2019 Marinomed Biotech AG

Annual Report 2019

Phase III

Budesolv: all study goals achieved
Basis for entry into billion-dollar market successfully established

2020-22

On track with Marinosolv®
Phase II Tacrosolv: 2020e
Market launch of Budesolv: 2021/22e

37.4 m €

Funding from successful IPO and European Investment Bank

4.8 m €

R&D spending was increased from EUR 2.9 million in 2018 to EUR 4.8 million in 2019

+30%

Revenues climbed from EUR 4.7 million in 2018 to EUR 6.1 million in 2019

>40

Carragelose® marketed in more than 40 countries

Solving the un(dis)solvable

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

With our clinically proven Marinosolv® platform, we have succeeded in enhancing the efficacy of hardly soluble compounds, enabling us to offer innovative solutions in the multi billion-dollar markets in allergies and inflammations. As there are many hardly soluble compounds, there are numerous options for deploying Marinosolv®, which gives it great future potential.

Our products on the Carragelose® platform for which approval has already been granted have proven their worth worldwide as the first causal treatment of colds and flu-related illnesses. We are continuing to develop this platform.

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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, initially for 54 countries

2011
Approval of Carragelose® products in 22 additional countries

2012–2016
Further product launches and sales partnerships

2016
Development of and feasibility study for the Marinosolv® technology platform

2017
Change of company's legal form to a stock corporation

2018
Start of Phase III approval study for Budesolv

Market launch of a decongestant Carragelose® product

High-calibre scientific advisory board established

2019
With the first IPO of the year in Europe, Marinomed successfully launches 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

Successful completion of Phase III approval study for Budesolv

Clinical validation of the Marinosolv® platform

Marinomed at a glance

Marinomed Biotech AG is a multi award-winning biopharmaceutical company based in Vienna. The firm's research and development focuses on innovative products based on patent-protected technology platforms to treat allergic, ophthalmic and respiratory conditions.

On track for growth with two platforms

The Marinosolv® technology platform enhances the efficacy of hardly soluble compounds. This innovative technology has the potential to sustainably change a number of therapies for allergies and auto-immune diseases. Thanks to the successful conclusion of the clinical Phase III trial for its flagship product Budesolv in 2019, Marinomed has developed a fast-acting drug to treat allergic hay fever, marking a crucial breakthrough. As the study validated the entire Marinosolv® platform, the technology can also be used in many other areas. Firstly, Marinosolv® is being extended to other indications: Marinomed is currently preparing the clinical Phase II trial for Tacrosolv, a drug to treat inflammatory ophthalmic conditions. The pre-clinical data for this highly effective immunomodulator are excellent. Secondly, Marinomed is evaluating the clinical potential of using the Marinosolv® technology to make additional hardly soluble corticosteroids such as fluticasone, mometasone or fluorometholone highly available for local applications in the eyes, lungs or nose.

The Carragelose® platform is already used in six different products to treat viral infections of the respiratory tract. Partners ensure worldwide distribution. Marinomed is expanding its network continuously and is preparing to roll out products on key new markets in Europe or the US.

In the 2019 financial year, Marinomed generated revenues of EUR 6.1 million mostly related to the Carragelose® segment. Investments in research and development climbed to EUR 4.8 million. As at March 31, 2020, 35 staff (FTEs) were employed at Marinomed, 57% of whom were involved in research and development. 66% of employees were female.

Experienced management team

Marinomed is led by an experienced management team with strong expertise in virology, infectious diseases, allergies, immunology and molecular biology. A scientific advisory board currently comprising five high-calibre international experts supports the management team.

Owners

Marinomed has been trading on the prime market of the Vienna Stock Exchange since 1 February 2019. Holding around 25% of the shares, the core shareholders are the founders and management of Marinomed. Some 17% of the company's shares are held by international investor Acropora. As a result, around 58% of the shares are in free float.

Strategy

Marinomed is committed to people's health. With our innovative developments and products, it is our aim to treat globally widespread illnesses such as allergies more quickly, more effectively and with fewer side-effects.

Marinomed's aim is to achieve long-term, profitable growth by investing in, exploiting and commercialising a strong technology portfolio. We pursue a clear growth strategy with a view to fully leveraging the potential of the Marinosolv® and Carragelose® segments on multi billion-dollar markets worldwide.

Growth strategy

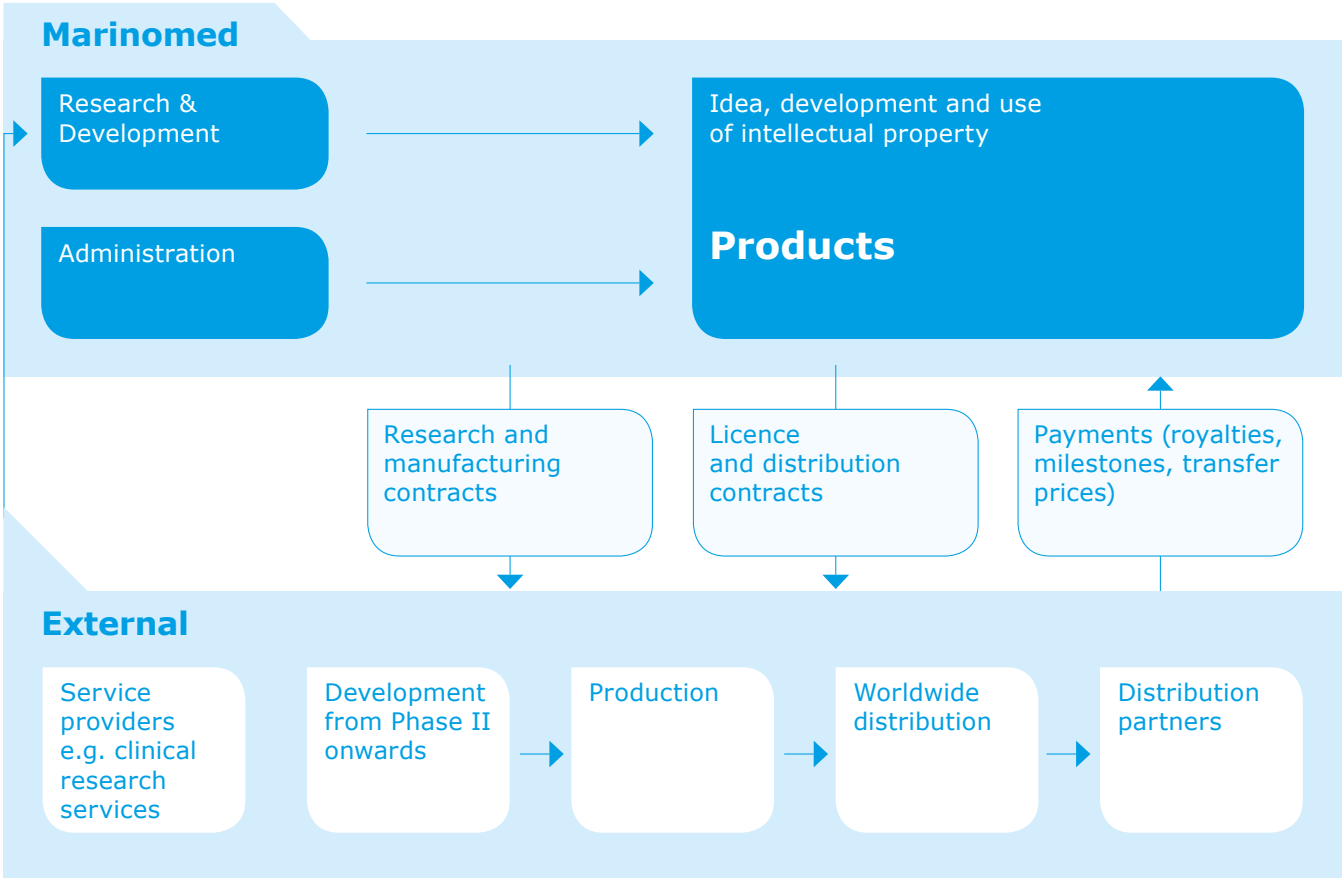
With products on the clinically proven Marinosolv® technology platform, Marinomed is planning to enter the global growth markets for the treatment of allergies and ophthalmic diseases. The market for the hay fever formulation Budesolv alone is worth five billion US dollars and is growing by more than 5% each year. Once they have been approved, the Marinosolv® products will be marketed via partners. The universality of these platforms allows Marinomed to make the Marinosolv® technology itself available under technology licences, as well as numerous products.

Marinomed's mid-term objective is to become a leading niche player in the market for over-the-counter medicines to treat coughs, colds and allergies – which is worth 28 billion US dollars – using its Carragelose® products and to modify the treatment of these illnesses from purely symptomatic to causal therapy.

Unlike conventional biotechnology companies, Marinomed is already generating revenues from the distribution of products on the Carragelose® platform. Marinomed has managed to develop marketable products, license them to well-known international partners and build up an external sales network within a short space of time. By building on its cooperation arrangements in distribution, expanding into new markets and rolling out new products, the company aims to exploit growth opportunities. The Marinosolv® segment entails conducting research and development programmes over several years before the first significant returns can be realised. Accordingly, the current losses (negative EBIT) are in line with the company's strategy.

During the company's short history, Marinomed's expert and management team has already demonstrated its success in research, product development and marketing. The experience acquired in connection with the Carragelose® platform is therefore a valuable resource with regard to commercialising the Marinosolv® platform.

Marinomed business model



Compact business model

Based on its platforms, Marinomed develops medicines and medical devices as therapies to combat diseases affecting the respiratory tract and the eyes. After obtaining approval (or a declaration of conformity for medical devices), Marinomed's drugs and devices are produced by contract manufacturers. Licensed partners then market and distribute the products worldwide. By focusing on research and development and outsourcing all the other cost-intensive components of the value chain, Marinomed can maintain a lean, asset-light business model in tandem with strong growth.

The products are manufactured by various providers in Western Europe on behalf of Marinomed. Its sales partners, most of which are well-known pharmaceutical firms, obtain licences from Marinomed to sell its products for individual geographical regions. Involving relatively little expenditure, this approach enables the company to supervise and organise 13 partners in selling its products across more than 40 countries spanning all five continents. Most of the pharmaceutical companies also use their licences to list Carragelose® in the product description, which ensures that Marinomed is visible on most products via the brand.

Technology platforms

Marinosolv®

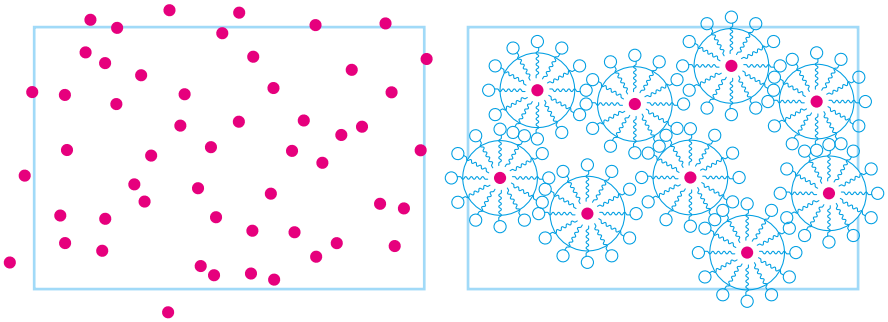
Marinomed has succeeded in increasing the bioavailability of hardly soluble compounds to treat sensitive tissues such as the nose and eyes via the Marinosolv® technology platform. Following the successful completion of the Phase III clinical study for the flagship product Budesolv, Marinosolv® obtained clinical validation in 2019 and is registered as a patent in all internationally important target markets.

Therapeutic products for use on mucous membranes can only contain small quantities of solutions such as alcohol. As a result, compounds in eye and respiratory tract treatments often take the form of undissolved particles. Marinomed has developed a technology to dissolve these compounds in a well-tolerated form to enhance the amount of the active ingredient that reaches the affected tissue shortly after it has been administered. This allows the dose to be lowered, while boosting the drug's efficacy at the same time. The lower dose can also reduce undesirable side-effects. The manufacturing process allows preservatives to be omitted while reducing costs.

Marinomed is initially using this technology in familiar compounds such as treatments for allergies and ophthalmic conditions. However, as Marinosolv® is not limited to specific drugs or indications, it may be used for other applications, offering a vast amount of potential.

Two products from the Marinosolv® technology platform are currently in an advanced stage of development. All targets have been met in the Phase III trials conducted for Budesolv, a nasal spray to treat allergic rhinitis. Using a dose that is a sixth less than that of comparable market products, Budesolv exhibited a noticeable reduction in allergic nasal symptoms in less than three hours and a prominent reduction in symptoms associated with asthma. This makes Budesolv the first real innovative allergy treatment involving budesonide to be developed for many years. Marinomed is now gearing up for the approval and commercial exploitation of its flagship product, while making preparations for clinical trials of other cortisones as follow-up products. The Phase II clinical trial for the ophthalmic treatment Tacrosolv, an immunosuppressant for allergic conjunctivitis and dry eye syndrome, is scheduled to begin in 2020. Marinomed is thus targeting billion-dollar markets with solid growth prospects.

Aqueous formulation of hardly soluble products



Suspended particles in traditional nasal spray

Stable Micelles by means of Marinosolv®

Benefits of Marinosolv®

- Faster acting than suspensions
- Increased bioavailability in target tissue
- Heightened local efficacy
- Significant reduction of the compound's dose compared to currently marketed products
- Lower quantity of compound in other parts of the body, 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

Carragelose®

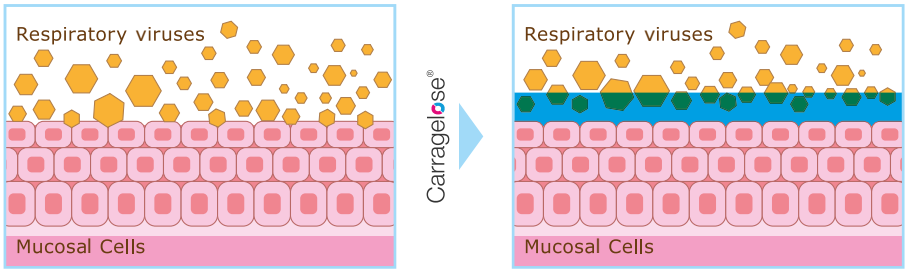
The Carragelose® platform comprises innovative patent-protected products targeting viral infections of the respiratory tract. Carragelose® is based on a red algae compound that can treat more than 200 different strains of virus.

The Carragelose® polymer forms a physical barrier on the nasal and oral mucosa to prevent viruses from attaching to cells and multiplying. This allows symptoms to be reduced, shortens the duration of a cold and lowers the risk of recurrences. At the same time, the compound forms a protective moisturising barrier in the nose and throat.

Carragelose® is now used in six different nasal and throat products which are sold worldwide via our established partners: four nasal sprays, a throat spray and lozenges. Other Carragelose®-based products are in the process of development. The next product on the market will be Carravin, a combination of Carragelose® and xylometazoline. Carravin can obtain approval for market distribution on the basis of scientific literature, i.e. without clinical trials.

Carragelose® products are currently sold in more than 40 countries via established partners – including under the Coldamaris brand in Austria and the Betadine brand in Asia. Marinomed plans to step up its expansion in future. Growth drivers will include the launch of existing products in new regions, higher market penetration in existing markets and an increase in market share by broadening its range of products. Carragelose® products have significant growth potential as they have not yet been fully rolled out in key markets such as Europe and are only just beginning to launch in the US, Japan and China.

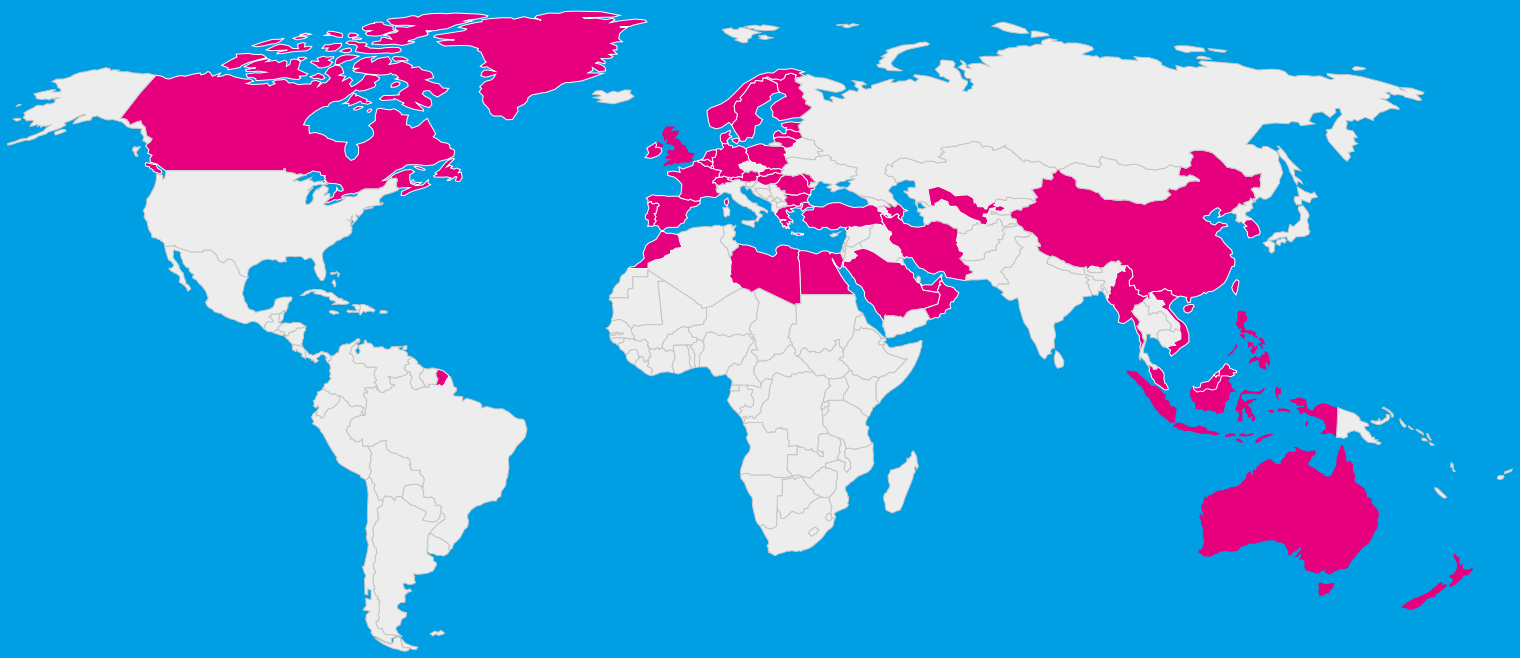
Mode of action of Carragelose®



Markets

Worldwide distribution

Carragelose® expanding in more than
40 countries worldwide



● Current commercial reach

A selection of sales partners for Carragelose® products

mundipharma
Gebro Pharma
ent TECHNOLOGIES
SAGER PHARMA
GRYNUMBER health
HERMES ARZNEIMITTEL
BERLIN-CHEMIE MENARINI
KARO PHARMA
cube pharmaceuticals & nutrition
SIGMA PHARM

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

Dear shareholders,

As a biopharmaceutical company, we have made it our mission to look after the health of humanity. At a time when we face a global emergency, this is truer than ever before. Until just a few months ago, only a few specialists had even heard of coronaviruses. Marinomed was part of this select group. And now is our opportunity to make the very best use of this knowledge. Going back several years, we were able to show that Carragelose®, a polymer derived from red algae, can physically bind coronaviruses and, as a result, stem the rate at which the viruses multiply. In the clinical studies that Marinomed conducted, evidence of coronaviruses was found in 78 patients. A post-hoc analysis of the data that was published back in 2014 showed that the illnesses suffered by patients treated with Carragelose® were more than three days shorter than those given a placebo, with no difference in the side-effects experienced compared to those who received a saline solution.

Carragelose® is therefore one of a very small number of substances for which there is clinical data on patients infected with coronavirus. However, as this annual report is going to press no laboratory data or clinical studies are available on the new Sars-CoV-2 virus. Extensive research activity is currently under way and Marinomed is actively involved as part of a national and international network. Yet even in this extraordinary situation, we are remaining faithful to our maxim that we only make statements that are backed up by data. The rise in demand for Carragelose® products that we are currently experiencing was not foreseeable in 2019, a year in which the company marked some key milestones. The success of the initial public offering – the first IPO of the year in Europe – and the shares' subsequent performance were great achievements for the company. In addition, the start of 2019 saw the European Investment Bank (EIB) approving funding for our research work with a focus on Europe. We have already taken up the first tranche of these funds, and the solid financial foundations we have established are enabling us to reach the targets we have set ourselves.

We achieved our biggest scientific goal in 2019 when the pivotal Phase III approval study for allergy drug Budesolv, which is our flagship product on the Marinosolv® technology platform, was completed successfully. Using a dose that was 85% lower, a comparable effect was achieved to that produced by the originator product. An additional, proven benefit is that Budesolv does not take several days to start working, instead having an effect within the first three hours. As a result, the foundations have now been laid for marketing the product on a market worth USD 13 billion. Furthermore, the trial furnished clinical proof that using the Marinosolv® technology platform makes sense for and benefits patients. Solubilising an active ingredient enables the dose to be reduced and, at the same time, accelerates the onset of action. This paves the way for further applications of this platform technology. Against this backdrop, the preparatory work to develop the Tacrosolv product proceeded according to plan.

However, delays to regulatory approval prevented the start in Q4 2019. Amidst the COVID-19 crisis, this should now be seen as a positive. In the present circumstances, the study would probably have been called off, which would have resulted in significant costs. Instead, the study is now planned for the 4th quarter of this year.

Our strategy is geared towards long-term success based on research and development, and we are implementing this strategy systematically. We would like to thank our employees for their exceptional dedication in 2019. And we would also like to thank all our investors, public funding bodies and clients for the trust they have placed in Marinomed's ideas and scientific abilities.

Andreas Grassauer Eva Prieschl-Grassauer Pascal Schmidt

Investor relations

The stock

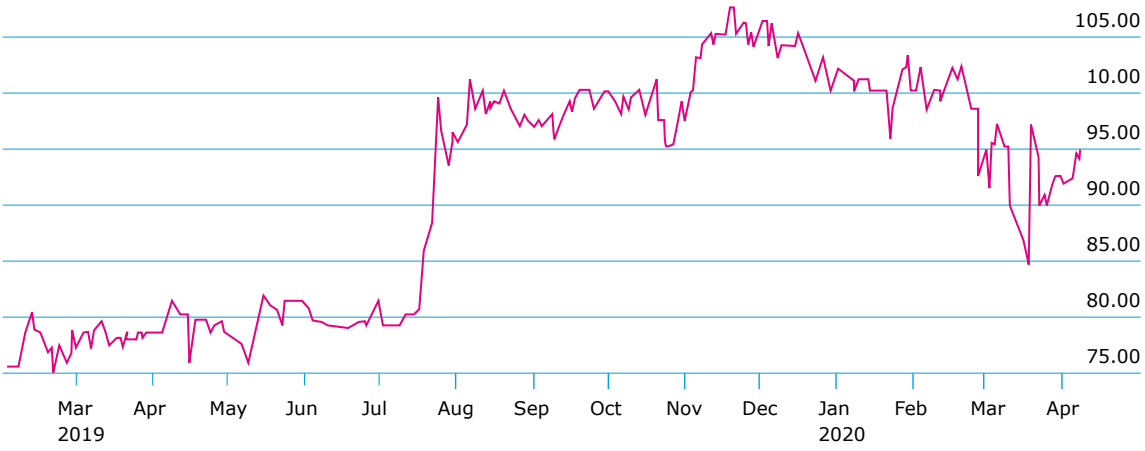
Shares in Marinomed Biotech AG have been trading on the Vienna Stock Exchange since February 1, 2019. They are listed in the prime market segment and form part of the ATX Prime index. The total number of shares is 1,469,772.

ISIN	ATMARINOMED6
Share class	No-par value bearer shares
Share capital	EUR 1,469,772 (1,469,772 shares)
Ticker	Symbol MARI
Issue price (IPO) on 1.2.2019	EUR 75.00
Current price (as at April 9, 2020)	EUR 95.00
Market capitalisation (as at April 9, 2020)	EUR 139.6 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 annual high of EUR 108.00 on November 20 and closed at EUR 100.00 at the end of December 2019. With a gain of 32.5% between February and December 2019, shares in Marinomed clearly outperformed the Viennese benchmark ATX index (+6.7%) and the Euro Stoxx Pharma & Biotech index (+16.4%) over the same period. At the time this annual report was compiled, shares in Marinomed were trading at EUR 95.00 (April 9, 2020) and were therefore holding up relatively well despite the slump in market performance related to the coronavirus crisis.

Share price performance
Marinomed Biotech AG
(ATMarinomed6, EUR)
01.02.2019 – 09.04.2020

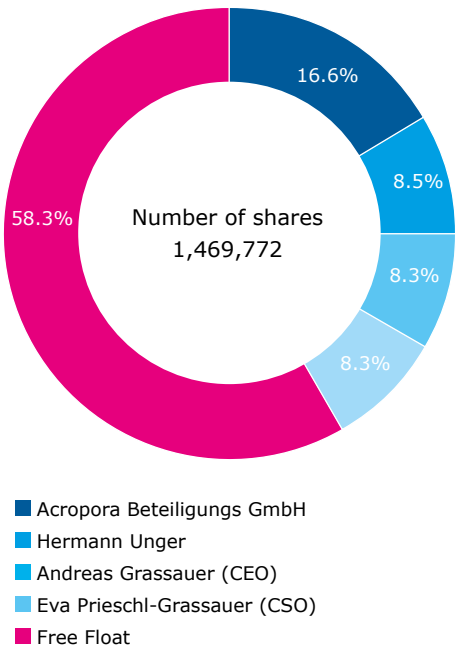


Dividend policy

Due to high levels of spending on research and development, Marinomed does not plan to pay any dividends in the coming years.

Shareholder structure

Following two accelerated book-building transactions in October 2019 and January 2020, involving the sale of 220,000 Marinomed shares held by the investors aws Mittelstandsfonds, Invest AG and Acropora to institutional investors at a price of EUR 95 per share, the current shareholder structure at Marinomed is as follows: the founders and management team of Marinomed are the core shareholders with around 25% of total shares. Long-term investor Acropora holds some 17% of shares, while approximately 58% are in free float.



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 2019 by participating in numerous investor conferences and roadshows in Austria and abroad.

Financial calendar

26.05.2020	Publication of Q1 Report 2020
09.06.2020	"AGM" cut-off date
19.06.2020	Annual General Meeting
27.08.2020	Publication of Half-year Report 2020
26.11.2020	Publication of Q3 Report 2020

Analyst coverage

Austrian and international financial analysts regularly evaluate Marinomed's performance. As at April 9, 2020, analysts from the following institutions covered the share's performance:

Institute	Analyst
Erste Bank Group AG	Vladimira Urbankova
Kepler Cheuvreux 360	Pierre-Alexandre Desir
FMR/Oddo Seydler	Christian Ehmann

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, 2019.

Commitment to the Austrian Code of Corporate Governance

The Austrian Code of Corporate Governance (hereinafter "ACCG"), as amended in January 2018 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 Stock Corporation Act, the Stock Exchange Act as well as the 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. Deviations from the “C-Rules” are 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 with regards to 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.

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 is responsible for supervising the management and 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 shareholders’ 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 a maximum of 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 as well as 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 high-ranking 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.

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 shareholders' meeting for a term of five years. Marinomed does not have a works council at present. The supervisory board had the following five members as at December 31, 2019:

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 of and holds 100% of the shares in Viopas Venture Consulting GmbH and managing director and 26.6% shareholder of Viopas Partners AG. Moreover, Simon Nebel is currently a board member of SynAffix (NL) and Bird Rock Bio (US). He is a former board member of Borean Pharma (DK), ImVision (CH), MerLion Parmaceutical SA (CH) and was secretary of the board of Evolva (CH). Simon Nebel holds a PhD in biophysics from the Biocentre of the University of Basel and an MBA with distinction from the London Business School. Simon Nebel has been a member of the company's supervisory board and 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 served as Managing Partner at Mummert & Company and headed its Vienna office for ten years. Since 2015, Ute Lassnig has been responsible for corporate development and Innovate BD at Evotec AG. Ute Lassnig is managing director of and holds 100% of the shares in Laureo Ges.m.b.H. She holds a master's degree in computer science and business administration from the University of Zurich. 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: 2023

Karl Lankmayr has been managing director of aws Fondsmanagement GmbH and aws Mittelstandsfonds Beteiligungs GmbH & Co KG since 2014. He has longstanding 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. Karl Lankmayr has been a member of the company's supervisory board since 2017. 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 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 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 studied economics at the University of Vienna. 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 managing 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 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 managing 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 managing 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 shareholders' 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, 2019 based on the criteria indicated.

The following supervisory board members exercised supervisory mandates or comparable positions in the following companies as at December 31, 2019:

	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
Karl Lankmayr	Sico Technology GmbH	Member of the advisory board
	A.M.I. Agency for Medical Innovations GmbH	Chairman of the advisory board
	System Industrie Electronic GmbH	Member of the advisory board
	O.L.S. Handels G.m.b.H.	Member of the advisory 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 Austria GmbH & Co KG	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

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 ("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 shareholders' meeting. In addition, the Audit Committee is responsible for monitoring accounting procedures, the effectiveness of the internal control system, reviewing the annual financial statements, examining and monitoring of the auditor's independence and preparing the approval of the annual 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. On December 31, 2019 Karl Lankmayr was appointed as chairman of the Audit Committee (until December 13, 2019: Ute Lassnig). 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 shareholders' meeting and six ordinary supervisory board meetings distributed over the reporting year were held in 2019. The auditor of the financial statements, BDO Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, met with the supervisory board members in 2019 to discuss the auditing of the 2019 annual financial statements and also attended the ordinary shareholders' 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 concept 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. Women account for 40% of the supervisory board. The share of women on the management board is 33%.

Marinomed participated in a study by the Boston Consulting Group (BCG) in which the gender ratio in Austrian management boards and supervisory boards was analyzed. In the result published in

February 2020, Marinomed immediately achieved 4th place in the BCG Gender Diversity Index Austria. The 50 largest Austrian companies that are listed in the Prime or Standard Market (ATX, ATPX, WBI) were examined.

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

Compensation for management board

Marinomed has implemented a remuneration policy that is focused on the long-term goals of generating intellectual property (IP), the conversion of such IP into relevant products and the subsequent commercialisation of 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 programme. The variable remuneration is capped at 50% of fixed remuneration.

For the variable element of the compensation, there are two components: the deferred one-time incentive for the completion of the IPO as well as the strategic, scientific and operating goals for the 2019 financial year. The IPO was initially planned for 2018, but was postponed until 2019. The related one-time incentive for members of the management board totalling kEUR 170 was therefore paid after the IPO took place in February 2019. The company's priority for 2019 was the completion of the pivotal clinical Phase III trial of the flagship product on the Marinosolv® platform, Budesolv. This goal was achieved in April 2019 when it was announced that primary and secondary endpoints had been met. Detailed data was published in the second half of 2019. In addition, the commercial development of the Carragelose® platform as well as other mid- and long-term initiatives have been taken into account. The current standing of the company requires the management board members to balance Marinomed's various goals at all times. As a result, there is no emphasis on strategic, scientific or financial goals and thus all management board members were subject to the same parameters for evaluating their performance.

The company has implemented an employee stock option programme for the benefit of members of the management board and other employees (the "Employee Stock Option Programme"): This Programme was approved by the extraordinary shareholders' meeting held on November 15, 2018 and by resolution of the supervisory board dated November 15, 2018. The effectiveness

of the Employee Stock Option Programme was conditional upon commencement of trading of the shares on the Vienna Stock Exchange.

The total volume of the Stock Option Programme 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 Granting Date"). Once trading commenced, the options for the management board were granted 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 Granting Date, with 25% of the stock options vesting after 12 months from the ESOP Granting Date and thereafter 6.25% of the stock options vesting every three months over the following twelve quarters. Therefore none of the granted options had vested as at December 31, 2019.

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 Granting Date and may be exercised only during fixed exercise periods lasting ten days and starting at the beginning of the sixth trading day following the publication of the annual financial report 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 Programme contains common "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 the financial year 2019, the total expenses for salaries and short-term employee benefits for the members of the management board ran to an aggregate amount of kEUR 1,458. The board members were granted the following number of options: Andreas Grassauer 6,816; Eva Prieschl-Grassauer 6,816; Pascal Schmidt 8,215.

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

In 2019, total expenses attributable to the members of the management board are as follows:

all amounts in kEUR	Fixed remuneration	Variable remuneration	Total	Expense for granted non-vested options
Andreas Grassauer Chairman	233.6	185.0	**418.6**	69.5
Eva Prieschl-Grassauer Vice Chairwoman	243.2	185.0	**428.2**	69.5
Pascal Schmidt Chief Financial Officer	247.2	141.5	**388.7**	83.8

Compensation of the supervisory board

The company has had a statutory supervisory board since 2017. The supervisory board, which supports management in strategic, commercial and scientific matters, consisted of five members in 2019. The general assembly voted in favour of the proposed compensation for the 2019 financial year and years thereafter. This grants a basic remuneration for the members elected by the Annual 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 compensation of the members of the supervisory board amounted to kEUR 186 in 2019. For details concerning advisory services provided by members of the supervisory board please see Note 34.

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 (2018: kEUR 2). 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 AktG and the Austrian Corporate Governance Codex.

all amounts in kEUR	Fixed remuneration	Attendance fee	Reimbursed expenses	Total
Simon Nebel Chairman	50.0	15.0	10.1	**75.1**
Ute Lassnig Vice Chairwoman	20.0	15.0	0.5	**35.5**
Karl Lankmayr Member	10.0	15.0	-	**25.0**
Gernot Hofer Member	10.0	15.0	-	**25.0**
Brigitte Ederer Member	10.0	15.0	0.1	**25.1**

Report of the supervisory board

A virus changes everything. With its focus on inflammatory and viral diseases in particular of the respiratory tract, Marinomed is now in the middle of the global race to enable countermeasures.

The supervisory Board supports the course that the company follows, which focuses on growth driven by the commercialisation of innovation. Therefore, the board supported the decision of the owners to go public and helped management to achieve this. As one of the few listings in the Prime Market of the Vienna Stock Exchange, the IPO generated the liquidity for further growth and innovation. In addition, it forms an excellent basis for being able to act in such crises.

During the 2019 reporting period, the supervisory board performed the tasks assigned to it by law and by the Articles of Association. At the beginning of the year, the main priority was the preparation of the company's IPO. The supervisory board was closely involved and regularly informed during the process until listing, the exercise of the greenshoe option and the conversion of the convertible bond. After the listing, the supervisory board convened in six scheduled meetings on February 20, April 11, May 21, August 26, October 23 and November 28 at which the management board was also present. In addition, the management board informed the supervisory board regularly, both in writing and verbally, about the company’s business performance and the development of its projects.

The Chairman of the supervisory board also maintained regular contact with the management board outside of supervisory board meetings, discussing the strategy, risk situation and business performance, as well as the progress of preparations for the IPO and the actions thereafter.

The Audit Committee met on November 28 to discuss subjects including the key audit matters for the upcoming financial statements with the auditor. The meeting scheduled for March 2020 took place as part of a virtual session due to COVID-19. The meeting was used to examine and prepare the approval of the 2019 annual financial statements including the management report and to prepare a proposal for the appointment of the auditor. The Audit Committee comprises all members of the supervisory board and is chaired by Karl Lankmayr.

The 2019 annual financial statements and management report according to the Austrian Commercial Code (UGB) as well as the 2019 financial statements and management report pursuant to IFRS were audited by BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft in accordance with statutory provisions and awarded an unqualified audit opinion. 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 annual financial statements, which were thereby adopted in accordance with Section 96 (4) of the Stock Corporation Act (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 hard work and commitment during the 2019 financial year. We thank our shareholders, especially the new shareholders since February 2019, for the trust placed in us and invite them to continue to support Marinomed Biotech AG on its path to growth.

Vienna, April 2020

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

Global pharmaceuticals are a growth market which, according to data provider IQVIA, was estimated to be worth a volume of around USD 1.3 trillion in 2019 and is expected to grow at an annual rate of 3-6%. The impact of the COVID-19 pandemic on the pharmaceutical market is currently unclear. However, it can be assumed that the pharmaceutical industry will be less affected by a global economic crisis than other parts of the economy. What will remain is the pressure on prices exerted on the industry by those who fund healthcare systems, a pressure that has been slowing growth in the sector in Europe for some time now. Nevertheless, the rising standard of living in Asia and other growth regions means that the growth prospects for the industry are positive.

Budesolv, the first product on the Marinosolv® platform, targets the market for allergic rhinitis, which was forecast to generate sales of USD 13 billion in 2019 (Visiongain Allergic Rhinitis Report 2018). The market in nasal steroids is posting stronger growth than that of the market as a whole. Accounting for 38% of the overall market, this area has been the most important segment since 2018. These increases are partly due to the trend towards non-prescription, over-the-counter (OTC) products.

Based on the universal applicability of the Marinosolv® platform, Marinomed has initiated further product developments. Tacrosolv is the most advanced of these, with the start of the Phase II study imminent. This product is targeting the ophthalmology market, with a focus on the sub-segments of allergic conjunctivitis and dry eye syndrome. Both markets are currently undersupplied, which means that new and innovative drugs have the chance to reach a large group of patients. The market potential of the dry eye segment was demonstrated in May 2019 when Novartis acquired the Xiidra prescription treatment from Takeda in a deal worth a total of USD 5.3 billion. In 2018 Xiidra had sales of about USD 400 million (source: Novartis).

Marinomed's Carragelose® products are freely available to buy on an OTC basis. As things stand it is not possible to forecast the long-term consequences of the global COVID-19 pandemic on this segment. For 2020 and in the short term, we expect a sharp increase in sales across all markets. Marinomed expects the pandemic to cause a sustained change in awareness of the dangers posed to society by viral infections of the respiratory tract.

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

Biotechnology industry

At around 7% p.a., the global biotechnology industry is growing significantly faster than the global economy and the pharmaceutical industry as a whole (source: GlobalData). The reason for this trend is the high level of innovation and the risk appetite of biotechnology companies to invest in research and development and then to launch successful outcomes on the market in partnership

with large pharmaceutical companies. Growing spending on research and development and the potential of young biotech companies to mobilise significant volumes of venture capital also point to sustainable growth in the industry. However, budgetary issues and political uncertainty, especially in the United States, could lead to growth disruptions at any time.

Despite Marinomed's products, which are marketed and distributed by partners, having only a small market share, the Company profits from global growth. A positive global economic climate and in particular growing life sciences markets not only allow Marinomed to grow with the market, but additionally support current and prospective partners' willingness to invest in future products and markets.

Austria

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. Recent years have seen some companies achieving great success including successful market approvals for drugs (sources: Pharmig, Vienna Life Science Report 2018/19, LISA Vienna).

Business performance

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

Marinosolv® segment

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

In the 2019 financial year, Marinomed achieved one of the most important development milestones for Budesolv, its flagship Marinosolv® product. In April 2019, the company published the top-line results, marking the successful completion of the pivotal Phase III study. Later in the year, Marinomed published detailed data from the study, which confirmed that with a dose that was 85% lower Budesolv achieved an equivalent effect to that produced by the market product after one week of treatment. More importantly, it was shown that a significant effect had been achieved within three hours of the first dose being administered, while this effect was not observed in the case of the market product.

The successful completion of the study not only constituted an important prerequisite in respect of the application for approval of Budesolv, it also clinically validated Marinosolv® as a technology platform: products solubilised with Marinosolv® achieve a higher bioavailability and thereby faster onset of action compared to current treatments formulated as suspensions. In 2020, Marinomed is aiming to complete preparations for the regulatory filing of Budesolv and to conclude initial contracts with partners to market the product. But, in the current environment which is impacted by the pandemic, delays cannot be excluded.

Carragelose® segment

The Carragelose® platform for treating cold-related illnesses generated a more dynamic performance than in the previous year. This operating segment encompasses sales and distribution of the existing Carragelose® products alongside ongoing research and development. Product sales climbed to EUR 4.88 million (2018: EUR 4.42 million), while the gross margin also increased. Sales therefore surpassed the record posted in 2017. This was largely due a to a strong market launch by the Scandinavian partner.

Revenues and earnings

In the 2019 financial year, Marinomed succeeded in increasing its revenues — which were generated almost exclusively in the Carragelose® segment — by 31% to EUR 6.14 million (2018: EUR 4.67 million). Revenues included an extraordinary effect of EUR 0.90 million relating to the

Aggregate operating performance

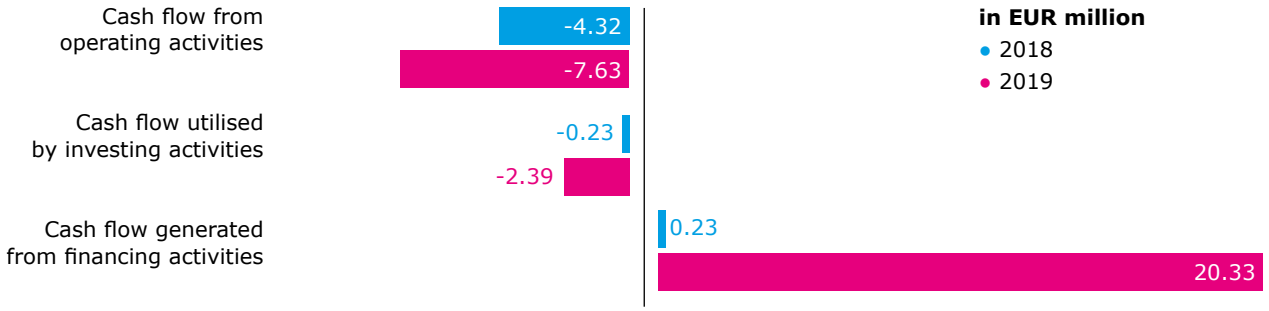
return of a sales region by a European partner. Other income largely comprised the research premium, and at EUR 0.67 million in 2019 remained largely on a par with the prior year (2018: EUR 0.68 million, conversion of FFG loans into non-repayable grants and research premium). Other gains and losses mostly related to foreign exchange gains and losses and remained at a similarly low level in 2019 to that of the 2018 financial year.

Due to a significant increase in sales of goods, expenses for materials increased from EUR 3.31 million to EUR 3.58 million in 2019. The gross margin rose from 26 to 29%. As a result of higher investments, in particular for clinical development projects, expenses for services climbed from EUR 1.52 million in 2018 to EUR 3.08 million in 2019. Personnel costs reflected the increase in staff, the expansion of the management team as well as expenses for the employee stock option programme and, at EUR 4.22 million, came in higher than the prior-year figure of EUR 2.52 million. The decrease in other expenses from EUR 2.91 million in 2019 to EUR 1.83 million in 2018 was largely attributable to the fact that advisory services and other costs in connection with the preparations for the company's IPO were already recognised in 2018.

The high level of investment in Marinomed's future trajectory was reflected in the company's earnings performance. In 2019, expenditure on research and development climbed substantially to EUR 4.78 million, from EUR 2.93 million in 2018. Accordingly, the operating result (EBIT) of EUR -6.21 million was down on the prior-year figure of EUR -5.14 million. In 2018, the financial result was adversely impacted by a one-off, non-cash valuation result of EUR -5.67 million relating to the convertible bond issued in 2017, and this item therefore improved to EUR -1.00 million in 2019 (2018: EUR -6.95 million). The loss for 2019 therefore came in at EUR -7.22 million, from EUR -12.10 million in 2018.

These expenses contrasted with positive IPO issue proceeds of EUR 22.43 million in February 2019. This provided the company with sufficient funds to enable it to press ahead with its planned growth trajectory. In addition, 99.7% of the convertible bond holders converted their bonds into shares, significantly reducing Marinomed's debt burden. The company repurchased the outstanding 0.3% of the convertible bond issue in February 2019. The convertible bond was then delisted from the Third Market of the Vienna Stock Exchange. Furthermore, Marinomed was able to secure the commitment to a venture loan for research and

Cash flow



development of up to EUR 15 million from the European Investment Bank (EIB).

Assets and financial situation

The assets and financial situation largely reflects the negative trend in earnings, which is to be expected for a biopharmaceutical firm during the development stage. The funding measures in the 2015 to 2019 financial years should ensure long-term investment in research and development.

Total assets increased from EUR 5.26 million as at December 31, 2018 to EUR 19.50 million as at the 2019 reporting date. Non-current assets increased to EUR 4.16 million compared to EUR 1.54 million on the cut-off date in the prior year, while current assets rose from EUR 3.72 million to EUR 15.34 million. This performance reflects the substantial improvement in the company's liquidity situation after the IPO in February 2019 and the proceeds from the first tranche of the EIB loan in 2019.

As at the 2019 balance sheet date, equity capital stood at EUR 10.87 million compared to EUR -16.27 million as at end-December 2018. This increase was primarily due to the IPO, the conversion of the bond and the contrary effect of the loss for the year 2019.

Non-current liabilities decreased, primarily on account of the conversion of the convertible bond, to EUR 4.61 million compared to EUR 13.89 million as at the 2018 reporting date. Current liabilities fell from EUR 7.64 million to EUR 4.03 million as at December 31, 2019, which was mainly due to the repayment of loans from the Austrian Research Promotion Agency (FFG) and shareholders.

Thanks to the successful IPO, cash and cash equivalents increased from EUR 1.72 million as at end 2018 to EUR 12.02 million on the balance sheet date 2019. Besides the IPO proceeds, the cash flow is largely characterised by investments into research and development as well as the clean-up of the balance sheet.

Outlook for 2020

In full year 2020, Marinomed expects another positive performance in terms of orders and sales. The expansion of distribution partnerships will now also include the Marinosolv® segment for the first time, even though product sales are not expected yet. In the Carragelose® segment, clinical trials to extend the indication areas as well as other product launches should have a positive impact.

The elevated demand for Carragelose® products as a result of the SARS-CoV-2 pandemic is also expected to have a positive effect. However, at present it is difficult to gauge the overall impact - including factors such as delays to clinical studies - of the pandemic on the healthcare sector.

In view of the high level of research and development expenditure, Marinomed expects operating losses to continue in 2020 and the subsequent years.

Broad range of applications for Marinosolv®

Marinomed's Marinosolv® technology platform serves a billion-dollar market with strong growth prospects. The platform's flagship product is the anti-allergy drug Budesolv. In the second quarter 2019, the pivotal Phase III study was successfully completed. The detailed results of the study were then published at the prestigious annual meeting of the American College of Allergy, Asthma & Immunology (ACAAI) in Houston, USA. These results confirm that Budesolv is the first steroid nasal spray to have a clinically relevant effect within a few hours of the first dose being administered, while achieving approximately 50% of the maximum efficacy.

The successful completion of the Budesolv study represented more than just a key milestone on the road towards applying for regulatory approval. Budesolv could also be an attractive product in terms of acquiring marketing partners. In addition, the whole Marinosolv® platform was clinically validated. Accordingly, 2020 will see Marinomed focus on preparing the approval and commercial exploitation of Budesolv.

Furthermore, Marinomed is already researching further developments based on the Marinosolv® technology platform. The platform can be applied to various other compounds, amongst others immunosuppressants like tacrolimus. Marinomed is developing the Tacrosolv product for the treatment of inflammatory ocular disorders, with clinical development scheduled for 2020.

Marinomed's strategy consists of further expanding the company's intellectual property and utilising this to optimum effect. The broad applicability of the Marinosolv® technology platform opens up a multitude of options such as offering services to other pharma companies.

Carragelose® has further potential

Marinomed sees further substantial growth potential in the pharmaceutical market for OTC products against a backdrop of what remains intense competitive pressure. Out of the ten largest regional OTC markets, the company has so far only achieved noteworthy sales in the UK and Germany. To make better use of this potential, Marinomed is constantly optimising its portfolio of products and partnerships. The goal is to acquire new partners in specific regions as well as to support new product launches with clinical data.

Against this backdrop, Marinomed expects a further long-term rise in revenues from its Carragelose® products. In the near term, the company plans to leverage the growth potential of products that have already been marketed via enhanced market penetration by, for example, boosting product recognition. Marinomed also plans to generate increased revenues via product launches in new markets and by launching additional products in existing markets.

The United States of America is a special case. There are barriers to market entry in the US in the form of regulatory provisions and licensing criteria that differ from those in the rest of the world and render authorisation in the next few years unlikely. Nevertheless, Marinomed is endeavouring to access this especially attractive market.

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

Risk report

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

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

As an internationally active company, Marinomed is embedded into the world economy. Although it is not possible to predict the long-term effects the pandemic will have on the global economy, there is an increased risk that the global economic climate will deteriorate and that the downturn will continue across all continents. While the life sciences sector is less sensitive to changes of this nature, it may become more difficult to maintain a continuous supply chain and the slowdown in economic growth may lead to lower customer demand.

Risks relating to funding and funding instruments

The main financial risks include default, liquidity and interest rate risks. There are also exchange-rate risks as some sales are generated in GBP. As receivables in GBP do not generally exceed EUR 250,000, the effect on the income statement of a fluctuation of +/- 10% would be less than EUR 25,000. As a research and development company, Marinomed continues to report a negative operating result (EBIT), which means that it has no access to conventional credit instruments. Accordingly, there is a risk that the capital requirement will not be met in future, or only on unfavourable conditions. This is a typical risk for a biotech firm.

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 (2% plus 3M-EURIBOR) and from the revenue-related royalties to be paid in connection with the EIB loan.

The company does not have any derivative financial instruments.

Strategic risks

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

Government authorities are endeavouring to rein in health care costs by encouraging greater competition among providers and permanently reducing the reimbursement limits for drugs in nearly all regional markets. The rapidly growing OTC market is less vulnerable to these influences, but competition is fierce and there are 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 equitable contracts, there is a risk that one or more partners may be unable to resolve financial or technical problems through no fault of Marinomed, resulting in losses for the company. 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.

With more than 90% of sales billed in euros, the company considers its currency risk to be low. However, in non-eurozone countries (excluding the United Kingdom), appreciation of the euro against local currencies 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, 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. Management forecasts that existing cash reserves as well as the financing raised via the IPO 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 via raising additional capital in more favourable market conditions or based on strategic considerations. 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 is a sub-lessee of the University of Veterinary Medicine in Vienna, which is also currently a shareholder of the company. The rental agreement has a fixed term until the end of June 2020. Marinomed is therefore currently constructing a new headquarters in Korneuburg. If the new premises are not ready for occupancy in time, Marinomed could be reliant on the University of Veterinary Medicine extending the rental agreement. Due to the current coronavirus crisis (SARS-CoV-2), delays are anticipated on all building sites.

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.

Research and development risk

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

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

Personnel risk

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

Risk management and internal control system

Marinomed carries out research and development activities for drugs and medical devices. Utilising opportunities and avoiding risks is therefore important for the company's success. Consequently, Marinomed pursues a systematic approach to the early recognition of opportunities and risks. The areas outlined in the "Risk report" are repeatedly scrutinised through company-wide planning and control processes. Overall responsibility for Marinomed's internal control and risk management lies with the management board.

The risk management system focuses on the areas set out in the preceding section on risk. Operational risks are in particular addressed via close internal and also external communication. Regular contact with all external suppliers and partners and the documentation of discussions and meetings enable constant tracking of planning and implementation. Marinomed succeeded in securing investors for the IPO and also in obtaining a venture loan from the EIB. These two funding elements have, firstly, helped to improve the company's capital structure while also enabling the firm to step up implementation of its research and development activities. They have thus reduced the level of dependency on the general economic situation, financing conditions and successful receivables management.

Marinomed's internal control system has the specific task of ensuring the reliability of financial reporting, compliance with statutory and internal company guidelines, and also identifying risks including risks not related to financial reporting.

The principle of dual control is observed for all relevant transactions.

The internal control system comprises elements of both structural and procedural organisation. The structural organisation is characterised by flat hierarchies and a clear allocation of responsibility. There is organisational separation of operational and financial responsibility including accounting, which comprises bookkeeping, controlling and reporting.

The procedural organisation is shaped by a clear set of rules which provide an appropriate basis for an efficient control system based on approvals and authorities. Internal reporting to the management board is particularly important in this context in order to ensure that risks can be identified at an early stage and countermeasures taken. This takes the form of regular meetings on key thematic areas, notably research and development, supply chain and finance. Depending on their significance, these meetings are held weekly or monthly.

At the meetings, the relevant departmental managers provide the management board with structured reports containing the necessary information. The aim is to reduce risks which could result in incomplete or incorrect financial reporting.

Internal reporting is designed to enable the management board to conduct regular reviews on the plausibility of key processes and their financial impact and to compare with planning, in order to be able to decide on and adopt suitable measures in the event of deviations. The necessary planning for clinical studies, external service providers and sales is approved by the management board in advance.

In addition, the company prepares rolling liquidity planning, which is continuously monitored and aligned with the company's own criteria.

Accounting regularity is ensured through an accounting-based internal control system. This aims to ensure compliance with legal norms, generally accepted accounting principles, and the accounting rules of the Austrian Commercial Code (UGB) as well as the accounting rules of the International Financial Reporting Standards (IFRS).

Since the start of the 2019 financial year, accounting has no longer been conducted by an external tax advisor and instead has been carried out internally using the BMD software. In addition, the company has invested in financial planning software that provides an interface to BMD and allows the reporting of differences between planned and actual figures.

The accounts are audited by the international auditing firm BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. In addition, Deloitte Tax Wirtschaftsprüfungs GmbH assists with the preparation of reporting pursuant to IFRS, especially with regard to valuation and presentation matters.

Marinomed complies with the provisions of the Austrian Code of Corporate Governance (ACCG) and prepares a corresponding public corporate governance report as part of its annual report. The Company has appointed a compliance officer to advise the management board and monitor the functioning of the internal control system from the 2019 financial year onwards.

Research and development

Marinomed has a research and development facility on its premises, including state-of-the-art laboratories to facilitate research in the fields of pharmacy, biology, molecular biology, cell biology and in vivo pharmacology. Its research and development activities focus on the two platforms, Marinosolv® and Carragelose®. Spending on research and development climbed to EUR 4.78 million in the 2019 financial year, up from EUR 2.93 million in 2018.

The flagship product of the Marinosolv® technology platform is Budesolv, a new medicine to treat allergic rhinitis. Marinomed has devised a method for fully dissolving the hardly soluble compound budesonide. The successful completion of the pivotal clinical study in April 2019 as well as the detailed data presented at the annual meeting of the American College of Allergy, Asthma & Immunology (ACAAI) in Houston, Texas prove that Budesolv can achieve better and faster results in treating allergies than the market product while using a lower dose of the compound. This marks the first innovation in allergy treatment using budesonide for many years. Due to necessary regulatory steps, initial approval for the medicine is expected in 2021 at the earliest. In the meantime, Marinomed has generated promising pre-clinical data for additional products including fluticasone, mometasone, fluorometholone and pergolide. A further compound is at a more advanced stage of development: Tacrosolv is scheduled to enter clinical development in 2020.

The Carragelose® platform is set to be extended with additional products in the future. The first newly developed medical device on a physical basis received certification in 2018. In 2020, Marinomed expects to apply for marketing approval of Carravin, a combination of Carragelose® and the decongestant compound xylometazoline based on a bibliographical approval process. The company expects approval to be obtained in 2021 at the earliest.

Personnel and corporate bodies

Personnel

Marinomed employed an average of 31 staff members in the 2019 financial year (FTEs, 2018: 30), 31 of whom were active (2018: 28, due to two employees on maternity leave) including 15 in research and development. 68% of employees were female, rising to as much as 75% in R&D. Female staff held 40% of management positions. The majority of the company's personnel have academic qualifications. The average fluctuation over the past 5 years has been around 10%, and there were no resignations in the past financial year.

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 2019 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 at the AGM 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 five members at the end of the 2019 financial year. The members appointed in 2017 were all members of the company's advisory council before the change of legal form to a limited stock corporation.

Management board Name and function	**Year of birth**	**Initial appointment**	**End of function period**
Andreas Grassauer Chairman	1969	2006[1)]	2022
Eva Prieschl-Grassauer Vice Chairwoman	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	2023
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

Financial statements

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

Year ended December 31 all amounts in kEUR	Note	2019	2018
Profit or Loss			
Revenues	5	6,144.6	4,666.3
Other income	6	671.8	675.7
Other gains (losses), net	7	9.9	10.2
Expenses for materials	8	–3,575.2	–3,313.9
Expenses for services	8	–3,081.7	–1,517.9
Personnel expenses	9	–4,219.4	–2,516.5
Depreciation and amortisation	10	–327.2	–236.8
Other expenses	11	–1,833.2	–2,908.0
Operating result (EBIT)		**–6,210.4**	**–5,140.8**
Financial income	13	0.3	210.8
Financial expenses	13	–1,002.0	–7,163.3
Financial result		**–1,001.6**	**–6,952.5**
Loss before taxes		**–7,212.1**	**–12,093.4**
Taxes on income	14	–4.4	–3.5
Loss for the year		**–7,216.5**	**–12,096.9**
Other comprehensive income (loss) for the year		0.0	0.0
Total comprehensive loss for the year		**–7,216.5**	**–12,096.9**

All results are attributable to shareholders of the Company.

Year ended December 31 all amounts in EUR	**Note**	**2019**	**2018**
Earnings per share			
Basic (EUR per share)	15	–5.1	–12.1
Diluted (EUR per share)	15	–5.1	–12.1

The notes are an integral part of these financial statements.

Statement of financial position

Year ended December 31 all amounts in kEUR	Note	2019	2018
ASSETS			
Non-current assets			
Intangible assets	18	1,625.4	1,331.7
Property, plant and equipment	17	2,491.0	195.4
Shares in affiliated companies	31	35.0	-
Deposits and other non-current receivables	21	12.5	12.8
		4,163.9	1,540.0
Current assets			
Inventories	19	97.5	115.7
Trade and other receivables	21	3,220.4	1,892.2
Current tax receivables	14	0.0	0.0
Cash and cash equivalents	22	12,019.6	1,715.5
		15,337.5	3,723.4
Total assets		**19,501.5**	**5,263.4**

Year ended December 31 all amounts in kEUR	**Note**	**2019**	**2018**
Equity and liabilities			
Capital and reserves			
Share capital	23	1,469.8	1,000.0
Capital reserves	23	40,848.1	6,968.3
Retained losses		–31,451.9	–24,235.4
		10,866.0	–16,267.1
Non-current liabilities			
Borrowings	25	4,505.4	1,173.5
Silent partnerships	24	-	-
Convertible bond	26	-	5,583.1
Other financial liabilities	27	-	7,132.0
Other non-current liabilities	29	104.1	-
		4,609.5	13,888.6
Current liabilities			
Borrowings	25	135.2	3,715.6
Trade payables	28	1,002.4	2,014.5
Convertible bond	26	-	131.2
Current contract liabilities and other current liabilities	29	1,615.4	960.5
Provisions	30	1,273.0	820.0
		4,026.0	7,641.8
Total equity and liabilities		**19,501.5**	**5,263.4**

The notes are an integral part of these financial statements.

Statement of cash flows

Year ended December 31 all amounts in kEUR	Note	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the year		–7,216.5	–12,096.9
Adjustments for:			
Taxes on income recognised in profit or loss		4.4	3.5
Financial income recognised in profit or loss		–0.3	–210.8
Financial expense recognised in profit or loss		1,002.0	7,163.3
Depreciation and amortisation expense		327.2	236.8
Net book value of disposals of assets		0.0	0.0
(Gain)/Loss on disposal of assets		–0.0	–0.2
Non-cash-income from grant due to debt relief		-	–350.5
Other non-cash income/expense		356.4	–10.8
Changes in deposits and other non-current receivables		0.3	–9.9
Changes in inventories		18.2	62.0
Changes in trade and other receivables		–1,328.2	–248.3
Changes in provisions		453.0	57.0
Other changes in trade liabilities, contract liabilities and other liabilities		–870.7	1,650.8
Interest paid		–382.2	–558.3
Interest received		0.2	0.1
Taxes paid		–4.4	–3.5
Cash flow utilised by operating activities	**16**	**–7,640.7**	**–4,315.7**
Purchase of plant and equipment and intangible assets		–2,340.9	–229.1
Proceeds from sale of property, plant and equipment		-	0.2
Investments in financial assets		–35.0	-
Cash flow utilised by investing activities	**16**	**–2,375.9**	**–228.9**

Year ended December 31 all amounts in kEUR	**Note**	**2019**	**2018**
Proceeds from shareholders		22,425.0	867.6
Convertible bond repayments		–24.8	-
Proceeds from EIB loan		4,000.0	-
Repayments of shareholders' loans		–2,262.7	–89.3
Repayments of long-term borrowings		–1,891.1	–530.0
Lease payments		–98.4	–17.0
Equity transaction costs		–1,779.5	–1.7
EIB loan transaction costs		–47.9	-
Cash flow generated from financing activities	**16**	**20,320.7**	**229.7**
Net cash flow		**10,304.1**	**–4,314.9**
Cash & cash equivalents at beginning of period	22	1,715.5	6,030.4
Cash & cash equivalents at end of period	22	12,019.6	1,715.5
Of which effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		*8.6*	*1.8*

The notes are an integral part of these financial statements.

Statement of changes in equity

all amounts in kEUR	Nominal capital/ share	Capital Reserves
January 1, 2018	**132.4**	**6,979.3**
Loss for the year	-	-
Total comprehensive income (loss) for the year	-	-
Paid in capital, net of transaction cost	867.6	–11.0
December 31, 2018	**1,000.0**	**6,968.3**
Loss for the year	-	-
Total comprehensive income (loss) for the year	-	-
ESOP 2019	-	426.5
Paid in capital, net of transaction cost	299.0	20,336.3
Conversion of convertible bond	170.8	13,117.0
December 31, 2019	**1,469.8**	**40,848.1**

The notes are an integral part of these financial statements.

Retained losses	Total
–12,138.6	**–5,026.9**
–12,096.9	–12,096.9
–12,096.9	–12,096.9
-	856.6
–24,235.4	**–16,267.1**
–7,216.5	–7,216.5
–7,216.5	–7,216.5
-	426.5
-	20,635.3
-	13,287.8
–31,451.9	**10,866.0**

Notes to the financial statements

1. General information

Marinomed Biotech AG ("Marinomed" or the "Company") is a biopharmaceutical company focusing on the development of innovative products in the field of antiviral and immunological diseases based on its intellectual property (IP) protected technology platforms. The Company develops therapies against respiratory diseases using its innovative antiviral respiratory technology platform, Carragelose®. In addition, Marinomed invented a technology that allows the solubilisation of otherwise hardly soluble compounds resulting in their faster and higher efficacy. This technology platform is named Marinosolv®. The Company was incorporated in March 2006 as a spinoff from the Veterinary University of Vienna. The Company's headquarters are located at Veterinärplatz 1, 1210 Vienna, Austria.

The management board approved the financial statements for issuance on April 15, 2020.

2. Summary of significant accounting policies

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

2.1. Basis of preparation

The 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 preparation of financial statements in conformity with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed at the respective balance sheet/P&L position.

Going concern

Since inception, the Company has incurred significant losses from its operations. As the Company is a biotech company and engaged in intense research activity, the losses are not unexpected, but according to plan. The business model of the Company foresees a phase of research and development over several years before gaining its own relevant income. The research and development risk as well as the financing and liquidity risk are covered primarily by equity financing from shareholders as well as use of support programmes by the Austrian Research Promotion Agency (Österreichische Forschungsförderungsgesellschaft, or FFG), the research premium from the Austrian government and external research assignments.

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 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. It is expected to be transferred to Marinomed Biotech AG in three tranches subject to the achievement of certain milestones between 2019-2022, and will be settled in financial years 2024-2027. In October 2019, Marinomed called the first tranche in the amount of kEUR 4,000.

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

However, based on the cashflows from the IPO, the EIB loan as well as from the future sale of goods, management expects liquidity to be most probably ensured until the end of 2021.

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

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

New and revised standards and interpretations that are effective for the current year
In the current year, the Company has applied the following new and revised standards and interpretations issued by the IASB that are mandatorily effective for an accounting period that begins on or after January 1, 2019:

IFRS 16 Leases (applicable to financial years beginning on or after January 1, 2019; EU endorsement: October 31, 2017): IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets (the right to use the leased item) and financial liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an

adjustment to the right-of-use asset.

Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Company applied the standard from its mandatory adoption date of January 1, 2019. The Company applied the simplified transition approach and did not restate comparative amounts for the year prior to first adoption. All right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). For leases that were classified as finance leases under IAS 17, the balances of lease assets and lease liabilities previously recognized were carried forward in 2019.

As at the reporting date, the Company has one operating lease commitment with the Veterinary University of Vienna for the use of business and research premises. The Company recognised a right-of-use asset of about kEUR 119 and a corresponding lease liability in respect of this lease agreement as of January 1, 2019. In the fiscal year 2019 the impact on profit or loss was to decrease other expenses by kEUR 90, to increase depreciation by kEUR 82 and to increase interest expense by kEUR 11.

The following table reconciles the operating lease commitments (without operating costs) as of December 31, 2018 to the amount of lease liabilities recognised on January 1, 2019:

all amounts in kEUR	
Minimum operating lease commitment at December 31, 2018	130.7
Less: effect of discounting using the incremental borrowing rate as at the date of the initial application	–12.1
Finance lease liabilities at December 31, 2018	81.2
Lease liabilities recognised at January 1, 2019	**199.8**

Several other amendments and interpretations apply for the first time in 2019 or later, but do not have an impact on the yearly financial statements of the Company:

Amendment	Date of Publication	Date of Endorsement	Effective Date (EU)
IFRIC 23 Uncertainty over Income Tax Treatments	07.06.2017	23.10.2017	01.01.2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation	12.10.2017	22.03.2018	01.01.2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	12.10.2017	08.02.2019	01.01.2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	07.02.2018	13.03.2019	01.01.2019
Annual Improvements to IFRS Standards – 2015–2017 Cycle	12.12.2017	14.03.2019	01.01.2019

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

Standard / 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

Standard / Amendment (Pending Adoption into EU Law)	Date of Publication	Effective Date (IASB)
IFRS 17 Insurance Contracts	18.05.2017	01.01.2021
Amendment to IFRS 3 Business Combinations: Definition of a Business Operation	22.10.2018	01.01.2020

2.3. Segment reporting

In 2019, the Company reports the two operating segments, Carragelose and Marinosolv, based on the Company's platforms. Carragelose combines activities from products which are already distributed, as well as Research & Development of new products based on the active ingredient Carragelose®. At the moment Marinosolv generates only minor revenues, but is expected to make further contributions in the future. Residual 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. 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 hardly soluble compounds such as corticosteroids and immunosuppressants allow a faster onset of action, high local activity, an increased bioavailability and aseptic production. Currently, two products are in development targeting inflammatory diseases of nose (Budesolv) and 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 categories 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.

Year ended December 31, 2018 all amounts in kEUR	**Carragelose**	**Marinosolv**	**Corporate**	**Total**
Total revenues	4,666.3	-	-	**4,666.3**
Of which sale of goods	*4,416.4*	-	-	**4,416.4**
Austria	*74.8*	-	-	**74.8**
Other European countries	*2,082.8*	-	-	**2,082.8**
Non-European countries	*2,258.7*	-	-	**2,258.7**
Of which other revenues	*249.9*	-	-	**249.9**
Austria	*85.4*	-	-	**85.4**
Other European countries	*62.1*	-	-	**62.1**
Non-European countries	*102.4*	-	-	**102.4**
Cost of goods sold	–3,285.4	-	-	**–3,285.4**
Contract research	–168.9	–759.1	-	**–928.0**
Personnel expenses	–693.8	–792.3	–1,030.4	**–2,516.5**
Other miscellaneous income/(expense)	–604.4	–122.4	–597.8	**–1,324.6**
Depreciation and amortisation	–138.8	–27.3	–70.7	**–236.8**
Non-recurring items	-	-	–1,515.8	**–1,515.8**
Operating result (EBIT)	**–225.0**	**–1,701.1**	**–3,214.8**	**–5,140.8**

Year 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**

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“ include expenses for merchandise and regular batch release charges (excluding exceptional charges) related to “Sales of goods” and form part of, but do not equal the sum of the P&L items “Expenses for materials” and “Expenses for services”.

In both reporting periods “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”.

As of December 31, 2018 this position additionally includes income from the conversion of loans to non-repayable grants in the amount of kEUR 350.5.

Break-down of revenues by categories and geographical area

Revenues from the sale of goods include nasal and throat products based on the Carragelose® technology. Other revenues relate to income from licences and royalties as well as miscellaneous other services. The geographical break-down is based on distribution markets. Between 20% and 30% of total revenues were generated in the Scandinavian market (including Denmark) in 2019, compared to less than 10% in the previous year. Between 20% and 30% of total revenues were generated in the German market in 2019 (including other revenues mentioned above amounting to kEUR 900), while Germany contributed 10-20 % in the previous year. Australia and Iran accounted for 10-20% of total revenues each in 2018, but represented less than 10% each in 2019.

Long-term assets

Long-term assets are fully attributable to Austria where the Company´s premises are located in 2019 and 2018.

Major customers

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

Segment Carragelose

Year ended December 31, 2018 all amounts in kEUR	**Total revenues**	**%**	**Segment**
Top 1	1,653.3	35%	Carragelose
Top 2	765.7	16%	Carragelose
Top 3	491.8	11%	Carragelose
Total	**2,910.8**	**62%**	

Year ended December 31, 2019			
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%**	

2.4. Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

2.5. Basic recognition and valuation principles

These financial statements are prepared on the basis of historical cost of acquisition with the exception of certain items such as 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). Non-financial assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date. During the reporting period, no events 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).

Compound instruments

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

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

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

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

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

As per the resolution of the supervisory board on April 11, 2019, the shareholder loans in the amount of kEUR 2,305 were repaid ahead of maturity in June 2019.

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	2019 GBP	2018 GBP
Trade receivables	227.3	133.4
Cash and cash equivalents	1.0	0.7
Trade payables	–0.1	–0.1
Total	**228.2**	**134.0**

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

As stated in the table above, the Company is primarily exposed to changes in GBP/EUR exchange rates. The Company's sensitivity to a 10% increase/decrease in EUR against the GBP amounts to kEUR (22.8)/22.8 (2018: kEUR (13.4)/13.4). 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's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term borrowings with variable interest rates.

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

Long-term borrowings with variable rates only comprise lease contracts in 2019 (see Note 25). The majority of interest-bearing financial liabilities carry fixed interest rates. Further, the Company's operating cash flows are substantially independent of changes in market interest rates. Cash flow interest rate risk 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.

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 has mostly 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 set 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 recorded in accordance with IFRS 9 based on historical experience and days past due. With regards to the favorable 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 value of each class of receivable (see Note 21).

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

c) Liquidity risk

Liquidity risk (funding risk) is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management involves maintaining sufficient cash, ensuring the availability of adequate funding in the form of committed credit facilities and being able to close out market positions. The Company manages liquidity risk by maintaining adequate reserves, continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

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

As of December 31, 2018 all amounts in kEUR	**Less than 1 year**	**Between 1 and 5 years**	**Over 5 years**
Borrowings	–4,163.9	–1,270.0	-
Convertible bond	–280.0	–13,160.0	-
Trade payables	–2,014.5	-	-
Trade receivables	622.3	-	-
Total	**–5,836.1**	**–14,430.0**	**-**
As of December 31, 2019			
Borrowings	–187.7	–7,876.7	–6,498.5
Convertible bond	-	-	-
Trade payables	–1,002.4	-	-
Trade receivables	1,484.7	-	-
Total	**294.6**	**–7,876.7**	**–6,498.5**

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 2019 borrowings include royalty payments related to the EIB venture loan (for further details ses Note 25).

The contractual undiscounted cash flows resulting from the convertible bond stated in the table above represent the maximum amount of possible payments including contingently payable licence/trade sale premiums to the highest possible extent (max. licence premium: kEUR 2,800; max. trade sale premium: kEUR 2,800). In 2019, kEUR 6,980 were converted into equity and the remaining kEUR 20 were bought back by the company for an amount of kEUR 25.

3.2. Capital risk management

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

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

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

4. Critical accounting estimates and assumptions

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

5. Revenues

The Company derives the following types of revenues:

Year ended December 31 all amounts in kEUR	2019	2018
Sale of goods	4,879.3	4,416.4
Licence revenues	998.9	114.7
Other revenues	266.4	135.2
Total revenue from contracts with customers	**6,144.6**	**4,666.3**

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 physicians and pharmacists.

Today, Marinomed distributes its products via 13 partners in more than 40 countries. This enables regional fluctuations to be balanced and an increase in revenues from sale of goods of some 10% was achieved.

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 (included in line item "Current contract liabilities and other liabilities") is recognised for expected volume rebates payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are regularly made with a credit term of 30 to max. 75 days after the last day of the month following the issuance of the invoice.

A trade receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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.

Licence revenue

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 licence contracts in place provide right-to-use licences. Thus, revenue is 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 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 are fulfilled by the Company and the amounts are non-refundable.

Milestone payments relating to "sales milestones" might 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	2019	2018
Grant income	-	350.5
Research premium	601.3	314.4
Other income	70.4	10.8
Total	**671.8**	**675.7**

Grants were received from FFG and WAW. These grants are non-refundable, except in the case of non-compliance with the agencies' rules and regulations or in the case of misuse of the funds.

In 2018 three loans from FFG amounting to kEUR 351 have been converted into non-repayable grants.

In recent years the Company was granted several R&D support loans from FFG and aws (see Note 25). According to IAS 20.10A (and IFRS 1.B10), the differences between the nominal interest rates of the R&D support loans granted after the date of transition and the market rate of interest, estimated at 15.0% (see Note 25), are treated as a government grant and recognised over the term of the corresponding financial liabilities. In 2019 this interest advantage amounted to kEUR 70 (2018: kEUR 11) 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. Futhermore, 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% (2018: 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 value of the loan determined in accordance with IFRS 9 (previously IAS 39) and the proceeds received. This benefit is deferred (recorded in the line item "other liabilities" (see Note 29)), and recognised through profit or loss over the term of the corresponding financial liabilities in accordance with IAS 20.10A. For further information on the market interest rate and the nominal interest rates of the government loans please refer to Note 25. The loan is recognised and measured in accordance with IFRS 9.

7. Other gains and losses

Other gains and losses consist of the following items:

Year ended December 31 all amounts in kEUR	**2019**	**2018**
Net gain/(loss) on disposal of property, plant and equipment	0.0	0.2
Net foreign exchange gains	17.1	5.9
Net foreign exchange losses	–6.0	–4.0
Other items	–1.2	8.2
Total	**9.9**	**10.2**

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 include expenses for sale of goods (cost of goods sold) and expenses for laboratory consumables. For further details see Note 19.

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

9. Personnel expenses

Personnel expenses include the following items:

Year ended December 31 all amounts in kEUR	2019	2018
Salaries	–3,111.6	–1,999.8
Expenses for social security and payroll related taxes	–665.3	–509.0
Expenses for the employee stock option plan (ESOP 2019)	–426.5	-
Other employee benefit expenses	–15.9	–7.7
Total	**–4,219.4**	**–2,516.5**

Personnel expenses were kEUR 4,219 in 2019, an increase of kEUR 1,703. This is on the one hand related to complementing of management functions that did not affect the full fiscal year 2018 as well as additional staff. On the other hand, personnel expenses in 2019 include an additional bonus for the sucessful IPO. An additional element is related to the implementation of the employee participation program in the context of the IPO.

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.

At the end of April 2019 21,847 stock options were issued to the 3 board members as well as 19,660 stock options to 28 employees from all hierarchy levels. In case of exercise, the Company can 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 July 2019, 780 additional options were granted to employees. In 2019, 780 options expired. Therefore, as of December 31, 2019 the total amount of granted options amounts to 41,507.

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 the options granted in July 2019). The fair value of the options has been 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 (valid also for the options granted in July 2019):

- Strike price EUR 75.00
- Expected volatility 37%
- Risk-free interest rate 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	2019	2018
Amortisation of intangible assets	–165.1	–149.2
Depreciation of property, plant and equipment	–162.1	–87.5
Total	**–327.2**	**–236.8**

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

11. Other expenses

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

Year ended December 31 all amounts in kEUR	2019	2018
Fees	–63.3	–22.8
Maintenance expenses	–73.4	–81.4
Operating costs	–45.1	–42.0
Insurance	–25.7	–126.2
Freight	–6.2	–12.4
Travel expenses	–64.1	–99.3
Car expenses	–6.6	–6.1
Telecommunication expenses	–13.8	–16.8
Rental expenses	–4.6	–90.1
Education expenses	–23.0	–26.4
Office and administrative expenses	–17.2	–34.4
Marketing/PR expenses	–174.6	–95.2
Consulting expenses	–1,116.6	–2,085.9
Other expenses	–199.1	–169.0
Total	**–1,833.2**	**–2,908.0**

Consulting expenses include expenses for legal advice and other consulting services, mainly for consulting and legal fees in connection with the IPO.

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):

Year ended December 31 all amounts in kEUR	**2019**	**2018**
Personnel expenses	–1,359.0	–1,118.8
Expenses for services	–2,564.3	–1,121.6
Expenses for materials	–134.9	–76.6
Other expenses	–109.3	–193.7
Depreciation and amortisation	–231.2	–166.1
Financial expenses	–376.9	–258.0
Total	**–4,775.7**	**–2,934.8**

For purposes of calculating research and development expenses, personnel expenses do not include one-time IPO bonus payments for R&D personnel. In 2019 as well as in the prior year, research and development expenses were primarily attributable to clinical studies. In 2018 and the first half of 2019, the focus was on the study for the product Budesolv to treat allergic rhinitis. Mostly in the second half of 2019, the preparation of the study for Tacrosolv (allergic conjunctivitis and dry eye disease) as well as studies for new and existing products within the Carragelose segment were added.

13. Financial income and expenses

Year ended December 31 all amounts in kEUR	2019	2018
Interest income		
Bank deposits	0.3	0.1
Total	**0.3**	**0.1**
Interest and similar expenses		
Subsidised loans	–96.7	–135.7
Shareholders' loans	–307.6	–436.4
Convertible bond	–130.2	–921.2
Leasing	–13.3	–2.4
EIB loan	–117.6	-
Other interest expenses	-	–0.0
Total	**–665.4**	**–1,495.7**
Other financial income/(expenses)		
Valuation equity conversion right	–336.6	–5,667.6
Adjustment of carrying amount of shareholders' loans (according to IFRS 9:B5.4.6)	-	193.4
Adjustment of carrying amount of AWS Profit Share	-	17.3
Total	**–336.6**	**–5,456.9**
Total financial result	**–1,001.6**	**–6,952.5**
Of which financial income	*0.3*	*210.8*
Of which financial expenses	*–1,002.0*	*–7,163.3*

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

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

all amounts in 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, 2018				
Financial income	0.1	210.7	-	210.8
Financial expenses	-	–1,495.7	–5,667.6	–7,163.3
Total	**0.1**	**–1,284.9**	**–5,667.6**	**–6,952.5**
				-

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, 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**

14. Taxes on income

Year ended December 31 all amounts in kEUR	2019	2018
Current tax	–4.4	–3.5
Total	**–4.4**	**–3.5**

Taxes on income are calculated using the current corporate income tax rate of 25%. As the Company currently generates losses and is a stock company, 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 recorded.

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

Year ended December 31 all amounts in kEUR	2019	2018
Profit (Loss) before taxes	–7,212.1	–12,093.4
Tax income (expense) at 25%	1,803.0	3,023.3
Expenses not deductible for tax purposes	–132.1	–18.8
Income not subject to tax	186.6	81.8
Effect of silent partnership	–567.3	-
Effect of convertible bond conversion	–1,297.8	-
Effect of deferred tax asset not recognised	7.6	–3,086.4
Minimum corporate income tax	–4.4	–3.5
Tax expense (before loss carry-forwards)	**–4.4**	**–3.5**
Other tax adjustments	-	-
Total income tax expense	**–4.4**	**–3.5**

Deferred Taxes

Temporary differences resulting in deferred tax liabilities in the amount of kEUR 402.7 (2018: kEUR 711.8) are offset against deferred tax assets resulting mainly from tax loss carry-forwards showing the same amount and timing with the same fiscal authority. Further to this, no deferred tax assets have been capitalised in the statement of financial position or effects shown in the statement of profit or loss and other comprehensive income.

Year ended December 31 all amounts in kEUR	**2019**	**2018**
Deferred tax asset from		
Tax losses carried forward	7,698.5	5,249.2
Current receivables	0.5	-
Investment from silent partnership	-	567.3
Borrowings	29.6	7.6
Conversion right	-	1,783.0
Other liabilities	9.2	-
Non-recognition of deferred tax assets	–7,335.1	–6,895.3
Total deferred tax assets	**402.7**	**711.8**

Year ended December 31 all amounts in kEUR	**2019**	**2018**
Deferred tax liability from		
Intangible assets – software	–1.6	–1.3
Intangible assets - development costs	–380.1	–306.6
Property, plant and equipment	–20.6	–11.5
Receivables	–0.4	–84.9
Borrowings	-	–48.4
Convertible bond	-	–259.1
Trade payables	-	–0.0
Total deferred tax liability	**–402.7**	**–711.8**
Deferred tax, net	**-**	**-**

As of December 31, 2019 the Company has unrecognised deferred tax assets of kEUR 7,335.1 (2018: kEUR 6,895.3) mainly resulting from cumulative tax loss carry-forwards in respect of losses of kEUR 30,793.9 (2018: kEUR 20,996.9). 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 carry-forwards will not expire.

Basic valuation and recognition principles

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

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

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

Critical accounting estimates and assumptions

A deferred tax asset is recognised for an unused tax loss carry-forward 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 carry-forward can be utilised.

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

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

If the Company was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by kEUR 7,335.1 (2018: kEUR 6,895.3).

15. Earnings (loss) per share

Basic earnings/losses per share

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

Year ended December 31	2019	2018
Earnings (loss) for the year (in kEUR)	–7,216.5	–12,096.9
Weighted average number of shares outstanding	1,418,099.1	1,000,000.0
Basic earnings (loss) per share (in EUR)	**–5.1**	**–12.1**

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

The amount 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 by another 39,000. Taking these capital measures into account the weighted average number of shares outstanding in 2019 amounts to 1,418,099.1.

Diluted earnings/losses per share

Basic and diluted earnings per share are the same in 2018 because convertible bonds in the nominal amount of EUR 7 million (potentially 173,122 dilutive shares), which could not be exercised as at Dezember 31, 2018, were not included in the calculation of potentially dilutive shares, as they were anti-dilutive for the 2018 financial year. Basic and diluted earnings per share are the same in 2019, because 41,507 non-vested stock options as at December 31, 2019 were not included in the calculation of potentially dilutive shares, as they were anti-dilutive for the 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 flow utilised by operating activities
The cash flow from operating activities shows the flows of funds arising from the provision and receipt of goods and services during the reporting period and includes changes in working capital.

Cash flow generated from (utilised by) investing activities
The cash flow from investing activities consists mainly of outflows of funds for the acquisition of tangible and intangible assets.

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 flow from financing activities.

all amounts in kEUR	Convertible bond	Equity conversion right	Finance leases	FFG Loans
Carrying amount as of January 1, 2018	5,073.1	1,464.4	37.8	2,247.6
Financing cash flows	-	-	–17.0	–530.0
Non-cash changes: Separation (recognition) of finance leases	-	-	60.3	-
Non-cash changes: Non-cash income from debt relief	-	-	-	–350.5
Non-cash changes: Fair value adjustments	-	5,667.6	-	-
Non-cash changes: Reclassification of grant – below market rate	-	-	-	13.2
Non-cash changes: Effective interest accrued	921.2	-	2.4	46.9
Non-cash changes: Interest paid	–280.0	-	–2.4	–36.1
Carrying amount as of December 31, 2018	**5,714.3**	**7,132.0**	**81.2**	**1,391.1**

all amounts in kEUR	Shareholders' loans	Silent partnerships	AWS profit share	AWS Seed loan
Carrying amount as of January 1, 2018	2,389.9	-	17.3	1,023.0
Financing cash flows	–89.3	-	-	-
Non-cash changes: Separation (recognition) of finance leases	-	-	-	-
Non-cash changes: Non-cash income from debt relief	-	-	-	-
Non-cash changes: Adjustment of carrying amount	–193.4	-	–17.3	-
Non-cash changes: Effective interest accrued	436.4	-	-	88.8
Non-cash changes: Interest paid	–238.5	-	-	-
Carrying amount as of December 31, 2018	**2,305.1**	**-**	**-**	**1,111.8**

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
Non-cash changes: 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 profit share	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: Adjustment of carrying amount	-	-	-	-
Non-cash changes: Effective interest accrued	307.6	117.6	-	93.8
Non-cash changes: Interest paid	–350.1	-	-	–15.5
Carrying amount as of December 31, 2019	**-**	**4,069.7**	**-**	**464.7**

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	Prepayments and buildings under construction	Total
As of January 1, 2018							
Cost	95.3	373.6	110.0	-	-	-	578.8
Accumulated depreciation	–44.4	–332.6	–38.9	-	-	-	–415.8
Carrying amount	**50.9**	**41.0**	**71.1**	**-**	**-**	**-**	**163.0**
Year ended December 31, 2018							
Beginning carrying amount	50.9	41.0	71.1	-	-	-	163.0
Additions	43.3	75.3	1.4	-	-	-	120.0
Disposals	–0.0	-	-	-	-	-	–0.0
Depreciation	–45.3	–28.4	–13.8	-	-	-	–87.5
Carrying amount	**48.8**	**87.9**	**58.7**	**-**			**195.4**
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**
Year 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 December 31, 2019							
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**

As of December 31, 2019 fully depreciated property, plant and equipment with acquisition costs of kEUR 323.8 (2018: kEUR 340.1) 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 3,918 (2018: kEUR 0). These are entirely due within one year (see also Note 33).

Prepayments and buildings under construction relate to the new premises in Korneuburg. At September 6, 2019, Marinomed acquired real estate close to the border of Vienna. On this land, the new headquarters of the company will be built by refurbishing an existing building. During the fiscal year 2019, Marinomed invested in total kEUR 2,184 into the new headquarters.

Laboratory equipment includes the following amounts where Marinomed is a lessee (refer to Note 25 for further details). In 2019 depreciation amounted to kEUR 12 (2018: kEUR 9).

Year ended December 31 all amounts in kEUR	**2019**	**2018**
Leasehold laboratory equipment		
Cost	132.3	132.3
Accumulated depreciation	–93.1	–81.0
Net Book Value	**39.2**	**51.2**

Other plant and office equipment includes the following amounts where the Company is a lessee under a lease of a vehicle (refer to Note 25 for further details). In 2019 depreciation amounted to kEUR 8 (2018: kEUR 8).

Year ended December 31 all amounts in kEUR	**2019**	**2018**
Other plant and office equipment		
Cost	65.0	65.0
Accumulated depreciation	–33.2	–25.1
Net Book Value	**31.8**	**39.9**

Basic valuation and recognition principles

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

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

Depreciation on assets is calculated using the straightline method over the estimated useful lives of the assets. In calculating the estimated useful life, the economic and technical life expectancy has been taken into consideration. In 2018 and 2019, 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 values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. When assets are sold, closed down or scrapped, the difference between the net proceeds and the net carrying amount of the asset is recognised in other gains (losses).

18. Intangible assets

The following table shows the movement in intangible assets:

As of January 1, 2018 all amounts in kEUR	Development costs	Software	Total
Cost	2,040.0	70.6	2,110.6
Accumulated depreciation	–762.2	–36.8	–799.0
Carrying amount	**1,277.9**	**33.7**	**1,311.6**
Year ended December 31, 2018			
Beginning carrying amount	1,277.9	33.7	1,311.6
Additions – acquisitions	-	91.0	91.0
Additions – development	78.3	-	78.3
Disposals	-	–0.0	–0.0
Amortisation	–129.6	–19.6	–149.2
Carrying amount	**1,226.5**	**105.2**	**1,331.7**
As of January 1, 2019 all amounts in kEUR	**Development costs**	**Software**	**Total**
Cost	2,118.3	160.3	2,278.6
Accumulated amorisation	–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 December 31, 2019			
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**

Additions to intangible assets are primarily related to external development costs, in particular 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 conduct of clinical trials and other research and development activities, which will be recognised as development costs. The remaining payments to be made under these agreements amount to kEUR 78 (2018: kEUR 0). These are entirely due within one year (see also Note 33).

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 2018 and 2019).

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

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

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

Critical accounting estimates and assumptions

Development costs are capitalised in accordance with the accounting policy above. Initial capitalisation of costs is based on management's judgement that technical and economic feasibility is confirmed. In line with industry practice, the date of approval by the notified body is deemed to be the point at which the development costs fulfill all the conditions listed above. 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 recorded as an intangible asset which is amortised over its expected useful life. The expected useful economic life has been estimated on the basis of the duration of the corresponding patent, i.e. the period over which the Company expects to generate 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 internal 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:

Year ended December 31 all amounts in kEUR	**2019**	**2018**
Goods for sale	97.5	115.7
Of which nasal sprays	*97.5*	*115.7*
Total	**97.5**	**115.7**

Inventories recognised as an expense during the year ended December 31, 2019 amounted to kEUR 3,439.5 (2018: kEUR 3,236.4). 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 stated at the lower of cost and net realisable value. Costs of purchased inventories (merchandise) are assigned by specific identification and include the cost of acquisition after deducting rebates and discounts. Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

20. Financial instruments

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

As of December 31, 2018 all amounts in kEUR	**Financial assets at amortized cost**	**Total**
Assets as per statement of financial position		
Non-current receivables	3.0	3.0
Trade receivables	622.3	622.3
Cash and cash equivalents	1,715.5	1,715.5
Total	**2,340.8**	**2,340.8**

all amounts in kEUR	**Financial liabilities at amortized cost**	**FVTPL**	**Total**
Liabilities as per statement of financial position			
Borrowings	4,889.2	-	4,889.2
Silent partnerships	-	-	-
Convertible bond	5,714.3	-	5,714.3
Other financial liabilities	-	7,132.0	7,132.0
Current contract liabilities	7.7	-	7.7
Trade payables	2,014.5	-	2,014.5
Total	**12,625.7**	**7,132.0**	**19,757.7**

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

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

The Company did not hold any financial assets classified as at FVTPL or at FVTOCI as of December 31, 2019. Financial liabilities classified as at FVTPL include liabilities that meet the definition of held for trading in IFRS 9. In 2018 and 2019 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 stated under trade and other receivables in the statement of financial position (see also Note 21).

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

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

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

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

As of December 31, 2018 all amounts in kEUR	**Level 1**	**Level 2**	**Level 3**	**Total**
Liabilities as per statement of financial position				
Other financial liabilities (equity conversion right)	-	-	7,132.0	7,132.0
Total Liabilities	**-**	**-**	**7,132.0**	**7,132.0**

As of December 31, 2019 all amounts in kEUR	**Level 1**	**Level 2**	**Level 3**	**Total**
Liabilities as per statement of financial position				
Other financial liabilities (equity conversion right)	-	-	-	-
Total Liabilities	**-**	**-**	**-**	**-**

According to a separate call option agreement dated November 15, 2018, as amended by an amendment agreement dated December 30, 2018, the silent partners granted the Company a call option to acquire the shares received for the contribution in kind and incorporation. The effectiveness of the option agreement was subject to the condition precedent of a successful IPO and further gross proceeds from the IPO of at least EUR 30 million. As gross proceeds came out below the EUR 30 million, the condition precedent was not met and the option did not become effective.

There were no transfers between Level 1 and 2 in the period.

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
Financial assets are classified, at initial recognition, 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 assessment is referred to as the SPPI test and is performed at an 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 relevant category 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 12 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

Financial liabilities are classified, at initial recognition, as subsequently measured at either (a) amortised cost or FVTPL and include the convertible bond, borrowings, silent partnerships, trade payables and other financial liabilities as described in more detail below.

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) it is 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.

The equity conversion feature from the convertible bond (see Note 27), which is shown under other financial liabilities in the statement of financial position, is classified as embedded derivative to the respective bond and is separated from the main contract (held-for-trading derivatives according to IFRS 9 Appendix A/previously IAS 39.9). The fair value of optional derivative instrument was calculated as the difference between the fair value of the hybrid (combined) instrument and the fair value of the host contract in line with IAS 39.13 in 2017. As of December 31, 2018 the fair value of the equity conversion right has been determined individually in line with IFRS 9.4.3.3.

Financial liabilities designated upon initial recognition at FVTPL are designated 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) through 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 interest-bearing loans and borrowings as well as trade and other payables.

The Company has obtained loans from various governmental agencies for certain research and development projects, which are stated 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 at inception 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

Fair value estimation

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

As described in Note 26 the conversion right has to be accounted for at fair value at inception and in subsequent periods with changes in fair value being recognised as profit or loss in the financial result section of the statement of profit or loss. According to IAS 39.13 (now IFRS 9.4.3.7), if an entity is unable to measure reliably the fair value of an embedded derivative on the basis of its terms and conditions (for example, because the embedded derivative is based on an equity instrument that does not have a quoted price in an active market for an identical instrument, i.e. a Level 1 input), the fair value of the embedded derivative is the difference between the fair value of the hybrid (combined) instrument and the fair value of the host contract.

At inception the fair value of the combined instrument equals the funds raised, i.e. EUR 7 million. For subsequent measurement, the fair value of the combined instrument was measured in accordance with IFRS 13.37 in 2017, under which an entity should measure the fair value of a liability by reference to the quoted price of an identical item that is held by another party as an asset, if a quoted price for the transfer of an identical or a similar liability is not available. Accordingly the fair value of the liability is measured from the perspective of a market participant that holds the identical item as an asset at the measurement date. This requirement could be relevant, as it is the case for the Company, when measuring the fair value of corporate bonds (IFRS 13.35). Under these circumstances the appropriate bases for measuring the fair value of the liability are listed in IFRS 13.38, in descending order of preference:

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

Accordingly the quoted market price of the bond according to the notation on the Vienna Stock Exchange was taken as fair value of the combined instrument in 2017.

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

As of December 31, 2018 the fair value of the equity conversion right was determined individually in line with IFRS 9.4.3.3. The fair value was estimated based on the lower end of the price range for the shares offered in the course of the planned IPO as published in the respective prospectus dated November 16, 2018, i.e. EUR 75.00 per share. This amount also equals the share price finally accomplished in the course of the IPO in February 2019. The fair value adjustment based on the share price just before conversion recognised in 2019 amounted to kEUR 336.6 (2018: kEUR 5,667.6) and is included under financial expenses in the statement of profit or loss and other comprehensive income (see also Note 13 and Note 27).

21. Long-term and current receivables

Year ended December 31 all amounts in kEUR	2019	2018
Deposits	3.2	3.0
Prepaid expenses	9.3	9.8
Total long term receivables	**12.5**	**12.8**
Trade receivables	1,484.7	622.3
Prepaid expenses	53.4	359.3
Other receivables	1,682.3	910.5
Total current receivables	**3,220.4**	**1,892.2**

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

22. Cash and cash equivalents

The following table shows the cash and cash equivalents:

Year ended December 31 all amounts in kEUR	**2019**	**2018**
Cash on hand	0.6	0.4
Cash at bank	12,019.0	1,715.1
Total cash and cash equivalents	**12,019.6**	**1,715.5**

Basic valuation and recognition principles

Cash and cash equivalents are classified as cash on hand and deposits held on call with banks and may include other short-term highly liquid investments with original maturities of three months or less. They are recorded at their principal amount.

Cash which is not available for the Company's immediate and general use is not included in cash and cash equivalents, but recorded as a separate asset (restricted cash) in the statement of financial position.

23. Capital and reserves

On January 29, 2019 Marinomed announced the closing of its IPO of 260,000 new bearer shares. In the course of an over-allotment option (greenshoe option) a further 39,000 shares were sold in February 2019. The total number of shares sold by the Company in its IPO therefore amounts to 299,000 shares. The shares were sold at the IPO price of EUR 75.00 per share, resulting in total gross proceeds of EUR 22.4 million.

The settlement date and first trading day was February 1, 2019. From this date the Marinomed shares have been traded under the symbol "MARI" on the official market (prime market segment) of the Vienna Stock Exchange. In accordance with IAS 32.37 transaction costs of an equity transaction are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. Therefore transaction costs directly attributable to the IPO amounting to kEUR 1,790 were recognised as a deduction from equity.

As the transaction met the requirements of a qualified public offer in accordance with the terms and conditions of the convertible bonds issued in 2017, convertible bondholders were entitled to convert their bonds into new shares of the Company. By the end of the conversion period on February 14, 2019, conversion notices for the nominal value of

EUR 6.98 million of the convertible bond were submitted for conversion into new shares. The remaining bonds with a nominal value of kEUR 20 were bought back by the Company in March 2019. These transactions increased the number of shares outstanding by 170,772. Subsequently, Marinomed cancelled the listing of the convertible bond on the Third Market of Vienna Stock Exchange on March 20, 2019.

As of December 31, 2019 the number of shares outstanding amounts to 1,469,772, the authorised capital to 500,000 shares and the conditional capital to 100,000 (thereof 43,694 to serve ESOP 2019). 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 accordance with IFRS 2.7 expenses from ESOP 2019 amounting to kEUR 427 were accounted for in capital reserves.

24. Investment from silent partnerships

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

The development of the silent partnerships was as follows:

Year ended December 31 all amounts in kEUR	**2019**	**2018**
Amortised cost as of January 1	-	-
Contributions	-	-
Adjustments to amortised costs	-	-
De-recognition/Settlement by issued equity instruments	-	-
Amortised cost as of December 31	**-**	**-**

Amortised cost of the silent partnerships consists of the following:

Year ended December 31 all amounts in kEUR	**2019**	**2018**
Contributions	-	1,205.0
Attributable losses	-	–1,205.0
Amortised cost	**-**	**-**

Basic valuation and recognition principles

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

Upon termination of the silent partnership agreements, the Company has to settle its obligation vis-à-vis the silent partner in cash. Accordingly, the Company does not have the ability to avoid a cash payment to settle the liability, but has a contractual obligation to pay the silent partners (i.e. not at the discretion of the Company). Therefore, the silent partnership agreements are classified as a financial liability according to IAS 32.11. According to IAS 39 (now IFRS 9) contributions of the silent partner have been initially measured at fair value and subsequently at amortised cost. Amortised cost in this sense is taken as the original paid in amount plus cumulative profit allocations less cumulative loss allocations and dividend payments made. As the silent partners do not have an additional funding obligation, amortised costs cannot go below EUR 0 after loss allocations. The amount payable on demand as of December 31, 2018 amounted to EUR 0.

Based on a contribution in kind and incorporation agreement dated November 15, 2018 as well as a deed of variation dated December 30, 2018, the investment from silent partnerships was contributed to the Company against transfer of existing shares to the silent partners by the existing shareholders subject to the condition precedent of a successful IPO of Marinomed Biotech AG, which was fulfilled on February 1, 2019. The Company did not have to settle any amount in cash to the silent partners at any time.

According to a separate call option agreement dated November 30, 2018, as amended by an amendment agreement dated December 30, 2018, the silent partners granted the Company a call option to acquire the shares received for the contribution in kind and incorporation. The effectiveness of the option agreement was subject to the condition precedent of a successful IPO and further gross proceeds from the IPO of at least EUR 30 million. As gross proceeds came out below the EUR 30 million, the condition precedent was not met and the option did not become effective.

25. Borrowings

Borrowings consist of the following items:

Year ended December 31 all amounts in kEUR	2019	2018
Non-current borrowings		
EIB loan	4,062.1	-
AWS Seed loan	415.8	1,111.8
Lease obligations	27.5	61.7
Total non-current borrowings	**4,505.4**	**1,173.5**
Current borrowings		
EIB loan	7.6	-
AWS Seed loan	48.8	-
FFG loans	-	1,391.1
Shareholders' loans	-	2,305.1
Lease obligations	78.7	19.5
Total current borrowings	**135.2**	**3,715.6**
Total borrowings	**4,640.6**	**4,889.2**

The maturity of borrowings is as follows:

Year ended December 31 all amounts in kEUR	2019	2018
No later than 1 year	135.2	3,715.6
Later than 1 year and no later than 5 years	4,505.4	1,173.5
Later than 5 years	-	-
Total borrowings	**4,640.6**	**4,889.2**

Borrowings were restructured during the 2019 financial year. Using the proceeds from the public offering, the FFG loans in the amount of kEUR 1,391, the shareholder's loans in the amount of kEUR 2,305 as well as the face value of the AWS Seed loan amounting to kEUR 500 were repaid. The accrued and unpaid interest relating to the AWS Seed loan now has a lower interest rate and will be repaid over the coming years. On the other hand, the European Investment Bank (EIB) committed to a EUR 15 million Venture Loan. The first tranche of the loan in the amount of kEUR 4,000 was drawn down at October 14, 2019, which increased the borrowings.

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, 2019	Maturity date	Weighted nominal interest rate	Weighted average effective interest rate
EIB loan	4,000.0	4,069.7	14.10.2024	7.50%	14.71%
AWS Seed loan	619.9	464.7	undefined	2.00%	2.00%
Leasing	61.7	61.7	03.11.2020 - 31.03.2023	2.92%	2.92%

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

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

Year ended December 31 all amounts in kEUR	2019	2018
Carrying amount		
FFG loan	-	1,391.1
AWS Seed loan	464.7	1,111.8
EIB loan	4,069.7	-
Total	**4,534.4**	**2,502.9**
Fair Value		
FFG loan	-	1,269.2
AWS Seed loan	464.7	803.9
EIB loan	4,069.7	-
Total	**4,534.4**	**2,073.2**

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

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

R&D support loans – FFG loans and aws Seed loan

Following the IPO in February 2019, the FFG loan in the amount of kEUR 1,391 was repaid to Österreichische Forschungsförderungsgesellschaft mbH as contractually required. As of December 31, 2019 the Company therefore showed a FFG loan with a nominal amount of kEUR 0 (2018: kEUR 1,391). The loan carried a fixed interest rate of 2.00% p.a. According to IAS 20.10A, the differences between the nominal interest rates of these loans and the market rate of interest, estimated at 15.0% (see above), are treated as a government grant and recognised over the term of the corresponding financial liabilities. As the Company has applied IAS 20 prospectively to government loans existing at the date of transition to IFRS according to IFRS 1.B10, the benefit of a government loan at a below-market rate of interest has only been recognised for government loans that became effective or for which tranches have been paid out after the date of transition to IFRS.

In 2018 a further three loans from FFG amounting to kEUR 351 were converted into non-repayable grants.

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 for supporting start-up companies. In case of the Company, aws granted the loan for the purpose of supporting the development of the Company’s antiviral medical devices.

The aws Seed loan has a term of 10 years including a grace period of 5 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. In case of a profit generated by the Company, 30% of the profit before tax (adjusted for certain items) has to be used to repay the loan. 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, 2018 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 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 will be June 30, 2020.

Shareholders' loans

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

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

In 2018 a partial repayment of the shareholders' loan with an amount of kEUR 89.3 was made.

The loans are provided to support the Company's R&D activities and working capital requirements. The term of the loans was extended for one year and ended on December 31, 2019. The loans carry fixed interest of 10% p.a., which has to be paid annually until 5 working days after the end of each calender year. The nominal amount has to be repaid in full at the end of the loan term. However, the Company was entitled to request conversion of the loans into non-repayable shareholders' contributions upon fulfillment of certain conditions which were not be fulfilled until due date.

Due to the fact that the interest rate in the loan agreements was below the market rate, the market rate of interest (estimated at 15.0% p.a. in 2017) has been taken into account to calculate the fair value of the loans at inception. The difference between the fair value and the amounts received was recognised directly in equity.

As per the resolution of the supervisory board on April 11, 2019, the shareholder loans in the amount of kEUR 2,305 were repaid ahead of maturity in June 2019 in order to save interest expenses until year end.

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

all amounts in kEUR	2019	2018
Carrying amount as of January 1	2,305.1	2,389.9
Repayment of shareholders' loan	–2,262.7	–89.3
Adjustment of carrying amount (according to IFRS 9:B5.4.6)	-	–193.4
Effective interest accrued	307.6	436.4
Interest paid	–350.1	–238.5
Carrying amount as of December 31	**-**	**2,305.1**

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 3 tranches in total is set to take place from 2019 to 2022 and is subject to the achievement of certain contractually defined milestones. The maturity of all tranches is 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.

Leases

The Company leases laboratory equipment, office premises and a vehicle.

Under the terms of the laboratory equipment and office premises leases, there is no residual value guaranteed.

Under the terms of the vehicle lease, a residual value with an amount of kEUR 14.9 is guaranteed.

Year ended December 31 all amounts in kEUR	**2019**	**2018**
Commitments in relation to leases are payable as follows:		
Within one year	66.6	21.5
Later than one year but not later than five years	28.1	48.9
Later than five years	-	-
Minimum lease payments	**94.7**	**70.5**
Guaranteed residual value	14.9	14.9
Future finance charges	–3.4	–4.2
Recognised lease liabilities	**106.2**	**81.2**
The present value of lease liabilities is as follows:		
Within one year	78.7	19.5
Later than one year but not later than five years	27.5	61.7
Later than five year	-	-
Total lease liabilities	**106.2**	**81.2**

26. Convertible bond

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

The bond bears interest at a rate of 4% p.a. as from the interest commencement date, i.e. July 14, 2017. Interest is payable annually in arrears at the end of each one-year period, i.e. on July 14 of each calendar year. In case of a Trade Sale or Licence Payment (both as defined in the Terms and Conditions of the Bond) the Company is obliged to pay a Trade Sales Premium/Licence Payment Premium together with the redemption amount on the Maturity Date.

As the IPO in February 2019 met the requirements of a qualified public offer in accordance with the terms and conditions of the convertible bonds issued in 2017, convertible bondholders were entitled to convert their bonds into new shares of the Company. By the end of the conversion period on February 14, 2019, conversion notices for a nominal value of kEUR 6,980 of the convertible bond were submitted for conversion into new shares. The remaining bonds with a nominal value of kEUR 20 were bought back by the Company in March 2019. Subsequently, Marinomed cancelled the listing of the convertible bond on the Third Market of Vienna Stock Exchange on March 20, 2019.

The development of the convertible bond was as follows:

all amounts in kEUR	2019	2018
Carrying amount as of January 1	5,714.3	5,073.1
Conversion	–5,819.2	-
Repurchase	–24.8	-
Effective interest accrued	130.2	921.2
Interest paid	–0.5	–280.0
Carrying amount as of December 31	**-**	**5,714.3**
Thereof		
Current	-	*131.2*
Non-current	-	*5,583.1*

The fair value of the convertible bond (excluding the equity conversion rights) amounted to kEUR 6,228 as of December 31, 2018 and is based on discounted cash flows using an interest rate of 15.0%, which was considered to be the best estimate for a market interest rate for the Company. It is classified as level 3 fair values in the fair value hierarchy (see Note 20) due to the use of unobservable inputs.

Basic valuation and recognition principles

The convertible bond represents two financial instruments: an interest bearing loan and an option in the form of an equity conversion right for the holders of these instruments. The loan feature of the contract represents a host debt contract that is accounted for at fair value at inception, net of transaction costs incurred, in line with IFRS 9.5.1.1 (previously IAS 39.43) and subsequently at amortised cost following the effective interest method.

The loan feature also includes the contingent payment of a Trade Sales Premium and/or Licence Payment Premium, which represents a financial liability containing a contingent settlement provision. Any adjustments to the underlying cash flow projections and probabilities of such premiums are taken into consideration, with any fluctuations being recognised in line with IFRS 9 B5.4.6 (previously IAS 39 AG 8) in the line items finance income or finance expense.
Due to the fact that the conversion price is not fixed but dependent on future developments, the equity conversion right is considered a financial liability in accordance with IAS 32. The conversion right represents an embedded derivative, which is separated from the host contract and accounted for at fair value at inception and in subsequent periods with changes in fair value being recognised as profit or loss in the financial result line item in the statement of profit or loss and other comprehensive income (loss).

Upon initial recognition the fair value of the host contract (loan) was estimated using a market interest rate of 15.0% p.a. The fair value of the embedded derivative (equity conversion right) resulted from the difference between the fair value of the hybrid (combined) instrument and the fair value of the host contract in line with IAS 39.13 in 2017. As of December 31, 2018 the fair value of the equity conversion right was estimated based on the lower end of the price range for the shares offered in the course of the planned IPO as published in the respective prospectus dated November 16, 2018, i.e. EUR 75.00 per share, in line with IFRS 9.4.3.3. This amount also equals the share price finally accomplished in the course of the IPO in February 2019.

27. Other financial liabilities

Other financial liabilities include the following items:

Year ended December 31 all amounts in kEUR	2019	2018
Equity conversion right	-	7,132.0
Total other financial liabilities	**-**	**7,132.0**

The equity conversion rights from the convertible bond represent embedded derivatives that are not closely related to the host debt and consequently accounted for separately at fair value through profit or loss (see Note 20). The development of the fair value of the conversion rights was as follows:

Year ended December 31 all amounts in kEUR	2019	2018
Fair value as of January 1	7,132.0	1,464.4
Fair value adjustment	336.6	-
Conversion	–7,468.6	5,667.6
Fair value as of December 31	**-**	**7,132.0**

Refer to Note 26 for more details on the conversion and the fair value changes.

28. Trade payables

Year ended December 31 all amounts in kEUR	2019	2018
Trade payables	1,002.4	2,014.5
Total trade payables	**1,002.4**	**2,014.5**

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

29. Current contract liabilities and other liabilities

Current contract liabilities and other liabilities include the following items:

Year ended December 31 all amounts in kEUR	**2019**	**2018**
Other non-current liabilities		
Grant – below market rate	104.1	-
Total other non-current liabilities	**104.1**	**-**
Current contract liabilities and other current liabilities		
Clinical studies	583.4	-
Employee bonuses	435.2	-
Grant – below market rate	51.2	-
Social security and payroll related taxes	109.0	118.0
Accounting, tax and audit services	43.6	92.7
Unconsumed vacation	203.2	173.5
Overtime	16.8	21.6
Contract liability	-	7.7
Others	173.0	547.0
Total current contract liabilities and other current liabilities	**1,615.4**	**960.5**
Total contract liabilities and other liabilities	**1,719.5**	**960.5**

The increase in current contract liabilities and other current liabilities primarily relates to two positions. In 2019, Marinomed prepared for a number of clinical studies together with external service partners. Contractually, payments to these partners for the studies do not fall due before the fulfilment of certain milestones. The company records the respective liability based on the degree of completion of work packages. In addition, Marinomed granted its employees bonus payments for the fiscal year 2019 in December, which will be paid out in 2020.

30. Provisions

Provisions include the following items:

all amounts in kEUR	Warranty provision	Other provisions
Carrying amount at January 1, 2018	750.0	13.0
Use/Release	-	-
Additions	-	57.0
Carrying amount at December 31, 2018	750.0	70.0
Use/Release	-	–57.0
Additions	-	510.0
Carrying amount at December 31, 2019	**750.0**	**523.0**

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

Other provisions include expected contractual payments in connection with the relocation of the company headquarters (kEUR 510).

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).

31. Shares in affiliated companies

Shares in affiliated companies relate to Marino Immo GmbH, a wholly owned subsidiary of Marinomed Biotech AG based in Vienna, which was incorporated on August 3, 2019. At the moment the company does not conduct any operating activity. The 2019 financial statements have not yet been published.

Basic valuation and recognition principles

Shares in affiliated companies are measured at amortised cost.

32. Contingencies

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

33. 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 conduct 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:

Year ended December 31 all amounts in kEUR	**2019**	**2018**
No later than 1 year	6,152.8	1,439.1
Later than 1 year and no later than 5 years	71.5	62.2
Later than 5 years	0.0	0.0
Total	**6,224.3**	**1,501.3**

34. Related party transactions

Key management benefits

In 2019 the members of the management board of the Company were:

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

In 2019 expenses for salaries and short-term employee benefits of members of the management board amounted to kEUR 1,458 (2018: kEUR 472). In 2019 these amounts included expenses for the Employee Stock Option Plan amounting to kEUR 223. No long-term employee benefits or termination benefits were paid in 2018 and 2019.

Supervisory board compensation

The Company has had a statutory supervisory board since 2017. The supervisory board ("Aufsichtsrat"), which supports management in commercial and scientific matters, consisted of the following members in 2019:

- Simon Nebel, Viopas Venture Consulting GmbH, Uster, Switzerland (chair, since June 2, 2017)
- Ute Lassnig, Laureo Corporate Finance GmbH, Vienna, Austria (deputy chair, since June 2, 2017)
- Karl Lankmayr, aws Mittelstandsfonds Beteiligungs GmbH & Co KG, Vienna, Austria (since June 2, 2017)
- Gernot Hofer, Invest Unternehmensbeteiligungs Aktiengesellschaft, Linz, Austria (since June 2, 2017)
- Brigitte Ederer (since November 21, 2018)

The aggregate compensation of the members of the supervisory board amounted to kEUR 186 (2018: kEUR 137).

Simon Nebel (chair of supervisory board) and Laureo Corporate Finance GmbH (100% owned by Ute Lassnig, deputy chair of the supervisory board) participated in the convertible bond issued in 2017 in the aggregate amount of kEUR 70 until conversion. For further details regarding the conversion of the convertible bond in February 2019 and contractual agreements, please refer to Note 26.

In the reporting period the Company entered into a consultancy contract with the chairman of the supervisory board in relation to certain business development activities. In the fiscal year 2019 expenses related to this contract amounted to kEUR 35.

Shareholders' loans

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

In 2018, a partial repayment in the amount of kEUR 89 was made. The following shareholders participated in these loans:

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

As per the resolution of the supervisory board on April 11, 2019, the shareholder loans in the amount of kEUR 2,305 were repaid ahead of maturity in June 2019 in order to save interest expenses until year end.

For further details and contractual agreements, please refer to Note 25.

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

35. 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	**2019**	**2018**
Audit fees financial statements	40.0	40.0
Other assurance services	15.0	136.8
Tax advisory services	4.8	26.4
Other advisory services	221.9	61.4
Total	**281.7**	**264.6**

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

36. Events after the reporting period

The Covid-19 crisis at the end of 2019 has so far developed into a global pandemic. Due to the exponential spread of the virus, the numerous deaths and the associated strain on the health systems worldwide, numerous countries have placed massive restrictions on liberty rights and economic activity. These include, in particular, the closure of shops in entire sectors (essentially all areas apart from those for basic services such as food, pharmaceuticals, etc.),

sometimes rigid curfews, street and event bans, border controls as well as the introduction of minimum spaces with direct impact also on office operations. Starting from its origins in Asia and after the European Union, the United States are currently the worst affected by the Covid-19 pandemic. However, the virus has already reached all continents and serious consequences are still to be feared, especially in developing countries with poorer medical care.

As an internationally active company, Marinomed is embedded into the world economy. Although it is not possible to predict the long-term effects the pandemic will have on the global economy, there is an increased risk that the global economic climate will deteriorate and that the downturn will continue across all continents. While the life sciences sector is less sensitive to changes of this nature, it may become more difficult to maintain a continuous supply chain and the slowdown in economic growth may lead to lower customer demand. There will be delays in conducting the planned clinical studies for both platforms, because in particular allergy studies are prevented by the current official restrictions.

On the other hand, Carragelose® based products have clinically proven to be active against respiratory viruses. On that basis, it becomes evident that the seasonally weaker first half of the year will not show the typical decline in revenues in 2020. It is currently not possible to reliably predict whether this trend is sustainable. This is because the SARS-CoV-2 virus is originally not a human virus and there is no clinical data available on the effectiveness of Carragelose® against the new virus. Clearly and with high priority, Marinomed puts a lot of effort in producing corresponding results from clinical studies. But there remains the risk that these trials will not yield the desired results. Funds for conducting the studies are available through the Company's financial resources and should be complemented by national and international governmental programs.

The Company’s financial statements were approved by the Managing Board for submission to the Supervisory Board on April 15, 2020.

The Supervisory Board is responsible for reviewing and acknowledging the Company’s financial statements.

.....
Vienna, 15.04.2020
Andreas Grassauer

.....
Vienna, 15.04.2020
Eva Prieschl-Grassauer

.....
Vienna, 15.04.2020
Pascal Schmidt

Auditor's report

Report on the financial statements

Audit opinion

We have audited the financial statements of Marinomed Biotech AG, Vienna. These financial statements comprise the statement of financial position as of December 31, 2019, the income statement for the fiscal year then ended and the notes.

Based on our audit the accompanying 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 Company as of December 31, 2019 and its financial performance for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). 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 is sufficient and appropriate to provide a basis for our opinion.

Our responsibility and liability as auditor is guided by Section 275 par. 2 Austrian Company Code UGB (liability regulations for the audit of small and medium-sized companies) and is limited to a total of 2 million Euros towards the Company and towards third parties.

Key audit matters

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

We considered the following matter as a key audit matter and present further information on the following page.

- Accounting for the employee stock option program (ESOP)

Accounting for the employee stock option program (ESOP)

Situation and reference to further information

On February 1, 2019 Marinomed Biotech AG established an employee stock option program (ESOP) for members of the management board and for all employees of the Company. The number of options granted during the fiscal year 2019 as part of the ESOP amounts to 42,287.

The general conditions of the stock option program provide for a remuneration commitment in several instalments. The exercise of these options is based on various conditions (ie market conditions). These conditions are described in the notes to the financial statements. The method of valuation needs to consider the characteristics of the stock option program.

The requirements of IFRS 2 have been observed when accounting for the ESOP. The accounting of the ESOP bears a material risk of material misstatement in the financial statements due to the high complexity. Furthermore, a material risk is the uncertainty of estimation of the underlying judgments.

A Monte Carlo simulation was chosen as valuation method. The valuation of the options at grant date is subject to significant estimates and judgements, especially in connection with the input factors of the Monte Carlo simulation, especially concerning the parameters of the Monte Carlo simulation. In this regard we refer to the information in the notes.

Further information can be found in chapter 9. of the notes to the financial statements.

Audit response

We studied the structure and general conditions of the stock option program and assessed whether the accounting principles of IFRS 2 were used appropriately.

We assessed the appropriateness of the option valuation model selection and the valuation parameters which were applied in this context. The significant parameters of the Monte Carlo simulation were examined and were subject to a plausibility check performed with market data. The valuation was checked for arithmetical accuracy and for correct integration of the underlying parameters.

On a sample basis we verified with the corresponding supporting documents (resolutions, grant letters, ESOP framework conditions) that the options have been granted.

As part of our examination of the notes to the financial statements, we paid attention to the correct fulfillment of disclosure obligations related to the ESOP.

Responsibilities of management for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 International 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 financial statements.

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

We also:

- identify and assess the risks of material misstatement of the 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report on other legal and regulatory requirements

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the management report and the auditor's report thereon. The annual report is estimated to be provided to us after the date of the auditor's report. Our opinion on the 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 financial statements, our responsibility is to read the other information, as soon as it is available, and, in doing so, to consider whether — based on our knowledge obtained in the audit — the other information is materially inconsistent with the financial statements or otherwise appears to be materially misstated.

Vienna, April 15, 2020

BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Klemens Eiter
Certified Public Accountant

Mag. (FH) Georg Steinkellner
Certified Public Accountant

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 financial statements of Marinomed Biotech AG for the year ended December 31, 2019 voluntarily prepared in accordance with the International Financial Reporting Standards (IFRS) give a true and fair view of the assets, liabilities, financial position, and profit or loss of Marinomed Biotech AG and that the management discussion and analysis for the year ended December 31, 2019 give a true and fair view of the development and performance of the business and the position of Marinomed Biotech AG, together with a description of the principal risks and uncertainties Marinomed Biotech AG faces.

We confirm to the best of our knowledge that the financial statements of Marinomed Biotech AG for the year ended December 31, 2019 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 Marinomed Biotech AG and that the management report for the year ended December 31, 2019 gives a true and fair view of the development and performance of the business and the position of Marinomed Biotech AG, together with a description of the principal risks and uncertainties Marinomed Biotech AG faces.

Vienna, April 15, 2020

The Management Board
of Marinomed Biotech AG

Legal notice

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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 2020.


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