MEDIOS AG
SPECIALTY PHARMA SOLUTIONS

Annual Report 2019

Highlights

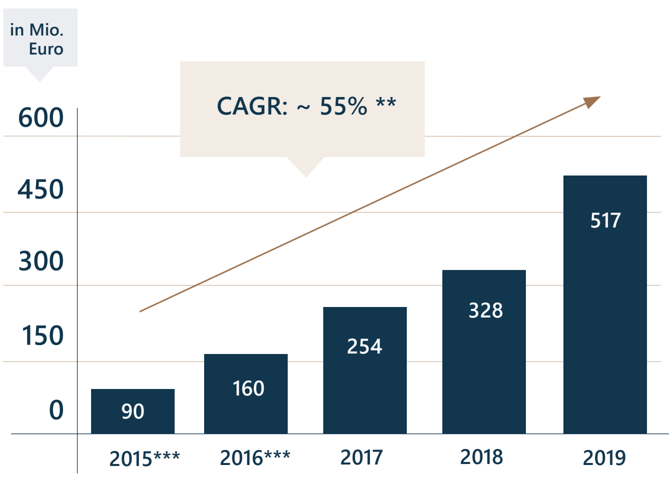
Strong and profitable growth – business development reflected in share price

- 2019: Most successful financial year to date - revenue mark of half a billion euros exceeded for the first time
- Dynamic sales and earnings growth - stronger than expected:
  - 58% sales growth
  - 51% increase in EBITDA (before extraordinary effects)
  - 48% EBT increase (before extraordinary effects)
- Medios share price almost doubles in 2019 – compared with the performance of the German stock market

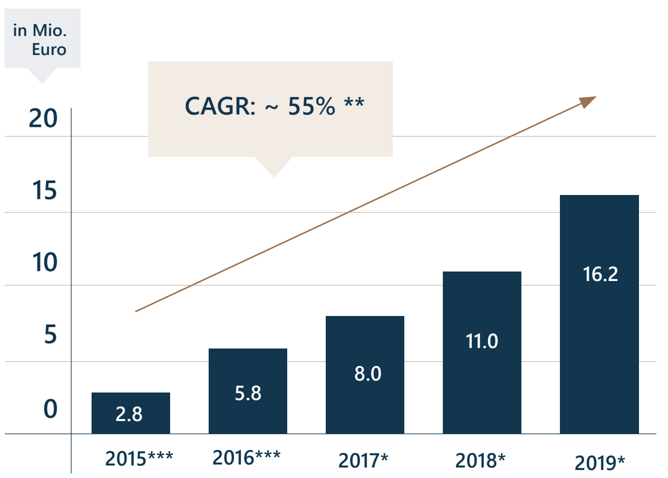
Successful further execution of the strategy

- Expansion of the network by 50 to almost 200 specialized partner pharmacies
- Significant expansion of the product range, especially in the segment Pharmaceutical Supply
- Increasing diversification in the segment Patient-specific Therapies
- Foundation of the new Drug Safety segment
- Acquisition of Kölsche Blister GmbH in March 2020: New service in the attractive growth market of patient-specific blistering
- Raising of a syndicated loan in March 2020 to finance future growth and further possible acquisitions

Group sales 2015 – 2019



Group EBT* 2015 – 2019



* adjusted for extraordinary expenses
** CAGR = Compound Annual Growth Rate (annual average growth rate)
*** 2015 and 2016 pro-forma

Key financials

	2019	2018	Change	
in EUR			in EUR	in %
Revenue	**516,804,827**	**327,829,818**	**188,975,009**	**57.6**
Thereof Pharmaceutical Supply	466,077,348	288,900,603	177,176,744	61.3
Thereof Patient-specific Therapies	50,441,407	38,833,990	11,607,416	29.9
Thereof Services	286,073	95,224	190,848	>100
Operating result before depreciation and amortisation (EBITDA)	**16,373,299**	**8,541,384**	**7,831,915**	**91.7**
Margin (in % of Revenue)	3.2%	2.6%		
EBITDA without extraordinary expenses*	**17,742,342**	**11,722,812**	**6,019,530**	**51.4**
Margin (in % of Revenue)	3.4%	3.6%		
Earnings before taxes (EBT)	**14,220,452**	**7,378,732**	**6,841,721**	**92.7**
Margin (in % of Revenue)	2.8%	2.3%		
EBT without extraordinary expenses*	**16,197,015**	**10,963,188**	**5,233,827**	**47.7**
Margin (in % of Revenue)	3.1%	3.3%		
Comprehensive income before minority interests	**9,759,854**	**4,326,844**	**5,433,010**	**>100**
Earnings per share				
Undiluted	0,67	0,31	0,36	>100
Diluted	0,65	0,31	0,34	>100
Balance sheet total (as of 31 December)	**116,567,316**	**98,416,818**	**18,150,498**	**18.5**
Equity (as of 31 December)	81,626,579	70,497,682	11,128,897	15.8
Equity ratio (as of 31 December)	70.0%	71.6%		
Investments (CAPEX) (as of 31 December)	2,089,317	1,824,437	264,880	14.5
Cash flow from operating activities	-449,285	-3,135,563	2,686,278	>100
Employees (average)	149	146		2.1
***Extraordinary expenses**				
Expenses from share option programmes	1,369,043	2,586,007	-1,216,964	-47.1
Expenses for commissioning laboratories	—	643,993	-643,993** -595,351***	-100.0
Amortization of the customer base	607,519	354,386	253,133	71.4

Key Performance Indicator (KPI): Figures used to manage the company's success

** related to EBITDA; *** related to EBT

Annual Report 2019

The company

Financial information

Further information

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

Profile

Medios AG is one of the leading specialty pharma providers in Germany. As a specialist in pharmaceutical-supplies, patient-specific Therapies and Drug safety, the company covers essential components of the supply chain in the specialty pharma sector. Also, as a GMP-certified manufacturer (GMP: Good Manufacturing Practice for medicinal products), Medios observes the highest international quality standards. Currently, Medios focuses on the five areas of indication: oncology, neurology, autoimmune diseases, ophthalmology, and infectious diseases.

Specialty pharmaceutical medicinal products are, in general, high-cost medicinal products for chronic and/or rare diseases, which generally require intensive support to treat. Many of the newly developed therapies for such clinical patterns are personalised. Patient-specific therapies include, for example, infusions constituted and produced on the basis of individual clinical patterns and parameters such as body weight and body surface. The demand for these therapies is increasing steadily. Patient-specific treatment requires a great deal of expertise. Specialty pharma will continue to greatly change the future of the health care system. Medios offers its partners a platform to connect to specialty pharmaceutical networks and to achieve more together. As an open supply network, Medios cooperates with independent specialty pharma pharmacies nationwide.

The aim of Medios is to ensure the best, comprehensive care for patients through the cooperative collaboration and exchange of ideas between the different market participants and thus contribute to the sustainable and transparent provision of medicinal products.

Medios is particularly active in the following areas:

- The **Pharmaceutical Supply** business area focuses on pharmaceutical wholesale trade in specialty pharmaceutical medications that are available in Germany. The focus is currently on oncology, autoimmunology, infectious diseases, ophthalmology and neurology.

- The **Patient-Specific Therapies** division is responsible for the pharmaceutical production of patient-specific preparations on behalf of pharmacies. Only finished medicinal products approved in Germany are used here.

- The **Drug Safety** division, which was newly founded in 2019, covers the implementation of innovative analysis methods for the identification of counterfeit medicinal products, among other things.

The method developed by Medios is based on near infrared spectroscopy, among other things, and is already being used by Medios. The internal **Services** division comprises, among other things, Medios Group holding activities and the development of software and infrastructure solutions for the Medios Group.

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

Letter of the Executive Board

Chairman of the
Executive Board
Manfred Schneider
Chief Executive Officer
(CEO)

Executive Board
Matthias Gärtner
Chief Financial Officer
(CFO)

Executive Board
Mi-Young Miehler
Chief Operating Officer
(COO)

Executive Board
Christoph Prußeit
Chief Innovation Officer
(CIO)

Dear Shareholders,

2019 was the most successful financial year in Medios' history: For the first time, we exceeded sales of half a billion euros and, as a result, our annual forecast, which was significantly increased in September 2019, was slightly better than expected. Group revenues increased by almost 58% to 517 million euro, while Group earnings before taxes (EBT), adjusted for extraordinary expenses, rose by around 48% to 16.2 million euro.

At the same time, we significantly expanded the customer base and partner network. At the end of 2019, we had supplied 200 specialised pharmacies in Germany. Medios shares also reached new record highs: Achieving an increase of just below 96%, the price almost doubled and posted significant outperformance compared to the market.

In March of this year, we acquired Kölsche Blister GmbH. The Cologne-based company specialises in patient-specific blistering, the patient-related repackaging of finished pharmaceuticals upon individual request. This takeover enables us to cover a further component of the Specialty Pharma supply chain and tap into an attractive growth market.

Dear shareholders,

The acquisition is in line with our strategy: In the current financial year, we want to continue to grow organically and, in particular, benefit from the consolidation of the pharmaceutical market through acquisitions. Our strategy is based on the following key areas:

Well, for one thing, we want to expand our customer base and our partner network of specialised pharmacies in Germany. On the other hand, our product range will be increased and expanded to include other indications. We are also focussing on using existing capacities and expanding production infrastructure. In this way, we want to boost margins through economies of scale and significantly increase the number of patient-specific therapies produced.

We will consistently pursue this growth strategy and we look forward to facing new exciting and challenging tasks.

As a Specialty Pharma company, Medios also has a business model that is relatively independent of cyclical trends. However, we are currently unable to assess whether the spread of Coronavirus will have any impact on our business performance. To date, we have not been significantly affected and want to continue to grow in the 2020 financial year. However, we have decided to use a greater range in our forecast to respond to the exceptional circumstances. We therefore expect, including the acquisition of Kölsche Blister GmbH, revenues of 610 to 670 million euro, and an EBT before special items of 17.5 to 20.5 million euro.

In particular, we would like to thank you, our shareholders, for the trust you have placed in us. We would also like to thank our employees for their contribution to this success and their unwavering commitment. Finally, we would like to thank the members of the Supervisory Board for their constructive cooperation.

We would be delighted if you continue to support us on our journey in 2020.

Best regards,

Manfred Schneider
(CEO)

Matthias Gärtner
(CFO)

Mi-Young Miehler
(COO)

Christoph Prußeit
(CIO)

Medios Share

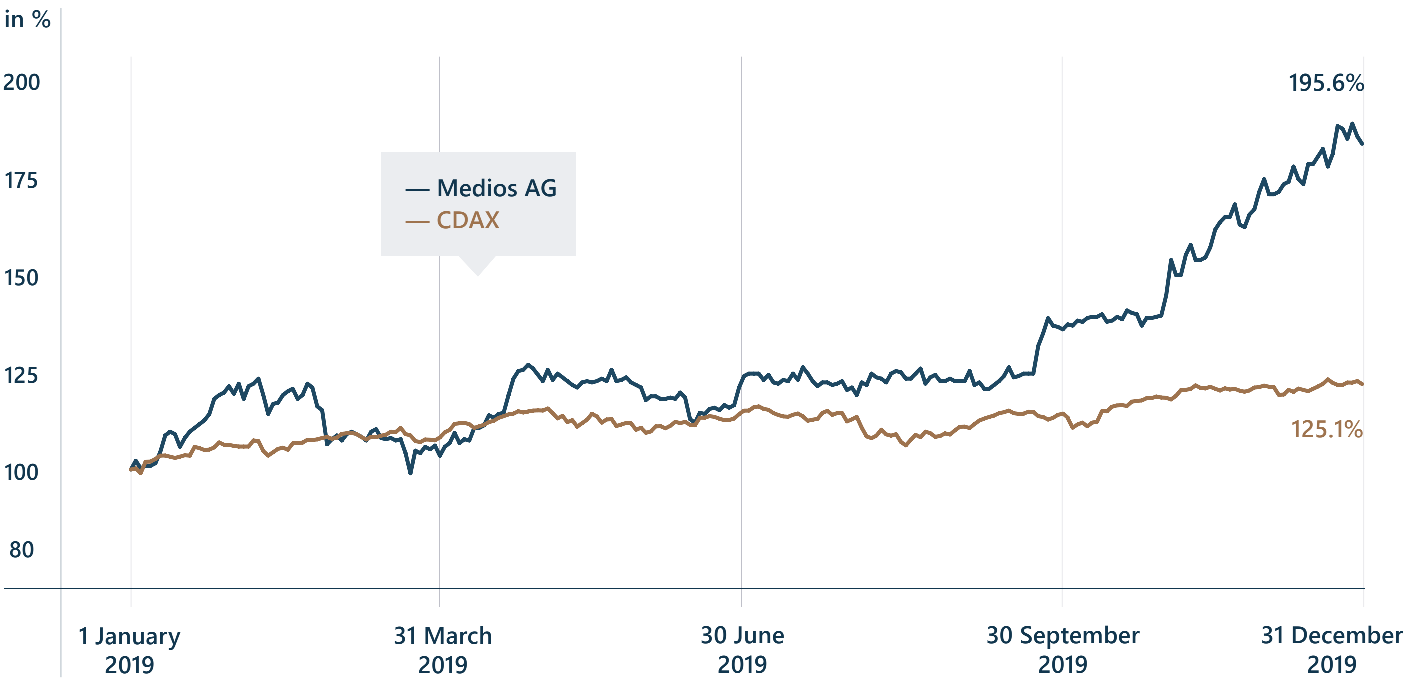
The German stock market developed very positively in 2019. The DAX opened with 10,477.77 points on the first trading day and ended the year with 13,249.01 points, equivalent to an increase of 25.5% compared to the 2018 year-end closing rate. It reached its annual high of 13,407.66 points on 16 December 2019 and experienced its annual low of 10,416.66 points on 3 January 2019.

This positive development on the German stock market was in particular due to the relaxed monetary policy of central banks and the robust growth of the German economy. There were also signs that the trade dispute between the US and China would ease off in December. In addition, the victory of the Conservative Party in the UK general election led to stable political relationships. The trade dispute and Brexit negotiations previously created great uncertainty on the capital markets. At the same time, fears of recession increased volatility.

Medios shares also experienced very positive development in 2019. They opened at EUR 13.50 on the first trading day and ended the year at EUR 26.40, equivalent to an increase of 95.6% compared to the 2018 year-end closing rate. The CDAX increased in the same period by 25.1%. Medios shares reached their annual high of EUR 27.20 on 23 December 2019, thereby recording the highest closing rate in Medios' history. They recorded their annual low of EUR 13.35 on 21 March 2019.

The average trading volume of Medios shares in XETRA trading was below the comparison value of the previous year of 10,334 units with average daily trading of 8,529 units.

Indexed performance of Medios shares in 2019



The positive price development of Medios shares is due in particular to the Group's dynamic growth in revenue and earnings. The Board of Directors increased the Group's annual forecast several times due to better-than-planned business growth.

In addition, shares benefited from regular analyst coverage by Warburg Research, Berenberg and Kepler Cheuvreux alongside extensive reporting in renowned financial media.

Share figures (ISDN DE000A1MMCC8), General Standard

XETRA (Closing price)	2019	2018
Number of shares issued as of 31/12	14,564,019	14,564,019
Market capitalisation as of 31/12 (EUR millions)	384.49	196.61
First trading day (EUR)	13.85	19.95
Last trading day (EUR)	26.40	13.50
Highest price (EUR)	27.20	23.50
Lowest price (EUR)	13.35	12.55
Average daily trading (units)	8,529	10,334

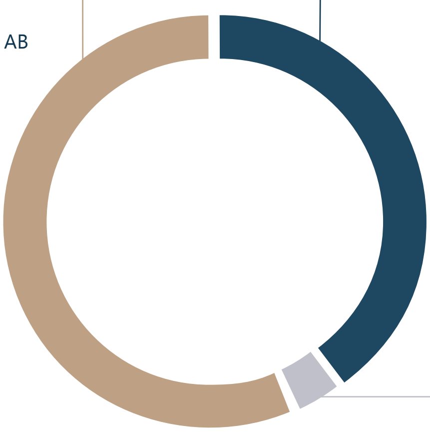
Following a private placement by Manfred Schneider and mediosmanagement GmbH, Medios AG's free float increased by 15 percentage points to 55.5% in February 2019. In January 2020, the Swedish SEB Investment Management AB announced in a voting rights notification that the threshold had been exceeded by 5% after having reported an excess of 3% for the first time in October 2019. Medios is aiming to further increase its number of international institutional investors.

Intense dialogue with the capital market

Medios AG also maintained intensive dialogue with the capital market in financial year 2019 and regularly and comprehensively provided information relating to the company's business development. In addition to mandatory notifications, the company also published press releases to inform the public and investors of their business development and activities on a continuous and transparent basis. Furthermore, the Excecutive Board held roadshows at key financial centres in Europe and the US. It also visited national and international conferences in order to explain the company's growth strategy and current company developments to investors, analysts and press representatives.

Medios AG's Annual General Meeting took place on 10 July 2019, where all resolutions on the agenda items were passed with a clear majority.

Shareholder structure as at 1 January 2020



56.74%

Free float
4.74% Marcel Jo Maschmeyer
3.1% Sampo PLC
5.11% SEB Investment Management AB

39.83%

Manfred Schneider
incl. allocation of Tangaroa Management GmbH (previously mediosmanagement GmbH) and Tangaroa GmbH & Co. KG
0.00% direct, 39.83% through allocation
(8.21% Tangaroa GmbH & Co. KG,
31.62% Tangaroa Management GmbH)

3.43%

CRANACH PHARMA GmbH

Report of the Supervisory Board

Chairman of the Supervisory Board
Dr Yann Samson
Lawyer

Deputy Chairman of the Supervisory Board
Joachim Messner
Lawyer

Member of the Supervisory Board
Klaus Buß
Economist

Dear Shareholders,

2019 was the most successful financial year since Medios AG came into existence, with sales exceeding half a billion euros for the first time. In the reporting period, we strongly supported the growth strategy as well as the Executive Board's management of business as part of our advisory and supervisory role. The written and oral reports from the Executive Board, which were delivered regularly and promptly, were the basis for fulfilling our legal supervisory role. These reports focused on the following topics:

- Corporate strategy, with a primary focus on corporate growth
- The Group's planning and business development
- Risk situation, risk management and compliance
- Focal points of innovation
- Possible deviations of business development from the original plan
- Significant company business transactions and the company's investments.

In more detail:

Supervision and consultation

In financial year 2019, we also performed the duties incumbent upon us as the Supervisory Board as required by law, the articles of association and the company's rules of procedure. We monitored and advised the Executive Board's management to the best of our knowledge and belief, and in doing so, we assessed the legality, adequacy, regularity and efficiency of its business management and Group management in particular. 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 2019, the Supervisory Board came together for a total of four face to face meetings: on 10 April 2019, 10 July 2019, 16 September 2019 and 18 December 2019. 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:

- **5 March 2019:** Approval to sell a commercial property and to rent new office space (as it grows, Medios AG needs larger business premises. The Executive Board successfully rented a suitable office space. This eliminates the need to construct a new registered office, meaning that a commercial property intended for this purpose could be sold)

- **10 April 2019:** Meeting to approve the 2018 financial statements (including detailed discussion of business development in 2018 and 2019)

- **10 July 2019** (immediately following the ordinary general meeting) Personnel, risk management, topics concerning the operating units

- **16 September 2019:** Compliance and risk management and the business development of the operating units, as well as the labour market situation

- **18 December 2019:** Personnel topics.

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 and changes

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 Dr 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, Mr Christoph Prußeit. Mr Prußeit had already been appointed on 30 November 2018 and he is responsible for patient-specific therapies.

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

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. After intensive discussion and consultation, the Supervisory Board consented to individual business transactions where required by law, the articles of association or the rules of procedure for the Executive Board.

Annual and consolidated financial statements 2019 – 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 the Medios Group and Medios AG, and the proposal for the appropriation of profit (profit carry-forward) for financial year 2019 to the Supervisory Board in due time. The audit reports of Baker Tilly GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, headquartered in Düsseldorf ("Baker Tilly"), 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 has been the auditor for Medios AG and the Medios Group since financial year 2013. Auditors Frank Stahl and Klaus Biersack have been signing as auditors since financial year 2013.

Medios AG prepared a dependent company report pursuant to Section 312 AktG for financial year 2019.

The dependent company report was also audited by the auditor selected by the general meeting to audit the annual financial statements (Baker Tilly) 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 2 April 2020, 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 2 April 2020 in accordance with Section 314 AktG. In its meeting, the Supervisory Board comprehensively reviewed the dependent company report. 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.

In relation to the dependent company report, Baker Tilly issued the following unqualified audit certificate in accordance with Section 313(3) AktG:

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

a. the disclosures made in the report are correct,
b. for the legal transactions listed in the report, in view of the circumstances that were known at the time of its approval, the consideration paid by the company was not unreasonably high or disadvantages were compensated,
c. for the measures listed in the report, there is no reason for a substantial assessment other than that of the Executive 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 2 April 2020 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 as well as the 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 Executive Board's proposal to carry forward the balance sheet profit (profit carry-forward).

General Meeting

The ordinary general geeting took place on 10 July 2019. At this general meeting, all members of the Supervisory Board and Executive Board were discharged by the general meeting.

Corporate governance

The Supervisory Board and Board of Directors act in the knowledge that good corporate governance is an important basis for the success of the company. In December 2019, 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.

Compliance and risk management

Compliance and risk management are continuously adjusted in line with the dynamic growth of the Medios Group. To this effect, the Executive Board and Supervisory Board established further compliance and risk management processes in 2019.

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 at the company for their ongoing commitment. The Supervisory Board would also like to thank the Executive Board members, Mr Manfred Schneider, Mr Matthias Gärtner, Ms Mi-Young Miehler and Mr Christoph Prußeit in equal measure for their constructive cooperation, enduring commitment and dedicated work to date. Finally, I would like to thank you, our shareholders, for the trust you have placed in our company.

Berlin, 2 April 2020

For the Supervisory Board
Dr Yann Samson
Chairman of the Supervisory Board

Combined management report of the Medios Group and Medios AG dated as of 31 December 2019

Combined management report of the Medios Group and Medios AG dated 31 December 2019

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 specialty pharma providers in Germany. As a specialist in the Pharmaceutical Supply, patient-specific therapies and Drug Safety the company covers essential components of the supply chain in the specialty pharma sector. Also, as a GMP-certified manufacturer (GMP: Good Manufacturing Practice for medicinal products), Medios observes the highest international quality standards.

Currently, Medios focuses on the five areas of indication: oncology, neurology, autoimmune diseases, ophthalmology, and infectious diseases.

Specialty pharmaceutical medicinal products are, in general, high-cost medicinal products for chronic and/or rare diseases, which generally require intensive support to treat. Many of the newly developed therapies for such clinical patterns are personalised. Patient-specific therapies include, for example, infusions constituted and produced on the basis of individual clinical patterns and parameters such as body weight and body surface. The demand for these therapies is increasing steadily. Patient-specific treatment requires a great deal of expertise. Specialty pharmaceutical medications will continue to greatly change the future of the healthcare system.

Medios offers its partners a platform to connect to specialty pharmaceutical networks and to achieve more together. As an open supply network, Medios cooperates with independent specialty pharma pharmacies nationwide.

The aim of Medios is to ensure the best, comprehensive care for patients through the cooperative collaboration and exchange of ideas between the different market participants and thus contribute to the sustainable and transparent provision of medicinal products.

1.1. Subsidiaries of Medios Group

Medios Pharma GmbH is an expert partner for specialty 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 specialty pharmaceutical medicinal products. In general, customers are specialised pharmacies that have a greater need for specialty pharmaceutical medicinal products. Medios AG is a 100% shareholder in Medios Pharma GmbH.

Medios Manufaktur GmbH and **Medios Individual GmbH** manufacture 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.

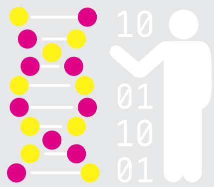
In 2017, **Medios Digital GmbH** was founded as a 100% subsidiary of Medios AG and has since developed software and infrastructure solutions as the internal system service provider for Medios Group. Medios Digital is responsible for implementing digitisation projects within the Group.

On 12 March 2019, **Medios Analytics GmbH** was founded with the aim of combining, structuring and marketing all previous and future activities in the field of NIR analysis (near infrared spectroscopy). The innovative measurement method is to be offered as a service to external companies in future. Medios AG owns 100% of Medios Analytics GmbH.

As of 31 December 2019, Medios Group, including Medios AG, therefore consisted of six companies.

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 THERAPIES	DRUG SAFETY
		

1.2. Business areas of Medios Group

In 2019, Medios Group consisted of two operational business areas (operational segments) – one that is currently being set up and one internal business area:

The Pharmaceutical Supply focusing on specialty pharma medicinal products is pooled under corporate law in Medios Pharma GmbH. The focus on specialty 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 the medicinal product wholesale trade with this consistent and clear focus.

The patient-specific therapies business area comprises 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.

Both manufacturing companies are regularly inspected by the competent regional authority LaGeSo (State Office for Health and Social Welfare) in Berlin. The manufacturing permit issued in connection with the inspection in accordance with Section 13 of the Medicinal Products Act (Arzneimittelgesetz, AMG) authorises the production of patient-specific infusion solutions in compliance with the GMP specifications. The GMP (Good Manufacturing Practice) are the guidelines for quality assurance in the production processes and production environment associated with the manufacture of medicinal products.

Based on the manufacturing permits issued by the authorities to Medios Manufaktur and Medios Individual, the companies' portfolio is as follows:

At present, the areas of oncology, immunology and neurology are the primary areas of focus in terms of manufacturing patient-specific medicinal products for parenteral use. In addition, antiviral and antibiotic preparations for anti-infective therapy as well as parenteral nutritional solutions and investigational medicinal products are produced.

The entire manufacturing process is validated to the same degree in both manufacturing plants in order to ensure the highest possible quality standards. In addition, a comprehensive microbiological monitoring system is in place in all manufacturing areas so that all critical process steps can be recorded and assessed during production. In addition, the cleanrooms are monitored by the manufacturing managers according to specific criteria. Deviations from the norm are assessed and taken into account during batch release.

Preparations are made exclusively by trained and qualified personnel. Training courses are conducted on a continuous and regular basis according to a training schedule. Adherence to the highest hygiene standards by the employees also contributes to a high degree to the quality of the infusion solutions produced.

All raw materials that are included in the production process are obtained exclusively from qualified suppliers and tested in accordance with their specification before use. In this way, the raw materials used can be traced in full. Only finished medicinal products approved in Germany are used.

The wholly-owned subsidiary Medios Digital GmbH is the internal service provider for the entire range of IT services and is responsible for the digital transformation of all Group companies and is the driving force in the field of digital innovation.

Medios AG also provides services for all Group companies, including in the areas of human resources, finance and facility and contract management.

These services are combined in the internal business area of **Services.**

In the **Drug Safety** business area, innovative NIR spectroscopic analysis methods (NIR: near infrared) are used to distinguish viable finished medicinal products from counterfeit medicines. The activities are pooled in the newly founded company Medios Analytics GmbH.

In both the Pharmaceutical Supply and Patient-specific Therapies business areas, it is Medios' obligation and desire to ensure that the medicinal products used are exclusively preparations of a safe origin and of the highest quality.

NIR analysis has been researched by Medios since the autumn of 2014. Near infrared spectroscopy, NIR spectroscopy for short, is a physical and chemical 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 potential application is the authentication of 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, additives and primary packaging and can be compared for conformity against a database of spectra of marketable medicinal products.

Using traditional analytical methods, such as chromatography or mass-spectroscopy, it can take up to a week before the solid medicinal product is identified and it can be established whether the product is an original preparation or a counterfeit product.

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.

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 overcoming these healthcare challenges. We aim to connect individual players in the specialty 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 200 partners during the 2019 financial year (2018: 150 partners). Medios believes that the number of highly-specialised pharmacies in Germany could potentially reach around 1,000 (out of a current total of 19,000 pharmacies in Germany).

The aim is to include as many of these pharmacies in our partner network as possible, thereby establishing Medios as a high-quality brand in the specialty pharma market.

3. Management system
3.1. Key performance indicators

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

All relevant management variables are generated and analysed on a monthly basis. They are used by the Executive Board of Medios AG and the subsidiaries´ management as a basis for decision-making, in particular for strategic decisions with regard to designing the product portfolio (the Pharmaceutical Supply) 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 the Medios management systems are continually improved and adapted to the specific requirements that arise.

3.2. Effects of IFRS 16

Since 1 January 2019, the accounting standard IFRS 16 “Leasing” has been applied. The presentation of the net assets and financial position and the development of the Group's results of operations were influenced by the application of this standard. The effects of the mandatory initial application have been taken into account by Medios in the definition of financial performance indicators since the start of the 2019 financial year.

The published previous year's figures were not retroactively adjusted as part of the initial application of IFRS 16. In order to enable comparability for the management and performance indicators, the reported figures were presented on a comparative basis in accordance with the old leasing standard IAS 17 and the changes were explained accordingly. In addition, the changes are, in accordance with IFRS, also included in the explanatory section of the net assets, financial position and results of operations of the Medios Group.

Net asset situation as of 31/12/2019	IFRS 16	IAS 17	Change
in KEUR			
Assets			
Non-current assets	37,136	33,909	3,227
Balance sheet total	**116,567**	**113,340**	**3,227**
Liabilities			
Equity	81,627	81,653	-26
Non-current liabilities	6,253	3,687	2,566
Current liabilities	28,688	28,001	687
Balance sheet total	**116,567**	**113,340**	**3,227**
Debt ratio	**30.0%**	**28.0%**	**2.0%**
Equity ratio	**70.0%**	**72.0%**	**-2.0%**

As a result of the application of IFRS 16, payment obligations from existing operating leases are discounted and recognised as a leasing liability. This increases the financial liabilities and the debt ratio. At the same time, the lessee recognises a right of use asset, which accordingly has a diminishing effect on the equity ratio.

Financial position for financial year 2019	IFRS 16	IAS 17	Change
in KEUR			
Net cash inflow/outflow from operating activities	-449	-938	489
Net cash inflow/outflow from investment activities	2,188	2,109	79
Net cash inflow/outflow from financing activities	-663	-95	-568
Net change in cash and cash equivalents	**1,076**	**1,076**	**0**

In the cash flow statement, the repayment portion of leasing payments from existing operating leases reduces cash flow from financing activities and no longer reduces cash flow from operating activities. Only interest payments will remain in cash flow from operating activities. This results in an improvement in cash flow from operating activities, and a deterioration in financing cash flow to the same extent. As a result, cash changes remain the same. Significant investments for rights of use in the year under review relate to newly leased properties. Additional office leasing activities are planned for the future.

Results of operations for the financial year 2019	IFRS 16	IAS 17	Change
in KEUR			
Revenue	516,805	516,884	-79
Other expenses	7,959	8,527	-568
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**16,373**	**15,884**	**489**
Depreciation and amortisation	1,982	1,547	435
Operating profit/loss (EBIT)	**14,392**	**14,337**	**55**
Financial result	171	80	91
Consolidated earnings before tax (EBT)	**14,220**	**14,258**	**-38**
Income taxes	4,460	4,472	-12
Consolidated earnings after tax	**9,760**	**9,786**	**-26**

Due to the recognition of rights of use assets under the existing operating leases, other expenses are declining and the EBITDA is significantly increased as a result, without economic conditions having changed. At the same time, depreciation and amortisation are increasing and the EBIT is negatively impacted.

The financial result has improved slightly due to discounting of leasing liabilities.

The alternative performance indicators EBT and EBITDA before special items, which are used to manage the Group, are presented in the following table.

Special items for the financial year 2019	IFRS 16	IAS 17	Change
in KEUR			
Consolidated earnings before tax (EBT)	**14,220**	**14,258**	**-38**
Expenses from share option programmes	1,369	1,369	0
Amortisations of the customer base	608	608	0
Expenses for commissioning laboratories	0	0	0
EBT before special items	**16,197**	**16,235**	**-38**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**16,373**	**15,884**	**489**
Expenses from share option programmes	1,369	1,369	0
Expenses for commissioning laboratories	0	0	0
EBITDA before special items	**17,742**	**17,253**	**489**

4. Research and Development

Drug Safety is currently the primary area of focus. Further activities were implemented in the year under review, including the development of an additional analytical laboratory. In addition, progress was made with regards to data collection for further pharmaceutical products. With new ventures taking place and activities being expanded in the area of Drug Safety, the workforce was expanded accordingly.

A total of EUR 257 thousand was invested in research and development in the 2019 financial year (2018: EUR 90 thousand). All development services were provided internally. In 2019, up to seven persons (2018: five) worked on research and development projects, which corresponds to approximately 4% (2018: 3%) of the entire Medios Group workforce.

II. Economic report

1. Macroeconomic situation

The global economy continued its upturn in 2019. However, growth was lower than in 2018. According to the International Monetary Fund (IMF), global gross domestic product (GDP) increased by 2.9% – 0.7 percentage points less than the previous year (2018: 3.6%). In industrialised countries, GDP rose by 1.7% (2018: 2.2%), while in emerging and developing countries, GDP grew by 3.7% (2018: 4.5%).

Most industrialised countries achieved a lower growth rate in 2019 than in the previous year. In the world's largest economy, the USA, GDP increased by 2.3% (2018: 2.9%). The eurozone's two largest economies, Germany and France, grew by 0.5% (2018: 1.5%) and 1.3% (2018: 1.7%). In Italy and Spain, GDP increased by 0.2% (2018: 0.8%) and 2.0% (2018: 2.4%). Overall, the economic performance of the eurozone increased by 1.2% (2018: 1.9%). In Canada too, the increase was 1.5% and thus lower than in the previous year (2018: 1.9%). The United Kingdom on the other hand, recorded stable growth of 1.3%. Only Japan was able to accelerate its growth in 2019. GDP increased by 1.0% – an increase of 0.7 percentage points compared with the previous year's figure (2018: 0.3%).

In the most important emerging and developing countries, growth in 2019 was also lower than in the previous year. China increased its economic output by 6.1% (2018: 6.6%), while India increased its GDP by 4.8% (2018: 6.8%); in Russia, growth amounted to 1.1% (2018: 2.3%). Brazil recorded an increase of 1.2% (2018: 1.3%). In Mexico, GDP stagnated after rising in the previous year (2018: 2.1%).

According to the IMF, the main reasons for the slower rate of growth of the global economy were trade uncertainties, geopolitical tensions and specific problems in key emerging markets. In particular, these would have had a negative impact on production and trade. There were also new challenges, such as worsening social unrest in several countries. According to the IMF, this is particularly noticeable in India, where consumption weakened more significantly in 2019 than expected due to the fact that income is only rising at a slow rate. In addition, the IMF cites weather-related disasters, such as hurricanes in the Caribbean, drought and bush fires in Australia, floods and droughts in Africa, as reasons for the slower growth of the global economy.

According to the IMF, the positive influencing factors in 2019 included, in particular, the loose monetary policy of the central banks, indications that the trade dispute between the USA and China is easing, and the declining fear of an unregulated withdrawal of the United Kingdom from the European Union. As we entered 2020, the IMF believed there were signs of stabilisation, but the downside risks remained significant in its view.

1.1. Macroeconomic development in Germany

According to the German federal government, in 2019, the German economy grew for the tenth year in a row. Economic momentum, however, has slowed significantly, particularly due to the weakness of the industrial sector. Gross domestic product (GDP) increased by 0.6% in 2019. This means that GDP was higher than the level recently anticipated by the German federal government, but was significantly lower than in the previous five years, a period that saw GDP increase by an average of around 2.0% per year.

Economic growth was driven in particular by consumption. Private and state expenditures were up by 1.6% and 2.5% respectively. In addition, the boom in the construction sector continued. Investments increased by 3.8% in that sector. Investments in equipment increased by 0.4%. The labour market developed robustly. The workforce grew by 400,000 to a record level of 45.3 million.

According to the federal government, the German economy had not yet overcome its weak economic phase by the turn of the year. Although most service sectors and the construction sector continue to develop positively, the industrial sector continues to suffer due to the deterioration in global trade. As a result, GDP increased only slightly in the second half of 2019.

That being said, the federal government believes there are signs of gradual improvement. In the last few months of the year 2019, incoming orders and revenues in the industrial sector had begun to stabilise at a low level. At the same time, business expectations had begun to improve somewhat. According to the German federal government, this means that the economic situation in the industrial sector is set to improve. However, the external economic environment is expected to continue to be shaped by significant uncertainties.

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), life expectancy was 80.7 years in 2017. It has thus risen by ten years compared to 1970. According to the OECD, the increase can be attributed primarily to stronger healthcare systems, as well as easier access to healthcare and improved quality of care. In addition, factors such as healthier lifestyles, higher incomes and improvements in education have played a role (OECD, Health at a Glance, 2019).

Health expenditure per capita in the OECD countries amounted to USD 3,994 in 2018. The highest expenditures were recorded by the USA with USD 10,586, followed by Switzerland (USD 7,317), Norway (USD 6,187) and Germany (USD 5,986). Measured by the share of health expenditure in gross domestic product (GDP), the USA also led the way at 16.9%, once again followed by Switzerland at 12.2%, then Germany, France, Sweden, Japan, Canada and Denmark, each with around 11%. On average, the OECD countries reported a figure of 8.8% of GDP – a value that has remained virtually stable since 2013 (OECD, Health at a Glance, 2019).

A significant portion of these healthcare expenses is attributable to medical products, in particular medicine. In 2017, this share was just under one fifth according to the OECD (OECD, Health at a Glance, 2019). The US company IQVIA estimates that global expenses for medication in 2018 amounted to approximately USD 1,205 billion. Industrialised countries therefore accounted for around two thirds of this. The United States had the highest expenditure (USD 484.9 billion), followed by China (USD 132.3 billion), Japan (USD 86.4 billion) and Germany (USD 53.5 billion). On average, global expenditure for medication increased by 6.3% each year between 2014 and 2018. For 2019, IQVIA expects an increase of 4 to 5% to just under USD 1.3 trillion (The Global Use of Medicine in 2019 and Outlook to 2023, 2019).

In the ten industrial countries, growth in healthcare expenses is almost exclusively driven by specialty pharmaceutical medicinal products according IQVIA. These are generally expensive medicinal products for chronic, complex or rare diseases that are also sold by Medios. According to information from IQVIA, the share of specialty 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 specialty 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).

According to IQVIA in 2018, the share of expenses for specialty pharma medications in the ten industrialised countries rose to 42% and USD 336 billion (IQVIA, the Global Use of Medicine in 2019 and Outlook to 2023, 2019). Thus it has almost doubled since 2013 (IQVIA, 2018 and Beyond: Outlook and Turning Points, 2018).

The trend for increased pharmaceutical expenses and expensive therapies or specialty pharmaceutical medicinal products can also be observed in Germany. According to information from the Scientific Institute of the AOK (WIdO), the pharmaceutical expenses of the statutory health insurance fund (GKV) increased by 3.2% to EUR 41.2 billion in 2018. As in previous years, patent medicinal products were the main cost drivers. For example, pharmacy revenues per prescription in the patent-protected market have tripled over the last ten years, from EUR 163 in 2008 to EUR 471 in the year 2018. Overall, according to the WIdO, revenues of EUR 19.8 billion were achieved with patent-protected medicinal products in 2018. This equates to almost half of the total pharmacy turnover. At the same time, patent-protected medicinal products only account for a comparatively small proportion of 6.4% of all medicinal product packages (WIdO, Drug Prescription Report, 2019).

According to the WIdO, the pricing policy of the pharmaceutical manufacturers means that most of the revenue made with patent-protected medicinal products is distributed among increasingly fewer products and increasingly smaller patient groups. According to this in 2018, some 61% of revenues had to be spent on the 10% of patent-protected medicinal products with the lowest numbers of prescriptions. In 2008, the share of revenues was still at 32%. According to the WIdO, one tenth of the patent-protected prescriptions currently collects a share of overall market revenue of 28.2% – for a supply share based on daily doses of only 0.7% (WIdO, Drug Prescription Report, 2019).

According to the WIdO, the total cost of medicinal products amounted to EUR 40.1 billion in 2018. Of this, EUR 18.8 billion was attributable to patented medicinal products.

This corresponds to an increase of 4% year-on-year. Its share of costs in the past 20 years has therefore increased from 33% to 47%. According to the WIdO, the average annual treatment costs of patent-protected medicinal products are now approximately 20 times higher than the annual costs of generic medicines at EUR 2,500 (WIdO, Drug Prescription Report, 2019).

Another conspicuous development was the increasing number of approved biologics each year. According to this, 17 of the 37 new pharmaceuticals in 2018 were genetically engineered biologics. According to the WIdO, their revenues have increased steadily over the last 12 years and stood at EUR 13.8 billion in 2018 (WIdO, Drug Prescription Report, 2019).

Sales of specialty pharma medicinal products in Germany increased to EUR 13.5 billion in 2018 – an increase of 10% year-on-year (WIdO, Drug Prescription Report, 2018; ABDA – figures, data, facts, 2018). The share of specialty pharmaceutical medicinal products in sales of all medicinal products in Germany therefore amounted to 29%. The share of sales of medicinal products requiring a prescription was approximately 33% (ABDA – figures, data, facts, 2019).

2. Business performance

The business performance of Medios in 2019 was very positive overall. The number of partner pharmacies was further increased to around 200. Business relationships with existing partner pharmacies were strengthened in most cases. We were also able to broaden our product range, in particular in the Pharmaceutical supply business area.

At present, the Medios Group is focusing on five areas of indication, including oncology, neurology and ophthalmology. As planned, we were able to increase the percentage share of non-oncological manufacturing as planned and, therefore, it was possible to diversify the Patient-specific Therapies business area to a greater extent.

Both the overall economic framework conditions and development in the pharmaceutical industry continued to be positive in 2019 (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 in personalised therapies in various areas of indication. This has also positively influenced Pharmaceutical Supply and the Patient-specific Therapies business areas.

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 therefore finds itself in a very good economic position. The Medios Group had 167 employees at the end of the 2019 financial year (as of 31 December 2018: 153).

The 2019 financial year was shaped in particular by the following events:

On **1 January 2019,** Christoph Prußeit took up his new position as a member of the Executive Board and Chief Innovation Officer (CIO) of Medios AG. In this role, he is responsible, among other things, for the Patient-specific Therapies business area. This means that the Executive Board now has four members. Mr Prußeit is a proven expert in the manufacture and safety of medicinal products and has been Managing Director of Medios Individual GmbH since 2017. He has extensive practical experience in disciplines such as the preparation of patient-specific antiviral and antibiotic solutions, as well as in the production of parenteral nutritional solutions in strict compliance with the highest quality standards. In this way, he brings important skills to the Management Board team and can further promote the growth of the company. Mr Prußeit began his professional career in 2014 as a specialised pharmacist at the BerlinApotheke Schneider&Oleski OHG, where he took over the management of the sterile laboratory business area.

On **8 January 2019,** Berenberg, one of the leading independent European financial services providers, took over the coverage for Medios AG. Together with Kepler Cheuvreux and Warburg Research, Medios has been attended to by three of the leading research companies in the field of small and mid-cap companies since January 2019. This has improved our access to international investors in Europe and the USA. As a result, Medios Group expects to see a broader spread of the investor base internationally and, in the medium term, an increase in liquidity of shares.

On **24 January 2019,** the Executive Board of Medios AG and the owner of BerlinApotheke, Ms Anike Oleski, agreed to rename the four BerlinApotheke pharmacies to MediosApotheke on 1 March 2019. MediosApotheke shall remain an independent company with Ms Oleski as the sole holder. 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 specialty pharmaceutical solutions. Medios intends to further expand the network of independent MediosApotheke pharmacies with different competencies yet common quality standards in the specialty pharma business area.

On **26 February 2019,** Medios AG's free float increased significantly by 15 percentage points to 55.5% of voting rights following a successful private placement by the key shareholder, mediosmanagement GmbH. In total, 2,184,603 existing no-par value bearer shares were sold as part of the private placement. This corresponds to a share of approximately 15% of the capital. This offer was only directed at institutional investors. The transaction was managed by Berenberg as the sole bookrunner. After the placement, mediosmanagement GmbH and Manfred Schneider (founder & CEO) held around 41 per cent of the outstanding shares. On 23 December 2019, Medios was informed by Manfred Schneider in a so-called voluntary Group communication that the proportion of voting rights attributable to him at Medios AG on 19 December 2019 totalled 39.83% (5,801,204 voting rights) (see chapter IX. 3.).

In **March 2019,** Medios launched a new method of analysis for the identification of counterfeit medicinal products onto the market after a successful test phase. For this purpose, the subsidiary Medios Analytics GmbH was founded in order to bundle all activities of the Drug safety business area. The new method of analysis allows users to identify the contents of pharmaceutical packaging using infrared radiation, meaning that the packaging does not need to be opened. As a result, the active substance remains sterile and can still be used for the production of infusion solutions. The measurement results are compared with the databases of a reference library developed by Medios. This establishes whether it is an original preparation or a counterfeit product. The entire process takes only around one minute. This means that the new analysis method from Medios is faster, safer and cheaper than conventional methods, in which the packaging must be opened.

Also in **March 2019,** Medios rented offices in central Berlin in order to pool the activities of the Medios Group. At the same time, the Executive Board decided to resell the property in Berlin-Charlottenburg, originally acquired by Medios in 2017 for this purpose. The sale of the property in Charlottenburg was completed in June 2019 with income of EUR 865 thousand. The purchase of the new office space is expected to take place in May 2020 at the latest.

At the ordinary Annual General Meeting on **10 July 2019,** all resolutions regarding the items on the agenda were passed by a clear majority. Overall, around 64% of the share capital was represented. In addition to the approval of the actions of the Executive Board and the Supervisory Board and the selection of the auditor, creation of new authorised and contingent capital in 2019 was approved. In addition, shareholders approved a profit and loss transfer agreement with Medios Analytics GmbH.

On **23 September 2019,** Medios AG increased its forecasts for the financial year 2019 for the second time, now aiming for consolidated revenues of EUR 500 to 510 million. The reason for the forecast increase was increasingly positive stimuli from the increased investments aimed at growth in the Medios Group. Since the beginning of the second half of 2019, these have had an even more significant impact on revenue and earnings development at Medios than the Executive Board had expected.

3. Medios Group situation

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

The financial year 2019 was the most successful in the history of Medios AG. The company is convinced that having highly specialised independent pharmacies on the ground is the correct approach and will continue to expand this position in future with the help of Medios. This is one reason why Medios is bringing on more and more specialised pharmacies as customers and is constantly expanding its partner network. Another reason for the positive development is the expansion of the Medios product range to include additional areas of indication and specialty pharma products.

External revenue in the Pharmaceutical Supply business area amounted to EUR 466 million in the 2019 financial year (2018: EUR 289 million) and earnings before tax and special items (EBT before special items) was EUR 11.2 million (2018: EUR 9.2 million). The operating result before amortisations and special items (EBITDA before special items) increased to EUR 11.9 million compared to EUR 9.4 million in the comparison period.

In the Patient-specific Therapies business area, EUR 50.4 million of external revenues were generated (2018: EUR 38.8 million) and an EBT before special items of EUR 5.4 million (2018: EUR 2.8 million) was achieved. The operating result before amortisations and special items (EBITDA before special items) increased to EUR 6.2 million compared to EUR 3.3 million in the comparison period.

The Services internal business area generated EUR 286 thousand (2018: EUR 95 thousand) through external revenue in the reporting period. All revenues were generated solely in Germany. As expected, the Drug safety business area, which is currently being set up, did not contribute positively to the overall results of the Medios Group in financial year 2019.

The increase in consolidated revenues in 2019 to EUR 516.8 million (2018: EUR 327.8 million) is mainly attributable to the expansion of the partner network to around 200 specialised pharmacies (2018: around 150) and the expansion of the product range to include additional areas of indication.

Pre-tax profit (EBT before special items) reported disproportionate growth at EUR 16.2 million (2018: EUR 11.0 million). As a result, Medios slightly exceeded its annual forecast for 2019, which was significantly increased in September 2019. Medios had expected consolidated revenues of EUR 500-510 million and pre-tax profit before special items (EBT before special items) of EUR 15-16 million.

The operating result before depreciation, amortisation and special items (EBITDA before special items) of EUR 17.7 million (2018: EUR 11.7 million) was down to both the Pharmaceutical Supply and Patient-specific Therapies business areas, which contributed to this result with EUR 11.9 million and EUR 6.2 million respectively.

Consolidated earnings before taxes (EBT) and EBITDA are transferred to the EBT before special items and EBITDA before special items as follows:

KEUR	2019	2018
Consolidated earnings before tax (EBT)	**14,220**	**7,378**
Expenses from share option programmes	1,369	2,586
Amortisations of the customer base	608	355
Expenses for commissioning laboratories	0	644
EBT before special items	**16,197**	**10,963**

KEUR	2019	2018
EBITDA	**16,373**	**8,541**
Expenses from share option programmes	1,369	2,586
Expenses for commissioning laboratories	0	595
EBITDA before special items	**17,742**	**11,722**

In financial years 2017 to 2019, share option programmes were created in which selected employees were granted options to purchase shares in Medios AG as remuneration for work performed. There is no entitlement to choose settlement in cash. These expenses have no effect on liquidity.

Amortisation of the customer base relates 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 483.4 million in the 2019 financial year (previous year: EUR 305.6 million) or 93.5% (previous year: 93.2%) of revenues and rose by 0.3%. The absolute increase in the cost of materials therefore resulted from the increase in revenues. Gross profit increased by a total of EUR 11.2 million, half of which, on the one hand, resulted from a volume increase in the area of the Pharmaceutical Supply and, on the other hand, due to the line of business introduced in financial year 2018, which contributed to the company’s profits for a full financial year for the first time.

Overall personnel expenses amounted to EUR 11.0 million (previous year: EUR 9.8 million) or 2.1% (previous year: 3.0%) of revenue.The non-cash-effective expenses for share option programmes in the financial year amounted to EUR 1.4 million (previous year: EUR 2.6 million).

The increase in personnel costs resulted from the increase in the number of employees.

Other expenses amounted to EUR 8.0 million (previous year: EUR 5.1 million). Legal and consulting costs amounted to EUR 1.3 million (previous year: EUR 0.4 million) and were mainly used for the expansion of the Medios brand. The costs of deliveries, expenses for insurance and maintenance expenses increased as a result of the increase in revenues by EUR 0.5 million year on year. Discontinued IT projects resulted in one-off special items due to the depreciation of intangible assets amounting to EUR 0.7 million.

Depreciation in the 2019 financial year increased by EUR 0.9 million to EUR 2.0 million (previous year: EUR 1.1 million). This resulted from the expansion of Medios locations, the depreciation of the customer base for a full financial year and the initial application of IFRS 16 and the associated depreciation of rights of use.

The financial result in fiscal year 2019 amounts to EUR -0.2 million, of which EUR 0.1 million is attributable to interest due to liabilities as a lessee under IFRS 16.

The tax result in the amount of EUR 4.5 million is in the range of the expected Group tax rate of 30.175%.

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 15.6 million as of 31 December 2019 (previous year: EUR 11.8 million) and mainly consisted of bank deposits.

In addition, Medios Group companies also have current account lines amounting to EUR 10 million (Medios Pharma GmbH) and EUR 2 million (Medios Manufaktur GmbH), i.e. a total of EUR 12 million, which are only used occasionally to finance working capital. As at the reporting date of 31 December 2019, the current account line amounted to EUR 9.0 million (previous year: EUR 7.8 million).

Significant investments in the 2019 financial year were software developments for the Services segment in the amount of EUR 713 thousand and Patient-specific Therapies in the amount of EUR 338 thousand. In addition, investments were made in the Pharmaceutical Supply segment in the amount of EUR 322 thousand to build up additional capacities as a result of steadily increasing demand for medicinal products.

Other investments of EUR 716 thousand mainly concerned infrastructure measures. Cash outflow for intangible investment goods amounted to EUR 1,215 thousand and mainly concerned expenses for software. A total of EUR 2,089 thousand was spent on investments and therefore EUR 265 thousand more than in 2018.

From financial activities, EUR 194 thousand was paid in interest and EUR 469 thousand for the repayment of leasing liabilities. This amounted to EUR 663 thousand in total. In the comparison period, EUR 171 thousand in 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 specialty pharmaceutical market is currently in a consolidation and rebuilding phase. Medios will take advantage of this as much as it can.

3a.3. Net asset situation of Medios Group (IFRS)

The Medios Group's net asset situation continued to be positive. As a result of the volume increase in the 2019 financial year in the Pharmaceutical Supplyarea on the one hand and the business segment introduced in financial year 2018, almost all the balance sheet items increased significantly.

Non-current assets in the amount of EUR 37.1 million (previous year: EUR 37.4 million) as of 31 December 2019 mainly comprise intangible assets in the amount of EUR 31.3 million (previous year: EUR 31.6 million) and the rights of use as lessee in the amount of EUR 3.0 million (previous year EUR 0 million). The insignificant change in non-current assets by EUR 0.3 million resulted from the sale of the property in Berlin-Charlottenburg, which Medios had acquired in March 2017. Due to the rapid growth of the Medios Group and regulatory restrictions on site, all planned measures on this property could no longer be implemented. This was offset by the takeover of another laboratory location in Berlin in September 2017 and the leasing of other office space in Berlin and Potsdam.

Current assets amounted to EUR 79.4 million at the end of the 2019 financial year (previous year: EUR 61.1 million). They are mainly comprised of cash of EUR 15.6 million (previous year: EUR 11.8 million), trade receivables of EUR 42.8 million (previous year: EUR 31.1 million) and inventories of EUR 16.1 million (previous year: EUR 14.0 million). The increase in both trade receivables and inventories was due to the strong growth in sales year-on-year. In the 2019 financial year, the receivables and inventory turnover rate was increased. DSO (Days Sales Outstanding) amounted to 25.4 days (previous year: 29.1 days) and the DIO (Days Inventory Outstanding) amounted to 12.1 days (previous year: 16.7 days).

The Medios Group has a robust capital structure. Equity amounted to EUR 81.6 million as of 31 December 2019 (previous year: EUR 70.5 million), representing an equity ratio of 70.0%. The equity ratio therefore remained more or less the same in comparison to the previous year (71.6%).

The Group balance sheet total was increased to EUR 116.6 million as of 31 December 2019 (previous year: EUR 98.4 million). This means an increase of 18.5% in comparison to the previous year.As at the reporting date of 31 December 2019, there were no non-current bank liabilities. The Group's non-current liabilities amounted to EUR 6.3 million (previous year: EUR 4.2 million) and consist of deferred tax liabilities in the amount of EUR 3.7 million (previous year: EUR 4.2 million) and non-current liabilities as a lessee in the amount of EUR 2.6 million (previous year: EUR 0 million).

Short-term debts increased to EUR 28.7 million (previous year: EUR 23.7 million). As at the reporting date, trade payables fell from EUR 18.8 million in the previous year to EUR 12.9 million as of 31 December 2019, which continues to be the largest single short-term debt item. Income tax liabilities increased to EUR 7.6 million (previous year: EUR 2.3 million) and, due to a higher utilisation of the credit line for the financing of working capital and the addition of short-term liabilities as a lessee, current financial liabilities increased to EUR 3.7 million (previous year: EUR 0.2 million).

The Medios Group's economic situation continued to be positive.

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

In the 2019 financial year, Medios AG generated revenue of EUR 4.9 million (previous year: EUR 2.6 million). The net profit for the year amounted to EUR 11.4 million in 2019 (previous year: EUR 8.1 million), which corresponds to an increase of EUR 3.3 million in comparison to the previous year's period. The change is a result of the profit and loss transfer agreement with subsidiaries.

The 2019 financial year was shaped by the consolidation of structures of Medios AG in order to be able to provide all subsidiaries with services on a comprehensive basis. This was particularly the case in the areas of finance, human resources, IT and facility and contract management services. The total number of employees at Medios AG as of 31 December 2019 remained virtually constant at 29 (previous year: 32).

Although there was revenue in the 2018 financial year, it was able to be increased considerably in 2019 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 of 31 December 2019, these amounted to a total of EUR 19.0 million (previous year: EUR 7.8 million). The interest income generated from this amounted to EUR 314 thousand in the reporting period.

The largest item on the cost side was staff expenditure amounting to EUR 2.4 million (previous year: EUR 1.6 million). Amortisations amounted to EUR 297 thousand (previous year: EUR 227 thousand). Other costs amounted to EUR 4.3 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 11.0 million as of 31 December 2019 (previous year: EUR 7.3 million) and mainly consisted of bank deposits.

Medios AG has a very robust capital structure. Equity amounted to EUR 89.4 million as of 31 December 2019 (previous year: EUR 78.0 million). With a balance sheet total of EUR 98.9 million (previous year: EUR 81.3 million), this equals an equity ratio of 90.5% (previous year: 96.0%). The equity ratio can therefore continue to be held at a very high level.

There are no bank liabilities. As of 31 December 2019, all Medios AG liabilities only amounted to EUR 1.3 million (previous year: EUR 0.6 million), the greatest item of which was payables to affiliated companies of EUR 0.8 million (previous year: EUR 0.4 million).

One significant investment by Medios AG in the 2019 financial year related to the development of software for expanding existing business areas and increasing the efficiency of processes.

3b.3. Net asset situation of Medios AG (HGB)

At the end of the 2019 financial year, assets amounted to EUR 69.7 million, equal to an increase of 12% in comparison to the previous year EUR 62.0 million. The largest items in fixed assets were shares in affiliated companies in the amount of EUR 49.1 million (previous year: EUR 49.0 million) and loans to affiliated companies in the amount of EUR 19.0 million (previous year: 7.8 million).

Current assets amounted to EUR 29.2 million as of 31 December 2019 (previous year: EUR 19.2 million) and mainly consisted of deposits with credit institutions of EUR 11.0 million (previous year: EUR 7.3 million) and receivables from profit and loss transfer agreements of EUR 17.7 million (previous year: EUR 11.4 million).

The economic situation of Medios AG continued to be positive.

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

In order to manage the Medios Group, revenues, EBITDA before special items, EBT and EBT before special items are used as key performance indicators. They were assessed and analysed on an ongoing basis, generally monthly. Revenue in the 2019 financial year amounted to EUR 516.8 million (previous year: EUR 327.8 million). Cost of goods was EUR 483.4 million or 93.5% of turnover. The resulting EBT before special items amounted to EUR 16.2 million in 2019 (previous year: EUR 11.0 million) or 3.1% of revenue (previous year: 3.4%).

Special items were recorded in the 2019 consolidated financial statements amounting to EUR 2.0 million. These result from the consideration of share-based remuneration (share options) for employees of the Group in the amount of EUR 1.4 million, as well as the introduction of a new business area in financial year 2018 and the resulting depreciation on the customer base in the amount of EUR 0.6 million.

Non-financial performance indicators concern, inter alia, the relationships of Group companies with customers and employees. The aim of Medios is to integrate specialised pharmacies as independent partners into the Medios network and thereby achieve synergies. The company is convinced that having highly specialised independent pharmacies on the ground is the correct approach and will continue to expand this position in future with the support of Medios. This is one reason why Medios is bringing on more and more specialised pharmacies as customers and is constantly expanding its partner network.

As an attractive and responsible employer, Medios wants to permanently bind competent and committed employees to the company. In order to do so, it offers employees a modern and attractive working environment with flexible working hours and the opportunity to implement their own ideas. Not least for the better links to almost all public transport services available in Berlin, Medios will acquire new office space in the second quarter of 2020 to pool the management activities of the Medios Group in central Berlin. Great emphasis is placed on the workplace economy and a pleasant working environment here. All employees of the Medios Group will also be offered a ticket to use public transport in Berlin and private health insurance. The costs for these services are borne by Medios as an employer.

A further important, non-financial factor for the company is the perception of the Medios brand. The aim is to make Medios synonymous with reliability, competence and quality in the area of specialty pharma products in Germany. This goal is to be achieved through consistent training and regular communication with Medios employees, partner pharmacies and press reports.

Since March 2019, four independent pharmacies in Berlin have been named "MediosApotheke". The intention is 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 specialty pharmaceutical solutions. Medios intends to further expand the network of independent MediosApotheke pharmacies with different competencies yet common quality standards in the specialty pharma business area.

Through continuous communication with all relevant target groups, the perception of the Medios brand among Medios partners and the public is analysed in order to obtain a comprehensive picture of whether Medios's objectives are being achieved and at which points there is a need for adaptation.

III. Events after the balance sheet date

On 19 March 2020, the Medios Group signed a transfer agreement to acquire Kölsche Blister GmbH in full. Kölsche Blister GmbH supplies pharmacies with blister-packaged finished medicinal products. In the 2019 financial year, the Cologne-based company achieved revenues of EUR 14.3 million, with a slightly negative result. The purchase price for acquiring the company is EUR 3 million, half of which will be paid for in the form of Medios shares and the other half in cash. The new shares to be issued will be created from authorised capital in a capital increase in kind excluding subscription rights. As a result, the share capital of Medios AG will be increased from EUR 14,564,019 to EUR 14,628,590.

On 19 March 2020, the Medios Group also concluded a syndicated loan contract in the form of two facilities amounting to a total of EUR 62.5 million. This should enable Medios to finance future growth and to make further acquisitions where needed. The initial variable interest rate of the loan is equal to EURIBOR plus a margin of 1.50 and 1.25% p.a. respectively. Both facilities will mature on 30 December 2022 with an extension option for two years. The Medios Group has provided both facilities with collateral under normal market conditions.

IV. Remuneration report

Total remuneration for the members of the Executive Board in the year under review amount to EUR 896 thousand, of which EUR 227 thousand for Mr Manfred Schneider (CEO), EUR 245 thousand for Ms Mi-Young Miehler (COO), EUR 239 thousand for Mr Matthias Gärtner (CFO) and EUR 185 thousand for Mr Christoph Prußeit (CIO). Other levies for the Executive Board in the reporting period amounted to EUR 11,000.

The short-term variable remuneration includes the Executive Board's profit-sharing bonuses in the amount of EUR 180 thousand calculated based on Group revenues and EBT before special items after the forecast was met.

Ms Miehler and Mr Prußeit also have company vehicles.

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

Benefits granted in 2019

	Manfred Schneider			Matthias Gärtner			Mi-Young Miehler			Christoph Prußeit*		
KEUR	Executive Board (COO)			Executive Board (COO)			Executive Board (COO)			Executive Board (COO)		
	2019	min 2019	max 2019	2019	min 2019	max 2019	2019	min 2019	max 2019	2019	min 2019	max 2019
Fixed remuneration	180	180	180	180	180	180	180	180	180	120	120	120
Ancillary services	0	0	0	10	10	10	15	15	15	15	15	15
Total	**180**	**180**	**180**	**190**	**190**	**190**	**195**	**195**	**195**	**135**	**135**	**135**
Short-term variable remuneration	45	0	45	45	0	45	45	0	45	45	0	45
Long-term variable remuneration	0	0	0	0	0	0	0	0	0	0	0	0
Plan name (term of the plan)	0	0	0	0	0	0	0	0	0	0	0	0
Total	**225**	**180**	**225**	**235**	**190**	**235**	**240**	**195**	**240**	**180**	**135**	**180**
Pension expenses	2	2	2	4	4	4	5	5	5	5	5	5
Total remuneration	227	182	227	239	184	239	245	200	245	185	140	185

* Member of the Executive Board and CIO since 1 January 2019

2019 inflow

in KEUR	Manfred Schneider Executive Board (COO)	Matthias Gärtner Executive Board (COO)	Mi-Young Miehler Executive Board (COO)	Christoph Prußeit* Executive Board (COO)
	2019	2019	2019	2019
Fixed remuneration	121	110	97	72
Ancillary services	0	7	9	10
Total	**121**	**117**	**106**	**82**
One-year variable remuneration	0	0	0	0
Multi-year variable remuneration	0	0	0	0
Total	**121**	**117**	**106**	**82**
Pension expenses	2	4	5	5
Total remuneration	123	121	111	87

* Member of the Executive Board and CIO since 1 January 2019

Benefits granted in 2018

in KEUR	Manfred Schneider Executive Board (COO)			Matthias Gärtner Executive Board (COO)			Mi-Young Miehler Executive Board (COO)		
	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
Ancillary services	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

2018 inflow

	Manfred Schneider	Matthias Gärtner	Mi-Young Miehler
in KEUR	Executive Board (COO)	Executive Board (COO)	Executive Board (COO)
	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

Members of the Executive Board Mi-Young Miehler (COO) and Matthias Gärtner (CFO) also received 100,000 options to subscribe to Medios AG shares (call option) within the framework of the ordinary Shareholders' Meeting in 2017 and the option programme granted on 10 November 2017. As part of this option programme, Christoph Prußeit (CIO), who is not yet a member of the Medios AG Executive Board, has also received 50,000 options to subscribe to Medios AG shares (call option). The exercise price of these options is EUR 7. Option rights can only be exercised after the expiry of a waiting period of four years from the issue date. A performance target has been defined where the closing rate of the company's share on XETRA trading (or a comparable successor system on the Frankfurt Stock Exchange) on 30 consecutive trading days before the relevant exercising thereof must reach or exceed the amount of EUR 12.

Upon termination of the Executives' employment contracts, the options shall be forfeited. However, (i) 25% of the options rights granted, provided termination is after 31 December 2017, (ii) 50% of the option rights granted, provided termination is after 31 December 2018, (iii) 75% of the option rights granted, provided termination is after 31 December 2019 shall be excluded from forfeiture. If termination takes place after 31 December 2020, all option rights granted shall be excluded from forfeiture.

The total remuneration of members of the Supervisory Board amounted to EUR 40 thousand in the reporting year (previous year: EUR 40 thousand), EUR 20 thousand of which was for the Chairman of the Supervisory Board, Dr Yann Samson, and EUR 10 thousand each for both members of the Supervisory Board, Mr Klaus Buß and Mr Joachim Messner, in addition to EUR 2.010 (previous year: EUR 519) for travel costs and expenses.

In the 2019 financial year, Mr Messner made use of legal consultation services. These amounted to a total of EUR 24 thousand (previous year: EUR 70 thousand).

Share options were granted to the Executive Board in the financial year with a fair value of EUR 0 thousand (previous year: EUR 1,672 thousand).

V. Risk, opportunity and forecast report

1. Accounting-related internal control system

The objective of the accounting-related internal control system is to ensure the regularity and reliability of accounting, financial reporting and the management report of Medios Group in accordance with statutory regulations and relevant accounting regulations by way of implementing appropriate principles, procedures and audits. 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 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

On the balance sheet date, the overall risk situation was broadly unchanged in comparison to the previous year, even in consideration of the currently available information regarding the coronavirus (see 2.4. c)). However, as it is unclear how the crisis situation caused by the coronavirus pandemic will continue to develop, the company has assessed the unforeseeable risks as being in category 3.

2.1. Risk management

In order to be able to 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.

Unless otherwise indicated, the following presentation of risks relates to all reportable segments.

2.2 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 (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 these risks to categories 1 and 2.

2.3 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 pharmaceutical supply. 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.

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.

2.4 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. Insofar as possible, all significant risks from unforeseeable events are covered by insurance policies.

At the present time, no significant business impairments due to the coronavirus (COVID-19) are foreseeable for the 2020 financial year. However, as the situation is changing on a daily basis, the company's management is continuously analysing developments, in particular in terms of the availability of qualified employees at the manufacturing companies and the logistics centre as well as suppliers' delivery capacity, any statutory rationing of individual active ingredients and the equally important supply chains for this. If there are any significant changes in this respect, an adjustment of the risk assessment is not ruled out.

As a result of the coronavirus outbreak, macroeconomic risks may arise, which could have a negative impact on economic growth in individual countries as well as on a global scale. The further spread of the coronavirus and the potential effects on Medios are being monitored continuously. At the time of publication of this report, there is no known immediate and significant impact on business development. Medios already has extensive contingency plans for situations like this, particularly in the GMP-certified manufacturing companies (GMP: Good Manufacturing Practice for medicinal products). The company has also defined additional measures to mitigate or exclude the potential impacts of identified risks.

As part of its risk analysis, the company has assigned the risks to category 3.

2.5 Earnings-based risks

Medios estimates its earnings-based risks in the Pharmaceutical Supplybusiness area to be low since predictable requirements of its 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 specialty 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.

2.6 Financial risks

As Medios Group processes nearly all revenue in euros, there were no foreign currency risks on the balance sheet date. Likewise, there were no non-current liabilities as of 31 December 2019. For this reason, there is also no noteworthy interest-rate risk in the Medios Group.

Medios' 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 Medios' plan, expected financial needs will largely be able to be covered by 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.

2.7 Research and Development risks

Due to developments in the pharmaceutical market, Medios Group is planning to increase investments in the area of Drug safety and therefore also accelerate 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 quality control procedure for finished medicinal products developed by Medios Group can make a significant contribution to increasing medicinal product safety. As a result, investments in this area were increased in 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 Medios has been applying the procedure itself for some time and the need is still there for third-party companies, the company assumes that the market launch will be successful. Should this not be the case, against expectations, this could influence the company's net assets, financial position and results of operations.

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

Summary

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

Management assesses the possible effects from Brexit to be negligible.

Overall, it can therefore be said that, in addition to financial risks, regulatory risks and risks from unforeseeable events (coronavirus pandemic) still pose the greatest uncertainty for the Medios 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. Medios therefore assumes that the company can also face future regulatory challenges successfully.

The overall assessment of the risk position shows that no risks are currently identified that could seriously jeopardise the existence of the company. Overall, the risks faced by Medios Group are limited and manageable.

3. Opportunities report

Like risk management, opportunity management is a cornerstone of company management. On the balance sheet date, the overall opportunity situation was broadly unchanged in comparison to the previous year. Individual areas for opportunity are identified, analysed and prioritised in strategy meetings 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 specialty pharmaceutical market continues to offer Medios high growth potential for all areas of business. This can in particular be attributed to the following opportunities:

- The global pharmaceutical market is on the path to growth. The specialty pharma market can also benefit from this as an essential element. According to IQVIA, worldwide expenditure for medicinal products in 2019 to 2023 will rise to over USD 1,500 billion. This corresponds to average annual growth of 3% to 6%. The German pharmaceutical market is expected to grow at the same rate and reach a volume of up to USD 69 billion by 2023. This would be an increase of around 29% compared with 2018 (USD 53.5 billion) (IQVIA, The Global Use of Medicine in 2019 and Outlook to 2023, 2019).

- The specialty pharma market is becoming increasingly important within the global pharmaceutical market. This can be observed in particular in the development of new authorisations and in the issue of medicinal products. According to IQVIA, the share of specialty pharma medications in the recent approvals in 2019 to 2023 is expected to rise to almost two-thirds. In 2014 to 2018, the share was still 61%. Expenditure for specialty pharma medications is also expected to rise. According to IQVIA, expenditures are expected to grow to up to USD 505 million in the industrialised countries in 2023. This corresponds to an increase of around 50% compared with 2018 (USD 336 billion). In these countries, the share of the specialty pharma medications in total expenditures for medicines is expected to increase from 42% to 50% over the same period (IQVIA, The Global Use of Medicine in 2019 and Outlook to 2023, 2019).

- The growth of the specialty pharma market is mainly generated by medicinal products that are also produced and distributed by Medios. These include, in particular, medications from the therapeutic areas of oncology, autoimmunology, and infectious diseases (IQVIA, The Global Use of Medicine in 2019 and Outlook to 2023, 2019).

- 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 Pharmaceutical Supplyin particular. With approximately 200 partner pharmacies and manufacturing premises, Medios has a national distribution network which in future will also be expanded further. According to the WIdO, the market shares of biosimilars increased significantly in 2018 (WIdO, Drug Prescription Report, 2019).

- Increasing margin pressure in individual areas of indication and increasing regulatory requirements for manufacturing companies and manufacturing pharmacies in the area of personalised medicine will further accelerate the consolidation of the market. Many laboratories and manufacturing pharmacies, particularly small laboratories and pharmacies, will no longer be able to manufacture personalised formulations themselves in a profitable way, or even break even. Medios has established itself on the market as a provider of specialty pharmaceutical products at the right moment. We have expanded our product portfolio to additional indications, such as neurology, ophthalmology or infectious diseases. Oncology is only one of the many indications that are served by Medios Group companies. This broad position will also allow Medios to manufacture products in a profitable manner in future and therefore be an active participant in market consolidation.

- Medios Group has a clearly defined focus on specialty 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. Medios distributes these from a central warehouse in Berlin to customers throughout Germany. As most therapies can be planned and/or they concern chronic diseases, Medios can very precisely predict and plan for the demand. As a result, Medios Group has relatively low warehouse stock and therefore manageable tied-up capital, despite the focus on expensive products. This distinguishes Medios significantly from the structure of wholesalers with a full range of products and gives the company the opportunity to work profitably in the Specialty Pharma business area and to gain a larger market share without losing excessive additional working capital.

- Due to demographic development with increasing life expectancy and the increasing ageing of society, the number of chronic diseases will also rise in future. According to information from the Organisation for Economic Co-operation and Development (OECD), more and more people are affected by chronic diseases. According to the OECD, almost one in three adults in OECD countries now live with two or more of these diseases. In Germany, this share rises to almost 50% (OECD, Health at a Glance, 2019). 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 specialty pharmaceutical medicinal products. This trend could intensify even further as a result of new therapies, for example in the area of oncology.

- Due to strong growth over the last few years, Medios has been able to gain competent employees, build up a service structure and provide all its subsidiaries with professional services in the areas of IT, human resources, accounting, facility management and marketing/sales. As an attractive and responsible employer, Medios wants to permanently bind competent and committed employees to the company.

To that effect, the company offers its employees a modern and attractive working environment and additional benefits; all employees of the Medios Group will be offered a ticket to use public transport in Berlin and private health insurance, among other things. The costs for these services are borne by Medios as an employer. Together with the financial strength of the Medios Group (good liquidity, sufficient authorised capital, low level of bank liabilities), this gives the company the opportunity to actively participate in the consolidation of the pharmaceutical market in Germany in future.

In addition to organic growth, inorganic growth was also generated for this purpose.

Medios aims to be the leading provider of specialty pharmaceutical medicinal products in Germany. To this end, the Executive Board intends to expand production capacities in the area of patient-specific preparations, as well as the number of indications and specialty pharma products, and to significantly increase the number of partner pharmacies throughout Germany.

The overall assessment of the opportunities positions shows that there are many opportunities that would allow the Medios Group to make further use of the above-mentioned high growth potential for all business units in the specialty pharma market and, additionally, to see significant growth in the current financial year. In addition to the opportunities used in the past, which led to strong organic growth, the company is now set up in such a way that additional, inorganic growth can be generated through acquisitions, for example.

4. Outlook

The forward-looking statements and information described below are based on the company's expectations and estimations when preparing the Group management report, 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. The actual development may therefore differ from the forecast.

The actual business development may differ from the forecasts of Medios AG, partly 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, such as the effects of the coronavirus, or a deterioration in the economic and regulatory framework conditions.

The Executive Board continues to assume continuous growth for Medios Group in the 2020 financial year. Medios focuses on the area of specialty pharmaceutical products and has assumed a leading role in Germany.

When preparing its forecast, Management is guided by the following market data: specialty pharma is a segment within the pharmaceutical market, which has already achieved a volume of EUR 13.5 billion in Germany in 2018 (WIdO, Drug Prescription Report, 2018; ABDA – figures, data, facts, 2018). According to a growth forecast from IQVIA, the specialty pharma market in Germany will grow by around 53% in terms of expenditures between 2018 and 2023 (IQVIA, The Global Use of Medicine in 2019 and Outlook to 2023, 2019). As a result, the market volume would increase to around EUR 20.7 billion by 2023.

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 specialty pharmaceutical market, Medios assumes that it will be able to take advantage of this consolidation in order to gain a market share.

The number of partner pharmacies as of 31 December 2019 was approximately 200. These partners are highly specialised pharmacies. Medios has identified approximately 1,000 specialised pharmacies as the overall potential from around 19,000 pharmacies available in Germany. In the medium term, the number of partner pharmacies is to be expanded to approximately 300. This still means significant growth potential for Medios Group.

At present, Medios sells approximately 650 specialty pharmaceutical products in the Pharmaceutical Supply business area. Overall potential in Germany is approximately 1,000 products. The company assumes that it will continue to expand the number of products it sells in 2020 and subsequent years. In the medium- to long-term, Medios aims for all relevant specialty pharmaceutical products to be included in the product range. As the trend towards personalised therapies is expected to continue in the future, the overall potential of specialty pharmaceutical products will also increase further.

At present, the Medios Group focuses on the five areas of indication of oncology, neurology, autoimmune diseases, ophthalmology and infectious diseases. In all five indications, Medios is striving for a leading position in Germany and therefore intends to expand its market position in 2020 through further organic growth.

The entire pharmaceutical market in Germany is still in a strong phase of consolidation. Due to some systematic and strategic changes, such as the electronic prescription or online pharmacies, as well as increasing regulatory requirements and regulations, the pharmacy market will continue to consolidate.

In recent years, the number of pharmacies has continued to drop significantly, as has the number of pharmacies that operate their own laboratories to produce personalised medicine. As a result, the production of personalised medicine is outsourced to external GMP labs such as the Medios Group. Medios will also be able to benefit from this trend.

In order to be able to cope with the strong growth of the last few years (on average over 50% annual revenue growth), Medios has set up an extensive internal management structure that provides services in the areas of finance, human resources, IT and facility management for all companies in the Medios Group. The establishment of these structures is largely complete and this enables Medios to cope with inorganic growth in addition to organic growth. For this reason, Medios intends to be an active participant in the M&A market in future (M&A: mergers & acquisitions: mergers of companies and the acquisition of companies and/or company shares). This facilitates additional growth potential for Medios.

The issue of Drug safety is playing a greater and greater role in the pharmaceutical industry. For this reason, Medios management has decided to use some of the income also in the 2020 financial year to quickly complete the market launch of the non-destructive analysis process for finished medicinal products developed by Medios itself, for which it has applied for a patent, with the aim of establishing this as a standard for establishing the safety of medicinal products. An own company has already been founded in 2019 for the marketing of these services (see also I. 1.2 Business areas and I. 4. Research and Development).

Medios will also continue to invest more in personnel, technology, consulting and software in 2020 in order to be able to map the planned growth. For this reason, the Medios Group intends to employ additional employees in the areas of IT and administration as well as in its laboratories. Both IT and manufacturing companies' capacities are to be further expanded, with all systems kept as up to date as possible. In addition to using its own know-how, Medios also intends to continue buying in external expertise. The internal ERP and CRM systems are continuously being developed with the aim of further optimising and automating all processes.

The current crisis due to the coronavirus makes it extremely difficult to provide an accurate forecast. As the situation is changing on a daily basis, the company's management is continuously analysing developments, in particular in terms of the availability of qualified employees at the manufacturing companies and the logistics centre as well as suppliers' delivery capacity and the equally important supply chains for this.

If there are any significant changes in this respect, an adjustment of the forecast provided here is not ruled out.

Due to the unclear macroeconomic situation, Management has decided at this present time to only provide the forecast using a greater range and assumes that the 2020 annual results will lie within this range. If developments permit, Medios will adapt this range in due course and provide an adjusted forecast.

Based on these assumptions and the acquisition made in the first quarter of 2020 (see also events after the balance sheet date), management is expecting sales revenues of approx. EUR 610 – 670 million, an EBITDA before special items in the amount of EUR 19.5 – 22.5 million, an EBT before special effects of EUR 17.5 - 20.5 million, and an EBT of EUR 16.3 - 19.3 million. This corresponds to an increase in sales of approx. 18% to 30%, an increase in earnings (EBT before special effects) of approx. 8% to 27% and an increase in earnings (EBT) of approx. 15% to 36% year-on-year.

On the whole, Medios assumes continuous growth in the 2020 financial year. The aim of Medios is to strengthen its position as one of the leading competence partners for specialty pharmaceutical solutions and, through this, to further increase the attractiveness of Medios for partner pharmacies, employees and investors. The continued implementation of the growth strategy is therefore the primary focus of activities.

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. Since pharmacies are partnerships with personally liable pharmacists, the payment practices are generally very good and the risk of bad debt is relatively low.
Liabilities are paid within the agreed periods.

In 2019, 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 credit lines amounting to EUR 12 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. Declaration on Corporate Governance pursuant to sections 289(f) and 315(d) of the German Commercial Code (HGB)

The Declaration on Corporate Governance pursuant to sections 289(f) and 315(d) HGB includes the declaration of compliance with the German Corporate Governance Code in accordance with section 161 AktG (German Stock Corporation Act) (submitted in December 2019 by the Executive Board and Supervisory Board), information on the corporate governance practices and the description of the working methods of the Executive Board and Supervisory Board. In accordance with section 317(2) sentence 6 HGB, the audit of the annual financial statements concerning the information pursuant to section 289(f) (2) and (5) and section 315(d) HGB must be restricted to determining whether all the information required was provided.

The declaration pursuant to sections 289(f) and 315(d) is a component of the combined management report. The company pursues the objective of keeping the management report clear and concise, and therefore makes use of the opportunity to make the Declaration on Corporate Governance publicly available on the company's website.

The complete Declaration on Corporate Governance relates to both the individual company and the Group, and is published on the corporate 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 of 31 December 2019, share capital amounted to EUR 14,564,019, 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 were invested in the company as at the closing date, 31 December 2019, as shown below, and have reported the shares of voting rights listed below to the company.

Notifications were published pursuant to section 33(1) WpHG:

Manfred Schneider, Germany, notified Medios AG on 20 December 2019 (published on 23 December 2019) that his share of voting rights in Medios AG as at 19 December 2019 totalled 39.83% (5,801,204 voting rights) pursuant to section 33(1) of the German Securities Trading Act (WpHG) as part of a concurrent voluntary Group communication for Tangaroa GmbH & Co. KG and Tangaroa Management GmbH. Of this, 39.83% (5,801,204 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: Tangaroa GmbH & Co. KG, Tangaroa Management 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 8 March 2019 (published on 11 March 2019) that her share of voting rights in Medios AG as at 7 March 2019 was 2.59% (377,873 voting rights) pursuant to section 33(1) WpHG.

Martin Hesse, Germany, notified Medios 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 33(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 34 WpHG. Names of shareholders with 3% or more of voting rights (those to whom these rights are assigned) are subject to reporting obligations pursuant to section 34(1) WpHG: Cranach Pharma GmbH.

Remarks: On the reporting date (31 December 2019), 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 34 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.

Martin Hesse, Germany, notified Medios on 4 March 2020 (published on 5 March 2020) that his share of voting rights in Medios AG as at 30 December 2020 totalled 3.43% (500,000 voting rights) pursuant to section 33(1) WpHG as part of a voluntary Group communication for BMSH GmbH. Of this, 3.43% (500,000 voting rights) is to be assigned to him pursuant to section 34 WpHG. Names of shareholders with 3% or more of voting rights (those to whom these rights are assigned) are subject to reporting obligations pursuant to section 34(1) WpHG: BMSH GmbH.

Marcel Jo Maschmeyer, Germany, notified the company on 20 December 2019 (published on 20 December 2019) that his share of voting rights in Medios AG as at 19 December 2019 was 4.74% (690,499 voting rights) pursuant to section 33(1) WpHG. Of this, 4.60% (670,499 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.

Sampo Plc, Helsinki, Finland, notified us on 18 April 2019 (published on 18 April 2019) that its share of voting rights in Medios AG as at 12 April 2019 was 3.07% (446,901 voting rights) pursuant to section 33(1) WpHG.

SEB Investment Management AB, Stockholm, Sweden, notified us on 14 October 2019 (published on 14 October 2019) that its share of voting rights in Medios AG as at 11 October 2019 was 3.06% (445,997 voting rights) pursuant to section 33(1) WpHG. Remarks: SEB Investment Management AB has informed the company as of the reporting date, on 13 January 2020 (published on 15 January 2020) pursuant to section 33(1) WPHG that its share of the voting rights in Medios AG is 5.11% (744,268 voting rights).

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

Authorised capital 2018 – Pursuant to section 4(3) of the Articles of Association, the Executive Board is authorised to increase the company's share capital once or several times by 12 July 2023, subject to 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 1.00 each against cash or non-cash contributions (authorised 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 entitled 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.

Authorised capital 2019 – Pursuant to section 4(7) of the Articles of Association, the Executive Board is authorised to increase the company's share capital once or several times by 9 July 2024, subject to the approval of the Supervisory Board, by up to EUR 1,350,000.00 by issuing up to 1,350,000 new bearer shares with no par value (no-par value shares) with a pro rata amount of the share capital of EUR 1.00 each against cash or non-cash contributions (authorised capital 2019/I). 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 entitled 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.

Conditional capital/stock option plan 2017 – Pursuant to section 4(4) of the Articles of Association, the company's share capital has been conditionally increased by EUR 600,000 by issuing up to 600,000 no-par value bearer shares **(conditional capital 2017).** 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 2017 conditional capital has not yet been used. As at the end of financial year 2019, 590,000 options can still be exercised from the 2017 share option plan.

Conditional capital/stock option plan 2018 – Pursuant to section 4(5) of the Articles of Association, the company's share capital has been conditionally increased by EUR 300,000.00 by issuing up to 300,000 no-par value bearer shares **(conditional capital 2018).** 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 2018 conditional capital has not yet been used. As at the end of financial year 2019, a total of 198,750 options issued in financial years 2018 and 2019 can be exercised from the 2018 share option plan.

Conditional capital/authorisation to issue convertible bonds and/or bonds with warrants and to exclude subscription rights 2019 – Pursuant to section 4(6) of the Articles of Association, the company's share capital has been conditionally increased by EUR 5,825,607.00 by issuing up to 5,825,607 no-par value bearer shares (conditional capital 2019).

The conditional capital increase is carried out by issuing up to 5,825,607 no-par value bearer shares with dividend rights as at the beginning of the financial year of their issue and only insofar as the holders, more specifically the creditors of convertible bonds or warrants from bonds with warrants that are issued by Medios AG or by a Group company by 9 July 2024 based on the authorisation of the Executive Board at its Annual General Meeting of 10 July 2019, make use of their conversion or option rights to meet the conversion or option obligation or to dispose of shares and insofar as no other forms of fulfilment are used to service these rights. New shares shall be issued at the fixed conversion or option prices established in accordance with the aforementioned authorising resolution subject to the terms and conditions for bonds and options. The Executive Board is authorised, subject to the approval of the Supervisory Board, to determine further details for the capital increase and its execution.

The 2019 conditional 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 becomes 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

Cf. section 3 above - 10% of voting rights exceeding direct and indirect equity investments (Manfred Schneider Group communication).

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, 31 March 2020

Manfred Schneider
Chairman of the Executive Board (CEO)

Matthias Gärtner
Executive Board (CFO)

Mi-Young Miehler
Executive Board (COO)

Christoph Prußeit
Executive Board (CIO)

Group financial statement IFRS

Consolidated statement of comprehensive income for the 2019 financial year

	NOTES	01/01/-31/12/2019	01/01/-31/12/2018
in EUR			
Revenue	9.	**516,804,827**	**327,829,818**
Change in stocks of finished goods and work-in-progress	10.	41,564	-6,405
Work performed and capitalised	11.	549,749	948,074
Other income	12.	1,253,545	316,318
Cost of materials	13.	483,365,656	305,642,730
Personnel expenses	14.	10,951,769	9,775,920
Other expenses	15.	7,958,962	5,127,771
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**16,373,298**	**8,541,384**
Depreciation and amortisation	18., 19.	1,981,693	1,142,109
Operating profit/loss (EBIT)		**14,391,605**	**7,399,275**
Financial expenses	16.	193,901	35,059
Financial income	16.	22,748	14,516
Consolidated earnings before tax (EBT)		**14,220,452**	**7,378,732**
Tax	17.	4,460,598	3,051,888
Consolidated earnings after tax		**9,759,854**	**4,326,844**
Total consolidated earnings		**9,759,854**	**4,326,844**
Basic earnings per share (in EUR)	40.	0.67	0.31
Diluted earnings per share (in EUR)	40.	0.65	0.31

Consolidated balance sheet as of 31 December 2019

ASSETS	NOTES	31/12/2019	31/12/2018
in EUR			
Non-current assets			
Intangible assets	18.	31,259,779	31,615,011
Property, plant and equipment	19.	2,549,242	5,641,252
Right of use	33.	3,044,508	0
Financial assets	20.	282,710	100,000
Total		**37,136,239**	**37,356,263**
Current assets			
Inventories	21.	16,052,893	13,953,312
Trade receivables	22.	42,805,087	31,074,231
Other assets	23.	4,786,858	3,836,600
Income tax receivables	17.	164,602	424,482
Cash and cash equivalents	24.	15,621,637	11,771,930
Total		**79,431,077**	**61,060,555**
Balance sheet total		**116,567,316**	**98,416,818**

Consolidated balance sheet as of 31 December 2019

LIABILITIES	NOTES	31/12/2019	31/12/2018
in EUR			
Equity	25.		
Subscribed capital		14,564,019	14,564,019
Capital reserves	37.	51,273,406	49,904,363
Accumulated Group's net income		15,789,154	6,029,300
Attributable to shareholders in the parent company		**81,626,579**	**70,497,682**
Liabilities			
Non-current liabilities			
Financial liabilities	26.	2,577,110	0
Deferred tax liabilities	17.	3,675,833	4,207,794
Total		**6,252,943**	**4,207,794**
Current liabilities			
Other provisions	27.	500,923	374,557
Trade payables	28.	12,881,853	18,807,191
Financial liabilities	26.	3,664,156	203,169
Income tax liabilities	17.	7,576,791	2,261,367
Other liabilities	29.	4,064,071	2,065,058
Total		**28,687,794**	**23,711,342**
Total liabilities		**34,940,737**	**27,919,136**
Balance sheet total		**116,567,316**	**98,416,818**

Consolidated cash flow statement for the 2019 financial year

	NOTES	01/01/-31/12/2019	01/01/-31/12/2018
in EUR			
Cash flow from operating activities			
Net income for the year		9,759,854	4,326,844
Depreciation and amortisation on non-current assets	18., 19.	1,981,693	1,142,109
Decrease/increase in provisions	27.	126,366	-803,819
Other non-cash expenses	14., 37.	1,369,043	2,586,077
Increase in inventories, trade receivables and other assets not attributable to investment or financing activities	21., 22., 23.	-14,780,695	-19,395,841
Decrease/increase in trade payables and other liabilities not attributable to investment or financing activities	28., 29.	-3,926,326	7,259,690
Financial result	16.	171,153	20,542
Income/expenses from the disposal of assets	12., 15.	-193,718	0
Income tax expense	17.	4,460,598	3,051,888
Income tax payments	17.	582,746	-1,323,053
Net cash inflow/outflow from operating activities		**-449,286**	**-3,135,563**
Cash flow from investment activities			
Payments made for investments in intangible assets	18.	-1,215,018	-1,257,017
Payments made for investments in property, plant and equipment	19.	-874,298	-567,420
Payments from disposals of tangible fixed assets	12., 19.	4,182,993	0
Proceeds from finance lease	33.	71,639	0
Interest received	16.	22,748	14,517
Net cash outflow from investment activities		**2,188,064**	**-1,809,920**
Cash flow from financing activities			
Interest paid	16.	-193,901	-35,059
Repayments of the leasing liabilities	33.	-468,894	0
Payments for issue costs for the capital increase	25.	0	-135,959
Net cash inflow from financing activities		**-662,795**	**-171,018**
Net change in cash and cash equivalents		1,075,983	-5,116,501
Cash and cash equivalents at the beginning of the financial year		11,568,761	16,685,262
Cash and cash equivalents at the end of the financial year	24.	**12,644,744**	**11,568,761**

Consolidated statement of changes in equity as of 31 December 2019

in EUR	NOTES	Subscribed capital	Capital reserves	Accumulated total consolidated earnings	Attributable to shareholders in the parent company	Equity
As at 01/01/2018		**13,664,019**	**30,310,058**	**1,702,456**	**45,676,533**	**45,676,533**
Net profit for 2018		0	0	4,326,844	4,326,844	4,326,844
Using debt-to-equity swap		900,000	17,100,000	0	18,000,000	18,000,000
Transaction costs and tax from the capital increase		0	-91,772	0	-91,772	-91,772
Share-based payments		0	2,586,077	0	2,586,077	2,586,077
As at 31/12/2018		**14,564,019**	**49,904,363**	**6,029,300**	**70,497,682**	**70,497,682**

As at 01/01/2019		**14,564,019**	**49,904,363**	**6,029,300**	**70,497,682**	**70,497,682**
Net profit for 2019	25.	0	0	9,759,854	9,759,854	9,759,854
Share-based payments	37.	0	1,369,043	0	1,369,043	1,369,043
As at 31/12/2019		**14,564,019**	**51,273,406**	**15,789,154**	**81,626,579**	**81,626,579**

Notes to the consolidated financial statements for financial year 2019

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). In addition, the share is approved for free circulation on the stock exchanges in Düsseldorf and Stuttgart. Medios AG is the parent company of Medios Group. It is registered at the District Court of Hamburg 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, the Medios AG has the central management function over the 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 specialty 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 main focus of our work is the development and implementation of software solutions for the sister companies of Medios Digital GmbH.

The wholly-owned subsidiary Medios Analytics GmbH was founded to conduct sales activities. All NIR analysis activities are bundled and structured within this company. The innovative measuring procedure is also to be offered as a service to third-party companies in future.

3. Bases for the preparation of the financial statements

As of 31 December 2019, 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 315e (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 2019 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 2 April 2020.

4. New applicable or amended and applicable standards and interpretations

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

	Standards/Interpretation	Deadline for mandatory application	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	02/2019
Annual improvements to IFRS	Annual improvements to IFRS cycle 2015-2017	01/01/2019	03/2019

IFRS 16 Leasing

As of 1 January 2019, the Medios Group applied IFRS 16 for the first time. Medios has introduced the standard according to the modified retrospective method for all leases. As a result, the comparison information for 2018 was not adjusted, i.e. as previously shown in accordance with IAS 17 and the interpretations relating thereto. The first-time application of IFRS 16 had no effect on equity as of 1 January 2019. In addition, the disclosure requirements in IFRS 16 were not generally applied to the comparative information.

Definition of a lease

Until now, Medios has determined whether an agreement contained a lease based on IFRIC 4 at the start of the contract. The Medios Group is now assessing whether a contract is or contains a lease, based on the definition of a lease, as described in the Notes in item 33.

When transitioning to IFRS 16, Medios decided to apply the simplification provision for maintaining the assessment of which transactions are leases. The Group only applied IFRS 16 to contracts that were previously identified as leases. Contracts that were not identified as leases in accordance with IAS 17 and IFRIC 4 were not subsequently checked to see whether there is a lease in accordance with IFRS 16. Therefore, the definition of a lease in accordance with IFRS 16 was only applied to contracts that were concluded or amended on or after 1 January 2019.

Accounting as a lessee

IFRS 16 requires lessees to recognise the rights of use derived from a lease agreement as assets and to recognise liabilities for lease payments owed. When applying the standard for the first time, Medios recognised the rights of use from the existing lease agreements in the amount of KEUR 1,628.

In relation to lessees, the rights of use as part of the first-time application of IFRS 16 at Medios were generally capitalised in the amount of the corresponding lease liability.

The Medios Group has made use of the following simplifications when applying IFRS 16 to leases that had previously been classified as operating leases under IAS 17. Specifically, the Group has:

- recorded usage fees for leases with terms ending within 12 months from the time of initial application or with underlying assets that are of low value without recognising usage rights and lease liabilities as ongoing expenditure,
- not taken initial direct costs into account when assessing the right of use at the time of initial application, and
- estimated the expected terms of the leases according to the information available as at 1 January 2019.

The leases concluded within the Medios Group relate primarily to real estate and operating equipment.

For contracts that contain a non-lease component as well as a lease component, Medios divides the consideration owed between the two components in proportion to the individual sales prices.

For real estate lease agreements, in addition to rent payments, Medios also includes the ancillary costs in the determination of the present value of the lease liabilities.

During the transition, the lease liabilities for all leases were valued at the present value of the remaining lease payments, discounted at the Medios weighted incremental borrowing rate of interest on 1 January 2019 of 3%.

Impact on the financial statements

In the transition to IFRS 16, the Medios Group recorded additional rights of use and additional leasing liabilities. The effects at the time of the transition are summarised below.

in KEUR	01 January 2019
Rights of use as a lessee	1,628
Liabilities as a lessee	1,628

The obligations from operating leases specified as of 31 December 2018 are reconciled to the value of the lease liabilities as at 1 January 2019 as follows:

in KEUR	01 January 2019
Liabilities arising from operating leases as of 31 December 2018, as specified in the consolidated financial statements in accordance with IAS 17	1,786
Discounted at the incremental borrowing rate of interest as at 1 January 2019	-122
• Leases not recognised pursuant to the accounting option, in which the underlying asset is of low value	-36
• Leases not recognised pursuant to the accounting option, the term of which ends within 12 months after the date of initial application	0
Lease liabilities as at 1 January 2019	1,628

Other standards

The existing accounting method in the Medios Group for uncertainty over income tax treatments is in line with the requirements of IFRIC 23 Uncertainty over Income Tax Treatments, which came into force on 1 January 2019.

There are no effects on Medios' consolidated financial statements from the application of the additional new accounting standards as at 01 January 2019.

Standards and interpretations already published but not yet applied:

	Standards / Interpretation	Deadline for mandatory application	EU-Endorsement
Various standards	eferences to the framework concept	01/01/2020	11/2019
Amendments to IFRS 3	Definition of business operation	01/01/2020	open
Amendment to IAS 1/IAS 8	Definition of materiality	01/01/2020	11/2019
Changes from IFRS 9 / IAS 39 / IFRS 7	Financial instruments on the basis of the IBOR reform	01/01/2020	01/2020
IFRS 17	Insurance contracts	01/01/2021	open
IAS 1	Presentation of financial statements (classification of liabilities as current and non-current)	01/01/2021	open

The additional new or amended IFRS to be applied for the first time after 31 December 2019 shall also at most have insignificant effects on Medios' consolidated financial statements.

5. Scope of consolidation

The consolidated financial statements as of 31 December 2019 include the following subsidiaries in addition to Medios AG as of 31 December 2019:

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

All subsidiaries controlled by Medios AG were fully consolidated.

Acquisition of Kölsche Blister GmbH

As at 19 March 2020, the Medios Group signed an agreement with Erik Tenberken on the introduction and transfer of 100% of the corporate shares of Kölsche Blister GmbH to Medios AG. This expands the Medios business model to include patient-specific blistering therapies. As consideration, the contributor receives 64,571 new shares in Medios AG from a real capital increase and a cash component of KEUR 1,500.

As the business combination took place only a short time before the consolidated financial statements were drawn up, not all the relevant information is yet available. The following carrying amounts and attributable fair values are therefore not the values as at the time of acquisition but as of 31 December 2019, and are provisional in nature.

Main groups of reported assets and liabilities	Carrying amount	Revaluation Assets and debt	Carrying amount at first-time consolidation
in KEUR			
Intangible assets and property, plant and equipment	384	0	384
Customer relationships	0	1,884	1,884
Inventories	521	0	521
Receivables and other assets	1,181	39	1,220
Cash	17	0	17
Total assets	**2,103**	**1,923**	**4,026**
Deferred tax liabilities	0	624	624
Provisions	37	0	37
Liabilities	975	0	975
Total liabilities	**1,012**	**624**	**1,636**
Fair value of net assets	**1,091**	**1,299**	**2,390**
Consideration transferred under IFRS 3			2,972
Goodwill			**582**

The valuation of the customer relationships recognised at the time of acquisition was determined by a residual value method.

The goodwill resulting from the difference between the consideration rendered and the revalued net assets essentially represents the value of the income and expense synergies expected from the acquisition of the business area and management's industry expertise. Goodwill is not tax-deductible.

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.

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. In addition, revenues are measured on the basis of the consideration defined in a contract with a customer.

Agreements with customers essentially provide for payment 30 days after receipt of invoice.

Medios Group sales occasionally result in claims for reimbursement from customers, known as refunds. 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 initially included in revenue. If there is no longer uncertainty regarding reimbursement from health insurance companies, 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 recognises the directly attributable costs of producing an analysis process to assess the quality of medicinal products, to further develop production facilities and to program software for the development of 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 an indefinite useful life

“Goodwill” from business combinations where Medios acquires 100% of the shares in the other company is valued at acquisition cost when recorded for the first time. This acquisition cost is calculated as the surplus of the consideration transferred above the value of the revalued net assets of the acquired business operations. 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 the 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 value in use or fair value less cost of disposal, whichever is higher. 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 business combination with Medios Individual GmbH in 2017. Additional goodwill of KEUR 9,497 results from the business combination of a manufacturing business for non-cytostatic products and Medios Individual GmbH in 2018.

All goodwill is 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 3% p.a. The discounting rate before taxes was 6.3% (previous year: 6.9%) and after taxes 4.9% (previous year: 5.3%) 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 such as customer surveys, taking previous experience into account. In the medium-term, management is planning sales growth of 3% p.a. The discounting rate before taxes was 6.3% (previous year: 6.9%) and after taxes 4.9% (previous year: 5.3%) 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 indefinite useful life as trademark rights. As of 31 December 2019, they have a residual book value of KEUR 1,144 in total (previous year: KEUR 1,856).

Internally generated intangible assets are recorded with the directly attributable expenses incurred during the development phase. They in particular include personnel costs and manufacturing-related common cost components. Development expenditures are only capitalised if development costs can be assessed reliably, the product or procedure is technically and commercially suitable, a future economic benefit is likely, and the Group intends to and has enough resources to complete the development and to use or sell the asset.

Expenditure for research activities are recognised in profit or loss as they are incurred.

The brand is reported as having an unlimited useful life in the services segment. Its useful life is classified as indefinite as there is no expected end to the period in which the brand operates. Its carrying amount of KEUR 29 (previous year: KEUR 20) 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.

Intangible assets are depreciated on a straight-line basis over the period of their estimated useful lives. Depreciation and amortisation is recognised in profit or loss.

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
Trademarks	No amortisation	–
Other intangible assets acquired against consideration	Linear amortisation	10-20 years

Depreciation methods, useful lives and residual values are reviewed on each reporting date and adjusted if necessary.

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.

Any profit or loss from the disposal of property, plant and equipment is recognised in profit or loss.

The amortisation and depreciation is calculated to write down the cost of property, plant and equipment less their estimated residual values on a straight-line over the period of their estimated useful lives. The depreciation is recognised in profit or loss. Land is not depreciated.

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

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

Depreciation methods, useful lives and residual values are reviewed on each reporting date and adjusted if necessary.

Impairments of other intangible assets and property, plant and equipment

An impairment test is conducted for intangible assets with a definite useful life as well as for property, plant and equipment if there are specific indications of impairment. An impairment is 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 that are largely independent of the inflow of funds from 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 that are not accounted for 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. Actual and deferred taxes are predominantly recognised in profit or loss.

The current tax expense is calculated on the basis of taxable income for the year. The Group's liability for actual tax expenses is calculated on the basis of the tax rates that are valid on the reporting date or will be valid shortly thereafter. The amount of the expected tax liability or tax receivable reflects the amount that represents the best estimate, taking into account any applicable tax uncertainties.

Actual tax assets and liabilities are netted where possible.

Deferred taxes are recognised 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) that are most likely to apply during the periods in which the temporary differences are expected to be reduced. The regulations that apply on the closing date shall therefore apply if they have not already been changed for the future.

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 likelihood of taxable results in future that can be used for expenses from the reversal of temporary differences or losses improves.

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.

Deferred tax assets and deferred tax liabilities are netted if certain conditions are met.

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 to the agreements relating to the 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 the purpose of the subsequent assessment, the financial instruments are assigned to one of the valuation categories listed in IFRS 9 "Financial instruments". In the case of Medios, only the category of financial assets measured at amortised acquisition cost is applied.

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 are not reclassified after the initial recognition, unless the Group changes its business model for the management of financial assets. In this case, all financial assets concerned are reclassified on the first day of the reporting period following the change in the business model.

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 the income statement if receivables are impaired or derecognised.

When determining impairments due to credit defaults expected on the reporting date, the following circumstances are considered:

- The need for impairment is calculated taking into account industry-specific credit default probabilities.
- Significant parts of our receivables are hedged through customer-specific trade credit default insurance. These secured receivables are not taken into account when determining the impairment loss.

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

Financial liabilities include in particular trade payables, payables to credit institutions, leasing liabilities 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.

Leases as of 1 January 2019

As lessee

The Medios Group has applied IFRS 16 in accordance with the modified retrospective approach and therefore did not adjust the comparative information, but also presented it in accordance with IAS 17. The accounting methods applied in the previous year are presented under "Leases until 31 December 2018".

At the start of the contract, the Medios Group assesses whether the contract establishes or includes a lease. This is the case, if the contract entitles a party to control the use of an identified asset for a certain period of time in return for payment of a fee. In order to assess whether a contract contains the right to control an identified asset, the Medios Group uses the definition of a lease under IFRS 16.

On the date of delivery or when a contract containing a lease component is amended, the Medios Group divides the contractually agreed remuneration on the basis of the relative individual sales prices. However, for real estate leasing agreements, the Group has decided to refrain from separating the non-leasing components and instead to account for leasing and non-leasing components as a single leasing component.

On the date of delivery, the Medios Group recognises an asset for the granted right of use and a leasing liability. For the first time, the right of use is valued at the acquisition cost that corresponds to the initial valuation of the leasing liability, adjusted for payments made on or before the date of delivery, plus any initial direct costs.

The right of use is amortised on a straight-line basis from the date of delivery to the end of the leasing period. In addition, the right of use is continuously subjected to impairment if necessary.

For the first time, the lease liability is valued at the present value of the leasing payments not yet made on the date of delivery, discounted at the interest rate underlying the lease. In addition, the interest rate of the lessee in question is to be applied. There is no interest rate for the Group because the Group is not taking out any loans.

The lease payments included in the valuation of the leasing liability include lease payments, amounts due to residual value guarantees, purchase options and extension options insofar as it is sufficiently certain that these will be exercised.

The leasing liability is measured at the amortised carrying amount using the effective interest method. It will be re-evaluated if the future leasing payments change as a result of an index change, if the Medios Group adapts its estimate of the expected payments as part of a residual value guarantee or if the Medios Group changes its assessment of the exercising of a purchase, extension or termination option. In the case of such a revaluation of the leasing liability, an adjustment is made to the carrying amount of the right of use or this is carried out in profit or loss, if the carrying amount of the right of use has decreased to zero.

The Medios Group is not recognising rights of use and leasing liabilities for leases based on assets of low value (limit: KEUR 5). The Medios Group records the leasing payments in connection with these leases over the term of the lease as an expense on a straight-line basis.

As lessor

At the start of a contract or when a contract containing a lease component is amended, the Group divides the contractually agreed remuneration on the basis of the relative individual sales prices.

If the Medios Group acts as a lessor, it classifies each leasing arrangement as a finance lease or operating lease at the time the contract is started.

In order to classify the lease, the Medios Group has carried out an overall assessment of whether the leasing arrangement essentially transfers all risks and opportunities associated with ownership of the underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is an operating lease. As part of this assessment, the Group shall take into account certain indicators, such as whether the leasing arrangement covers the majority of the economic useful life of the asset.

The Medios Group accounts for the main lease and the sub-lease separately if it acts as an intermediary lessor. It classifies the sub-lease on the basis of its right of use from the main lease and not on the basis of the underlying asset. If the main lease is a short-term lease, for which the Group applies the above-mentioned exception, it classifies the sub-lease as an operating lease. In the 2019 financial year, all sub-leases were classified as finance leases.

The Group applies the accounting and impairment provisions of IFRS 9 to the net capital expenditure in the lease. The estimated, non-guaranteed residual value recognised in the calculation of the gross capital expenditure in the lease is regularly reviewed by the Group.

In principle, the accounting methods applicable to the Group as lessor in accordance with IFRS 16 did not differ from those in the comparison period. Sub-leases which are classified as finance leases are excluded from this in the current reporting period.

Leases up to 31 December 2018

Leases wherein the Medios Group is the lessee and 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

The 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 is 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 if the Medios Group gains a controlling interest in the new company. The individually identifiable assets and liabilities acquired as part of the business combination are recognised at their attributable 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. Any goodwill that has been incurred is checked annually for impairment.

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 estimate uncertainties 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. 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 and assumptions. Refunds include the rejection of the assumption of costs by a health insurance company when reimbursing a medicinal product that the pharmacy has already given to the patient. These refunds were passed on by the pharmacies to Medios as the manufacturer. The extent of the charges passed on is therefore estimated by Medios. The Group recognises a liability for reimbursement, in particular for risks arising from returns in the amount of KEUR 1,338 (previous year: KEUR 457). 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.

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

Credits still not invoiced for returns had a negative effect on sales at KEUR 936 (previous year: KEUR 323). In 2019, KEUR 1 (previous year: KEUR 194) of sales proceeds was recorded that was contained in the contractual obligations 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 is based on historic values. For information on the breakdown of revenues, see item 31.

10. Change in stocks of finished goods

Changes in inventories concern the finished goods of Medios Manufaktur GmbH and the finished goods of Medios Individual GmbH.

11. Work performed and capitalised

Work performed and capitalised in the year under review amounted to KEUR 550 (previous year: KEUR 948) and was mainly attributable to software in development at KEUR 464 (previous year: KEUR 523) and development costs for expanding product lines at KEUR 86 (previous year: KEUR 383).

12. Other income

Other income breaks down as follows:

in KEUR	2019	2018
Income from the sale of assets	865	0
Reimbursements under the Expenditure Compensation Act	216	154
Other	173	162
Total	**1,254**	**316**

13. Cost of materials

The cost of materials covers the purchase of goods, raw materials, auxiliary materials and operating materials and the use of purchased services.

in KEUR	2019	2018
Goods	467,266	272,005
Raw materials and supplies	15,856	32,683
Purchased services	244	955
Total	**483,366**	**305,643**

The cost of materials in the 2019 financial year amounted to KEUR 483,366 (previous year: KEUR 305,643) or 93.5% (previous year: 93.2%) of revenues and rose by 0.3%.

The absolute increase in the cost of materials therefore resulted from the increase in revenues.

14. Personnel expenses

Personnel expenses break down as follows:

in KEUR	2019	2018
Wages and salaries	8,189	6,069
Social security contributions	785	620
Pensions	609	501
Share-based compensation settled with equity instruments	1,369	2,586
Total	**10,952**	**9,776**

The increase in personnel costs resulted from the increase in the number of employees.

15. Other expenses

Other expenses break down as follows:

in KEUR	2019	2018
Legal and consulting expenses	1,326	456
Costs of deliveries	924	673
Disposal of intangible assets	671	0
Advertising and travel expenses	648	378
Works and services of external parties	635	649
Operational needs	576	428
Cost of premises	538	754
Reporting and audit costs	466	358
Repairs and maintenance	423	240
Contributions, insurances and taxes	392	283
Recruiting	222	0
Expenses for further training	179	170
IT services	171	38
Office supplies	103	94
Vehicle expenses	93	93
Impairment losses on receivables	69	0
Accounting services	47	89
Other expenses	476	426
Total	**7,959**	**5,129**

The rise in legal and consulting expenses was due in particular to increased regulatory requirements, the bridging of staff vacancies during the year and costs associated with potential corporate transactions. As a result of discontinued IT projects, there were one-off special items resulting from the disposal of intangible assets in the amount of KEUR 671. Recruiting and office supplies are no longer included in the other expenses, but are recognised separately for the first time in this financial year.

16. Financial result

The financial result includes:

in KEUR	2019	2018
Financial expenses	-194	-35
Financial income	23	15
Total	**-171**	**-20**

The financial expenses include KEUR 99 from the compounding of lease liabilities. The financial income includes KEUR 7 from the discounting of lease liabilities.

17. Income taxes

The companies in the consolidated financial statements are subject to German corporate tax (including the solidarity surcharge) and trade tax. 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 of assets and debts 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 income tax for the financial years are as follows:

in KEUR	2019	2018
Actual tax expense	-4,990	-2,302
Deferred tax income (previous year: tax expense)	529	-750
Total income taxes	**-4,461**	**-3,052**

Deferred tax assets (non-netted) in the amount of KEUR 1,075 (previous year: KEUR 90) are attributable to the recognition of lease liabilities at KEUR 985.

Deferred tax liabilities (non-netted) in the amount of KEUR 4,750 (previous year: KEUR 4,297), are attributable in particular to the capitalisation of development expenses at KEUR 191, with KEUR 3,376 from the initial and subsequent consolidation from the recognition of intangible assets in the course of the initial consolidation of the area of patient-specific production of non-cytostatic products and KEUR 974 from the recognition of rights of use and finance leases in accordance with IFRS 16. When calculating deferred taxes, a tax rate of 30.175% was used (previous year: 32.5%). 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:

in KEUR	Assets Deferred taxes 31/12/2018	Liabilities Deferred taxes 31/12/2018	Net amount as at 01/01/2019
Non-current assets			
Property, plant and equipment	28	188	-160
Other intangible assets	45	4,109	-4,064
Rights of use	0	0	-491
Current assets			
Inventories	3	0	3
Receivables from finance leases	0	0	0
Current liabilities			
Liabilities	14	0	14
Non-current liabilities			
Liabilities as a lessee	0	0	491
Loss carryforwards			
Tax losses carried forward	0	0	0
Tax assets (liabilities)	**90**	**4,297**	**-4,207**
Offsetting	**-90**	**-90**	**0**
Tax assets (liabilities) net	**0**	**4,207**	**-4,207**

Recognised in profit or loss	Acquired through corporate merger	Without affecting profit or loss	Net amount as of 31/12/2019	Defered tax assets 31/12/2019	Defered tax liabilities 31/12/2019
29	0	0	-131	26	157
478	0	0	-3,586	34	3,620
208	0	-635	-919	0	919
-3	0	0	0	0	0
-55	0	0	-55	0	55
17	0	0	30	30	0
-141	0	635	985	985	0
0	0	0	0	0	0
532	**0**	**0**	**-3,675**	**1,075**	**4,750**
			0	**-1,075**	**-1,075**
			-3,675	**0**	**3,675**

in KEUR	Assets Deferred taxes 31/12/2017	Liabilities Deferred taxes 31/12/2017	Net amount as of 31/12/2018
Non-current assets			
Property, plant and equipment	4	214	-210
Other intangible assets	0	164	-164
Current assets			
Inventories	5	0	5
Current liabilities			
Liabilities	130	0	130
Loss carryforwards			
Tax losses carried forward	717	0	717
Tax assets (liabilities) before offsetting	**856**	**378**	**478**
Offsetting			
Tax assets (liabilities) net	**856**	**378**	**478**

Recognised in profit or loss	Acquired through corporate merger	Without affecting profit or loss	Net amount as of 31/12/2018	Defered tax assets 31/12/2018	Defered tax liabilities 31/12/2018
50	0	0	-160	28	188
49	-3,949	0	-4,064	45	4,109
-2	0	0	3	3	0
-130	14	0	14	14	0
-717	0	0	0	0	0
-750	**-3,935**	**0**	**-4,207**	**90**	**4,297**
			0	**-90**	**-90**
			-4,207	**0**	**4,207**

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

in KEUR	2019	2018
Income tax receivables	165	424
Income tax liabilities	7,577	2,261

Actual income tax liabilities related to trade taxes of KEUR 3,613 (previous year: KEUR 1,075) and corporation taxes of KEUR 3,964 (previous year: KEUR 1,186). Actual income tax receivables relate to trade taxes of KEUR 78 (previous year: KEUR 338) and corporation taxes and solidarity surcharge in the amount of KEUR 86 (previous year: KEUR 86).

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 Medios AG income tax rate of 30.175% which applied in the 2019 financial year (previous year: 32.5%) was multiplied by the pre-tax result.

Tax reconciliation in KEUR	2019	2018
Consolidated earnings before income taxes	**14,220**	**7,379**
Tax rate (%)	30.175	32.5
Expected tax expenses	**-4,291**	**-2,398**
Non-tax-deductible expenses	-413	-840
Tax rate differences	330	172
Other differences	-87	-5
Actual tax expense	**-4,461**	**-3,071**
Effective tax burden (%)	31.4	41.5

There are non-forfeitable tax loss carryforwards of KEUR 470 (previous year: KEUR 458) for which no deferred tax assets have been accounted for.

The total amount of non-recognised taxable temporary differences which are connected with shares in subsidiaries is KEUR 15,046 (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. Medios does not expect a reversal of temporary differences in the foreseeable future, and therefore does not expect any corresponding tax burdens.

Remarks on the consolidated balance sheet

18. Intangible assets

in KEUR	Goodwill	Customer base	Internally generated industrial property rights and similar assets	Advance payments and intangible assets in development	Other	Total
Acquisition costs						
As at 01/01/2019	**16,737**	**12,631**	**1,872**	**514**	**682**	**32,436**
Additions	0	0	86	1,051	78	1,215
Disposals	0	0	671	0	0	671
As of 31/12/2019	**16,737**	**12,631**	**1,287**	**1,565**	**760**	**32,980**
Depreciation, amortisation and impairment						
As at 01/01/2019	**0**	**561**	**16**	**0**	**244**	**821**
Additions	0	704	128	0	68	899
Disposals	0	0	0	0	0	0
As of 31/12/2019	**0**	**1,265**	**144**	**0**	**312**	**1,720**
Net carrying amount as of 31/12/2019	**16,737**	**11,366**	**1,144**	**1,565**	**448**	**31,260**
Net carrying amount as at 01/01/2019	**16,737**	**12,070**	**1,856**	**514**	**438**	**31,615**

Acquisition costs						
As at 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 of 31/12/2018	**16,737**	**12,631**	**1,872**	**514**	**682**	**32,436**
Depreciation, amortisation and impairment						
As at 01/01/2018	**0**	**111**	**0**	**0**	**166**	**277**
Additions	0	450	16	0	78	544
As of 31/12/2018	**0**	**561**	**16**	**0**	**244**	**821**
Net carrying amount as of 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**

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

19. Property, plant and equipment

in KEUR	Property, including buildings on third-party land	Other facilities, plant and commercial equipment	Prepayments made	Total
Acquisition costs				
As at 01/01/2019	**3,971**	**3,948**	**48**	**7,967**
Additions	183	676	15	874
Disposals	3,454	48	56	3,558
Reclassification	0	6	-6	0
As of 31/12/2019	**700**	**4,582**	**0**	**5,282**
Depreciation and amortisation				
As at 01/01/2019	**223**	**2,102**	**0**	**2,325**
Additions	174	475	0	649
Disposals	221	20	0	241
As of 31/12/2019	**176**	**2,557**	**0**	**2,733**
Net carrying amount as of 31/12/2019	**524**	**2,025**	**0**	**2,549**
Net carrying amount as at 01/01/2019	**3,748**	**1,845**	**48**	**5,641**
Acquisition costs				
As at 01/01/2018	**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 of 31/12/2018	**3,971**	**3,956**	**48**	**7,975**
Depreciation and amortisation				
As at 01/01/2018	**73**	**1,663**	**0**	**1,736**
Additions	150	448	0	598
As of 31/12/2018	**223**	**2,111**	**0**	**2,334**
Net carrying amount as of 31/12/2018	**3,748**	**1,845**	**48**	**5,641**
Net carrying amount as at 01/01/2018	**3,422**	**1,912**	**8**	**5,342**

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

20. Financial assets

Financial assets of KEUR 282 (previous year: KEUR 100) relate to a loan granted in the amount of KEUR 100 and receivables due to finance leases as lessor in the amount of KEUR 182.

The gross capital expenditure and the present value of the outstanding leasing receivable are shown in the following table:

in KEUR	Gross capital expenditur	Interest share	Leasing receivable 31/12/2019
Maturity			
2020	88	5	83
2021	88	3	85
2022	15	1	14
Total	**191**	**9**	**182**

21. Inventories

Inventories of KEUR 16,053 (previous year: KEUR 13,953) concern raw materials and supplies, finished goods and merchandise and payments in advance of Medios Pharma GmbH, Medios Manufaktur GmbH, Medios Individual GmbH and Medios Digital GmbH. Inventories can be broken down in accordance with the following table:

in KEUR	31/12/2019	31/12/2018
Raw materials and supplies	2,892	2,029
Finished goods and merchandise	12,482	11,246
Advances	679	678
Total	**16,053**	**13,953**

22. Trade receivables

in KEUR	31/12/2019	31/12/2018
Gross value of trade receivables	42,874	31,074
Valuation adjustments	-69	0
Total	**42,805**	**31,074**

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

in KEUR	31/12/2019	31/12/2018
As at 01/01	**0**	**16**
Allocation	-69	0
Release	0	16
As of 31/12	**-69**	**0**

The carrying amounts of the impaired receivables as of 31 December 2019 amount to KEUR 69 (previous year: KEUR 0.

The age structure of trade receivables are as follows:

2019	in KEUR			of which overdue and not impaired			
Analysis of unimpaired receivables from …	Carrying amount 31/12/2019	Impaired receivables at 31/12/2019	neither impaired nor overdue at 31/12/2019	<90 days at 31/12/2019	90-180 days at 31/12/2019	180-360 days at 31/12/2019	>360 days at 31/12/2019
Trade receivables	42,805	69	39,826	2,592	256	39	161

2018	in KEUR			of which overdue and not impaired			
Analysis of unimpaired receivables from …	Carrying amount 31/12/2018	Impaired receivables at 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
Trade receivables	31,074	0	30,246	600	134	134	134

Receivables are mainly from long-standing customers and are secured pro rata through trade credit insurance. There have not been any defaults on receivables in recent years. Due to the very low insolvency rate for pharmacies and customers in the pharmaceutical sector, a low default risk is assumed.

There are receivables from two customers that are overdue by more than 360 days. These receivables are recoverable and are not in doubt. It is expected that these receivables will be fully settled in the 2020 financial year.

At 31 December 2019, no trade receivables are pledged as security.

23. Other assets

Other assets break down as follows:

in KEUR	31/12/2019	31/12/2018
Discount accruals	4,181	3,221
Deposits	248	78
Creditors with debit balance	168	303
Input tax reimbursement/input tax following year	0	157
Other	190	78
Total other assets	**4,787**	**3,837**

Discount accruals increased as a result of the increased purchase volume.

24. Cash and cash equivalents

in KEUR	31/12/2019	31/12/2018
Bank deposits	15,621	11,771
Cash on hand	1	1
Current account loans	-2,977	-203
Cash and cash equivalents	**12,645**	**11,569**

Cash is comprised of deposits with banks and cash on hand. Current financial liabilities include overdraft facilities.

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 of 31 December 2019 is KEUR 14,564 (previous year: KEUR 14,564). It is divided into 14,564,019 (previous year: 14,564,019) 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 5,932,009 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 2018/1).

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 (conditioned capital 2018). 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.

The company's share capital is conditionally increased by KEUR 5.825 by issuing up to 5,825,607 no-par value bearer shares (conditioned capital 2019). The conditioned capital increase serves to fulfil the subscription rights that are guaranteed based on the authorisation of the Annual Shareholders' Meeting of 10 July 2019.

The capital reserve of KEUR 51,273 (previous year: KEUR 49,904) includes a reserve for payments to be made in equity to employees from the share option programmes of KEUR 10,703 (previous year: KEUR 9,334).

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

Share figures	2019	2018
in KEUR		
Issued on 1 January	14,564	13,664
Cash capital increase	0	900
Issued on 31 December	14,564	14,564
Fully paid-up no-par-value shares of EUR 1 each	14,564	14,564

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

26. Financial liabilities

The financial liabilities break down as follows:

in KEUR	31/12/2019	31/12/2018
Leasing liabilities	3,264	0
Current account loans	2,977	203
Total financial liabilities	**6,241**	**203**

The maturities of the financial liabilities are divided as follows:

31/12/2019 in KEUR	up to 1 year	1-5 years	over 5 years	Carrying amount
Leasing liabilities	687	687	130	3,264
Current account loans	2,977	2,977	0	2,977
Total	**3,664**	**2,446**	**130**	**6,241**

31/12/2018 in KEUR	up to 1 year	1-5 years	over 5 years	Carrying amount
Leasing liabilities	0	0	0	0
Current account loans	203	0	0	203
Total	**203**	**0**	**0**	**203**

27. Provisions

Current and non-current provisions developed as follows:

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.

in KEUR	Carrying amount 01/01/2019	Consumption	Release	Allocation	Carrying amount 31/12/2019
Provisions	375	246	10	383	501

28. Trade payables

Trade payables are due within one year and amount as at the balance sheet date to KEUR 12,882 (previous year: KEUR 18,807).

29. Other liabilities

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

in KEUR	31/12/2019	31/12/2018
Reimbursement liabilities from customers	1,338	457
Outstanding invoices	1,203	359
Personnel expenses	622	249
Liabilities from other taxes and duties	493	267
Debtors with credit balance	38	175
Other	370	558
Total other liabilities	**4,064**	**2,065**

The estimated cash outflow from refunds (for explanations, please see item 6) are dependent on 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. The increase in reimbursement liabilities from customers is primarily due to reporting date factors.

In particular, personnel costs were higher due to increased holiday obligations.

30. Remarks on the 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 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 an original term of up to three months, which are only subject to insignificant risks of value fluctuation.

The Group applied IFRS 16 for the first time on 1 January 2019 using the modified retrospective method. Under this approach, the comparative information was not adjusted. In addition, Medios recognises:

- Payments for the repayment of lease liabilities as part of cash flow from financing activities,
- Payments for interest as part of cash flow from financing activities,
- Payments for current leasing arrangements and leases of low-value assets as part of cash flow from operating activity.

The reconciliation of the movements of the debts to the cash flows from financing activities can be described as follows:

in KEUR	31/12/2018	Non-cash changes	Net cash flows due to interest	Net cash flows due to repayments	31/12/2019
Current and non-current financial liabilities	0	3,832	-99	-469	3,264

The aforementioned financial liabilities relate exclusively to leasing liabilities.

At the reporting date, the Medios Group had further financial liabilities (overdraft facilities) at credit institutions of KEUR 2,977 (previous year: KEUR 203). This amount was subject to fluctuations throughout the year. Cash interest expenses of KEUR 95 were recorded for overdraft facilities (previous year: KEUR 35).

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.

The Medios Group is divided into the segments "Pharmaceutical Supply", "Patient-specific Therapies" and, as a miscellaneous segment, "Services". 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 the Medios Group only extend to Germany and other countries in the EU. The business activity of the segments can be broken down as follows:

- The Pharmaceutical Supply is focusing on specialty pharmaceutical medicinal products, summarised as a business in Medios Pharma GmbH. The focus on specialty 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 the medicinal product wholesale trade with this consistent and clear focus.

The segment results for the 2019 financial year are broken down as follows:

	Pharmaceutical Supply		Patient-specific Therapies	
in KEUR	2019	2018	2019	2018
Revenue - external	466,078	288,901	50,441	38,834
Revenue - internal	25,675	15,355	6,543	18,655
Total segment revenue	491,752	304,256	56,985	57,489
EBITDA	11,716	8,979	5,796	1,863
EBITDA before special items	11,919	9,401	6,236	3,287
Depreciation and amortisation	335	118	1,275	766
EBT before special effects	11,244	9,157	5,433	2,847
EBT	11,041	8,735	4,385	1,021
Income tax expense (-)/income (+)	3	0	512	29
Earnings before taxes	11,044	8,735	4,897	1,050

- 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 standards, as a rule in line with GMP (Good Manufacturing Practice).

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 are also driven forward.

The segment results for the 2019 financial year are broken down as follows:

Services		Elimination		Group	
2019	2018	2019	2018	2019	2018
286	95	0	0	516,805	327,830
5,044	3,376	-37,262	-37,386	0	0
5,330	3,471	-37,262	-37,386	516,805	327,830
-1,139	-2,301	0	0	16,373	8,541
-413	-965	0	0	17,742	11,723
372	257	0	0	1,982	1,142
-480	-1,041	0	0	16,197	10,963
-1,206	-2,377	0	0	14,220	7,379
-4,968	-3,082	-8	0	-4,461	-3,053
-6,173	-5,459	-8	0	9,760	4,326

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

EBT before special items is therefore transferred as follows to earnings before tax:

in KEUR	2019	2018
EBT before special effects	**16,197**	**10,963**
Expenses from share option programmes	-1,369	-2,586
Amortisations of the customer base	-608	-354
Expenses for commissioning laboratories	0	-644
Earnings before income taxes (EBT)	**14,220**	**7,379**

Medios has generated the following revenues in the individual segments with one key customer:

in KEUR	2019	2018
Total revenues	**73,184**	**62,975**
of which segment: Pharmaceutical supply	47,099	42,063
of which segment: Patient-specific therapies	25,988	20,912
of which segment: Services	97	0

Other revenue is split amongst a number of additional individual customers.

Other information

32. Contingent liabilities

As of 31 December 2019, there are no contingent liabilities.

33. Information about leases

The Group as a lessee

For the accounting methods applied, please refer to the Notes, item 6.

The Medios Group rents real estate and passenger cars in particular. The term of the leasing agreements is typically three years for passenger cars and over 10 years for real estate.

The Medios Group leases IT equipment with contractual maturities of between one and three years. These leasing agreements are either short-term and/or based on low value objects. The Group has decided not to recognise any rights of use or leasing liabilities for these leasing agreements. Leasing payments from these agreements are recognised by Medios as ongoing expenditure.

Some real estate leases include extension options that can be exercised by the Medios Group up to one year before the expiry of the non-terminable contract term. Where possible, the Medios Group is aiming for the inclusion of renewal options when concluding new leases in order to ensure operational flexibility. The extension options can only be exercised by the Medios Group and not by the lessor. On the date of delivery, the Medios Group assesses whether the exercise of renewal options is sufficiently certain. The Medios Group shall determine again whether the exercise of an extension option is sufficiently certain if a significant event or significant change occurs in circumstances within its sphere of control.

Other offices have already been leased by the Medios Group in the year under review, but their use does not begin until 2020, meaning that there are currently no rights of use to recognise as at the reporting date. These leases, which have been received by the Medios Group but which have not yet begun, led to the recognition of a right of use asset in the next financial year and the simultaneous recognition of a leasing liability in the amount of approx. EUR 5 million.

Information on leases in which the Medios Group is a lessee is presented below.

Rights of use recognised in the balance sheet	Land, including construction on leased land	Other facilities, plant and commercial equipment	Total
in KEUR			
2019			
As at 1 January	1,524	104	1,628
Depreciation for the financial year	-384	-50	-434
Additions to rights of use	2,351	0	2,351
Disposals of rights of use*	-500	0	-500
As of 31 December	**2,991**	**54**	**3,045**

* Disposals of rights of use in 2019 result from the conclusion of sub-financing leases and changes in estimates for contractual terms.

Interest payments and repayments from leasing

The following table shows the (undiscounted) interest payments and repayments of the leasing liabilities:

Maturity	Lease payments	Interest share	31/12/2019 Repayment
in KEUR			
2020	785	98	687
2021	752	77	675
2022	650	57	593
2023	633	39	594
2024	606	21	585
2025 and later	136	6	130
Total	**3,562**	**298**	**3,264**

Amounts recognised in the income statement	
in KEUR	
2019 – Leases in accordance with IFRS 16	
Interest expenses for leasing liabilities	99
Expenses for leases concerning an asset of low value, excluding short-term leases of assets of low value	29
2018 – Operating leases in accordance with IAS 17	
Leasing expenses	438

Amounts recognised in the cash flow statement	2019
in KEUR	
Total cash outflows for leases	**568**

The Group as lessor

In 2019, the Group sub-let parts of buildings. The sub-leasing was classified as a finance lease. On the reporting date, the receivable amounted to KEUR 183. The conclusion of the sub-lease only resulted in a minimal initial success.

In 2019, the Group recognised interest income on leasing receivables in the amount of KEUR 8 (2018: KEUR 0).

There is no particular risk arising from the activity as lessor, as the volume of this business activity is comparatively low. The conclusion of further sub-leasing arrangements is not planned. The following table presents a due date analysis of the leasing receivables and shows the non-discounted lease payments to be received after the reporting date. In the previous year, the Medios Group was not a lessor to any third parties.

Amounts recognised in the income statement	2019
in KEUR	
Less than one year	88
One to two years	88
Two to three years	15
Total amount of non-discounted leasing receivables	**191**
Financial income not yet realised	9
Net capital expenditure in the lease	**183**

Due to the recognition of rights of use under previous operating leases, other operating expenses declined, meaning EBITDA increased by KEUR 489 to KEUR 16,373 during the financial year in comparison to IAS 17.

34. Additional information regarding financial instruments

Valuations and fair values by measurement category

With the exception of non-current financial assets and liabilities, all financial instruments have short residual terms as of 31 December 2019 and 31 December 2018 or are available as cash. Therefore, their carrying amounts at the balance sheet date at least come close to the respective fair values. In addition, all financial instruments fall under the category "AC" (amortised cost).

Non-current financial assets with a carrying amount of KEUR 100 (previous year: KEUR 100) relate to loans granted. The remaining non-current financial assets relate to receivables from finance leases at KEUR 183 (previous year: KEUR 0). The fair values of the loans and finance lease receivables approximate the respective carrying amounts.

35. Net income from financial instruments

Net income for every measurement category is as follows:

in KEUR	from subsequent measurement			
	From interest 2019	Impairment 2019	From disposal 2019	Net profit/loss 2019
Loans and receivables (AC)	23	0	0	23
Financial liabilities at amortised cost (AC)	-194	0	0	-194
Total	**-171**	**0**	**0**	**-171**

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

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 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 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 contains an impairment model that is based on the expected credit loss model. 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 trade receivables. 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, insured receivables and the current industry ratings of customers.

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 significant default risks. There are still non-current receivables from finance leases. At present, we do not believe there are any significant default risks there either.

Additional current financial assets are measured at amortised acquisition 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 due to the short 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 taking into account existing lines of credit, and is constantly monitored.

All non-current financial liabilities lead to an outflow of liquidity in 2020 in the amount of the carrying amount as at the reporting date, 31 December 2019.

As of 31 December 2019, the Medios Group has non-utilised current account overdraft facilities in the amount of EUR 9.0 million (previous year: EUR 7.8 million) and a guaranteed credit line in the amount of EUR 0.2 million.

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 60 (previous year: KEUR 12) 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. 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:

	2019	2018
Equity (KEUR)	81,627	70,498
Balance sheet total (KEUR)	116,576	98,417
Equity ratio (%)	**70.0**	**71.6**

37. Share-based compensation

For share-based remuneration at Medios as at the closing date expenses of KEUR 1,369 (previous year: KEUR 2,586) were recorded. Of these expenses, KEUR 1,369 (previous year: KEUR 2,586) was attributed to share-based remuneration with settlement in equity instruments. At present, there are four share-based remuneration models in the Medios Group for employees and managers. No remuneration plans provide for cash settlement.

Share options scheme 2018 (a) and (c)

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 [share options scheme 2018 (a)].

As an addition to the 2018 share options scheme, share-based remuneration in the form of equity instruments (transaction with settlement in equity instruments) was granted to other selected Group employees by Medios AG as compensation for work performed in the 2019 financial year [share options scheme 2018 (c)].

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.

The options can only be exercised after a lock-in period has expired; this is four years from the date of issue on 1 December 2018 and 1 February 2019 [share options scheme 2018 (a)], as well as on 1 October 2019 and 1 December 2019 [share options scheme 2018 (c)].

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

Share options scheme 2018 (a)

- 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.

Share options scheme 2018 (c)

- 25% of the option rights granted if the agreement is terminated after 31 December 2019,
- 50% of the option rights granted if the agreement is terminated after 31 December 2020,
- 75% of the option rights granted if the agreement is terminated after 31 December 2021.
- If termination takes place after 31 December 2022, all option rights granted shall be excluded from forfeiture.

A requirement for the exercise of the option rights is that, before they are exercised, 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 reaches or exceeds the amount of EUR 23.00.

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.

The outstanding share options from share options scheme 2018 (a) have a dilutive effect on the calculation of earnings per share. Conversely, the outstanding share options from share options scheme 2018 (c) have no effect on the calculation of earnings per share.

Share options scheme 2018 (b)

As an addition to the 2016 share options scheme, share-based remuneration in the form of equity instruments (transaction with settlement in equity instruments) was granted to Group employees by Tangaroa Management GmbH as compensation for work performed 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.

The outstanding share options have no effect on the calculation of diluted earnings per share because the share options were granted directly by Tangaroa Management 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 of the allocation on 1 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.

A requirement for the exercise of the option rights is that, before they are exercised, 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 reaches or exceeds the amount of EUR 12.00.

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.

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

Share options scheme 2016

As compensation for work performed, share-based compensation in the form of equity instruments (transaction with settlement in equity instruments) was granted to certain managers, employees and some of the Executive Board of Medios AG by Tangaroa Management GmbH and third parties in financial year 2016. 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.

The outstanding share options may be exercised until 31 December 2020 and have no effect on the calculation of earnings per share as additional dilution because the share options were granted directly by Tangaroa Management 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.

	Share options scheme 2018 (a) Number	Weighted average exercise price in EUR	Share options scheme 2018 (b) Number	Weighted average exercise price in EUR
Outstanding as at 01/01/2018	**0**	**0**	**0**	**0**
Granted in the reporting period	86,000	15.00	5,000	0
Forfeited in the reporting period	0	0	0	0
Exercised in the reporting period	0	0	0	0
Expired in the reporting period	0	0	0	0
Outstanding as of 31/12/2018	**86,000**	**15.00**	**5,000**	**0**
Exercisable on 31/12/2018	**0**	**0**	**5,000**	**0**
Outstanding as at 01/01/2019	**86,000**	**15.00**	**5,000**	**0**
Granted in the reporting period	15,000	15.00	0	0
Forfeited in the reporting period	0	0	0	0
Exercised in the reporting period	0	0	1,000	0
Expired in the reporting period	2,250	15.00	0	0
Outstanding as of 31/12/2019	**98,750**	**15.00**	**4,000**	**0**
Exercisable on 31/12/2019	**0**	**0**	**4,000**	**0**

Share options scheme 2018 (c) Number	Weighted average exercise price in EUR	AOP 2017 Number	Weighted average exercise price in EUR	AOP 2016 Number	Weighted average exercise price in EUR
0	**0**	**600,000**	**7.00**	**694,857**	**0**
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	54,500	0
0	0	0	0	0	0
0	0	**600,000**	**7.00**	**640,357**	**0**
0	0	**0**	0	**640,357**	**0**
0	0	**600,000**	**7.00**	**640,357**	**0**
100,000	15.00	0	0	0	0
0	0	0	0	0	0
0	0	0	0	188,500	0
0	0	10,000	7.00	0	0
100,000	**15.00**	**590,000**	**7.00**	**451,857**	**0**
0	**0**	**0**	0	**451,857**	**0**

2019 measurement parameters	Share options scheme 2018 (a)	Share options scheme 2018 (b)	Share options scheme 2018 (c)	AOP 2017	AOP 2016
Option pricing model	Bionomial	Bionomial	Bionomial	Bionomial	Bionomial
Lock-in period after issue date	4 years	N/A	4 years	4 years	N/A
End of option term	01/12/29 / 01/02/30	31/12/20	01/10/30	01/12/28	31/12/20
Exercise window following lapse of lock-in period	7 years	2.5 years	7 years	7 years	4 years
Residual term as of 31/12/2019	10 years / 11 years	1 years	11 years	9 years	1 years
Exercise price	EUR 15.00	EUR 0.00	EUR 15.00	EUR 7.00	EUR 0.00
Date granted	30/11/18 / 31/01/19	10/06/18	30/09/19 / 30/11/19	10/11/17	10/10/16 / 10/11/16 / 22/12/16
Share price on date granted	EUR 14.50 / EUR 16.90	EUR 22.30	EUR 19.05 / EUR 24.40	EUR 14.47	EUR 7.44 to EUR 7.54
Risk-free interest rate with equivalent maturities	-0.16% / -0.27%	-0.16%	-0.79% / -0.70%	-0.34%	N/A
Expected volatility	39.7% / 40.5%	39.7%	38.9% / 38.2%	37.7%	N/A
Expected dividends	Up to 2.0%	Bis 2.0%	Bis 2.0%	Bis 2.0%	N/A
Average fair value of the options on the date of commitment	EUR 4.40	EUR 22.40	EUR 8.03	EUR 8.36	EUR 7.48
Fair value of options granted at time granted	EUR 399,069	EUR 112,000	EUR 787,796	EUR 5,020,000	EUR 5,518,000
Weighted average share price of options exercised in the reporting period	N/A	16.00	N/A	N/A	14.32
Cost of share-based remuneration in the reporting period	EUR 198,102	EUR 0	EUR 255,523	EUR 915,418	EUR 0

2018 measurement parameters	AOP 2018 (a)	AOP 2018 (b)	AOP 2017	AOP 2016
Option pricing model	Bionomial	Bionomial	Bionomial	Bionomial
Lock-in period after issue date	4 years	N/A	4 years	N/A
End of option term	01/12/29	31/12/20	01/12/28	31/12/20
Exercise window following lapse of lock-in period	7 years	N/A	7 years	4 years
Residual term as of 31/12/2018	11 years	2 years	10 years	2 years
Exercise price	EUR 15.00	EUR 0.00	EUR 7.00	EUR 0.00
Date granted	30/11/18	10/06/18	10/11/17	10/10/16/ 10/11/16 / 22/12/16
Share price on date granted	EUR 14.50	EUR 22.30	EUR 14.47	EUR 7.44 / EUR 7.54
Risk-free interest rate with equivalent maturities	-0.16%	-0.16%	-0.34%	N/A
Expected volatility	39.7%	39.7%	37.7%	N/A
Expected dividends	Up to 2.0%	Up to 2.0%	Up to 2.0%	N/A
Average fair value of the options on the date of commitment	EUR 3.87	EUR 22.40	EUR 8.36	EUR 7.48
Fair value of options granted at time granted	EUR 333,115	EUR 112,000	EUR 5,020,000	EUR 5,518,000
Weighted average share price of options exercised in the reporting period	N/A	N/A	N/A	EUR 16.50
Cost of share-based remuneration in the reporting period	EUR 95,477	EUR 112,000	EUR 2,379,000	EUR 0

38. Transactions with related companies and persons

Mr Manfred Schneider is the utmost controlling party of Medios Group. Tangaroa Management GmbH, Berlin (previously: 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 2019 financial year:

Executive Board (COO)

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

Supervisory Board

Dr Yann Samson	Chairman
Joachim Messner	Deputy Chairman
Klaus Buß	Member of the Supervisory Board

Management of the parent company

Thao Carter	Managing Director of Tangaroa Management GmbH

In the 2019 financial year and on 31 December 2019, Mr Manfred Schneider controls 39.8% of the shares in consideration of assignments by Tangaroa Management GmbH and Tangaroa GmbH & Co. KG, Berlin – effectively, Medios AG.

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)
Mr Joachim Messner	no other memberships in control committees
Mr 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:

in KEUR	Income 01/01-31/12/2019	Expenditure 01/01-31/12/2019	Receivables 31/12/2019	Liabilities 31/12/2019
Tangaroa Management GmbH	0	63	0	4
Tangaroa GmbH & Co. KG (formerly Spezial Pharma Manfred Schneider e.K.)	0	111	0	0
Messner Rechtsanwälte	0	24	0	0
Total	**0**	**198**	**0**	**4**

The management of the parent company of Medios Group was simultaneously in an employment relationship with Medios Group. The employee relationship no longer exists as at the reporting date.

The Medios Group paid total remuneration of KEUR 52 (previous year: KEUR 78). This includes only current payments due of KEUR 52 (previous year: KEUR 78).

in KEUR	Income 01/01-31/12/2018	Expenditure 01/01-31/12/2018	Receivables 31/12/2018	Liabilities 31/12/2018
BerlinApotheke Schneider & Oleski oHG	22,453	645	0	0
Tangaroa Management 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**

Income and expenses from transactions with 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 silent partnership in Medios Individual GmbH for KEUR 18,000. In addition, Mr Schneider swapped this atypical silent partnership in Medios Individual GmbH for 900,000 no-par-value ordinary shares in Medios AG.

Remuneration information

Total remuneration for members of the Executive Board in the year under review amounts to KEUR 896 (previous year: KEUR 398). Current payments amounted to KEUR 180 (previous year: KEUR 398).

Ms Miehler and Mr Prußeit also have company vehicles.

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, 149 employees (previous year: 146) were employed in financial year 2019.

	2019	2018
Sales area	78	70
Production and quality assurance	58	67
Storage	13	9
Total	**149**	**146**

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 of earnings per share	2019	2018
Share in consolidated profit attributable to the shareholders of the parent company (in KEUR)	9,760	4,327
Weighted average number of ordinary shares (in thousands of units)	14,564	13,777
Undiluted earnings per share (in EUR)	**0.67**	**0.31**
Adjustment in the calculation of diluted earnings per share		
Weighted average number of ordinary shares (in thousands of units)	14,564	13,777
2017 and 2018 share option programme (number of shares in thousand units)	347	310
Weighted average of the shares used as a denominator to determine the diluted earnings per share.	14,911	14,088
Diluted earnings per share (in EUR)	**0.65**	**0.31**

Within the content of various Medios Group share options schemes, options that have been granted are considered as potential shares. They have been included in the calculation of diluted earnings per share to the extent that they have a dilutive effect. 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 2019:

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

42. Inclusion in the consolidated financial statements

Tangaroa Management 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 2019, Baker Tilly GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, Munich branch, calculated fees totalling KEUR 169 (previous year: KEUR 125). KEUR 165 of such (previous year: KEUR 106) related to auditing services for auditing the annual and consolidated financial statements and KEUR 4 (previous year: KEUR 19) for other auditing services.

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

44. Events after the balance sheet date

On 19 March 2020, the Medios Group signed a transfer agreement to acquire Kölsche Blister GmbH in full. Further information on this business combination can be found in item 5.

On 19 March 2020, the Medios Group also concluded a syndicated loan agreement for KEUR 62,500. The borrowed capital will be used to finance future growth and acquisitions.

45. Statement from the company's 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, 31 March 2020

Manfred Schneider
Chairman of the Executive Board (CEO)

Matthias Gärtner
Executive Board (CFO)

Mi-Young Miehler
Executive Board (COO)

Christoph Prußeit
Executive Board (CIO)

Independent Auditor's Report

To Medios AG, Hamburg

Note on the audit of the consolidated financial statements and the combined management report

Audit opinion

We have audited the consolidated financial statements of Medios AG and its subsidiary (the Group), consisting of the consolidated statement of financial position as of 31 December 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January 2019 to 31 December 2019 and the notes to the consolidated financial statements, including a summary of significant accounting methods. In addition, we have audited the combined management report of Medios AG for the financial year from 1 January 2019 to 31 December 2019. In accordance with German legal requirements, we have not examined the contents of the Declaration of Corporate Governance or the Declaration of Compliance contained in the Corporate Governance section of the combined management report

Based on the knowledge gained during our audit, we believe

- the enclosed consolidated financial statements comply in all material respects with IFRS, as applicable in the EU, and the additional German legal requirements pursuant to Section 315e (1) HGB and give a true and fair view of the net assets and financial position of the Group as of 31 December 2019 and its earnings position for the financial year from 1 January

- the attached combined management report provides a true and fair view of the overall position of the Group. In all material respects, this combined management report is consistent with the consolidated financial statements, meets the German legal requirements and appropriately portrays the opportunities and risks of the Company's future development. Our audit opinion on the combined management report does not cover the content of the above-mentioned Declaration of Corporate Governance or the Declaration of Compliance.g.

In accordance with Section 322 (3) Sentence 1 HGB, we declare that our audit has not led to any objections to the regularity of the consolidated financial statements and the combined management report.

The basis for the audit opinion

We conducted our audit of the consolidated financial statements and the combined management report pursuant to Section 317 HGB and the EU Regulation on Statutory Audits (No. 537/2014), and in accordance with the generally accepted German standards for auditing financial statements issued by the German Institute of Public Auditors [Institut der Wirtschaftsprüfer (IDW)].

Our responsibility in accordance with these regulations and principles is described in more detail in the section "Responsibility of the auditor for the audit of the consolidated financial statements and the combined management report" in our report. We are independent of the Group companies in accordance with European and German commercial and professional regulations, and have fulfilled our other German professional duties in accordance with these requirements. In addition, we declare in accordance with Article 10 (2) f) EU Regulation on Statutory Audits that we have not performed any prohibited non-audit services pursuant to Article 5 (1) EU Regulation on Statutory Audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements and the combined management report.

Particularly key audit matters in the audit of the consolidated financial statements

Particularly key audit matters are circumstances that were, in our professional judgement, the most significant for our audit of the consolidated financial statements for the financial year from 01 January 2019 to 31 December 2019. These circumstances were taken into account in connection with our audit of the consolidated financial statements as a whole and when forming our audit opinion to this end; we do not form a separate audit opinion on these circumstances.

From our point of view, the following circumstances were the most significant in our audit:

- Revenue recognition
- Impairment of goodwill

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

1. Circumstances and problems
2. Audit procedure and findings
3. Reference to further information

Below, we present the particularly key audit matters:

Revenue recognition:

1. In the financial year, the Medios Group generated revenue of EUR 516.8 million. Revenue is one of the key financial performance indicators in capital market communication. Product sales were primarily generated by sales to a few major customers. The transfer of control over goods and products is the decisive factor in determining whether a sale has been made. Sales transactions that are not presented on an accrual basis as part of revenue recognition represent a risk to the fair presentation of the earnings position, which is why this circumstance is of particular importance from our point of view.

2. Using key order processes, external confirmation from customers, proof of delivery and outgoing invoices, and the associated payment receipts, we have satisfied ourselves that the revenue recognition is correct. Furthermore, we have carried out a system audit. We are convinced that the conditions agreed with the major customers were processed appropriately during the assessment of revenue recognition.

3. The company's information on revenue recognition is in the notes to the consolidated financial statements under sections "6. Accounting methods – revenue recognition and reporting" and "Explanatory notes to the consolidated statement of comprehensive income – 9. Revenue".

Impairment of goodwill

1. Goodwill amounting to EUR 16.7 million is reported in the consolidated financial statements of Medios AG under the balance sheet item "intangible assets", which represents around 14.3% of the balance sheet total. Goodwill is subject to an annual impairment test on the balance sheet date or on an ad-hoc basis determined by the company. In principle, the book values of the corresponding group of cash-generating units are compared to the identified values in use respectively. The basis of these valuations is regularly the present value of future cash flows of the cash-generating unit, which is attributable to the respective goodwill. The budget calculations of the individual cash-generating units underlie the valuations, which are based on financial plans approved by management. Discounting is carried out using the weighted average cost of capital of the respective cash-generating unit. The result of this valuation is, to a great extent, dependent on the estimates of future cash flows made by the company's legal representatives and the discount rate applied, and therefore is subject to significant uncertainty, which is why this circumstance is of significant importance as part of our audit.

2. In order to address this risk, we have critically questioned the assumptions and estimates made by the management, and carried out the following audit procedures among others:

   We have reconstructed the methodical procedure for implementing the impairment tests and assessed the calculation of the weighted average capital costs.

   We have satisfied ourselves that the future cash flows underlying the valuations and the discount rates used form a fair basis as a whole for the impairment tests of the individual cash-generating units.

   We have based our estimates, among other things, on a comparison between the general and industry-specific market expectations and extensive comments from management regarding the key value drivers of the plans, as well as a comparison of these figures with the current budget from the planning approved by the Supervisory Board.

With the knowledge that relatively small changes in the discount rate can have significant effects on the net value amount that is determined in this way, we have examined the parameters used to determine the discount rate used and have adhered to the company's calculation scheme.

In our opinion, based on the information available, the valuation parameters and assumptions applied by the legal representatives are appropriate to test the goodwill for impairment.

3. Information on the company regarding the goodwill are contained in "6. Accounting and valuation methods (under: Goodwill/intangible assets with an indefinite useful life) and Use of estimates and assumptions (under: Goodwill and other intangible assets) and in 18. Intangible assets."

Other information

The legal representatives are responsible for the other information. The other information includes:

- The Declaration on the German Corporate Governance Code pursuant to § 161 AktG,
- The Declaration of Corporate Governance pursuant to § 289f HGB,
- The "Letter from the Executive Board" chapter of the 2019 Annual Report,
- The "Medios" chapter of the 2019 Annual Report, and
- The "Statement from the company's legal representatives" chapter of the 2019 Annual Report.

The Supervisory Board is responsible for the following other information:

- The "Report of the Supervisory Board" chapter of the 2019 Annual Report.

Our audit opinions regarding the consolidated financial statements and the combined management report do not include the other information and we are therefore not providing an opinion nor any other form of audit conclusion.

In connection with our audit, it is our responsibility to read the other information and to assess whether there are

- significant discrepancies between this and the consolidated financial statements, combined management report or any information we learned during the audit, or
- whether it is otherwise presented falsely.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statement and combined management report

The legal representatives are responsible for preparing the consolidated financial statements, which comply in all material aspects with the IFRS, as applicable in the EU, and the additional German legal requirements in accordance with § 315e (1) HGB and, in accordance with these requirements, are responsible for giving a true and fair view of the asset, financial and earnings position of the Group. Furthermore, the legal representatives are responsible for the internal controls they deem necessary to enable the consolidated financial statements to be prepared and be free of any intentional or unintentional material misstatements.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue their business activities. They also have the responsibility to disclose matters relating to continuing business activities, if relevant. Furthermore, they are responsible for reporting the continuing business activities based on the accounting standards, unless there is any intention to liquidate the Group or cease business operations, or there is no realistic alternative.

The legal representatives are also responsible for preparing the combined management report, which accurately reflects the Group's position overall and is in all material respects consistent with the consolidated financial statements, complies with the German legal requirements and represents the opportunities and risks for future development.

Furthermore, the legal representatives are responsible for the arrangements and measures (systems) that they have deemed necessary to enable a combined management report to be prepared in accordance with the applicable German legal requirements and to be able to provide sufficient and suitable evidence for the statements in the combined management report.

The Supervisory Board is responsible for overseeing the Group's accounting procedures in preparing the consolidated financial statements and the combined management report.

Responsibility of the auditor for auditing the consolidated financial statement and combined management report

We aim to obtain reasonable assurance as to whether the consolidated financial statements are, in their entirety, free of any intentional or unintentional material misstatements, whether the combined management report gives a true and fair view of the Group's position and is in all material concerns consistent with the consolidated financial statements and the findings of the audit, complies with the German legal requirements and represents the opportunities and risks for future development, and to issue an auditor's report that contains our audit opinions regarding the consolidated financial statements and the combined management report.

While there is a high degree of certainty for reasonable assurance, there is no guarantee that an audit conducted in accordance with § 317 HGB and the EU Regulation on Statutory Audits and in compliance with the generally accepted German standards determining auditing financial statements issued by the IDW will always disclose a material misstatement. Misstatements can result from breaches or inaccuracies and are considered to be material if they could reasonably be expected to have an influence, individually or collectively, on the economic decisions of addressees made on the basis of these consolidated financial statements and the combined management report.

During the audit, we exercise our due discretion and maintain a critical attitude. Furthermore:

- We identify and assess the risks of any intentional or unintentional material misstatements in the consolidated financial statements and the combined management report, prepare and perform audit procedures in response to such risks and obtain audit evidence that is sufficient and suitable to form the basis of our audit opinion.

  The risk that material misstatements will not be detected is higher for breaches than for inaccuracies, as breaches may include fraudulent interactions, counterfeiting, intentional incompleteness, misrepresentations or overriding internal controls.

- We develop an understanding of the internal control system relevant to the audit of the consolidated financial statements as well as the arrangements and measures relevant to the audit of the combined management report in order to form audit procedures that are appropriate to the circumstances, but not with the aim to express an audit opinion of whether these systems are effective.

- We assess the adequacy of the accounting methods used and the viability of the estimated values and related disclosures determined by the legal representatives.

- We draw conclusions regarding the adequacy of the accounting procedures used by the legal representatives to continue business operations, on the basis of the obtained audit evidence and whether there is any material uncertainty regarding events or circumstances that could raise considerable doubts about the Group's ability to be able to continue the business activity. If we conclude that there is material uncertainty, we are required to draw attention to the related disclosures in the consolidated financial statements and combined management report within the audit opinion or to modify the respective opinion if these disclosures are inadequate. We draw our conclusions on the basis of audit evidence obtained up to the date of our audit opinion. However, future events or circumstances may lead to the Group being unable to continue its business activities.

- We assess the overall presentation, structure and content in the consolidated financial statements, including disclosures, and assess whether they represent the underlying transactions in such a way that the consolidated financial statements comply in all material aspects with the IFRS, as applicable in the EU, and the additional German legal requirements pursuant to § 315e (1) HGB and give a true and fair view of the earnings, financial and asset situation of the Group.

- We retrieve sufficient and suitable audit evidence for the accounting information of the company or business activities within the Group in order to provide audit opinions on the consolidated financial statements and combined management report. We are responsible for the guidance, supervision and execution of the audit of the consolidated financial statements.

  We are solely responsible for our audit opinions.

- We assess whether the combined management report is consistent with the consolidated financial statements, as well as its legislation and how it conveys the Group's position.

- We carry out audit procedures on the forward-looking statements that are presented by the legal representatives in the combined management report. On the basis of sufficient and suitable audit evidence, we will understand the underlying significant assumptions made, particularly those regarding the forward-looking statements made by the legal representatives and assess how to interpret these forward-looking statements from these assumptions. We do not give an independent audit opinion on the forward-looking statements and their underlying assumptions. There is a significant and unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, we discuss the planned scope and timing of the audit with the persons responsible for governance, as well as significant audit findings, including any deficiencies in the internal control system that we identify during the audit.

We provide a statement that we have complied with the relevant independence requirements to the persons responsible for governance and discuss all relationships and other matters with them for which there is reason to expect that it may affect our independence and the safeguards they provide.

From the matters discussed with the persons responsible for governance, we determine the matters that were most significant to the audit of the consolidated financial statements for the current reporting period and thereby the particularly key audit matters. We describe these matters in our audit opinion, unless laws or other legal provisions preclude the facts from being disclosed publicly.

Miscellaneous statutory and other legal requirements

Additional information in accordance with Article 10 EU Regulation on Statutory Audits

At the Annual General Meeting on 10 July 2019, we were elected as the Group auditors. We were given this role by the Supervisory Board on 20 November 2019. Since the 2016 financial year, we have been continuously working as Group auditors of the consolidated financial statements of Medios AG, Hamburg, Germany.

We declare that the audit opinions contained within this report are consistent with the additional report given to the Audit Committee in accordance with Article 11 EU Regulation on Statutory Audits (audit report).

Responsible auditor

The auditor responsible for the audit is Klaus Biersack.

Munich, 2 April 2020

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
(Düsseldorf, Germany)

Stahl	**Biersack**
Auditor	Auditor

Disclaimer

This Document is a respective non-binding English translation of the official signed leading German version.

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This annual report is available on www.medios.ag.

Notes and forward-looking statements

- The financial report contains forward-looking statements, which are based on the current assumptions and assessments of Medios AG's company management. Forward-looking statements are marked by the use of terms such as expect, intend, plan, assume, believe, estimate and other similar expressions. These statements should not be taken as guarantees that these expectations will prove to be correct. The future development and the results achieved by Medios AG depend on a number of risks and uncertainties, and can therefore differ substantially from the forward-looking statements. Several of these factors are beyond the control of Medios AG and cannot be accurately predicted, such as the future economic environment and the behaviour of competitors and other market participants. There are no plans to update the forward-looking statements nor does Medios undertake any separate obligation to do so.

- Due to rounding, it is possible that individual figures in the financial report do not add up exactly to the specified sum and that indicated percentages do not accurately reflect the absolute values to which they relate.

- The financial report is also translated into English; in the event of deviations, the German authoritative version of the document shall take precedence over the English translation.

- For technical reasons, there may be deviations between the accounting documents and other documents published in the financial report and those provided for under statutory provisions.

- The financial report contains – in an appropriate accounting framework that is not specifically defined – additional financial figures that are or can be so-called alternative performance indicators. When assessing the net assets, financial position and results of operations of Medios AG, these additional financial figures should not be isolated or used as an alternative to the financial figures that are presented in the consolidated financial statements and determined in accordance with the applicable accounting framework. Other companies that present or report alternative performance indicators with a similar designation may calculate these differently.