2020 Marinomed Biotech AG

Annual Report 2020

SARS-CoV-2

Carragelose
A first step towards conquering the pandemic
Proven anti SARS-CoV-2 activity:
In vitro studies successful, clinical trials initiated
Recommended by the German Society for Hospital Hygiene

ON TRACK

Marinosolv
Phase II trial – Tacrosolv: initiated
Platform applicability study for asthma, allergy and ophthalmology successful

EUR 8.1 million

Revenues
+32% 2020, up from
EUR 6.1 million in 2019

+17%

Share price increase in 2020

EUR 5.9 million

R&D
Spending in 2020
increased by +24% from
EUR 4.8 million in 2019

Solving the un(dis)solvable

Marinomed researches and develops genuinely pioneering technology platforms. We aim to use these platforms to quickly and effectively combat respiratory tract and ocular diseases that are widespread around the world.

Our approved products based on the Carragelose platform have proven their worth worldwide as the first causal treatments of colds and flu-related illnesses and, most recently, were clinically validated against SARS-CoV-2.

With our clinically proven Marinosolv platform, we have succeeded in enhancing the efficacy of hardly soluble compounds, enabling us to offer innovative solutions in multi-billion-dollar markets in respiratory infections and allergies as well as to generate new IP. Our journey is just about to start: There are many compounds with solubility issues, offering numerous opportunities for deploying Marinosolv, which gives the platform great future potential.

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Dear shareholders,

As a science-based biotech company we have made it our mission to improve human health. Our products focus on respiratory infections and allergies. We remain faithful to our maxim that we only make statements that are backed up by data. This has led us along a successful path also in the last year.

Carragelose: a potential pandemic circuit breaker?

Despite hopes to conquer the pandemic faster, we are still in the middle of this global emergency. Marinomed has made good use of its expert knowledge on coronaviruses and of the Carragelose product platform. Even before the pandemic, Carragelose was well established, widely available in more than 40 countries on five continents and renowned for its clinically proven efficacy against human rhinoviruses, paramyxoviruses, respiratory syncytial virus, Influenza A and endemic coronaviruses.

We presented evidence throughout 2020 and in the first months of 2021 that, in summary, supports efficacy of Carragelose against SARS-CoV-2 and its use in the global fight against the pandemic. Funded in part by the Austrian Research Promotion Agency (FFG), several preclinical studies demonstrated that Carragelose can effectively inactivate both endemic coronaviruses and the new SARS-CoV-2 coronavirus. Marinomed has initiated a clinical trial in Vienna and is supporting an investigator-initiated trial at Swansea University, UK. Both trials are ongoing and are designed to show efficacy of Carragelose in preventing a SARS-CoV-2 infection in healthcare personnel attending to COVID-19 patients. Recently, an investigator-initiated trial conducted in Argentina with a Carrageenan-based nasal spray already showed an 80% reduction of the SARS-CoV-2 infection rate in healthcare workers caring for COVID-19 patients, compared to placebo.

Carragelose is one of a small number of substances for which clinical data in patients infected with endemic coronaviruses was available even before the pandemic; new data now show efficacy against SARS-CoV-2 as well. While vaccination, if available, is only approved for people 16 years of age and older, Carragelose can be administered even to children from the age of one, fostering our strong confidence that this polymer from red seaweed can be a helpful building block for overcoming the pandemic.

The demand for Carragelose products increased significantly during the pandemic. Looking into the future, we aim to further extend this growth. To this end Marinomed will further broaden its product line of virus blockers. We have filed for marketing approval of our new decongestant nasal spray in 2020 and initiated clinical testing for inhaled Carragelose. Finally, together with our partners we are extending our global reach and have granted a Carragelose licence for Italy.

Marinosolv: significant future potential

The pandemic remains the all-dominating topic. Our increased focus on the Carragelose platform and the authorities' concentration on combatting the pandemic also impacted our progress with Budesolv, the most advanced product of the Marinosolv platform, in 2020. We have continued the preparation for the registration procedure despite delays in production validation and slower responses of the authorities.

We achieved further important progress with the Marinosolv platform in 2020. We received an important patent on our technology and started the year 2020 with promising results suggesting asthma, allergy, ophthalmology and gastroenterology as further areas of application of this technology. In early 2021, we started the Tacrosolv trial in allergic conjuctivitis and are expecting the data soon.

Marinomed management board:
Pascal Schmidt
(Chief Financial Officer),
Eva Prieschl-Grassauer
(Chief Scientific Officer),
Andreas Grassauer
(Chief Executive Officer)

With the ability to provide soluble formulations of even the most hydrophobic substances, the Marinosolv technology may increasingly provide a solution to a central challenge in pharmaceutical development. This was also recognised by third party pharma companies for whom we successfully performed feasibility studies and are exploring further business opportunities. We see great potential in this technology platform, which we consider a key value driver of your company over the long-term.

Strong financials in 2020

Backed by an increasing amount of scientific data, we have seen strong growth in our Carragelose segment of 32% to EUR 8.1 million (2019: EUR 6.1 million) representing an all-time high and a gain of 55% compared to 2019's revenues adjusted for a one-time effect. We continued to invest in our research and development activities with expenditures of EUR 5.9 million (2019: EUR 4.8 million). Nevertheless, we closed the year as planned with a reduced loss of EUR 6.0 million in 2020 (2019: EUR 7.2 million).

Outlook on 2021

We are heading in the new financial year with optimism. Driven by sustained strong demand for our virus blocker, we expect Carragelose sales to grow further, but below the 2020 level. We will continue to invest in research and development to fully exploit the potential of our two platforms. In-line with our business plan we still expect operating losses for 2021 before we strive to show profitability in the medium term.

Marinomed is growing steadily and with a focus on sustainable growth. We would like to thank our employees for their exceptional dedication in 2020. Their commitment allows us to look into the future with great confidence regardless of the difficult circumstances that we are still facing. We would also like to thank all our investors, public funding bodies and customers for the trust they have placed in Marinomed's ideas and scientific capabilities.

Andreas Grassauer Eva Prieschl-Grassauer Pascal Schmidt

Milestones

2006
Marinomed Biotechnologie GmbH is founded

2007
Development of the Carragelose platform

2008
Market launch of the first Carragelose product

2010
Licensing partnership with Boehringer Ingelheim

2011
Approval of Carragelose products in additional countries

2012–2016
Additional product launches and sales partnerships

2016
Development of the Marinosolv technology platform

2018
Market launch of a decongestant Carragelose product

2019
IPO on the prime market of the Vienna Stock Exchange. Issuance proceeds: EUR 22.4 million

Loans from the European Investment Bank totalling up to EUR 15 million

Clinical validation of the Marinosolv platform with successful completion of phase III pivotal study for Budesolv

2020
Two clinical trials of Carragelose nasal sprays for the treatment and prevention of COVID-19 initiated after successful in vitro results against SARS-CoV-2

Marinosolv platform receives patent for the generation of aqueous solutions from insoluble compounds

Marinomed at a glance

Marinomed Biotech AG is an Austrian science-based biotech company with globally marketed therapeutics based on two innovative technology platforms, Carragelose and Marinosolv. Founded in 2006, Marinomed provides novel therapies against allergic and respiratory diseases, including COVID-19, and develops new solutions to treat widespread illnesses more quickly, more efficiently and with fewer side effects.

Several Carragelose products are already marketed worldwide through a network of distribution partners. Carragelose has clinically proven, broad antiviral activity and provides the first causal therapy against virus-caused common cold infections, with efficacy also against other respiratory viruses such as Influenza A virus and SARS-CoV-2.

The Marinosolv technology offers new formulations to dissolve substances that are hardly soluble, thereby offering the potential to enhance the efficacy of a multitude of drugs thereby creating novel IP. The first product candidates target allergic, ophthalmic and respiratory conditions.

Two innovative platforms help solve everyday medical challenges

Marinomed's products deriving from the Carragelose platform offer broad antiviral activity for the treatment and prevention of viral respiratory infections. This innovation in treating the common cold is based on a compound from red algae and contributes to solving an everyday medical and public health challenge with high associated economic cost. With the COVID-19 pandemic rapidly unfolding around the globe, the Carragelose platform and its broad antiviral efficacy gained major attention in 2020 – and proved to have a potential role to play in overcoming this worldwide health, economic and social challenge. Based on existing data on endemic coronaviruses, Marinomed was quickly able to demonstrate the activity of Carragelose against SARS-CoV-2 in 2020. In February 2021, the preclinical results were confirmed by clinical data from an independent investigator-initiated trial in almost 400 Argentinian hospital staff: iota-carrageenan-containing nasal spray achieved an 80% reduction in infection risk from SARS-CoV-2 compared to placebo.

Carragelose is used in six different products to treat viral infections of the respiratory tract. Partnerships have ensured distribution in over 40 countries to date. Marinomed is continuously expanding its network and is preparing to further roll out existing and new products in key markets in Europe and the US.

Marinomed's second platform is based on the Marinosolv technology. The platform addresses a central challenge in pharmaceutical development: solubilising and enhancing the efficacy of hardly soluble compounds. Two corticosteroids, budesonide (Budesolv, marketing application in preparation for treatment of allergic hay fever) and fluticasone (Flutisolv, phase III in preparation against allergic rhinitis) as well as the lactone macrolide tacrolimus (Tacrosolv, phase II started against allergic conjunctivitis) are in clinical

development. Improved solubility, lower required doses and faster onset of action demonstrate the enormous potential of the Marinosolv platform that will enable Marinomed to extend its activities into new indications.

Experienced management team

Marinomed is led by a management team with strong expertise and an extensive track record in virology, infectious diseases, allergies, immunology and molecular biology. A scientific advisory board comprised of four high-calibre international experts supports the management team. The team was able to continue the business with only minor disruptions through the pandemic while observing all laws and regulations.

Lean and diverse organisation

As of March 31, 2021, the company employed 41.8 staff (FTEs), thereof 54% in research and development. Sixty-nine percent of employees were female. Marinomed was awarded the BCG Gender Diversity Award Austria in 2020 as the most diverse among Austria's 50 biggest listed companies regarding gender composition of corporate boards.

With this highly effective and motivated organisation, we generated revenues of EUR 8.1 million in the 2020 financial year (2019: EUR 6.1 million), mainly related to the Carragelose segment. Despite the special challenge posed by the COVID-19 pandemic, the Carragelose segment saw significant growth of 32% (55% for revenues adjusted for one-time effects) while the European market for cold and flu drugs significantly declined, e. g. in Austria by over 50% (source: IQVIA). Expenses in research and development increased to EUR 5.9 million (2019: EUR 4.8 million).

Shares and shareholders

Marinomed has been trading on the prime market of the Vienna Stock Exchange since February 1, 2019. The company's founders and its management team own approximately 27% of Marinomed shares. The largest single shareholder is Acropora Beteiligungs-GmbH with an equity interest of around 14%. Free float is approximately 61%. In 2020, the share price rose from EUR 102 to EUR 119. The annual high of EUR 123 was reached on November 20, 2020 and the low on March 16, 2020 at EUR 70. Over the course of the year, the share gained 16.7%.

Strategy

Marinomed is committed to improving people's health. With our innovative technologies and products, it is our aim to treat widespread illnesses, such as respiratory infections and allergies, faster, more efficiently and with fewer side effects.

To achieve sustainable growth, we invest in, develop, and commercialize products from our two proprietary platforms, Marinosolv and Carragelose. Offering innovative therapies, both platforms target segments of global multi-billion-dollar markets.

Successful in research, development and commercialisation

Marinomed has successfully developed a product line from the Carragelose platform that is marketed in over 40 countries on five continents and generating revenues. Carragelose has been licensed to well-known international partners, building an external sales network within a short period of time. Focusing on white spots on the distribution map, the company aims to exploit growth opportunities by expanding into new markets and rolling out new products. Additional research and development work will need to be conducted over the next few years before returns can be realised with the Marinosolv technology. The current losses (negative EBIT) are attributable to our ongoing R&D investments and in line with the company's long-term strategy and business plan.

Throughout the company's history, Marinomed's team has demonstrated strong achievements in research, product development and negotiation of distribution agreements. This expertise will be invaluable in the continued development and commercialisation of the Carragelose and Marinosolv platforms.

Growth strategy

Marinomed plans to grow sustainably and aims to stay a lean organization, commercializing its products from both platforms through a global net of distributors and granting licenses for markets worldwide.

In light of the COVID-19 pandemic, Carragelose saw unprecedented interest as one of the few over-the-counter (OTC) options for causal antiviral treatment of upper respiratory tract infections with demonstrated efficacy against coronaviruses. Marinomed makes use of the increased awareness for viral infections and actively builds its partner network to further extend the growth seen with Carragelose. Our products still have strong growth potential by expanding both the product portfolio and international reach. Marinomed's medium-term objective is to become a leading niche player in the multi-billion dollar market for OTC medicines to treat coughs, colds, and allergies with its Carragelose products. Our goal is to move the field from just treating the symptoms of these illnesses to addressing the cause. Its effectiveness against a broad spectrum of viruses, including against the new SARS-CoV-2 as recently demonstrated, will allow Carragelose to play an important role in this market.

For the long term, Marinomed considers its Marinosolv platform to be one of the key value drivers of the company. The technology addresses solubility and bioavailability issues of therapeutic compounds and can be applied to a broad range

of medications and drug candidates. Marinomed pursues two paths in applying the Marinosolv technology: developing proprietary products and licensing the technology.

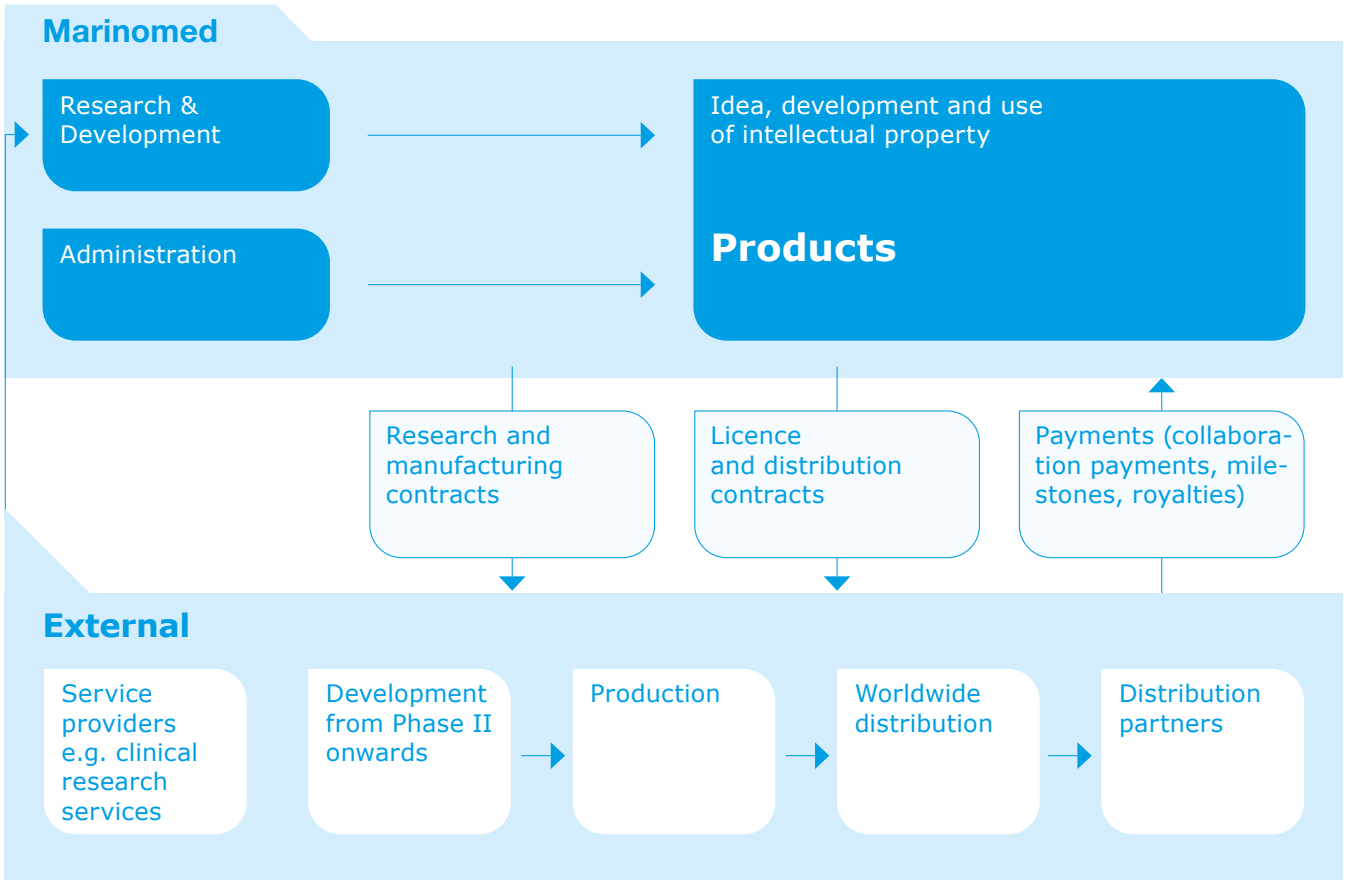
The first indications targeted with the clinically proven technology are allergies and ophthalmic diseases, both large and growing markets. Budesolv and Flutisolv will target the hay fever market, which has a sales volume of USD 5 billion annually and an annual growth rate of more than 5%. Tacrosolv aims to change the market of ophthalmic inflammations such as allergic conjunctivitis or dry eye – both indications with high incidences and addressing multi-billion dollar markets. In addition, the company successfully completed feasibility studies for pharmaceutical customers creating the basis for further collaborative product development.

Lean, science-based business model

Marinomed develops medicines and medical devices to help patients combat diseases of the respiratory tract and the eyes. The commercialisation model aims to keep the company set-up lean: Upon approval, Marinomed's drugs and devices are produced by contract manufacturers, and licensed partners then market and distribute the products worldwide.

The company's sales partners are mostly well-known pharmaceutical companies with licenses for specific geographical regions. With relatively little expense, the company can supervise and manage 15 commercialisation partners for more than 40 countries. Most of the pharmaceutical companies also use their licences to list Carragelose on the product description, which ensures that Marinomed is visible on most products via the brand. This enables Marinomed to concentrate on its core expertise – research and development – the element that contributes the highest value in the value chain.

Marinomed business model



A selection of sales partners for Carragelose products

Technology platforms

Carragelose

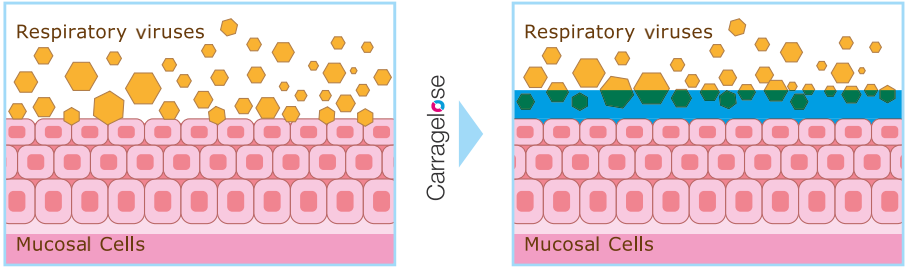
The Carragelose platform comprises innovative patent-protected products targeting viral infections of the respiratory tract. Carragelose is based on a compound from red algae that is effective against more than 200 different strains of viruses.

The Carragelose polymer forms a physical barrier on the nasal and oral mucosa to prevent respiratory viruses from attaching to cells and multiplying, at the same time also moisturising the nose and throat. This can lead to fewer symptoms and shorter disease duration and can lower the risk of recurrence. This mode of action has been proven in the laboratory and in clinical studies.

With the emergence of a novel coronavirus in 2019 and its global spread in 2020, Marinomed initiated preclinical and clinical testing of its Carragelose-based preparations against SARS-CoV-2. In vitro studies have shown effective inactivation of the novel coronavirus. Clinical trials for the prevention of COVID-19 and the reduction of symptoms in hospital staff are currently ongoing in the UK (investigator-initiated trial) and Austria (Marinomed-sponsored trial). Results from these trials are expected in 2021. An additional investigator-initiated trial in Argentina already reported promising results with an 80% reduction of COVID-19 incidence in hospital staff using a Carragelose-based nasal spray. End of 2020, the German Society for Hospital Hygiene (Deutsche Gesellschaft für Krankenhaushygiene e.V., DGKH) recommended the use of Carragelose-based nasal sprays for the prevention of SARS-CoV-2 infections in the general public.

Carragelose is now used in six different nasal and throat products sold worldwide via established partners: four nasal sprays, a throat spray and lozenges. Further Carragelose-based products are in development. The next product to be launched is Carravin, a combination of Carragelose and Xylometazoline. Marketing approval for Carravin is expected by early 2022 and can be obtained on the basis of existing scientific literature without conducting further clinical trials. A clinical trial to investigate the safety and efficacy of inhaled Carragelose for the treatment of viral pneumonia was initiated in late 2020.

Mode of action of Carragelose



Carragelose products are currently sold in more than 40 countries via established partners – including under the Coldamaris brand in Austria, the Algovir brand in Germany and the Betadine brand in Asia. Marinomed expanded its market reach to Italy in 2020 and plans to continue to expand globally. Growth drivers will include the launch of existing products in new regions, higher market penetration in existing markets and increased market share by broadening the range of products. Carragelose products have significant growth potential as they have not yet been fully rolled out in all key markets in Europe and are only just beginning to be partnered for sale in the US, Japan and China.

Marinosolv

Developed by Marinomed, Marinosolv is a unique technology platform that can significantly increase the solubility of hardly soluble compounds. The successful completion of a pivotal phase III study for the flagship product Budesolv in 2019 clinically validated the Marinosolv platform. Marinosolv is patent protected in all major target markets. Formulations based on this technology can be patent protected even if the active ingredient itself is no longer protectable.

Poor solubility and associated poor bioavailability are central challenges faced in all pharmaceutical development projects. Insufficient solubility is particularly problematic for compounds intended for local application on sensitive tissues such as the nose and eyes. Therapeutic products used on mucous membranes can only contain small quantities of solvents such as alcohol because higher concentrations can act as irritants. As a result, local treatments for the eyes and the respiratory tract are often formulated as suspensions of undissolved particles. With Marinosolv, Marinomed has developed a technology to dissolve barely soluble compounds in a preparation that is well-tolerated even on sensitive tissues. In addition, the soluble formulation increases the amount of active ingredient that reaches the target tissue with a faster onset of action. This allows for lower dosing of the drug, while simultaneously boosting its efficacy significantly. The lower dose combined with increased bioavailability ensures high activity of the drug locally while reducing undesirable side effects caused by systemic action of the compound. A further advantage of Marinosolv formulations is that the manufacturing process allows for preservative-free formulations.

Marinomed is initially using this technology for approved compounds such as treatments for allergies and ophthalmic conditions. However, as Marinosolv is not limited to specific drugs or indications, it offers the potential to be used in the future for many other applications where increased solubility is beneficial.

Three products from the Marinosolv technology platform are currently in advanced stages of development – Budesolv, Flutisolv, and Tacrosolv. All three products target a USD billion market with solid growth prospects. Budesolv is a nasal spray containing the corticosteroid budesonide to treat allergic rhinitis and has met all endpoints in the phase III trials. With a dose that is more than 85% lower than for comparable marketed products, Budesolv exhibited a noticeable reduc-

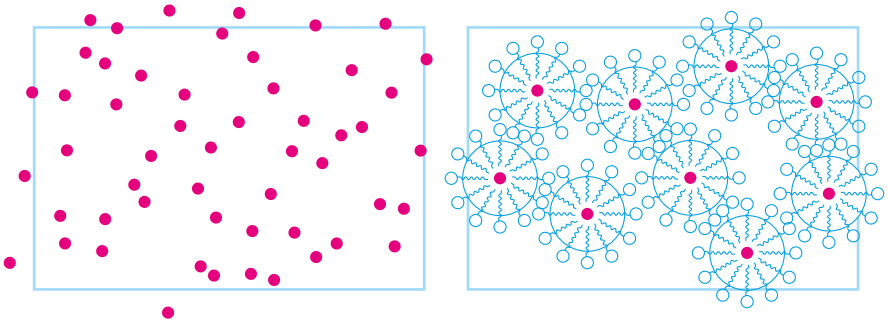
tion in allergic nasal symptoms and a prominent reduction in symptoms associated with asthma. While traditional budesonide formulations can take up to a week to take effect, Budesolv led to a significant improvement in symptoms within less than three hours. This makes Budesolv the first real innovation for budesonide in allergy treatment in many years. Marinomed is now preparing for the commercialisation of this flagship product. Preparations for a phase III trial of Flutisolv, another nasal spray targeting allergic rhinitis that is based on the corticosteroid fluticasone, are currently underway.

The phase II trial for Tacrosolv, an immunosuppressant for allergic conjunctivitis and dry eye syndrome, was initiated in Q4 2020. In this trial, Marinomed aims to define the optimal dose for Tacrosolv eye drops for future clinical trials e. g. in conditions such as dry eye syndrome. This is done by determining the effect in preventing ocular inflammatory symptoms caused by an allergy. Results of this trial are expected in 2021. Further clinical trials of other corticosteroid-based formulations as follow-up products are in preparation.

Potential benefits of Marinosolv

- Faster acting than suspensions
- Significantly lower required dose compared to currently marketed products
- Increased bioavailability in target tissue
- Improved local efficacy
- Lower systemic concentration of compound, reducing possible side-effects
- Aseptic filling to produce sterile products without the use of preservatives
- Simplified production process resulting in lower production costs
- Clinically proven
- Patentable formulations even for off-patent compounds

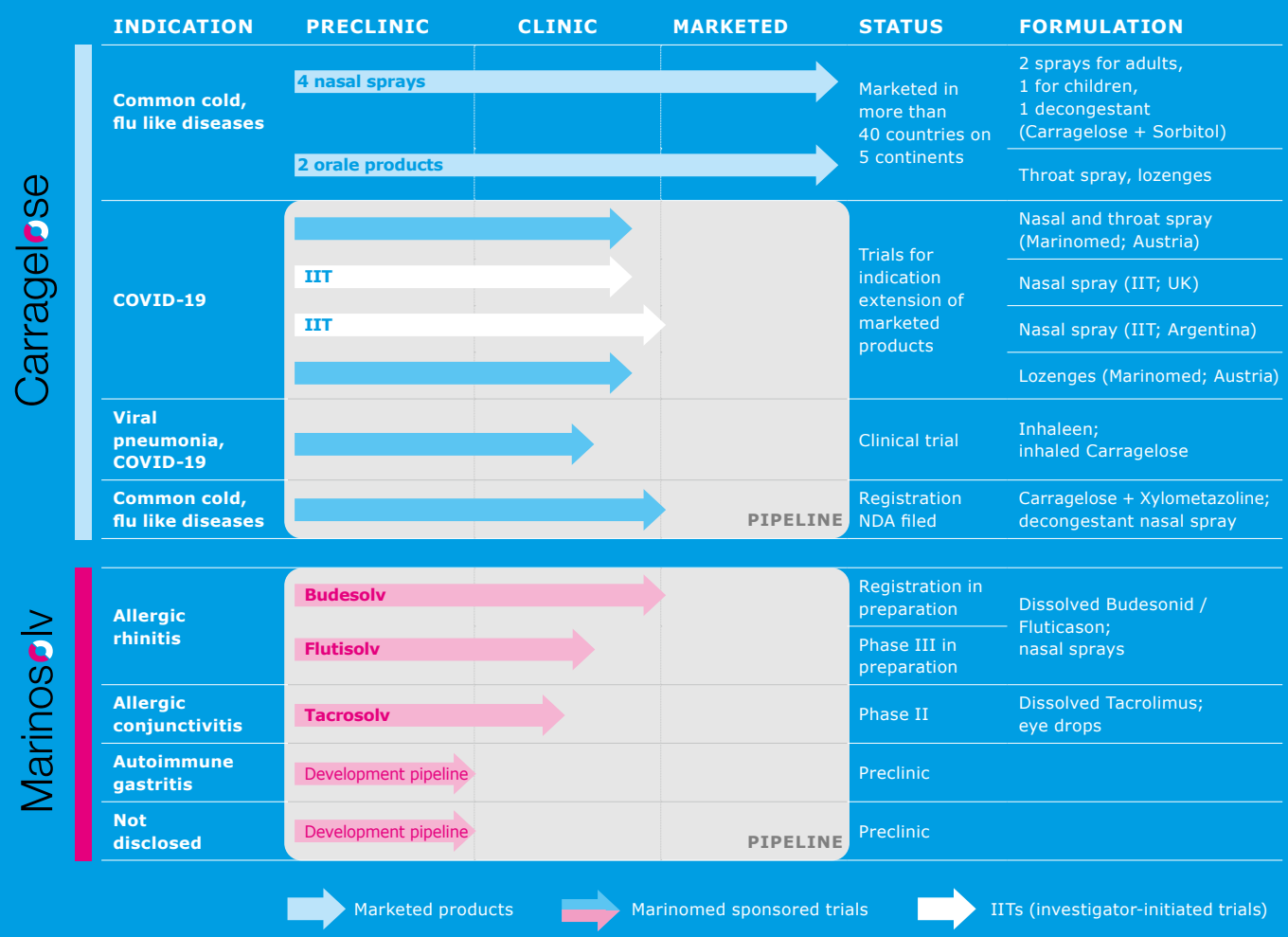
Aqueous formulation of hardly soluble products



Suspended particles in traditional nasal spray

Stable Micelles by means of Marinosolv

Pipeline


INDICATION
PRECLINIC
CLINIC
MARKETED
STATUS
FORMULATION
Carragelose
Common cold, flu like diseases
4 nasal sprays
2 orale products
Marketed in more than 40 countries on 5 continents
2 sprays for adults, 1 for children, 1 decongestant (Carragelose + Sorbitol)
Throat spray, lozenges
COVID-19
IIT
IIT
Trials for indication extension of marketed products
Nasal and throat spray (Marinomed; Austria)
Nasal spray (IIT; UK)
Nasal spray (IIT; Argentina)
Lozenges (Marinomed; Austria)
Viral pneumonia, COVID-19
Clinical trial
Inhaleen; inhaled Carragelose
Common cold, flu like diseases
PIPELINE
Registration NDA filed
Carragelose + Xylometazoline; decongestant nasal spray
Marinosolv
Allergic rhinitis
Budesolv
Flutisolv
Registration in preparation
Phase III in preparation
Dissolved Budesonid / Fluticason; nasal sprays
Allergic conjunctivitis
Tacrosolv
Phase II
Dissolved Tacrolimus; eye drops
Autoimmune gastritis
Development pipeline
Preclinic
Not disclosed
Development pipeline
PIPELINE
Preclinic
Marketed products
Marinomed sponsored trials
IITs (investigator-initiated trials)

Investor relations

The stock

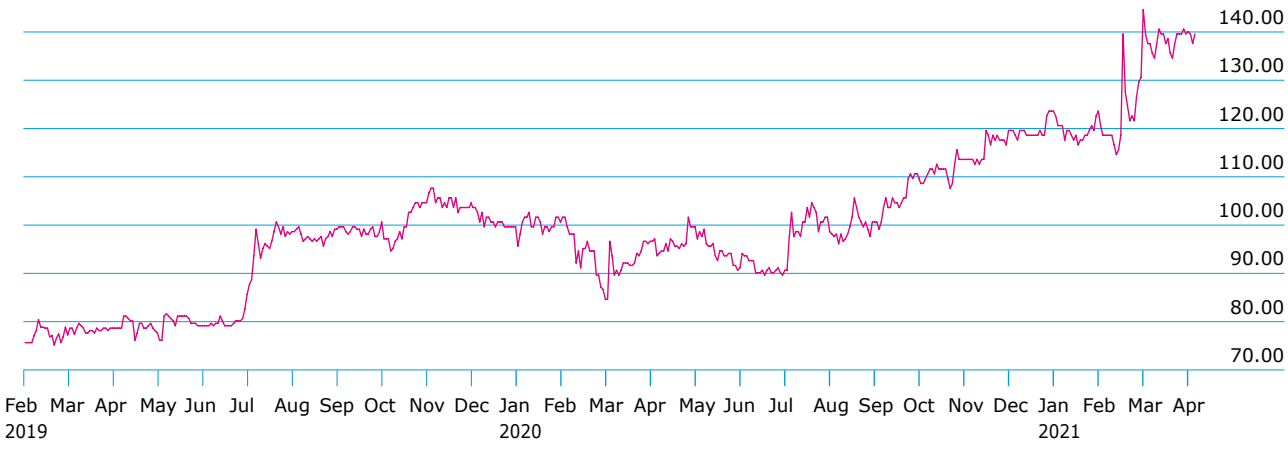
Shares in Marinomed Biotech AG have been trading on the Vienna Stock Exchange since February 1, 2019. They are listed in the prime market segment and form part of the ATX Prime index. The total number of shares is 1,474,731.

ISIN	ATMARINOMED6
Share class	No-par value bearer shares
Share capital (as at April 9, 2021)	EUR 1,474,731 (1,474,731 shares)
Ticker	Symbol MARI
Issue price (IPO) on 1.2.2019	EUR 75.00
Current price (as at April 9, 2021)	EUR 140.00
Market capitalisation (as at April 9, 2021)	EUR 206.5 million

Share price performance

After being launched on the Vienna Stock Exchange on February 1, 2019 at a price of EUR 75.50, shares in Marinomed reached an all-time high of EUR 147.00 on February 19, 2021 and closed at EUR 140.00 (April 9, 2021) at the time this annual report was prepared. With an increase of 47.4% over one year, shares in Marinomed clearly outperformed the Euro Stoxx Pharma & Biotech index (+2.7%) over the same period.

Share price performance
Marinomed Biotech AG
(ATMarinomed6, EUR)
01.02.2019 – 09.04.2021

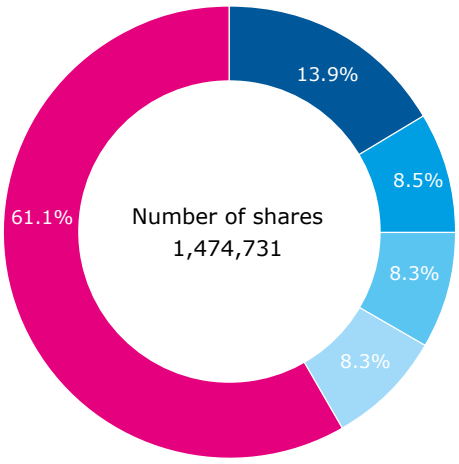


Dividend policy

Related to the present loss making situation, Marinomed does not plan to pay any dividends in the coming years.

Shareholder structure

The current shareholder structure at Marinomed is as follows: the founders and management team of Marinomed are the core shareholders with around 27% of total shares. Long-term investor Acropora holds some 14% of shares, while approximately 61% are in free float.



- Acropora Beteiligungs GmbH
- Hermann Unger
- Andreas Grassauer (CEO)
- Eva Prieschl-Grassauer (CSO)
- Free Float

Note: Rounding differences possible

Communication with the capital market

Marinomed pursues an active and transparent communication policy with existing and potential investors. Ensuring equal treatment for all shareholders is its utmost priority. The company's website www.marinomed.com plays an important role in communication and provides detailed information on the company, the AGM and the financial reports. In addition to the AGM, the management board stepped up its dialogue with the capital markets in 2020 by participating in numerous investor conferences and (virtual) roadshows in Austria and abroad.

Financial calendar

26.05.2021	Publication of Q1 Report 2021
07.06.2021	AGM cut-off date
17.06.2021	Annual General Meeting
25.08.2021	Publication of Half-year Report 2021
24.11.2021	Publication of Q3 Report 2021

Analyst coverage

Austrian and international financial analysts regularly evaluate Marinomed's performance. As at April 9, 2021, analysts from the following institutions covered the share's performance:

Institute	Analyst
Erste Bank Group	Vladimira Urbankova
Intron Health	Naresh Chouhan
FMR/Oddo Seydler	Mohamad Vaseghi
Stifel Europe Bank	Marcus Wieprecht

Corporate governance report

Since the listing on the prime market of the Vienna Stock Exchange on February 1, 2019, Marinomed Biotech AG has been considered a large corporation pursuant to Section 221(3) of the Austrian Commercial Code (UGB). The company is issuing this Corporate Governance Report as at December 31, 2020.

Commitment to the Austrian Code of Corporate Governance

The Austrian Code of Corporate Governance (hereinafter "ACCG"), as amended in January 2020 and as applicable to this report, is a set of rules and regulations for responsible management and guidance of companies in Austria. Its objective is to create sustained and long-term value and to increase transparency for all shareholders. It is based on international standards of good corporate governance and includes relevant provisions of the Austrian Stock Corporation Act, the Austrian Stock Exchange Act as well as the Austrian Capital Markets Act. The text of the ACCG is accessible on the website https://www.corporate-governance.at.

The ACCG primarily applies to companies listed on the Austrian stock market that undertake to adhere to its principles. The Vienna Stock Exchange also requires compliance with the ACCG under provisions applicable for companies whose shares are traded in its prime market segment.

The ACCG is based on statutory provisions of Austrian corporate law, securities law and capital markets law (Legal Requirements, "L-Rules"). In addition, the ACCG contains rules considered to be part of common international practice, such as the principles set out in the OECD Principles of Corporate Governance and the recommendations of the European Commission. Non-compliance with these rules must be explained (Comply or Explain, "C-Rules"). The ACCG also contains rules that are voluntary and do not require explanation in case of deviations (Recommendations, "R-Rules").

Marinomed fully complies with all "L-Rules" of the ACCG. Non-compliance with the "C-Rules" is explained as follows.

C-Rule 18

This rule stipulates the setup of a separate staff unit for internal auditing depending on the size of the enterprise. As Marinomed is a small corporation in terms of headcount, the company did not set up a separate staff unit and does not intend to do so.

C-Rules 41 and 43

The rule requires the supervisory board to set up a nomination or remuneration committee. In cases where the supervisory board has no more than six members, the functions may be exercised by all members jointly. As Marinomed's supervisory board currently has fewer than six members, nomination and remuneration matters are decided by the entire supervisory board and no separate committees have been established.

C-Rule 83

According to this rule, the auditor has to assess the functionality of the risk management and report to the management board. Since Marinomed is a small corporation in terms of headcount, risk management is not institutionalised and a separate report is not required. However, the company has established systems and processes to identify risks and counter them. These are continuously monitored and checked as part of the yearly audit.

Working methods of the management board and the supervisory board

In accordance with Austrian law, the company has a two-tier management and oversight structure comprising the management board and the supervisory board. The management board is responsible for the executive management and represents the company vis-à-vis third parties. The supervisory board supervises the management and is responsible for internal controls of the company. Members of the management board are appointed by the supervisory board. Members of the supervisory board are elected or appointed by the general meeting. Marinomed does not currently have a works council. As a result, the right to delegate works council representatives is not applicable. The corporate bodies of the company are bound in particular by the articles of association, the rules of procedure for the management board ("Geschäftsordnung für den Vorstand"), the rules of procedure for the supervisory board ("Geschäftsordnung für den Aufsichtsrat") and the Austrian Code of Corporate Governance.

Members of the management board

Pursuant to the articles of association, the management board consists of at least two and no more than five members appointed by the supervisory board for a term of up to five years. Members may be reappointed by the supervisory board for consecutive terms. Currently, the management board consists of three members.

Andreas Grassauer
Chairman and
Chief Executive Officer
Year of birth: 1969
Year of first appointment: 2006
End of term: 2022

Andreas Grassauer is Chairman of the management board and Chief Executive Officer. He co-founded Marinomed in 2006 and since then has been CEO of the company. Prior to founding Marinomed, he built up several other companies and was involved in raising more than EUR 30 million from private and public sources. In the last ten years, he executed a series of deals for Marinomed. Andreas Grassauer holds a doctoral degree (PhD) in virology from the Institute of Applied Microbiology at the University of Natural Resources and Applied Life Sciences, Vienna, Austria.

His responsibilities on the management board include strategy, intellectual property rights, production, IT, business development and legal affairs.

Eva Prieschl-Grassauer
Vice Chairwoman and
Chief Scientific Officer
Year of birth: 1968
Year of first appointment: 2006
End of term: 2022

Pascal Schmidt
Chief Financial Officer
Year of birth: 1972
Year of first appointment: 2018
End of term: 2022

Eva Prieschl-Grassauer is Vice Chairwoman of the management board and Chief Scientific Officer. She co-founded Marinomed in 2006 and since then has been CSO of the company. Eva Prieschl-Grassauer has more than 20 years of experience in pharmaceutical drug development. Prior to her appointment at Marinomed, she was head of the allergy programme of Novartis in Vienna, Austria. In this position, she discovered the mechanism of action of FTY720 (fingolimod), Novartis' novel immunomodulatory drug against multiple sclerosis. Eva Prieschl-Grassauer has published more than 35 articles in prestigious peer-reviewed journals in the fields of immunology, molecular biology and medicinal chemistry. She holds a doctoral degree (PhD) in immunology from the University of Vienna, Austria.

Her responsibilities on the management board include strategy, research and development, business development and legal affairs.

Pascal Schmidt is Chief Financial Officer. He took over as CFO of the company in August 2018. Pascal Schmidt has more than 20 years of experience in corporate finance, corporate development and M&A, including positions as managing director of Raymond James Financial Inc. and as a partner at the consultancy firm Mummert & Company. Before that, he was a member of the investment committee at Infineon Ventures GmbH. Pascal Schmidt holds a master's degree in business administration from the University of Bayreuth, Germany.

His responsibilities on the management board include strategy, administration and organisation, controlling and accounting, business development and legal affairs.

Members of the supervisory board

Pursuant to the Articles of Association, the supervisory board consists of a minimum of three and a maximum of six members appointed by the general meeting for a term of five years. Marinomed does not have a works council at present. The supervisory board had the following five members in the 2020 financial year:

Simon Nebel
Chairman
Year of birth: 1966
Year of first appointment: 2017
End of term: 2023

Simon Nebel is a venture partner of Aravis, a private equity firm for which he has participated in financing a number of life science companies and M&A transactions of the Aravis portfolio. He is also Managing Director and a member of Viopas Venture Consulting GmbH as well as Managing Director of Viopas Partners AG, in which he also holds a 23.3% equity interest. Moreover, Simon Nebel is currently a supervisory board member of SynAffix (NL), Bird Rock Bio (US) and Digital Doctor House (CH). He is a former supervisory board member of Borean Pharma (DK), ImVision (CH), MerLion Pharmaceuticals SA (CH) and was secretary of the supervisory board of Evolva (CH). Simon Nebel holds a PhD in biophysics from the Biocentre of the University of Basel, Switzerland, and an MBA with distinction from the London Business School. Simon Nebel is a member of the company's supervisory board and has been its Chairman since 2017. He was previously Chairman of the company's advisory board (from 2008 onwards).

Ute Lassnig
Vice Chairwoman
Year of birth: 1970
Year of first appointment: 2017
End of term: 2023

Ute Lassnig was part of the healthcare investment banking team at Goldman Sachs in London, where she advised companies in the biotech, pharma, medtech and agrochemical sectors on mergers and acquisitions, divestments as well as financing. She also served as Managing Partner at Mummert & Company and headed its Vienna office for ten years. Since 2015, Ute Lassnig has been responsible for the Corporate Development and Innovate division at Evotec SE. Ute Lassnig is Managing Director and sole member of Laureo Ges.m.b.H. She holds a master's degree in computer science and business administration from the University of Zurich, Switzerland. Ute Lassnig has been a member of the company's supervisory board and its Vice Chairwoman since 2017. She was previously a member of the company's advisory board from 2016 onwards.

Karl Lankmayr
Member
Year of birth: 1978
Year of first appointment: 2017
End of term: October 2020

Karl Lankmayr has been managing director of aws Fondsmanagement GmbH and aws Mittelstandsfonds Beteiligungs GmbH & Co KG since 2014. He has long-standing experience in M&A, corporate finance and investment banking (e.g. at Raiffeisen Investment and PwC Corporate Finance), was a founding partner and Managing Partner of Noreia Capital, a leading M&A advisory and investment company, and served as Head of Finance at the Alukönigstahl group. He holds a degree (Mag. FH) in international economics from the University of Applied Sciences Kufstein, Austria. Karl Lankmayr was a member of the company's supervisory board from 2017 to October 2020. He was previously a member of the company's advisory board from 2015 onwards.

Gernot Hofer
Member
Year of birth: 1980
Year of first appointment: 2017
End of term: 2023

Gernot Hofer has been an investment manager with Invest AG since 2005. Prior to this, he acquired international experience at a business consultancy in Hong Kong and at a venture capital fund based in Vienna. He holds a degree in business studies from Vienna University of Economics and Business, Austria, and was awarded a doctorate in venture capital and private equity by the Department of Entrepreneurship and Innovation, where he is currently employed as a lecturer. Gernot Hofer has been a member of the company's supervisory board since 2017. He was previously a member of the company's advisory board from 2016 onwards.

Brigitte Ederer
Member
Year of birth: 1956
Year of first appointment: 2018
End of term: 2023

Brigitte Ederer was a politician from 1983 to 2001, during which time she was a member of the Austrian Parliament, Secretary of State for European Affairs and a city councillor with responsibility for finance and business in Vienna. From 2001 to 2013, she held various management positions at Siemens Group. Brigitte Ederer is also a member of several supervisory boards, including Boehringer Ingelheim Austria RCV GmbH, Infineon Technologies Austria AG und Schoeller-Bleckmann Oilfield AG. Brigitte Ederer holds a degree in economics from the University of Vienna, Austria. She has been a member of the company's supervisory board since 2018.

Supervisory board independence

In accordance with Rule 53 of the Austrian Code of Corporate Governance, the supervisory board of Marinomed has established the following criteria defining independence:

- The supervisory board member has not been a member of the management board or a senior manager of the company in the last five years.
- The supervisory board member does not have a business relationship with the company that is of such significance for the supervisory board member that it affects his or her activities on the supervisory board to the detriment of the company. This also applies to business relationships with companies in which the supervisory board member has a considerable economic interest. The supervisory board's approval of individual transactions by the supervisory board in accordance with L-Rule 48 does not automatically lead to a classification of non-independence.
- The supervisory board member has not been an auditor of the company's financial statements, or held an ownership interest in or been an employee of the auditing company executing such audits in the last three years.
- The supervisory board member is not a member of the management board of another company that has a member of Marinomed's management board on its supervisory board.
- The supervisory board member is not a close family member (direct descendant, spouse, partner, parent, uncle, aunt, brother, sister, niece, nephew) of a member of the management board or individuals holding one of the positions described above.

The supervisory board as a whole is considered to be independent if at least 50% of the members elected by the general meeting satisfy the criteria above for the independence of a supervisory board member.

Each member of the supervisory board has declared whether they can be considered independent based on the criteria specified by the supervisory board. All supervisory board members were independent as at December 31, 2020 based on the criteria indicated.

The following supervisory board members held posts on supervisory boards or comparable positions in the following companies as at December 31, 2020:

	Name of company	Position held
Simon Nebel	Bird Rock Bio, Inc.	Member of the supervisory board
	Synaffix BV	Member of the supervisory board
	Aravis Biotech II	Vice Chairman of the supervisory board
	Viopas Partners AG	Member of the supervisory board
	Digital Doctor House AG	Member of the supervisory board
Gernot Hofer	JOSKO Fenster und Türen GmbH	Member of the supervisory board
	Lenzing Plastics GmbH	Member of the supervisory board
Brigitte Ederer	Boehringer Ingelheim RCV GmbH	Member of the supervisory board
	Infineon Technologies Austria AG	Member of the supervisory board
	Schoeller-Bleckmann Oilfield Equipment AG	Vice Chairwoman of the supervisory board
	W.E.B. Windenergie AG	Member of the supervisory board
	TTTech Computertechnik AG	Member of the supervisory board
	ÖBB-Personenverkehr AG	Member of the supervisory board
	Österreichische Bundesbahnen-Holding AG	Member of the supervisory board

Supervisory board committees

Pursuant to the Austrian Stock Corporation Act, the supervisory board may establish one or more committees from among its members in order to prepare its discussions and resolutions or to supervise the execution of its resolutions. The committees consist of at least three members. Unless the supervisory board issues rules of procedures for its committees, the rules of procedure for the supervisory board apply to the committees subject to the necessary changes.

Since securities of the company have been listed on a regulated market, the company is required by Austrian law to establish an audit committee, which must convene at least two meetings in each financial year. In accordance with C-Rules 41 and 43 of the ACCG, and given that the supervisory board does not have more than six members, the supervisory board has not established a separate nomination committee or remuneration committee, but takes related decisions jointly.

Audit committee

The audit committee reports to the supervisory board and prepares the proposal for the election of the auditor by the general meeting. In addition, the audit committee is responsible for monitoring the accounting process, the effectiveness of the internal control system, reviewing the consolidated financial statements, examining and monitoring of the auditor's independence and preparing the approval of the consolidated financial statements and the management report, the recommendation for the distribution of profits and the corporate governance report.

For the time being, the audit committee consists of all supervisory board members. From December 31, 2019 till his retirement on October 31, 2020 Karl Lankmayr had been chairman of the Audit Committee (until December 13, 2019: Ute Lassnig). In the first audit committee meeting after the retirement of Karl Lankmayr, which took place on November 16, 2020, Gernot Hofer was appointed as his successor. All members of the audit committee are experienced financial experts with knowledge and practical experience in finance, accounting and reporting that satisfy the requirements of the company.

Meetings of the supervisory board

One ordinary general meeting and six ordinary supervisory board meetings distributed over the reporting year were held in 2020. The auditor of the consolidated financial statements, BDO Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, met with the supervisory board members in 2020 to discuss the auditing of the 2020 consolidated financial statements and also attended the annual general meeting.

No member of the supervisory board attended less than half of the supervisory board meetings after having been elected to the supervisory board.

Measures to promote women, diversity

Marinomed is committed to equal opportunities for women and men in the recruitment process and in all areas of employment without taking measures specifically designated as "measures to promote women".

Due to its small size the company does not have a binding diversity policy that stipulates the consideration of criteria such as gender, age, education and professional background in the appointment of members to the management board and supervisory board. Nevertheless, the supervisory board, the management board and the extended management team are diverse in terms of gender, nationality, education and professional background. As of December 31, 2020 women account for 50% of the supervisory board members (December 31, 2019: 40%). The share of women on the management board is 33%.

In February 2021 Marinomed achieved 1st place in the "Diversity Champion Austria 2020" competition, an initiative by Boston Consulting Group and the business magazine trend.

External evaluation of compliance with the Code

C-Rule 62 of the Austrian Code of Corporate Governance provides for voluntary external evaluation of compliance with the C-Rules of the Code at least every three years. Marinomed seeks to have such an evaluation after 2020.

Remuneration report

Management board remuneration

Marinomed has implemented a remuneration policy that is focused on the long-term goals of generating intellectual property (IP), translating such IP into relevant products and subsequently commercialising these products. When deciding on the total remuneration of the management board members, the supervisory board must ensure that this remuneration is commensurate with the tasks and performance of the individual management board members, the company situation and customary remuneration, and that long-term incentives for sustainable corporate development are taken into account. The remuneration includes fixed and variable components as well as the long-term incentive through the stock option plan. The variable remuneration is capped at 50% of fixed remuneration.

The supervisory board set the targets for variable remuneration in its first meeting in February 2020. At that point in time, it was not possible to foresee the course of the financial year, in particular not the considerable changes caused by the coronavirus pandemic. Initially, the company's priority for 2020 was the search for a commercial partner for the flagship product of the Marinosolv platform, Budesolv, and concluding a licensing agreement. This goal was not achieved, due to shifting the priority towards combatting the coronavirus pandemic starting in March 2020. Additional priorities were related to clinical studies for the second product Tacrosolv and for the medical devices of the Carragelose platform. In addition, the commercial development of the Carragelose platform and other medium- and long-term initiatives were taken into account. This also included revenue targets and the refinancing of the property. The current standing of the company requires the management board members to balance Marinomed's various goals at all times. As a result, there was no emphasis on strategic, scientific or financial goals and the performance evaluation of the management board members was based on all of these parameters.

The company has implemented an employee stock option plan for the benefit of members of the management board and other employees (the "employee stock option plan", ESOP): This programme was approved by the extraordinary general meeting held on November 15, 2018 and by resolution of the supervisory board dated November 15, 2018. The effectiveness of the ESOP was conditional upon commencement of trading of the shares on the Vienna Stock Exchange.

The total volume of the stock option plan amounts to up to 43,694 stock options entitling holders to subscribe for a total of up to 43,694 shares, under which up to 21,847 stock options may be granted to members of the management board and up to 21,847 stock options may be granted to other employees of the company. The first trading day of the shares on the Vienna Stock Exchange was February 1, 2019 (the "ESOP grant date"). Once trading commenced, the options for the management board were issued to the three members.

Stock options may be exercised only to the extent that they have actually accrued (vested) to the relevant beneficiary. Stock options vest over a period of four years following the ESOP grant date, with 25% of the stock options vesting after 12 months from the ESOP grant date and thereafter 6.25% of the stock options vesting every three months over the following twelve quarters. Therefore, 43.75% of the issued options had vested as at December 31, 2020.

Stock options entitle the respective beneficiary to acquire shares from the company, whereas each vested stock option entitles the holder to acquire one share at a fixed exercise price, which corresponds to the offer price of EUR 75.00. Granted stock options expire after six years after the ESOP grant date and may be exercised only during fixed ten-day exercise periods and starting at the beginning of the sixth trading day following the publication of the annual financial statements or the quarterly report for the first, second and third quarters of the company's financial year.

The right to exercise stock options is conditional, among other factors, upon an increase in the company's share price — after vesting and before exercise of the stock options — of at least 2.5% per quarter compared to the offer price.

The stock option plan contains customary "good leaver/bad leaver" provisions under which a good leaver remains entitled to vested options with the non-vested options lapsing and vested options to be exercised within the next possible exercise period. A bad leaver loses all options, whether vested or not.

In financial year 2020, the total expenses for salaries and short-term employee benefits for the members of the management board excluding expenses for social security and payroll related taxes ran to an aggregate amount of kEUR 1,002 (2019: kEUR 1,314). The management board members were granted the following number of options: Andreas Grassauer 6,816 (thereof 80 exercised equity-settled in 2020); Eva Prieschl-Grassauer 6,816 (80 equity-settled); Pascal Schmidt 8,215 (250 equity-settled).

In the event that a member of the management board is dismissed for a cause that does not fall within the scope of Section 27 of the Austrian Employees Act, the respective management service agreement provides for compensation amounting to up to two annual salaries.

Total expenses attributable to the members of the management board were as follows:

all amounts in kEUR	**Andreas Grassauer** Chairman and Chief Executive Officer		**Eva Prieschl-Grassauer** Vice Chairwoman and Chief Scientific Officer		**Pascal Schmidt** Chief Financial Officer		**Total**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Expenses for fixed remuneration	200.0	200.0	208.6	208.6	212.0	212.0	620.6	620.6
Fixed remuneration paid	200.0	200.0	208.6	208.6	212.0	212.0	620.6	620.6
Expenses for variable remuneration	79.5	170.0	79.5	170.0	79.5	130.0	238.5	470.0
Variable remuneration paid	100.0	70.0	100.0	70.0	100.0	30.0	300.0	170.0
Of which:								
IPO bonus	*-*	*70.0*	*-*	*70.0*	*-*	*30.0*	*0.0*	*170.0*
Bonus 2019	*100.0*	*-*	*100.0*	*-*	*100.0*	*-*	*300.0*	*-*
Expense for granted options	44.5	69.5	44.5	69.5	53.6	83.8	142.5	222.9
Benefit from exercised stock options	*3.5*	*-*	*3.5*	*-*	*11.0*	*-*	*18.0*	*-*
Total remuneration expense	**324.0**	**439.5**	**332.6**	**448.2**	**345.1**	**425.8**	**1,001.6**	**1,313.5**
Change of total remuneration in percent	-26.3%		-25.8%		-19.0%		-23.7%	
Change of average remuneration of other employees							-13.0%	
Total shareholder return							16.7%	

Supervisory board remuneration

The company has had a statutory supervisory board since 2017. The supervisory board, which supports management in strategic, commercial and scientific matters, consisted of four members as of December 31, 2020 (December 31, 2019: five). The general meeting voted in favour of the proposed remuneration for the 2019 financial year and years thereafter. This grants a basic remuneration for the members elected by the general meeting as follows: (i) for the Chairman kEUR 50, (ii) for the Vice Chairwoman kEUR 20, and (iii) for any other member of the supervisory board kEUR 10. In addition, there is an attendance fee of kEUR 2.5 per member and actually attended meeting.

The aggregate remuneration of the members of the supervisory board amounted to kEUR 173 in 2020 (2019: TEUR 186). For details concerning advisory services provided by members of the supervisory board please see Note 32.

Directors' and Officers' liability insurance (D&O insurance)

In 2019, Marinomed procured directors' and officers' liability insurance cover for its management and supervisory board members, its senior management at the expense of the Company of kEUR 14 in 2020 (2019: kEUR 14). An appropriately sized deductible was agreed upon for the members of the supervisory board. The deductible agreed upon for the members of the management board is in line with the stipulations of the legal provisions of the Austrian Stock Corporation Act and the Austrian Corporate Governance Codex.

all amounts in kEUR	Fixed remuneration	Attendance fee	Reimbursed expenses	Total
Simon Nebel Chairman	50.0	15.0	2.5	**67.5**
Ute Lassnig Vice Chairwoman	20.0	15.0	-	**35.0**
Karl Lankmayr Member	8.3	12.5	-	**20.8**
Gernot Hofer Member	10.0	15.0	-	**25.0**
Brigitte Ederer Member	10.0	15.0	-	**25.0**

Other information

The annual change in the total remuneration of the management board, the company's loss for the period and the remuneration of other company employees is as follows:

all amounts in kEUR	2020	2019	Change
Loss for the period	–6,010.2	–7,216.5	-16.7%
Total remuneration management board	1,001.6	1,313.5	-23.7%
Number of other employees (FTEs, excluding management board)	34	28	21.1%
Average remuneration of other employees	68.8	79.1	-13.0%

The changes in the average remuneration of employees (management board and other employees) are mainly attributable to lower bonus payments and lower expenses for the employee stock option plan in 2020. "Average remuneration of other employees" includes salaries as well as expenses for the employee stock option plan.

Report of the supervisory board

The coronavirus pandemic has demonstrated how important research and development are. Without innovations from research, the problems in the world today would be even greater. Marinomed reacted immediately when the pandemic broke out and thanks to its many years of experience with viral infectious diseases, an R&D programme was set up very quickly, which is supported by the Austrian research funding agency FFG as part of the COVID-19 emergency call. At the same time, the challenges related to the pandemic were actively managed. The supervisory board supports the company's flexible and quick response to the pandemic. Despite the challenges experienced with individual projects, the supervisory board is convinced that Marinomed is well positioned for the future with its two business areas Carragelose and Marinosolv.

In the 2020 reporting year, the supervisory board performed the tasks assigned to it by law and the articles of association. Even at the beginning of the year, the focus was on coronavirus and its effects on Marinomed. In the first half of the year, challenges related to the supply chain and coronavirus research were central topics. The challenges, opportunities and risks in both of Marinomed's business areas, Carragelose and Marinosolv, were discussed and evaluated on an ongoing basis. The supervisory board convened in six regular meetings on February 13, March 23, May 18, July 2, October 1 and November 23 in the presence of the management board, with the meetings being held virtually from March onwards. In addition, the management board kept the supervisory board informed in writing and orally about business developments and progress with the projects.

The Chairman of the supervisory board was also in regular contact with the management board outside of the supervisory board meetings and discussed the strategy, risk situation and business development. The audit committee met on November 23 to discuss, among other things, the key audit matters for the upcoming consolidated financial statements with the auditor. The meeting scheduled for April 2021 took place as a virtual meeting, due to COVID-19. It served to review and prepare the adoption of the 2020 consolidated financial statements including the management report and to prepare a proposal for the appointment of the auditor. The audit committee includes all members of the supervisory board with Gernot Hofer as Chairman, who has taken over the chairmanship from Karl Lankmayr, after he left the supervisory board at the end of November 2020.

The 2020 yearly financial statements according to the Austrian Commercial Code (UGB) as well as the consolidated financial statements pursuant to IFRS were audited by BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft in accordance with statutory provisions and awarded an unqualified auditor's report. The supervisory board examined the documents pursuant to Section 96 of the Stock Corporation Act (AktG) and concurred with the audit result. In addition, the supervisory board approved the consolidated financial statements, which were thereby adopted in accordance with Section 96 AktG.

The members of the supervisory board extend their thanks and recognition to the management board and all employees of Marinomed Biotech AG for their performance and commitment in the 2020 financial year. We would like to thank the shareholders for their trust and invite them to continue accompanying Marinomed Biotech AG on its growth trajectory.

Korneuburg, April 2021

Simon Nebel,
Chairman of the supervisory board

Management discussion and analysis

Market environment

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

Pharmaceutical market

The global pharmaceutical market is a growth market. It has been estimated to have a volume of around USD 1.3 trillion in 2019 (source: IQVIA) with expected future growth rates of 3-6% per year. The COVID-19 pandemic affects the pharmaceutical industry on many levels. SARS-CoV-2 vaccines are being developed, global supply chains have come under pressure, and at the same time it has been politically recognised that the procurement of essential drugs can be a challenge in times of crisis. The pharmaceutical industry is less affected by the global economic crisis than other sectors of the economy. Still, long-term trends remain. This includes price pressure, but also the increasing standard of living in Asia and other growth regions, which overall lead to positive growth prospects for the sectors.

The pharmaceutical and biotechnology industries also play a significant role in the Austrian economy. More than 1,000 companies are involved in the life sciences sector in Austria, with 150 companies employing 18,000 staff in the pharmaceutical industry investing millions in research and development and generating 2.8% of the country's gross domestic product (source: Pharmig). Since its IPO in 2019, Marinomed has been the only life science company listed in the prime market of the Vienna Stock Exchange and as such has developed into a leading company in the sector.

Target market for Carragelose

The recently published data on the efficacy of Carragelose against SARS-CoV-2 in cell culture assays and in clinical studies open up great opportunities for Marinomed. This will help to increase awareness of the Carragelose brand, strengthen the demand for Carragelose products and further drive their sale. In 2020, a strong increase in demand was apparent, and this trend could gain momentum, especially when viral mutations make vaccines less effective. The Carragelose OTC products give consumers the opportunity to easily purchase an approved, virus-blocking product without a prescription. The products could also provide an opportunity for those groups that cannot be vaccinated, such as children one year and older, young people under 16 or those with severe allergies. Marinomed believes that the pandemic will change public awareness of the dangers of viral respiratory infections in the long term.

Due to measures against coronavirus infections, there has been no classic flu outbreak in the 2020/21 season and the sale of OTC products in the colds segment dramatically declined in some cases. While Carragelose products are also affected by this development, this was more than compensated by the prophylactic effect against coronaviruses. Recently, there has also been an increase in reports of product developments that claim a similar broad anti-virus activity as Carragelose without providing scientific evidence or clinical data. Although the success of competitors' product development cannot be ruled out, Carragelose has a unique product profile with its excellent safety record, broad effectiveness against respiratory viruses and, last but not least, patent protection.

Target market for Marinosolv

Budesolv, the first product based on the Marinosolv platform, targets the market for allergic rhinitis. In 2019, the treatment of allergic rhinitis was already estimated at USD 14 billion and is expected to generate USD 18 billion in 2027 with annual growth of almost 4% (source: Coherent Market Insights, Allergic Rhinitis Treatment Market Analysis; August 2020). The market for nasal steroids is experiencing stronger growth than the allergic rhinitis market as a whole and, with a 38% share of the overall market, has been the most important segment since 2018 (source: Visiongain Allergic Rhinitis 2018). These increases are partly due to the trend towards non-prescription, OTC products.

Based on the universal applicability of the Marinosolv platform, Marinomed has initiated further product developments. A phase III study is currently being prepared for Flutisolv, another nasal spray for the treatment of allergic rhinitis based on the corticosteroid fluticasone. Furthermore, a phase II study for Tacrosolv, eye drops containing the immunomodulator tacrolimus, has started early 2021. This product targets the ophthalmology market, with a focus on the sub-segments of allergic conjunctivitis and dry eye syndrome. Both markets are currently under-supplied, which means that new and innovative drugs have the chance to reach a large group of patients.

In addition to in-house product developments based on the Marinosolv platform, the technology is suitable for an enormous number of other active ingredients. By creating a new business unit for external customers, Marinomed has therefore taken the next step to make the Marinosolv technology available to third parties. The IPOs of Nanoform from Finland and Hyloris from Belgium in 2020 show that there is a strong demand on the market for new technologies aimed at improving the availability of active ingredients and efficacy.

Business performance

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

Carragelose segment

The product portfolio of the virus-blocking Carragelose technology, consisting of four nasal sprays already on the market and two throat products, showed a significant increase in revenues of EUR 2.0 million or +32% in the 2020 financial year. Adjusted for the one-time effect of a licensing agreement in 2019, the increase even amounts to EUR 2.9 million or +55%. The growth was generated on the one hand by the launch of products in new markets (especially in Italy). On the other hand, the positive data on the anti-SARS-CoV-2 activity have already been translated into a significant increase in income in many regions.

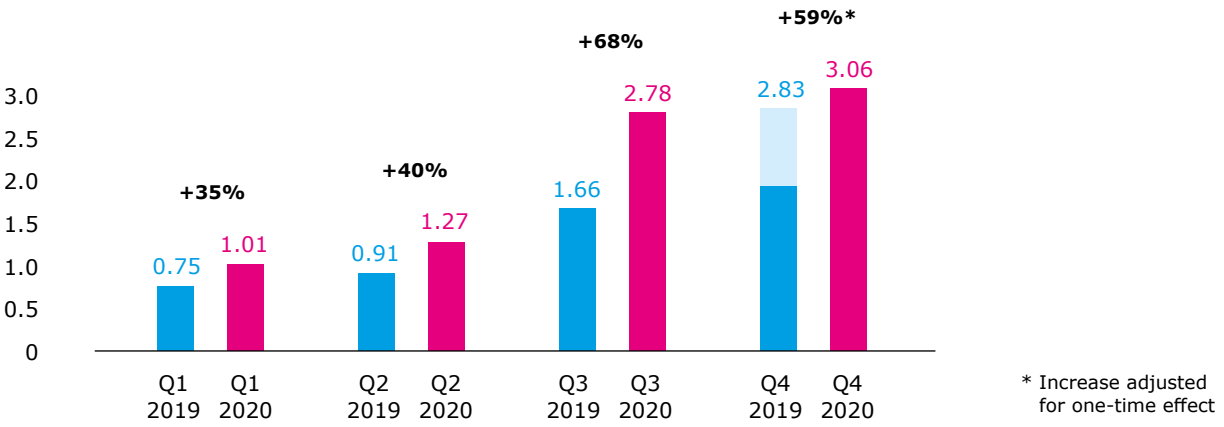
Marinomed continues to see great growth potential in the pharmaceutical market for OTC products while the competitive pressure remains high. The outbreak of the COVID-19 pandemic has triggered an unexpected change in the market. On the one hand, the market for over-the-counter drugs and medical devices for respiratory diseases is experiencing an extreme decline (sometimes -50% and more), as the lockdown not only curbs the spread of SARS-CoV-2, but also other respiratory viruses. On the other hand, Marinomed was able to prove in laboratory studies that the Carragelose products are effective against SARS-CoV-2, which is now also supported by clinical data. This created the basis for the sales partners in the regions to position the product in the fight against the pandemic. The data also support Marinomed's efforts to drive forward the optimisation of sales partnerships and to win new partners for certain regions. However, investments in additional clinical data are still necessary. The related R&D expenses are funded to a large extent by the Emergency Grant KLIPHA-COVID19 of the Austrian Research Promotion Agency FFG.

Marinosolv segment

The Marinosolv technology is still in the development stage; no distribution licensing rights or other IP rights have yet been granted to third parties. As a result, no products have been marketed yet. This segment is characterised by high expenditures for research and development, which could only generate revenues in subsequent years. Marinomed is now concentrating its efforts in this area on further regulatory preparations for marketing approval and on discussions with potential marketing partners in various geographical regions.

The COVID-19 pandemic had a delaying effect on the Marinosolv segment. Marinomed's increased focus on the Carragelose platform and the authorities' concentration on combatting the pandemic also impacted the progress on Budesolv, the most advanced product of the Marinosolv platform. The company has continued its preparations

Revenues



for the registration procedure despite delays in production validation and slower responses of the authorities. Partnering processes were also made more difficult and slowed down due to the new challenges and the partial shift in priorities.

The clinical study on a further product from the Marinosolv platform, Tacrosolv, could not be started in the 2020 financial year. Fortunately, however, the study could simply be postponed by around one year before its start without incurring sunk costs. The clinical phase II study with Tacrosolv to treat allergic rhinoconjunctivitis (hay fever) has now been successfully started in the first quarter of 2021.

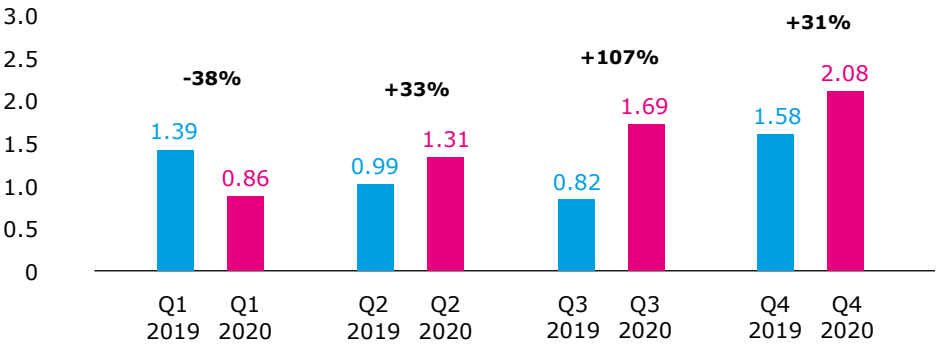
The data of the pivotal clinical phase III study for the lead product Budesolv were published in 2020 in the journal Clinical & Experimental Allergy. Marinomed has also succeeded in dissolving other active ingredients based on Marinosolv technology. These include the poorly soluble compound pergolide, which the University of Utah successfully used in a preclinical study, fluticasone propionate, and a new formulation in use against autoimmune gastritis.

In 2020, the technology platform also generated sales from third parties who were able to improve solubility with Marinosolv formulations. The successfully completed feasibility studies open up the possibility for customers to continue their developments through and with Marinosolv. Marinomed assumes that further commercial exploitation of these developments is highly likely to result in further revenue growth.

Revenues and earnings

In the 2020 financial year, Marinomed succeeded in increasing its revenues — which were generated almost exclusively in the Carragelose

R&D expenses



segment — by 32% to EUR 8.12 million (2019: EUR 6.14 million). Adjusted or the one-time effect of a licensing agreement from 2019, the increase is even 55%. Other income increased to EUR 1.15 million year-on-year (2019: EUR 0.67 million). This is primarily due to grants for research on Carragelose-based SARS-CoV-2 therapy (Emergency Grant KLIPHA-COVID19). As in the previous year, other income also included the government research premium. Other gains and losses mostly related to foreign exchange gains and losses and remained at a similarly low level in 2020 as in the 2019 financial year.

Due to a significant increase in sales of goods, expenses for materials increased from EUR 3.58 million in 2019 to EUR 5.41 million in 2020. Compared to the previous year, the gross margin rose from 29% to 30%. As a result of higher investments, in particular for clinical development projects, expenses for purchased services rose from EUR 3.08 million in 2019 to EUR 3.35 million in 2020. Personnel expenses include expenses for the employee stock option plan, and at EUR 4.10 million in 2020, they were slightly below the previous year's figure of EUR 4.22 million.

The decrease in personnel expenses compared to the prior year results from bonuses paid in connection with the IPO in 2019. On the other hand, salary costs increased due to an increase in staff. Other expenses at EUR 1.83 million remained almost unchanged (2019: EUR 1.79 million).

The high level of investment in Marinomed's future trajectory was reflected in the company's earnings performance. In 2020, expenditure on research and development climbed substantially to EUR 5.94 million, from EUR 4.78 million in 2019. Nevertheless, the operating result (EBIT) of EUR -5.82 million was above the prior-year figure of EUR -6.21 million. The financial result for 2020 significantly improved to EUR -0.20 million compared to the previous year (2019: EUR -1.00 million). This is mainly due to an adjustment of the carrying amount of the loan from the European Investment Bank (EIB) in the amount of EUR 0.52 million in 2020. In contrast, in 2019 there was a net revaluation loss in connection with the equity conversion right amounting to EUR -0.34 million. The loss for 2020 therefore came in at EUR -6.01 million, after EUR -7.22 million in 2019.

Net assets and financial position

The net assets and financial position largely reflect the negative earnings, which is to be expected for a biopharmaceutical firm during the development stage. The funding measures performed in the financial years 2015 to 2020 enable the long-term investment in research and development.

Total assets increased from EUR 19.50 million as of December 31, 2019 to EUR 23.50 million as at the 2020 reporting date. Non-current assets increased to EUR 8.11 million compared to EUR 4.16 million on the prior-year reporting date. The increase is mainly due to additions to property, plant and equipment in connection with the construction and furnishing of the new company headquarters in Korneuburg. Current assets remained almost stable at EUR 15.40 million (2019: EUR 15.34 million).

As at the 2020 balance sheet date, equity stood at EUR 5.36 million compared to EUR 10.87 million as at end-December 2019.

Non-current liabilities increased from EUR 4.61 million to EUR 12.54 million in 2020. The increase is mainly due to the drawdown of the second tranche of the European Investment Bank loan of EUR 5 million and the call-up of the first tranche of the real estate financing (ERP loan) amounting to EUR 3 million. Current liabilities increased from EUR 4.03 million to EUR 5.61 million as of December 31, 2020.

Cash and cash equivalents decreased from EUR 12.02 million as at end of 2019 to EUR 9.21 million on the 2020 balance sheet date. In addition to the proceeds from the second tranche of the EIB loan, the cash flow in 2020 was dominated, among other things, by investments in the new company location.

Outlook

The COVID-19 pandemic continues to exert strong influence on Marinomed's business activities. Marinomed expects Carragelose revenues to grow further, but at a lower pace than 2020. Several clinical trials are currently ongoing: A company-sponsored trial in Vienna is currently investigating the preventative potential of Carragelose against SARS-CoV-2 and other respiratory viruses in healthcare staff. Furthermore, Marinomed initiated a clinical study to demonstrate the efficacy and safety of inhaled Carragelose (Inhaleen) in treating COVID-19 and other viral pneumonias for which there are only limited treatment options available today. Results from both trials are expected in 2021. The company does expect to obtain marketing approval of the decongestant nasal spray combining Carragelose and Xylometazoline early in 2022.

Marinomed regards the Marinosolv platform as an additional key value driver and aims to further advance the development of Budesolv, Flutisolv and Tacrosolv. The ongoing phase II trial investigating safety and efficacy of Tacrosolv eye drops in treating ocular symptoms of hay fever (allergic rhinoconjunctivitis) is expected to report results before the end of the second quarter of 2021. Marinomed is also preparing a phase III trial for the anti-allergic nasal spray Flutisolv.

Realizing the potential of both platforms requires investments in research and development. The investment volume in research and development is expected to increase in the coming years, driven mainly by the expansion of the Marinosolv platform and clinical trials for larger indications. For the current financial year, the company expects a slight increase in research and development costs leading to an operating loss in 2021. Marinomed's goal is to reach profitability in the medium term.

Sustainability report 2020

Marinomed Biotech AG, founded in 2006, is a biopharmaceutical company based in Korneuburg, Austria. The focus of the Company's activities is on researching and developing innovative products in the field of respiratory and eye diseases that are based on novel, patent-protected technology platforms. The aim is to quickly and effectively treat common diseases worldwide, such as colds and allergies.

The platforms

The Carragelose platform, which is already being marketed, and the clinically validated Marinosolv technology platform have the potential to enable sustainable improvements in treating a large number of diseases. Our Carragelose platform has proven itself worldwide as the first causal treatment for colds and flu-like diseases. The platform is already being used in six different products against viral infections of the respiratory tract. The enormously broad effectiveness against whole types of respiratory viruses and against the family of coronaviruses has already been demonstrated. This fact and positive laboratory data on the inhibition of SARS-CoV-2 in cell culture assays published in July 2020 initially by Marinomed and later independently by several research groups in the USA and Germany allow the conclusion that the technology is also effective against newly occurring mutations of SARS-CoV-2. The widespread use of Carragelose products helps to reduce infections with respiratory viruses such as coronaviruses, shortens the duration of illnesses and thus contributes to the health of the population.

The Marinosolv technology platform improves the effectiveness of poorly soluble active pharmaceutical ingredients, allowing a faster onset of action while reducing side effects at the same time. Solvents such as alcohol often cannot be used on mucous membranes. This is why nasal sprays, such as those used to treat allergic rhinitis, contain undissolved particles of the drug. Marinomed has developed a technology to dissolve these active ingredients and thus increase their availability in the tissue. This was also clinically proven in a pivotal phase III study for the lead product Budesolv. Although the dose could be reduced by 85%, the drug works faster and therefore better than competitive products. The clinically validated Marinosolv technology now has the potential to change therapies for the long term, starting with the allergies and autoimmune diseases. Less active ingredient coupled with better efficacy means less consumption of resources, which benefits not only patients but also the environment and society.

Distribution

As a research and development company, Marinomed has outsourced large parts of the value chain to partners. The production takes place on behalf of Marinomed at manufacturers in France, Austria and Germany. The products are sold through distribution partners who have

each received a licence from Marinomed to sell the products in their territory. With the exception of a few countries in which there are fully licence-based partnerships, Marinomed acts as a wholesaler. Requiring limited use of resources, this enables Marinomed to manage and support fifteen partners selling its products in over forty countries on all five continents.

Sustainable management

Sustainability is essential to Marinomed. The management board firmly believes that long-term economic success can only be achieved if both social and ecological aspects are taken into account. Corporate decisions are made on the basis of this awareness, and processes that are within the company's sphere of influence are evaluated at regular intervals in order to continuously increase sustainability in various areas. Sustainable management is a central task that is regularly discussed in management board meetings and integrated into ongoing projects.

ENVIRONMENT

Marinomed develops biopharmaceutical products based on its technology platforms. These include nasal sprays, throat sprays and lozenges against viral infections, which are already sold worldwide. After obtaining approval (or declaration of conformity for medical devices), Marinomed has these manufactured and sold through partners and by granting licenses. Outsourcing these parts of the value chain, enables Marinomed to maintain a lean "asset light" business model even when it experiences strong growth. Using existing production sites and sales channels not only saves costs but minimises the company's ecological footprint as well. Regular audits by authorities, Marinomed and Marinomed's customers assess the partners' quality, but also ethical, social and sustainability aspects to ensure that the supply partners have the appropriate standards in place.

Due to the strong growth experienced by Marinomed in recent years, it became necessary to relocate the research and development facility from the University of Veterinary Medicine, Vienna, to a new company location in Korneuburg, which includes both laboratory and office space. Marinomed acquired a property in Korneuburg whose ground was completely occupied with old industrial halls and an office building. It was possible to preserve the office building and it was refurbished thermally and with up to date building technology. In addition, a new building was built to host the laboratories and additional

new offices. Marinomed now has a total of around 2,000 m2 of laboratory and office space on three levels. During the entire project, special attention was paid to adopting an approach that was as resource-efficient, environmentally friendly and sustainable as possible. Preserving the existing office building contributed to this, as does a new 20 kWp photovoltaic solar system installed on the new building. More than half of the property land was freed from its concrete or asphalt cover. The parking areas for the vehicles are designed with permeable gravel lawn and have charging stations for electric vehicles. Thanks to a revegetation plan with trees and plants, the location contributes positively to the microclimate in the area.

In line with environmental protection considerations, two fully electrical vehicles were purchased which can be charged on the company premises. Marinomed is a highly digitised company. Digital archiving and the use of digital media minimise paper and office material consumption, which not only has the advantage of being more environmentally friendly, but also saves costs. For residual waste, waste separation and recycling options are made available to employees through specially marked collection stations, which at the same time aims to increase employees' awareness of correct waste separation.

CORPORATE SOCIAL RESPONSIBILITY

Diversity

In the 2020 financial year, an average of 37 people (2019: 31) were employed at Marinomed, of which 37 were active (2019: 31). The average number of employees is calculated as FTE (Full Time Equivalent) on the basis of 38.5 hours per week as the average of the 12 monthly values on the respective last day of the month.

The average number of employees in research and development was 20 (2019: 15). 67% percent of the employees in the company are women, in research and development the proportion is as high as 69% and in management positions 40%. As of December 31, 2020, the supervisory board had equal representation (2 women, 2 men). The promotion of diversity at Marinomed has also been recognised externally. In February 2021, Marinomed achieved 1st place in the "Diversity Champion Austria 2020" competition, an initiative by the Boston Consulting Group and the Austrian business magazine trend.

The majority of the employees have an academic education. The average employee turnover over the last 5 years has been around 12%, with one employee leaving the company in the past financial year. For the calculation of employee turnover, the number of departures is divided by the number of average FTEs and includes terminations issued by the company or proposed termination agreements. In research and devel-

opment, employee turnover stands at around half the overall average. Since the IPO in February 2019, total employee turnover has only been around 1%.

Marinomed is continuously enhancing its personnel processes in line with current requirements. Personnel management is geared towards creating a motivating work environment. In addition to flexible working time models, open communication and mutual respect are particularly important in everyday working life. The continuing training of employees in internal and external specialist courses, additional qualification measures, and in selected cases by granting educational leave, is seen as essential for the professional and personal development of employees and consequently the company as a whole.

Employee health and safety
In addition to annual safety trainings for all employees, various safety precautions and policies have been implemented to ensure the safety of employees, especially in the laboratory. In addition, pharmacovigilance and GDP training courses for all employees take place at regular intervals in order to strengthen the general awareness in the company that continuous and systematic monitoring of the safety of drugs, as well as good sales practice, are essential. Marinomed provides various vaccines such as the hepatitis vaccine for the employees in the laboratory.

The employees have the opportunity to be tested for SARS-CoV-2 once every week by an ENT physician at the site and can also consult the physician if necessary. At Marinomed, safety at work and its constant improvement is not regarded as a one-off training topic, but is an integral part of the corporate culture, which not only includes physical integrity, but also seeks to create a healthy working environment for all employees.

Work/Life balance
Since its incorporation Marinomed has placed great emphasis on work/life balance. In order to support the employees during the phase of the first Austria-wide lockdown from March to May 2020, which was particularly challenging in this regard, Marinomed enabled employees to work from home and offered paid leave for childcare and even more flexible working hours as permitted by law.

As the crisis progressed, flexibility to the extent permitted by law was a priority, allowing Marinomed to support its employees in coping with the multiple burdens triggered by more extensive care obligations.

Customer privacy, Data security
As a research and development company, data security is a top priority for Marinomed. The company's IT infrastructure is state-of-the-art and is continuously updated. Although Marinomed is almost exclusively involved in B2B relation-

ships, the implementation of the EU General Data Protection Regulation (GDPR) is taken very seriously at Marinomed. Data protection management therefore is a direct management board responsibility.

In 2020, there were no cases of data breaches that had to be reported to the data protection authority and no cases of data leakage, data theft or data loss in connection with customer data or other business activities. In order to ensure awareness and training for all employees, the company offers regular workshops and information for employees.

Product quality and product security

By developing the Marinosolv technology platform, Marinomed has succeeded in improving the effectiveness of poorly soluble active ingredients, especially for the treatment of sensitive organs such as the eyes and nose. As already explained, solvents such as alcohol often cannot be used on mucous membranes. This is why nasal sprays, such as those used to treat allergic rhinitis, contain undissolved particles of the drug. Marinomed has developed a technology to dissolve these active ingredients and thus increase their availability in the tissue. This allows the dose to be reduced and, at the same time, increases efficacy. The lower dose can reduce undesirable side effects and saves costs at the same time.

The recently published data on the efficacy of Carragelose against SARS-COV-2 in cell culture assays and in clinical studies also opened up great opportunities for Marinomed. This has enabled Marinomed to enhance awareness of the Carragelose brand and products in their respective markets and boost sales further. There was already a sharp increase in 2020 and the trend could intensify if mutations in the virus make vaccines less effective. The Carragelose OTC products give the consumer the opportunity to purchase a virus-blocking product. Marinomed believes that the pandemic will change public awareness of the dangers of viral respiratory infections in the long term.

Sustainable research and development policy

Marinomed's research activities serve to increase knowledge and are committed to the well-being of mankind and the protection of the environment. 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 susceptible to abuse: identifying and minimising research risks, carefully managing publications, documenting risks and implementing educational and training measures. Marinomed uses human tissue only if all permits have been obtained and consent has been granted. When conducting clinical studies, the guidelines for good clinical practice (GCP) are adhered to and a suitable quality management

system has been established and is functional at Marinomed. Before clinical studies are carried out, the material data of the studies is published in relevant databases such as www.clinicaltrials.gov.

In the context of research activities or drug development, it cannot always be avoided that Marinomed or its research partners have to carry out animal testing, or that the applicable legal regulations even require them. The ethical and humane treatment of animals and compliance with the principles of animal welfare are fundamental and essential prerequisites for Marinomed. Before starting any animal testing, all approvals from the ethics committee must be available, the staff must be appropriately trained and the veterinary prerequisites for an implementation must be met. Provided that animal-free test and investigation methods exist and represent adequate and legally permissible alternatives, these are applied with the aim of replacing and reducing animal testing as much as possible. Marinomed did not conduct any animal testing in 2020.

Marketing and distribution policy

Marinomed has outsourced distribution and marketing activities to its licence partners. Marinomed informs the sales partners promptly about the latest scientific findings and results obtained from ongoing research and development activities. Marinomed's sales partners and supply chain are embedded in the special regulatory environment of pharmaceutical and medical device companies. When selecting the partners, it is checked whether the partners meet the regulatory requirements for distributing the products. During operations, regular audits and reviews ensure that regulatory compliance is met. In 2020, there were neither reportable incidents nor violations of vigilance agreements.

CORPORATE GOVERNANCE

Risk management and internal control system
Marinomed conducts research and development of pharmaceuticals and medical devices. Taking advantage of opportunities and avoiding risks is therefore important for the success of the company. Accordingly, Marinomed pursues a systematic approach to the early detection of opportunities and risks. The aspects listed in the "Risk report" section are repeatedly reviewed using company-wide planning and control processes. Overall responsibility for internal control and risk management at Marinomed lies with the management board. The risk management system focuses on the areas mentioned in the risk section. Operational risks are primarily addressed through close communication with internal and external stakeholders (especially investors, analysts, banks). Regular contact with all external suppliers and partners as well as the documentation of the discussions and meetings allow a constant follow-up of planning and implementation.

Marinomed was able to attract investors for the IPO as well as the EIB for a venture loan. These two financing elements have led to an improvement in the company's capital structure and allowed it to accelerate its research and development activities. This reduces dependencies on the general economic situation, the financing environment or successful accounts receivable management.

The tasks of Marinomed's internal control system include ensuring the reliability of financial reporting, compliance with statutory and internal company policies and the detection of risks even outside of financial reporting. The principle of dual control is applied in all relevant business cases.

The internal control system is divided into the structural and procedural organisation. The organisational structure is characterised by flat hierarchies and a clear assignment of responsibilities. There is an organisational separation of operational and financial responsibility as well as of accounting, controlling and reporting.

The process organisation is characterised by a clear set of rules that represent an appropriate basis for an efficient control system comprising approvals and competencies. Internal reporting to the management board is particularly important in order to identify risks at an early stage and to be able to take countermeasures. This takes place through regular meetings on the main subject areas, above all research and development, supply chain and finance. These meetings take place weekly or monthly, depending on their importance. The relevant divisional heads report to the management board in a structured manner. This is to avoid those risks that could lead to incomplete or incorrect financial reporting.

The internal reporting system is designed to enable the management board at regular intervals to check important processes and their financial

impact for plausibility and to compare them with plans in order to be able to adopt and take appropriate measures in the event of deviations. The necessary plans for this, for example for clinical studies, external service providers and sales, are approved in advance by the management board.

In addition, the company creates a rolling liquidity plan that is continuously monitored and coordinated with its own specifications.

The correctness of the accounting is based on an internal control system related to the financial reporting process. The objectives are compliance with legal norms, the principles of proper bookkeeping and the accounting regulations of the Austrian Commercial Code (UGB) and the accounting regulations of the International Financial Reporting Standards (IFRSs).

Since the beginning of the 2019 financial year, accounting has no longer been carried out by an external tax consultant, but rather on the financial counting software BMD in the company. Investments were also made in software for financial planning that enables comparison with the actual data recorded in BMD via an interface.

The accounting is audited by the international auditing company BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft.

Marinomed follows the regulations of the Austrian Code of Corporate Governance (ACCG) and creates a corresponding public corporate governance report as part of the annual report. The company has appointed a Compliance Officer who has been advising the management board since the 2019 financial year and monitors the functioning of the internal control system.

Risk report

Marinomed is a research and development company that supplies its products to pharmaceutical firms and distribution partners on all continents. As such, Marinomed is exposed to various risks. These essentially are operational and financial risks.

Marinomed has established systems and processes within the company to identify these risks and counteract them. The risks described below are continuously monitored.

Global economic risks relating to the SARS-CoV-2 pandemic

As an international company, Marinomed is involved in the global economy. The governments on all continents have adopted and implemented massive restrictions relating to global social and economic processes to contain the pandemic. The consequences of these measures are expected to have a long-term impact on the global economy. It has now also become apparent that there is an increased risk that the healthcare sector in which the company operates will also react to such changes. While companies that develop, manufacture and sell products to contain the pandemic are mostly performing very well, there have been significant declines, especially in the market for over-the-counter products. In this respect, it can be expected that Marinomed's Carragelose products will perform rather well, but that the Marinosolv technology platform will have to face an increased risk during commercialisation. At the same time, maintaining a continuous supply chain could be made more difficult and a slowdown in economic growth could lead to lower customer demand.

Risks relating to funding and funding instruments

The main financial risks include default and liquidity risks. There are also exchange-rate risks as some sales are generated in British pounds (GBP). As receivables in GBP do not generally exceed EUR 500,000, the effect on the income statement of a fluctuation of +/- 10% would be less than EUR 50,000. As a research and development company, Marinomed continues to report a loss, which means that it has no access to conventional credit instruments. Accordingly, there is a risk that the capital requirements will not be met in future, or only based on unfavourable conditions. This is a typical risk for a life science company.

Further, Marinomed is to a usual extent exposed to interest risks based on the development of international interest levels. Specific interest rate risks result from the aws seed loan (3M-EURIBOR +2%) and from the revenue-related royalties to be paid in connection with the EIB loan. From July 1, 2024, a semi-fixed interest rate will be used for the ERP loan, which will depend on the 1-year EURIBOR.

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 turn out to 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 healthcare 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 larger providers that have far more financial and business options available to them than Marinomed or its partners in the respective countries.

Operational risks

Marinomed is dependent on partners on both the supplier and marketing sides. Despite existing 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. Partners may fail to achieve their own revenue targets, while other issues may relate to supply delays, payment difficulties or other risks typical of the sector.

Although around 90% of sales are billed in euros, appreciation of the euro against local currencies in non-eurozone countries (excluding the United Kingdom) could make the company's products more expensive for distributors and end consumers, resulting in reduced sales of 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 and of new shares under the IPO, as well as via subsidies, subsidised loans and other government assistance.

The management board expects the company's research and development spending and operating losses to remain substantial over the coming years at least. The management board forecasts that existing cash reserves as well as the financing raised via the IPO in 2019 and from the EIB will be sufficient to fund the company's operating costs and investments over the coming years. 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 always strives to maintain financial flexibility, for example by raising additional capital in more favourable market conditions or based on strategic considerations. For example, the expenses for the acquisition and expansion of the new headquarters were largely refinanced at low interest rates. The company currently believes that it has sufficient funds for its current or future operating plans.

Marinomed believes that the company could forego certain expenditures to reduce its cash

requirements. If Marinomed becomes unable to raise capital when needed, this may result in delays, cutbacks or termination of research and development programmes as well as future commercialisation efforts.

Location risk

Marinomed moved into the existing building at the new location in Korneuburg just outside the city limits of Vienna in June of the 2020 financial year. Adjacent to this, a new building will be completed in the 2021 financial year, which will primarily house a research and development laboratory. After completion of the new building, the activities that are currently still being carried out in the laboratories at the old location as sub-tenants of the University of Veterinary Medicine, Vienna, will be reunited with the functions that have already been relocated. In addition to the existing building that was occupied in 2020, the new building was also ready for occupancy at the time of this report. In this respect, the location risk is limited to the costs still to be expected, which after completion of the construction project could exceed the planning and refinancing. At the same time, the move could be associated with a drop in productivity, at least in the short term.

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 current unique selling points will be undermined by new technologies or products. Competitors can also disregard Marinomed's patents and make it necessary for the company to defend itself with legal advice and the associated expenses.

Research and development risk

Marinomed's success largely depends upon the degree to which its research and development initiatives achieve the expected results. Marinomed's research activities serve to increase knowledge and are committed to the well-being of mankind and the protection of the environment. 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 susceptible to abuse: identifying and minimising research risks, carefully managing publications, documenting risks and implementing educational and training measures. Nonetheless, it is possible that severe adverse events occur during a study, or 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. It may also turn out that regulatory authorities may not regard the clinical studies as sufficient and may therefore not grant marketing authorisation. 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 loss of key staff members will lead to a loss of essential expertise, with their replacement causing delays in meeting targets.

Research and development

Until the Marinomed's relocation to Korneuburg is finalised, the company maintains a research and development facility in Vienna with modern laboratories that enable research in the fields of pharmacy, biology, molecular biology, cell biology and in-vivo pharmacology.

The R&D activities focus on the two platforms Carragelose and Marinosolv. The Carragelose platform is to be expanded to include products with an additional decongestant effect. In 2019, a medical device based on a physical effect was successfully developed. After achieving certification, the device was successfully launched in Austria, Switzerland and Greece. Subsequently, the development of a drug with a decongestant was advanced. The application for approval was submitted in 2020 and is expected to be examined by the authorities in 2021. Market launch could take place in 2022.

Marinosolv, also developed by Marinomed, is an innovative technology platform which increases the bioavailability of poorly soluble active ingredients for the treatment of sensitive tissues such as the nose and eyes. Stable aqueous formulations of poorly soluble active ingredients such as corticosteroids and immunosuppressants enable a faster onset of action, high local activity, increased local bioavailability and aseptic production. There are currently three products in development targeting inflammatory diseases of the nose (Budesolv, Flutisolv) and the eyes (Tacrosolv). A patent application was filed in 2015 and the national patents derived from it are now being gradually granted, e.g. in 38 European countries in December 2020. Depending on the active ingredient, the products can be either OTC (prescription-free or non-prescription) or Rx (prescription-only). For the Budesolv corticosteroid nasal spray, OTC and Rx approvals are expected, depending on the geographical area, while immunosuppressive eye drops are expected to be approved only as a prescription drug.

The company maintains a lean business model by focusing on research and development and outsourcing all other cost-intensive parts of the value chain. Marinomed generates its sales either through licence sales agreements or royalties from licensing agreements with its partners. The company acts as a wholesaler for its partners around the world for products marketed without a prescription.

Corporate bodies

Management board

The management board of Marinomed Biotech AG comprises a minimum of two and a maximum of five 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 three members at the end of the 2020 financial year.

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 six members, who are elected by the general meeting for a period of five years. If a works council is established in future, it can delegate three staff representatives to the supervisory board. The supervisory board consisted of four members at the end of the 2020 financial year (2019: five members). The members appointed in 2017 were all members of the company's advisory board before the change of legal form to a stock corporation.

Management board Name and function	**Year of birth**	**Initial appointment**	**End of function period**
Andreas Grassauer Chairman and Chief Executive Officer	1969	2006[1)]	2022
Eva Prieschl-Grassauer Vice Chairwoman and Chief Scientific Officer	1968	2006[1)]	2022
Pascal Schmidt Chief Financial Officer	1972	2018	2022
Supervisory board Name and function			
Simon Nebel Chairman	1966	2017	2023
Ute Lassnig Vice Chairwoman	1970	2017	2023
Karl Lankmayr Member	1978	2017	31.10.2020
Gernot Hofer Member	1980	2017	2023
Brigitte Ederer Member	1956	2018	2023

[1)] since 2006 – management; following change of legal form to a limited stock corporation in 2017 – management board

Consolidated financial statements

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

all amounts in kEUR	Note	1-12/2020	1-12/2019
Profit or loss			
Revenues	5	8,124.4	6,144.6
Other income	6	1,152.0	671.8
Other gains (losses), net	7	–7.1	9.9
Expenses for materials	8	–5,414.2	–3,575.2
Expenses for services	8	–3,351.9	–3,081.7
Personnel expenses	9	–4,097.9	–4,219.4
Depreciation and amortisation	10	–428.4	–327.2
Other expenses	11	–1,792.8	–1,833.2
Operating result (EBIT)		**–5,816.0**	**–6,210.4**
Financial income	13	523.0	0.3
Financial expenses	13	–713.7	–1,002.0
Financial result		**–190.7**	**–1,001.6**
Loss before taxes		**–6,006.7**	**–7,212.1**
Taxes on income	14	–3.5	–4.4
Loss for the period		**–6,010.2**	**–7,216.5**
Thereof attributable to the shareholders of the Company		*–6,010.2*	*–7,216.5*
Other comprehensive income (loss) for the period		-	-
Total comprehensive loss for the period		**–6,010.2**	**–7,216.5**
Thereof attributable to the shareholders of the Company		*–6,010.2*	*–7,216.5*
Earnings per share			
Basic (EUR per share)	15	–4.1	–5.1
Diluted (EUR per share)	15	–4.1	–5.1

Statement of financial position

all amounts in kEUR	Note	31.12.2020	31.12.2019
ASSETS			
Non-current assets			
Intangible assets	18	2,056.8	1,625.4
Property, plant and equipment	17	6,036.4	2,491.0
Shares in affiliated companies		-	35.0
Deposits and other non-current receivables	21	12.2	12.5
		8,105.4	4,163.9
Current assets			
Inventories	19	926.1	97.5
Trade and other receivables	21	5,263.1	3,220.4
Current tax receivables	14	0.0	0.0
Cash and cash equivalents	22	9,206.9	12,019.6
		15,396.1	15,337.5
Total assets		**23,501.6**	**19,501.5**

all amounts in kEUR	Note	31.12.2020	31.12.2019
Equity and liabilities			
Capital and reserves			
Share capital	23	1,472.7	1,469.8
Capital reserves	23	41,351.2	40,848.1
Retained losses		–37,466.3	–31,451.9
		5,357.6	10,866.0
Non-current liabilities			
Non-current borrowings	24	12,457.1	4,505.4
Other non-current liabilities	26	78.5	104.1
		12,535.6	4,609.5
Current liabilities			
Current borrowings	24	356.8	135.2
Trade payables	25	1,975.8	1,002.4
Current contract liabilities and other current liabilities	26	2,512.7	1,615.4
Provisions	27	763.0	1,273.0
		5,608.4	4,026.0
Total equity and liabilities		**23,501.6**	**19,501.5**

Statement of cash flows

all amounts in kEUR	Note	1-12/2020	1-12/2019
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the period		–6,010.2	–7,216.5
Adjustments for:			
Taxes on income recognised in profit or loss		3.5	4.4
Financial income recognised in profit or loss		–523.0	–0.3
Financial expense recognised in profit or loss		713.7	1,002.0
Depreciation and amortisation expense		428.4	327.2
(Gain)/Loss on disposal of assets		1.0	–0.0
Other non-cash income/expense		247.8	356.4
Changes in deposits and other non-current receivables		0.4	0.3
Changes in inventories		–828.6	18.2
Changes in trade and other receivables		–2,042.7	–1,328.2
Changes in provisions		-	453.0
Other changes in trade payables, contract liabilities and other liabilities		1,336.8	–870.7
Interest paid		–212.0	–382.2
Interest received		0.1	0.2
Taxes paid		-	–4.4
Cash flow utilised by operating activities	**16**	**–6,884.9**	**–7,640.7**
Cash ouflow from capital expenditure for plant and equipment and intangible assets		–3,963.5	–2,340.9
Investments in financial assets		-	–35.0
Cash flow utilised by investing activities	**16**	**–3,963.5**	**–2,375.9**
Proceeds from shareholders		-	22,425.0

all amounts in kEUR	Note	1-12/2020	1-12/2019
Convertible bond repayments		-	–24.8
Proceeds of long-term borrowings		8,000.0	4,000.0
Repayments of shareholders' loans		-	–2,262.7
Proceeds from executed options		306.0	-
Repayments of long-term borrowings		–210.0	–1,891.1
Lease payments		–78.7	–98.4
Equity transaction costs		–11.7	–1,779.5
EIB loan transaction costs		-	–47.9
Cash flow generated from financing activities	**16**	**8,005.6**	**20,320.7**
Sum of cash flows		**–2,842.9**	**10,304.1**
Effect of initial consolidation of Marino Immo GmbH		30.2	-
Total change in cash & cash equivalents		**–2,812.7**	**10,304.1**
Cash & cash equivalents at beginning of period		12,019.6	1,715.5
Cash & cash equivalents at end of period		9,206.9	12,019.6
Of which effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		*–2.2*	*8.6*

Statement of changes in equity

all amounts in kEUR	Nominal capital/ Share capital	Capital reserves	Retained losses	Total
January 1, 2019	**1,000.0**	**6,968.3**	**–24,235.4**	**–16,267.1**
Loss for the period	-	-	–7,216.5	–7,216.5
Total comprehensive income (loss) for the period	-	-	–7,216.5	–7,216.5
ESOP 2019	-	426.5	-	426.5
Paid in capital, net of transaction cost	299.0	20,336.3	-	20,635.3
Conversion of convertible bond	170.8	13,117.0	-	13,287.8
December 31, 2019	**1,469.8**	**40,848.1**	**–31,451.9**	**10,866.0**
January 1, 2020	**1,469.8**	**40,848.1**	**–31,451.9**	**10,866.0**
Loss for the period	-	-	–6,010.2	–6,010.2
Total comprehensive income (loss) for the period	-	-	–6,010.2	–6,010.2
ESOP 2019	2.9	503.1	-	506.0
Initial consolidation Marino Immo GmbH	-	-	–4.1	–4.1
December 31, 2020	**1,472.7**	**41,351.2**	**–37,466.3**	**5,357.6**

Notes to the consolidated financial statements 2020

1. General information

Marinomed Biotech AG ("Marinomed" or the "Company") is an Austrian science-based biotech company with globally marketed therapeutics. The Company focuses on the development of innovative products based on two patent-protected technology platforms. The Marinosolv technology platform increases the availability of hardly soluble compounds resulting in their accelerated and higher efficacy. This technology is particularly suited for the treatment of sensitive tissues such as eyes, nose, lung or gastrointestinal tract. The Carragelose platform comprises innovative patent-protected products for the prophylaxis and treatment of respiratory tract viral infections including SARS-CoV-2. Carragelose is used in nasal sprays, throat sprays and lozenges, which are sold via international partners in over 40 countries worldwide. The Company was incorporated in March 2006 as a spin-off from the Veterinary University of Vienna. Since Q4/2020 the Company's headquarters are located at Hovengasse 25, 2100 Korneuburg, Austria.

The management board approved the consolidated financial statements for issuance on April 13, 2021.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are consistent with those of the previous periods except for the adoption of new and amended standards as described in note 2.2.. These policies have been consistently applied to all the periods presented, unless otherwise noted. The tables in this report may contain rounding differences.

2.1. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), London, and the Interpretations of the IFRS Interpretations Committee (IFRS IC), as adopted by the European Union (EU). The consolidated financial statements meet the requirements of section 245a UGB (Austrian Commercial Code) on exempting consolidated financial statements according to internationally accepted accounting standards.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the use of certain material 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 discussed at the respective balance sheet/P&L position.

The consolidated financial statements as of December 31, 2020 include Marinomed Biotech AG and one subsidiary, Marino Immo GmbH (see Note 28).

Going concern

Since inception, the Company has incurred significant losses from its operations. As the Company is a biotech company, 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 generating relevant income. The research and development risk as well as the financing and liquidity risk are covered primarily by equity and debt financing, the use of support programmes by the Austrian Research Promotion Agency (Österreichische Forschungsförderungsgesellschaft, or FFG) and the research premium from the Austrian government as well as external research contracts.

After placement of a convertible bond on the Third Market (MTF) of the Vienna Stock Exchange in the amount of kEUR 7,000 in 2017, the Company prepared for going public in the financial year 2018. In the course of a successful Initial Public Offering (IPO) on February 1, 2019 and the fully exercised greenshoe option on February 28, 2019, total gross proceeds of kEUR 22,425 were recorded from the issuance of new shares.

As of February 25, 2019, the Company was granted a loan by the European Investment Bank (EIB) in the amount of up to kEUR 15,000, which is covered by a guarantee of the European Fund for Strategic Investments (EFSI). This venture debt loan bears interest at customary market rates. Subject to the achievement of certain milestones, the loan is expected to be transferred to Marinomed Biotech AG in three tranches between 2019-2021, and will be settled in financial years 2022-2026. In October 2019, Marinomed called the first tranche in the amount of kEUR 4,000, in December 2020 the second tranche amounting to kEUR 5,000. Furthermore in November 2020 the first tranche of the real estate financing (ERP loan) for the construction of the new headquarter in Korneuburg, amounting to kEUR 3,000, was drawn.

The Company's ability to generate profits depends on further revenues from licensing and milestone payments under existing contracts and contracts currently under negotiation for the commercialisation of existing and future products and technologies.

However, based on the cash flows from the IPO, the EIB loan, the real estate financing as well as from the future sale of goods, management believes that it is more likely than not that liquidity is ensured until the end of 2023.

These consolidated 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)

New and revised standards and interpretations that are effective for the current year

The following amendments and interpretations that are mandatorily effective for an accounting period that begins on or after January 1, 2020, do not have a material impact on the consolidated financial statements of the Company:

Amendment	Date of Publication	Date of Endorsement	Effective Date (EU)
Amendments to IAS 1 and IAS 8: Definition of Material	31.10.2018	29.11.2019	01.01.2020
Amendments to Reference to the Conceptual Framework in IFRS Standards	29.03.2018	29.11.2019	01.01.2020
IBOR-Reform: Amendments to IFRS 9, IAS 39 and IFRS 7	26.09.2019	15.01.2020	01.01.2020
Amendment to IFRS 3 Business Combinations: Definition of a Business Operation	22.10.2018	21.04.2020	01.01.2020

New and amended standards that will be effective in future periods:

Standard / Amendment	Date of Publication	Date of Endorsement	Effective Date (EU)
Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9	25.06.2020	15.12.2020	01.01.2021
Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions	28.05.2020	09.10.2020	01.06.2020
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	27.08.2020	13.01.2021	01.01.2021

Standard / Amendment (Pending Adoption into EU Law)	Date of Publication		Effective Date (IASB)
IFRS 17 Insurance Contracts	18.05.2017	25.06.2020	01.01.2023
Amendment to IAS 1: Classification of Liabilities as Current or Non-current	23.01.2020		01.01.2023
Amendments to: IFRS 3 Business Combinations IAS 16 Property, Plant and Equipment IAS 37 Provisions, Contingent Liabilities and Contingent Assets	14.05.2020		01.01.2022
Annual Improvements 2018-2020			
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	12.02.2021		01.01.2023
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	12.02.2021		01.01.2023

2.3. Segment reporting

In 2020, the Company reports on two operating segments, Carragelose and Marinosolv, based on the Company's platforms. Carragelose combines activities from marketed products and research and development of new products based on the active ingredient Carragelose. Marinosolv currently generates only minor revenues, but is expected to make further contributions in the future. The remaining operating activities which cannot be attributed to Carragelose or Marinosolv are reported as “Corporate”.

The Carragelose product line with unique anti-viral properties targets viral infections of the respiratory tract of more than 200 different virus strains. Data from laboratory studies and since February 2021 from clinical studies confirmed the efficacy also against SARS-CoV-2. Marinomed has achieved market validation with its anti-viral nasal spray for the common cold, initially launched in 2008. IP protection lasts until 2036 for particular products (decongestant medical device). The Company managed to conclude licence and distribution agreements for various Carragelose products with OTC (over the counter, or non-prescription drug) 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 poorly soluble active ingredients such as corticosteroids and immunosuppressants enable a faster onset of action, high local activity, increased bioavailability and aseptic production. There are currently several products in development; the three most advanced projects target inflammatory diseases of the nose (Budesolv) and the eyes (Tacrosolv). A patent application was filed in 2015, which is currently in the nationalisation phase subsequent to the patent cooperation treaty (PCT) phase. Depending on the active (pharmaceutical) ingredient and the region, the products may be classified either as OTC (over-the-counter) or Rx (prescription drug).

General information on revenues from the Carragelose segment is provided in the section entitled “Break-down of revenues by category and geographical area.”

The reporting format was derived from the Company's internal reporting. IFRS segment information is provided to the management.

The following is an analysis of the Company’s revenues and operating result (EBIT) by reportable segment.

Period ended December 31, 2019 all amounts in kEUR	Carragelose	Marinosolv	Corporate	Total
Total revenues	6,129.6	15.0	-	**6,144.6**
Of which sale of goods	*4,879.4*	-	-	**4,879.4**
Austria	-	-	-	**-**
Other European countries	*3,020.6*	-	-	**3,020.6**
Non-European countries	*1,858.8*	-	-	**1,858.8**
Of which other revenues	*1,250.2*	*15.0*	-	**1,265.2**
Austria	*86.8*	*15.0*	-	**101.8**
Other European countries	*969.0*	-	-	**969.0**
Non-European countries	*194.4*	-	-	**194.4**
Cost of goods sold	–3,481.6	-	-	**–3,481.6**
Contract research	–526.7	–1,935.6	-	**–2,462.3**
Personnel expenses	–719.0	–1,275.1	–2,225.3	**–4,219.4**
Other miscellaneous income/expense	–411.7	179.4	–955.1	**–1,187.3**
Depreciation and amortisation	–161.2	–76.9	–89.0	**–327.2**
Non-recurring items	-	-	–677.2	**–677.2**
Operating result (EBIT)	**829.4**	**–3,093.2**	**–3,946.6**	**–6,210.4**

Period ended December 31, 2020 all amounts in kEUR	Carragelose	Marinosolv	Corporate	Total
Total revenues	8,084.9	39.0	0.5	**8,124.4**
Of which sale of goods	*7,531.0*	-	-	**7,531.0**
Austria	*69.9*	-	-	**69.9**
Other European countries	*5,180.3*	-	-	**5,180.3**
Non-European countries	*2,280.8*	-	-	**2,280.8**
Of which other revenues	*553.9*	*39.0*	*0.5*	**593.4**
Austria	*370.8*	-	*0.5*	**371.3**
Other European countries	*97.0*	*39.0*	-	**136.0**
Non-European countries	*86.2*	-	-	**86.2**
Cost of goods sold	–5,247.5	-	-	**–5,247.5**
Contract research	–1,981.9	–571.5	-	**–2,553.4**
Personnel expenses	–972.9	–1,151.6	–1,973.5	**–4,097.9**
Other miscellaneous income/expense	–113.9	–135.7	–1,363.6	**–1,613.2**
Depreciation and amortisation	–216.5	–84.7	–127.2	**–428.4**
Operating result (EBIT)	**–447.8**	**–1,904.5**	**–3,463.7**	**–5,816.0**

In 2019 "Other revenues" include kEUR 900 related to the waiver of commercialisation rights by a European licensing partner.

In both reporting periods “Cost of goods sold“ includes expenses for merchandise, primary packaging and other raw materials as well as regular batch release charges (excluding exceptional charges) related to “Sales of goods” and form part of, but not the sum total of the line items “Expenses for materials” and “Expenses for services” in the statement of profit or loss.

In 2019 “Non-recurring items” include IPO-related expenses (especially for legal and other consultancy services) that were not directly deducted from equity.

In 2019 the recognition of a provision related to the relocation in the amount of kEUR 250 is also presented as “Non-recurring items”.

Break-down of revenues by category 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 as well as miscellaneous other services. The geographical break-down is based on distribution markets. In 2020 between 10% and 20% of total revenues were generated in the German market (2019: 20-30%, including other revenues mentioned above amounting to kEUR 900). The Philippines, the United Kingdom and Italy each accounted for 10-20% of total revenues in 2020 (2019: each under 10%). Due to several product launches Scandinavia (including Denmark) contributed 20-30% in 2019, but remained below 10% in 2020.

Non-current assets

Non-current assets are fully attributable to Austria where the Company's premises were located in 2020 and 2019. The internal reporting does not include a split of non-current assets by operating segments.

Major customers

Customers exceeding 10% of total revenues are considered major customers for the following presentation.

Year ended December 31, 2019 all amounts in kEUR	Total revenues	%	Segment
Top 1	1,558.5	25%	Carragelose
Top 2	1,554.9	25%	Carragelose
Top 3	909.7	15%	Carragelose
Total	**4,023.1**	**65%**	

Year ended December 31, 2020			
Top 1	1,803.1	22%	Carragelose
Top 2	1,226.1	15%	Carragelose
Top 3	841.2	10%	Carragelose
Top 4	839.6	10%	Carragelose
Total	**4,710.0**	**58%**	

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 euros, 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 prevailing exchange rates. 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 with the exception of certain items such as financial assets at fair value through profit or loss ("FVTPL") and financial assets at fair value through other comprehensive income ("FVTOCI") 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. 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.

2.7. 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). Impaired non-financial assets are reviewed for possible reversal of the impairment at each reporting date. During the reporting period, no events have been identified that materially reduced the value of any asset and thus no impairment is deemed necessary.

2.8. 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).

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 program 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 kEUR	2020 GBP	2019 GBP
Trade receivables	89.4	227.3
Cash and cash equivalents	0.9	1.0
Trade payables	–0.1	–0.1
Total	**90.2**	**228.2**

Foreign currency denominated receivables and payables are short term in nature (generally 30 days to no more than 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 kEUR (9.0)/9.0 (2019: kEUR (22.8)/22.8). 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. Due to the seasonality in revenues receivables in GBP are above average at year-end.

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 is exposed to the risk of changes in market interest rates because of its 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.

The majority of interest-bearing financial liabilities carry fixed interest rates. The Company's operating cash flows are substantially independent of changes in market interest rates. Cash flow interest rate risk is 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.

From July 1, 2024, a semi-fixed interest rate will be used for the ERP loan, which will depend on the 1-year EURIBOR.

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 FVTOCI or FVTPL. The Company is not particularly exposed to commodity price risk and in most cases has the contractual right to pass on significant price increases.

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.

Outstanding customer receivables are regularly monitored and collection measures taken as required. To reduce the credit risk, advance payments are mandatory for specific customers. The customer's creditworthiness is checked regularly and impairments for expected losses are recognised in accordance with IFRS 9 based on historical experience and days past due. Given the favourable market environment in the pharmaceutical industry (for further details see management report and analysis) there is no indication of a future decline in creditworthiness of the Company's customers. The maximum exposure to credit risk at the reporting date is the carrying amount 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, 2019 all amounts in kEUR	**Less than 1 year**	**Between 1 and 5 years**	**Over 5 years**
Borrowings	–187.7	–7,876.7	–6,498.5
Trade payables	–1,002.4	-	-
Trade receivables	1,484.7	-	-
Total	**294.6**	**–7,876.7**	**–6,498.5**
As of December 31, 2020			
Borrowings	–533.4	–15,978.2	–7,602.7
Trade payables	–1,975.8	-	-
Trade receivables	2,333.4	-	-
Total	**–175.7**	**–15,978.2**	**–7,602.7**

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. In 2020 and 2019 borrowings include royalty payments related to the EIB venture loan (see Note 24).

3.2. Capital risk management

The main objectives of the Company's capital risk 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 shown 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 IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed at the respective balance sheet/P&L position.

5. Revenues

The Company generates the following types of revenues:

Year ended December 31 all amounts in kEUR	2020	2019
Sale of goods	7,531.0	4,879.3
Licence revenues	353.6	998.9
Other revenues	239.8	266.4
Total revenue from contracts with customers	**8,124.4**	**6,144.6**

Marinomed's revenues are mostly based on the sale of goods. Customers of Marinomed act as distributors in the respective geographical regions. Depending on the stage of a product in the respective country, revenues may fluctuate year over year, e.g. in the case of product launches in new and existing markets, customers tend to build up significant stock. Accordingly, in subsequent years, demand from such customers decreases. In some countries, customers place TV advertisements for quick market penetration, while in other countries, they may focus on the education of doctors and pharmacists.

Today, Marinomed distributes its products via 15 partners (2019: 13) in more than 40 countries. This enables regional fluctuations to be balanced.

The increase in the line item “Sale of goods” is largely attributable to the increased demand as a result of the COVID-19 crisis as well as the launch in Italy.

In 2019 "Licence revenues" include kEUR 900 related to the waiver of commercialisation rights by a European licensing partner. For more information on revenues according to geographical areas and segments, please refer to Note 2.3.

Basic valuation and recognition principles

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. 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 at the point in time when control of the goods is transferred to the customer. Some contracts for the sale of goods provide customers with a cash discount for early payment, volume rebates or other rebates/discounts. Under IFRS 15 such discounts and rebates give rise to variable consideration. The variable consideration is estimated at contract inception and maintained until the associated uncertainty is subsequently resolved. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognised for expected volume rebates payable to customers in relation to sales made until the end of the reporting period, which is deducted from trade receivables. No element of financing is deemed present as the sales are regularly made with a credit term of 30 to no more than 75 days after the last day of the month following the issuance of the invoice.

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract and control of the goods is transferred to the customer.

Licence revenues

For revenue from licensing of intellectual property IFRS 15 provides specific guidance which differs from the recognition model for other promised goods and services. According to this, a licence will either provide a right to access the entity's intellectual property throughout the licence period, which results in revenue being recognised over time, or a right to use the entity's intellectual property as it exists at the point in time at which the licence is granted, which results in revenue being recognised at a point in time. The Company's licensing agreements in place provide right-to-use licences. Revenue is therefore recognised when the licence is granted to the customer in accordance with the substance of the relevant agreement. For milestone payments agreed in licensing agreements please refer to the "milestone payments" section below.

The Company applies the exception for sales-based or usage-based royalties received in exchange for licences of intellectual property. Accordingly, revenue is recognised only when (or as) the later of the following events occurs: a) the subsequent sale or usage occurs; and b) the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied). Consequently royalties are not included in the transaction price until the customer makes sales, regardless of whether or not the Company has predictive experience with similar arrangements.

Milestone payments
Milestone payments resulting from one-off revenues agreed in licensing and distributor agreements give rise to variable consideration under IFRS 15, which is estimated at contract inception and maintained until the associated uncertainty is subsequently resolved. Revenue from milestone payments is therefore only recognised to the extent that it is highly probable that a significant reversal will not occur; this is basically the fact when all contractual obligations associated with the payment are fulfilled by the Company and the amounts are non-refundable.

Milestone payments relating to "sales milestones" may arise when an (annual) sales threshold is met by the customer. The Company concludes that such milestones are, in substance, sales-based royalties, since they are receivable only when underlying sales are made. As such, revenue for these milestones is recognised if and when the annual sales threshold is met in accordance with the exception for royalties.

6. Other income

Other income consists of the following items:

Year ended December 31 all amounts in kEUR	2020	2019
Grant income	488.9	-
Research premium	607.5	601.3
Other income	55.6	70.4
Total	**1,152.0**	**671.8**

Grant income consists of a FFG grant for the development of a SARS-CoV-2 therapy based on Carragelose. This grant is non-refundable, except in the case of non-compliance with the agencies' rules and regulations or in the case of misuse of the funds.

According to IAS 20.10A (and IFRS 1.B10), the differences between the nominal interest rates of R&D support loans and the market rate of interest, estimated at the time of initial recognition at 6.0% (WAW loan) and 15.0% (AWS Seed loan) respectively, are treated as a government grant and recognised over the term of the corresponding borrowings (see Note 24). In 2020 this interest advantage amounted to kEUR 53 (2019: kEUR 70) and is shown in the line item "Other Income".

Basic valuation and recognition principles

Grants were provided to support specific research projects and are recognised according to the progress of the respective project. Furthermore, grant income may result from conversion of loans into non-repayable grants. The research premium, which is paid out in cash by the Austrian fiscal authorities, is calculated as 14.0% (2019: 14.0%) of a specified research and development cost base. It is recognised to the extent the research and development expenses have been incurred. All grants are non-refundable as long as the conditions of the grant are met.

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 amount of the loan determined in accordance with IFRS 9 and the proceeds received. This benefit is deferred (recorded in the line item "other liabilities" (see Note 26)), and recognised through profit or loss over the term of the corresponding borrowing 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 24. The loan is recognised and measured in accordance with IFRS 9.

7. Other gains and losses

Other gains and losses consist of the following items:

Year ended December 31 all amounts in kEUR	**2020**	**2019**
Net gain/(loss) on disposal of property, plant and equipment	–1.0	0.0
Net foreign exchange gains	9.3	17.1
Net foreign exchange losses	–12.9	–6.0
Other items	–2.4	–1.2
Total	**–7.1**	**9.9**

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. Expenses for materials and for services

Expenses for materials comprise expenses for sale of goods (cost of goods sold) including merchandise, cost of primary packaging and other raw materials, as well as and expenses for laboratory consumables (see Note 19).

The expenses for services relate primarily to third-party R&D services as well as to expenses for patent applications (see Note 12).

9. Personnel expenses

Personnel expenses include the following items:

Year ended December 31 all amounts in kEUR	2020	2019
Salaries	–3,044.3	–3,111.6
Expenses for social security and payroll related taxes	–727.6	–665.3
Expenses for the employee stock option plan (ESOP 2019)	–311.7	–426.5
Other employee benefit expenses	–14.3	–15.9
Total	**–4,097.9**	**–4,219.4**

Basic valuation and recognition principles

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.

Employee Stock Option Plan (ESOP)
On February 1, 2019, Marinomed established ESOP 2019 for the members of the management board as well as all other employees of the Company. The total number of options that may be granted under ESOP 2019 is 43,694 and each option entitles the option holder to subscribe for one voting share.

In 2019 21,847 stock options were issued to the 3 management board members and 19,660 stock options to 28 employees from all hierarchy levels. In 2020, an additional 2,478 options were issued to 8 new employees. When options are exercised, the Company may settle via shares (equity-settled) or in cash (cash-settled). This decision is taken at the sole discretion of the Company. Management plans to settle via shares. Granted options cannot be exercised immediately, but after vesting, i.e. 25% after 12 months starting with the first trading day (February 1, 2019), then another 6.25% every three months. The exercise price equals the IPO issue price (= EUR 75.00). The

exercise period is limited to 10 trading days starting with the 6th trading day after the release of financial statements (annual reports, quarterly financial statements). Furthermore, a hurdle rate of 2.5% per quarter starting with the first trading day applies (without compound interest). The options expire without further compensation on January 31, 2025 or after termination of employment. In the reporting period the stock options developed as follows:

Number of issued stock options	As of January 1, 2020	Additions	Exercised options	Expired options	As of December 31, 2020	Therof vested
Management board	21,847	-	410	-	21,437	9,148
Employees	19,660	2,478	4,892	300	16,946	4,662
Total	**41,507**	**2,478**	**5,302**	**300**	**38,383**	**13,797**

Critical accounting estimates and assumptions

As at the grant date the Company estimated the fair value of one issued share option at EUR 20.75 (EUR 28.94 for options granted in July 2019, EUR 33.92 for options granted in September 2020). The fair value of the options was measured using a Monte Carlo simulation. Due to the lack of a long enough price history for the Marinomed share, expected volatility was derived from historical data of a representative peer group. Additionally estimates on future dividends, fluctuations and exercise dates were taken into account. Furthermore, the inputs used in the measurement were as follows:

- Strike price: EUR 75.00
- Expected volatility: 37%
- Risk-free interest rate: 0.00%-0.68%

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 kEUR	2020	2019
Amortisation of intangible assets	–203.4	–165.1
Depreciation of property, plant and equipment	–225.0	–162.1
Total	**–428.4**	**–327.2**

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):

Period ended December 31 all amounts in kEUR	2020	2019
Fees	–68.1	–63.3
Maintenance expenses	–152.1	–73.4
Operating costs	–64.3	–45.1
Insurance	–39.7	–25.7
Freight	–18.9	–6.2
Travel expenses	–13.2	–64.1
Car expenses	–9.3	–6.6
Telecommunication expenses	–26.1	–13.8
Relocation expenses	–38.0	–4.6
Education expenses	–19.1	–23.0
Office and administrative expenses	–39.4	–17.2
Marketing/PR expenses	–271.2	–174.6
Consulting expenses	–1,005.2	–1,116.6
Other expenses	–28.1	–199.1
Total	**–1,792.8**	**–1,833.2**

Consulting expenses include expenses for legal advice and other consulting services.

12. Research and development expenses

The Company has incurred research and development expenses which are included in the following positions in the statement of profit or loss and other comprehensive income (loss):

Period ended December 31 all amounts in kEUR	**2020**	**2019**
Personnel expenses	–1,783.7	–1,359.0
Expenses for services	–2,708.1	–2,564.3
Expenses for materials	–213.9	–134.9
Other expenses	–250.3	–109.3
Depreciation and amortisation	–294.0	–231.2
Financial expenses	–692.6	–376.9
Total	**–5,942.6**	**–4,775.7**

For purposes of calculating research and development expenses, in 2019 personnel expenses do not include one-time IPO bonus payments for R&D personnel. In 2020 as well as in the prior year, research and development expenses were primarily attributable to clinical studies. The focus in 2020 was clearly on the Carragelose segment, as on the one hand the COVID-19 pandemic caused delays in the product Tacrosolv (allergic conjunctivitis, dry eye syndrome), and on the other hand as part of the emergency grant KLIPHA-COVID-19 of the FFG additional expenses in the Carragelose segment were incurred. In 2019, R&D expenses mainly related to the Marinosolv segment.

13. Financial income and expenses

Period ended December 31 all amounts in kEUR	2020	2019
Interest income		
Bank deposits	0.1	0.3
Total	**0.1**	**0.3**
Interest and similar expenses		
Subsidised loans	–70.2	–96.7
Shareholders' loans	-	–307.6
Convertible bond	-	–130.2
Leasing	–2.7	–13.3
Bank deposits	–0.9	-
EIB loan	–625.0	–117.6
Other interest expenses	–14.8	-
Total	**–713.7**	**–665.4**
Other financial income/(expenses)		
Valuation equity conversion right	-	–336.6
Adjustment of carrying amount of EIB loan (according to IFRS 9:B5.4.6)	522.9	-
Total	**522.9**	**–336.6**
Total financial result	**–190.7**	**–1,001.6**
Of which financial income	*523.0*	*0.3*
Of which financial expenses	*–713.7*	*–1,002.0*

Interest income arises on cash and cash equivalents. Interest expenses consist of interest on borrowings of all kinds and are expensed as incurred.

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

all amounts in kEUR	Financial assets at amortised cost	Financial liabilities at amortised cost	FVTPL (held for trading)	Total
Financial result as per statement of profit or loss and other comprehensive income (loss)				
Year ended December 31, 2019				
Financial income	0.3	-	-	0.3
Financial expenses	-	–665.4	–336.6	–1,002.0
Total	**0.3**	**–665.4**	**–336.6**	**–1,001.6**

all amounts in kEUR	Financial assets at amortized cost	Financial liabilities at amortized cost	FVTPL (held for trading)	Total
Financial result as per statement of profit or loss and other comprehensive income (loss)				
Year ended December 31, 2020				
Financial income	0.1	522.9	-	523.0
Financial expenses	-	–713.7	-	–713.7
Total	**0.1**	**–190.8**	**-**	**–190.7**

14. Taxes on income

Year ended December 31 all amounts in kEUR	2020	2019
Current tax	–3.5	–4.4
Total	**–3.5**	**–4.4**

Taxes on income are calculated using the current corporate income tax rate of 25%. As the Company currently generates losses and is a stock corporation, the minimum corporate income tax applies, which is kEUR 3.5 per year. In 2019, a difference in the minimum tax relating to 2017 was retroactively recognised.

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

Year ended December 31 all amounts in kEUR	2020	2019
Profit (Loss) before taxes	–6,006.7	–7,212.1
Tax income (expense) at 25%	1,501.7	1,803.0
Expenses not deductible for tax purposes	–99.7	–132.1
Income not subject to tax	163.2	186.6
Effect of silent partnership	-	–567.3
Effect of convertible bond conversion	-	–1,297.8
Effect of deferred tax asset not recognised	–1,565.2	7.6
Minimum corporate income tax	–3.5	–4.4
Tax expense (before loss carryforwards)	**–3.5**	**–4.4**
Other tax adjustments	-	-
Total income tax expense	**–3.5**	**–4.4**

Deferred taxes

Temporary differences resulting in deferred tax liabilities in the amount of kEUR 599.4 (2019: kEUR 402.7) are offset against deferred tax assets resulting mainly from tax loss carryforwards showing the same amount and timing with the same fiscal authority. Further to this, no deferred tax assets have been recognised in the statement of financial position or effects shown in the statement of profit or loss and other comprehensive income.

Year ended December 31 all amounts in kEUR	**2020**	**2019**
Deferred tax asset from		
Tax losses carried forward	9,453.2	7,698.5
Current receivables	33.2	0.5
Investment from silent partnership	-	-
Borrowings	4.1	29.6
Other liabilities	11.0	9.2
Non-recognition of deferred tax assets	–8,902.1	–7,335.1
Total deferred tax assets	**599.4**	**402.7**

Year ended December 31 all amounts in kEUR	**2020**	**2019**
Deferred tax liability from		
Intangible assets – software	–2.0	–1.6
Intangible assets - development costs	–465.3	–380.1
Property, plant and equipment	–14.1	–20.6
Inventories	–25.7	
Receivables	–3.4	–0.4
Borrowings	–88.9	-
Total deferred tax liability	**–599.4**	**–402.7**
Deferred tax, net	**-**	**-**

As of December 31, 2020 the Company has unrecognised deferred tax assets of kEUR 8,902.1 (2019: kEUR 7,335.1) mainly resulting from cumulative tax loss carryforwards in respect of losses of kEUR 37,812.8 (2019: kEUR 30,793.9). 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 carryforwards will not expire.

Basic valuation and recognition principles

The income tax expense (or income) for the period is the tax payable on the current period's taxable income based on the applicable income tax rate (adjusted for 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 measurement and accounting differences between financial statements prepared for tax purposes and IFRS financial statements.

Deferred income tax is recognised 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.

Critical accounting estimates and assumptions

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 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 of 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 kEUR 8,902.1 (2019: kEUR 7,335.1).

15. Earnings (loss) per share

Basic earnings/losses per share

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

Period ended December 31	2020	2019
Profit (loss) for the period (in kEUR)	–6,010.2	–7,216.5
Weighted average number of shares outstanding	1,471,257	1,418,099
Basic earnings (loss) per share (in EUR)	**–4.1**	**–5.1**

On September 17, 2018, the extraordinary general meeting approved the increase in the number 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 prorata basis.

The number of shares outstanding increased on February 1, 2019 by 260,000 in the course of the IPO, on February 20, 2019 by 170,772 after the conversion of the convertible bond and on February 28, 2019 due to the exercise of the greenshoe option by another 39,000. In 2020 2,888 shares were issued under the employee stock option plan. Taking these capital measures into account the weighted average number of shares outstanding in 2020 amounts to 1,471,257 (2019: 1,418,099).

Diluted earnings/losses per share

Basic and diluted earnings per share are the same in 2020 and 2019, because 24,586 non-vested stock options as at December 31, 2020 (December 31, 2019: 41,507) were not included in the calculation of potentially dilutive shares, as they were, due to the reported losses, anti-dilutive for the 2020 and 2019 financial year. These shares may potentially have a dilutive effect in the future.

16. Notes to the statement of cash flows

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

Cash flows from investing activities
The cash flows from investing activities consist mainly of outflows of funds for the acquisition of plant, property and equipment and intangible assets.

Reconciliation of liabilities arising from financing activities
The table below shows changes in 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 flows from financing activities.

all amounts in kEUR	Convertible bond	Equity conversion right	Leasing	FFG Loans
Carrying amount as of January 1, 2019	5,714.3	7,132.0	199.8	1,391.1
Financing cash flows	-	-	–98.4	–1,391.1
Non-cash changes: Conversion of convertible bond	–5,819.2	–7,468.6	-	-
Non-cash changes: Valuation adjustment right-of-use asset	-	-	4.8	-
Non-cash changes: Repurchase	–24.8	-	-	-
Non-cash changes: Fair value adjustments	-	336.6	-	-
Non-cash changes: Effective interest accrued	130.2	-	13.3	2.9
Interest paid	–0.5	-	–13.3	–2.9
Carrying amount as of December 31, 2019	**-**	**-**	**106.2**	**-**

all amounts in kEUR	Shareholders' loans	EIB Loan	AWS Seed loan
Carrying amount as of January 1, 2019	2,305.1	-	1,111.8
Financing cash flows	–2,262.7	3,952.1	–500.0
Non-cash changes: Reclassification of grant – below market rate	-	-	–225.5
Non-cash changes: Effective interest accrued	307.6	117.6	93.8
Interest paid	–350.1	-	–15.5
Carrying amount as of December 31, 2019	**-**	**4,069.7**	**464.7**

	all amounts in kEUR	ERP Loan	WAW Loan	Leasing
	Carrying amount as of January 1, 2020	-	-	106.2
	Financing cash flows	3,000.0	–110.0	–78.7
Non-cash changes	Reclassification of provisions to borrowings	-	510.0	-
Non-cash changes	Reclassification of grant – below market rate	-	–35.7	-
Non-cash changes	Effective interest accrued	5.8	3.5	2.7
	Interest paid	–134.8	-	–2.7
	Carrying amount as of December 31, 2020	**2,871.0**	**367.8**	**27.5**

	all amounts in kEUR	EIB Loan	AWS Seed loan
	Carrying amount as of January 1, 2020	4,069.7	464.7
	Financing cash flows	5,000.0	–100.0
Non-cash changes	Adjustment of carrying amount of EIB loan (according to IFRS 9:B5.4.6)	–522.9	-
Non-cash changes	Effective interest accrued	625.4	62.6
	Interest paid	–40.0	–11.4
	Carrying amount as of December 31, 2020	**9,132.3**	**415.8**

17. Property, plant and equipment

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

all amounts in kEUR	IT equipment	Laboratory equipment	Other plant and office equipment	Right-of-use asset	Land and buildings	Prepayments and buildings under construction	Total
As of January 1, 2019							
Cost	97.5	448.9	110.1	118.6	-	-	775.1
Accumulated depreciation	–48.7	–361.0	–51.4	-	-	-	–461.1
Carrying amount	**48.8**	**87.9**	**58.7**	**118.6**	**-**	**-**	**314.0**
Period ended December 31, 2019							
Beginning carrying amount	48.8	87.9	58.7	118.6	-	-	314.0
Additions	27.5	121.7	0.8	4.8	358.9	1,825.5	2,339.1
Disposals	–0.0	–0.0	-	-	-	-	–0.0
Depreciation	–34.6	–33.1	–12.6	–81.8	-	-	–162.1
Carrying amount	**41.7**	**176.5**	**46.8**	**41.6**	**358.9**	**1,825.5**	**2,491.0**
As of January 1, 2020							
Cost	109.1	544.7	110.9	123.4	358.9	1,825.5	3,072.5
Accumulated depreciation	–67.4	–368.2	–64.1	–81.8	-	-	–581.5
Carrying amount	**41.7**	**176.5**	**46.8**	**41.6**	**358.9**	**1,825.5**	**2,491.0**
Period ended December 31, 2020							
Beginning carrying amount	41.7	176.5	46.8	41.6	358.9	1,825.5	2,491.0
Additions	118.5	78.4	110.3	-	4.8	3,424.5	3,736.5
Disposals	–0.2	–0.2	–0.7	-	-	-	–1.2
Reclassifications	-	-	-	-	2,288.0	–2,288.0	-
Depreciation	–35.4	–38.7	–29.5	–41.6	–44.7	-	–189.9
Carrying amount	**124.6**	**216.0**	**126.9**	**-**	**2,607.0**	**2,962.0**	**6,036.4**
As of December 31, 2020							
Cost	221.4	609.3	203.6	123.4	2,651.7	2,962.0	6,771.4
Accumulated depreciation	–96.8	–393.3	–76.7	–123.4	–44.7	-	–734.9
Carrying amount	**124.6**	**216.0**	**126.9**	**-**	**2,607.0**	**2,962.0**	**6,036.4**

As of December 31, 2020 fully depreciated property, plant and equipment with acquisition costs of kEUR 321.5 (2019: kEUR 323.8) is still in use.

The Company has entered into a number of agreements entailing financial commitments for the future relating to the construction of the new headquarters in Korneuburg. The remaining payments to be made under these agreements amount to kEUR 1,120 (2019: kEUR 3,918). All of these are entirely due within one year (see also Note 30).

Prepayments and buildings under construction relate to the new premises in Korneuburg. At September 6, 2019, Marinomed acquired real estate close to the city limits of Vienna. On this land, the new headquarters of the Company is built by refurbishing an existing building and constructing a new laboratory building. During the financial year 2020, Marinomed invested a total of kEUR 3,429 (2019: kEUR 2,184) into the new headquarters.

The laboratory equipment line item includes the following amounts where Marinomed is a lessee (see Note 24). In 2020 depreciation amounted to kEUR 12 (2019: kEUR 12).

Year ended December 31 all amounts in kEUR	**2020**	**2019**
Leasehold laboratory equipment		
Cost	132.3	132.3
Accumulated depreciation	–105.2	–93.1
Net carrying amount	**27.1**	**39.2**

Year ended December 31 all amounts in kEUR	**2020**	**2019**
Other plant and office equipment		
Cost	65.0	65.0
Accumulated depreciation	–41.3	–33.2
Net carrying amount	**23.7**	**31.8**

Basic valuation and recognition principles

Property, plant and equipment is shown at historical costs less accumulated depreciation. 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 if 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 shown in the statement of profit or loss and other comprehensive income during the reporting period in which they are incurred.

Assets are depreciated on a straight-line basis over their estimated useful lives. Estimated useful life is calculated taking into account the assets' expected economic and technical life. In 2019 and 2020, the estimated useful lives of property, plant and equipment are as follows: 2-5 years for IT equipment, 2-8 years for laboratory equipment and 4-10 years for other plant and office equipment. The assets' residual carrying amounts 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 in other gains (losses).

In accordance with IAS 23, borrowing costs directly attributable to the construction of a 'qualifying asset' (one that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of the asset. The requirements for capitalising borrowing costs according to IAS 23 were not met for any property, plant and equipment in 2019 and 2020.

18. Intangible assets

The following table shows the changes in intangible assets:

As of January 1, 2019 all amounts in kEUR	Development costs	Software	Purchased patents	Total
Cost	2,118.3	160.3	-	2,278.6
Accumulated depreciation	–891.8	–55.1	-	–946.9
Carrying amount	**1,226.5**	**105.2**	**-**	**1,331.7**
Year ended December 31, 2019				
Beginning carrying amount	1,226.5	105.2	-	1,331.7
Additions – acquisitions	-	33.3	-	33.3
Additions – development	425.5	-	-	425.5
Disposals	-	–0.0	-	–0.0
Amortisation	–131.5	–33.5	-	–165.1
Carrying amount	**1,520.5**	**104.9**	**-**	**1,625.4**
As of January 1, 2020 all amounts in kEUR	**Development costs**	**Software**	**Purchased patents**	**Total**
Cost	2,543.8	167.1	-	2,710.9
Accumulated amortisation	–1,023.3	–62.2	-	–1,085.6
Carrying amount	**1,520.5**	**104.9**	**-**	**1,625.4**
Year ended December 31, 2020				
Beginning carrying amount	1,520.5	104.9	-	1,625.4
Additions – acquisitions	-	37.1	100.0	137.1
Additions – development	497.7	-	-	497.7
Disposals	-	-	-	-
Amortisation	–156.9	–46.4	-	–203.4
Carrying amount	**1,861.2**	**95.6**	**100.0**	**2,056.8**
As of December 31, 2020				
Cost	3,041.5	204.3	100.0	3,345.8
Accumulated amortisation	–1,180.3	–108.6	-	–1,288.9
Carrying amount	**1,861.2**	**95.6**	**100.0**	**2,056.8**

Additions to intangible assets are primarily related to external development costs, specifically the preparation for the application for market approval of the lead product of the Marinosolv platform, Budesolv.

The Company has entered into a number of agreements entailing financial commitments for the future and relating to services provided by third parties in connection with the implementation of clinical trials and other research and development activities; these commitments are capitalised as development costs. The remaining payments to be made under these agreements amount to kEUR 112 (2019: kEUR 78). All these are entirely due within one year (see also Note 30).

Basic valuation and recognition principles

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 2019 and 2020).

Research and development expenses (IAS 38) 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;
- The Company is able 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 costs are 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.

Critical accounting estimates and assumptions

Development costs are capitalised in accordance with the accounting policies presented above. Initial capitalisation of costs is based on management's judgement that technical and economic feasibility has been confirmed. 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, contract research as well as an appropriate portion of relevant overheads. Capitalised development costs are shown 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 economic benefit, which is 16.5 years starting from July 1, 2011 for development costs where the amortisation period has already started.

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

19. Inventories

Inventories include the following items:

all amounts in kEUR	As of December 31, 2020	As of December 31, 2019
Goods for sale	102.9	97.5
Raw materials and supplies in production	261.9	-
Raw materials and supplies	561.3	-
Total	**926.1**	**97.5**

Inventories recognised as an expense during the year ended December 31, 2020 amounted to kEUR 5,199.5 (2019: kEUR 3,439.5). These were included under the line item "Expenses for materials" in the statement of profit or loss and other comprehensive income.

Basic valuation and recognition principles

Inventories are carried at the lower of cost and net realisable value. Costs of purchased inventories 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.

20. Financial instruments

In accordance with IFRS 9 and IFRS 7, financial instruments are classified as follows:

As of December 31, 2019 all amounts in kEUR	**Financial assets at amortised cost**
Assets as per statement of financial position	
Non-current receivables	3.2
Trade receivables	1,484.7
Cash and cash equivalents	12,019.6
Total	**13,507.5**

all amounts in kEUR	**Financial liabilities at amortised cost**
Liabilities as per statement of financial position	
Borrowings	4,640.6
Other non-current liabilities	104.1
Current contract liabilities and other current liabilities	1,615.4
Trade payables	1,002.4
Total	**7,362.5**

As of December 31, 2020 all amounts in kEUR	Financial assets at amortised cost
Assets as per statement of financial position	
Non-current receivables	3.5
Trade receivables	2,333.4
Cash and cash equivalents	9,206.9
Total	**11,543.9**

all amounts in kEUR	Financial liabilities at amortised cost
Liabilities as per statement of financial position	
Borrowings	12,814.0
Other non-current liabilities	78.5
Current contract liabilities and other current liabilities	2,512.7
Trade payables	1,975.8
Total	**17,381.0**

The Company did not hold any financial assets classified as at FVTPL or at FVTOCI as of December 31, 2020. Financial liabilities classified as at FVTPL include liabilities that meet the definition of held for trading in IFRS 9. In 2019 and 2020 the Company did not hold any financial liabilities designated as FVTPL upon initial recognition or subsequently in accordance with paragraph 6.7.1 of IFRS 9.

Trade receivables are shown 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 trade receivables and trade payables are assumed to approximate their fair value due to their relatively short maturity. For non-current liabilities (borrowings) refer to Note 24.

Basic valuation and recognition principles

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial instrument, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of the financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss as financial income or financial expense.

Financial assets
At initial recognition, financial assets are classified as subsequently measured at (a) amortised cost, (b) FVTOCI or (c) FVTPL. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This measurement is referred to as the SPPI test and must be performed at instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from primarily collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Financial assets at amortised cost are currently the only category relevant to the Company and include financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. The Company's financial assets at amortised cost include trade and other receivables. They are included in current assets, except for items with maturities greater than twelve months after the end of the reporting period, which are classified as non-current assets.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company currently does not have any financial assets at FVTOCI nor at FVTPL.

Financial liabilities

At initial recognition, financial liabilities are classified as subsequently measured at either (a) amortised cost or FVTPL and include loans, current contract liabilities and other current liabilities as well as other financial liabilities.

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at FVTPL are designated as such at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has currently not designated any financial liability as at FVTPL.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest 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 effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) over the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

This category generally applies to loans, trade payables, current contract liabilities and other current liabilities as well as other financial liabilities.

In February 2019 Marinomed was granted a loan commitment of up to EUR 15 million by the European Investment Bank. The payout of three tranches in total is set to take place from 2019 to 2021 and is subject to the achievement of certain contractually defined milestones. Each tranche has a maturity of 5 years. Apart from fixed interest payments, Marinomed also has to pay royalties based on revenues (for more details see Note 24). If the Company revises its estimates of payments or receipts, it adjusts the amortised cost of the EIB loan to reflect revised estimated contractual cash flows in accordance with IFRS 9.B5.4.6. The Company recalculates the amortised cost of the EIB loan as the present value of the estimated future contractual cash flows, which are discounted at the financial instrument's original effective interest rate. The adjustment is recognised in profit or loss as income or expense (see Note 13).

The Company has obtained loans from various governmental agencies for certain research and development projects, which are shown under borrowings in the statement of financial position. These loans bear an interest rate below the market interest rate. The difference between fair value and the notional amount is treated as a grant in accordance with IAS 20.10A (please refer to Note 6 for further details). The loans are recognised and measured in accordance with IFRS 9.

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.

Critical accounting estimates and assumptions

Estimation of future cash flows for financial liabilities at amortised cost

The estimated future cash flows on which the measurement of the EIB loan, which is recognised at amortised cost, is based, are adjusted to the Company's current long-term planning on the balance sheet date. This is decisive for the estimated future royalty payments based on the Company's revenues.

21. Long-term and current receivables

Year ended December 31 all amounts in kEUR	2020	2019
Deposits	3.5	3.2
Prepaid expenses	8.6	9.3
Total long term receivables	**12.2**	**12.5**
Trade receivables	2,333.4	1,484.7
Prepaid expenses	79.7	53.4
Other receivables	2,850.0	1,682.3
Total current receivables	**5,263.1**	**3,220.4**

Current receivables were all due within one year. None of them was 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 kEUR	2020	2019
Cash on hand	0.3	0.6
Cash at bank	9,206.6	12,019.0
Total cash and cash equivalents	**9,206.9**	**12,019.6**

Basic valuation and recognition principles

Cash and cash equivalents are classified as cash on hand and cash at banks and may include other short-term highly liquid investments with original maturities of three months or less. They are recognised 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 shown as a separate asset (restricted cash) in the statement of financial position.

23. Capital and reserves

As of December 31, 2020 the number of shares outstanding amounts to 1,472,660 (December 31, 2019: 1,469,772), of which 1,472,433 recorded in the Company register at the balance sheet date.

At the annual general meeting held on September 17, 2020 resolutions were adopted to cancel the existing Authorised Capital 2018 (500,000 shares) and to authorise the Management Board in accordance with Section 169 of the Austrian Stock Corporation Act to increase the Company's share capital by up to 736,017 shares by September 16, 2025, subject to the partial disapplication of pre-emption rights and partial authorisation to disapply pre-emption rights, if necessary in several tranches, against cash and / or contribution in kind by issuing up to 736,017 new no-par value bearer shares at a minimum issue price of EUR 1 per share (proportionate amount of share capital per share) and to increase the issue amount, issue conditions and other details of the capital increase to be determined in agreement with the Supervisory Board ("Authorised Capital 2020").

In addition, the Conditional Capital 2019 (100,000 shares) was reduced by 56,306 to 43,694 no-par value bearer shares, and a resolution was passed for conditional capital of up to 54,000 bearer shares for the purpose of servicing stock options under the Stock Option Plan 2020 (Conditional Capital 2020).

All shares have a nominal value of EUR 1 and are fully paid-in. Capital reserves are primarily used to finance research and development.

In the reporting period expenses from ESOP 2019 amounting to kEUR 305 (2019: kEUR 427) were accounted for in capital reserves in accordance with IFRS 2.7.

24. Borrowings

Borrowings consist of the following items:

Year ended December 31 all amounts in kEUR	2020	2019
Non-current borrowings		
EIB loan	8,958.2	4,062.1
ERP loan	2,841.0	-
AWS Seed loan	361.6	415.8
WAW loan	280.9	-
Lease obligations	15.4	27.5
Total non-current borrowings	**12,457.2**	**4,505.4**
Current borrowings		
EIB loan	173.6	7.6
ERP loan	30.0	-
AWS Seed loan	54.2	48.8
WAW loan	87.0	-
Lease obligations	12.1	78.7
Total current borrowings	**356.8**	**135.2**
Total borrowings	**12,814.0**	**4,640.6**

The maturity of borrowings is as follows:

Year ended December 31 all amounts in kEUR	2020	2019
No later than 1 year	356.8	135.2
Later than 1 year and no later than 5 years	10,375.6	4,505.4
Later than 5 years	2,081.5	-
Total borrowings	**12,814.0**	**4,640.6**

The nominal and carrying amounts, maturity dates and interest rates on borrowings were as follows (all amounts in kEUR):

Lender	Nominal amount	Carrying amount as of December 31, 2020	Maturity date	Weighted nominal interest rate	Weighted average effective interest rate
EIB loan	9,000.0	9,131.9	14.10.2024 - 17.12.2025	6.94%	14.71%
ERP loan	3,000.0	2,871.0	31.12.2033	1.97%	2.32%
AWS Seed loan	519.9	415.8	unbestimmt	2.00%	2.00%
WAW loan	400.0	367.8	01.11.2024	2.00%	2.00%
Leasing	61.7	27.5	31.03.2023	2.04%	2.04%

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 kEUR	2020	2019
Carrying amount		
EIB loan	9,131.9	4,069.7
ERP loan	2,871.0	-
AWS Seed loan	415.8	464.7
WAW loan	367.8	-
Total	**12,786.5**	**4,534.4**
Fair Value		
EIB loan	9,131.9	4,069.7
ERP loan	2,999.3	-
AWS Seed loan	483.4	464.7
WAW loan	367.8	-
Total	**12,982.3**	**4,534.4**

The fair values of the AWS Seed loan and the WAW loan stated above are based on discounted cash flows using an interest rate of 6.0% (2019: 15.0%), which was considered to be the best estimate for a market interest rate for the Company based on a quotation 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.

aws Seed loan

In 2006 the Company took out a loan from aws ("aws Seed loan") in the total nominal amount of kEUR 500. The aws Seed loan is generally granted to support 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 aws Seed loan has a term of ten years including a grace period of five years starting on 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. If the Company generated a profit, 30% of the profit before tax (adjusted for certain items) has to be used to repay the loan. If 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. As of December 31, 2020 and 2019 the management of the Company expected the loan to be repaid within the next five years; accordingly the carrying amount of the aws Seed loan has been included in the line "later than 1 year and no later than 5 years" in the table on maturities of borrowings stated above.

Due to an improved liquidity position after the IPO in February 2019 it was possible to repay the principal of the aws Seed loan amounting to kEUR 500 in June 2019. Regarding the repayment of the accrued interest, which had accumulated since 2006, a favourable agreement was reached. Starting on February 1, 2019 the interest was retrospectively reduced from a fixed rate of 8.5% to 2% plus 3M-EURIBOR (maximum interest rate according to SME grants law). Furthermore it was agreed to settle kEUR 100 yearly in the event of a loss. In the event of a profit, 30% of the profit before tax (adjusted for certain items, at least kEUR 100) has to be used to repay the loan. The first repayment date was June 30, 2020.

EIB loan

In February 2019 Marinomed was granted a loan commitment of up to EUR 15 million by the European Investment Bank. The payout of three tranches in total is set to take place from 2019 to 2022 and is subject to the achievement of certain contractually defined milestones. Each tranche has a maturity of 5 years. Apart from interest payments, Marinomed also has to pay royalties based on revenues.

In October 2019, Marinomed called the first tranche of the loan in the amount of EUR 4 million. In December 2020, the second tranche amounting to EUR 5 million was drawn.

WAW loan

In October 2020, an installment payment agreement was concluded with the Vienna Business Agency (WAW) for a total amount of kEUR 510. The repayment is to be made in 5 annual, degressive installments, starting on November 1, 2020.

ERP loan

To finance the new Company headquarters, aws Wirtschaftsservice in conjunction with the ERP fund and NÖBEG granted a financing framework totalling EUR 5 million. From the credit line of the ERP Fund (totaling EUR 3.8 million), EUR 3 million were already drawn in 2020. The loan bears interest at 0.5% p.a. (semi-fixed from July 1, 2024) plus a guarantee fee of 1.2% - 2.0% p.a. and is, after a grace period, to be repaid in 20 half-yearly instalments June 30, 2024. The financing by NÖBEG is established as a silent partnership and not yet drawn as of the balance sheet date. The financing framework is secured by a mortgage in favor of the paying bank in the maximum amount of EUR 4.44 million.

Leases

As of December 31, 2020 the Company leases laboratory equipment (December 31, 2019: laboratory equipment, office premises and a vehicle). The leasing vehicle which was included in the table below as of December 31, 2019 was purchased at its guaranteed residual value of kEUR 14.9 in November 2020. Under the terms of the laboratory equipment, there is no residual value guaranteed.

Year ended December 31 all amounts in kEUR	2020	2019
Obligations under leases are payable as follows:		
Within one year	12.5	66.6
Later than one year but not later than five years	15.6	28.1
Later than five years	-	-
Minimum lease payments	**28.1**	**94.7**
Guaranteed residual value	-	14.9
Future financing costs	–0.7	–3.4
Recognised lease liabilities	**27.5**	**106.2**
The present value of lease liabilities is as follows:		
Within one year	12.1	78.7
Later than one year but not later than five years	15.4	27.5
Later than five years	-	-
Total lease liabilities	**27.5**	**106.2**

25. Trade payables

Year ended December 31 all amounts in kEUR	2020	2019
Trade payables	1,975.8	1,002.4
Total trade payables	**1,975.8**	**1,002.4**

Trade payables were all due within one year. Trade payables are unsecured and are usually paid within 30 days of recognition.

26. Current contract liabilities and other liabilities

Current contract liabilities and other liabilities include the following items:

Year ended December 31 all amounts in kEUR	**2020**	**2019**
Other non-current liabilities		
Grant – below market rate	78.5	104.1
Total other non-current liabilities	**78.5**	**104.1**
Current contract liabilities and other current liabilities		
Deferred grant income	754.1	-
Clinical studies	513.3	583.4
Employee bonuses	276.7	435.2
Grants – below market rate	59.2	51.2
Social security and payroll related taxes	101.0	109.0
Accounting, tax and audit services	22.6	43.6
Holiday not taken	245.5	203.2
Overtime	16.8	16.8
Contract liabilities	32.7	-
Other	491.0	173.0
Total current contract liabilities and other current liabilities	**2,512.8**	**1,615.4**
Total contract liabilities and other liabilities	**2,591.2**	**1,719.5**

The increase in current contract liabilities and other current liabilities primarily relates to the line item "deferred grant income". It contains received payments for research funding projects that exceed the grants to be realized. The position "Others" primarily contains liabilities from contract research.

27. Provisions

Provisions include the following items:

all amounts in kEUR	Warranty provision	Other provisions
Carrying amount at January 1, 2019	750.0	70.0
Use/reversal	-	–57.0
Additions	-	510.0
Carrying amount at December 31, 2019	750.0	523.0
Use/reversal	-	–510.0
Additions	-	-
Carrying amount at December 31, 2020	**750.0**	**13.0**

In 2013 the Company granted the exclusive rights to its antiviral product line to an international pharmaceutical company for several territories. The amount that this company requires to be paid back after returning the exclusive rights has been considered as a warranty provision.

The decrease in other provisions compared to the previous year relates to provisions for potential payments in connection with the relocation of the Company headquarters, for which an instalment payment was agreed in the financial year (see Note 24).

Basic valuation and recognition principles

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).

28. Initial consolidation of Marino Immo GmbH

Marino Immo GmbH, a wholly owned subsidiary of Marinomed Biotech AG based in Korneuburg, which was previously shown in financial assets, was included in the basis of consolidation effective June 30, 2020. The initial consolidation of this subsidiary did not have any material effect on the presentation of net assets, financial position and results of operations.

29. Contingent liabilities

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

30. Commitments

The Company has entered into a number of agreements which also entail financial commitments for the future and mainly relate to commitments associated with the construction of the new headquarters in Korneuburg (see also Note 17), to services provided by third parties in connection with the implementation of clinical trials and other research and development activities (see also Note 18). The remaining payments to be made under these agreements, if all milestones and other conditions are met, are estimated as follows:

all amounts in kEUR	As of December 31, 2020	As of December 31, 2019
No later than 1 year	4,293.7	6,152.8
Later than 1 year and no later than 5 years	134.1	71.5
Later than 5 years	-	-
Total	**4,427.7**	**6,224.3**

31. Employees

The average number of employees during the financial year was 40 (2019: 34), including 3 members of the management board (2019: 3).

32. Related party transactions

Management remuneration
In 2020 the members of the management board of the Company were:

- Andreas Grassauer, CEO
- Eva Prieschl-Grassauer, CSO
- Pascal Schmidt, CFO

In 2020 expenses for salaries and short-term employee benefits of members of the management board excluding expenses for social security and payroll related taxes amounted to kEUR 1,002 (2019: kEUR 1,314). In 2020 these amounts included expenses for the employee stock option plan amounting to kEUR 142 (2019: kEUR 223). No long-term employee benefits or termination benefits were paid in 2019 and 2020.

Supervisory board remuneration
The supervisory board, which supports management in commercial and scientific matters, consisted of the following members in 2020:

- Simon Nebel, Viopas Venture Consulting GmbH, Uster, Switzerland
  (Chairman, since June 2, 2017)
- Ute Lassnig, Laureo Corporate Finance GmbH, Vienna, Austria
  (Deputy Chairwoman, since June 2, 2017)
- Karl Lankmayr, aws Mittelstandsfonds Beteiligungs GmbH & Co KG, Vienna, Austria
  (member from June 2, 2017 to October 31, 2020)
- Gernot Hofer, Invest Unternehmensbeteiligungs Aktiengesellschaft, Linz, Austria
  (member since June 2, 2017)
- Brigitte Ederer
  (member since November 21, 2018)

in 2020, the aggregate remuneration paid to the members of the supervisory board amounted to kEUR 173 (2019: kEUR 186).

In 2019 the Company entered into a consultancy contract with the Chairman of the supervisory board in relation to certain business development activities. In the financial year 2020 expenses related to this contract amounted to kEUR 30 (2019: kEUR 35).

All transactions with related parties are carried out at arms-length principle.

33. Audit fees

The auditors of the statutory accounts BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft have performed the following services for the Company:

Year ended December 31 all amounts in kEUR	**2020**	**2019**
Audit fees financial statements	45.0	40.0
Other assurance services	24.1	15.0
Tax advisory services	0.0	4.8
Other advisory services	52.5	221.9
Total	**121.5**	**281.7**

In 2019 other advisory services amounting to kEUR 221.9 include cash expenses for a comfort letter insurance amounting to kEUR 166.5.

34. Events after the balance sheet date

In February 2021, Marinomed was able to announce several positive reports on Carragelose's anti SARS-CoV-2 activity.

On February 18, 2021, Marinomed announced that new data on the efficacy of Carragelose for the prevention of SARS-CoV-2 infections in vitro had been published in the renowned journal PLOS ONE after a peer review.

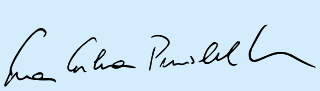
It was also published that an iota carrageenan nasal spray, which is identical to Marinomed's Carragelose, has achieved significant protection against COVID-19 in hospital staff caring for patients with this infection. These are the results of an independent, investigator-initiated trial (IIT; CARR-COV-02, NCT04521322) carried out by an Argentinian research group.

Finally, the results of a clinical study on the antiviral efficacy of carragelose-containing lozenges (10 mg iota-carrageenan) in 31 healthy test persons show that the lozenges are a useful addition to carragelose-based nasal sprays.

Beyond this, there were no significant events after the balance sheet date that would have an impact on the consolidated financial statements.

The Company's consolidated financial statements were approved by the management for submission to the supervisory board on April 13, 2021.

.....
Korneuburg, 13.04.2021
Andreas Grassauer



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Korneuburg, 13.04.2021
Eva Prieschl-Grassauer

.....
Korneuburg, 13.04.2021
Pascal Schmidt

Auditor's report

Report on the consolidated financial statements

Audit opinion

We have audited the consolidated financial statements of Marinomed Biotech AG, Vienna, and of its subsidiary (the Group) comprising the consolidated statement of financial position as of December 31, 2020, the consolidated statement of profit or loss and other comprehensive income (loss), the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended and the notes to the consolidated financial statements.

Based on our audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of December 31, 2020 and its financial performance for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements and with requirements stated in par. 245a UGB.

Basis for opinion

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISAs). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report.

We are independent of the Company in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of this auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

Key audit matters

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

Below we present the Key audit matters:

- Revenue recognition

Revenue recognition

Situation and reference to further information

The group generated kEUR 8,124.4 in revenue in the financial year of 2020. More than 92% of the group's revenue in the financial year of 2020 is related to sales of goods in the Carragelose segment.

The accounting standard for revenue recognition, IFRS 15, provides revenue recognition based on a five-step model. According to IFRS 15, revenue will be recognized when control is passed at a certain point in time.

Sales are a crucial criterion for (potential) investors and recipients of the financial statements to assess the market success and progress of the company.

Revenues were identified as a key audit matter because of the significant influence on the earnings and the consolidated financial statements of the company.

Further information on the accounting and valuation methods as well as the composition of revenues in the financial year 2020 can be found in chapter 5.

Audit response

We assessed the accounting-related internal control system as part of the audit and tested design and implementation as well as the operative effectiveness of the implemented internal controls.

Furthermore, we performed substantive audit procedures. For that, it was assessed for a sample of contracts if the process of revenue recognition adheres to the terms of those contracts.

Correct accounting of accruals (cut-offs) was examined through the verification of delivery of goods around the reporting date.

Additionally, we received balance confirmations of selected customers on reported receivables from sales.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the Group's management report and the auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and the Audit Committee for the consolidated financial statements

Management is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, with Austrian Generally Accepted Accounting Principles and with requirements stated in par. 245a UGB, for them to present a true and fair view of the assets, the financial position and the financial performance of the Group and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Comments on the consolidated management report
Pursuant to Austrian Generally Accepted Accounting Principles, consolidated management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether it was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the consolidated management report in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the consolidated management report.

Opinion
In our opinion, the consolidated management report was prepared in accordance with the valid legal requirements, includes disclosures according to sec 243a UGB and is consistent with the consolidated financial statements.

Statement
Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the consolidated management report came to our attention.

Additional information in accordance with article 10 of the EU regulation

We were elected as auditor by the ordinary general meeting at September 17, 2020. We were appointed by the Supervisory Board on December 1, 2020. We are auditors without cease since 2018.

We confirm that the audit opinion in the section "Report on the consolidated financial statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

We provided no services, in addition to the statutory audit, to the audited company and its controlled undertaking, which have not been disclosed in the Group's management report or in the consolidated financial statements.

Responsible Austrian Certified Public Accountant

The engagement partner on the audit resulting in this independent auditor's report is Mr. Mag. Klemens Eiter, Certified Public Accountant.

Vienna, April 13, 2021

BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Klemens Eiter
Certified Public Accountant

Mag. (FH) Georg Steinkellner
Certified Public Accountant

We draw attention to the fact that the English translation of this audit report according to Section 273 of the Austrian Company Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Statement by the management board

Pursuant to section 124 (1) 3. of the Stock Exchange Act

We confirm to the best of our knowledge that the consolidated financial statements of the Group (Marinomed Biotech AG) for the year ended December 31, 2020 prepared in accordance with the International Financial Reporting Standards (IFRS) and the requirements of section 245a UGB (Austrian Commercial Code) give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group and that the consolidated management report for the year ended December 31, 2020 gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

We confirm to the best of our knowledge that the financial statements of the parent company (Marinomed Biotech AG) for the year ended December 31, 2020 prepared in accordance with the Austrian Commercial Code (UGB) give a true and fair view of the assets, liabilities, financial position, and profit or loss of the parent company and that the management report for the year ended December 31, 2020 gives a true and fair view of the development and performance of the business and the position of the parent company, together with a description of the principal risks and uncertainties the parent company faces.

Korneuburg, April 13, 2021

Andreas Grassauer

Eva Prieschl-Grassauer

Pascal Schmidt

Legal notice

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MC Services AG

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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.

Misprints and typographical errors excepted.
Published in April 2021.

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