Financial Statements as at 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the European Union

AUDITOR'S REPORT

Probiodrug AG
Halle (Saale)

KPMG AG Wirtschaftsprüfungsgesellschaft

STATEMENT OF FINANCIAL POSITION as at 31 December 2017

Probiodrug AG, Halle (Saale)

	NOTES	31/12/2017 EUR k	31/12/2016 EUR k
ASSETS			
Noncurrent assets			
Intangible assets	3.3/6.1	11	96
Plant and equipment	3.4/6.2	55	68
Financial assets	3.6	3	3
Total noncurrent assets		**69**	**167**
Current assets			
Other assets	6.3	402	302
Cash and cash equivalents	3.7/6.4	10,291	21,897
Total current assets		**10,693**	**22,199**
Total assets		**10,762**	**22,366**
EQUITY AND LIABILITIES			
Equity			
Share capital	6.5	8,208	8,187
Additional paid-in capital		48,678	48,286
Accumulated other comprehensive income		-387	-530
Accumulated deficit		-47,576	-39,567
Total equity		**8,923**	**16,376**
Noncurrent liabilities			
Pension liability	3.9/6.6	1,171	850
Total noncurrent liabilities		**1,171**	**850**
Current liabilities			
Tax liabilities	6.7.1	0	2,739
Provisions	3.10	12	53
Trade payables		344	1,893
Other current liabilities	6.7.2	312	455
Total current liabilities		**668**	**5,140**
Total liabilities		**1,839**	**5,990**
Total equity and liabilities		**10,762**	**22,366**

STATEMENT OF COMPREHENSIVE LOSS
for the period from 1 January to 31 December 2017

Probiodrug AG, Halle (Saale)

	NOTES	*01/01-31/12* 2017 EUR k	2016 EUR k
Research and development expenses	5.1	-7,454	-10,951
General and administrative expenses	5.2	-2,511	-2,909
Other operating income		4	83
Operating loss		**-9,961**	**-13,777**
Finance income	5.4	862	0
Finance expense		-12	-114
Finance income/(expense), net		**850**	**-114**
Income tax gain	5.4	**1,102**	**0**
Net loss for the period		**-8,009**	**-13,891**
Items not to be reclassified subsequently to profit or loss			
Remeasurement of the net defined benefit pension liability		143	-31
Total other comprehensive income (loss)		**143**	**-31**
Comprehensive loss		**-7,866**	**-13,922**
Loss per share in EUR (basic and diluted)	6.5.1	-0.98	-1.82

STATEMENT OF CASH FLOWS
for the period 1 January to 31 December 2017

Probiodrug AG, Halle (Saale)

	NOTES	2017 EUR k	2016 EUR k
Net loss for the period		**-8,009**	**-13,891**
Finance income/expense	*5.4*	-850	114
Depreciation and amortization		106	97
Share based payment expenses	*6.5.2.1*	286	650
Payment for cancellation of stock options		0	-400
Income taxes paid	*6.7.1*	-775	0
Income taxes received		0	1
Income from income taxes	*5.4*	-1,102	0
Unrealised foreign currency loss		75	0
Changes in other assets		-100	62
Changes in pension liabilities		-15	-19
Changes in provisions		-41	11
Changes in trade payables		-1,549	264
Changes in other liabilities		-143	-144
Cash flows from operating activities		**-12,117**	**-13,255**
Purchase of plant and equipment		-7	-7
Purchase of intangible assets		-1	-117
Proceeds from termination of pension liabilities insurance		467	0
Cash flows from investing activities		**459**	**-124**
Proceeds from issuance of common shares		127	14,886
Transaction costs of equity transaction		0	-971
Cash flows from financing activities		**127**	**13,915**
Net decrease/increase in cash and cash equivalents		**-11,531**	**536**
Cash and cash equivalents at the beginning of period		**21,897**	**21,361**
Effect of exchange rate fluctuation on cash held		**-75**	**0**
Cash and cash equivalents at the end of period		**10,291**	**21,897**

STATEMENT OF CHANGES IN EQUITY as at 31 December 2017

Probiodrug AG, Halle (Saale)

	Share capital	Additional paid-in capital	Accumulated other comprehensive income	Accumulated deficit	Total equity
	EUR k	EUR k	EUR k	EUR k	EUR k
1 January 2016	7,442	34,866	-499	-25,676	16,133
Expenses recognised directly in equity	0	0	-31	0	-31
Net loss for the period	0	0	0	-13,891	-13,891
Comprehensive loss for the period	0	0	-31	-13,891	-13,922
Issuance of common shares less transaction costs	745	13,170	0	0	13,915
Share based payments	0	650	0	0	650
Cancellation of stock options	0	-400	0	0	-400
	745	13,420	-31	-13,891	243
31 December 2016	8,187	48,286	-530	-39,567	16,376
Income recognised directly in equity	0	0	143	0	143
Net loss for the period	0	0	0	-8,009	-8,009
Comprehensive loss for the period	0	0	143	-8,009	-7,866
Issuance of common shares less transaction costs	21	106	0	0	127
Share based payments	0	286	0	0	286
	21	392	143	-8,009	-7,453
31 December 2017	8,208	48,678	-387	-47,576	8,923

Probiodrug AG, Halle (Saale)

Notes to the financial statements

1. Company information

Probiodrug AG, Halle (Saale), (hereinafter also referred to as "Probiodrug" or the "Company"), has activities in the areas of research and development, preclinical and clinical trials. The product candidate pipeline currently includes a number of research and development programs with a focus on the main program, the inhibition of the enzyme Glutaminylcyclase or QC for the treatment of Alzheimer's disease and other diseases.

Probiodrug AG is a German stock corporation. The Company was formed by virtue of the Articles of Association dated 25 July 1997 and is registered in the commercial register of the district court of Stendal under commercial registry number 213719. The Company's legal seat is Weinbergweg 22, 06120 Halle (Saale), Germany.

Effective 27 October 2014, Probiodrug AG listed bearer shares under the symbol "PBD" with ISIN DE0007921835 on the EURONEXT Amsterdam.

2. Financial statements

2.1. Basis of preparation of the financial statements

The financial statements of Probiodrug were prepared in accordance with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board and the Interpretations of the International Financial Reporting Interpretations Committee/ Standing Interpretations Committee (IFRIC/SIC), as endorsed by the European Union.

The financial statements are presented in thousands of Euro (EUR k). Unless otherwise noted, all amounts are in thousands of Euro (EUR k). Amounts have been rounded. As a result, rounding differences may occur.

In accordance with IAS 1, the statement of comprehensive loss was prepared classifying the expenses by function; the classification of the statement of financial position was based on current and noncurrent distinction. Probiodrug classifies all amounts expected to be recovered or settled within twelve months after the reporting period as current and all other amounts as noncurrent.

The financial statements were prepared on the historical cost basis.

2.2. Foreign currency translation

The functional currency is the Euro, which is the reporting currency of Probiodrug.

Monetary assets and liabilities in a foreign currency are recognised at the exchange rate in effect on the date of the transaction and later at the rate in effect on the reporting date. Differences resulting from foreign currency translation are recognised in research and development and general and administrative expenses in the statement of comprehensive loss.

2.3. Presentation of statement of comprehensive loss

The line items include research and development expenses and general and administrative expenses. All expenses with respect to research and development as well as expenses incurred for supplied research services are presented in research and development expenses.

3. Summary of significant accounting policies

3.1. Changes in accounting policies

The accounting policies applied principally correspond to those applied in the prior years.

With an effective date 1 January 2017, the following amended standards and interpretations were required to be applied for the first time:

- Amendments to IAS 7, "Disclosure Initiative"
- Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"
- Improvements to IFRSs 2014 – 2016: Cycle: Amendments to IFRS 12 "Disclosure of Interests in other entities"

The amendments listed did not have a significant impact on the financial statements of Probiodrug.

3.2. Determination of fair values

IFRS 13, „Fair Value Measurement", establishes a uniform definition for measurement at fair value. Fair value is defined as the price at the measurement date that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. Where appropriate, further information as to the assumptions made in the determination of the fair value is included within the specific disclosures for the respective line items of the statement of financial position as well as the statement of comprehensive loss.

3.3. Intangible assets

The intangible assets acquired by Probiodrug are recognised at cost less accumulated amortisation as well as any impairment losses which may have been recognised. The amortisation is recognised on the straight-line basis over the expected useful life. The expected useful life ranges from three to five years.

3.4. Plant and equipment

Plant and equipment are recognised at cost less accumulated depreciation as well as any accumulated impairment losses which may have been recognised. Depreciation is recognised on the

straight-line basis over the useful life. The useful life for operating and office equipment ranges from three to ten years; for laboratory equipment from five to 10 years.

3.5. Impairment of noncurrent assets

The intangible assets as well as plant and equipment are assessed for impairment when there is an indication of an impairment.

An impairment expense is recognised when the carrying amount of an asset or a cash generating unit exceeds the recoverable value as of the reporting date. The Company determined that it has one cash generating unit. The recoverable value is the higher of the amount representing the fair value less costs of disposal and the value in use. The fair value reflects the estimate of the amount which an independent third party would pay as of the measurement date for the asset or cash generating unit. In contrast, the value in use is the (risk adjusted) present value of the future cash flows which can realistically be expected to be generated from the continued use of the cash generating unit.

3.6. Financial assets and liabilities

A financial asset or a liability is recognised when the entity becomes a party to the contractual provisions of the instrument.

All financial assets or liabilities are initially recognised at fair value.

The financial assets of Probiodrug comprise cash and cash equivalents and noncurrent financial assets being equity interests in BIO Mitteldeutschland GmbH, Halle (Saale).

The financial liabilities of Probiodrug comprise trade payables. Subsequent to their initial recognition, financial liabilities are measured at amortised cost. Financial liabilities are derecognised when the contractual obligation has been met, is waived or has expired.

3.7. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances which are recognised at their nominal values.

3.8. Stock options and phantom stock option programs

Probiodrug grants equity-settled share based payments in the form of option rights to employees and other beneficiaries (consultants of the Company). The stock option programs allow the grantees to acquire the Company's shares. The accounting for the stock options is at fair value in accordance with IFRS 2. The fair value is determined at the grant date and is allocated over the vesting period. The fair value is determined on the basis of the Monte-Carlo-simulation model. The fair value of the stock options granted is recognised as research and development or general administrative expenses with a corresponding increase in equity (additional paid-in capital). The expenses recognised are adjusted to reflect the number of option rights that are forfeited.

In addition, prior to the periods presented, phantom stock options were issued to management, board members and consultants. In specific cases, the holders were entitled to a cash payment amounting to the difference between the fair value of an equity instrument and the exercise price in conjunction with an initial public offering, a merger or a takeover of Probiodrug.

3.9. Pensions

Probiodrug has defined benefit pension commitments to two individuals. The pension commitments include entitlements to disability, retirement and survivor benefits in amounts specifically determined for these two individuals.

The pension commitments (defined benefit plans) are accounted for using the projected unit credit method in accordance with IAS 19. The measurement of the pension provision is based on actuarial calculations. The discount rate used represents the market yield at the end of the reporting period for high-quality fixed-rate corporate bonds.

The defined benefit obligation and the related current service cost is based on the benefit to the period of service under the defined benefit plan's formula. Actuarial gains and losses are immediately recognised in equity in other comprehensive income. The fair value of the plan assets (insurance amount) is deducted from the gross pension obligation. The proceeds resulting from the insurance policy qualify as plan assets as they can only be used to make payments to the beneficiaries. As a result of those policies being pledged to the beneficiaries, even in the case of insolvency, they are not available to the Company's creditors. In 2017, one of these insurances has expired. The insurance amount was paid to Probiodrug and therefore no longer serves as a plan asset.

The remeasurement amount recognised in other comprehensive income (loss) comprises the actuarial gains and losses resulting from the measurement of the gross pension obligation of defined benefit plans and the difference between the realised return on plan assets and the expected return at the beginning of the period based on the discount rate of the corresponding gross defined benefit obligation. Actuarial gains and losses result from changes in actuarial assumptions.

Service costs are recognised within the expenses by function. The net interest expense associated with defined benefit plans is presented in finance expenses.

3.10. Provisions

Provisions are recognised for present obligations which result from past events for which the timing of the future payment is uncertain.

The amount recognised as a provision is the best estimate of the amount required to settle the current obligation.

Provisions with a term in excess of one year are recognised at their discounted settlement amount giving consideration to expected cost increases. The discount rate used reflects the current market interest rate and the risks specific to the liability.

3.11. Research and development expenses

Research expenses are recognised as expenses when incurred. Costs incurred on development projects are recognised as intangible assets as at the date when it can be established that it is probable that future economic benefits attributable to the asset will flow to Probiodrug considering its technological and commercial feasibility. This is not the case before regulatory approval for commercialisation is achieved and costs can be measured reliably. Given the current stage of the development of Probiodrug's projects, no development costs have yet been capitalised. Intellectual property-related costs for patents are part of the costs for the research and development projects.

Therefore, registration costs for patents are expensed when incurred as long as the research and development project concerned does not meet the criteria for capitalisation.

The majority of Probiodrug's service providers invoice monthly in arrears for services performed or when contractual milestones are met. Probiodrug makes estimates of its accrued expenses at each reporting date in the financial statements based on facts and circumstances known to it at that time. Probiodrug periodically confirms the accuracy of its estimates with the service providers and makes adjustments if necessary.

3.12. Finance income and expense

Finance income and expense are recognised in the appropriate period applying the effective interest rate method. In addition to finance income and expense, the financial result may include income from cash and cash equivalents and gains and losses from financial instruments which are recognised in comprehensive loss. In addition, net interest expense associated with pension provisions is included.

3.13. Loss per share

Loss per share was determined in accordance with IAS 33. In the calculation of the loss per share, the results for the period attributable to the shareholders are divided by the weighted average number of shares outstanding.

3.14. New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations are effective for annual periods beginning after 31 December 2017, and have not been applied in preparing these financial statements:

Endorsed by the EU:

- IFRS 9 "Financial Instruments" (1 January 2018)
- IFRS 15 "Revenue from Contracts with Customers" (1 January 2018)
- Amendment to IFRS 15 "Effective Date of IFRS 15" (1 January 2018)
- IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (1 January 2018)
- IFRS 16 „Leases" (1 January 2019)

Not yet endorsed by the EU:

- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions" (1 January 2018)
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (1 January 2018)
- Amendments to IAS 40 "Transfers of Investment Property"
- IFRIC 23 "Uncertainty over Income Tax Treatments" (1 January 2019)
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (1 January 2019)
- Amendments to IFRS 9 „Prepayment Features with Negative Compensation" (1 January 2019)
- Improvements to IFRS 2014-2016: Changes to IFRS 1 und IAS 28 (1 January 2018)
- Improvements to IFRS 2015–2017: Changes to IFRS 3, IFRS 11, IAS 12 und IAS 23 (1 January 2019)
- IFRS 17 „Insurance Contracts" (1 January 2021)

Probiodrug is required to adopt IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018. The Company has assessed the estimated impact that the initial application of IFRS 9 and IFRS 15 will have on its financial statements. IFRS 15, Revenue from

Contracts with Customers, replaces all current standards and interpretations dealing with revenue recognition and introduces a five-step model to account for revenue. As Probiodrug is currently not generating material revenues, it may only be affected by IFRS 15 in the future when entering into collaborative arrangements or similar deals.

Probiodrug will adopt IFRS 9 initially on 1 January 2018 in accordance with IAS 8. In addition, management has elected to not restate comparative information as permitted by IFRS 9. At the date of initial application, the Company will record any difference between previous carrying amounts and those determined under IFRS 9 in opening accumulated deficit. The impact of the adoption of IFRS 9 on Probiodrug's equity as at 1 January 2018 is estimated to be nil based on assessments undertaken to date. As of 31 December 2017 Probiodrug presents immaterial financial assets, other assets, cash and cash equivalents and trade and other payables in its statements of financial position.

IFRS 16 Leases replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

Probiodrug has completed an initial assessment of the potential impact on its financial statements but has not yet completed a detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including Probiodrug's borrowing rate at 1 January 2019, the composition of Probiodrugs's lease portfolio at that date, the Company's latest assessment of whether it will exercise any lease renewal options and the extent to which the Company chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the Company will recognise new assets and liabilities for its operating leases. As at 31 December 2017, the Company's future minimum lease payments under non cancellable operating leases amounted to EUR 31k, on an undiscounted basis (refer to Note 8.1). In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight line operating lease expense with a depreciation charge for right of use assets and interest expense on lease liabilities. As a result and, except for IFRS 16, none of these new or amended standards and interpretations is expected to have a significant effect on the financial statements of the Company.

4. Significant discretionary decisions, estimates and assumptions

The preparation of the financial statements in accordance with IFRS makes it necessary for discretionary decisions to be made and estimates to be carried out which influence the measurement of assets and liabilities recognised, the disclosure of contingent liabilities and other commitments as at the reporting date as well as the presentation of income and expense.

Estimates and assumptions

The estimates and assumptions primarily relate to estimates and assumptions in connection with the management's assessment of the entity's ability to continue as a going concern and the determination of accruals for research and development services in progress. The amounts of the respective items in the statement of comprehensive loss are research and development expenses of

EUR 7,454k (2016: EUR 10,951k). The estimates for accruals at year-end are based on past experience as well as other information relating to the transactions recognised.

Going concern

Probiodrug's business model is to progress its research and development programs to a stage at which they can be commercialised through transactions with pharmaceutical companies. Until such a stage is achieved, Probiodrug is continuously required to obtain external financing for research and development activities. As a clinical stage biopharmaceutical Company, Probiodrug incurred a net loss of EUR 8,009k for the financial year 2017 and generated an accumulated deficit of EUR 47,576k at 31 December 2017. The Company anticipates operating losses to continue for the foreseeable future due to, among other things, costs related to research funding, development of its product candidates and the development of its administrative organisation.

The accompanying financial statements have been prepared on the basis that the Company will continue as a going concern, which contemplates the realisation of assets and the settlement of liabilities and commitments in the normal course of business. The Company's ability to continue as a going concern is dependent on its ability to raise additional funds to continue its research and development programs and meet its obligations.

In accordance with the present liquidity projections, the Company is funded at least through Q1 2019. These projections do not include investments for preclinical or clinical trials, but expected preparation costs. Due to the positive results of the PQ912 study in 2017, management expects to raise funds in the form of equity or debt and/or execute a partnership agreement for the further development of the pipeline until the end of second half of 2018.

Estimating accruals for research and development expenses

As part of the process of preparing the financial statements, Probiodrug is required to estimate its accrued expenses. This process involves reviewing quotations and contracts, identifying services that have been performed on its behalf, estimating the level of service performed and the associated cost incurred for the service when Probiodrug has not yet been invoiced or otherwise notified of the actual cost.

Measurement of pension obligation

The measurement of the pension provision is based on actuarial assumptions with respect to demographic developments, pension increases as well as the determination of the discount rate.

The estimates may differ from the actual amounts recognised in subsequent periods. Changes in assumptions or estimates to be made are recognised in the statement of comprehensive loss at the time that they become known. The circumstances in existence at the time of preparation of the financial statements are considered as well as the future development in the industry-related environment with respect to the expected future business development of Probiodrug.

5. Explanations of individual line items in the statement of comprehensive loss

5.1. Research and development expenses

The research and development expenses of EUR 7,454k (2016: EUR 10,951k) comprise personnel costs, costs for research and development services provided by third parties in relation to the preclinical and clinical programs, patent related legal and consulting fees, costs of laboratory materials as well as amortisation and depreciation attributable to the research and development area.

5.2. General and administrative expenses

The general and administrative expenses of EUR 2,511k (2016: EUR 2,909k) comprise personnel costs and costs of office supplies as well as amortisation and depreciation attributable to the administrative area and other operating expenses.

5.3. Supplementary disclosures

The expenses during the financial year include amortisation and depreciation of plant and equipment as well as intangible assets amounting to EUR 106k (2016: EUR 97k) as well as personnel related expenses amounting to EUR 2,159k (2016: EUR 2,832k).

In addition, expenses for defined contribution plans include the employer's contribution to the statutory pension scheme amounting to EUR 48k (2016: EUR 54k).

5.4. Finance income and Income taxes

Current income tax income and expense is based on the respective enacted tax laws and regulations. No current or deferred income taxes were recognised in 2017 and 2016. The income tax gain relating to the current period includes current taxes. The income tax gain of EUR 1,102k relates to a settlement with the fiscal authorities in 2017 resulting in the release of tax liabilities recognised in prior years to income tax gain. A further EUR 862k relates to the release of accrued interest in connection with the settlement and is presented as finance income.

For the determination of deferred taxes, a corporation tax rate of 15% plus a solidarity surcharge of 5.5% as well as the trade income tax rate of 15.75% was used for all reporting periods. Based on this, the effective tax rate as at 31 December 2017 used to determine the deferred tax assets and liabilities amounted to 31.58% (31 December 2016: 31.58%).

The significant differences between the expected and the actual income tax expense in the reporting period and the comparative period are explained below:

EUR k	**2017**	**2016**
Loss before income tax	-9,111	-13,891
Income tax rate	31.58%	31.58%
Expected tax benefits	2,877	4,387
Tax losses not recognised	-3,179	-4,368
Prior period tax effects	1,102	0
Non-deductible expenses/non-taxable income	182	-32
Other differences	120	13
Reported income tax gain	**1,102**	**0**

As at 31 December 2017, deferred tax assets attributable to tax loss carry forwards in the amount of EUR 39,643k (31 December 2016: EUR 36,619k) and to the pension liability in the amount of EUR 189k (31 December 2016: EUR 221k) were not recognised as their utilisation is not probable.

As at 31 December 2017, Probiodrug had corporate income tax loss carry forwards of EUR 125,681k and trade tax loss carry forwards of EUR 125,419k. The tax losses can be carried forward for an unlimited time.

6. Explanations on individual statement of financial position line items

6.1. Intangible assets

The intangible assets reconcile as follows:

	EUR k
Acquisition costs as at 1 January 2017	373
Additions	1
Disposals	-1
Acquisition costs as at 31 December 2017	**373**
Amortisation as at 1 January 2017	277
Additions	85
Disposals	-1
Amortisation as at 31 December 2017	**361**
Carrying value as at 1 January 2017	96
Carrying value as at 31 December 2017	**11**

	EUR k
Acquisition costs as at 1 January 2016	256
Additions	117
Disposals	0
Acquisition costs as at 31 December 2016	**373**
Amortisation as at 1 January 2016	200
Additions	77
Disposals	0
Amortisation as at 31 December 2016	**277**
Carrying value as at 1 January 2016	56
Carrying value as at 31 December 2016	**96**

Amortisation is included in the statement of comprehensive loss within research and development expenses and general and administrative expenses.

6.2. Plant and equipment

Plant and equipment reconcile as follows:

	Leasehold improvements	Other equipment, factory and office equipment	Total
	EUR k	EUR k	EUR k
Acquisition costs as at 1 January 2017	181	582	**763**
Additions	0	7	**7**
Disposals	0	-26	**-26**
Acquisition costs as at 31 December 2017	**181**	**563**	**744**
Depreciation as at 1 January 2017	167	527	**694**
Additions	7	14	**21**
Disposals	0	-26	**-26**
Depreciation as at 31 December 2017	**174**	**515**	**689**
Carrying value as at 1 January 2017	14	55	**68**
Carrying value as at 31 December 2017	**7**	**48**	**55**

	Leasehold improvements	Other equipment, factory and office equipment	Total
	EUR k	EUR k	EUR k
Acquisition costs as at 1 January 2016	181	579	**760**
Additions	0	7	**7**
Disposals	0	-4	**-4**
Acquisition costs as at 31 December 2016	**181**	**582**	**763**
Depreciation as at 1 January 2016	160	519	**679**
Additions	7	13	**20**
Disposals	0	-4	**-4**
Depreciation as at 31 December 2016	**167**	**528**	**695**
Carrying value as at 1 January 2016	21	60	**81**
Carrying value as at 31 December 2016	**14**	**54**	**68**

6.3. Other current assets

Other current assets are comprised of:

In EUR k	31 December 2017	31 December 2016
Prepayments	346	126
Value-added tax receivables	45	121
Rent deposits	7	7
Other receivables	1	45
Other assets	3	3
Total	**402**	**302**

6.4. Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and on hand. As at 31 December 2017, cash balances denominated in other currencies than the Euro amount to USD 653k (31 December 2016: USD 653k).

The net book value represents the maximum amount that is at risk. Bank balances are unrestricted.

6.5. Equity

As at 31 December 2017, Probiodrug's share capital comprised 8,208,009 registered no par common shares. As at 31 December 2016, Probiodrug's share capital comprised 8,186,735 registered no par common shares. The nominal amount per share is EUR 1.00. All shares are issued and fully paid up.

In 2016, Probiodrug's management board – with the approval of the supervisory board on 6 October 2016 – resolved to increase the share capital from EUR 7,442k by EUR 744k to EUR 8,187k through the issuance of common shares by utilising authorised capital. The proceeds from issuance of common shares amount to EUR 14,886k less transaction costs of EUR 971k.

In 2017, share capital increased by issuing 21,274 shares from the conditional capital 2010 as a result of the exercise of outstanding stock options. The conversion increased the share capital from EUR 8,186,735 to EUR 8,208,009. By resolutions of the supervisory board on 1 and 6 December 2017, section 5 (share capital) of the articles of association was changed. The corresponding entry was made in the commercial register on 13 and 28 December 2017.

Conditional Capital

As at 31 December 2017, the conditional capital amounted to EUR 2,603k and as at 31 December 2016 to EUR 2,624k, respectively. Of this amount, EUR 482k (2016: EUR 491k) is reserved as a result of the issuance of options.

By resolution of the Annual Shareholders' Meeting on 19 May 2016, the Conditional Capital 2014/1 was increased by EUR 67,650.00 to EUR 509,650. The conditional capital increase serves the fulfilment of stock option rights pursuant to Section 192 (2) number 3 of the AktG issued as part of stock option program 2014 (as resolved and amended by resolutions of the Annual Shareholders' Meetings on 29 September 2014, 10 June 2015 and 19 May 2016) or to be issued or issued as part of other stock option programs. 404,538 options are designated for current and future members of

the management board and 105,112 options are designated for current and future employees. The remaining terms of the option program apply unchanged.

In 2017, the conditional capital was reduced by EUR 21k through issuing 21,274 shares from the conditional capital 2010 as a result of the exercise of outstanding stock options.

Authorised Capital

As at 31 December 2017, the authorised capital amounted to EUR 4,093k and as at 31 December 2016 to EUR 2,977k, respectively. The authorised capital can be utilised for capital increases for contributions in cash and/or kind.

In 2017, the authorised capital 2014 to the amount of EUR 2,976,995 was cancelled. A new authorised capital 2017 was established by resolution of the general meeting of the shareholders on 13 June 2017. Probiodrug`s management board was authorised, with the approval of the supervisory board, to increase the Company`s share capital by up to EUR 4,093,367. The subscription right is excluded.

6.5.1 Loss per share

As at 31 December 2017, Probiodrug's share capital consisted of 8,208,009 common shares (31 December 2016: 8,186,735). All common shares are registered no par value common shares. The calculated nominal amount per share is EUR 1.00.

The net loss attributable to Probiodrug's shareholders amounted to EUR 8,009k in financial year 2017 (2016: net loss of EUR 13,891k).

The loss per share was calculated as follows:

	2017	2016
Weighted average number of common shares outstanding	8,188,407	7,619,398
Loss for the period	-8,009k	-13,891k
Loss per share in EUR (basic/diluted)	**-0.98**	**-1.82**

As at 31 December 2017 and 2016, no items had a dilutive effect.

6.5.2 Share based payments

6.5.2.1 Stock option programs (equity settled)

Since 2007, Probiodrug granted equity settled stock options under various stock option programs.

The key terms and conditions related to the grants under these programs are as follows; all options are to be settled by the physical delivery of shares or in cash.

Grant date/employees entitled	Outstanding Options	Vesting conditions	Contractual life of options
ESOP 2007 Granted to employees	16,208	graded vesting over four year period (50% after two years, 25% after three years and 25% after four years)	8 years; extended in 2016 to 11 years
ESOP 2010/2013 Granted to management board	54,165	graded vesting over 31 month period (33% after seven months, 33% after 19 months and remaining after 31 months)	4 to 6 years; Extended in 2016 to 9 years
ESOP 2014 Granted to management board Granted to employees	314,501 96,874	Immediate vesting on date of grant for 40%, graded vesting over 3 year period (20% each after first, second and third year) period	8 years, not exercisable before lapse of 4 years

The fair value of the options granted has been measured using the Monte Carlo-simulation. Service and non-market performance conditions attached to the option programs are not taken into account in measuring fair value.

The inputs used in the measurement of the fair values for 2014 to 2017 grants were:

	ESOP 2014
Fair value at grant date	EUR 4.84 – 10.70
Share price at grant date	EUR 11.97 – 24.80
Exercise price	EUR 12.55 – 23.60
Expected volatility	40% to 45%
Expected life (weighted average)	4 years
Expected dividends	0%
Risk free interest rate (based on government bonds)	-0.47% to 0.05%

Expected volatility has been based on the arithmetic average of historical volatilities of a peer group of four companies.

The number and weighted-average exercise prices of stock options under the stock option programs were as follows:

	2017		2016	
	Number of options*	WAEP**	Number of options*	WAEP**
Outstanding at 1 January	491,022	EUR 17.13	538,637	EUR 16.27
Forfeited during the year	0	--	-90,305	EUR 21.20
Exercised during the year	-21,274	EUR 6.00	0	--
Cash settlement	0	--	-31,734	--
Granted during the year	12,000	EUR 12.55	74,424	EUR 19.43
Outstanding at 31 December	**481,748**	**EUR 17.51**	**491,022**	**EUR 17.13**
Exercisable at 31 December	70,373	EUR 12.64	91,647	EUR 11.10

* Adjusted for the reverse stock split, **Weighted average exercise price

The stock options outstanding at 31 December 2017 had an exercise price in the range of EUR 6.00 to EUR 42.18 (31 December 2016: EUR 6.00 to EUR 42.18) and a weighted-average contractual life of 4.4 years (31 December 2016: 5.3 years). According to the terms and conditions of the stock option programs, exercise is not possible during specified blackout periods and subject to a performance criterion concerning the average stock price of Probiodrug shares during the twenty days before exercise.

No expenses associated with the stock option programs 2007 and 2010/2013 are recognised for the years 2017 and 2016, respectively, due to the complete vesting in prior periods.

The total expenses associated with the stock option program 2014 recognised in 2017 amounted to EUR 286k (2016: EUR 650k). These amounts were credited to additional paid-in capital.

In 2017, 12,000 options from the stock option program 2014 were issued to a new employee and 21,274 options from the stock option program 2010 were exercised.

6.5.2.2 Phantom stock option programs

As of 31 December 2017, 19,333 (31 December 2016: 19,333) remaining phantom stock awards are outstanding with a fair value of EUR 0k.

6.6. Noncurrent liabilities

Pension liabilities

Probiodrug has defined benefit pension plan commitments to two individuals. The pension commitments include entitlements to disability, retirement and survivor benefits in amounts specifically determined by individual.

Plan assets consist solely of pension liability insurance contracts. The asset values of the insurance contracts represent the cash surrender values and were offset against the pension obligations as the insurance contracts are qualifying insurance policies in accordance with IAS 19.

The amount of the defined benefit obligation (actuarial present value of the accrued pension entitlements) is determined on the basis of actuarial methodologies which require the use of estimates. The calculation was based on the Heubeck 2005 G mortality tables.

The measurement of the pension benefits is based on the following actuarial assumptions:

	2017	2016
Discount rate	1.86%	1.42%

The discount rate was determined based on industrial bonds with an AA rating and a comparable term.

In addition, an annual salary increase of 0% and an increase in the pension of 1.0% was assumed.

The following sensitivity analysis shows how the present value of the defined benefit pension obligation would change if the interest rate changed holding other assumptions constant:

Interest rate – 0.5%: DBO EUR 109k (31 December 2016: EUR 123k)

Interest rate + 0.5%: DBO EUR -99k (31 December 2016: EUR -111k)

Reconciliation of defined benefit obligation and plan assets

In EUR k	Defined benefit obligation	Plan assets	Pension provision (Net DBL)
Balance as of 1 January 2016	**1,522**	**-700**	**822**
Current service cost	43		43
Interest expense (+) /interest income (-)	31	-15	16
Remeasurement	**48**	**-17**	**31**
Income (-)/ expenses (+) from plan assets (without amounts included in interest expense)	-	-17	-17
Actuarial gains (-)/ losses (+)	48		48
Effects from changes in financial assumptions	49		49
Effects from changes based on experience	-1		-1
Employer's contributions	-	-62	-62
Balance as of 1 January 2017	**1,644**	**-794**	**850**
Current service cost	45	-	45
Interest expense (+)/ interest income (-)	23	-12	11
Benefit payments	-	468	468
Remeasurement	**-93**	**-50**	**-143**
Income (-)/ expenses (+) from plan assets (without amounts included in interest expense)	-	-50	--50
Actuarial gains (-)/ losses (+)	-93	-	-93
Effects from changes in financial assumptions	-95	-	-95
Effects from changes based on experience	2	-	2
Employer's contributions	-	-60	-60
Balance as of 31 December 2017	**1,619**	**-448**	**1,171**

In the reporting period, the following items associated with defined benefit obligations were recognised in the statement of comprehensive loss:

in EUR k	**2016**	**2016**
Current service cost	45	43
Net interest expense (+)/ income(-)	**11**	**16**
Interest expense associated with DBO	23	31
Interest income on plan assets	-12	-15
Total net pension expense	**56**	**59**

In 2018, plan contributions of EUR 6k are expected. The weighted average duration of the pension commitments is 13.2 years (31 December 2016: 14.6 years). The pension payments for the two beneficiaries may be due within one year.

6.7. Current liabilities

6.7.1. Tax liabilities

Regarding the tax liabilities recognised at 31 December 2016 of EUR 2,739k, a settlement with the respective fiscal authorities about the corporate income and trade tax was reached in the reporting period. According to the settlement agreement the financial authorities claimed an amount of EUR 775k including additional interests, of which EUR 766k were paid until 30 June 2017 and EUR 9k were paid in July 2017. The remaining tax liability was released to income tax gain, we refer to note 5.4.

6.7.2. Other current liabilities

	31 December 2017 EUR k	31 December 2016 EUR k
Salaries and wages	210	313
Payroll and church taxes	39	37
Other	63	105
Total	**312**	**455**

7. Disclosures with respect to financial instruments

7.1. General disclosures

A financial instrument is a contract which simultaneously gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are broken down into non-derivative and derivative financial instruments.

On the asset side, the non-derivative financial instruments primarily include cash and cash equivalents. The non-derivative financial liabilities consist primarily of trade payables.

The categories "measured at fair value through profit and loss", "financial instruments held-to-maturity" and "financial instruments available for sale" were not relevant with respect to the financial assets and financial liabilities recognised as at 31 December 2017.

7.2. Fair value measurement

All assets and liabilities, for which fair value is recognised in the financial statements, are organised in accordance with the following fair value hierarchy, based on the lowest level input parameter that is significant on the whole for fair value measurement:

- Level 1 – Prices for identical assets or liabilities quoted in active markets (non-adjusted)
- Level 2 – Measurement procedures, in which the lowest level input parameter significant on the whole for fair value measurement is directly or indirectly observable for on the market
- Level 3 – Measurement procedures, in which the lowest level input parameter significant on the whole for fair value measurement is not directly or indirectly observable for on the market

The carrying amount of other (financial) assets, cash and cash equivalents and trade and other payables is a reasonable approximation of the fair value.

7.3. Other disclosures in accordance with IFRS 7

Disclosures with respect to finance income and expense

No interest income and expense in 2017 and 2016 was recognised with respect to financial instruments.

Financial risks and risk management

7.3.1. Organisation

Risk management system, objectives and methods

In addition to operating business risks, Probiodrug is subject to the following risks as a result of the use of financial instruments: credit risks, liquidity risks, market risks and exchange rate risk. The Company has established a clear and effective organisation to monitor and control risks. To make risks controllable from the perspective of risk prevention, a risk management system has been implemented and is continuously being further developed to address the different risk areas. Predefined specific individual risks are continuously monitored using early warning signals.

The objective with respect to risk management is to define different risk management processes which make a timely identification of risks relating to quantity, probability of occurrence and damage amounts possible and which provide appropriate counter measures for those who have been named responsible for the processes.

Accordingly, in connection with a risk-oriented and forward-looking management approach, Probiodrug has developed and implemented a risk management system. The implementation of a functional risk management system is considered part of the overall leadership responsibility of management.

Responsibilities are clearly assigned to the individual organisational units which are involved in the risk management process:

Management board:

The risk management process begins with the management board which, in the course of overall management, on the basis of the risk bearing potential, provides a clear definition of the strategy, the business types, acceptable and unacceptable risks as well as the total justifiable risk.

Risk management:

Risk management is responsible for the active monitoring and controlling of the respective risk groups. Risk is reduced through risk minimisation measures undertaken and by monitoring adherence to limits.

Supervisory board:

The supervisory board has a control function with respect to all measures for risk limitation and risk management in the Company.

7.3.2. Risk groups

In connection with its business operations, Probiodrug is subject not only to operating business risks but also to a multitude of financial risks including credit risks, liquidity risks and market risks as explained below:

7.3.2.1 Credit risks

Default risks exist with respect to substantially all financial instruments recognised as assets. The amount of the financial assets defines the maximum default risk. To the extent that risks are identified for individual financial instruments, these are taken into account by recording valuation adjustments.

Probiodrug's cash balances are held by the following banks: Sparkasse (9.7%), Moody's Rating Aa2, Deutsche Bank (43.6%) Moody's Rating Baa2, BW Bank (45.8%), Moody's Rating Aa3, and Northern Trust (0.9%), Moody`s Rating (Aa2). In general, cash balances are only held with financial institutions with prime credit ratings which are subject to the depositor's guarantee fund of German banks. Investments, if made, are in financial assets which do not have any inherent risk of loss.

Maximum risk of default

The maximum default risk for financial assets without considering possible security held or other credit improvements (e.g. right to offset) is as follows:

Carrying amount as an equivalent for the maximum risk of default EUR k	31 December 2017	31 December 2016
Noncurrent financial assets	3	3
Cash and cash equivalents	10,291	21,897
	10,294	**21,900**

As of the reporting dates 31 December 2017 and 31 December 2016, the financial assets were neither impaired nor overdue.

7.3.2.2 Liquidity risk

Liquidity risks in the narrow sense exist when the Company does not have adequate funds to settle its ongoing payment obligations. The payment obligations result primarily from the ongoing cost of business operations and investing activities against which there are only minor cash receipts.

In order to manage the liquidity situation during the year, the Company utilises appropriate financial planning instruments. Matching maturities of the liquidity needs and availability is thereby assured. As at 31 December 2017, cash and cash equivalents amounted to EUR 10.3 million. The cash and cash equivalents as at 31 December 2017 provide for the Company's financing beyond the upcoming twelve months. Management believes that additional cash inflows can be generated. If the currently planned assumptions with respect to liquidity do not prove to be viable, based on the current cash reach, there could prospectively be a risk that the liquidity of the Company is insufficient.

For detailed disclosures regarding going concern and liquidity requirements see note 4.

Analysis of maturities

As of 31 December 2017, the trade payables of EUR 344k (31 December 2016: EUR 1,893k) had a maturity of up to 30 days, respectively.

7.3.2.3 Market risks

Market risks develop from a possible change in risk factors which lead to a negative change in market value of the financial assets and liabilities which are subject to this risk factor. General risk factors such as currency risks, risks attributable to changes in interest rates and price risks can be of relevance to Probiodrug.

Exchange rate risks

Currently, Probiodrug is exposed to exchange rate risks with respect to cash and cash equivalents held in USD. A change of -5% or +5% in the foreign exchange rate of the EUR compared to the USD could impact net loss and equity by EUR 29k and EUR -26k.

Exchange rate risks could further develop if a portion of the future expenses or revenues from collaboration agreements or licencing agreements are realised in US dollars or in another foreign currency.

Risk of changes in interest rates

Probiodrug does not have any interest bearing assets or liabilities to a third party. As such, there is no risk with respect to changes in interest rates.

Price risks

At present, the financial commitments of the Company (see note 8.1) do not contain variable price conditions and hence do not bear price risks.

Capital management

The primary objective of Probiodrug's capital management is to ensure that it maintains its liquidity in order to finance its operating activities and meet its liabilities when due. In accordance with the present projections the cash reach of the Company is until the second quarter 2019. Both projections do not include the investments for the further development of the pipeline beyond 2018. The future financing on which the going concern assumption is based on considers management's expectation to raise funds in the form of equity or debt and/or conduct a partnership agreement.

Probiodrug's focus on the long-term increase in the value of the Company is in the interest of its shareholders, employees and collaboration partners.

The objective is to sustainably increase the value of Probiodrug by continuing to generate positive data from studies, efficient processes in research and development, a forward-looking and value-oriented portfolio management as well as continuously increasing the level of awareness of Probiodrug and the approaches it applies in the pharmaceutical industry and, in the mid-term, the transfer of central assets of Probiodrug into industrial collaborations. To achieve this, the business and financial risks along with financial flexibility are in managements' focus.

By resolution of the general meeting of the shareholders on 10 June 2015, the management board is authorised to repurchase own shares with the approval of the supervisory board until 9 June 2020. The authorisation is limited to an amount of EUR 677k.

Probiodrug currently has three active stock option programs from the years 2007, 2010 and 2014.

Probiodrug is not subject to any capital requirements stemming from the Articles of Association.

As at 31 December 2017, Probiodrug's equity amounted to EUR 8,923k (31 December 2016: EUR 16,376k), which equates to an equity ratio of 82.9% (31 December 2016: 73.2%). The total liabilities amounts to EUR 1.839k (31 December 2016: EUR 5,990k).

8. Others

8.1. Contingencies and other financial commitments

The total of the other financial commitments as at 31 December 2017 was EUR 661k and consist of services by research and development service providers as well as of service, leasing and rental commitments. Of these commitments EUR 580k are due within one year.

8.2. Related party relationships

The following individuals and entities were considered related parties of Probiodrug during the reporting period:

a) Members of the key management of the Company or a shareholder of the Company
b) Enterprises which can be controlled by individuals within a)
c) Members of the supervisory board

Transactions with key management personnel

The remuneration of the management board comprised:

In EUR k	2017	2016
Short-term employee benefits	887	1,124
Post-employment benefits	115	122
Share-based payments	121	328
Cancellation of stock options	0	400
Total	**1,123**	**1,974**

Within the scope of the stock option program 2014, 314,501 options were issued to date to the members of the management board. More detailed information is provided in note 6.5.2.1.

The pension commitments described in note 6.6 relate to one former and one current member of the management board. The development of the pension provision is also presented there.

The remuneration of the supervisory board comprised of:

In EUR k	2017	2016
Short-term benefits	137	95
Total	**137**	**95**

Approval and release

On 9 February 2018, Probiodrug AG's management board approved these financial statements for release to the supervisory board.

Halle (Saale), 9 February 2018

Dr. Konrad Glund Dr. Hendrik Liebers Dr. Ingeborg Lues

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the net assets, financial position and results of operations of Probiodrug AG.

Halle (Saale), 9 February 2018

Management Board of Probiodrug AG

Dr. Konrad Glund Dr. Hendrik Liebers Dr. Ingeborg Lues

Independent Auditor's Report

To the Shareholders of Probiodrug AG, Halle (Saale)

Opinion

We have audited the financial statements of Probiodrug AG, Halle (Saale) ("the Company"), which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss and other comprehensive income, cash flows and changes in equity for the year then ended, and the notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those 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 requirements of German commercial law and the rules of professional conduct, and we have fulfilled our other ethical responsibilities applicable in Germany 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. 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.

Disclosure on matters related to going concern

THE RISK

We refer to the accounting policies in note 4 "Significant discretionary decisions, estimates and assumptions – Going Concern".

As a clinical stage biopharmaceutical company, Probiodrug's business model is to progress its research and development programs to a stage at which they can be commercialised through transactions with pharmaceutical companies. Until such a stage is achieved, Probiodrug is continuously required to obtain external financing for research and development activities. In 2017, Probiodrug incurred a net loss of EUR 8,009 thousand and generated an accumulated deficit of EUR 47,576 thousand as of 31 December 2017. The Company anticipates operating losses for the foreseeable future mainly due to continuous research activities, development of product candidates and the development of its administrative organisation. In accordance with the present liquidity projections, the Company expects sufficient funding until the end of the first quarter 2019. These projections do not include investments for preclinical or clinical trials, but expected preparation costs. Further funding is needed to continue the studies. This requires to raise funds in the form of equity or debt or execute a partnership agreement.

The management's assessment of the Company's ability to continue as a going concern as well as the disclosure on matters related to going concern is based on significant judgements and a number of assumptions, cash burn rate as a measure of the average monthly cash outflow, the progress of the clinical program and feasibility of alternative clinical programs.

OUR RESPONSE

We evaluated and challenged the Company's future business plans and related budget and liquidity status for the years 2018 and 2019 and the process in which these were prepared, amongst other procedures, by inquiring the Chief Financial Officer and inspecting the documents used for preparation of the budget and liquidity status. We assessed the budgeting methodology and the application of the assumptions made by management. We further inspected documents shared with the supervisory board to summarise the progress of the clinical program and inquired the Chief Financial Officer and Audit Committee Head as to the clinical program and alternative programs.

Furthermore, our audit included corroborating of key assumptions used, i.e. the cost of external service providers compared to contractual terms and stage of the clinical program and ongoing operational costs like rent, depreciation and payroll based on the historical cost structure. In addition, we compared the predicted cash burn rates for the years 2018 and 2019 to the historical cash burn rates of Probiodrug.

Further, we considered whether the disclosure on matters related to going concern is sufficiently detailed.

OUR OBSERVATIONS

We consider management's assumptions regarding the going concern basis of accounting as well as regarding the disclosure on matters related to going concern to be overall balanced. The disclosure on the going concern basis of accounting is sufficiently detailed.

Other Information in the Annual Report

Management is responsible for the other information. The other information comprises the Annual Report but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the European Union, and for such internal control as management determines is 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.

Those charged with governance are 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 ISA 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 ISA, we exercise professional judgement and maintain professional skepticism 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.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Dr. Stefan Schneider.

Leipzig, 9 February 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Schneider	Sachs
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]