MEDIOS AG
SPECIALTY PHARMA SOLUTIONS

Annual Report 2018

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Financials of the Group at a glance

Financials of the Group at a glance	01/01/-31/12/2018 EUR	01/01/-31/12/2017 EUR
Revenue	**327,829,818**	**253,636,644**
Changes in inventories of finished products	-6,405	767,793
Other internal work capitalised	948,074	402,118
Other income	316,318	145,953
Cost of materials	305,642,730	237,437,411
Personnel expenses	9,775,920	6,108,533
Other expenses	5,127,771	4,114,306
Operating result before depreciation and amortisation (EBITDA)	**8,541,384**	**7,292,259**
Depreciation and amortisation	1,142,109	491,075
Operating result (EBIT)	**7,399,275**	**6,801,185**
Financial expenses	35,059	96,486
Financial income	14,516	6,688
Earnings before taxes (EBT)	**7,378,732**	**6,711,387**
Income taxes	3,051,888	2,577,054
Comprehensive income before minority interests	**4,326,844**	**4,134,331**

Extraordinary expenses		
Non-cash special expenses for stock options	2,586,077	1,255,000
Expenses for the commissioning of the laboratories acquired in September 2017	643,993	0
Amortisation for customer relation	354,386	0

Earnings bevor interest, tax, depreciation and amortisation (EBITDA) without extraordinary expenses	**11,722,812**	**8,547,259**
EBITDA compared with the previous year	37 %	

Earnings before taxes (EBT) without extraordinary expenses	**10,963,188**	**7,966,387**
EBT compared with the previous year	38 %	

Earnings per share	2018 EUR	2017 EUR
Undiluted earnings per share (in EUR)	0,31	0,32
Diluted earnings per share (in EUR)	0,31	0,32

Medios AG
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Content

We would like to point out that the use of rounded amounts and percentage differences may occur due to commercial rounding.

About Medios AG

Medios AG is one of the leading Specialty Pharma companies in Germany. As a specialist for the provision of Specialty Pharma drugs to patients and GMP-certified provider of patient-specific therapies, Medios covers substantial elements of the supply chain in this field and follows the highest international quality standards. Usually, Specialty Pharma drugs are high-priced medicines for rare and/or chronic diseases. Patient-specific therapies are, for example, infusions that are compiled and produced on the basis of individual diseases and parameters like body weight and surface. It is Medios' aim to provide integrated solutions along the value chain to partners and clients, thereby ensuring an optimal pharmaceutical care for patients.

Medios AG is Germany's first publicly listed Specialty Pharma company. The share (WKN: A1MMCC, ISIN: DE000A1MMCC8) is listed in the Regulated Market of the Frankfurt Stock Exchange (General Standard).

Greetings from Medios

Chairman of the Executive Board
Manfred Schneider
CEO

Executive Board
Matthias Gärtner
CFO

Executive Board
Mi-Young Miehler
COO

Executive Board
Christoph Prußeit
CIO

Dear Shareholders,

The safety of medicinal products is becoming increasingly important, which is why we have set up the medicinal product safety department and the subsidiary Medios Analytics GmbH as part of the process of launching our innovative procedure to analyse counterfeit drugs in the first quarter of 2019. In doing so, we are adding an innovative procedure to our range of services and are placing our growth trajectory on a broader basis. We expect the medicinal product safety department to start contributing to Medios Group's result from 2021 onwards.

Quality is becoming an increasingly significant issue. For this reason, we established the first Medios pharmacy in collaboration with BerlinApotheke Anike Oleski e.Kfr. last March. Our aim is to create a network of independent pharmacies with varied expertise and common quality standards in the field of speciality pharmaceutical products under a single brand. We furthermore want to increase Medios' public visibility as a leading provider and make Medios pharmacies the first point of contract for patients of speciality pharmaceutical products. We are certain we are going to win over further specialised partner pharmacies with our idea.

Dear Shareholders,

The founding of the medicinal product safety department and the establishment of the Medios pharmacy brand are part of our growth strategy. We consistently executed this in 2018, in particular by expanding our production capacity and product range. We have also expanded our partner network and our range of indications.

In financial year 2018, Medios significantly increased turnover and its profit (IFRS). Group turnover increased between January and December in comparison to the previous year by 29.3 per cent to EUR 327.9 million. The Group result before depreciations/amortisations (EBITDA) adjusted for special expenses increased by 37.1 per cent to EUR 11.7 million. The Group result before taxes (EBT) adjusted for special expenses increased by 37.6 per cent to EUR 11.0 million. We therefore fully met the expectations of our forecast for financial year 2018 and achieved record values.

Positive business development was also reflected in the share price in 2018, at least in the first six months. The Medios share increased to EUR 23.60 in January – an all-time high. In June, the price was still very high at EUR 23.30. However, the share price fell considerably in the second half of the year due to the slump in financial markets. Deteriorated growth prospects for the global economy, the international trade dispute, diminishing monetary policy support from central banks and hesitant Brexit negotiations were in particular behind this.

In the long-term, Medios shares are still in a very good position. It has increased by 56 per cent since its stock-market listing in the General Standard on 22 November 2016. Analysts are also increasingly taking note of this success story. We are delighted that Warburg Research, Kepler Chevreux and now also Berenberg covered the Medios share last January. In doing so, Medios is now supported by three renowned analysis firms. Combined with the free float, which has considerably increased since February, this contributes to a stronger position for our company on the capital market.

Dear Shareholders,

The pharmaceutical market remains extremely attractive in the long-term due to demographic changes, increasing demand for tailored medicine and the development of new active ingredients. As a niche specialist, Medios will continue to take advantage of this.

In the meantime, we already supply more than 170 specialised partner pharmacies. In the medium-term, this should rise to 300, and in the long-term to up to 1,000. At the same time, we want to increase the number of products we offer from over 400 to up to 1,000. Furthermore, we want to benefit from the digitalisation of our industry by launching an online trading platform for the speciality pharmaceutical market in addition to developing tailored software solutions to improve margins and increase efficiency and developing innovative data cluster models.

We also aim to optimise our organisation, in particular by pooling all Medios Group activities into one location. To achieve this, we have rented office premises in Berlin and decided to resell the property in Berlin-Charlottenburg that we originally purchased for this purchase in March 2017. The reason for this is the limited long-term planning security in connection with local authorities.

We continue to expect Group turnover of EUR 400 million to EUR 410 million, an adjusted EBITDA of approximately EUR 16 million to EUR 17 million and adjusted EBT of EUR 14 million to EUR 15 million for the 2019 financial year. This corresponds to an increase in sales of 22 to 25 per cent, an increase in EBITDA of 32 to 40 per cent and an increase in EBT of 27 to 36 per cent in comparison to the previous year.

Our aim is to become the leading provider of speciality pharmaceutical solutions in Germany. We would be delighted if you continue to support us on this path in 2019 and thank you warmly for the trust you have placed in us.

Manfred Schneider (CEO) **Matthias Gärtner (CFO)**
Mi-Young Miehler (COO) **Christoph Prußeit (CIO)**

Report to the 2019 general meeting

Chairman of the Supervisory Board
Yann Samson
Lawyer

Deputy chairman of the Supervisory Board
Joachim Messner
Lawyer

Member of the Supervisory Board
Klaus Buß
Economist

Dear Shareholders,

Thanks to the consistent implementation of its growth strategy and the persistently high demand for tailored therapies, the Executive Board achieved its ambitious goals in financial year 2018. In particular, profitability could be improved, the operative result grew more strongly than turnover and the Group continues on a growth trajectory. We have strongly supported the Executive Board's management of business in fulfilment of our advisory and supervisory function.

The written and oral reports from the Executive Board were the foundation for fulfilling our legal supervisory role. The Executive Board regularly and promptly reports to us regarding the corporate strategy, planning, the Group's business development, the risk situation, risk management, compliance, focal points of innovation and any deviations of the business development from the original plan and any significant company business transactions in addition to the company's investments. In more detail:

Supervision and consultation

In the 2018 financial year, the Supervisory Board performed its duties as required by law, the articles of association and the company's rules of procedure, monitored and advised the Executive Board to the best of its knowledge and belief, and in particular evaluated the legality, adequacy, regularity and efficiency of its management and Group management. In doing so, the Supervisory Board was always able to verify the lawfulness, expedience and compliance of the work carried out by the Executive Board. The Supervisory Board was directly involved in all decisions of fundamental importance for the company at an early stage.

Supervisory Board meetings: Topics and attendance

During financial year 2018, the Supervisory Board came together for a total of four meetings, on 16 April 2018, 13 July 2018, 20 September 2018 and 19 December 2018. During the four scheduled meetings, the attendance of the members of the Supervisory Board was 100%. The members of the Executive Board participated in the Supervisory Board meetings, unless specified otherwise by the Chairman. In addition to the regular reporting topics, the following issues and projects were discussed:

- The annual financial statements for financial year 2018 were discussed in detail during the meeting on 16 April 2018.
- In the discussion on 13 July 2018 that took place directly after the company's general shareholder's meeting, the Executive Board comprehensively reported on its activity and the development of the holding in addition to the operative units.
- On 20 September 2018, the status of the pending non-cash capital increase and contractual documents was discussed in detail in particular.
- On 19 December 2018, the Executive Board reporting on its personnel topics in particular alongside options for the company's location.
- On 5 March 2019, the Management Board reported on the leasing of office space and the sale of a commercial property.

Beyond these meetings, the members of the Supervisory Board were in regular contact, communicating either by telephone or in writing.

Supervisory Board and Executive Board – Composition

Pursuant to section 8(1) of the articles of association of Medios AG, the Supervisory Board comprises three members. At present, the members of the Supervisory Board are Mr Yann Samson (Chairman), Mr Joachim Messner (Deputy Chairman) and Mr Klaus Buß.

The members of the company's Executive Board are Mr Manfred Schneider (Chairman), Mr Matthias Gärtner, Ms Mi-Young Miehler and, since 1 January 2019, Christoph Prußeit.

No committees as defined by section 107(3) of the German Stock Corporation Act (AktG) were formed.

Personnel changes – Expansion of the Executive Board

On 30 November 2018, Mr Christoph Prußeit was appointed to the Executive Board for the area of patient-specific therapies with effect from 1 January 2019.

Organisation of supervisory work

The Executive Board fulfilled its information requirements and informed the Supervisory Board regularly, promptly and comprehensively in written and oral form about all matters of strategy, planning, business development, risk situation, risk development and compliance which are relevant for the company and the Group. The Executive Board's reports complied with legal requirements, the requirements of good corporate governance and our own requirements both with regard to their subjects and their scope. Based on the Executive Board's reporting, we discussed business performance and important decisions and operations for the company in detail.

The Executive Board coordinated the company's strategic orientation with us. The proposed resolutions of the Executive Board were approved by the Supervisory Board after thorough review and consulting. In addition, the Chairman of the Supervisory Board was in regular contact with the Executive Board and in particular with the Chairman of that board and obtained information about the current development of the business situation and significant business events.

In the four Supervisory Board meetings mentioned above, the members of the company's Executive Board also provided the Supervisory Board with detailed information about the company's current situation.

We moreover checked the reports issued by the Executive Board and other information for plausibility and subjected them to critical appraisal and scrutiny. We also obtained information from parties other than the Executive Board, including executive employees and external advisers, in order to broaden our information basis and to gain an impression of the company's development.

Rules of procedure

The Executive Board and Supervisory Board rules of procedure are a further means of supervising the Executive Board. They include a catalogue of operations and measures that require the approval of the Supervisory Board before they can be carried out by the Executive Board. We have discussed the operations and measures that the Executive Board presented to us for approval according to this catalogue in financial year 2018 and thoroughly examined them. In each case we approved the operations and measures presented to us.

Annual and consolidated financial statements 2018 – Detailed discussion and determination

The company's Executive Board submitted the annual financial statements, which were prepared according to the regulations of the German Commercial Code (HGB) and the German Stock Corporation Act, the consolidated financial statements, which were prepared in accordance with the principles of the International Financial Reporting Standards (IFRS), including the summarised management report of Medios Group and Medios AG, and the proposal for the appropriation of profit (profit carry-forward) for the 2018 financial year to the Supervisory Board in due time. The audit reports of Baker Tilly GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, Dusseldorf, Munich branch which were issued with unqualified audit certificates, were also submitted in due time. The audit confirms that Medios AG complied with the regulations of the German Commercial Code, the German Stock Corporation Act and the International Financial Reporting Standards, as applicable in the EU.

The auditors were commissioned in accordance with the vote held by the general meeting and in compliance with legal standards, although we also set detailed standards regarding the details of the audit of the annual financial statements, the focuses of the audit and the collaboration.

Baker Tilly GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, Dusseldorf, Munich branch has been the auditor for Medios AG and Medios Group since the 2013 financial year. Auditors Frank Stahl and Klaus Biersack have been signing as auditors since the 2013 financial year.

Medios AG prepared a dependent company report pursuant to section 312 AktG for financial year 2018.

The dependent company report was also audited by the auditor selected by the general meeting to audit the annual financial statements Baker Tilly GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, Dusseldorf, Zweigniederlassung Munich pursuant to section 313(1) AktG. A written report was prepared separately on the results of the audit. Since there were no objections to the Executive Board's report, the audit certificate was granted pursuant to section 313(3) AktG. During the meeting to approve the financial statements on 24 April 2018, the auditor of the annual financial statements also reported on the results of this audit and confirmed that the disclosures in the dependent company report are correct.

The dependent company report was submitted to the Supervisory Board for review in sufficient time before the meeting to approve the financial statements on 24 April 2018 in accordance with section 314 AktG. The Supervisory Board comprehensively reviewed the dependent company report at one of its meetings. The Supervisory Board found no reason to raise objections to the declaration made by the Executive Board at the end of the report regarding relationships with associates and approved the dependent company report.

Baker Tilly GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, Dusseldorf, Munich branch (formerly Baker Tilly Roelfs AG Wirtschaftsprüfungsgesellschaft) issued the following unqualified audit certificate for the dependent company report in accordance with section 313(3) AktG:

"Based on our audit and the conclusions reached, we confirm that

a. the disclosures made in the report are correct,

b. in the case of the legal transactions listed in the report, according to circumstances known at the time they were carried out, the consideration paid by the company for the legal transactions referred to in the report was not unreasonably high, or disadvantages were compensated for,

c. the measures listed in the report do not give rise to any circumstances that would indicate an assessment materially different from that of the Management Board."

The auditor of the annual financial statements also subjected the monitoring system set up by the Executive Board pursuant to section 91(2) AktG for the early detection of risks to an intensive audit and confirmed that it was effective.

The documents pertaining to the annual financial statements, including the dependent company report and the audit reports, were discussed in detail in the Supervisory Board meeting of 24 April 2018 in the presence of the auditor. In preparation, the Supervisory Board had previously dealt with the aforementioned documents and examined them in great detail. The necessary documents were distributed to all members of the Supervisory Board in good time before this meeting. The auditor reported in particular on the scope, nature, focal points and relevant results of the audit and in particular addressed the key audit matters and the applied audit procedures. There was no report of significant weaknesses of the internal control system and of the risk management system. Afterwards, the Supervisory Board was available to the auditor to provide additional information.

After its audit of the annual financial statements, consolidated financial statements, summarised management report of Medios AG and of Medios Group, and the dependent company report, were completed, the Supervisory Board approved the auditor's audit result. No objections were raised; this also concerns the declaration on corporate governance, even though it is not to be examined by the auditor. The Supervisory Board approved the annual financial statements and the consolidated financial statements. The annual financial statements are therefore adopted.

In its assessment of the company and Group situation, the Supervisory Board agrees with the situation presented by the Executive Board in its combined management report and also approved these reports. The Supervisory Board approved the proposal of the Executive Board to carry forward the net profit (profit carry-forward).

General meeting

The general meeting took place on 13 July 2018. At this general meeting, all members of the Supervisory Board were discharged by the general meeting.

Corporate governance

The Supervisory Board and Executive Board act in the knowledge that good corporate governance is an important basis for the success of the company. In December 2018, the Supervisory Board and the Executive Board adopted an updated declaration pursuant to section 161 AktG relating to the recommendations of the German Corporate Governance Code.

Conflicts of interest

Mr Joachim Messner, member of the Supervisory Board, has 6,142 shares invested in Medios AG and has been employed for Medios Group as a lawyer in a consulting role. It therefore cannot be excluded that conflicts of interest may arise between his duties as a Supervisory Board member and his interests as a shareholder and company advisor.

In its opinion, the Supervisory Board has nevertheless included an appropriate number of independent members as defined by the German Corporate Governance Code at all times in the reporting period.

Thanks – Excellent performance on all levels

On behalf of the Supervisory Board, I would like to thank all employees for their dedicated service. The Supervisory Board would also like to thank the Board members, Mr Manfred Schneider, Mr Matthias Gärtner and Ms Mi-Young Miehler in equal measure for their constructive cooperation, unwavering commitment and dynamic work performance to date. Finally, I would like to thank you, our shareholders, for the confidence you have placed in our company.

Berlin, den 29 March 2019

For the Supervisory Board
Dr. Yann Samson
Chairman of the Supervisory Board of Medios AG

Group management report as at 31 December 2018

combined management report of the Medios Group and Medios AG

General Information

The combined management report also includes the parent company, Medios AG, with registered office in Hamburg and business headquarters in Berlin, Germany, alongside Medios Group (hereinafter referred to as the "Medios Group" or "Medios"). It has been prepared in accordance with the regulations of the German Commercial Code (HGB) and in application of German Accounting Standard (GAS) 20.

Medios AG prepares the individual financial statements in accordance with the accounting principles of the HGB and the consolidated financial statements in accordance with the accounting principles of International Financial Reporting Standards (IFRS). The management report and Group management report are combined. The company's net assets, financial position and results of operations are each shown separately.

I. Basic information on the Group

1. Group's business model

Medios AG is one of the leading speciality pharmaceutical companies in Germany. As a specialist providing patients with speciality pharmaceutical medicinal products and a GMP-certified manufacturer of patient-specific therapies, Medios covers important components of the supply chain in this area and pursues the highest international quality standards. Speciality pharmaceutical medicinal products are, in general, high-cost medicinal products for chronic and/or rare diseases. Patient-specific therapies include, for example, infusions constituted and produced on the basis of individual symptoms and parameters such as body weight and body surface. Medios aims to offer partners and customers integrated solutions along the value chain, thereby ensuring optimal pharmaceutical care for patients.

Medios AG is the first stock-market listed speciality pharmaceutical company in Germany. Shares (WKN: A1MMCC, ISIN: DE000A1MMCC8) are listed in the regulated market of the Frankfurt Stock Exchange (General Standard).

1.1. Subsidiaries of Medios Group

Medios Pharma GmbH is an expert partner for speciality pharmaceutical medicinal products in Germany and interacts with market participants that have specialised in caring for patients with chronic and/or serious illnesses. The permission for pharmaceutical wholesale pursuant to section 52a AMG (German Medicines Act) makes it possible to supply partners in a manner geared to the market and their needs with speciality pharmaceutical medicinal products. In general, customers are specialised pharmacies that have a greater need for speciality pharmaceutical medicinal products. Medios AG is a 100% shareholder in Medios Pharma GmbH.

Medios Manufaktur GmbH and Medios Individual GmbH represent the business area of patient-specific therapies. Both companies produce personalised medicinal products for patients on behalf of pharmacies. The highest quality standards (GMP) are applied to preparations. Medios AG is a 100% shareholder in both Medios Manufaktur GmbH and Medios Individual GmbH. In 2017, Medios Digital GmbH was founded as a 100% subsidiary of Medios AG and has since developed software and infrastructure solutions as the internal system service provider for Medios Group. In doing so, it advances the digitisation of the business with speciality pharmaceutical medicinal products. It focuses on logistics processes such as purchasing, storage and distribution in addition to optimised trading processes with integrated interfaces to customers.

As at 31 December 2018, Medios Group, including Medios AG, therefore consisted of five companies.

1.2. Business areas of Medios Group

In 2018, Medios Group consisted of two operating business areas (segments) and one internal business area:

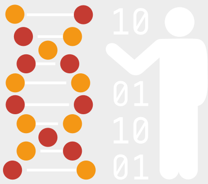
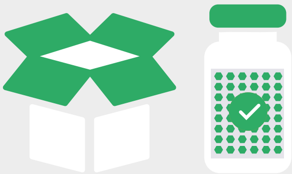
the provision of medicinal products (previously wholesale trade) focusing on speciality pharmaceutical medicinal products, combined as a business in Medios Pharma GmbH. The focus on speciality pharmaceuticals means that as a rule it trades almost exclusively in expensive medicinal products for chronic and/or rare diseases. These are approximately 1,000 out of 100,000 various pharmaceutical products available in Germany. With an extensive range, Medios stands out from medicinal product wholesale trade with this consistent and clear focus.

Patient-specific therapies(previously manufacturing) comprise the manufacture of medications on behalf of pharmacies established in the companies Medios Manufaktur GmbH and Medios Individual GmbH. Patient-specific therapies include, for example, infusions constituted and produced on the basis of individual symptoms and individual parameters such as body weight and body surface. The batch for each manufactured formulation is therefore always precisely one. They are manufactured to the highest possible standards, as a rule in line with GMP (Good Manufacturing Practice).

Medios AG and the 100% subsidiary Medios Digital provide services for all Group companies, including in the areas of Information Technology, Human Resources, Finance and Facility and Contract Management. These services are combined in the internal business area of Services.

MEDIOS AG
SPECIALTY PHARMA SOLUTIONS

Specialising in patients with chronic and/or rare diseases for whom therapy can be lengthy and costly.

PHARMACEUTICAL SUPPLY	PATIENT-SPECIFIC MANUFACTURING	DRUG SAFETY
		
MEDIOS PHARMA	MEDIOS MANUFAKTUR MEDIOS INDIVIDUAL	MEDIOS ANALYTICS
Competence partner for specialty pharmaceuticals	Competence partner for patient-specific medicines: Cytostatic drugs, parenteral nutrition, Antibodies, clinical studies, antibiosis	Competence partner for GMP pharmaceutical safety

2. Objectives and strategy

Millions of people worldwide are suffering from rare and/or chronic diseases such as cancer, HIV and hepatitis. Many of the newly developed, increasingly effective therapies for such illnesses are personalised, often with fewer side effects. With the constantly increasing life expectancy comes an increasing number of such illnesses.

Demand for treatments tailored personally to patients is therefore also on the rise. However, treatment with personalised medicine is generally complex, lengthy and expensive and requires a great deal of expertise. This poses great challenges for healthcare.

Medios has specialised in solving these healthcare challenges. We aim to connect individual players in the speciality pharmaceutical market and pool the expertise of companies in indication-specific communities for mutual benefit. This results in partnership-based intelligence which affords patients a highly-effective and affordable therapy to the highest possible standard.

For this purpose, Medios AG is building a national network of specialised partner pharmacies. This was expanded to over 150 partners during the 2018 financial year (2017: 120 partners). We estimate the potential of highly-specialised pharmacies in Germany to be approximately 1,000 (out of a current total of 19,500 pharmacies in Germany). We aim to include as many of these pharmacies as possible into our partner network, thereby establishing Medios as a high-quality brand in the speciality pharmaceutical market.

3. Management system

In economic terms, Medios AG and all business units are planned and managed through the framework regulations passed by the Executive Board which are continually developed during an ongoing strategic process. They are translated into specific, measurable aims in an annual operating budget plan. Business development is monitored through constant verifying of financial figures and regularly updated estimates of material performance indicators. Strategic aims are implemented as part of this process. Prompt countermeasures are introduced in the event of significant deviations from the plan.

Medios uses a streamlined system of key performance indicators to manage the company's success. The most important key performance indicators for making strategies and decisions and measuring the operational success of the company are

- Revenue
- Pre-tax profit (EBT)
- Pre-tax profit before special items (EBT before special items) for the purpose of better comparability
- EBITDA before special items

Due to the acquisitions in the 2018 financial year and the further expansion of the company, Medios expects further amortisations in the 2019 financial year. In order to appraise this sufficiently in the financial report and present Medios' performance in a transparent manner, Medios immediately incorporates the EBITDA before special items into the financial report as an additional material performance indicator.

All relevant management variables are generated and analysed on a monthly basis. They are used by the Executive Board of Medios AG and the subsidiary's management as a basis for decision-making, in particular for strategic decisions with regard to designing the product portfolio (the provision of medicinal products) and in planning utilisation and, where necessary, expanding manufacturing capacities (patient-specific therapies).

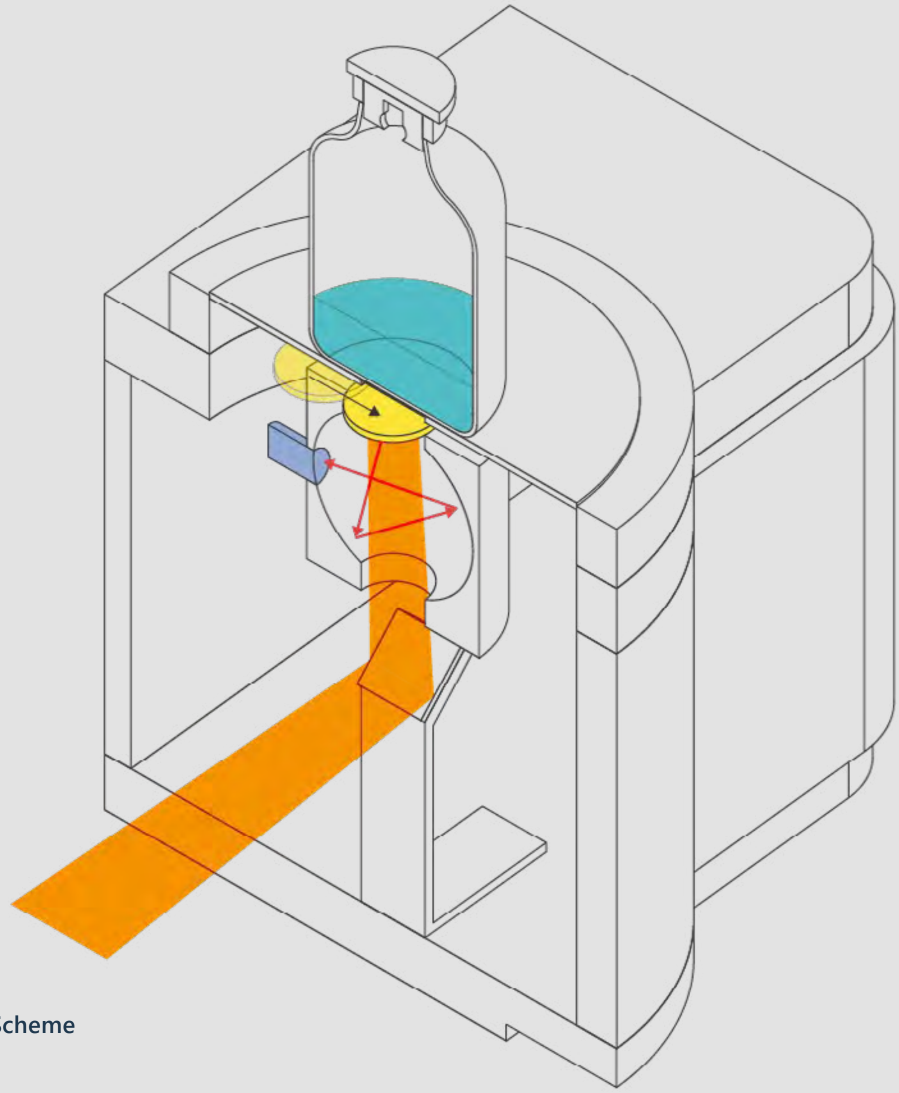
Continuous examination and adjustment of the guidelines and regular internal audits ensure that our management systems are continually improved and adapted to specific relevant requirements.

4. Research and Development

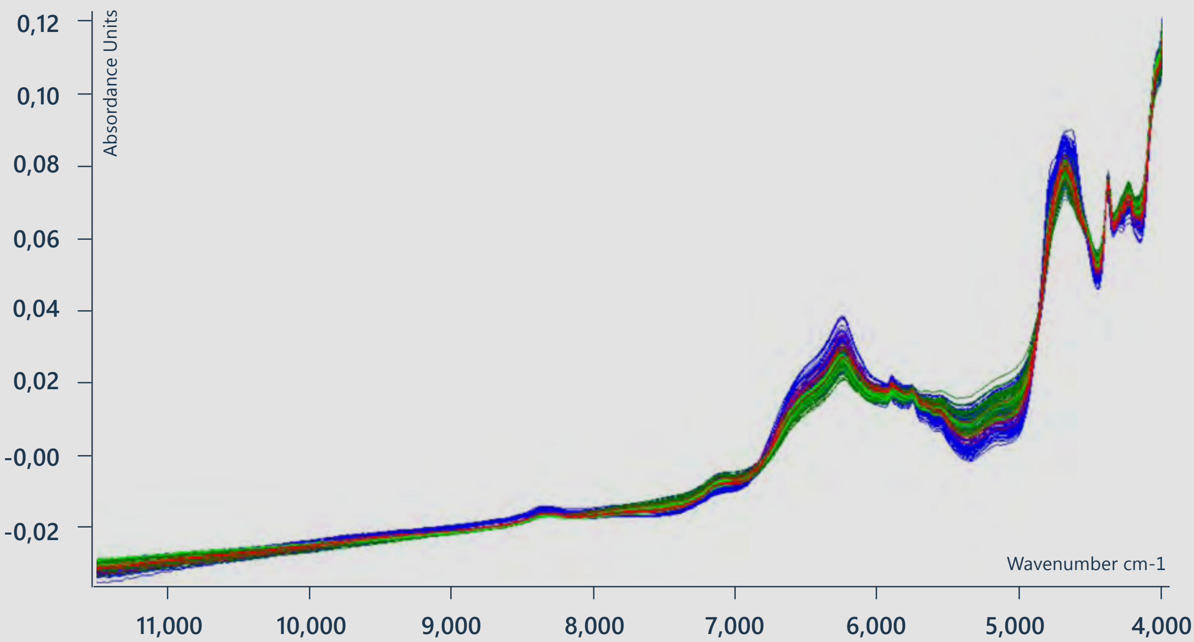
Research and Development play a great role within Medios Group. Its main focus currently lies in the area of medicinal product safety. Both in the area of the provision of medicinal products and in the area of patient-specific therapies it is our obligation and desire to ensure that the medicinal products we use are exclusively original preparations of a safe origin and of the highest quality. This includes needing to examine every incoming supply batch at random. Batches were mostly controlled in the past with chemical analytical methods for authenticity, concentration and purity which meant that the samples to be opened for this purpose must subsequently be discarded.

As Medios exclusively deals with expensive speciality pharmaceutical products, discarding such samples was previously associated with very high costs. To solve this problem, Medios Manufaktur GmbH started using NIR analytics in autumn 2014.

Fertigarzneimittel (FAM) auf Spektrometer



Spectrometer Scheme



NIR Spectra – Finished medicinal products

Near infrared spectroscopy, NIR spectroscopy for short, is a physical analysis technique in the area of short-wave infrared light. The procedure is used in pharmaceuticals, for example, for process control in pharmaceutical production, including to determine the humidity of initial, interim and end products. A special preventative possibility for use is the authentication of medicinal products. By using an NIR-spectroscopic analytical procedure, a distinction can be made between marketable finished medicinal products and counterfeit medicinal products. The greatest advantage of this analysis method is the measuring procedure itself. Samples can be measured through primary packaging (glass vials) with near infrared light without destroying the finished medicinal product. The resulting spectrum is characteristic of the combination of drug substance and primary packaging and can be compared for conformity against a database of spectra of marketable medicinal products.

Traditional analytical methods such as chromatography or mass-spectroscopy can take around a week until the solid medicinal product is identified and it can be established whether the product is an original preparation or a counterfeit product. One of the reasons for the greater time-frame is that physical samples need to be taken for these analytical methods. The resulting opening of the packaging destroys the sterility of the active substances and makes them unusable, and therefore according to the legislators the samples must be destroyed.

In contrast, the procedure developed by Medios offers significant advantages. Assessment is possible in a few minutes without opening the product to be analysed and thereby making it unusable. The database required has been continually built up over the past few years and is regularly expanded and updated. This innovative procedure is already being used within our own manufacturing premises.

Medios Analytics GmbH was founded on 12 March 2019 for marketing purposes with the aim of pooling and structuring all previous and future activities in the area of NIR analytics. The innovative measuring procedure is also to be offered as a service to third-party companies in future.

Investments of EUR 90,000 in total were made in Research and Development in the 2018 financial year. All development services were provided internally. In 2018, up to five persons (previous year: four) worked on Research and Development projects, which corresponds to approximately 3% (previous year: 3%) of the entire Medios Group workforce.

II. Economic Report

1. Macroeconomic situation

The global economy continued its upturn in 2018. Growth turned out to be somewhat lower than in the previous year, however. According to the forecast by the International Monetary Fund (IMF) of January 2019, global gross domestic product (GDP) increased by 3.7% in 2018 (2017: 3.8%). Industrial countries increased by 2.3% (2017: 2.4%) whilst emerging and developing countries recorded an increase of 4.6% (2017: 4.7%). The US was able to accelerate its pace of growth. GDP of the largest national economy in the world increased by 2.9% in comparison to the previous year (2017: +2.2%). Growth rates declined in all other industrial countries. GDP rose in the two largest national economies in the Eurozone, Germany and France, by 1.5% (2017: +2.5% or +2.3%). In Italy and Spain, GDP increased by 1.0% (2017: +1.6%) and 2.5% (2017: +3.0%). Overall, economic performance in the Eurozone increased by 1.8% (2017: +2.4%). GDP in Japan, the United Kingdom and Canada increased by 0.9% (2017: +1.9%), 1.4% (2017: +1.8%) and 2.1% (2017: +3.0%). China's economy grew by 6.6% (2017: +6.9%).

According to the IMF, the reason for the slower growth of the global economy included both country-specific and global factors.

In Germany, growth decreased in particular due to delays in production in the automotive industry as a result of the discussion surrounding the ban on diesel vehicles and due to WLTP problems. In addition, the German economy recorded weaker private consumption and lower foreign demand. In France, street protests and strikes put the brakes on growth whilst in Italy the economy suffered from lower internal demand and high credit costs.

Across the globe, trade disputes between the US and China, growth problems in China, heavy fluctuations in the financial markets, profit warnings from companies, fear of a disorderly Brexit and high private and public debt created uncertainty. Monetary policy framework conditions also intensified: Whilst the US Federal Reserve (Fed) increased the basic interest rate, the European Central Bank ended its controversial bond purchase programme in December 2018 as scheduled.

Due to flagging momentum in global growth and increasing uncertainty, in January 2019 the IMF decreased its outlook for this year and next. The IMF now expected growth in the global economy of 3.5% and 3.6% for 2019 and 2020. In October 2018, it forecast an increase of 3.7% for both years. The economy is expected to grow in industrial countries by 2.0% and 1.7% in 2019 and 2020. The IMF expects an increase of 4.5% and 4.9% for emerging and developing countries. The Chinese economy should grow by 6.5%.

1.1. Macroeconomic development in Germany

According to the German government's 2019 Annual Economic Report, the German economy is continuing on its growth trajectory. Gross domestic product increased for the tenth year in a row in 2019 with the expansion of the overall economic performance. According to the German government, solid domestic economy development will continue to form an important basis for this. Employment, income and therefore the purchasing options of German citizens would also continue to noticeably increase, as will company investments. However, the headwind has also increased, in particular from the external economic environment. In addition, the further expansion of production opportunities is becoming harder. Overall, basic economic momentum should slow down noticeably compared to the previous year.

According to the German government, in 2018 the German economy grew roughly as quickly as the average for the period from 2012 onwards with an increase of 1.5%, but this is considerably below the high-growth years of 2016 and 2017, which each recorded an increase of 2.2%. The reason for this was, in particular, time-restricted national special items such WLTP problems which put the brakes on the economy, particularly in the second half of the year. Burdens from the worsening global economic environment added to this. In contrast, positive stimuli provided consistently high demand for employees and low interest rates.

The German government expects the domestic economic upwards forces to continue in 2019. This is encouraged inter alia by economic measures from the coalition agreement. Available income shall increase considerably as wages and pensions increase significantly and the government lessens tax and levy burdens on citizens. The domestic economic initial conditions for 2019 are therefore still positive. However, economic outlooks for the global economy in comparison to the previous year have deteriorated. Global growth will therefore lose momentum.

In light of this, the German government has reduced its growth forecast for the German economy in January 2019 considerably. After promising an increase in gross domestic product of 1.8% in autumn 2018, it reduced its estimate for the ongoing year to 1.0%. As a result, economic growth should prove 0.5% percentage points weaker in 2019 than in 2018. The German Council of Economic Experts also revised its forecast. Gross domestic product should therefore only increase by 0.8% instead of 1.5%.

1.2. Development of the healthcare market

Healthcare provision is becoming increasingly important, in particular due to increased life expectancy. According to the Organisation for Economic Co-operation and Development (OECD), this has increased by ten years compared to 1970. People in Germany may therefore live on average to 80.6 years old. The increase in life expectancy can in particular be attributed to healthier lifestyles, greater income and better education (OECD Health at a Glance, 2017).

With longer life, healthcare expenses also increase. In OECD countries, per capita expenses for healthcare increased by 1.4% per year from 2009 to 2016 (OECD, Health at a Glance, 2017). As measured by gross domestic product (GDP), the share of expenses was 9.0% on average. The highest share of GDP was the US (17.2%) followed by Switzerland (12.4%) and Germany (11.3%) (OECD, Health at a Glance, 2017).

A significant part of healthcare expenses goes towards medicinal products in particular. In 2015, this share was just under one fifth according to the OECD (OECD, Health at a Glance, 2017). The US company IQVIA estimates that global expenses for medication in 2017 amounted to approximately USD 1,135 billion. Approximately two thirds of this was therefore attributed to the US, Germany, France, Italy, the United Kingdom and Spain. On average, global expenses for medication increased by 6.2% each year between 2013 and 2017 (IQVIA, 2018 and Beyond: Outlook and Turning Points, 2018).

In the ten industrial countries, growth in healthcare expenses is almost exclusively driven by speciality pharmaceutical medicinal products according IQVIA. These are generally expensive medicinal products for chronic and/or rare diseases such as cancer, HIV or hepatitis, as are also sold by Medios. According to information from IQVIA, the share of speciality pharmaceutical medicinal products rose worldwide from 19% to 32% between 2007 and 2017. The reason for this is the development of new treatments with a focus on speciality pharmaceutical products and, in addition, the decreasing significance of traditional medicinal products in the form of slowly increasing expenses (IQVIA, 2018 and Beyond: Outlook and Turning Points, 2018).

In 2017, according to IQVIA, the share of expenses for speciality pharmaceutical medicinal products in the ten industrial countries amounted to 39% or USD 297 billion, where the share in Germany was over 41%. IQVIA forecast an increase to 41% or USD 318 billion for 2018, which would equal an increase of approximately 85% compared to expenses of USD 172 billion in 2013 (IQVIA, 2018 and Beyond: Outlook and Turning Points, 2018).

The trend for increased pharmaceutical expenses and expensive therapies or speciality pharmaceutical medicinal products can also be observed in Germany. According to information from the 2018 Drug Prescription Report of the Drug Commission of the German Medical Association (Arzneimittelkommission der deutschen Ärzteschaft, AkdÄ) and the Scientific Institute of the National Health Insurance Schemes (Wissenschaftliches Institut der AOK, WIdO), pharmaceutical expenses from statutory health insurance including additional payments from the insured amounted to EUR 39.9 billion in 2017, an increase of EUR 1.4 billion or 3.7% compared to the previous year. The main cause of this increase was patent-protected medicinal products that accounted for EUR 18.5 billion of the statutory health insurance drug market last year according to this information. Its share of sales in the past twenty years increased from 33% to 45% according to the Drug Prescription Report.

According to the WIdO, a clear shift from pharmaceutical expenses to expensive treatments can be seen in Germany, often for smaller patient groups. Some disease groups were characterised by the fact that they had a particularly low number of prescriptions, but very expensive patent-protected medicinal products were used. In 2017, 34% of all pharmaceutical expenses went towards the treatment of cancers, viral diseases and severe immune diseases, but only accounted for 1% of all prescribed daily doses. According to the WIdO, the share of expenses for this area of therapies doubled between 2007 and 2017. With regard to its high prices, the WIdO believes that biologics, which are used to treat cancer and chronic inflammatory diseases, will increasingly pose a great challenge. According to the Drug Prescription Report, sales from biologics tripled to EUR 11.3 billion between 2007 and 2017. However, biosimilars, i.e. replica products of biologics, have been available for over a decade. However, their market penetration is still low due to their supplier structure.

Sales of speciality pharmaceutical medicinal products increased in 2017 in Germany to EUR 12.5 billion, an increase of one fifth compared to 2016 (XXXX). The share of speciality pharmaceutical medicinal products in sales of all medicinal products in Germany therefore amounted to 25%. The share of sales of medicinal products requiring a prescription was approximately 32%.

IQVIA expects that speciality pharmaceutical medicinal products will become increasingly important in the next few years. According to IQVIA, its share of all pharmaceutical expenses in the US, France, Germany, Spain and the United Kingdom will increase to more than half by 2022 (IQVIA, 2018 and Beyond: Outlook and Turning Points, 2018). With regard to overall pharmaceutical expenses, IQVIA expects an average annual growth of 3% to 6% where the increase in industrial countries should be between 2% and 5% (IQVIA, 2018 and Beyond: Outlook and Turning Points, 2018).

2. Business performance

Business performance in the 2018 financial year must be described as very positive overall. The number of partner pharmacies was able to be expanded to over 150. We were also able to significantly broaden our product range, in particular in the business area of the provision of medicinal products. The six new workbenches in the manufacturing premises taken over in autumn 2017 in Berlin were able to be put into operation in June 2018. The total number of workbenches therefore increased to ten. The proportion of non-oncological manufacturing therefore increased and diversification in the business area of patient-specific therapies was therefore driven forward.

Both the overall framework conditions and development in the pharmaceutical industry were positive in 2018 (see economic report) which also contributed to the positive development of Medios Group. The trend towards personalised medicine continues to persist, which can be attributed to an increasing number of new developments of personalised therapies. This has also positively influenced our business area of the provision of medicinal products and the area of patient-specific therapies.
As a result of these development, both revenue and Medios Group earnings increased considerably in comparison to the previous year. Medios Group liquidity remained stable in the reporting period. There are also no noteworthy long-term liabilities. Medios Group's economic situation can therefore be described as very positive.

Medios group was able to employ 153 employees at the end of the 2018 financial year (as at 31 December 2017: 116).
The 2018 financial year was shaped in particular by the following events:

On 11 January 2018, Kepler Cheuvreux, one of the leading independent European financial services providers, was commissioned by Medios AG. We were previously advised by Warbung Research. In the 2018 financial year, Medios was therefore managed by two of the leading research companies in the area of small and mid-cap companies. This results in better access to international investors, especially in France. As a result, Medios Group expects a broader spread of the investor base across Europe and, in the medium term, an increase in liquidity of the share.

On 12 March 2018, Medios AG announced the planned expansion of the business area of patient-specific therapies by expanding the manufacturing premises for non-cytostatic products. To this end, the company intends to take over essential operating parts of BerlinApotheke Schneider & Oleski oHG ("BerlinApotheke"). The acquisition is to take place without using cash by means of a real capital increase against the issue of new shares to the depositor, Mr Manfred Schneider, CEO of Medios AG and the co-owner of BerlinApotheke. The new shares are to be included in trading on the regulated market of the Frankfurt Stock Exchange (General Standard). On 1 June 2018, an atypical dormant company was founded that was incorporated into Medios AG by means of a real capital increase and was entered into the commercial register on 15 November 2018. Since then, the share capital has amounted to EUR 14,564,019.

As at 1 June 2018, Spezial-Pharma Manfred Schneider e.K. fully incorporated a business unit into Medios Individual GmbH. The business unit, inter alia, has a state-of-the-art sterile laboratory in accordance with the current standards of the pharmacy operating regulations and specialises in the manufacture of sterile preparations and formulations in order to expand Medios Group's range of services.

At the Annual Shareholders' Meeting on 13 July 2018, all resolutions on agenda items were passed with close to 100% approval. Overall, around 72% of the share capital was represented. In addition to the discharge of the Executive and Supervisory Boards and the appointment of the auditors, the 2018 stock option plan including contingent capital, the adjustment of authorised capital and the empowerment to acquire treasury shares were approved. In addition, the shareholders approved the profit and loss transfer agreements with Medios Digital GmbH, Medios Individual GmbH, Medios Manufaktur GmbH and Medios Pharma GmbH.

On 18 October 2018, the Supervisory Board of Medios AG and members of the Executive Board Manfred Schneider, Chief Executive Officer (CEO) and Matthias Gärtner, Chief Financial Officer (CFO), agreed to extend the Executive Board contract of Mr Schneider by two years until 31 December 2020 and the Executive Board contract of Mr Gärtner by two-and-a-half years until 30 June 2021. Mr Schneider has been a member of the Executive Board since October 2016 and Mr Gärtner has been a member of the Executive Board since November 2014.

On 13 December 2018, the Supervisory Board of Medios AG announced that Mr Christoph Prußeit was appointed as a member of the Executive Board and Chief Innovation Officer (CIO) of Medios AG with effect from 1 January 2019. In this role, he shall be responsible inter alia for the business unit of patient-specific therapies. The Executive Board was therefore increased to four members.

With effect from 1 January 2019, Mr Christoph Prußeit shall expand the Executive Board and is appointed as Chief Innovation Officer (CIO) of Medios AG.

3. Medios Group situation
3a.1. Results of operations of Medios Group (IFRS)

The earnings and order situation of Medios Group continued to improve in the 2018 financial year. This is mainly attributable to the completion of the construction of the new Medios Group structure and the associated concentration on the further development of the operational business. In the reporting period, the subsidiary Medios Individual GmbH was completely consolidated across an entire financial year for the first time.

Revenue in the medicinal product provision business area amounted to EUR 289 million in the 2018 financial year (previous year: EUR 211 million) and earnings before tax (EBT before special items) was EUR 9.2 million (previous year: EUR 7.4 million). The operating result before amortisations and special items (EBITDA before special items) increased to EUR 9.3 million compared to EUR 7.6 million in the comparison period.

In the business area of patient-specific therapies, EUR 38.8 million was generated (previous year: EUR 43.0 million) and an EBT before special items of EUR 2.8 million (previous year: EUR 1.6 million) was achieved. The operating result before amortisations and special items (EBITDA before special items) increased to EUR 3.3 million compared to EUR 1.9 million in the comparison period.

The Services internal business area generated EUR 95,000 (previous year: EUR 64,000) through external revenue in the reporting period. Almost all revenue was generated solely in Germany.

Medios Group's total revenue amounted to EUR 327.8 million in the 2018 financial year (previous year: EUR 253.6 million). Pretax profit (EBT before special items) was EUR 11.0 million (previous year: EUR 8.0 million). The forecast for total revenue in the 2018 financial year was EUR 320 million and the forecast for pre-tax profit before special items was EUR 11 million. Medios Group was therefore fully able to meet the expectations of its forecasts.

EBT before special items is therefore transferred as follows to earnings before tax:	2018 KEUR	2017 KEUR
Earnings before tax	**7,378**	**6,711**
Expenses from share option programmes	2,586	1,255
Amortisations of the customer base	355	0
Start-up expenses of laboratories	644	0
EBT before special items	**10,963**	**7,966**

	2018 KEUR	2017 KEUR
EBITDA	**8,541**	**7,292**
Expenses from share option programmes	2,586	1,255
Start-up expenses of laboratories	595	0
EBITDA before special items	**11,722**	**8,547**

In the 2017 and 2018 financial years, share option programmes were created in which selected employees were granted options to purchase shares by Medios AG as remuneration for work performed. There is no entitlement to choose settlement in cash. These expenses have no effect on liquidity.

Amortisations of the customer base relate to the business branch acquired in 2018 and the associated "customer base" capitalised intangible assets.

Putting laboratories into operation includes expenses incurred to expand production capacities in the area of patient-specific therapies.

Material expenses amounted to EUR 305.6 million in the 2018 financial year (previous year: EUR 237.4 million) or 93.2% (previous year: 93.6%) of revenue and reduced by 0.4%. Overall personnel costs amounted to EUR 9.8 million (previous year: EUR 6.1 million) or 3.0% (previous year: 2.4%) of revenue. Other expenses amounted to EUR 5.1 million (previous year: EUR 4.1 million). This led to an operating result before amortisations and special items (EBITDA before special items) of EUR 11.8 million (previous year: EUR 8.5 million). Both operational business areas of the provision of medicinal products and patient-specific therapies contributed to this result with EUR 9.3 million and EUR 3.3 million respectively.

3a.2. Financial position of Medios Group (IFRS)

The financial position of Medios Group continued to be very stable. Liabilities are generally paid within the payment periods and receivables generally collected within the agreed objectives. Cash amounted to EUR 11.8 million as at 31 December 2018 (previous year: EUR 16.7 million) and mainly consisted of bank deposits.

In addition, Medios Group companies also have current account lines amounting to EUR 6 million (Medios Pharma GmbH) and EUR 2 million (Medios Manufaktur GmbH), i.e. a total of EUR 8 million, which are only used occasionally to finance working capital. As at the reporting date of 31 December 2018, the current account line amounted to EUR 7.8 million (previous year: EUR 6.8 million).

Material investments in the 2018 financial year included the development and expansion of the segments of patient-specific therapies of EUR 329,000, consisting of production facilities and software, and the premises of the property purchased in 2017 of EUR 176,000. In addition, EUR 186,000 was invested in the provision of medicinal products segment in order to create additional capacities for the constantly increasing demand for medicinal products. Other investments amounted to EUR 105,000. Cash outflow for intangible investment goods amounted to EUR 309,000. This largely concerned expenses for software. Overall, investments of EUR 862,000 were made, EUR 6,421,000 less than in 2017.

Of financial activities, EUR 35,000 was spent on interest and EUR 136,000 on issue costs for the real capital increase. This amounted to EUR 171,000 in total. In the comparison period, EUR 5,964,000 of incoming payments were made.

In the medium-term, the Executive Board is not planning any distribution of profits and proceeds are to be invested in further growth; a dividend in the long-term, however, is not ruled out. The speciality pharmaceutical market is currently in a consolidation and rebuilding phase. Medios will take advantage of this as much as it can.

3b.1. Results of operations of Medios AG (HGB)

In the 2018 financial year, Medios AG generated revenue of EUR 2.6 million (previous year: EUR 1.3 million). The net profit for the year amounted to EUR 8.1 million in 2018 (previous year: EUR –1.3 million), which corresponds to an increase of EUR 9.4 million in comparison to the previous year's period. The change is a result of the profit and loss transfer agreement with subsidiaries. The 2018 financial year was shaped by the construction of structures within Medios AG in order to be able to provide all subsidiaries with services on a comprehensive basis. The areas of Finance, Human Resources, IT, and Contract and Facility Management in particular were developed here. Some employees were hired in order to do so, meaning that the total number of employees in the company as at 31 December 2018 was 32 (previous year: 21).

Although there was revenue in the 2017 financial year, it was able to be increased considerably in 2018 due to the expansion in the range of services for subsidiaries. In addition to the services also mentioned, subsidiaries were also given loans to fund and expand their commercial activity. As at 31 December 2018, these amounted to a total of EUR 7.8. million (previous year: EUR 6.6 million). The interest income generated from this amounted to EUR 178,000 in the reporting period.

The largest item on the cost side was staff expenditure amounting to EUR 1.6 million (previous year: EUR 1 million). Amortisations amounted to EUR 227,000 (previous year: EUR 124,000). Other costs amounted to EUR 1.7 million (previous year: EUR 1.7 million) and are mainly comprised of legal and consulting costs in addition to financial statement and auditing costs.

3b.2. Financial position of Medios AG (HGB)

The financial position of Medios AG continues to be stable. Liabilities were paid within the payment periods. Cash amounted to EUR 7.3 million as at 31 December 2018 (previous year: EUR 10.3 million) and mainly consisted of bank deposits.

Medios AG has a very robust capital structure. Equity amounted to EUR 78.0 million as at 31 December 2018 (previous year: EUR 52.0 million). With a balance sheet total of EUR 81.3 million (previous year: EUR 53.0 million), this equals an equity ratio of 96.0% (previous year: 98.1%). The equity ratio can therefore continue to be held at a very high level.

There are no bank liabilities. As at 31 December 2018, all Medios AG liabilities only amounted to EUR 0.6 million (previous year: EUR 0.7 million), the greatest item of which was payables to affiliated companies of EUR 0.4 million (previous year: EUR 0.0 million).

In the 2018 financial year, a significant investment by Medios AG was the acquisition of software to develop new business areas.
3b.3. Net asset situation of Medios AG (HGB)

At the end of the 2018 financial year, assets amounted to EUR 62.0 million, equal to an increase of 48% in comparison to the previous year (EUR 42.0 million). The largest items in assets were: Interests in affiliated companies at EUR 49.0 million (previous year: EUR 31.1 million), loans to affiliated companies at EUR 7.8 million (previous year: EUR 6.6 million), and property including buildings at EUR 3.3 million (previous year: 3.3 million).

Current assets amounted to EUR 19.2 million as at 31 December 2018 (previous year: EUR 11.0 million) and mainly consisted of deposits with credit institutions of EUR 7.3 million (previous year: EUR 10.3 million) and receivables from profit and loss transfer agreements of EUR 11.4 million (previous year: EUR 0.0 million).

The economic situation of Medios AG continued to be positive.

4. Financial and non-financial performance indicators of Medios Group

Revenue, EBT before special items and, as described above, from the 2019 financial year onwards, also EBITDA before special items were used as key figures to manage Medios Group. They were assessed and analysed on an ongoing basis, generally monthly. Revenue in the 2018 financial year amounted to EUR 327.8 million (previous year: EUR 253.6 million). Cost of goods was EUR 305.6 million or 93.2% of turnover. The resulting EBT before special items amounted to EUR 11.0 million in 2018 (previous year: EUR 8.0 million) or 3.4% of revenue (previous year: 3.1%).
Special items were recorded in the 2018 consolidated financial statements amounting to EUR 3.6 million. This resulted from the inclusion of remuneration based on the interest (share options) for Group employees in accordance with IFRS 2. Share options were agreed at the ordinary Shareholders Meeting in July 2018 through the creation of conditioned capital (2018 share option plan) and Medios Group was not therefore financially encumbered. In addition, in 2018 there were further expenses when putting laboratories into operation and particular amortisations of the customer base as a result of the introduction of the new business area by Spezial- Pharma Manfred Schneider e. K.

Non-financial performance indicators concern, inter alia, the relationships of Group companies with customers and employees. Our aim is to integrate customers into the Medios network as partners, thereby creating partnership-like intelligence. As an attractive and responsible employer, we would like to ensure that our long-term skilled and committed employees stay loyal to us. In order to do so, we offer our employees a modern and attractive working environment with flexible working hours and the opportunity to implement their own ideas. Regular team meetings are the basis for exchanging and further developing these ideas in the Group.

An additional significant non-financial factor for us is how the Medios brand is perceived. We want to establish Medios as a brand and symbol for reliability, competence and quality in the area of speciality pharmaceutical products in Germany. We endeavour to achieve this objection through consistent training and regular communication with our employees, partner pharmacies and press reports.

Through ongoing communication with all relevant target groups, we analyse how the Medios brand is perceived by our partners and the general public in order to gain a comprehensive picture of whether our objectives are being achieved and where we need to make adjustments.

III. Events after the balance sheet date

With effect from 1 January 2019, Mr Christoph Prußeit shall expand the Executive Board and is appointed as Chief Innovation Officer (CIO) of Medios AG.

On 24 January 2019, Medios announced that the Executive Board of Medios AG and the holder of BerlinApotheke Anike Oleski e. Fr., Ms Anike Oleski, agreed to rename the four BerlinApothekes as MediosApotheke on 1 March 2019. MediosApotheke shall remain an independent company with Ms Oleski as the sole holder. BerlinApotheke represents the highest quality and competence in the area of speciality pharmaceutical products like no other. Medios would like to create uniform quality standards through this partnership that are immediately visible and advantageous to patients via the Medios brand. How MediosApotheke appears in public will also contribute to increasing the visibility of Medios as a leading provider of speciality pharmaceutical solutions. We want to win over other partner pharmacies with this idea and continue to expand our network of independent MediosApotheke with various competencies and uniform quality standards in the area of speciality pharmaceutical products.

On 26 February 2019, Medios AG's free float increased by 15 percentage points to 55.5% of voting rights following a successful private placement by the key shareholder, mediosmanagement GmbH. During the private placement, a total of 2,184,603 existing bearer shares were sold, equal to an interest of approximately 15% in the share capital (= EUR 14,545,019).

This offer was only directed at institutional investors. The transaction was managed by Berenberg as the sole bookrunner. Mediosmanagement GmbH and Mr Manfred Schneider hold approximately 41% of the shares after the placement and agreed on a 180 day vesting period. Mr Schneider is therefore no longer the controlling party of Medios Group.

As a result, the free float increased significantly to 55.5% of the voting rights which should raise the liquidity of the shares in the long-term.

The activities of the subsidiary Medios Analytics are to be combined with the activities of other Medios Group subsidiaries in one location. Medios has rented office space in Berlin-Mitte for this purpose. At the same time, the Executive Board decided to resell the property in Berlin-Charlottenburg, originally acquired by Medios in 2017 for this purpose, on 5 March 2019.

IV. Remuneration report

Total remuneration for the members of the Members in the year under review amount to EUR 398,000, of which EUR 123,000 for Mr Manfred Schneider (CEO), EUR 141,000 for Ms Mi-Young Miehler (COO) and EUR 134,000 for Mr Matthias Gärtner (CFO). Other levies for the Executive Board in the reporting period amounted to EUR 11,000.

Ms Miehler still has a company car at her disposal.

The remuneration of individual Executive Board members was given in each financial year and is shown in the following remuneration report:

Benefits granted in 2018	Manfred Schneider Executive Board (COO)			Matthias Gärtner Executive Board (COO)			Mi-Young Miehler Executive Board (COO)		
Thousands of euros	2018	MIN 2018	MAX 2018	2018	MIN 2018	MAX 2018	2018	MIN 2018	MAX 2018
Fixed remuneration	120	120	120	120	120	120	120	120	120
Fixed remuneration	0	0	0	10	10	10	16	16	16
Total	**120**	**120**	**120**	**130**	**130**	**130**	**136**	**136**	**136**
Short-term variable remuneration	0	0	0	0	0	0	0	0	0
Long-term variable remuneration (share option programme)	0	0	0	0	0	0	0	0	0
Name of plan (duration of plan)	0	0	0	0	0	0	0	0	0
Total	**120**	**120**	**120**	**130**	**130**	**130**	**136**	**136**	**136**
Pension expenses	3	3	3	4	4	4	5	5	5
Total remuneration	**123**	**123**	**123**	**134**	**134**	**134**	**141**	**141**	**141**

Benefits granted in 2017	Manfred Schneider Executive Board (COO)			Matthias Gärtner Executive Board (COO)			Mi-Young Miehler Executive Board (COO)		
							Date of joining 1 July 2017		
Thousands of euros	2017	MIN 2017	MAX 2017	2017	MIN 2017	MAX 2017	2017	MIN 2017	MAX 2017
Fixed remuneration	120	120	120	120	120	120	60	60	60
Ancillary services	0	0	0	0	0	0	4	4	4
Total	**120**	**120**	**120**	**120**	**120**	**120**	**64**	**64**	**64**
Short-term variable remuneration	0	0	0	0	0	0	0	0	0
Long-term variable remuneration	0	0	0	209	209	209	209	209	209
Plan name (term of the plan)	0	0	0	0	0	0	0	0	0
Total	**120**	**120**	**120**	**329**	**329**	**329**	**273**	**273**	**273**
Pension expenses	5	5	5	4	4	4	0	0	0
Total remuneration	**125**	**125**	**125**	**333**	**333**	**333**	**273**	**273**	**273**

2018 inflow	Manfred Schneider Executive Board (COO)	Matthias Gärtner Executive Board (COO)	Mi-Young Miehler Executive Board (COO)
Thousands of euros	2018	2018	2018
Fixed remuneration	90	81	79
Ancillary services	0	6	13
Total	**90**	**87**	**92**
One-year variable remuneration	0	0	0
Multi-year variable remuneration	0	0	0
Total	**90**	**87**	**0**
Pension expenses	3	4	5
Total remuneration	**93**	**91**	**97**

2017 inflow	Manfred Schneider Executive Board (COO)	Matthias Gärtner Executive Board (COO)	Mi-Young Miehler Executive Board (COO)
Thousands of euros	2017	2017	Date of joining 1 July 2017
Fixed remuneration	87	77	38
Ancillary services	0	0	0
Total	**87**	**77**	**38**
One-year variable remuneration	0	0	0
Multi-year variable remuneration	0	0	0
Total	**0**	**0**	**0**
Pension expenses	4	4	0
Total remuneration	**91**	**81**	**38**

1. Accounting-related internal control system

The objective of the accounting-related internal control system is to ensure the regularity and reliability of accounting and the financial reporting of the financial statements and management report of Medios Group in accordance with statutory regulations and relevant accounting regulations. The scope and focus of the internal control system was designed by the Executive Board based on Group-specific requirements. The internal control system is also embedded in the risk management system. The IT systems adapted to the size of the Group are used for accounting-related reporting and consolidation. Preparation of the consolidated financial statements and accounting of individual companies takes place centrally, ensuring a solid and consistent application of accounting in a uniform financial statement preparation process. After the financial statements have been prepared, the consolidated financial statements and combined management report will be submitted to the Supervisory Board for approval.

2. Risk report

The overall risk situation is broadly unchanged in comparison to the previous year.

1.1.Risk management

In order to be able guarantee the quality of services for Medios Group on an ongoing basis and, at the same time, be able to generate continuous improvement, we have established comprehensive risk management in the company group.
Gap analysis: In order to be able to minimise risks, potential gaps in the system are covered and described, and measures are defined which prevent or contain potential errors in advance.
Risk is assessed according to quantitative criteria: potential damage, likelihood of occurrence and error detection. These are graded and summarised leading to a corresponding risk value, and subsequently divided into the following classes:

- **Category 1 1–5: no to low risk,**
- **Category 2 6-10: low to medium risk,**
- **Category 3 11-15: medium to high risk and**
- **Category 4 16–18: high risk.**

Gap analysis is performed regularly in order to be able to react to risks and potential errors as quickly as possible. The relevant managing directors of the subsidiaries and department heads of Medios AG are responsible for preparing these gap analyses in consultation with the Executive Board.

Standard Operating Procedure (SOP): In order to be able to properly meet the statutory requirements for Medios AG subsidiaries and ensure a consistent quality, clear and comprehensive standard procedure instructions are created with which management and employees shall comply. Known as SOPs, they describe process steps that must be continuously adapted to changing circumstances and situations in day-to-day work.

The aim of the risk management system is mainly to avoid financial losses due to malfunction and/or disruptions and to introduce suitable counter-measures without delay. Within the context of this system, the Executive Board, Management Board and the Supervisory Board shall be informed of risks in good time.

In addition to the continuous monitoring of liquidity and profits, monitoring of all the risks associated with the production and distribution of medicinal products is an important mechanism for early detection. Determining deviations from the plan in good time is a further duty of the controlling department. If necessary, the relevant heads of specialist departments, together with the Executive Board, shall make decisions regarding the appropriate strategy and measures to manage risks. In order to do so, regular meetings are held. Regular conversations take place by means of phone and email between these meetings.
For the purpose of ongoing control, both Managing Directors of the subsidiaries and the Executive Boards of Medios receive all relevant operational assessments and management, control and sales reports on a monthly basis. In order to be able to react to possible deviations even more quickly, the relevant Managing Directors and Executive Boards also receive current sales and revenue figures from the business area of the provision of medicinal products. Medios AG's Supervisory Board is informed of development in all operating units on a monthly basis in the form of condensed management reports.

1.2. Industry-specific risks

The medicinal products market in Germany and in the European Union (EU) is determined by many legal regulations. Potential changes in legislation can have a direct effect on the business of Medios Group.

Cost increases in the healthcare system due to demographic change and the increasingly expensive forms of treatment and therapy in the course of continuous medical innovations bring the healthcare systems to the limits of affordability. Slowing economic development or, potentially, the current uncertainties surrounding the exit of the United Kingdom from the EU could further intensify this (funding) situation. National governments could therefore continue to strive to decrease expenditure for healthcare services through legislative interventions.

The legal framework conditions for the business operations of Medios Group were subject to fundamental changes in the past, and are expected to be subject to these changes in future. At the same time, the company's business operations are particularly shaped by state regulation and control. Fundamental changes in the existing supervisory and other framework conditions or other legal changes affecting the company's business operations, such as changes under medicinal product law, could also have a negative effect on the business operations of Medios Group such as an amended practice on the part of authorities regarding the management of existing legal requirements. As part of its risk analysis, the company has assigned the risks to categories 1 and 2.

1.3. Regulatory risks

Medios Group is dependent on the fact that government authorities, health insurers and other healthcare establishments assume or reimburse at least some of the costs of treatment with medicinal products distributed by Medios Group and other services offered. The reimbursement of the cost of medicinal products and services is however increasingly reducing. In addition, the number of patients entitled to reimbursement of medicinal costs is limited or the assumption or reimbursement of costs is reduced. If the reimbursement of the costs of medicines distributed by Medios Group cannot be guaranteed or cannot be adequately guaranteed, this could have negative effects on the medicinal products distributed by Medios Group and other services offered being accepted on the market as well as on achievable revenue and income.

Furthermore, the company cannot assess which additional legal provisions or requirements to reduce costs in the healthcare sector will be issued, which changes to existing laws or requirements will arise and what effects there would be on or what changes there would be to the reimbursement of costs or costs to be borne for treatment with medicinal products distributed by Medios Group and other services offered by third parties and therefore on the business activity of Medios Group.

Government regulatory measures such as fixed amounts, co-payment exemptions, discount limits and discount agreements between manufacturers and health insurers may restrict growth in the market for medicinal products and have direct effects on income from the provision of medicinal products. If manufacturers or state bodies reduce the prices of medicines, the margin of pharmaceutical wholesale trade could continue to come under pressure. Even wholesale price ranges are subject to both direct and indirect changes by legislators, which are relatively frequent.

In November 2018, the Federal Ministry of Health published the draft of a law for more safety in the provision of medicinal products ("GSAV"). As this draft is at an early stage and significant parts have not yet been clearly enough defined, it is not currently possible to calculate the precise effects on Medios Group's business model. However, as the law in this form exclusively targets oncological preparations, this would only affect a small part of revenue or profit. If we can already see effects today, we have considered these in our forecast for 2019. The law should come into force in its final version in summer 2019.

All of this could affect the company's net assets, financial position and results of operations of the company.

The company has mainly assigned risks to categories 1 and 2. Few individual risks are category 3.

1.4. Business risks

All significant business risks are identified as follows:

a) Technical risks:

The risk that technical facilities are not properly used can be countered by regular maintenance and repair measures in addition to the option of outsourcing production to cooperation partners. In addition, through the acquisition of Medios Individual GmbH in 2017, a workaround within Medios Group was created in the event of technical problems. Medios AG also has disruption and repair management in order to be able to face and remedy in good time any damage that occurs.

The company has mainly assigned regulatory risks to categories 1 and 2. Few individual risks are category 3.

b) Personnel risks

There is a further risk in the loss of qualified personnel, as well as personnel in key roles. Targeted personnel development, the provision of continued training and education and the expansion of social benefits reduce the likelihood of losses and increase the attractiveness of the workplace. There is an additional risk of recruiting sufficient staff to manage to growth we aim to achieve. The situation on the employment market is tense and it may remain difficult to find sufficiently qualified specialist employees for the foreseeable future. This is where the Berlin location will benefit Medios AG as Berlin is currently seen as a highly attractive environment for young employees. The pharmaceutical industry is also viewed positively as it is still seen as an attractive and secure working environment. As a result of its stock-market listing, Medios AG is also able to motivate employees through share options.

The company has mainly assigned risks to categories 1 and 2.

c) Risks from unforeseeable events

Unforeseeable external events, such as severe weather or power cuts may lead to a temporary interruption of production in the business area of patient-specific therapies and affect storage (chilled products) and logistics in the business area of the provision of medicinal products. This can result in losses in revenue and results. The risk from unforeseeable events is however assessed as very low.

Should such an event occur against all expectations, the insurance policies taken out by Medios Group (in particular in the area of business liability and business interruption) may cover or reduce any financial losses that occur. Insurance coverage is assessed annually and adjusted accordingly.

As part of its risk analysis, the company has assigned the risks to category 2.

1.5. Earnings-based risks

We estimate our earnings-based risks in the business area of the provision of medicinal products to be low since predictable requirements of our margin policy as a wholesale company with limited inventory levels and based on chronic diseases can be managed flexibly in part.

The pharmaceutical industry, particularly the area of medicinal products requiring a prescription and therefore also speciality pharmaceutical medicinal products, is relatively independent of the economy and is therefore also only subject to slight economic fluctuations. The price and margin structure in the pharmaceutical trade in Germany is legally regulated as far as possible and is therefore relatively independent of further external influential factors.

1.6. Financial risks

Our strategy aimed at expansion is associated with an increase in working capital and increased investment activity. The number of employees will also continue to grow due to the increase in business. In this context, investments in the IT structure, logistics and administration will be necessary.

According to our plan largely, expected financial needs will be able to be covered from operating cash flow and with the cash available from Medios Group. Additional identifiable funding requirements in subsequent financial years as a consequence of increased revenue should also be covered by taking out credit lines from banks. Where necessary, further capital increases are not ruled out either. Should difficulties emerge in obtaining equity in future due to general developments on global stock markets, this could also result in a weakening of growth in Medios Group. The Management endeavours to gear expansion potential towards the financial resources available.

The company has mainly assigned risks to categories 1 and 2. Few individual risks are category 3.

1.7. Research and Development risks

Due to developments in the pharmaceutical market, Medios Group is planning to increase investments in Research and Development considerably and therefore also considerably accelerate achieving product maturity (see also section I. 4. above). Background information: Many newly developed therapies on the pharmaceutical market today are personalised, i.e. customised to the symptoms and needs of each patient. This leads to increasingly higher prices for finished medicinal products and personalised therapies. This in turn has recently once more led to counterfeiting and manipulations of medicines and personalised preparations. The draft legislation described under V.1.3 above for greater safety in the provision of medicinal products (“GSAV") therefore stipulates expanding and considerably increasing controls for relevant market participants.

The quality control procedure for finished medicinal products developed by Medios Group can make a significant contribution to this. For this reason, management has decided to increase investment in this area and to start marketing as soon as possible, if possible as early as 2019.

As the services offered in future in the area of analytics are completely new services, we cannot refer to sufficient historical values to say with any certainty that the market launch will be successful. However, as we have been applying the procedure ourselves for some time and the need is still there for third-party companies, we assume that the market launch will be successful. However, should this not be the case, against expectations, this could influence the company's net assets, financial position and results of operations.

Summary

As Medios Group processes almost all revenue in euros, there are no foreign currency risks on the balance sheet date. Likewise, there were no non-current liabilities as at 31 December 2018. For this reason, there is no noteworthy interest-rate risk in our company group.

Medios has focused on the area of speciality pharmaceuticals and is therefore assigned to the pharmaceutical industry which is relatively independent of the economy. We therefore also estimate the economic risks to be relatively low.

Management assesses the possible effects from Brexit to be negligible. Brexit will not have any direct effect on Medios AG's business.

Overall, we can therefore say that regulatory risks still pose the greatest uncertainty for our corporate group. In the almost 25 years of professional experience that our company management has, there have also been many, sometimes drastic, changes in healthcare market regulation in Germany. To date, however, we have always been able to adjust to these changes very

quickly and have often even been able to use them to the company's advantage. We therefore assume that we will also be able to face regulatory challenges successfully in future.
The overall assessment of the risk position shows that no risks are currently identified that could seriously jeopardise the existence of the company. Overall, Medios Group risks are limited and manageable.

2. Opportunities report

Like risk management, opportunity management is a cornerstone of company management. The overall opportunity situation is broadly unchanged in comparison to the previous year. Individual areas for opportunity are identified and analysed in various strategy rounds and, where appropriate, are incorporated into the Group's strategy.

Sales employees and the company's field and internal sales departments are regularly included in this process. This means we can quickly recognise whether market and competition developments or internal events within the Group require a reassessment of individual areas of opportunity.

The speciality pharmaceutical market continues to offer Medios high growth potential for all areas of business. This can in particular be attributed to the following opportunities:

- More and more new therapies are being customised, i.e. they are mostly administered as an individual medication produced for each individual patient. This means that the speciality pharmaceutical market currently has an estimated market volume of EUR 12 billion. IQVIA expects that speciality pharmaceutical medicinal products will become increasingly important in the next few years. According to IQVIA, its interest in all pharmaceutical expenses in the US, France, Germany, Spain and the United Kingdom shall increase to more than half by 2022. With regard to overall pharmaceutical expenses, IQVIA expects an average annual growth of 3% to 6% where the increase in industrial countries should be between 2% and 5%. As one of the leading speciality pharmaceutical companies, Medios will also be able to benefit from this.

- Many newly approved and offered therapies are expensive or speciality pharmaceutical medicinal products. As a result, almost all of the growth of the pharmaceutical market in Germany in future will be shaped by a product category based on the entire Medios business model.

- Thanks to the introduction of new biosimilars, competition between the manufacturers of original preparations and imitation products is intensifying. This can positively influence Medios Group's business area of the provision of medicinal products in particular. With approximately 150 partner pharmacies and manufacturing premises, Medios has a national distribution network which in future will also be expanded further.

- Medios could also benefit from the digitisation of the speciality pharmaceutical trade through its online trading platform which is currently being developed by its subsidiary Medios Digital and which will be launched in the 2019 financial year.

- Increasing pressure on margins in the area of the personalised manufacturing of oncological formulations will further accelerate market consolidation. Many laboratories and manufacturing pharmacies, particularly small laboratories and pharmacies, will no longer be able to manufacture oncological formulations in a profitable way, or even break even. Medios has established itself on the market as a provider of speciality pharmaceutical products at the right moment. We have expanded our product portfolio to additional indications, such as neurology and gastroenterology. Oncology is only one of the many indications that are served by Medios Group companies. This broad position shall also in future allow us to manufacture products in a profitable manner and therefore be an active participant in market consolidation.

- Medios Group has a clearly defined focus on speciality pharmaceutical medicinal products. These mainly concern expensive medications for chronic and/or rare diseases, the treatment for which is generally very time-intensive and costly. We have identified approximately 1,000 of the 100,000 pharmaceutical products available in Germany as a potential, i.e. only 1% of all products offered. We distribute these from a central warehouse in Berlin to customers throughout Germany. As most therapies can be planned and/or they concern chronic diseases, we can very precisely predict and plan need. As a result, Medios Group has relatively low warehouse stock and therefore manageable tied-up capital, despite the focus on expensive products. This distinguishes us significantly from the structure of our big competitors and gives Medios Group the opportunity to generate profit in the area of speciality pharmaceutical products and gain further market shares.

- Due to demographic development with increasing life expectancy and the increasing ageing of society, the number of chronic diseases will also rise in future. In addition, some diseases which were previously often fatal have since become manageable with appropriate long-term medication although with chronic symptoms, therefore also increasing demand for speciality pharmaceutical medicinal products. This trend could intensify even further as a result of new therapies, for example in the area of oncology.

Medios aims to be the leading provider of speciality pharmaceutical medicinal products in Germany. In order to do so, the Executive Board wants to continue to significantly expand production capacities in the area of customised patient preparations and the number of partner pharmacies and products.

3. Outlook

The forward-looking statements and information described below are based on the company's current expectations and estimations, which is why they contain a number of risks and uncertainties. Many factors, a great number of which are outside Medios Group's influence, impact the Group's business activities, the results of the Group and the earnings performance of Medios AG. Medios does not assume any responsibility or liability that the future development and actual earnings generated in future will match the statements and estimations made.
The actual business development may differ from our forecasts, for example due to the opportunities and risks as described above. Development depends in particular on the regulatory and industry-related environment and may be negatively influenced by increasing uncertainties or a deterioration in the economic and regulatory framework conditions.

The Executive Board continues to assume continuous growth for Medios Group in the 2019 financial year. Medios focuses on the area of speciality pharmaceutical products and has assumed a leading role in Germany. Speciality pharmaceutical products is a market segment within the pharmaceutical market which, according to our estimations, currently has an annual volume of EUR 12 billion. According to a growth forecast from IQVIA (previously QuintilesIMS), the entire speciality pharmaceutical market will grow by approximately 10% across Europe between 2015 and 2020.

The market situation depicted in the opportunities report will lead to further changes and consolidations across the entire pharmaceutical market. As one of the leading companies in the speciality pharmaceutical market, we assume that Medios shall be able to take advantage of this consolidation in order to gain further market shares.

The number of partner pharmacies as at 31 December 2018 was approximately 150. These partners are highly-specialised pharmacies. We have identified approximately 1,000 pharmacies as a target group from the approximate 19,500 pharmacies available in Germany. This still means significant growth potential for Medios Group.

At present, we sell approximately 450 speciality pharmaceutical products in the business area of the provision of medicinal products. Overall potential in Germany is approximately 1,000 products. We assume that we shall continue to expand the number of products we sell in 2019 and subsequent years.

The issue of medicinal product safety is playing a greater and greater role in the pharmaceutical industry. This is due to two factors, namely the constantly increasing number of expensive medicinal products and the recent associated increasing number of attempts at fraud and counterfeit medicinal products. For this reason, our company's management decided to use a portion of earnings in the 2019 financial year to considerably accelerate the market launch of the patent-pending non-destructive analysis procedure for finished medicinal products which we developed. To do so, we shall also found a company in 2019, build it up and gain our first external customers (see also I. 4. Research and Development).

In November 2018, the Federal Ministry of Health published the draft of a law for more safety in the provision of medicinal products ("GSAV"). As this draft is at a very early stage and significant parts have not yet been clearly enough defined, it is not currently possible to calculate the precise effects on Medios Group's business model. If we can already see effects today, we have considered these in our forecast for 2019. The law should come into force in its final version in summer 2019. In order to map this uncertainty, we have indicated a range for both our 2019 revenue and earnings forecast.

Both Medios AG and Medios Digital GmbH as a holding and service company will further expand the services to be rendered for subsidiaries, such as IT services, personnel management and finance and accounting in order to be able to map the planned growth. We are also increasingly investing in personnel, technology, consulting and software in 2019.

Based on these assumptions, we assume revenue of EUR 400-410 million, an EBITDA before special items of EUR 16-17 million and a pre-tax profit before special items (EBT before special items) of EUR 14-15 million for the Medios Group in the 2019 financial year. This corresponds to an increase in revenue of approximately 21.8% to 24.8% compared with the 2018 financial year (EUR 328 million) and an increase in pre-tax profit before special items (EBT before special items) of approximately 27.3% to 36.4% after an EBT before special items before special items of EUR 11 million in the previous year.

VI. Risk reporting on the use of financial instruments

The company's financial instruments mainly include receivables, liabilities, deposits at credit institutions and current account lines.

The company has a solvent customer base. Receivable defaults are therefore the exception.

Liabilities are paid within the agreed periods.

In 2018, Medios Group financed itself through equity and supplier loans in addition to ongoing cash flow. Short-term increased working capital can also be accessed on two current account lines amounting to a total of EUR 8 million.

The aim of the company's financial and risk management hedging the company's success against financial risks of any kind. With regard to managing financial positions, the company pursues a conservative risk policy.

In order to minimise default risks, the company has suitable debtor management and commercial credit insurance.

VII. Report on branches

The company does not maintain any branch offices.

VIII. Corporate Governance - Declaration on corporate governance pursuant to sections 289f and 315d HGB

The Executive Board and Supervisory Board will report on the corporate governance of the company on an annual basis in accordance with the guidelines of the "Government Commission on the German Corporate Governance Code". The Executive Board reports on the company's management and corporate governance in its declaration on corporate governance pursuant to section 289f and 315d HGB and Point 3.10 of the German Corporate Governance Code – and at the same time for the Supervisory Board.The declaration related both to the individual company and the Group and is published on the company website www.medios.ag under the heading Investor Relations/ Corporate Governance (http://www.medios.ag/de/investor-relations/corporate-governance/erklaerungen).

IX. Reporting pursuant to sections 289a and 315a HGB

1. Composition of subscribed capital

As at 31 December 2018, share capital amounted to EUR 14,564,019.00, divided into 14,564,019 bearer shares with a par value of EUR 1 per share. Shares are fully paid-up. The same rights and obligations are associated with all shares. The rights and obligations of shareholders can be found in detail in the regulations of the German Stock Corporation Act (AktG), in particular sections 12, 53a and 118 et seq. and 186 AktG.

2. Restrictions affecting voting rights or the transfer of shares

In the cases of section 136 AktG, voting rights are excluded from the shares in question by effect of law. The Executive Board of Medios AG is not aware of any other restrictions affecting voting rights or the assignment of shares.

3. 10% of voting rights exceeding direct and indirect capital investments

The following shareholders in the company are invested as of the closing date, 31 December 2018, as shown below, and have reported the shares of voting rights listed below to the company. Notifications were published pursuant to section 25(1) WpHG:

Manfred Schneider, Germany, notified us on 16 November 2018 (published on 16 November 2018) that his share of voting rights in Medios AG as at 15 November 2018 totalled 56.02% (8,158,396 voting rights) pursuant to section 33(1) German Securities Trading Act (WpHG) as part of a voluntary Group communication for mediosmanagement GmbH. Of this, 47.73% (6,952,041 voting rights) is to be assigned to him pursuant to section 34 WpHG. Names of shareholders with 3% or more of voting rights, whose voting rights are assigned to those required to report pursuant to section 34 WpHG are: mediosmanagement GmbH.

Further existing direct or indirect investments in the company's capital exceeding 10% of voting rights or changes to the named investments were not reported to Medios AG and nor is it aware of such.

4. Further direct and indirect capital investments <10%

Claudia Neuhaus, Germany, notified us on 21 November 2016 (published on 22 November 2016) that her share of voting rights in Medios AG as at 21 November 2016 was 4.49% (505,284 voting rights) pursuant to section 21(1) WpHG.

Remarks: On the reporting date (31 December 2018), Claudia Neuhaus' calculated share of voting rights in Medios AG was 3.47% (505,284 voting rights) in total. The deviation from the aforementioned voting rights notification arises as a result of the dilution due to capital increases, which did not need to be reported due to the threshold not being met.

Uwe Blechinger, Germany, notified us on 07 December 2016 (published on 08 December 2016) that her share of voting rights in Medios AG as at 07 December 2016 was 4.83% (600,000 voting rights) pursuant section 25(1) WpHG. The type of instruments are call options with a term until 31 December 2020.

Remarks: On the reporting date (31 December 2018), Uwe Blechinger's calculated share of voting rights in Medios AG was still 4.09% (595,000 voting rights) in total. The deviation from the aforementioned voting rights notification arises as a result of the dilution due to capital increases, exercising of options or the granting of new options, which did not need to be reported due to the threshold not being met.

Martin Hesse, Germany, notified us on 17 August 2017 (published on 17 August 2017) that his share of voting rights in Medios

AG as at 16 August 2017 totalled 4.03% (500,000 voting rights) pursuant to section 21(1) WpHG as part of a Group communication for Cranach-Pharma GmbH. Of this, 4.03% (500,000 voting rights) is to be assigned to him pursuant to section 22 WpHG. Names of shareholders with 3% or more of voting rights, whose voting rights are assigned to those required to report pursuant to section 22(1) or (2) WpHG: Cranach Pharma GmbH.

Remarks: On the reporting date (31 December 2018), Martin Hesse's calculated share of voting rights in Medios AG was 3.43% (500,000 voting rights) in total. Of this, 3.43% (500,000 voting rights) is to be assigned to him pursuant to section 22 WpHG. The deviation from the aforementioned voting rights notification arises as a result of the dilution due to capital increases, which did not need to be reported due to the threshold not being met. Marcel Jo Maschmeyer, Germany, notified us on 29 October 2018 (published on 30 October 2018) that her share of voting rights in Medios AG as at 25 October 2018 was 3.16% (431,674 voting rights) pursuant to section 33(1) WpHG. Of this, 3.12% (426,674 voting rights) is to be assigned to him pursuant to section 34 WpHG. Names of shareholders with 3% or more of voting rights, whose voting rights are assigned to those required to report pursuant to section 34 WpHG: Paladin Asset Management Investmentaktiengesellschaft mit Teilgesellschaftsvermögen.

Taaleri Oy, Helsinki, Finland, notified us on 21 March 2018 (published on 22 March 2018) that its share of voting rights in Medios AG as at 20 March 2018 totalled 2.61% (356,000 voting rights) pursuant to section 34 WpHG as part of a Group communication for Taaleri Varainhoito Oy and Taaleri Rahastoyhtiö Oy. Of this, 2.61% (356,000 voting rights) is to be assigned to it pursuant to section 34 WpHG. Names of shareholders, whose voting rights are assigned to those required to report pursuant to section 34 WpHG: Taaleri Varainhoito Oy and Taaleri Rahastoyhtiö Oy.

In this context, we were also notified by Erikoissijoitusrahasto Taaleri Mikro Rein Osake, Finland on 21 March 2018 (published on 22 March 2018) that its share of voting rights in Medios AG as at 20 March 2018 were 2.61% (356,000 voting shares) in total pursuant to section 33 WpHG.

5. Holders of shares with special rights that confer supervisory powers

Shares with special rights granting control authorisations did not and do not exist.

6. Type of voting right control if employees are invested in capital and do not directly exercise their control rights

No employees who do not directly exercise their control rights are invested in capital. If Medios AG issues shares as part of its employee share programme or share-based remuneration to employees, these shares shall be directly transferred to employees. Beneficiary employees may exercise the rights of control allocated from employee shares directly in accordance with statutory regulations and the provisions of the Articles of Association, just like other shareholders.

7. Authorisations of the Executive Board to issue or buy back shares

Approved capital – Pursuant to section 4(3) of the Articles of Association, the Executive Board is authorised to increase the company's share capital one or several times by 12 July 2023, with the approval of the Supervisory Board by up to EUR 5,932,009.00 by issuing up to 5,932,009 new bearer shares with no par value (no-par value shares) with a pro rata amount of the share capital of EUR 1 each against cash or non-cash contributions (approved capital 2018/1). Ordinary shares and/or non-voting preferential shares may be issued. The new shares may also be assumed by one or more credit institutions determined by the Executive Board companies acting with the obligation pursuant to section 53 Para. 1 Sentence 1 or section 53b Para. 1 Sentence 1 or Para. 7 KWG (German Banking Act) in order to offer them to shareholders ("indirect subscription right").The Executive Board is authorised, with the approval of the Supervisory Board, to exclude the subscription right of shareholders in the following cases:

- in the case of capital increases against non-cash contributions, particularly in order to guarantee shares within the context of company mergers or for the purpose of acquiring companies, operations, company units or shareholdings in companies or other assets, including claims against the company or its affiliated companies;
- to compensate for fractional amounts;
- in the event of capital increases against cash deposits, if the issue price of the new shares does not significantly fall below the stock market price of the shares already listed on the stock market at the time the final issue price is determined and the issued shares do not exceed 10% of the share capital either at the time they become effective or at the time that this authorisation is exercised; shares that were sold or issued or that are to be issued during the term of this authorisation until the point at which they are utilised based on other authorisations in direct or relevant application of section 186 Para. 3 Sentence 4 AktG to the exclusion of a subscription right must be taken into account when considering this limit;
- if necessary, in order to grant the holders of convertible bonds, convertible profit-sharing rights or option rights a subscription right to the extent to which they would be en-

titled after exercising their conversion right or option right as a shareholder;

- in order to guarantee shares to members of the Executive Board, the management bodies of affiliated companies pursuant to section 15 AktG, the company's management and/ or affiliated companies or to the company's employees and/ or affiliated companies within the framework of employee investment programmes. As long as shares are to be guaranteed for members of the Executive Board, the company's Supervisory Board is solely responsible for this;

- in order to fulfil the greenshoe option agreed with issuing banks when company shares are issued.

A capital increase to the exclusion of the subscription right for implementing the employee investment programmes may only take place in the amount of up to 10% of the available share capital at the time the new shares are issued.

The Executive Board is authorised, with the approval of the Supervisory Board, to set further details and conditions of implementing capital increases from approved capital and the issue of shares.

The Supervisory Board is authorised to amend the wording of the Articles of Association in section 4(3) in accordance with the exercise or upon termination of its authorisation.

To date, the Executive Board has not availed itself of this authorisation.

2017 conditioned capital/share option plan – the company's share capital is conditionally increased by EUR 600,000 by issuing up to 600,000 no-par value bearer shares (2017conditioned capital). The conditioned capital increase serves solely to fulfil the subscription rights that are guaranteed based on the authorisation of the Annual Shareholders' Meeting of 28 August 2017 in accordance with agenda point 8. The conditioned capital increase is carried out only insofar as the holders of the subscription rights that were issued as part of the "2017 share option plan" make use of their right to subscribe to the company's shares and the company does not provide any of its own shares in order to fulfil the options. The new shares participate in profit sharing from the start of the financial year for which no profit appropriation resolution has been made at the time they are issued.

The conditioned capital has not yet been used.

2018 conditioned capital/share option plan – the company's share capital is conditionally increased by EUR 300,000 by issuing up to 300,000 no-par value bearer shares (2018 conditioned capital). The conditioned capital increase serves solely to fulfil the subscription rights that are guaranteed based on the authorisation of the Annual Shareholders' Meeting of 13 July 2018 in accordance with agenda point 7. The conditioned capital increase is carried out only insofar as the holders of the subscription rights that were issued as part of the "2018 share option plan" make use of their right to subscribe to the company's shares and the company does not provide any of its own shares in order to fulfil the options. The new shares participate in profit sharing from the start of the financial year for which no profit appropriation resolution has been made at the time they are issued.

The conditioned capital has not yet been used.

Authorisation of the Executive Board to buy back shares – The company may only buy back its own shares with the prior authorisation of the Annual Shareholders' Meeting or in the few instances expressly governed in the German Stock Corporation Act.On 13 July 2018, the Annual Shareholders' Meeting authorised the Executive Board to purchase own shares in the amount of up to 10% of the share capital at the time that the resolution become effective or, should the subsequent value be lower, at the time that the authorisation was made use of.The authorisation granted by the Annual Shareholders' Meeting on 28 August 2017 was removed where it had not been used by that time.To clarify, this does not also concern the authorisation to use own acquired shares; this authorisation is still in place. The shares acquired, together with any own shares acquired for other reasons held by the company or assigned to it in accordance with section 71a et seq. AktG, shall not exceed 10% of the company's share capital at any time.

The company may exercise this authorisation in full or in part, once or several times, as may independent companies or companies majority-owned by the company or for its own or their account by third parties. The acquisition authorisation shall be valid until 12 July 2023.

The acquisition shall be made according to the vote of the Executive Board (1) via the stock exchange or (2) by means of a public purchase offer directed to all shareholders or a public invitation to company shareholders to submit offers to sell or (3) by the issue of disposal rights to shareholders.

(1) If the acquisition takes place via the stock exchange, the countervalue for the acquisition of the shares (without ancillary acquisition costs) shall not exceed or fall short of the average value of the stock exchange prices (closing share price of Medios shares in electronic trading on the Frankfurt Stock Exchange) on the last five trading days before the obligation to purchase is entered into by more than 10%. The company's Executive Board shall determine the detailed implementation of the acquisition.

(2) In the event of a public purchase offer to all shareholders or a public invitation to company shareholders to submit offers to sell, the offer purchase or selling price or the limits of the purchase or selling price range offered per share (each without ancillary acquisition costs) shall not exceed the average value of the stock exchange prices (closing share price of Medios shares in electronic trading on the Frankfurt Stock Exchange) on the last five trading days before the day the offer was published by more than 10% or fall short of it by more than 20%. If, after publishing the company's offer or after a formal request to submit offers to sell, significant price deviations from the offer purchase or selling price or the limit values of the offered purchase or selling price range emerge, the offer or request to submit offers to sell may be amended. In this case, the decisive amount shall be determined according to the relevant price on the last trading day before publication of the amendment; the 10% or 20% limit for exceeding/falling short of this limit must be applied to this amount. The volume of the offer or request to submit offers may be restricted. If the total acceptance of the offer or the offers submitted by shareholders in the event of a request to submit offers exceed this volume, the acquisition or acceptance must only take place to the partial exclusion in this regard of a potential shareholder disposal right in the ratio of the shares offered at the time. A preferential acquisition or acceptance of a lower number of units up to 100 units upon acquisition of the company's shares offered per company shareholder may take place to the partial exclusion in this regard of any shareholder right to dispose of their shares. Likewise, rounding on a commercial basis is permitted in order to avoid mathematical fractions of shares. The company's Executive Board shall determine the detailed design of the offer or the public request to submit offers to sell aimed at shareholders.

(3) If the acquisition takes place by means of the disposal rights of shareholders, they may be allocated to the company per share. In accordance with the ratio of the company's share to the volume of the shares to be bought back by the company, an appropriate set number of disposal rights to sell a share entitles the company to them. Disposal rights may also be allocated in such a way that one disposal right is allocated per number of shares resulting from the ratio of the share capital to the repurchase volume. Fractions of disposal rights are not allocated; in this case, the corresponding partial disposal rights are excluded. The price or limit value of the purchase price range offered (always without ancillary acquisition costs) at which a share can be sold to the company when exercising the disposal right is amended if necessary according to the regulation in (2) above. The detailed design of disposal rights, in particular their content, term and, where necessary, their tradability, is determined by the company's Executive Board.

The Executive Board is also entitled to sell its own shares acquired based on this or a previous authorisation to all shareholders via the stock exchange or via an offer. In the event of an offer to all shareholders, the subscription right for all fractional amounts shall be excluded. The Executive Board is further authorised to use its own shares acquired based on this or on a previous authorisation for all legally permitted purposes, in particular the following:

(1) They may be sold against benefit in kind, and in particular can be used as a (partial) counter-benefit as part of company mergers or to acquire companies, shareholdings in companies or parts of companies or to acquire other assets. Shareholders' subscription rights are excluded in this regard.

(2) They may be issued to company shareholders and employees of affiliated companies pursuant to sections 15 et seq. AktG. They may also be used for issuing to selected employees in management or key company positions and to employees of the Executive Board, Executive Board and selected employees in management or key company positions in affiliated companies pursuant to sections 15 et seq. AktG. Shareholders' subscription rights are excluded in this regard.

(3) They may be sold, to the exclusion in this regard of shareholder subscription rights, including in other ways than via the stock exchange or an offer to shareholders, if the shares are sold for cash at a price that does not significantly fall below the stock exchange price of the company's shares. This authorisation shall only apply however on condition that the total of the shares sold to the exclusion of the subscription right pursuant to section 71(1)(8)(5) in connection with section 186(3)(4) AktG may not exceed a total of 10% of the company's share capital in question. The amount of the share capital at the time this authorisation becomes effective or – if this subsequent value is lower – the amount of the share capital at the time of the utilisation of this authorisation is crucial in order to calculate the 10% limit. If, during the term of this authorisation until its utilisation, use is made of another authorisation to issue or sell company shares or to issue rights enabling or obliging the subscription of company shares and therefore the subscription right pursuant to section 186 Para. 3 Sentence 4 AktG is excluded, this must be taken into account when considering the aforementioned 10% limit.

(4) They may be collected without requiring the retraction or execution of the retraction of a further Annual Shareholders' Meeting resolution. This collection may be limited to part of the shares acquired. The collection shall lead to a capital decrease. The collection may, however, also take place without reducing capital by adjusting the pro rata amount of the share capital of the remaining shares pursuant to section 8(3) AktG. The Executive Board is authorised in this case to amend the number of shares in the Articles of Association accordingly.

The shares under exclusion of the subscription right pursuant to (1), (2) and (3) may only be used according to this authorisation if a mathematical interest in the share capital of no more than 20% of the share capital at the time that the authorisation became effective or, should the subsequent value be lower, at the time of the use of this authorisation, is attributed to the total of the shares used in this way together with shares that were issued or sold by the company during the term of this authorisation under their use under another authorisation under exclusion of the subscription right of shareholders or that are to be issued based on rights that were issued during the term of this authorisation until their use on the basis of another authorisation under exclusion of the subscription right and that allow or oblige the subscription of company shares.

The authorisation can be used once or several times, in whole or in part, individually or collectively, and through dependent or majority-owned companies or on their behalf or third parties acting on their behalf.

To date, the Executive Board has not availed itself of this authorisation.

8. Appointment and dismissal of members of the Executive Board and amendments to the Articles of Association

The relevant legal requirements and provisions of the Articles of Association for the appointment and dismissal of members of the Executive Board are sections 84 and 85 AktG and section 6 of the Articles of Association. Sections 133 and 179 AktG and section 19 of the Articles of Association are essential for amending the Articles of Association.

9. Key company agreements that take effect in the event of a change of control as a consequence of a takeover bid have been made

No company agreements that take effect in the event of a change of control as a consequence of a takeover bid have been made.

10. Company compensation agreements in the event of a takeover bid have been made with members of the Executive Board or employees

No company compensation agreements with executive board members or employees in the event of a takeover bid have been agreed.

11. Other information relevant to takeover bids

Mr Manfred Schneider notified us on 16 November 2018 that his share of voting rights in Medios AG as at 15 November 2018 totalled 56.02% (8,158,396 voting rights) pursuant to section 33(1) WpHG as part of a voluntary Group communication for mediosmanagement GmbH (see above Note 3.). No other direct or indirect shareholdings in the company's capital that reach or exceed 10% of voting rights have been reported to us during the past financial year, nor are we aware of such.

12. Information pursuant to section 289(f)(2)(4.6) HGB
12.1. Diversity concept

Medios Group AG's diversity concept is essentially characterised by two factors. The company is active in an industry that is traditionally characterised by a high proportion of women at almost all levels. For this reason, women are also consistently benefit from above-average representation at Medios AG – compared with many other industries – meaning that our diversity concept goes beyond statutory regulations. Moreover, it must be taken into consideration that Medios operates in a highly specialised industry and strives to retain the best employees in the long-term at all levels. For this reason, the Supervisory Board elects members of the Executive Board based on their qualifications and education and professional background, regardless of gender, nationality or age alone. The Executive Board appoints the two following management levels in accordance with the same principles. Members of Medios AG's Supervisory Board were also elected based on their qualifications and education and professional background, regardless of gender, nationality or age alone.

The focus of the diversity concept is therefore the proportion of women on the Executive Board and the two downstream management levels in addition to their educational and professional background. At Medios AG, the criterion "professional background" also includes multi-year independent international professional experience as a result of long-term employment abroad or specialist knowledge of the markets important to Medios. The Supervisory Board shall consider other diversity criteria if it deems so appropriate and expedient. In the 2018 financial year, the Supervisory Board met the aforementioned criteria with the exception of determining the quota of women for the supervisory body. Please see b) below for more information on the proportion of women.

12.2. Information on the minimum proportion of men and women

The Supervisory Board is obliged to set a target for the proportion of women on the Supervisory Board and a deadline for achieving this target. In addition, the Supervisory Board is obliged to set a target quota for the proportion of women on the Executive Board and a deadline for achieving this target. The Executive Board is in turn responsible for setting target quotas for the proportion of women at both management levels below the Executive Board and deadlines for achieving these targets.

A report on this is prepared below.

12.3. Target women's quota for the Supervisory Board

The acting Supervisory Board elected shareholders at the ordinary shareholders' of 14 September 2016. With regard to suggestions for election, the focus was on suggesting suitable candidates who were ideal for the company with the necessary expertise, experience and network. Specific targets for the composition of the Supervisory Board were not defined at the time of the election. For this reason, appropriate targets were also not considered in the suggestions for the most recent election of the Supervisory Board on 14 September 2016. The acting Supervisory Board shall however address the composition of the Supervisory Board with regulations and targets in the 2019 financial year and define appropriate guidelines for the future.

12.4. Target women's quotas for the Executive Board and both management levels below the Executive Board

At its meeting of 27 June 2017, the Supervisory Board appointed Ms Mi-Young Miehler to the Executive Board and as Chief Operating Officer (COO). At the same meeting, it was decided that at least one woman must be represented on the Executive Board in future. This target was met as at 31 December 2018.

At the management level directly below the Executive Board, three men and three women are employed, equal to a proportion of women of 50%. At the second management level directly below the Executive Board, two men and three women were employed on the reporting date, equal to a proportion of women of 60%. On 28 August 2017, the Executive Board decided that the proportion of women at both management levels below the Executive Board should not fall short of 30% in future. As a result, the Executive Board target was met as at 31 December 2018.

13. Further information on corporate governance practices (risk management, ban on insider trading and other compliance issues)

13.1. Risk management

The responsible handling risks is one of the tasks of good corporate governance. The company has appropriate risk management and risk controlling. For more information on risk management, please see the opportunity and risk report in the Group management report from page 18 onwards.

13.2. Ban on insider trading

Medios AG is subject to a system for compliance with the ban on insider trading ("article 14 Market Abuse Directive – MAD"). In addition, there is a code of conduct to comply with laws on insider trading and to avoid conflicts of interest. Furthermore, there is a communications and ad-hoc committee, consisting of the Chief Financial Officer (CFO), the head of the Investor Relations department, an external IR/PR agency and an external law firm specialising in IR and PR which examines the ad-hoc and insider relevance of information, thereby ensuring legal compliance. In addition to the highly specialised MAD team, there is a general compliance management system at all levels to supervise compliance with all statutory provisions and internal guidelines relevant for the company's activities (compliance) which are described under (c) below. A whistleblowing system has also been set up in tandem.

13.3. Compliance management system

The Executive Board and Supervisory Board believe that a functioning compliance management system ("CMS") promotes corporate culture and helps to avoid legal violations that are subject to penalties or fines and the associated sanctions, financial losses and reputational damage for the company and its employees. Medios CMS supports the Executive Board and Supervisory Board in understanding their legal responsibility and institutional due diligence to ensure appropriate and effective management of compliance risks in the Group and the supervisory obligations based on such. In organisational terms, the compliance management system is mapped by employees at company headquarters and in subsidiaries. In 2019, a Chief Compliance Officer is to be appointed who shall report directly to the Chairman of the Executive Board.

The Medios CMS follows the methodical approach of "Prevent – Detect – Respond". In order to detect compliance risks and continually improve the Group-wide compliance management system, compliance risk assessments are regularly carried out in the units. Regular business and finance reviews are an essential component of Medios' compliance management system. In addition, management and the compliance organisation conduct biannual or annual controls throughout the business, which are a component of the internal control system. An additional element of the Medios CMS is the whistle-blower system which is always available and which allows employees and third parties to anonymously report violations of compliance provisions. All information is followed up. If there is specific information, internal investigations must be carried out. The compliance management system is continuously checked for feasibility and efficacy and adjusted or developed further where needed.

X. Final declaration pursuant to section 312(3) (3) AktG

Pursuant to section 312 AktG, the Executive Board has prepared a report on relationships with affiliated companies which includes the following final declaration:

"The company has received reasonable counter-performance for each legal transaction listed. Appropriateness has been assessed according to the circumstances of which the Executive Board was aware at the time that the transaction took place. There is therefore no discrimination".

Berlin, 29 March 2019

Manfred Schneider
Chairman of the
Executive Board (CEO)

Matthias Gärtner
Chairman of the
Executive Board (CFO)

Mi-Young Miehler
Executive Board (COO)

Christoph Prußeit
Executive Board (CIO)

Medios AG

Group financial statement IFRS

Consolidated statement of comprehensive income for the 2018 financial year
Medios AG, Berlin

	NOTES	01/01/ – 31/12/2018 EUR	01/01/ – 31/12/2017 EUR
Revenue	9.	**327,829,818**	**253,636,644**
Change in stocks of finished goods and work-in-progress	10.	-6,405	767,793
Work performed and capitalised	11.	948,074	402,118
Other income	12.	316,318	145,953
Cost of materials	13.	305,642,730	237,437,411
Personnel expenses	14.	9,775,920	6,108,533
Other expenses	15.	5,127,771	4,114,306
Earnings before interest, tax, depreciation and amortisation (EBITDA)	18., 19.	**8,541,384**	**7,292,259**
Depreciation and amortisation		1,142,109	491,075
Operating profit/loss (EBIT)	16.	**7,399,275**	**6,801,185**
Financial expenses	16.	35,059	96,486
Financial income		14,516	6,688
Consolidated earnings before tax (EBT)	17.	**7,378,732**	**6,711,387**
Tax		3,051,888	2,577,054
Consolidated earnings after tax		**4,326,844**	**4,134,331**
Total consolidated earnings		**4,326,844**	**4,134,331**
Basic earnings per share (in EUR)		0,31	0,32
Diluted earnings per share (in EUR)		0,31	0,32

Consolidated balance sheet
as at 31 December 2018, Medios AG, Berlin

ASSETS	NOTES	31/12/2018 EUR	31/12/2017 EUR	01/01/2017EUR
			ADJUSTED*	ADJUSTED*
Non-current assets				
Intangible assets	18.	31,615,011	9,254,796	7,326,348
Property, plant and equipment	19.	5,641,252	5,341,981	617,532
Financial assets	20.	100,000	100,000	0
Deferred tax assets	17.	0	856,217	435,900
Total		**37,356,263**	**15,552,994**	**8,379,780**
Current assets				
Inventories	21.	13,953,312	10,591,232	6,604,887
Trade receivables	22.	31,074,231	17,085,438	14,484,070
Other assets	23.	3,836,600	1,791,631	1,301,402
Income tax receivables	17.	424,482	0	0
Cash and cash equivalents	24.	11,771,930	16,685,262	17,090,617
Total		**61,060,555**	**46,153,563**	**39,480,976**
Balance sheet total		**98,416,818**	**61,706,558**	**47,860,757**

*adjusted as at 1 January 2017 - see Notes item 4

Consolidated statement of comprehensive income
for the 2018 financial year, Medios AG, Berlin

LIABILITIES	NOTES	31/12/2018 EUR	31/12/2017 EUR	01/01/2017 EUR
			ANGEPASST*	ANGEPASST*
Equity	25.			
Subscribed capital		14,564,019	13,664,019	12,421,836
Capital reserves		49,904,363	30,310,058	22,128,702
Accumulated Group's net income		6,029,300	1,702,456	-2,431,877
Attributable to shareholders in the parent company		70,497,682	45,676,533	32,118,661
Shares of non-controlling shareholders		0	0	1,979,853
Total		**70,497,682**	**45,676,533**	**34,098,514**
Liabilities				
Non-current liabilities	17.			
Deferred tax liabilities		4,207,794	378,032	165,292
Total		**4,207,794**	**378,032**	**165,292**
Current liabilities				
Other provisions	27.	374,557	1,178,376	1,456,738
Trade payables	28.	18,807,191	11,881,490	9,851,466
Financial liabilities	26.	203,169	0	0
Income tax liabilities	17.	2,261,367	884,881	1,937,809
Other liabilities	29.	2,065,058	1,707,246	350,938
Total		**23,711,342**	**15,651,993**	**13,596,951**
Total liabilities		**27,919,136**	**16,030,025**	**13,762,243**
Balance sheet total		**98,416,818**	**61,706,558**	**47,860,757**

*adjusted as at 1 January 2017 - see Notes item 4

Consolidated cash flow statement for the 2018 financial year

Medios AG, Berlin

	NOTES	01/01/-31/12/2018	01/01/-31/12/2017
		EUR	EUR
		ADJUSTED *	ADJUSTED *
Cash flow from operating activities			
Net income for the year		4,326,844	4,134,333
Depreciation and amortisation on non-current assets	18., 19.	1,142,109	491,075
Increase in provisions	27.	-803,819	-127,298
Other non-cash expenses	14.	2,586,077	1,319,772
Increase/decrease in inventories, trade receivables and other assets not attributable to investment or financing activities	21., 22., 23.	-19,395,841	-7,080,467
Increase/decrease in trade payables and other liabilities not attributable to investment or financing activities	28., 29.	7,259,690	3,235,268
Financial result	16.	20,542	89,798
Income tax expense	17.	3,051,888	2,577,054
Income tax payments		-1,323,053	-3,826,483
Net cash inflow/outflow from operating activities		**-3,135,563**	**813,052**
Cash flow from investment activities			
Payments made for investments in intangible assets	18.	-1,257,017	-1,347,808
Payments made for investments in property, plant and equipment	19.	-567,420	-3,993,280
Payments made for investments in financial assets	20.	0	-100,000
Acquisition of a subsidiary, less acquired cash		0	-1,748,880
Interest received	16.	14,517	6,688
Net cash outflow from investment activities		**-1,809,920**	**-7,183,280**
Cash flow from financing activities			
Payments received from equity contributions by other shareholders		0	14,880,363
Acquisition of non-controlling interests		0	-8,820,004
Interest paid	16.	-35,059	-96,486
Payments for issue costs for the real capital increase	25.	-135,959	0
Net cash inflow from financing activities		**-171,018**	**5,963,873**
Net increase in cash		-5,116,501	-406,355
Cash at the beginning of the financial year		16,685,262	17,091,617
Cash at the end of the financial year	24.	**11,568,761**	**16,685,262**

*adjusted - see Notes item 4

Consolidated statement of changes in equity
as at 31 December 2018
Medios AG, Berlin

	NOTES	Subscribed capital *	Subscribed capital *
		EUR	EUR
As at 01/01/2017 (original)		**5,296,825**	**29,253,713**
Reversal of company acquisition, error correction	4.	7,125,011	-7,125,011
As at 01/01/2017 (adjusted)	25.	**12,421,836**	**22,128,702**
Net profit for 2017		0	0
Shareholdings acquired without change of status		0	-6,840,151
Cash capital increase of 19/09/2017		1,242,183	14,036,668
Capital increase costs		0	-270,161
Taxes on capital increase costs Employee benefits settled with equity		0	1,255,000
As at 31/12/2017		**13,664,019**	**30,310,058**
As at 01/01/2018	25.	**13,664,019**	**30,310,058**
Net profit for 2018		0	0
Real capital increase		900,000	17,100,000
Transaction costs and tax from the real capital increase		0	-91,772
Offsetting from debt-to-equity swap Employee benefits settled with equity		0	2,586,077
As at 31/12/2018		**14,564,019**	**49,904,363**

* adjusted as at 01/01/2017 - see Notes item 4

Accumulated Group's net income	attributable to shareholders in the parent company	non-controlling shareholders (minority interests)	Equity
EUR	EUR	EUR	EUR
-2,431,877	**32,118,661**	**1,979,853**	**34,098,514**
0	0	0	0
-2,431,877	**32,118,661**	**1,979,853**	**34,098,514**
4,134,333	4,134,333	0	4,134,333
0	-6,840,151	-1,979,853	-8,820,004
0	15,278,851	0	15,278,851
0	-270,161	0	-270,161
0	1,255,000	0	1,255,000
1,702,456	**45,676,533**	**0**	**45,676,533**
1,702,456	**45,676,533**	**0**	**45,676,533**
4,326,844	4,326,844	0	4,326,844
0	18,000,000	0	18,000,000
0	-91,772	0	-91,772
0	2,586,077	0	2,586,077
6,029,300	**70,497,682**	0	**70,497,682**

Notes to the consolidated financial statements for financial year 2018

1. General

Medios AG (hereinafter also referred to as the “company”, “Medios” and, in connection with its subsidiaries, “Medios Group”) is a public limited company registered in Germany. The shares of the company are listed on the Regulated Market of the Frankfurt Stock Exchange (General Standard). The shares are also permitted for trade in the free market of the Düsseldorf and Stuttgart Stock Exchanges. Medios AG is the parent company of Medios Group. It is registered with the District Court of Berlin under number HRB 70680.

The company's headquarters are located in Hamburg. Its business address is Friedrichstraße 113a, 10117 Berlin, Germany.

The consolidated financial statements are presented in euros (EUR), the functional currency of the reporting Group. Unless otherwise specified, all figures are stated in thousands of euros (KEUR). Please note that due to commercial rounding, the use of rounded sums and percentages may result in differences, including within individual tables. This also concerns the totals and subtotals presented in the annual financial statements.
The consolidated income statement is prepared according to the total cost procedure. The financial year of Medios AG and its subsidiaries included in the consolidated financial statements corresponds to the calendar year; a group relationship has been in existence since 31 August 2016.

2. Business activity

As a management and service holding company, Medios AG has the central management function over Medios Group. It controls the business activity of the Group, defines inter alia the Group’s operational planning and monitors compliance with the latter.

The 100% subsidiary Medios Pharma GmbH is a pharmaceutical wholesale company with permission to operate under section 52a of the German Medicinal Products Act (Arzneimittelgesetz, AMG) and supplies the partners of Medios with specialty pharmaceuticals according to market and need. This work is primarily focused on oncology, autoimmunology and infectious diseases. Medios Pharma is a significant expert in the market with a comprehensive network and many years of experience.

The 100% subsidiary Medios Manufaktur GmbH is a producer of speciality pharmaceutical medicinal products in Germany. With their products and supplementary services for pharmacies, they cover the most important parts of the supply chain. The preparation of every single drug follows the highest international quality standards (GMP). This work is focused inter alia on infusion solutions for the oncology market.

The 100% subsidiary Medios Individual GmbH specialises in the production of patient-specific antiviral and antibiotic solutions, the production of parenteral nutrition solutions and the manufacturing of non-cytostatic preparations. Medios Individual Apotheken also offers supplementary services. The production of drugs and solutions complies with the highest international quality standards (GMP).

The 100% subsidiary Medios Digital GmbH is the internal system service provider of Medios Group and develops software and infrastructure solutions. This specifically involves logistics processes such as purchasing, warehousing and sales as well as optimised trading processes with integrated interfaces with our customers. The focus of our work is the development and implementation of software solutions for Medios Pharma GmbH.

3. Bases for the preparation of the financial statements

As at 31 December 2018, the consolidated financial statements of Medios AG were prepared in accordance with International Financial Reporting Standards (IFRS) as they are to be applied in the European Union (EU) and the additional commercial guidelines to be applied in accordance with section 315(e)(1) HGB (German Commercial Code).

The present Group of Medios AG, as a reporting company, was created in August 2016 through a reverse acquisition.
The reports for financial year 2018 comply with the mandatory accounting regulations that must be applied and provide a picture of the Group’s asset, financial and earnings position which corresponds to the actual circumstances.

These consolidated financial statements were approved for publication by the Executive Board Medios AG on 17 April 2019.

4. New applicable or amended and applicable standards and interpretations and corrections pursuant to IAS 8

The following new or revised IFRS standards and interpretations were used in the financial year:

Standards/Interpretation		Deadline for mandatory application	Date of EU endorsement
IFRS 15	Revenue from contracts with customers including change in the time of first application	01/01/2018	09/2016
Amendments to IFRS 15	Clarification on IFRS 15	01/01/2018	10/2017
IFRS 9	Financial Instruments	01/01/2018	11/2016
Amendments to IFRS 4	Application of IFRS 9 "Financial instruments" together with IFRS 4 "Insurance contracts"	01/01/2018	11/2017
Amendments to IFRS 2	Classification and valuation of company events with share-based remuneration	01/01/2018	02/2018
Amendments to IAS 40	Transfers of investment properties	01/01/2018	03/2018
IFRIC 22	Foreign currency transactions and advance consideration	01/01/2018	03/2018
Annual improvements to IFRS	Annual improvement to IFRS cycle 2014-2016 (IFRS 1 and IAS 28)	01/01/2018	Various

IFRS 15 Revenue from contracts with customers

Medios Group will apply IFRS 15 "Revenue from Contracts with Customers" for the first time on 1 January 2018. This in particular replaces standard IAS 18 "Revenue" and IAS 11 "Construction Contracts". The focus of IFRS 15 is that revenue is to be realised when the control and authority of disposal over the goods or services is transferred to the customer.

Revenue is to be assessed at the amount of consideration that the company expects to realise if the customer acquires authority of disposal over the agreed goods and services and is able to benefit from this. The standard sets out a five-step scheme to determine revenue to be recorded, which includes the following steps:

- Step 1: Determining the relevant agreement
- Step 2: Identifying separate performance obligations in the agreement
- Step 3: Determining the whole consideration
- Step 4: Allocating the whole consideration to identified performance obligations
- Step 5: Realising revenue when a performance obligation has been met

Medios applied the new standard on realising revenue for the first time on 1 January 2018 according to the retrospective modified method. There were no contractual amendments or other circumstances that are treated differently from previous practice with regard to realising revenue. Accordingly, the transition to the new guidelines on realising revenue did not lead to any adjustment of retained earnings.

On occasion, claims for reimbursement from customers, known as refunds, result from Medios Group sales in the form of various considerations. The term "return" inter alia designates the rejection of the assumption of cost by health insurance companies from pharmacies for medications that have already been issued to patients. Pharmacies pass on such returns to Medios Group as manufacturing premises. Medios recognises revenues from patient-specific therapies after deducting expected refunds.. Returns are calculated based on many years of experience according to the expected value method.

A reimbursement liability is recorded in other current liabilities for expected returns. The comparison reporting date of 31 December 2017 was not adjusted. From 1 January 2018 onwards, the returns recognised as of 31 December 2017 in the amount of kEUR 838, are therefore no longer reported in provisions.

Additional disclosure requirements were implemented.

IFRS 9 Financial Instruments

With effect from 1 January 2018, Medios Group will apply IFRS 9 "Financial Instruments" for the first time. The new regulations on the classification of financial assets do not result in any changes in the valuation of financial instruments compared to the consolidated financial statements as of 31 December 2017.

Financial assets whose cash flow consists of interest payments and repayments are classified depending on the business model. If the business model provides for holding the instrument in order to agree on the contractual cash flow, the instrument is allocated to category AC. In the consolidated financial statements of Medios AG, there are therefore no effects as part of this reclassification into the new valuation categories in accordance with IFRS 9. There were no movements between the previous valuation categories of IAS 39 and the new valuation categories to be applied of IFRS 9.

The following categories were used in the consolidated financial statements:

Measurement category	Abbreviation
Continuing acquisition cost (in accordance with IAS 39: Loans and receivables or Financial liabilities measured at amortised cost)	AC (IAS 39: LaR or FLAC)

Due to the new regulations for impairment in accordance with the Expected Credit Loss Model, expected losses will in future be recognised as an expense. Medios uses a simplified procedure to estimate expected credit defaults from the trade receivables existing on the closing date. In addition to the customer's previous payment behaviour and credit insurance which has sometimes been taken out, the procedure considers any changes to economic framework conditions that may have an effect the intrinsic value of the receivables. As Medios Group customers continually demonstrate very high creditworthiness and previously almost never defaulted on payment, Medios deems the credit risk to be negligible. Impairments for expected defaults were therefore not recorded as at 31 December 2018 (previous year: kEUR 16).KEUR

Financial assets such as cash and cash equivalents are deposits with credit institutions and current liquid investments. They are assigned to measurement category AC.

In the current financial year and in previous years, Medios AG and its subsidiaries do not have any hedging relationships as defined by this standard. There are therefore no effects arising from the transfer of existing hedging relationships. Further information on the first-time application of IFRS 9 can be found in the reporting on financial instruments.

Other standards

Adjustments to the annual improvements in 2014 to 2016 comprise slight amendments to IFRS 1 and IAS 28. There is no material impact on the consolidated financial statements of Medios.

There are no effects on Medios' consolidated financial statements from the application of the additional new accounting standards as at 1 January 2018.

Standards and interpretations already published but not yet applied:

Standards/Interpretation		Deadline for mandatory application	Date of EU endorsement
IFRS 16	Leasing	01/01/2019	10/2017
IFRIC 23	Uncertainties regarding income tax treatment	01/01/2019	10/2018
Amendments to IFRS 9	Prepayment rules with negative compensation	01/01/2019	03/2018
Amendments to IAS 19	Plan amendments, abridgements and settlements	01/01/2019	03/2019
Amendments to IAS 28	Non-current investments in associates and joint ventures	01/01/2019	open
Annual improvements to IFRS	Annual improvements to IFRS cycle 2015-2017	01/01/2019	open
Various standards	References to the framework concept	01/01/2020	open
Amendments to IFRS 3	Definition of business operation	01/01/2020	open
Amendments to IAS 1 / IAS 8	Definition of materiality	01/01/2020	open
IFRS 17	Insurance contracts	01/01/2021	open

IFRS 16 Leasing

IFRS 16 – Leasing arrangements – governs the recording, assessment, presentation and information concerning leasing arrangements. From 1 January 2019 onwards, IFRS 16 must be applied. The new leasing standard replaces the previous regulations of IAS 17 – Leasing arrangements. In contrast to the previous regulations, it provides for recording of the rights of use and lease liabilities resulting from leases in the balance sheet for the lessee. There is therefore no longer any difference between off-balance sheet operating leases and on-balance sheet finance leases. The lease liability to be recorded under liabilities is determined as the cash value of the payments most likely to be made to the lessee. It shall be updated according to the effective interest method. The right of use to the underlying asset to be recorded in return must be recorded at its acquisition cost at the start of the lease. In addition to lease payments, any initial direct costs of the lessee and restoration costs must be included in its determination. The capitalised right of use must be amortised as scheduled and be checked for impairment in the event of any relevant indications.

The company shall apply the new accounting standard to leases with a residual term of more than one year as at 1 January 2019 according to the modified retrospective method. The previous year's values are not adjusted. Medios Group shall not make use of the voting right not to account for low-value and current leases but shall continue to record them under operating expenses. Property rent and vehicles are in particular the subject of the concluded leases.

Medios management analysed the effects on the consolidated balance sheet and the consolidated income statement of the first-time application of IFRS 16 when taking contractual inventory. Effects include a balance sheet extension of approximately EUR 1.6 million and an increase in EBITDA of approximately EUR 0.5 million. The increase in financial expenses is expected to be under kEUR 100. Please see item 33 "Information about leases" for information about our current lease expenses.

All agreements existing on the balance sheet date on 31 December 2018 were considered..

Other standards

The new interpretation IFRIC 23 "Uncertainty over income tax treatment" covers how uncertainty over tax assessments are to be treated. Such uncertainties may arise when determining bases for tax measurements, when determining the amount of unused loss carryforwards and when determining tax rates to be applied. Medios Group does not expect any significant effects from the new interpretation on the presentation of the earnings, financial and asset situation.

The additional new or amended IFRS to be applied for the first time after 31 December 2018 shall also at most have insignificant effects on Medios' consolidated financial statements.

Correction of equity presentation

As was understood with hindsight, the accounting presentation of the reverse business combination had presented Group equity erroneously in its structure in the consolidated financial statements. In the event of a reverse business combination, the consolidated financial statements and therefore also Group equity must be determined from the perspective of the economic acquirer. This was Medios Pharma GmbH. As the financial statements are however formally prepared by the legal acquirer, Medios AG, its subscribed capital takes the place of the subscribed capital of the economic acquirer. The difference must be offset with the Group's capital reserve.

Medios Group equity was presented appropriately in the opinion of Medios Pharma GmbH in the financial statements published as at 31 December 2016 and as at 31 December 2017. However, the subscribed capital was not adjusted for Medios AG.

As a result of the retrospective adjustment of the structure of the Group’s equity, subscribed capital increased on 1 January 2017 and 31 December 2017 by EUR 7,125,011 each time. It therefore corresponds to the mathematical value of the Medios AG shares outstanding on all reporting dates. The capital reserve must be reduced by the same amount. The adjustment is as follows:

in EUR	31/12/2017			01/01/2017		
	Reported	Adjustment	After adjustment	Reported	Adjustment	After adjustment
Subscribed capital	6,539,008	7,125,011	13,664,019	5,296,825	7,125,011	12,421,836
Capital reserves	37,435,069	-7,125,011	30,310,058	29,253,714	-7,125,011	22,128,702

Correction of related party disclosures

Related party disclosures were not conclusive in the 2017 financial year. In the 2017 notes to the consolidated financial statements, the name of the ultimate controlling party was specified incompletely. Contrary to the parent company (mediosmanagement GmbH), Mr Manfred Schneider was considered the utmost controlling party in the 2017 financial year.

In addition, there is no information about transactions with Mr Manfred Schneider as a related party in connection with the acquisition of Medios Manufaktur GmbH. On 1 November 2016, Medios AG acquired 51% of the shares in Medios Manufaktur GmbH, 32% of which were acquired by the shareholder Mr Manfred Schneider. In January 2017, Medios AG acquired the remaining 49% in Medios Manufaktur, 31% of which were acquired by Mr Manfred Schneider. In January 2017, the purchase price for Mr Schneider’s shares in call option one as at 1 November 2016 amounted to 826,355 shares and a cash component of EUR 5.6 million.

Likewise, there were not any disclosures concerning Medios Manufaktur GmbH as a related party in the 2017 notes to the consolidated financial statements. Until Medios Manufaktur GmbH was fully consolidated on 1 November 2016, revenue of EUR 5.3 million was generated by Medios AG with Medios Manufaktur GmbH.

In addition, management of the parent company was previously not identified as a related party.

The management of the parent company of Medios Group is simultaneously in an employment relationship with Medios Group. Medios Group paid total remuneration of kEUR 497 in 2017. This includes payments of kEUR 78 and granted share options of kEUR 419.

Correction of disclosures on customer relationships in segment reporting

Information about important customers was sometimes incorrectly and sometimes incompletely specified in the 2017 notes to the consolidated financial statements. Revenue with the largest customers, with an amount of kEUR 34,827, was stated as too low – by kEUR 11,634 – in the 2017 financial year. In addition, information from the previous year that revenue of kEUR 19,447, kEUR 18,375 and kEUR 16,538 was generated with three customers.

The corrected data together with the previous year comparison is shown below:

Thousands of euros (kEUR)	2017	2016
Customer 1	**46,461**	**18,630**
of which segment: provision of medicinal products	34,827	16,984
of which segment: patient-specific therapies	11,634	1,646
Customer 2	**26,783**	**19,447**
of which segment: provision of medicinal products	26,783	19,447
Customer 3	**7,822**	**16,538**
of which segment: provision of medicinal products	7,822	16,538

Changes in the presentation of provisions

For the sake of clearly presenting the Group's debts, liabilities from outstanding invoices and personnel expenses such as holiday obligations are no longer reported under provisions, but have been recorded under other liabilities for the first time this financial year. The information from the previous year comparison was adjusted as follows:

Thousands of euros (kEUR)	31/12/2017 Reported	Reclassification	31/12/2017 after reclassification
Other provisions	1,670	-492	1,178
Other liabilities	1,216	+492	1,708

5. Scope of consolidation

The consolidated financial statements as at 31 December 2018 include, unchanged, the following subsidiaries in addition to Medios AG as of 31 December 2017:

- **100% in Medios Pharma GmbH, Berlin**
- **100% in Medios Manufaktur GmbH, Berlin**
- **100% in Medios Digital GmbH, Berlin**
- **100% in Medios Individual GmbH, Berlin**

All subsidiaries controlled by Medios AG were fully consolidated.

Acquisition of the business area of the patient-specific manufacture of non-cytostatic products

As at 1 June 2018. Medios Group acquired the business area of the patient-specific manufacture of non-cytostatic products in Medios Group from Spezial-Pharma Manfred Schneider e.K. The business area of the patient-specific manufacture of non-cytostatic products has a state-of-the-art sterile laboratory in accordance with current standards of pharmacy operating regulations and specialised in the manufacture of sterile preparations and formulations. In return, the contributor receives a participation as an atypical silent partner in Medios Individual GmbH with a fair value of kEUR 18,000, which is a liability for Medios Group.

The acquisition of the ophthalmology business area constitutes a business area that is not recorded by the general regulations of IFRS. As, at the time of the transaction, Mr Manfred Schneider had a majority share in Medios AG, he continued to have control over the ophthalmology business area even after it was incorporated into Medios Individual GmbH. In order to close regulatory loopholes, Medios decided to present the transaction in the consolidated financial statements in effective application of the provisions for business combinations.

The following table shows the fair value of the identifiable assets and liabilities of the business combination at the time of acquisition.

Main groups of reported assets and liabilities Thousands of euros	Carrying amount at the time of acquisition	Revaluation Assets and deb	Carrying amount at first-time consolidation
Property, plant and equipment	330	0	330
Customer relationships	0	12,150	12,150
Deferred tax assets	0	14	14
Total assets	330	12,164	12,494
Deferred tax liabilities	0	3,949	3,949
Liabilities	42	0	42
Total liabilities	**42**	**3,949**	**3,991**
Fair value of net assets	**372**	**8,173**	**8,503**
Consideration transferred under IFRS 3			18,000
Goodwill			**9,497**

The value of the customer relationships recorded at the time of acquisition was determined using a residual value method and shall be amortised as scheduled over the expected useful life of 20 years.

The goodwill resulting from the difference between the purchase price and the revalued net assets essentially represents the value of the income and expense synergies expected from the acquisition of the business area, management's industry expertise and additional non-separable intangible assets. The resulting goodwill is not tax-deductible.

Medios Group incurred advisory costs of kEUR 73 associated with the business combination. These costs are recognised as other operating expenses.

Between 1 June and 31 December 2018, the acquired business contributed revenues of kEUR 7,318 and a profit of kEUR 2,406 to the result of Medios Group. If the acquisition had already taken place on 1 January 2018, consolidated income amounting to kEUR 332,930 and a consolidated pre-tax profit of kEUR 8,442 would have been reported in the Medios Group’s income statement.

6. Accounting methods

The accounting regulations applied to the consolidated financial statements are presented below. Further information on individual items of the consolidated statement of comprehensive income and the consolidated balance sheet as well as corresponding figures can be found in the explanations below. The consolidated financial statements are prepared in accordance with the going concern principle and using the cost principle in general.

Revenue recognition and reporting

Revenue includes all proceeds from the transfer of goods and services to customers that result from the customary business activity of the Group. Income from the sale of property, plant and equipment or intangible assets are not considered revenue. Medios records profit or loss from such transactions as other operating income or other expenses.

Revenue is stated without value-added tax. Revenue is generally recognised when the products or goods (pharmaceutical products and medications) have been delivered or the services provided and control has transferred to the customer. This is generally the case when the customer obtains possession of the products. Revenue is stated without revenue reductions.

Payment conditions essentially provide for payment 30 days after receipt of invoice.

On occasion, claims for reimbursement from customers, known as refunds, result from Medios Group sales. The term "return" inter alia designates the rejection of the assumption of cost by health insurance companies from pharmacies for medications that have already been issued to patients. Pharmacies pass on such returns to Medios Group as manufacturing premises. Medios Group estimates the expected reimbursements to pharmacies according to the expected value method when realising revenue.

The expected proceeds are determined as a probability-weighted amount for each order in consideration of the risk of a refund, based on experience.

The estimated amount of refunds is not included in revenue. If there is no longer uncertainty regarding reimbursement from health insurance companies and claims for reimbursement can be liquidated, the amounts will be shown in turnover.

A reimbursement liability is recorded in other current liabilities for expected returns.

Other work performed by entity and capitalised

Other work performed by entity and capitalised concerns intangible non-current assets. The Group capitalises directly attributable costs in connection with producing an analysis procedure to assess the quality of medicinal products, a manufacture procedure in connection with the further development of production facilities and self-programmed software to develop new business areas.

Realising interest income

Interest income is recorded according to the effective interest method.

Expenditure

Expenses are recognised as expenses when the service is used or when they are incurred. Interest is recognised as an expense according to the effective interest rate method.

Goodwill/intangible assets with unlimited useful life

Goodwill from business combinations is assessed at acquisition cost when recorded for the first time, which are calculated as the surplus of the consideration transferred above the value of the revalued net assets of the acquired business. After initial recognition, goodwill is measured at acquisition cost less accumulated impairment losses.

Goodwill is not subject to scheduled amortisation, but is tested for impairment at least once a year, or more frequently if there are indications of impairment, at the level of cash-generating units. New goodwill is allocated to the cash-generating units which are expected to benefit from the combination.

To determine a potential impairment, the recoverable amount of a cash-generating unit is compared with its carrying amount. The recoverable amount arises from the higher value in use and fair value less cost of disposal. Thus, an impairment only exists if the recoverable amount is smaller than the carrying amount. There is no subsequent write-up due to the disappearance of the reasons for an impairment loss recognised in previous financial years.

The reported goodwill results in an amount of KEUR 6,804 from the business combination with Medios Manufaktur GmbH in financial year 2016 and an amount of KEUR 436 from the acquisition of Medios Individual GmbH in 2017. Additional goodwill of kEUR 9,497 results from the acquisition of the new manufacturing premises for non-cytostatic products in Medios Individual GmbH in 2018. All goodwill was assigned to the patient-specific therapies reporting segment.

Medios Manufaktur

As part of the impairment test, the recoverable amount of the cash-generating units was determined and was found to be higher than the carrying amount. The value in use applied is based on forecasts of cash flows, which were derived from a plan for the next five years which was approved by the management. The planned cash flows are based on expectations and assumptions from internal and external sources such as customer surveys, taking previous experience into account. In the medium-term, management is planning sales growth of between 1% and 3% p.a. The discounting rate before taxes was 6.9% (previous year: 7.7%) and after taxes 5.3% (previous year: 5.9%) for the detailed planning phase and the remote planning phase, and reflects the specific risks of this cash-generating unit. No growth rate has been taken into account in the perpetual annuity (previous year: 0.0%). The discount rate was determined using the WACC model based on current market data and estimates. The impairment test did not give rise to any impairment as at the balance sheet date.

Medios Individual

As part of the impairment test, the recoverable amount of the cash-generating units was determined and was found to be higher than the carrying amount. The value in use applied is based on forecasts of cash flows, which were derived from a plan for the next five years which was approved by the management. The planned cash flows are based on expectations and assumptions from internal and external sources taking previous experience and comparable products into account. The management is planning medium-term revenue growth of 1% p.a. over the entire product portfolio. The discounting rate before taxes was 6.9% (previous year: 7.7%) and after taxes 5.3% (previous year: 5.9%) for the detailed planning phase and the remote planning phase, and reflects the specific risks of this cash-generating unit. No growth rate has been taken into account in the perpetual annuity (previous year: 0.0%). The discount rate was determined using the WACC model based on current market data and estimates. The impairment test did not give rise to any impairment as at the balance sheet date.
Other intangible assets

There are internally generated intangible assets in the form of software, patents and intangible assets with an indeterminable useful life as trademark rights. As at 31 December 2018, they have a residual book value of kEUR 1,857 in total (previous year: kEUR 941).

Internally generated intangible assets are recorded with the costs directly attributable to development. They in particular include personnel costs and manufacturing-related common cost components.

The brand is reported as having an unlimited useful life in the Services segment. Its useful life is classified as unlimited as there is no expected end to the period in which the brand operates. Its carrying amount of kEUR 20 (previous year: kEUR 17) and its intrinsic value is tested each year for impairment as needed.

Other intangible assets are measured at acquisition cost less scheduled depreciation and impairment losses.

The following amortisation methods and useful lives are used by the company:

Intangible assets	Amortisation method	Useful life
Software	Linear amortisation	3 – 5 years
Customer relationships	Linear amortisation	5 and 20 years
Other property rights	No amortisation	—
Other intangible assets acquired against consideration	Linear amortisation	10 – 20 years

The amortisation of intangible assets is recognised together with the depreciation of property, plant and equipment under depreciation and amortisation in the consolidated statement of comprehensive income.

Property, plant and equipment

Property, plant and equipment are measured at acquisition cost less scheduled depreciation and impairment losses. Disposals are recorded at both historical acquisition cost and accumulated depreciation.

The following amortisation methods and useful lives are used by the company:

Property, plant and equipment	Amortisation method	Useful life
Buildings	Linear amortisation	3 – 33 years
Technical equipment and machines	Linear amortisation	4 – 15 years
Operating and office equipment	Linear amortisation	3 – 15 years

Impairments of other intangible assets and property, plant and equipment

An impairment test is conducted for intangible assets with a limited useful life as well as for property, plant and equipment if there are specific indications of impairment. An impairment is then recognised in the income statement if the recoverable amount of the asset is less than the carrying amount. The recoverable amount is generally determined for each asset individually. If this is not possible, the recoverable amount will be determined based on a group of assets which generate largely independent cash flows. The cash-generating unit is the smallest group of assets which produce inflows of funds from continuing use, regardless of the inflow of funds of other assets or other cash-generating units. The recoverable amount is the higher of fair value less disposal costs and value in use. Every impairment is immediately recorded through profit or loss. If the reason for an impairment recognised in previous years disappears, the impairment loss will be reversed by up to no more than the amount of the amortised costs.

Inventories

Inventories are measured at the lower of acquisition or production cost and net realisable value. In addition to directly attributable costs, production costs include production and material overheads and pro rata production-related general administrative costs. This also takes into account fixed overheads based on normal utilisation of production facilities. Financing costs are not a component of acquisition or production costs. Costs of unused production capacities (idle cost) are directly recorded in the profit and loss account.

Inventories are written down when the acquisition or production costs exceed the expected net realisable value. The consumption process used uniformly across Medios Group is FIFO.

Provisions

Provisions are formed provided that, on the closing date, with great likelihood, a current legal or factual obligation towards a third party has arisen that is likely to lead to an outflow of resources and whose amount can be reliably estimated. Provisions are recognised at their expected settlement amount. Provisions with a large number of similar underlying events are carried at their expected value.

Contingencies are potential liabilities or assets which are the result of events in the past, the existence of which is determined by the occurrence or non-occurrence of one or more uncertain future events which are not entirely under the control of the Group. Contingent liabilities are also current obligations that do not give rise to any likely expected outflow of economic resources or whose amount cannot be reliably estimated.

Income taxes (current and deferred taxes)

The income tax expense is the sum of the current (actual) tax expenditure and deferred taxes. The current tax expense is calculated on the basis of taxable income for the year. The Group's liability for current tax expenses is calculated on the basis of the applicable tax rates.

Deferred taxes are measured in accordance with the liability method. This means, subject to express prohibition of recognition, deferred taxes must be formed for all temporary differences between valuations of assets and debts on the IFRS balance sheet and their tax values. This applies regardless of the time at which the temporary differences are reduced. Deferred tax assets and liabilities are measured using tax rates (and tax regulations) which are expected to be applicable for the period in which an asset is realised or a liability is settled. The regulations that apply on the closing date shall therefore apply if they have not already been changed for the future.
Deferred taxes which refer directly to items recognised in equity are also recognised directly in equity. Deferred tax assets are formed on tax losses carried forward if it is probable that they will be realised.

Deferred tax assets are verified on each closing date and reduced to the extent that it is no longer likely that the associated tax advantage will be realised; appreciations are made if the outlook for tax income improves that can be used for expenses from the reversal of temporary differences or losses.

Unrecognised deferred tax assets are measured again at every balance sheet date and recognised to the extent that it is likely that future taxable income will permit their recognition.

Financial Instruments

A financial instrument is a contract which leads to a financial asset in the case of one company and to a financial liability or an equity instrument in the case of another company at the same time. Financial instruments recorded as financial assets or financial liabilities are generally recorded separately. Financial instruments are recorded as soon as Medios becomes a contractual party of a financial instrument. In the case of the purchase and sale of financial assets customary on the market, Medios selects the trading day both for the initial recognition and derecognition on the balance sheet.

Financial instruments are initially recorded at fair value. For their subsequent measurement, financial instruments are assigned to one of the measurement categories listed in IFRS 9 "Financial instruments" (financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value and recognised against income).

Financial assets in particular include trade receivables and other receivables such as cash. The classification of financial instruments is based on the business model in which instruments are held and the composition of contractual cash flows. Financial assets measured at amortised cost are non-derivative financial assets with contractual payments that exclusively consist of interest payments and repayments on the outstanding nominal amount and that are held with the aim of collecting the contractually agreed cash flows. These generally include trade receivables and cash and cash equivalents.

After first-time recognition, these financial assets are measured at amortised cost using the effective interest method less any impairment. Profit and loss is recorded in consolidated earnings if loans and receivables are impaired or derecognised. At Medios Group, an impairment for financial assets that are not recognised at fair value against income is recorded on every balance sheet date which reflects the expected credit losses for these instruments.

The main share of financial assets by far consists of trade receivables, for which a simplified procedure is applied based on a term-dependant impairment matrix.

When determining the need for impairment to be expected in future, industry-specific circumstances are considered:

- Our business partners, consisting of pharmacies, doctors and health insurance companies, have very low rates of default, as customary in the industry.
- Medios Group only enters into business relationships with special pharmacies who order products as needed.
- Significant parts of our receivables are hedged through customer-specific trade credit default insurance.
- In the last three years, no default on receivables occurred throughout Medios Group.
- The share of outstanding reporting date on the reporting date is negligibly low.

As a result of this assessment approach, Medios assumes a negligible default risk for trade receivables that exist on the closing date.

Financial assets and financial liabilities are then only offset and reported as a net amount in the Group balance sheet if a legal right exists at the present time to offset the recorded amounts against each other, and there is an intention to settle on a net basis or, at the same time, to extinguish the related liability upon the use of the asset concerned.

During the year, Medios Group had a financial liability through the acquisition of the business area of the patient-specific manufacture of non-cytostatic products with the consideration of the liability in the form of an atypical dormant investment in Medios Individual GmbH. It was initially recognised at fair value according to class "AC". Income-dependent cash outflows depend on income before taxes. In contrast, there is no separation of this derivative as the pre-tax result is seen as a non-financial factor. The entire liability represents a sole accounting item. It shall be reassessed according to the effective interest method.

Financial liabilities include in particular trade payables, payables to credit institutions and other liabilities and are measured at fair value when initially recognised.

After their initial recognition, financial liabilities are measured at amortised cost in line with the effective interest method.

Leasing arrangements

Leases wherein all the risks and rewards associated with ownership of an asset essentially lie with the lessor are classified as operating leases. Lease payments are recognised directly through profit or loss as expenditure in the consolidated statement of comprehensive income.

Share-based compensation

Medios Group has granted share options (share-based remuneration with settlement through equity instruments). The fair value of the obligation is recognised over the vesting period as personnel expenses and recognised through the simultaneous formation of a capital reserve. The expense is recognised over the vesting period pro rata. This in the period during which the recipient of share-based remuneration must meet the agreed service condition. The issued options are valued based on a binomial model.

7. Consolidation principles

Business combinations are accounted for using the purchase method. The individually identifiable assets and liabilities and contingent liabilities acquired as part of the business combination are recognised at their fair values at the time of acquisition.

If the revalued net assets of the acquired business exceed the fair value of the consideration given in exchange, goodwill in the amount of the difference must be recorded. If the reverse is true, the resulting difference must be recorded immediately as acquisition profit against income. Transaction costs are directly recorded against expenses.

Revenue, expenses and income, as well as receivables and liabilities between the consolidated companies are eliminated. Interim results, if material, are eliminated.

8. Use of estimates and assumptions

The preparation of the consolidated financial statements requires the Executive Board to make estimates and assumptions which have an impact on the items in the consolidated financial statements and the explanations of the consolidated financial statements. Actual development may deviate from the estimates and assumptions made. Material estimates and assumptions are explained further below.

Goodwill and other intangible assets

With regard to goodwill and other intangible assets, assumptions and estimates are required, in particular in the case of impairment tests. In particular, this involves estimating future cash flows, cash-generating units and the derivation of discounting interest rates.

Refunds (reimbursement liabilities)

Reimbursement liabilities are primarily determined on the basis of estimates. The Group formed a reimbursement liability, in particular for risks from refunds, of kEUR 457 (previous year: kEUR 838). As such, the amount of necessary refunds cannot be assessed with complete certainty and is subject to estimates based on historic values.

Income taxes

Assumptions must be made about the future amount of taxes and the tax rate in order to form tax provisions. It is also necessary to determine whether an impairment or a non-recognition of deferred tax assets is required. The likelihood that deferred tax assets which arise from timing differences and losses carried forward may be offset against taxable profits in the future must be assessed. There are uncertainties regarding the interpretation of complex tax rules as well as the amount and timing of future taxable income. To assess the question of whether deferred taxes from tax losses carried forward are usable, i.e. are of value, reference will be made to the tax profit planning of Medios AG and specific, feasible tax strategies. The basis for this is a five-year medium-term plan.

Share-based compensation

The regulations of the 2017 and 2018 share option programme stipulate that the share options granted to each beneficiary shall be vested for a lock-in period of four years. Parts of the claims cannot therefore be forfeited before the four-year lock-in period has expired. In light of the foregoing, a separate estimate of the expense periodisation is to be made measured by the work performed by the closing date in comparison to the work to be rendered over the vesting period overall by the beneficiary. As a certain proportion has already been earned for the following instalments in the first year, degressive expenses are assumed. In addition, it is assumed with great probability that the share options shall be exercised directly after the lock-in period.

Further information regarding the terms and assumptions are contained in the remarks on item 37.

Explanatory notes to the Group statement of comprehensive income

9. Revenue

The effects of the first time application of IFRS 15 "Revenue from contracts with customers" is described in item 4.

Please refer to Note 31 for a breakdown of turnover.

Credits still not invoiced for returns (Retaxen) had a negative effect on sales at kEUR 323 (previous year: kEUR 260). In 2018, kEUR 194 (previous year: kEUR 0) of sales proceeds was recorded that was contained in reimbursement liabilities at the start of the period.

The expected value method was applied to determine the amount of returns. The returns to be expected were assessed per customer and delivery. The expected value to be offset is based on historic values.

10. Change in stocks of finished goods and work-in-progress

Changes in inventories concern the finished goods and work-in-progress of Medios Manufaktur GmbH, the finished products of Medios Individual as well as work-in-progress of Medios Digital GmbH.

Work performed and capitalised in the year under review amounted to kEUR 948 (previous year: kEUR 402) and was mainly attributable to self-programmed software at kEUR 523 and development costs for expanding product lines at kEUR 383.

11. Work performed and capitalised

Work performed and capitalised in the year under review amounted to KEUR 948 (previous year: KEUR 402) and was mainly attributable to self-programmed software at KEUR 523 and development costs for expanding product lines at KEUR 383.

12. Other income

Other income breaks down as follows:

Thousands of euros (kEUR)	2018	2017
Reimbursements under the Expenditure Compensation Act	154	47
Revenue from the sale of assets	0	4
Other	162	95
Total	**316**	**146**

13. Cost of materials

The cost of materials covers raw materials, auxiliary materials, operating materials as well as goods and purchased services.

Thousands of euros (kEUR)	2018	2017
Goods	272,005	204,239
Raw materials and supplies	32,683	32,961
Purchased services	955	237
Total	**305,643**	**237,437**

14. Personnel expenses

Personnel expenses break down as follows:

Thousands of euros (kEUR)	2018	2017
Wages and salaries	6,069	4,105
Social security contributions	620	425
Pensions	501	323
Share-based compensation settled with equity instruments	2,586	1,255
Total	**9,776**	**6,108**

15. Other expenses

Other expenses break down as follows:

Thousands of euros (kEUR)	2018	2017
Cost of premises	754	66
Costs of deliveries	673	375
Works and services of external parties	649	367
Legal and consulting expenses	456	502
Operational needs	428	386
Advertising and travel expenses	378	344
Reporting and audit costs	358	416
Contributions/insurance/taxes	283	219
Repairs and maintenance	240	213
Expenses for further training	170	98
Vehicle expenses	93	67
Accounting services	89	129
IT services	38	28
Other operating expenses	520	505
Total	**5,129**	**4,115**

16. Financial result

The financial result includes:

Thousands of euros (kEUR)	2018	2017
Financial expenses	-35	-96
Other financial income	15	7
Total	**-20**	**-89**

17. Taxes

The companies in the consolidated financial statements are subject to German corporate tax (including the solidarity surcharge) and trade tax. When determining the bases for the assessment of tax, certain expenses and income are regularly added or deducted. The amount of income tax is determined on the basis of the taxable income or trade income determined in this way. Deferred taxes were calculated on the basis of temporary differences between the taxable value and the valuation in the IFRS balance sheet. If realising future mathematical tax advantages from deferred tax assets is not likely, they shall be impaired.

Deferred taxes and actual expenses for taxes on income and earnings for the financial years are as follows:

Thousands of euros (kEUR)	2018	2017
Actual tax expense	-2,432	-2,774
Deferred tax expenses (previous year: tax income)	-750	197
Total income taxes	**-3,182**	**-2,577**

In the 2018 financial year, deferred tax advantages from tax losses carried forward for which deferred tax assets of kEUR 717 had been recognised as at 31 December 2016 and 31 December 2017 were realised.

Of deferred tax liabilities (gross) of KEUR 4,297 (previous year: KEUR 378), KEUR 188 is attributed to capitalising development expenses and KEUR 3,834 is attributed to the initial and subsequent consolidation of the business area of the patient-individual manufacture of non-cytostatic products introduced at their fair value.

As a result of the new interlocking fiscal entities with fully-consolidated subsidiaries created in the 2018 financial year, deferred tax assets of kEUR 90 were offset with deferred tax liabilities.

When calculating deferred taxes, a tax rate of 32.5% was used. This is composed of the tax rate for corporation tax and the tax base rate in addition to the rate of assessment, mainly from Berlin and the surrounding area.

Deferred tax assets and liabilities relate to the following significant balance sheet items and tax losses carried forward:

	Assets Deferred taxes 31/12/2017	Liabilities Deferred taxes 31/12/2017	Net amount as at 01/01/2018	Recognised in profit or loss
	KEUR	KEUR	KEUR	KEUR
Non-current assets				
Property, plant and equipment	4	214	-210	50
Other intangible assets	0	164	-164	49
Current assets				
Inventories	5	0	5	-2
Current liabilities				
Liabilities	130	0	130	-130
Loss carryforwards				
Tax losses carried forward	717	0	717	-717
Tax assets (liabilities)	**856**	**378**	**478**	**-750**
Offsetting				
Tax assets (liabilities) net	**856**	**378**	**478**	

	Assets Deferred taxes 31/12/2016	Liabilities Deferred taxes 31/12/2016	Net amount as at 01/01/2017	Recognised in profit or loss
	KEUR	KEUR	KEUR	KEUR
Non-current assets				
Property, plant and equipment	0	15	-15	**8**
Other intangible assets	0	150	-150	**-14**
Current assets				
Inventories	5	0	5	**0**
Current liabilities				
Liabilities	0	0	0	**0**
Loss carryforwards				
Tax losses carried forward	431	0	431	**286**
Tax assets (liabilities)	**436**	**165**	**271**	**280**
Offsetting				
Tax assets (liabilities) net	**436**	**165**	**271**	

Recognised in other income	Recognised directly in equity	Acquired through corporate merger	Other	Net amount as at 31/12/2018	Assets Deferred taxes 31/12/2018	Liabilities Deferred taxes 31/12/2018
KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
0	0	0	0	-160	28	188
0	0	-3,949	0	-4,064	45	4,109
0	0	0	0	3	3	0
0	0	14	0	14	14	0
0	0	0	0	0	0	0
0	**0**	**-3,935**	**0**	**-4,207**	**90**	**4,297**
				0	**-90**	**-90**
				-4,207	**0**	**4,207**

Recognised in other income	Recognised directly in equity	Acquired through corporate merger	Other	Net amount as at 31/12/2017	Assets Deferred taxes 31/12/2017	Liabilities Deferred taxes 31/12/2017
KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
0	0	-203	0	-210	4	214
0	0	0	0	-164	0	164
0	0	0	0	5	5	0
0	130	0	0	130	130	0
0	0	0	0	717	717	0
0	**130**	**-203**	**0**	**478**	**856**	**378**
				0	**0**	**0**
				478	**856**	**378**

The receivables and liabilities of actual taxes in the consolidated balance sheet can be presented as follows:

	2018 KEUR	2017 KEUR
Income tax liabilities	2,261	885
Income tax receivables	424	0

Actual income tax liabilities related to trade tax liabilities of kEUR 1,075 (previous year: kEUR 421) and corporation tax liabilities of kEUR 1,186 (previous year: kEUR 464). Actual income tax receivables relate to trade tax receivables of kEUR 338 (previous year: kEUR 0) and corporation tax receivables of kEUR 86 (previous year: kEUR 0).

The following table shows the tax reconciliation statement for the income tax expense expected in the financial year against the tax expense actually recognised. In order to determine expected tax expenses, the income tax rate of 32.5% which applied in the 2018 financial year (previous year: 32.5%) was multiplied by the pre-tax result.

Tax reconciliation	2018 KEUR	2017 KEUR
Consolidated earnings before income taxes	**7,379**	**6,711**
Group tax rate (%)	32,5	32,5
Expected tax expenses	**-2,398**	**-2,181**
Non-tax-deductible expenses	-840	-408
Tax rate differences	172	156
Other differences	-5	-144
Actual tax expense	**-3,071**	**-2,577**
Effective tax burden (%)	41,5	38,4

There are non-forfeitable tax loss carryforwards of kEUR 458 (previous year: kEUR 0) for which no deferred tax assets have been accounted for.

The total amount of non-recognised temporary differences which are connected with shares in subsidiaries is kEUR 15,000 (previous year: kEUR 15,000). The sale of capital company shares would give rise to capital gain, 95% of which is not considered for tax purposes. The Group does not expect this to give rise to any burden since there are currently no plans for a sale.

Remarks on the consolidated balance sheet

18. Intangible assets

	Goodwill	Customer base	Internally generated industrial property rights and similar assets	Prepayments made	Other	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Acquisition costs ss of 01/01/2018	**7,240**	**481**	**924**	**284**	**603**	**9,532**
Additions	0	0	948	230	79	1,257
Additions from company acquisition	9,497	12,150	0	0	0	21,647
As at 31/12/2018	**16,737**	**12,631**	**1,872**	**514**	**682**	**32,436**
Depreciation and amortisation As of 01/01/2018	**0**	**111**	**0**	**0**	**166**	**277**
Additions	0	450	16	0	78	544
As at 31/12/2018	**0**	**561**	**16**	**0**	**244**	**821**
Net carrying amount as at 31/12/2018	**16,737**	**12,070**	**1,856**	**514**	**438**	**31,615**
Net carrying amount as at 01/01/2018	**7,240**	**370**	**924**	**284**	**437**	**9,255**

	Goodwill	Customer base	Internally generated industrial property rights and similar assets	Prepayments made	Other	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Acquisition costs as of 01/01/2017	**6,804**	**481**	**0**	**0**	**93**	**7,378**
Additions	0	0	924	307	117	1,348
Additions from company acquisition	436	0	0	0	393	829
Disposals	0	0	0	23	0	23
As at 31/12/2017	**7,240**	**481**	**924**	**284**	**603**	**9,532**
Depreciation and amortisation As of 01/01/2017	**0**	**15**	**0**	**0**	**37**	**52**
Additions	0	96	0	0	129	225
As at 31/12/2017	**0**	**111**	**0**	**0**	**166**	**277**
Net carrying amount as at 31/12/2017	**7,240**	**370**	**924**	**284**	**437**	**9,255**
Net carrying amount as at 01/01/2017	**6,804**	**466**	**0**	**0**	**56**	**7,326**

There are no property and disposal restrictions for the intangible assets reported.

19. Property, plant and equipment

	Property, including buildings on third-party land	Other facilities, plant and commercial equipment	Prepayments made	Total
	KEUR	KEUR	KEUR	KEUR
Acquisition costs as of 01/01/2017	**3,495**	**3,575**	**8**	**7,078**
Additions	**219**	**300**	**48**	**567**
Additions from company acquisition	**257**	**73**	**0**	**330**
Reclassification	**0**	**8**	**-8**	**0**
As at 31/12/2017	**3,971**	**3,956**	**48**	**7,975**
Depreciation and amortisation As of 01/01/2017	**73**	**1,663**	**0**	**1,736**
Additions	150	448	0	598
As at 31/12/2017	**223**	**2,111**	**0**	**2,334**
Net carrying amount as at 31/12/2017	**3,748**	**1,845**	**48**	**5,641**
Net carrying amount as at 01/01/2017	**3,422**	**1,912**	**8**	**5,342**

	Property, including buildings on third-party land	Other facilities, plant and commercial equipment	Prepayments made	Total
	KEUR	KEUR	KEUR	KEUR
Acquisition costs as of 01/01/2017	**159**	**1,541**	**14**	**1,714**
Additions	26	1,011	3,322	4,359
Additions from company acquisition	0	1,074	0	1,074
Reclassification	3,310	18	-3,328	0
Disposals	0	69	0	69
As at 31/12/2017	**3,495**	**3,575**	**8**	**7,078**
Depreciation and amortisation As of 01/01/2017	**5**	**1,092**	**0**	**1,097**
Additions	68	598	0	666
Disposals	0	27	0	27
As at 31/12/2017	**73**	**1,663**	**0**	**1,736**
Net carrying amount as at 31/12/2017	**3,422**	**1,912**	**8**	**5,342**
Net carrying amount as at 01/01/2017	**155**	**449**	**14**	**618**

There are no property and disposition restrictions for the tangible assets reported.

20. Financial assets

Financial assets of kEUR 100 (previous year: kEUR 100) relate to a loan which has been granted.

21. Inventories

Inventories of kEUR 13,953 (previous year: kEUR 10,591) concern raw materials and supplies, finished goods and merchandise of Medios Pharma GmbH, Medios Manufaktur GmbH and Medios Individual GmbH. Inventories can be broken down in accordance with the following table.

	31/12/2018 KEUR	31/12/2017 KEUR
Raw materials and supplies	2,029	1,568
Finished goods and merchandise	11,246	8,323
Advances	678	700
Total	**13,953**	**10,591**

22. Trade receivables

	31/12/2018 KEUR	31/12/2017 KEUR
Gross value of trade receivables	31,074	17,101
Valuation adjustments	0	16
Total	**31,074**	**17,085**

The increase in receivables is a result of increased turnover and extended payment targets. Impairments of trade receivables developed as follows:

	31/12/2018 KEUR	31/12/2017 KEUR
As at 01/01	**16**	**30**
Allocation	0	16
Release	16	30
As at 31/12	**0**	**16**

The carrying amounts of the impaired receivables as at 31 December 2018 amount to KEUR 0 (previous year: kEUR 16 (gross)).

The age structure of trade receivables are as follows:

2018			of which overdue and not impaired			
Analysis of unimpaired receivables from	Carrying amount 31/12/2018	Neither impaired nor overdue at 31/12/2018	<90 days at 31/12/2018	90-180 days at 31/12/2018	180-360 days at 31/12/2018	>360 days at 31/12/2018
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Trade receivables	31,074	30,246	600	134	5	89

2017			of which overdue and not impaired			
Analysis of unimpaired receivables from	Carrying amount 31/12/2017	Neither impaired nor overdue at 31/12/2017	<90 days at 31/12/2017	90-180 days at 31/12/2017	180-360 days at 31/12/2017	>360 days at 31/12/2017
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Trade receivables	17,085	14,263	2,145	0	478	200

Receivables are mainly from long-standing customers are primarily secured through trade credit insurance. In addition, borrowers are of good to very good quality. There have not been any defaults on receivables in recent years. Overall, we do not assume any material risk of default on receivables.

Receivables of more than 360 are due by one customer. These receivables are recoverable and not uncertain. These receivables are expected to be fully settled in the 2019 financial year.

At 31 December 2018, no trade receivables are pledged as security.

23. Other assets

Other assets break down as follows:

	31/12/2018 KEUR	31/12/2017 KEUR
Discount accruals	3,221	1,242
Creditors with debit balance	303	85
Input tax reimbursement/input tax following year	157	310
Other	156	154
Total other assets	**3,837**	**1,791**

Discount accruals increased as a result of increased purchase volumes. Settlement period were also sometimes extended by suppliers.

24. Cash and cash equivalents

	31/12/2018 KEUR	31/12/2017 KEUR
Bank deposits	11,771	16,684
Cash on hand	1	1
Current account loans	-203	0
Cash and cash equivalents	**11,569**	**16,685**

Cash is comprised of deposits with banks and cash on hand. Financial liabilities include current account loans.

On the balance sheet date, the Group was able to freely dispose of all liquid assets.

25. Equity

The share capital of Medios AG as at 31 December 2018 is kEUR 14,564 (previous year: kEUR 13,664). It is divided into k14,564 (previous year: k13,664) fully paid-up no-par value shares.

The Executive Board is authorised to increase the share capital of the company once or multiple times until 12 July 2023, with the agreement of the Supervisory Board, by up to kEUR 5,932 by issuing up to 5,932 new no-par value bearer shares with a pro rata amount of the share capital of EUR 1.00 each against cash or non-cash contributions (Approved Capital 2018/I).

The company's share capital is conditionally increased by EUR 600,000 by issuing up to 600,000 no-par value bearer shares (2017 conditioned capital). The conditioned capital increase serves solely to fulfil the subscription rights that are guaranteed based on the authorisation of the Annual Shareholders' Meeting of 28 August 2017.

The company's share capital is conditionally increased by kEUR 300 by issuing up to 300,000 no-par value bearer shares (2018 conditioned capital). The conditioned capital increase serves solely to fulfil the subscription rights that are guaranteed based on the authorisation of the Annual Shareholders' Meeting of 13 July 2018.

Medios AG carried out a capital increase on the share capital increase by 900,000 no-par value shares with a mathematical counter value of kEUR 900 to kEUR 14,564. Mr Manfred Schneider subscribed all new shares on 16 November 2018 for kEUR 13,770 (daily closing rate). The difference between the fair value between the issued shares (kEUR 13,770) and the share capital (kEUR 900) of kEUR 12,870 was transferred to the capital reserve. As consideration for issuing the new shares, Mr Schneider transferred an atypical dormant investment in Medios Individual GmbH to Medios AG. Financial liabilities from the introduction of the atypical dormant investment in Medios Individual GmbH amounted to kEUR 18,000 at the time of subscription by Mr Schneider. The difference between the fair value of the issued shares of kEUR 13,770 and the repaid financial liabilities of kEUR 18,000 of kEUR 4,230 was recognised in the capital reserve based on the Medios Group controlling shareholder position of the shareholder Mr Manfred Schneider. The capital reserve therefore initially increased by kEUR 17,100 The capital reserve reduced due to the directly attributable transaction costs by kEUR 136 In contrast, income tax of kEUR 44 must be considered.

The capital reserve of kEUR 49,904 (previous year: kEUR 30,310) includes a reserve for payments to be made in equity to employees from the share option programmes of kEUR 9,334 (previous year: kEUR 11,881).

The number of Medios AG shares issued breaks down as follows:

Ordinary shares	2018 KEUR	2017 KEUR
Issued on 1 January	13,664	12,422
Issued against cash contributions	0	1,242
Capital increase	900	0
Issued on 31 December – fully paid-in	14,564	13,664
Approved – no-par value share of EUR 1 each	14,564	13,664

Please see the statement of changes in equity for more information on equity.

26. Financial liabilities

Financial liabilities include current loans from banks of kEUR 203 (previous year: kEUR 0).

27. Provisions

Current and non-current provisions developed as follows:

Provisions	Carrying amount 01/01/2018	Consumption	Release	Allocation	Carrying amount 31/12/2018
	KEUR	KEUR	KEUR	KEUR	KEUR
Total provisions	**341**	**281**	**0**	**315**	**375**

Provisions include liabilities for auditing and liabilities for the statutory storage obligation of account books that are also uncertain with regard to the amount and time of use. Cash outflow is mainly expected in the next financial year.

Liabilities from outstanding invoices and personnel expenses such as holiday obligations are no longer reported under provisions, but have been recorded under other liabilities for the first time this financial year. Further explanations can be found in item 4.

The liabilities from refunds recognised in the previous year relate to reimbursement liabilities and are reported under other liabilities from 1 January 2018 onwards (see also item 4).

28. Trade payables

Trade payables are due within one year and amount as at the balance sheet date to KEUR 18,807 (previous year: kEUR 11,881).

29. Other liabilities

The other liabilities mature within one year and concern the following items:

	31/12/2018 KEUR	31/12/2017 KEUR
Reimbursement liabilities from customers	457	0
Outstanding invoices	359	380
Liabilities from taxes and duties	267	113
Personnel expenses	249	141
Debtors with credit balance	175	602
Other	558	471
Total other liabilities	**2,065**	**1,707**

Liabilities from outstanding invoices and personnel expenses such as holiday obligations are no longer reported under provisions, but have been recorded under other liabilities for the first time this financial year. Further explanations can be found in item 4.

The estimated cash outflow from refunds (for explanations, please see item 4) are independent of their use by each pharmacy and are therefore uncertain with regard to their amount and time. Cash outflow is mainly expected in the next financial year.

Explanatory notes to the Group statement of comprehensive income

30. Remarks on consolidated cash flow statement

The cash flow statement shows how the cash of the Group changed over the course of the reporting year through inflows and outflows of cash. A distinction is made between cash flows from ongoing operating, investing and financing activities. Payment funds of the cash flow statement includes current account loans in addition to freely available cash as an integral component of the cash disposition (see item 24).

Cash and cash equivalents in particular include cash on hand and demand deposits at banks with a residual term at the time of acquisition of up to three months, that are only subject to insignificant risks of value fluctuation.

On the closing date, Medios Group made use of first-time financial liabilities (current account loans) with credit institutions of kEUR 203 in the 2018 financial year. This amount was subject to fluctuations throughout the year. Cash interest expenses of kEUR 35 were recorded.

Medios Group provided an atypical dormant investment in Medios Group with a fair value of KEUR 18,000 as a non-cash transaction as consideration for the acquisition of the business segment of patient-specific manufacturing of non-cytostatic products and recorded this under liabilities (see item 5). In addition, there is a non-cash transaction in the capital increase of Medios AG by 900,000 no-par value shares against a deposit of an atypical dormant investment in Medios Individual GmbH (see item 25) with a subsequent offsetting of the associated liability of KEUR 18,000.

Die Umsatzerlöse und die Segmentergebnisse für das Geschäftsjahr 2018 schlüsseln sich wie folgt auf:

	Provision of medicinal products		Patient-specific therapies	
	2018	2017	2018	2017
	KEUR	KEUR	KEUR	KEUR
Revenue - external	288,901	210,629	38,834	43,025
Revenue - internal	15,355	9,074	18,655	4,781
Total segment revenue	**304,256**	**219,703**	**57,489**	**47,806**
EBITDA	8,979	7,634	1,863	1,869
EBITDA before special effects	9,401	7,634	3,287	1,869
Depreciation and amortisation	118	83	766	171
EBT before special effects	9,157	7,441	2,847	1,639
EBT	8,735	7,441	1,021	1,639
Income tax expense (-)/income (+)	0	-2,247	29	-648
Earnings before taxes	**8,735**	**5,194**	**1,050**	**991**

The most important key figures for strategies and decision-making and measuring the operational success of the company are pre-tax profit (EBT), pre-tax profit before special effects (EBT before special effects) and EBITDA before special effects.

In 2017, the reconciliation recorded amounts that could not clearly be assigned to a segment.

31. Segment reporting

The management of business activity includes segment reporting at Medios Group. The breakdown of company areas is in accordance with the internal organisational structure and reporting to the Executive Board.

Segment success is measured at Medios Group based on revenue, EBITDA before special effects and EBT before special effects.

At the reporting date, Medios Group is split into the segments “Provision of medicinal products” (previously wholesale trade), “Patient-specific therapies” (previously manufacturing) and “Services” (previously Shared Services) Segments were only renamed; there were no changes in terms of content. The segments differ in terms of their service profile. Transactions between segments are presented in accordance with IFRS accounting principles. An aggregation of business segments was not carried out. The activities of Medios Group only extend to Germany and the EU. The business activity of the segments can be broken down as follows:

- the provision of medicinal products focusing on speciality pharmaceutical medicinal products, summarised as a business in Medios Pharma GmbH. The focus on speciality pharmaceuticals means that as a rule it trades almost exclusively in expensive medicinal products for chronic and/or rare diseases. These are approximately 1,000 out of 100,000 various pharmaceutical products available in Germany. With an extensive range, Medios stands out from medicinal product wholesale trade with this consistent and clear focus.
- Patient-specific therapies comprise the manufacture of medications on behalf of pharmacies, established in the companies Medios Manufaktur GmbH and Medios Individual GmbH. Patient-specific therapies include, for example, infusions constituted and produced on the basis of individual symptoms and individual parameters such as body weight and body surface. The batch per manufactured formulation is therefore always precisely one. They are manufactured to the highest possible standard, as a rule in line with GMP (Good Manufacturing Practice).
- The third segment of services includes all other Group activities, including Medios Group holding activities and, in particular, tasks relevant to the capital market. Software and infrastructure solutions for Medios Group will also be driven forward in this segment.

Revenue and results by segment for the financial year 2018 break down as follows:

Services		Reconciliation		Elimination		Group	
2018	2017	2018	2017	2018	2017	2018	2017
KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
95	64	0	-81	0	0	327,830	253,637
3,376	1,280	0	0	-37	-15	0	0
3,471	**1,344**	**0**	**-81**	**-37**	**-15**	**365,215**	**253,637**
-2,301	-2,210	0	0	0	0	8,541	7,293
-965	-955	0	0	0	0	11,723	8,548
257	142	0	96	0	0	1,141	492
-1,041	-1,016	0	-97	0	0	10,963	7,966
-2,377	-2,272	0	-97	0	0	7,379	6,711
-3,082	286	0	32	0	0	-3,053	-2,577
-5,459	**-1,986**	**0**	**-66**	**0**	**0**	**4,326**	**4,133**

EBT before special effects is therefore transferred as follows to earnings before income taxes:

	2018 KEUR	2017 KEUR
EBT before special effects	10,963	7,966
Expenses from share option programmes	-2,586	-1,255
Amortisations of the customer base	-354	0
Start-up expenses of laboratories	-644	0
Earnings before income taxes (EBT)	**7,379**	**6,711**

The customer generated at least 10% of its total revenue with the following customers:

	2018 KEUR	2017 KEUR
Customer 1	**62,975**	**46,461**
of which segment: provision of medicinal products	42,063	34,827
of which segment: patient-specific therapies	20,912	11,634
Customer 2	**n/a (> 10 %)**	**26,783**
of which segment: provision of medicinal products	n/a (> 10 %)	26,783

Other revenue is split amongst a number of additional individual customers. Comparative information was adjusted. Further explanations can be found in item 4.

Other information

32. Contingent liabilities

As at 31 December 2018, there are no contingent liabilities or legal disputes.

33. Information about leases
The Group as a lessee

The liabilities of the Group from non-cancellable operating leases essentially concern rented offices and other business and operating equipment. Expenses from operating leases recorded against income amounted to kEUR 438 in the financial year (previous year: kEUR 532), kEUR 410 of which (previous year: kEUR 223) was attributed to rented business premises. In the case of existing leases, there are in some cases options to extend the lease terms. Rental terms were individually checked to see if they could be extended and were assessed accordingly.

The future obligations from non-cancellable operating leases are shown in the table below:

	31/12/2018 KEUR	31/12/2017 KEUR
Maturity within one year	523	532
Maturity between one and five years	1.166	400
Maturity beyond five years	97	0
Total	**1,786**	**932**

34. Additional information regarding financial instruments Valuations and fair values by measurement category

With the exception of non-current financial assets, all financial instruments have short residual terms as at 31 December 2017 and 31 December 2018 or are available as cash. Therefore, their carrying amounts at the balance sheet date at least come close to the fair value. In addition, all financial instruments fall under category "AC".

Non-current financial assets with a carrying amount of kEUR 100 (previous year: kEUR 100) relate to loans that have been granted also fall under category "AC". The fair value of the loan amount to kEUR 101 (previous year: kEUR 101). The fair value is determined according to the following measurement levels:

- Level 1: prices listed on active markets for identical assets or liabilities (adopted without change)
- Level 2: Input factors other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. derived from prices)
- Level 3: factors not based on observable market data for the valuation of the asset value or liability (non-observable input factors). Principles and methods on valuation using the fair value are fundamentally unchanged compared to the consolidated financial statements as at 31 December 2017.

At present, all fair values determined for non-current financial assets are based on information and input factors of Level 2 described above.

Reconciliation of measurement categories between IAS 39 and IFRS 9

A reconciliation of the carrying amounts of the financial assets and financial liabilities according to IAS 39 as at 31 December 2017 to the carrying amounts pursuant to IFRS 9 as at 1 January 2018 can be seen in the following table:

	Valuation category in accordance with IAS 39	Carrying amount in accordance with IAS 39 as at 31/12/2017	Valuation category in accordance with IFRS 9	Carrying amount in accordance with IAS 9 as at 01/01/2018
Assets		KEUR		KEUR
Trade receivables	LaR	17.085	AC	17.085
Other loans	LaR	100	AC	100
Other receivables	LaR	1.454	AC	1.454
Cash and cash equivalents	LaR	16.685	AC	16.685
Liabilities				
Trade payables	FLAC	11.881	AC	11.881
Other liabilities	FLAC	621	AC	621

Within the context of the reconciliation of financial assets and financial liabilities from IAS 39 to IFRS 9, there were no valuation differences.

35. Net income from financial instruments

Net income for every measurement category is as follows:

2018	From interest	Changes in fair value	Impairment	From disposal	Net profit/ loss
	from subsequent measurement				
	2018 KEUR	2018 KEUR	2018 KEUR	2018 KEUR	2018 KEUR
Loans and receivables (AC)	15	0	0	0	15
Financial liabilities at amortised cost (AC)	-35	0	0	0	-35
Total	**-20**	**0**	**0**	**0**	**-20**

2017	From interest	Changes in fair value	Impairment	From disposal	Net profit/ loss
	from subsequent measurement				
	2017 KEUR	2017 KEUR	2017 KEUR	2017 KEUR	2017 KEUR
Loans and receivables (LaR)	7	0	15	0	**22**
Financial liabilities at amortised cost (FLAC)	-96	0	0	0	**-96**
Total	**-89**	**0**	**15**	**0**	**-74**

36. Risk management of the Group

The risk management system of Medios Group is an integral part of the business practices of Medios Group and includes the individual organisational processes on various levels and all types of risk. A significant part is comprised by business planning and controlling processes. The tasks involved in the identification and measurement of risk are carried out by each organisational unit. Risks with similar content are combined into risk types, e.g. risks in the regulatory environment and financial risks. These are then regularly reported to the decision-making entities concerned, which carry out the risk control. Macroeconomic risks

Financial risk management

The Group is exposed to various financial risks which arise from the Group's operational business activities and financing activities. The most important financial risks for the Group arise from the creditworthiness and solvency of the Group's counterparties and the liquidity risk. The main features of the finance policy are defined by the Executive Board and the Supervisory Board. The implementation of the finance policy and the ongoing risk management is the responsibility of Group Controlling. Certain transactions require the prior approval of the Executive Board and Supervisory Board, who are also regularly informed about the scope and amount of the current extent of the risk.

Credit risk (default risk)

Credit risks arise from the possibility that counterparties (customers and other debtors) to a transaction may not be able to meet their obligations and the Group may suffer financial damage as a result. The maximum credit risk (default risk), without taking into account offsetting agreements and without taking into account any additional collateral or other credit improvements, corresponds to no more than the carrying amount of the Group's financial assets. Trade receivables comprise the largest financial asset by far. Possible risk concentration is regularly analysed. Reliable upper limits for open receivables from individual customers were introduced, which were also managed. The Group takes credit risk into account by means of corresponding impairments and default insurance for receivables. Credit risk is generally reduced by means of diversification, which is achieved through a large number of debtors. Credit risk is further reduced by obtaining deposits from buyers.

IFRS 9 introduces a new impairment model based on expected credit losses. This model is to be applied to all financial assets that are measured at amortised cost. The simplified procedure is applied to determine impairments of goods and services. Expected credit losses are determined over the entire term of the financial instruments. The estimation of expected defaults is based on the analysis of historic defaults on receivables, the age structure, insured receivables, current industry developments and the assessment of the creditworthiness of individual customers. The company does not see risks of default on receivables on the basis of previous experience. Expected impairments on trade receivables were therefore not formed.

Non-current financial assets relate inter alia to a loan which has been granted. As a result of insight into the company's income plan, default risks are estimated individually on an annual basis. At present, we do not believe there are any default risks.

Additional current financial assets are measured at amortised cost. Medios Group regularly monitors creditworthiness and checks if there are objective indications such as a borrower being in financial difficulty. There are no indications of impairment as at the balance sheet date.

Cash and cash equivalents concern deposits with banks. There is no impairment on the current term (due daily) and creditworthiness of our contractual partner.

Liquidity risks

Liquidity risks arise when short-term financial liabilities exceed the available current financial assets. Liquidity risk is controlled by means of Group-wide financial planning instruments and is constantly monitored.

All financial liabilities lead to an outflow of liquidity in 2018 in the amount of the carrying amount as at the balance sheet date of 31 December 2018.

Medios Group has a current account line of EUR 7.8 million (previous year: EUR 6.8 million) which was not utilised as of the reporting date of 31 December 2018.

Market risk (interest rate risks)

Interest rate risks are understood to be the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the market interest rate.

As Medios Group does not have any significant non-current financial instruments, changes in fair value are only of minor significance.

If the interest level had been 100 base points higher (or lower) in parallel to the interest structure curve, the financial result would have been kEUR 12 (previous year: kEUR 23) higher (or lower).

Capital

As a public limited company, the company is subject to the minimum capital requirements of German laws on public limited companies. The Group is also subject to other industry-specific minimum capital requirements. These minimum capital requirements are constantly monitored and were met in the financial year. No dividends were paid in the past financial year, nor are dividends planned for the following year.

The Group defines the managed capital as the Group equity. The objectives of capital management are:

- to ensure the company's continued existence so that the Group's products can continue to be offered to customers.
- to have the available funds to enable the Group to make further investments.

The capital is monitored using the equity ratio. This is determined as follows:

	2018	2017
Equity (KEUR)	70,498	45,677
Balance sheet total (KEUR)	98,417	61,707
Equity ratio (%)	**71,6**	**74,0**

37. Share-based compensation

Expenses of kEUR 2,586 (previous year: kEUR 1,255) were recorded for share-based remuneration at Medios as at the closing date.

Of these expenses, kEUR 2,586 (previous year: kEUR 1,255) was attributed to share-based remuneration with settlement in equity instruments. At present, there are four share-based remuneration models in the Group which are explained in detail below. All remuneration is planned with settlement in equity instruments for employees and management. No remuneration plans provide for cash settlement.

Share options scheme 2018 (a)

A share options scheme was created in the 2018 financial year under which employees were granted options to buy shares by Medios AG as compensation for their work. There is no entitlement to choose settlement in cash.

Those entitled to award are entitled to acquire the number of no-par value bearer shares ("shares") established in their subscription right agreement. Each option relates to one company share with an exercise price of EUR 15.00.

Options can only be exercised following the lapse of the lock-in period; this is four years from the time at which the agreement came into force on 1 December 2018.

Option rights can only be exercised in the seven years following the lapse of the lock-in period. The options shall be forfeited upon termination of the employment or service relationship if the relevant lock-in period has not yet lapsed.

The following are excluded from such forfeiture

- 25% of the option rights granted if the agreement is terminated after 31 December 2018,
- 50% of the option rights granted if the agreement is terminated after 31 December 2019,
- 75% of the option rights granted if the agreement is terminated after 31 December 2020.
- If termination takes place after 31 December 2021, all option rights granted shall be excluded from forfeiture.

The performance period relevant to achieving the performance criteria for the options in question is the sum of the lock-in period (four years) and the exercising period (seven years), i.e. eleven years. The proportion of the non-forfeitable options of a beneficiary that may be exercised is based on whether the closing rate of the company's share on XETRA trading (or a comparable subsequent system on the Frankfurt Stock Exchange) on 30 consecutive trading days before the exercising thereof reaches or exceeds the amount of EUR 23.

With regard to valuing the share options, it is assumed that the options shall most likely be exercised immediately following the lapse of the lock-in period.

Share options scheme 2018 (a)

Key parameters are:

Lock-in period	**Four years lock-in period after the issue date**
Exercise window following lapse of lock-in period	**Seven years**
Residual term as at 31/12/2018	**11 years**
Exercise price	**EUR 15,00**
Performance condition	**XETRA closing rate is at least EUR 23 30 consecutive days before exercising**
Service condition	**Service relationship not terminated after exercising options**
Date granted	**30 November 2018**
Share rate on date granted	**EUR 14.50**
Issue date	**1 December 2018**
Number of options issued	**86,000**
Number of exercised options in 2018	**0**
Number of exercisable options as at 31/12/2018	**86,000**
Average fair value of the options at date of commitment	**EUR 3.87 per option**
Expected risk-free interest rate with equivalent maturity	**-0,16 %**
Expected volatility	**39.7 %**
Expected dividend yield	**0,0 % to 2.0 %**
Model used	**Binomial model**
Fair value of options granted at time granted	**EUR 333,115**
Total expense share-based compensation in 2018	**EUR 95,477**

The outstanding share options from the 2018 (a) share option programme do not have any effect on calculating the diluted earnings per share as the Medios share did not reach the required minimum rate for exercising the share options as at 31 December 2018.

Share options scheme 2018 (b)

As an addition to the 2016 share option programme, share-based remuneration in the form of equity instruments (transaction with settlement in equity instruments) was granted by medios-management GmbH as compensation for work performed for Group employees in the 2018 financial year.

At the time the options were granted, 10 June 2018, a total of 5,000 option rights were offered to acquire Medios AG bearer shares as part of the 2018 share option plan.

Those entitled to award are entitled to acquire the number of no-par value bearer shares ("shares") established in their subscription right agreement. Each option relates to one company share with an exercise price of EUR 0.

Consequently the amount of the share rate on the granting date generally determined the option value.

The granted options can be fully or partly exercised in the period of 1 July 2018 to 31 December 2020. After this period, options that were not effectively exercised shall be forfeited. In order for an option to be exercised, the beneficiary must not have terminated their employment relationship with Medios AG or an associated company at the time of exercise. Due to the expectation of the early exercising of share options, it must be assumed that the total number of options issued will be exercised.

Share options scheme 2018 (b)

Key parameters are:

Contractual maximum duration of the options	**31 December 2020**
Term	**Options may be exercised between 1 July 2018 and 31 December 2020**
Average residual term as at 31/12/2018	**2 years**
Exercise price	**EUR 0**
Requirement for exercise	**Employment relationship not terminated when exercising options**
Date granted	**10 June 2018**
Share rate on date granted	**EUR 22.30**
Number of options issued	**5,000**
Average fair value of the options	**EUR 22.40**
Number of exercised options in 2018	**0**
Number of exercisable options as at 31 December 2018	**5.000**
Expected risk-free interest rate with equivalent maturity	**-0.16 %**
Expected volatility	**39.7 %**
Expected dividend yield	**0.0 % to 2.0 %**
Model used	**Binomial model**
Fair value of options granted at time granted	**kEUR 112**
Total expense share-based compensation in 2018	**kEUR 112**

The outstanding share options have no effect on the calculation of diluted earnings per share because the share options were granted directed by mediosmanagement GmbH and third parties and not by the company. As a result, no additional shares come into circulation.

Share options scheme 2017

Another share options scheme was created in financial year 2017 under which the Executive Board and selected managers were granted options to buy shares by Medios AG as compensation for their work. There is no entitlement to choose settlement in cash.

Those entitled to award are entitled to acquire the number of no-par value bearer shares ("shares") established in their subscription right agreement. Each option relates to one company share with an exercise price of EUR 7.00.

Options can only be exercised following the lapse of the lock-in period; this is four years from the time at which the agreement came into force on 01 December 2017.

Option rights can only be exercised in the seven years following the lapse of the lock-in period. The options shall be forfeited upon termination of the employment or service relationship if the relevant lock-in period has not yet lapsed.

The following are excluded from such forfeiture

- 25% of the option rights granted if the agreement is terminated after 31 December 2017,
- 50% of the option rights granted if the agreement is terminated after 31 December 2018,
- 75% of the option rights granted if the agreement is terminated after 31 December 2019.
- If termination takes place after 31 December 2020, all option rights granted shall be excluded from forfeiture.

The performance period relevant to achieving the performance criteria for the options in question is the sum of the lock-in period (four years) and the exercising period (seven years), i.e. eleven years. The proportion of the non-forfeitable options of a beneficiary that may be exercised is based on whether the closing rate of the company's share on XETRA trading (or a comparable subsequent system on the Frankfurt Stock Exchange) on 30 consecutive trading days before the exercising thereof reaches or exceeds the amount of EUR 12.

With regard to valuing the share options, it is assumed that the options shall most likely be exercised immediately following the lapse of the lock-in period.

Share options scheme 2017

Key parameters are:

Lock-in period	**Four years lock-in period after the issue date**
Exercise window following lapse of lock-in period	**Seven years**
Residual term as at 31/12/2018	**10 years**
Exercise price	**EUR 7.00**
Performance condition	**XETRA closing rate is at least EUR 12 30 consecutive days before exercising**
Service condition	**Service relationship not terminated after exercising options**
Date granted	**10 November 2017**
Share rate on date granted	**EUR 14.47**
Issue date	**01 December 2017**
Number of options issued	**600,000**
Number of exercised options in 2017	**0**
Number of exercised options in 2018	**0**
Number of exercisable options 01/01/2018	**600,000**
Number of exercisable options 31/12/2018	**600,000**
At date of commitment	**EUR 8.36**
Expected risk-free interest rate with equivalent maturity	**-0.34 %**
Expected volatility	**37.7 %**
Expected dividend yield	**0.0% to 2.0%**
Model used	**Binomial model**
Fair value of options granted at time granted	**kEUR 5,020**
Total expense share-based compensation in 2018	**kEUR 2,379**
Total expense share-based compensation in 2017	**kEUR 1,255**

The outstanding share options from the 2017 share option programme have a dilutive effect on the calculation of diluted earnings per share.

Share options scheme 2016

As compensation for work done, share-based compensation in the form of equity instruments (so-called share-based payment transactions) was granted by mediosmanagement GmbH and third parties in financial year 2016 for certain managers, non-managerial employees and a part of the Executive Board of the Group. There is no entitlement to choose settlement in cash. Those entitled to award are entitled to acquire the number of no-par value bearer shares established in their subscription right agreement. Each option relates to one company share with an exercise price of EUR 0.00. Consequently the amount of the share rate on the granting date generally determined the option value.

No subsequent revaluations are made. There were no effects against income on the 2018 consolidated financial statements are not to be expected for additional financial statements.

Share options scheme 2016

Key parameters are:

Contractual maximum duration of the options	**31 December 2020**
End of lock-in period	**1 January 2017**
Residual term as at 31/12/2018	**2 years**
Exercise window following lapse of lock-in period	**Four years**
Exercise price	**EUR 0**
Service condition	**Service relationship not terminated after exercising options**
Date granted	**10/10 or 10/11 or 22/12/2016**
Share rates at the time of granting	**EUR 7.44/EUR 7.54**
Number of options issued	**737,857**
Average fair value of the options at date of commitment	**EUR 7.48**
Number of exercisable options as at 01/01/2017	**737,857**
Number of exercised options in 2017	**43,000**
Number of exercised options in 2018	**54,500**
Number of exercisable options as at 01/01/2018	**694,857**
Number of exercisable options as at 31 December 2018	**640,357**
Weighted average share price of the 2017 exercised options	**EUR 9.01**
Weighted average share price of the 2018 exercised options	**EUR 16.50**
Weighted average exercise price (overall)	**EUR 13.19**
Model used	**Binomial model**
Fair value of options granted at time granted	**kEUR 5,518**
Total expense share-based compensation in 2016	**kEUR 5,518**

The outstanding share options have no effect on the calculation of earnings per share as additional dilution because the share options were granted directed by mediosmanagement GmbH and third parties and not by the company. As a result, no additional shares come into circulation.

Volatility was estimated for all share option programmes based on historic data. To do this, the rolling annualised 90-day standard deviations of yields was determined for each programme since the first listing of Medios AG on 22 November 2016 and the average of standard deviations taken as a basis.

38. Transactions with related companies and persons

Mr Manfred Schneider is the utmost controlling party of Medios Group. Mediosmanagement GmbH, Berlin, prepares the consolidated financial statements for the largest group of companies.

Related persons in key positions

Related persons in key positions are the members of the Executive Board and Supervisory Board, in addition to management of the parent company, who are as follows for the 2018 financial year:

Executive Board	
Manfred Schneider	CEO
Matthias Gärtner	CFO
Mi-Young Miehler	COO

Supervisory Board	
Dr. Yann Samson	Chairman
Joachim Messner	Deputy Chairman
Klaus Buß	

Management of the parent company	
Thao Carter	Managing Director of mediosmanagement GmbH Head of Finance at Medios AG

In the 2018 financial year and on the balance sheet date of 31 December 2018, Mr Manfred Schneider controls 56% of the shares in consideration of assignments by mediosmanagement GmbH and Medios Group.

No member in the financial year was a member of a statutory Supervisory Board or a comparable control body.

Supervisory Boards include the following statutory Supervisory Boards or a comparable control body:

Dr. Yann Samson	Palgon AG (Chairman of the Supervisory Board)
Joachim Messner	no other memberships in control committees
Klaus Buß	TUBS GmbH TU Berlin Science Marketing (Supervisory Board)

The following table shows the transactions with related companies and persons in the reporting period:

2018	Income 01/01-31/12/2018	Expenditure 01/01-31/12/2018	Receivables 31/12/2018	Liabilities 31/12/2018
	KEUR	KEUR	KEUR	KEUR
BerlinApotheke Schneider & Oleski oHG	**22,453**	**645**	**0**	**0**
mediosmanagement GmbH	**0**	**77**	**0**	**11**
Spezial Pharma Manfred Schneider e. K.	**0**	**51**	**0**	**20**
Messner Rechtsanwälte	**0**	**46**	**0**	**2**
Total	**22,453**	**819**	**0**	**33**

2017	Payments made 01/01-31/12/2017	Payments received 01/01-31/12/2017	Receivables 31/12/2017	Liabilities 31/12/2017
	KEUR	KEUR	KEUR	KEUR
BerlinApotheke Schneider & Oleski oHG	46,461	28,521	5,154	104
mediosmanagement GmbH	7	446	80	102
Messner Rechtsanwälte	0	19	0	2
Total	**46,468**	**28,986**	**5,234**	**208**

Income and expenses against Berlin Apotheke relate to revenue and purchases from the supply of goods. All other expenses relate to consulting services.

BerlinApotheke Schneider & Oleski oHG (merged with the BerlinApotheke Anike Oleski e.Kfr. since 1 June 2018) has not been a related company of Medios Group since 1 June 2018. In the 2018 financial year, Mr Manfred Schneider incorporated patient-specific manufacturing premises of non-cytostatic products into the Medios Group consolidated financial statements in exchange for issuing an atypical dormant investment in Medios Individual GmbH for kEUR 18,000 (see Appendix item 5).

In addition, Mr Schneider swapped an atypical dormant company in Medios Individual GmbH for 900,000 no-par value shares in Medios AG (see Appendix item 25).

The Executive Board of the parent company of Medios Group is simultaneously in an employment relationship with Medios Group. Medios Group paid total remuneration of KEUR 78 (previous year: 497). This includes current payments of KEUR 78 (previous year: KEUR 78) and granted share options of KEUR 0 (previous year: 419).

Remuneration information

Total remuneration for members of the Executive Board in the year under review amounts to kEUR 398 (previous year: kEUR 2,403). In the financial year, kEUR 0 of total remuneration was attributable to long-term variable remuneration components (previous year: kEUR 418). Current payments amounted to kEUR 398 (previous year: kEUR 313). In the financial year, the Executive Board was granted share-based remuneration with a fair value of kEUR 0 (previous year: kEUR 1,672).

Ms Miehler still has a company car at her disposal.

Please see the remuneration report for information on the main features of Executive Board and Supervisory Board remuneration and the amount of individual remuneration. The remuneration report is a component of the consolidated financial statements and summarised management report.

39. Personnel

On average, 146 employees were employed in financial year 2018 (previous year: 105).

	2018	2017
Sales area	70	54
Production and quality assurance	67	44
Storage	9	7
Total	**146**	**105**

40. Earnings per share

Earnings per share are determined as a ratio of the total consolidated net income attributable to the shareholders of Medios AG and the weighted average number of shares in circulation in the reporting year.

Calculation earnings per share	**2018**	**2017**
Share in consolidated profit attributable to the shareholders of the parent company (in KEUR)	4,327	4,134
Weighted average number of ordinary shares (in thousands of units)	13,777	12,772
Undiluted earnings per share (in EUR)	**0,31**	**0,32**

Adjustment in the calculation of diluted earnings per share		
Weighted average number of ordinary shares (in thousands of units)	13,777	12,772
2017 share option programme (number of shares in thousand units)	310	n/a
Weighted average of the shares used as a denominator to determine the diluted earnings per share.	14,088	n/a
Diluted earnings per share (in EUR)	**0,31**	**0,32**

Within the content of various Medios Group share option programmes, options that have been granted are considered as potential shares. They were incorporated to the extent to which they have a dilutive effect in determining diluted earnings per share provided targets have been met and the average market price of the shares exceeds the exercise price of the options. Information on each share option programme can be found in item 37.

41. Exemption pursuant to section 264 III HGB

The following subsidiaries are using the exemption in section 264 para. 3 HGB for financial year 2018:

- **Medios Pharma GmbH, Berlin**
- **Medios Manufaktur GmbH, Berlin**
- **Medios Digital GmbH, Berlin**
- **Medios Individual GmbH, Berlin**

42. Inclusion in the consolidated financial statements

Mediosmanagement GmbH, which has its headquarters in Berlin, prepares the consolidated financial statements for the largest group of companies in which Medios AG is included as a subsidiary with its subsidiaries. The consolidated financial statements are published in the Federal Gazette.

43. Auditor's fees

The auditor for financial year 2018, Baker Tilly GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, Dusseldorf, Munich branch calculated fees totalling KEUR 166 (previous year: KEUR 171). KEUR 125 of such (previous year: KEUR 135) related to auditing services for auditing the annual and consolidated financial statements, KEUR 28 of such (previous year: KEUR 0) and other auditing services and other services of KEUR 10 (previous year: KEUR 36)

All stated fees and expenses refer to net amounts without the statutory value-added tax of 19%.

44. Events after the balance sheet date

Mr Christoph Prußeit, with effect of 1 January 2019, shall expand the Executive Board and is appointed as Chief Innovation Officer (CIO) of Medios AG.

On 26 February 2019, Medios AG's free float increased by 15 percentage points to 55.5% of voting rights following a successful private placements by the key shareholder, mediosmanagement GmbH. During the private placement, a total of 2,184,603 existing bearer shares, equal to a share of approximately 15% of the share capital (EUR 14,564,019), were sold. mediosmanagement GmbH and Mr Schneider hold approximately 41% of the shares after placement.

The activities of the subsidiary Medios Analytics are to be combined with the activities of other Medios Group subsidiaries in one location. Medios has rented office space in Berlin-Mitte for this purpose. At the same time, the Supervisory Board decided to resell the property in Berlin-Charlottenburg, which Medios originally acquired in 2017 for this purpose, on 05 March 2019.

45. Assurances of legal representatives

We make assurances to the best of our knowledge that in line with the applicable accounting principles the consolidated financial statements present a true and fair view of the Group's net assets, financial position and results of operations and that the Group's consolidated management report accurately reflects the Group's net assets, financial position and results of operations, as well as the key opportunities and risks of the Group's future development.

46. Notice regarding the German Corporate Governance Code

The statement of compliance with the German Corporate Governance Code provided for in section 161 German Stock Corporation Act (Aktiengesetz, AktG) was submitted by the Executive Board and the Supervisory Board of Medios AG and is available to the shareholders at any time on the website of the company Medios AG in the Investor Relations section at: https://medios.ag/de/investor-relations/corporate-governance/.

Berlin, 17 March 2019

Manfred Schneider
Chairman of the Executive Board

Matthias Gärtner
Executive Board

Mi-Young Miehler
Executive Board

Christoph Prußeit
Executive Board

Independent auditor's certificate to Medios AG, Hamburg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONSOLIDATED GROUP MANAGEMENT REPORT

Audit opinion

We have audited Medios AG and its subsidiaries' (the Group) consolidated financial statements comprising the consolidated balance sheet as of December 31, 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the fiscal year from January 1, 2018 through December 31, 2018 as well as the notes to the Consolidated Financial Statements, including a summary of significant accounting methods. In addition, we have audited Medios AG's consolidated management report for the fiscal year from January 1, 2018 through December 31, 2018. In accordance with German legal requirements, we have not audited the statement on corporate governance and the compliance statement contained in the management report's section "Corporate Governance".

In our opinion, based on the knowledge obtained in the audit the accompanying consolidated financial statements comply, in all material respects, with IFRS as applicable in the EU and the supplementary provisions pursuant to German commercial law (Art. 315e Sec. 1 HGB (German Commercial Code)) and provide, in compliance with such provisions, a true and fair view of the net assets and financial position of the Group as at December 31, 2018 and of its profit situation for the financial year from January 1, 2018 to December 31, 2018; and the accompanying consolidated group management report as a whole provides an appropriate view of the Company's position. In all material respects, this consolidated group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future developments. Our audit opinion on the consolidated group management report does not cover the content of the aforementioned statement on corporate governance and the compliance statement.

Pursuant to Art. 322 Sec. 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the consolidated financial statements' and the consolidated group management report's legal compliance.

Basis for our opinion

We have conducted our audit of the consolidated financial statements and of the consolidated group management report in accordance with Art. 317 HGB and the EU Audit Regulation (No. 537/2014, hereinafter referred to as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for the Audit of Financial Statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; "IDW").

Our responsibilities under these requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Consolidated Group Management Report" section of our auditor's report. We are independent of the Group companies in accordance with the requirements of European law as well as German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not provided any non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe the audit evidence we have obtained is sufficient and appropriate in order to provide a basis for our audit opinion on the consolidated financial statements and on the consolidated group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from January 1, 2018 through December 31, 2018. These matters have been taken into account in connection with our audit of the consolidated financial statements as a whole, and in forming our audit opinion related herewith; we do not express a separate audit opinion on these matters.

From our perspective, the following matters were of most significance during our audit:

Revenue recognition

Integration of the business division ophthalmology into Medios Individual GmbH against granting of an atypical dormant holding and the consummated contribution in kind of the atypical dormant holding against a shareholding in Medios AG

We have structured our presentation of these key audit matters as follows:

1.) Facts and problems
2.) Audit approach and findings
3.) Reference to further information

In the following, we will present these key audit matters:
Revenue recognition:

- During the financial year, Medios Group recognized sales revenues in the amount of ca. EUR 327.8 million. Sales revenues are one of the most significant financial performance indicators in the capital market communication. Product sales are mainly realized by means of sales to few major customers. The transfer of the authority to dispose of goods and commodities is the decisive factor in determining whether or not a sale has been realized. Within the scope of revenue recognition, recognizing such sales transactions not on an accrual basis poses a risk as to the appropriate presentation of the profit situation; therefore, we believe these facts to be of particular importance.

- We have convinced ourselves from the correct recognition of sales revenues by means of significant orders, external customer confirmations, proofs of delivery as well as the outgoing invoices and the related incoming payments. Furthermore, we conducted a system check. We could convince ourselves that any conditions agreed upon with the major customers have been appropriately processed during the revenue recognition's assessment.

- The Company's statements on the revenue recognition are contained in the consolidated financial statements' notes' section "6. Accounting methods – revenue recognition and presentation" as well as "Notes to the consolidated statement of comprehensive income – 9. Sales Revenues".

  Integration of the business division ophthalmology into Medios Individual GmbH against granting of an atypical dormant holding and the consummated contribution in kind of the atypical dormant holding against a shareholding in Medios AG

- The integration of Spezial-Pharma Manfred Schneider e.K.'s business division ophthalmology into Medios Individual GmbH against the granting of an atypical dormant holding and the contribution in kind of the atypical dormant holding against a shareholding in Medios AG, which had been consummated four months later, resulted in an increase of the share capital by KEUR 900 and an increase of the capital reserve by KEUR 17,100 in Medios AG's consolidated financial statements. Medios AG reports the merger in accordance with IFRS 3 "Business Combinations". The recognition of these two transactions in the balance sheet required several discretionary assessments which significantly affect the presentation of Medios Group's assets, financial position and profit situation. Due to the transactions' complexity, such facts were of significant importance during our audit.

- In order to address such risk, we critically questioned the assumptions, the underlying contracts and estimates made by the management and performed, in particular, the following audit procedures: the contribution of the business division ophthalmology into Medios Individual GmbH was the first key audit issue. We assessed the transaction's classification as a business combination and as transfer of the (indirect) control over the business division to Medios AG by means of the contractual arrangements made between the parties. As, at the date of the transaction, the contributing party had a majority shareholding in Medios AG, such party still had ultimate control of the business division ophthalmology even after such division's integration into Medios Individual GmbH. Such transactions under common control are excluded from the provisions pursuant to IFRS 3. Therefore, we had to audit whether or not the transaction qualifies for a corresponding application of the provisions on business combinations.

Furthermore, we had to retrace the classification and assessment of the atypical dormant holding granted as consideration. As such atypical dormant holding may require Medios Indiviual GmbH to make payments it constitutes, according to the criteria pursuant to IAS 32, a debt capital instrument which had to be recognized with its fair value at the date of the transfer of the authority to dispose of the business division ophthalmology (IFRS 3). The financial instrument's valuation could be retraced mathematically. Furthermore, the valuation model's underlying corporate planning and the significant valuation parameters which had been included in the model – in particular assumptions as to the business division's further development and the applied discount rates – have been analyzed and assessed as to their plausibility. For that purpose, we compared model-sensitive input data obtained from the expert with our own estimates.

In connection with the purchase price allocation, the audit's focus was on the calculation and revaluation of the business division ophthalmology's assets which had been transferred to Medios Group. For that purpose, too, Medios AG submitted to us an expert's opinion. We have critically assessed the recognition and calculation of the customer relations' and the goodwill's fair value.

In connection with the contribution in kind of the atypical dormant holding in Medios Individual GmbH against a shareholding in Medios AG, which was consummated in October 2018, we audited such transaction's independent character for recognition purposes in the consolidated financial statements. The concluded agreements as well as the explanations on the background of the original acquisition financing's replacement obtained from the company served as a basis for such assessment. As the issued shares' fair value was lower than the paid financial obligation's fair value, we assessed whether or not the company's approach to treat the difference with no effect on net income is compatible with the applicable provisions.

The goodwill disclosed due to the business combination had to be subjected to an impairment test. Such test's result is highly dependent on Medios Individual GmbH's future development as well as the applied discount rate and significantly subject to discretionary judgment. Therefore, our audit's focus was on the plausibility of the corporate planning and of the free cash-flow derived therefrom by taking into account the provisions pursuant to IAS 36. Furthermore, we retraced the calculation of the weighted capital costs used for the discounting and verified them by obtaining independent capital market data.

Eventually, our audit's focus was placed on the completeness and accuracy of the information on both transactions contained in the notes. Their recognition in the balance sheet required the determination of company-specific accounting methods. Furthermore, the transactions are subject to the reporting requirements for transactions with related companies and persons. Not least, information had to be provided as to the acquired goodwill's impairment test.

We noticed that the goodwill acquired due to the business combination is covered by the discounted future cash-flows.

- The Company's statements on the capital increase against contributions in kind are contained in sections 5. Group of consolidated companies, 7. Consolidation principles, 25. Equity, no. 30 Explanations on the consolidated cash-flow statement, and no. 38 Transactions with related companies and persons.

Other information

The legal representatives are responsible for other information. Other information comprises:

- Responsibility statement by the legal representatives in the 2018 annual report's section "Responsibility Statement"

- Compliance statement in the section "Corporate Governance" of the 2018 Consolidated Group Management Report

- Declaration on corporate governance in the section "Corporate Governance" of the 2018 Consolidated Group Management Report

- The section "Foreword by the Executive Board" in the 2018 annual report, and

- The Section "Our share" in the 2018 annual report

The supervisory board is responsible for the following other information:

- The section "Report of the Supervisory Board" in the 2018 annual report.

Our audit opinions on the consolidated financial statements and on the consolidated group management report do not cover other information, and consequently we do not express an audit opinion or any other form of audit conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, to assess whether the other information is materially inconsistent with the consolidated financial statements, with the consolidated group management report or our knowledge obtained during the audit; or otherwise seems to have been materially misstated.

Responsibilities of the Legal Representatives and the Supervisory Board for the Consolidated Financial Statements and the Consolidated Group Management Report

The legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Art. 315e Sec. 1 HGB and that the consolidated financial statements, in compliance with these requirements, provide a true and fair view of the Group's net assets, liabilities, financial position, and profit situation. In addition, the legal representatives are responsible for such internal controls they have determined necessary in order to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility to disclose, as applicable, matters related to the going concern principle. In addition, they are responsible for financial reporting on a going concern basis unless they intend to liquidate the Group or to discontinue business operations or in case there is no realistic alternative but to do so. Furthermore, the legal representatives are responsible for the preparation of the consolidated group management report that, as a whole, provides a true and fair view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) they have considered necessary in order to enable the preparation of a consolidated group management report in accordance with the applicable German legal requirements and in order to be able to provide sufficient appropriate evidence for the statements made in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the consolidated group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and the Consolidated Group Management Report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the consolidated group management report as a whole presents a true and fair view of the Group's position and is, in all material respects, consistent with the consolidated financial statements and the knowledge obtained during our audit, complies with German legal requirements and appropriately presents the opportunities and risks of the Group's future development, as well as to issue an audit report that includes our audit opinions on the consolidated financial statements and on the consolidated group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit con-ducted in accordance with Art. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for the Audit of Financial Statements promulgated by the IDW will always detect any material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and the consolidated group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

identify and assess the risks of material misstatements in the consolidated financial statements and the consolidated group management report, whether due to fraud or error, plan and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting any material misstatements resulting from fraud is higher than for those resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;

obtain an understanding of the internal control system relevant for the audit of the consolidated financial statements and of arrangements and measures relevant for the audit of the consolidated group management report, in order to plan audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems;

evaluate the appropriateness of accounting policies applied by the legal representatives and the reasonableness of accounting estimates and applicable disclosures made by the legal representatives;

draw conclusions on the appropriateness of the legal representatives' use of the going concern basis and, based on the audit evidence obtained, whether there is a material uncertainty in connection with events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to draw attention to the related disclosures in the annual financial statements in the auditor's report and in the management report or, if such disclosures are inadequate, to modify our respective audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern;

evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements provide a true and fair view of the Group's net assets, financial position and profit situation in compliance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Art. 315e Sec. 1 HGB;

obtain sufficiently appropriate audit evidence regarding the financial information of the entities or business activities within the Group in order to express audit opinions on the consolidated financial statements and on the consolidated group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions;

evaluate the consolidated group management report's consistency with the consolidated financial statements, its conformity with German law, and its presentation of the Group's position;

perform audit procedures on the prospective information presented by the legal representatives in the consolidated group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We discuss with those charged with governance, inter alia, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control system we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and discuss with them all relationships and other matters that may reasonably be expected to affect our independence and, where applicable, the applied safeguards. From the matters discussed with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our auditor's report unless the matter's public disclosure should be precluded by any law or other regulation.

Other legal and regulatory requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on July 13, 2018. We were engaged by the supervisory board on November 29, 2018. We have been the group auditor of Medios AG, Hamburg, without interruption since the financial year 2016.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Responsible Auditor

The auditor responsible for the audit is Klaus Biersack.

Munich, April 17, 2019

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
(Düsseldorf)

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Supervisory Board
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Joachim Messner (Deputy chairman)
Klaus J. Buß (Member)

Executive Board
Manfred Schneider (CEO)
Matthias Gärtner (CFO)
Mi-Young Miehler (COO)
Christoph Prußeit (CIO) Since 1 January 2019

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MEDIOS AG
SPECIALTY PHARMA SOLUTIONS

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2018