheads. Capitalised development costs are recorded as an intangible asset which is amortised over its expected useful life. The expected useful economic life has been estimated on the basis of the duration of the corresponding patent, i.e. the period over which the Company expects to generate an economic benefit, which is 16.5 years starting from July 1, 2011.

Management constantly monitors the recoverability of capitalised internal development costs as well as the amortisation period. Adjustments will be made in future periods if future market activity indicates that such adjustments are appropriate.

4.2. Taxes

A deferred tax asset is recognised for an unused tax loss carryforward or unused tax credit if, and only if, it is considered probable that there will be sufficient future taxable profits against which the loss or credit carryforward can be utilised.

The Company is in a loss-making position and has a history of recent losses. Therefore, the Company can recognise a deferred tax asset arising from unused tax losses or tax credits only to the extent that the Company has sufficient taxable temporary differences, or where there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised.

Significant management judgement is required to determine whether such deferred tax assets can be recognised and, if so, the amount to be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. On this basis, the Company has determined that it cannot recognise deferred tax assets on the tax losses carried forward further than to the extent that can be offset with deferred tax liabilities, as there is currently not enough convincing evidence when future taxable profits will be available.

If the Company had been able to recognise all unrecognised deferred tax assets, profit and equity would have increased by EUR 3,817,085.05 (2016: EUR 3,184,226.20). Further details on taxes are disclosed in Note 14.

4.3. Fair value estimation

As described in Note 20, the Company uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain financial instruments, specifically with regard to the equity conversion right included under other financial liabilities.

As described in Note 2.23, the conversion right has to be accounted for at fair value at inception and in subsequent periods with changes in fair value being recognised as profit or loss in the financial result section of the income statement. According to IAS 39.13, if an entity is unable to measure reliably the fair value of an embedded derivative on the basis of its terms and conditions (for example, because the embedded derivative is based on an equity instrument that does not have a quoted price in an active market for an identical instrument, i.e. a Level 1 input), the fair value of the embedded derivative is the difference between the fair value of the hybrid (combined) instrument and the fair value of the host contract.

At inception the fair value of the combined instrument equals the funds raised, i.e. EUR 7 million For subsequent measurement, the fair value of the combined instrument is measured in accordance with IFRS 13.37, under which an entity should measure the fair value of a liability by reference to the quoted price of an identical item that is held by another party as an asset, if a quoted price for the transfer of an identical or a similar liability is not available. Accordingly, the fair value of the liability is measured from the perspective of a market participant that holds the identical item as an asset at the measurement date. This requirement could be relevant, as it is the case for the

Company, when measuring the fair value of corporate bonds (IFRS 13.35). Under these circumstances the appropriate bases for measuring the fair value of the liability are listed in IFRS 13.38, in descending order of preference:

(a) using the quoted price in an active market for the identical item held by another party as an asset, if that price is available.
(b) if that price is not available, using other observable inputs, such as the quoted price in a market that is not active for the identical item held by another party as an asset.
(c) if the observable prices in (a) and (b) are not available, using another valuation technique, such as:
    (i) an income approach (e.g. a present value technique that takes into account the future cash flows that a market participant would expect to receive from holding the liability or equity instrument as an asset).
    (ii) a market approach (e.g. using quoted prices for similar liabilities or equity instruments held by other parties as assets).

Accordingly, the quoted market price of the bond according to the notation on the Austrian Stock Exchange is taken as fair value of the combined instrument.

The fair value of the host contract (loan) is estimated by discounting the expected future cash flows using the prevailing market interest rate (estimated at 15.0% p.a. based on an offer received by an external financial institution at the time of the fair value calculation). The fair value of the embedded derivative Marinomed Biotech AG Section VI 30 (equity conversion right) then results as the difference between the fair value of the hybrid (combined) instrument and the fair value of the host contract (both calculated as described above).

5. Revenues

The Company derives the following types of revenues:

Year ended December 31 all amounts in EUR	**2017**	**2016**
Sale of goods	4,597,830.68	2,017,665.10
Licence revenues	89,600.45	147,977.72
Milestone payments	0.00	250,000.00
Other revenues	123,543.64	192,639.68
Total revenues	**4,810,974.77**	**2,608,282.50**

Milestone payments relate to one-off revenues agreed in licensing and distributor agreements. The increase of the revenues from the sale of goods is resulting from entering new markets and the roll-out of further products on existing markets.

For geographical and segment information on revenues please make reference to Note 2.3.

6. Other income

Other income consists of the following items:

Year ended December 31 all amounts in EUR	**2017**	**2016**
Grant income	578,673.00	181,440.46
Research premium	146,747.51	274,042.66
Award money	0.00	150,000.00
Other income (interest advantage)	31,813.31	31,617.34
Other items	0.00	500,000.00
Total	**757,233.82**	**1,137,100.46**

Grants were received from FFG and WAW. These grants are non-refundable, except in the case of non-compliance with the agencies' rules and regulations or in the case of misuse of the funds. The Company is and has been in full compliance with the conditions of the grants and all related regulations.

The increase in non-repayable grants results from the fact that in 2017 two loans from FFG amounting to kEUR 563 were converted into non-repayable grants due to technical failure of the respective project.

The research premium is an Austrian R&D premium of 12% on research and development expenses, which is paid out in cash by the Austrian fiscal authorities.

In 2016 the Company was awarded with the "Houskapreis" in the category "research and development SME" and therefore received award money in the amount of EUR 150,000.00. The Company was awarded for the development of the Carragelose® technology. The "Houskapreis" is granted by B&C Privatstiftung to support economy-oriented research and development projects and to improve the financial fundamentals for innovation and research in Austria.

In recent years the Company was granted several R&D support loans from the Austrian Research Promotion Agency (Österreichische Forschungsförderungsgesellschaft, or FFG) and AWS (see Note 25). According to IAS 20.10A (and IFRS1:B10), the differences between the nominal interest rates of the R&D support loans granted after the date of transition and the market rate of interest, estimated at 15.0% (see Note 25), are treated as a government grant and recognised over the term of the corresponding financial liabilities (see Note 2.7).

In 2013 the Company granted the exclusive rights for the antiviral product line of the Company to an international pharmaceutical company for several territories. The amount that contractually needs to be paid back in case of a return of the exclusive rights was considered as provision. In 2016 it was clear that semi-exclusive rights for the antiviral product line of the Company are sufficient for some territories. Therefore, the exclusive rights for China were returned to the Company. According to the new contractual agreement, the respective amount will be cleared with prospective milestone payments. Therefore, the provision was reversed in the amount of EUR 500,000.00, which is included under other items in the table above.

7. Other gains and losses

Other gains and losses consist of the following items:

Year ended December 31 all amounts in EUR	2017	2016
Net gain/(loss) on disposal of property, plant and equipment	49.98	(0.01)
Net foreign exchange gains	4,597.87	15,987.41
Net foreign exchange losses	(4,968.30)	(29,758.17)
Other items	5,420.42	4,085.91
Total	**5,099.97**	**(9,684.86)**

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the British pound (please refer to Note 3.1 for further details).

8. Material and service expenses

The statement of profit or loss and other comprehensive income (loss) includes expenses for materials and services as follows:

Year ended December 31 all amounts in EUR	2017	2016
Expenses for materials	(3,468,644.52)	(1,617,801.12)
Expenses for services	(690,907.92)	(814,326.29)
Total	**(4,159,552.44)**	**(2,432,127.41)**

Expenses for materials include expenses for sale of goods (cost of goods sold) and expenses for laboratory consumables. The increase in expenses for materials is essentially due to the increase in expenses for merchandise. Correspondingly, the sales of goods increased (see Note 5).

The expenses for services relate primarily to third-party R&D services as well as to expenses for patent applications.

9. Personnel expenses

Personnel expenses include the following items:

Year ended December 31 all amounts in EUR	**2017**	**2016**
Salaries	(1,380,479.32)	(1,329,883.14)
Expenses for social security and payroll-related taxes	(384,426.43)	(352,869.37)
Other employee benefit expenses	(8,253.65)	(7,242.25)
Total	**(1,773,159.40)**	**(1,689,994.76)**

10. Depreciation and amortisation

The statement of profit or loss and other comprehensive income (loss) includes depreciation and amortisation expenses as follows:

Year ended December 31 all amounts in EUR	**2017**	**2016**
Amortisation of intangible assets	(125,452.75)	(124,123.13)
Depreciation of property, plant and equipment	(77,126.75)	(59,393.45)
Total	**(202,579.50)**	**(183,516.58)**

For further details on amortisation and depreciation see also Notes 17 and 18.

11. Other expenses

Other expenses include the following items (nature of expenses):

Year ended December 31 all amounts in EUR	2017	2016
Fees	(10,154.54)	(25,037.27)
Maintenance expenses	(60,621.86)	(55,328.98)
Operating costs	(60,595.43)	(56,353.17)
Insurance	(5,585.59)	(6,288.98)
Freight	(22,611.09)	(46,753.12)
Travel expenses	(54,753.70)	(50,765.89)
Car expenses	(5,678.31)	(5,292.26)
Telephone expenses	(13,269.03)	(14,475.46)
Rental expenses	(90,323.87)	(84,217.89)
Commissions	(16,051.80)	(46,599.51)
Education expenses	(13,662.00)	(10,797.00)
Office and administrative expenses	(17,390.41)	(7,086.38)
Advertising expenses	(86,157.44)	(41,060.09)
Consulting expenses	(536,514.84)	(373,529.44)
Claim	0.00	(69,103.45)
Other expenses	(82,688.16)	(63,368.32)
Total	**(1,076,058.07)**	**(956,057.21)**

Consulting expenses include expenses for legal advice and other consulting services, mainly for consulting and project fees in connection with the conversion of the Company into a stock company (see Note 23).

12. Research and development expenses

The Company incurred research and development expenses of EUR 2,193,973.71 in the current year (2016: EUR 2,662,185.66), which are included in the following items in the statement of profit or loss and other comprehensive income (loss):

Year ended December 31 all amounts in EUR	**2017**	**2016**
Personnel expenses	(1,088.315.26)	(1,270.817.19)
Expenses of materials and services	(354,433.24)	(662,351.17)
Other expenses	(222,731.68)	(261,033.63)
Depreciation and amortisation	(165,098.34)	(160,724.97)
Financial expenses	(361,565.29)	(305,674.71)
Other gains (losses), net	(1,829.90)	(1,584.00)
Total	**(2,193,973.71)**	**(2,662,185.66)**

13. Financial income and expenses

Year ended December 31 all amounts in EUR	**2017**	**2016**
Interest income		
Bank deposits	315.87	361.67
Total	**315.87**	**361.67**
Interest and similar expenses		
FFG loans	(77,257.31)	(88,029.34)
AWS Seed loan	(81,710.26)	(75,183.83)
Shareholders' loans	(405,195.44)	(277,996.43)
AWS DEQ loan	0.00	(2,618.07)
Convertible bond	(387,751.78)	0.00
Finance leasing	(1,836.73)	(2,154.21)
Bank deposits	(6.63)	0.00
Other interest expenses	0.00	0.00
	(953,758.15)	**(445,981.88)**
Other financial income/(expenses)		
Valuation equity conversion right	217,685.91	0.00
Adjustment of carrying amount of AWS Profit Share	(2,643.35)	(1,573.53)
	215,042.56	**(1,573.53)**
Total financial result	**(738,399.72)**	**(447,193.74)**
Thereof financial income	*218,001.78*	*361.67*
Thereof financial expenses	*(956,401.50)*	*(447,555.41)*

Interest income arises on cash and cash equivalents. Interest expenses consist of interest payable on borrowings of all kinds (e.g. bank and other loans) as well as the convertible bond and are expensed as incurred.

As required by IFRS 7.20, interest on financial instruments is classified as follows:

all amounts in EUR	Loans and receivables	Other financial liabilities	Available-for-sale	FVTPL (held for trading)	Total
Financial result as per statement of profit or loss and other comprehensive income (loss)					
Year ended December 31, 2016					
Financial income	361.67	0.00	0.00	0.00	361.67
Financial expenses	0.00	(447,555.41)	0.00	0.00	(447,555.41)
Total	**361.67**	**(447,555.41)**	**0.00**	**0.00**	**(447,193.74)**
Financial result as per statement of profit or loss and other comprehensive income (loss)					
Year ended December 31, 2017					
Financial income	315.87	0.00	0.00	217,685.91	218,001.78
Financial expenses	0.00	(956,401.50)	0.00	0.00	(956,401.50)
Total	**315.87**	**(956,401.50)**	**0.00**	**217,685.91**	**(738,399.72)**

14. Taxes on income

Year ended December 31 all amounts in EUR	2017	2016
Current tax	(1,750.00)	(1,750.00)
Total	**(1,750.00)**	**(1,750.00)**

Taxes on income are calculated using the current corporate income tax rate of 25%. Under the Austrian Corporate Income Tax Act (KStG) a minimum amount of EUR 1,750.00 corporate income tax is levied even if there is a tax loss.

Current tax receivables in the amount of EUR 16.90 (2016: EUR 41,250.00) shown in the statement of financial position include capital gains taxes that are creditable against current taxes.

The total charge for the year can be reconciled to the accounting profit as follows:

Year ended December 31 all amounts in EUR	**2017**	**2016**
Profit (Loss) before taxes	(2,376,440.57)	(1,973,191.60)
Tax income (expense) at 25%	594,110.14	493,297.90
Expenses not deductible for tax purposes	(1,568.77)	(1,707.73)
Income not subject to tax	40,317.48	69,176.49
Effect of equity transaction costs (recognised directly in equity, but deductible for tax purposes)	0.00	5,597.20
Effect of deferred tax asset not recognised	(632,858.85)	(566,363.86)
Minimum corporate income tax	(1,750.00)	(1,750.00)
Tax expense (before loss carry-forwards)	**(1,750.00)**	**(1,750.00)**
Other tax adjustments	0.00	0.00
Total income tax expense	**(1,750.00)**	**(1,750.00)**

Deferred Taxes

Deferred taxes were only recognised to the extent that the Company has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available in the following taxable period against which the unused tax losses can be utilised.

Accordingly, temporary differences resulting in deferred tax liabilities in the amount of EUR 765,230.62 (2016: EUR 443,025.23) are offset against deferred tax assets resulting mainly from tax loss carry-forwards showing the same amount and timing with the same fiscal authority. Further to this, no deferred tax assets have been capitalised in the statement of financial position or effects shown in the statement of profit or loss and other comprehensive income (see also Note 4.2).

Year ended December 31 all amounts in EUR	2017	2016
Deferred tax asset from		
Tax losses carried forward	3,633,363.49	3,042,622.31
Current receivables	1,770.85	2,395.84
Investment from silent partnership	567,312.50	567,312.50
Borrowings	9,460.39	11,262.00
Other financial liabilities	370,408.17	3,658.77
Trade payables	0.27	0.00
Non-recognition of deferred tax assets	(3,817,085.05)	(3,184,226.20)
Total deferred tax assets	**765,230.62**	**443,025.23**

Year ended December 31 all amounts in EUR	2017	2016
Deferred tax liability from		
Intangible assets – software	(510.51)	(167.84)
Intangible assets – development costs	(319,462.98)	(330,188.30)
Property, plant and equipment	(12,991.63)	(18,299.75)
Current receivables	(149.08)	(2,552.77)
Cash and cash equivalents	(0.60)	0.00
Borrowings	(50,133.23)	(91,815.42)
Convertible bond	(381,982.59)	0.00
Trade payables	0.00	(1.15)
Total deferred tax liability	**(765,230.62)**	**(443,025.23)**
Deferred tax, net	**0.00**	**0.00**

As of December 31, 2017 the Company has unrecognised deferred tax assets of EUR 3,817,085.05 (2016: EUR 3,184,226.20) mainly resulting from cumulative tax loss carry-forwards in respect of losses of EUR 14,533,453.94 (2016: EUR 12,170,489.25). Since the Company is in a loss-making position and has a history of losses, no deferred tax asset has been recognised. The tax loss carry-forwards will not expire.

15. Earnings (losses) per share

Basic earnings/losses per share

Basic earnings/losses per share is calculated by dividing the net earnings/loss attributable to shareholders by the weighted average number of shares outstanding during the year.

Year ended December 31 all amounts in EUR	**2017**	**2016**
Earnings (losses) for the year	(2,378,190.57)	(1,974,941.60)
Weighted average number of shares outstanding	1,000,000.00	1,000,000.00
Basic earnings (loss) per share	**(2.38)**	**(1.97)**

At the general meeting of May 12, 2017 the conversion of the Company into a stock company was decided with effect from December 31, 2016 (please refer to Note 23 for further details). Prior to the conversion the Company's share capital was not divided into a specific number of shares, but shareholders had a proportionate interest in the Company corresponding to their amount of nominal capital paid in. On September 17, 2018, the extraordinary general meeting approved the increase of shares from 132,360 shares by 867,640 shares to 1,000,000 shares. All shareholders subscribed to the nominal capital increase on a pro-rata basis. For calculating earnings (loss) per share in 2017 and 2016 respectively, it was assumed that the number of shares was 1,000,000.

Diluted earnings/losses per share

Diluted earnings/losses per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. In 2016, the Company had no dilutive potential shares. In 2017 dilutive potential shares include a convertible bond. As the conversion options pursuant to the convertible bond are contingent on a qualified public offering they have been treated as contingently issuable shares. As the qualified public offering had not taken place at the balance sheet date they were not included in the diluted earnings per share calculation. Therefore diluted earnings/losses per share equal basic earnings per share in 2016 and 2017.

16. Notes to the statement of cash flows

The statement of cash flows has been prepared using the indirect method. It shows the changes in cash and cash equivalents (see Note 2.17) resulting from the inflow and outflow of funds during the reporting period and differentiates between cash flows from operating activities, investing activities and financing activities. The funds included in the statement of cash flows are cash and cash equivalents.

Cash flow utilised by operating activities

The cash flow from operating activities shows the flows of funds arising from the provision and receipt of goods and services during the reporting period and includes changes in working capital.

Cash flow generated from (utilised by) investing activities

The cash flow from investing activities consists mainly of outflows of funds for the acquisition of tangible and intangible assets.

Cash flow generated from financing activities

The cash flow from financing activities consists of proceeds from shareholders of EUR 0.00 (2016: EUR 379,678.19) less equity transaction costs in the amount of EUR 0.00 (2016: EUR 22,388.79), proceeds from the convertible bond in the amount of EUR 7,000,000.00 less transaction costs in the amount of EUR 632,602.92, proceeds from shareholders' loans in the amount of EUR 0.00 (2016: EUR 1,047,662.70 net of transaction costs), cash flows from repayments of long-term borrowings of EUR 0.00 (2016: EUR 397,907.00), finance lease payments of EUR 7,206.47 (2016: EUR 9,361.32) and changes in restricted cash of EUR 0.00 (2016: EUR 39,600.00).

Reconciliation of liabilities arising from financing activities

The table below details the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flow from financing activities.

all amounts in EUR		Convertible bond	Equity conversion right	Finance leases	FFG loans
	Carrying amount as of January 1, 2017	0.00	0.00	45,048.01	2,779.115.31
	Financing cash flows	6,367,397.08	0.00	(7,206.47)	0.00
Non-cash changes	Separation (recognition) of equity conversion right	(1,682,040.16)	1,682,040.16	0.00	0.00
Non-cash changes	Non-cash income from debt relief	0.00	0.00	0.00	(563,281.00)
Non-cash changes	Fair value adjustments	0.00	(217,685.91)	0.00	0.00
Non-cash changes	Effective interest accrued	387,751.78	0.00	1,836.73	75,958.31
	Interest paid	0.00	0.00	(1,836.73)	(44,145.00)
	Carrying amount as of December 31, 2017	**5,073,108.70**	**1,464,354.25**	**37,841.54**	**2,247,647.62**

all amounts in EUR		Shareholders' loans	Silent partnerships	AWS profit share	AWS Seed loan
	Carrying amount as of January 1, 2017	2,159,596.93	0.00	14,635.08	941,294.67
	Financing cash flows	0.00	0.00	0.00	0.00
Non-cash changes	Separation (recognition) of equity conversion right	0.00	0.00	0.00	0.00
Non-cash changes	Non-cash income from debt relief	0.00	0.00	0.00	0.00
Non-cash changes	Adjustment of carrying amount	0.00	0.00	448.09	0.00
Non-cash changes	Effective interest accrued	405,195.44	0.00	2,195.26	81,710.26
	Interest paid	(174,858.61)	0.00	0.00	0.00
	Carrying amount as of December 31, 2017	**2,389,933.76**	**0.00**	**17,278.43**	**1,023,004.93**

17. Property, plant and equipment

The movement on property, plant and equipment was as follows:

all amounts in EUR	IT equipment	Laboratory equipment	Other plant and office equipment	Total
As of January 1, 2016				
Cost or valuation	64,892.14	330,655.65	96,162.27	491,710.06
Accumulated depreciation	(60,652.62)	(262,171.29)	(18,814.52)	(341,638.43)
Carrying amount	**4,239.52**	**68,484.36**	**77,347.75**	**150,071.63**
Year ended December 31, 2016				
Beginning carrying amount	4,239.52	68,484.36	77,347.75	150,071.63
Additions	55,827.08	35,673.87	3,125.62	94,626.57
Disposals	(0.01)	0.00	0.00	(0.01)
Depreciation	(11,594.11)	(34,872.97)	(12,926.37)	(59,393.45)
Carrying amount	**48,472.48**	**69,285.26**	**67,547.00**	**185,304.74**
As of January 1, 2017				
Cost or valuation	94,640.32	366,329.52	96,162.27	557,132.11
Accumulated depreciation	(46,167.84)	(297,044.26)	(28,615.27)	(371,827.37)
Carrying amount	**48,472.48**	**69,285.26**	**67,547.00**	**185,304.74**
Year ended December 31, 2017				
Beginning carrying amount	48,472.48	69,285.26	67,547.00	185,304.74
Additions	22,728.73	7,230.94	24,852.19	54,811.86
Disposals	(0.02)	0.00	0.00	(0.02)
Depreciation	(20,318.67)	(35,520.58)	(21,287.50)	(77,126.75)
Carrying amount	**50,882.52**	**40,995.62**	**71,111.69**	**162,989.83**
As of December 31, 2017				
Cost or valuation	95,283.57	373,560.46	109,988.60	578,832.63
Accumulated depreciation	(44,401.05)	(332,564.84)	(38,876.91)	(415,842.80)
Carrying amount	**50,882.52**	**40,995.62**	**71,111.69**	**162,989.83**

As of December 31, 2017 fully depreciated property, plant and equipment with a gross carrying amount of EUR 327,692.17 (2016: EUR 242,907.03) is still in use.

Laboratory equipment includes the following amounts where Marinomed is a lessee under a finance lease (refer to Note 25 for further details).

Year ended December 31 all amounts in EUR	**2017**	**2016**
Leasehold laboratory equipment		
Cost	72,000.00	72,000.00
Accumulated depreciation	71,999.99	57,750.00
Carrying amount	**0.01**	**14,250.00**

Other plant and office equipment includes the following amounts where the Company is a lessee under a finance lease of a vehicle (refer to Note 25 for further details).

Year ended December 31 all amounts in EUR	**2017**	**2016**
Other plant and office equipment		
Cost	65,000.00	65,000.00
Accumulated depreciation	16,927.08	8,802.08
Carrying amount	**48,072.92**	**56,197.92**

18. Intangible assets

The following table shows the movement in intangible assets:

As of January 1, 2016 all amounts in EUR	**Development costs**	**Software**	**Total**
Cost or valuation	1,962,836.35	30,726.47	1,993,562.82
Accumulated depreciation	(522,014.70)	(27,393.16)	(549,407.86)
Carrying amount	**1,440,821.65**	**3,333.31**	**1,444,154.96**
Year ended December 31, 2016			
Beginning carrying amount	1,440,821.65	3,333.31	1,444,154.96
Additions – acquisitions	0.00	17,899.10	17,899.10
Additions – internal development	0.00	0.00	0.00
Disposals	0.00	0.00	0.00
Depreciation	(120,068.47)	(4,054.66)	(124,123.13)
Carrying amount	**1,320,753.18**	**17,177.75**	**1,337,930.93**

As of January 1, 2017 all amounts in EUR	**Development costs**	**Software**	**Total**
Cost or valuation	1,962,836.35	48,625.57	2,011,461.92
Accumulated depreciation	(642,083.17)	(31,447.82)	(673,530.99)
Carrying amount	**1,320,753.18**	**17,177.75**	**1,337,930.93**
Year ended December 31, 2017			
Beginning carrying amount	1,320,753.18	17,177.75	1,337,930.93
Additions – acquisitions	0.00	21,942.23	21,942.23
Additions – internal development	77,167.20	0.00	77,167.20
Disposals	0.00	0.00	0.00
Depreciation	(120,068.47)	(5,384.28)	(125,452.75)
Carrying amount	**1,277,851.91**	**33,735.70**	**1,311,587.61**
As of December 31, 2017			
Cost or valuation	2,040,003.55	70,567.80	2,110,571.35
Accumulated depreciation	(762,151.64)	(36,832.10)	(798,983.74)
Carrying amount	**1,277,851.91**	**33,735.70**	**1,311,587.61**

19. Inventories

Inventories include the following items:

Year ended December 31 all amounts in EUR	2017	2016
Goods for sale	177,722.92	47,792.78
Thereof nasal and throat sprays	*49,593.60*	*47,792.78*
Thereof lozenges	*128,129.32*	*0.00*
Total	**177,722.92**	**47,792.78**

Inventories recognised as an expense during the year ended December 31, 2017 amounted to EUR 3,375,621.20 (2016: EUR 1,536,110.67). These were included under the line item "Expenses of materials and services" in the statement of profit or loss and other comprehensive income.

In 2016 the amount of EUR 23,747.50 was recognised as a reversal of write-downs of inventories, arising from an increase in net realisable value and is included as a reduction of expenses under the line item "Expenses of materials and services" in the statement of profit or loss and other comprehensive income.

20. Financial instruments

In accordance with IAS 39 and IFRS 7, financial instruments are classified as follows:

As of December 31, 2016 all amounts in EUR	Loans and receivables	Available-for-sale	Total
Assets as per statement of financial position			
Non-current receivables	2,920.00	0.00	2,920.00
Current receivables	839,949.63	0.00	839,949.63
Cash and cash equivalents	2,006,221.63	0.00	2,006,221.63
Total	**2,849,091.26**	**0.00**	**2,849,091.26**

all amounts in EUR	Other financial liabilities	FVTPL (held for trading)	Total
Liabilities as per statement of financial position			
Borrowings	5,925,054.92	0.00	5,925,054.92
Silent partnerships	0.00	0.00	0.00
Other financial liabilities	14,635.08	0.00	14,635.08
Trade payables	348,606.53	0.00	348,606.53
Total	**6,288,296.53**	**0.00**	**6,288,296.53**

As of December 31, 2017 all amounts in EUR	**Loans and receivables**	**Available-for-sale**	**Total**
Assets as per statement of financial position			
Non-current receivables	2,910.00	0.00	2,910.00
Current receivables	1,190,256.19	0.00	1,190,256.19
Cash and cash equivalents	6,030,381.94	0.00	6,030,381.94
Total	**7,223,548.13**	**0.00**	**7,223,548.13**

all amounts in EUR	**Other financial liabilities**	**FVTPL (held for trading)**	**Total**
Liabilities as per statement of financial position			
Borrowings	5,698,427.85	0.00	5,698,427.85
Silent partnerships	0.00	0.00	0.00
Convertible bond	5,073,108.70	0.00	5,073,108.70
Other financial liabilities	17,278.43	1,464,354.25	1,481,632.68
Trade payables	730,994.20	0.00	730,994.20
Total	**11,519,809.18**	**1,464,354.25**	**12,984,163.43**

In the tables above only trade receivables are included as they are classified as financial instruments. Trade receivables are stated under trade and other receivables in the statement of financial position (see also Note 21).

The carrying amount of current borrowings is a reasonable approximation of their fair value, as the impact of discounting is not significant. The carrying amounts for current receivables and trade payables are assumed to approximate their fair value due to their relatively short maturity. For non-current liabilities (borrowings and convertible bond) refer to Note 25 and to Note 26.

The following table presents the financial instruments measured at fair value and classified by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (as exchange rates) (Level 2).
- Valuation techniques that include inputs for the asset or liability that are not based on observable market data (those are unobservable inputs) (Level 3).

It does not include fair value information for financial assets and liabilities not measured at fair value where the carrying amount is a reasonable approximation of the fair value.

Year ended December 31 all amounts in EUR	2017	2016
Liabilities as per statement of financial position		
Level 1	0.00	0.00
Level 2	0.00	0.00
Level 3	1,464,354.25	0.00
Total	**1,464,354.25**	**0.00**

21. Long-term and current receivables

Year ended December 31 all amounts in EUR	2017	2016
Deposits	2,910.00	2,920.00
Total long-term receivables	**2,910.00**	**2,920.00**
Trade receivables	1,190,256.19	839,949.63
Prepaid expenses	35,273.92	3,249.98
Other receivables	418,293.36	459,531.53
Total current receivables	**1,643,823.37**	**1,302,731.14**

Current receivables were all due within one year. None of them was either past due or impaired. Other receivables mainly include receivables vis-à-vis tax authorities resulting from the research premium and credits from VAT returns.

22. Cash and cash equivalents

The following table shows the cash and cash equivalents:

Year ended December 31 all amounts in EUR	2017	2016
Cash on hand	707.10	146.53
Cash at bank	6,029,674.84	2,006,075.10
Total cash and cash equivalents	**6,030,381.94**	**2,006,221.63**

23. Share capital

At December 31, 2017 the issued share capital amounted to EUR 132,360.00 (2016: EUR 132,360.00) and is fully paid up. The development of share capital and reserves can be seen in the statement of changes in equity.

In the general meeting of May 12, 2017 the conversion of the Company into a stock company was decided with effect from December 31, 2016. The share capital corresponse to the share capital as of December 31, 2016 after the conversion. The share capital is made up of 132,360 no-par value shares registered in the names of the holders with a nominal value of EUR 1.00 per share. The no-par value shares have been taken over by the shareholders according to their participation.

As of December 31, 2017 the authorised share capital comprises up to 66,180 no-par value shares with a nominal amount of EUR 66,180.00 for the issuance of shares to holders of the convertible bond.

24. Investment from silent partnerships

By partnership agreements dated December 30, 2011, June 22, 2012 and June 25, 2013 respectively the Company established silent partnerships, according to which the silent partners share in the Company's fair value and in profit and loss according to the agreed participation rate.

For further details on investments from silent partnerships refer to Note 2.21.
The development of the silent partnerships was as follows:

Year ended December 31 all amounts in EUR	**2017**	**2016**
Amortised cost as of January 1	0.00	0.00
Contributions	0.00	0.00
Adjustments to amortised costs	0.00	0.00
De-recognition/Settlement by issued equity instruments	0.00	0.00
Amortised cost as of December 31	**0.00**	**0.00**

Amortised cost of the silent partnerships consists of the following:

Year ended December 31 all amounts in EUR	**2017**	**2016**
Contributions	1,205,000.00	1,205,000.00
Attributable losses	(1,205,000.00)	(1,205,000.00)
Amortised cost	**0.00**	**0.00**

25. Borrowings

Borrowings consist of the following items:

Year ended December 31 all amounts in EUR	2017	2016
Non-current borrowings		
FFG loans	31,980.35	889,033.31
AWS Seed loan	1,023,004.93	941,294.67
Shareholders' loans	0.00	2,159,596.93
Finance lease obligations	30,305.68	37,841.54
Total non-current borrowings	**1,085,290.96**	**4,027,766.45**
Current borrowings		
FFG loans	2,215,667.27	1,890.082.00
Shareholders' loans	2,389,933.76	0.00
Finance lease obligations	7,535.86	7,206.47
Total current borrowings	**4,613,136.89**	**1,897,288.47**
Total borrowings	**5,698,427.85**	**5,925,054.92**

The maturity of borrowings is as follows:

Year ended December 31 all amounts in EUR	2017	2016
No later than 1 year	4,613,136.89	1,897,288.47
Later than 1 year and no later than 5 years	62,286.03	3,086,471.78
Later than 5 years	1,023,004.93	941,294.67
Total borrowings	**5,698,427.85**	**5,925,054.92**

The reduction in total borrowings mainly results from the fact that in 2017 two loans from FFG amounting to kEUR 563 were converted into non-repayable grants (see Note 6), which was partly compensated by accrued interest.

The nominal and carrying amounts, maturity dates and interest rates on borrowings were as follows:

Lender	Nominal amount	Carrying amount as of December 31, 2017	Maturity date	Nominal interest rate	Weighted average effective interest rate
FFG loans	2,271,582.00	2,247,647.62	31.03.2018 to 31.03.2019	0.75% to 2.50%	3.62%
AWS Seed loan	500,000.00	1,023,004.93	indefinite	8.50%	8.50%
Shareholders' loans	2,352,000.00	2,389,933.76	31.12.2018	10.00%	20.26%
Finance lease	37,841.54	37,841.54	03.11.2020	variable	4.48%

Further details and explanations to the table above are given below for each class of borrowings.

The following table shows a comparison by class of the carrying amounts and fair values of the Company's borrowings, other than those with carrying amounts that are reasonable approximations of fair values:

Year ended December 31 all amounts in EUR	2017	2016
Carrying amount		
FFG loans	2,247,647.62	2,779,115.31
AWS Seed loan	1,023,004.93	941,294.67
Total	**3,270,652.55**	**3,720.409.98**
Fair value		
FFG loans	2,056,189.68	2,481,135.68
AWS Seed loan	699,081.11	607,896.62
Total	**2,755,270.79**	**3,089,032.30**

The fair values of non-current borrowings stated above are based on discounted cash flows using an interest rate of 15.0%, which was considered to be the best estimate for a market interest rate for the Company based on an offer received by an external financial institution at the time of the fair value calculation. They are classified as level 3 fair values in the fair value hierarchy (see Note 20) due to the use of unobservable inputs, including an estimation of the timing of repayment of the AWS Seed loan based on the Company's forecast.

For other borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

R&D Support loans – FFG loans, AES DEQ loan and AWS Seed loan

Since 2007 the Company has taken out various loans ("FFG loans") from FFG in the total nominal amount of EUR 2,271,582.00 (2016: EUR 2,834,863.00). The loans carry fixed interest rates between 0.75% and 2.50% p.a. According to IAS 20.10A, the differences between the nominal interest rates of these loans and the market rate of interest, estimated at 15.0% (see above), are treated as a government grant and recognised over the term of the corresponding financial liabilities. As the Company has applied IAS 20 prospectively to government loans existing at the date of transition to IFRS according to IFRS 1.B10, the benefit of a government loan at a below-market rate of interest has only been recognised for government loans that became effective or for which tranches have been paid out after the date of transition to IFRS.

In 2017 two loans from FFG amounting to kEUR 563 were converted into non-repayable grants due to technical failure of the respective projects.

In 2007 the Company took out a loan ("AWS DEQ loan") of EUR 990,000.00, 80% of which were secured by a guarantee from Austria Wirtschaftsservice GmbH ("AWS"). The remaining 20% of the loan were secured by cash on a pledged account. This loan has a variable interest rate based on the 3-month Euribor plus 120bps. Starting from December 31, 2009 the Company had to make 15 semi-annual repayments in the amount of EUR 66,000.00. Final repayment of the last two tranches was effected in 2016.

In 2006 the Company took out a loan ("AWS Seed loan") from Austria Wirtschaftsservice GmbH ("AWS") in the total nominal amount of EUR 500,000.00. The AWS Seed loan is generally granted for supporting start-up companies. In case of the Company, AWS granted the loan for the purpose of supporting the development of the Company's antiviral medical devices.

The loan has a term of 10 years including a grace period of 5 years starting from July 1, 2007 (date on which the last tranche was received from AWS) and a fixed interest rate of 8.50% p.a. Yearly repayments are to be based on annual profits made by the Company. In case of a profit generated by the Company, 30% of the profit before tax (adjusted for certain items) has to be used to repay the loan. In case that the Company does not make any profits in any given year, no repayments shall be made in that year. The loan period is extended indefinitely until the outstanding amount is paid off. Management of the Company expects the loan to be repaid within the next six years; accordingly, the carrying amount of the AWS Seed loan has been included in the line "Later than 5 years" in the table on maturities of borrowings stated above.

Shareholders' loans

In 2015 a number of shareholders provided the Company with shareholders' loans with a nominal amount of EUR 1,075,000.00.

In 2016 a new investor and exisiting shareholders provided the Company with shareholders' loans with a nominal amount of EUR 1,277,000.00.

The loans are provided to support the Company's R&D activities and working capital requirements. The term of the loans ends on December 31, 2018. The loans carry fixed interest of 10% p.a., which has to be paid annually within 5 working days after the end of each calender year. The nominal amount has to be repaid in full at the end of the loan term. However, the Company is entitled to request conversion of the loans into non-repayable shareholders' contributions upon fulfilment of certain conditions which will not be fulfilled until due date.

Due to the fact that the interest rate in the loan agreements is below market rate, the market rate of interest (estimated at 15.0% p.a. in 2015 and 2016 respectively) was taken into account to calculate the fair value of the loans at inception. The difference between the fair value and the amounts received is recognised directly in equity.

Accordingly, the development of shareholders' loans was as follows:

all amounts in EUR	2017	2016
Carrying amount as of January 1	2,159,596.93	850,528.08
Nominal amount received	0.00	1,277.000.00
Transaction costs	0.00	(104,659.11)
Bifurcation of equity component	0.00	(124,678.19)
Effective interest accrued	405,195.44	277,996.43
Interest paid	(174,858.61)	(16,590.28)
Carrying amount as of December 31	**2,389,933.76**	**2,159,596.93**

Finance leases

The Company leases laboratory equipment and a vehicle with a total carrying amount of EUR 37,841.54 (2016: EUR 45,048.01; see also Note 17) under finance leases expiring within one to five years.

In February 2016 the contract regarding the laboratory equipment expired. As the laboratory equipment is used continuously it is shown under the fixed assets with a book value of EUR 0.00.

Under the terms of the vehicle lease, a residual value in the amount of EUR 14,885.69 is guaranteed.

Year ended December 31 all amounts in EUR	**2017**	**2016**
Commitments in relation to finance leases are payable as follows:		
Within one year	9,043.20	9,043.20
Later than one year but not later than five years	17,332.80	26,376.00
Later than five years	0.00	0.00
Minimum lease payments	**26,376.00**	**35,419.20**
Guaranteed residual value	14,885.69	14,885.69
Future finance charges	(3,420.15)	(5,256.88)
Recognised finance lease liabilities	**37,841.54**	**45,048.01**
The present value of finance lease liabilities is as follows:		
Within one year	7,535.86	7,206.47
Later than one year but not later than five years	30,305.68	37,841.54
Later than five year	0.00	0.00
Total finance lease liabilities	**37,841.54**	**45,048.01**

26. Convertible bond

On July 14, 2017 the Company placed a pre-IPO 4% bond with a conditional equity conversion right listed on the Austrian Stock Exchange under ISIN AT0000A1WD52. The bond has a nominal amount of EUR 7,000,000.00 and a maturity of 4 years, i.e. repayable until July 14, 2021. The bondholders have the right to convert their entire claim into ordinary shares of the Company conditional upon the execution of a qualifying public offering (QPO) (refer to Note 27 for more details on the conversion right).

The bond bears interest at a rate of 4% p.a. as from the interest commencement date, i.e. 14 July 2017. Interest is payable annually in arrears at the end of each one-year period, i.e. on July 14 of each calendar year. In case of a trade sale or licence payment (both as defined in the terms and conditions of the bond) the Company is obliged to pay a trade sales premium/licence payment premium together with the redemption amount on the maturity date.

The development of the convertible bond was as follows:

all amounts in EUR	2017	2016
Carrying amount as of January 1	0.00	0.00
Proceeds of issue	7,000,000.00	0.00
Transaction costs	(632,602.92)	0.00
Separation (recognition) of equity conversion feature	(1,682,040.16)	0.00
Effective interest accrued	387,751.78	0.00
Interest paid	0.00	0.00
Carrying amount as of December 31	**5,073,108.70**	**0.00**
Thereof current	*131,178.08*	*0.00*
non-current	*4,941,930.62*	*0.00*

The fair value of the convertible bond amounts to EUR 5,675,645.75 as of December 31, 2017 and is based on discounted cash flows using an interest rate of 15.0%, which was considered to be the best estimate for a market interest rate for the Company. It is classified as level 3 fair values in the fair value hierarchy (see Note 20) due to the use of unobservable inputs.

27. Other financial liabilities

Other financial liabilities include the following items:

Year ended December 31 all amounts in EUR	2017	2016
AWS Profit Share	17,278.43	14,635.08
Equity conversion right	1,464,354.25	0.00
Total other financial liabilities	**1,481,632.68**	**14,635.08**

Other financial liabilities include a liability resulting from a profit-related guarantee fee ("AWS Profit Share"), which the Company granted to AWS in connection with the guarantee from AWS for 80% of the AWS DEQ loan (see Note 25). The obligation from the AWS Profit Share is payable upon the occurrence of one of the following events: (a) initial public offering (IPO) or (b) sale of more than 25% of the shares in the Company to a strategic investor (not a financial investor, e.g. venture capital or private equity funds). It started with the drawdowns of the AWS DEQ loan and ends 2 years after full repayment of the loan.

The equity conversion rights from the convertible bond represent embedded derivatives that are not closely related to the host debt and consequently accounted for separately at fair value through profit or loss (see Note 4.3). The development of the fair value of the conversion rights was as follows:

Year ended December 31 all amounts in EUR	2017	2016
Fair value as of January 1	0.00	0.00
Separation (recognition) of equity conversion right	1,682,040.16	0.00
Fair value adjustment	(217,685.91)	0.00
Fair value as of December 31	**1,464,354.25**	**0.00**

The fair value adjustment results from the difference between the fair value at recognition of the conversion right and the subsequent fair value re-measurement at the balance sheet date.

28. Trade payables

Year ended December 31 all amounts in EUR	**2017**	**2016**
Advance payments	5,000.00	0.00
Trade payables	725,994.20	348,606.53
Total trade payables	**730,994.20**	**348,606.53**

Trade payables were all due within one year. None of them was either past due or impaired.
Trade payables are unsecured and are usually paid within 30 days of recognition.

29. Other liabilities

Other liabilities include the following items:

Year ended December 31 all amounts in EUR	**2017**	**2016**
Other non-current liabilities		
Grant – below market rate	1,487.16	23,934.38
Total other non-current liabilities	**1,487.16**	**23,934.38**
Other current liabilities		
Grant – below market rate	22,447.22	31,813.31
Social security contributions	94,753.75	75,116.88
Deferred income	0.00	68,500.00
Accounting, tax and audit services	38,181.55	59,900.00
Unconsumed vacation	115,385.36	166,955.11
Overtime	9,375.07	0.00
Others	327,509.97	95,315.38
Total other current liabilities	**607,652.92**	**497,600.68**
Total other liabilities	**609,140.08**	**521,535.06**

Other liabilities include the difference between the nominal and fair value of R&D support loans according to IAS 20.10A in the amount of EUR 23,934.38 (2016: EUR 55,747.69). Other current liabilities also include deferred income in the amount of EUR 0.00 (2016: EUR 68,500.00) relating to a non-repayable grant by WAW and FFG (see Note 6), which was partly received before the respective expenses occured. Other current liabilities – others mainly include accrued expenses for marketing, external research and partly repayment of a FFG grant.

30. Provisions

Provisions include the following items:

Year ended December 31 all amounts in EUR	Warranty provision	Other provisions
Carrying amount at January 1, 2016	1,250,000.00	47,200.00
Use/Release	(500,000.00)	(34,200.00)
Additions	0.00	0.00
Carrying amount at December 31, 2016	750,000.00	13,000.00
Use/Release	0.00	0.00
Additions	0.00	0.00
Carrying amount at December 31, 2017	**750,000.00**	**13,000.00**

In 2013 the Company granted the exclusive rights for the antiviral product line of the Company to an international pharmaceutical company for several territories. The amount that contractually needs to be paid back in case of the return of the exclusive rights was considered as provision. In 2016 it was clear that semi-exclusive rights for the antiviral product line of the Company are sufficient for some territories. Therefore the exclusive rights for China were returned to the Company. According to the new contractual agreement, the respective amount will be settled with prospective milestone payments. Therefore, the provision was reversed im the amount of EUR 500,000.00. Other provisions include expected expenses for several claims.

31. Contingencies

The Company has no contingent liabilities in respect of legal claims arising in the ordinary course of business.

32. Commitments

Lease agreements

In 2006, a lease agreement for a limited period starting January 1, 2007 was entered into with the Veterinary University of Vienna for the use of business and research premises at Veterinärplatz 1, 1210 Vienna, Austria. The monthly rental fee for the premises is approx. EUR 10,730.00 (2016: EUR 10,730.00) including operating costs.

Future minimum lease payments under non-cancellable operating leases are as follows:

Year ended December 31 all amounts in EUR	2017	2016
No later than 1 year	128,764.00	128,764.00
Later than 1 year and no later than 5 years	64,382.00	193,146.00
Later than 5 years	0.00	0.00
Total	**193,146.00**	**321,910.00**

Other contractual commitments

In addition to the agreements above, the Company has entered into a number of other agreements also entailing financial commitments for the future and relating mainly to services provided by third parties in connection with the conduct of clinical trials and other research and development activities. The remaining payments to be made under these agreements, if all milestones and other conditions are met, are estimated to be as follows:

Year ended December 31 all amounts in EUR	**2017**	**2016**
No later than 1 year	28,300.00	55,300.00
Later than 1 year and no later than 5 years	16,755.50	0.00
Later than 5 years	40,000.00	0.00
Total	**85,055.50**	**55,300.00**

33. Related party transactions

Key management benefits

In 2017 the members of the management board of the Company were:

- Andreas Grassauer, CEO
- Eva Prieschl-Grassauer, CSO

In 2017 expenses for salaries and short-term employee benefits of members of the management board amounted to an aggregate amount of EUR 320,930.99 (2016: EUR 319,940.69). No other long-term employee benefits or termination benefits were paid in 2016 and 2017.

Supervisory board compensation

The Company has had a statutory supervisory board since 2017. The supervisory board ("Aufsichtsrat"), which supports management in commercial and scientific matters, consisted of the following members in 2017:

- Simon Nebel, Viopas Venture Consulting GmbH, Uster, Switzerland (chair, since June 2, 2017)
- Ute Lassnig, Laureo Corporate Finance GmbH, Vienna, Austria (deputy chair, since June 2, 2017)
- Karl Lankmayr, aws Mittelstandsfonds Beteiligungs GmbH & Co KG, Vienna, Austria (since June 2, 2017)
- Gernot Hofer, Invest Unternehmensbeteiligungs Aktiengesellschaft, Linz, Austria (since June 2, 2017)

The aggregate compensation of the members of the supervisory board (including amounts paid to members for advisory services) amounted to EUR 128,410.87 (2016: EUR 116,127.82).

Simon Nebel (chair of supervisory board) and Laureo Corporate Finance GmbH (100% owned by Ute Lassnig, deputy chair of the supervisory board) participated in the convertible bond issued in 2017 in the aggregate amount of EUR 70,000.00.

For further details and contractual agreements refer to Note 26.

Shareholders' loans

In 2015 the Company entered into shareholders' loans (see Note 25) with some of its shareholders with an aggregate principal amount of EUR 1,075,000.00 as of December 31, 2015. In 2017, a new shareholders' loan was provided and the existing loans were increased with a total aggregate principle amount of EUR 2,352,000.00 as of December 31, 2017. The following shareholders participated in these loans:

- aws Mittelstandsfonds Beteiligung GmbH & Co KG
- Martin Platzer
- Hermann Unger
- Invest Unternehmensbeteiligungs Aktiengesellschaft

For further details and contractual agreements refer to Note 25.

34. Audit fees

The auditors of the statutory accounts Ernst & Young Wirtschaftsprüfungs GmbH performed the following services for the Company:

Year ended December 31 all amounts in EUR	2017	2016
Audit fees financial statements	12,400.00	9,400.00
Other assurance services	92,800.00	0.00
Total	**105,200.00**	**9,400.00**

35. Events after the reporting period

As of December 31, 2017, current borrowings include FFG loans in the amount of kEUR 325.6 which were converted into non-repayable grants in 2018.

On September 17, 2018, the extraordinary general meeting approved the increase of shares from 132,360 shares by 867,640 shares to 1,000,000 shares. All shareholders subscribed to the nominal capital increase on a pro-rata basis.

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Vienna, 20.09.2018
Andreas Grassauer

.....

Vienna, 20.09.2018
Eva Prieschl-Grassauer

Legal notice

Marinomed Biotech AG
Veterinärplatz 1
1210 Vienna
Austria
www.marinomed.com

Contact
Eva Prieschl-Grassauer, Chief Scientific Officer
Phone +43 1 250 77-4460
pr@marinomed.com

Consultancy and concept
Metrum Communications: Roland Mayrl; Doris Gstatter

Design
Gilani, Studio für Grafik & Webdesign

Due to the financial rounding of individual items and percentages in this report, it may contain minor calculation differences.

This report contains forward-looking statements that were prepared on the basis of all the information available at the time. Various factors mean that actual performance may differ from the expectations set out here. Marinomed Biotech AG will not update these forward-looking statements, either on account of changes in actual circumstances or due to changes in assumptions or expectations. This report does not constitute a recommendation or solicitation to buy or sell securities of Marinomed Biotech AG.

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