

2019

Marinomed Biotech AG

Update Q3



Dear Shareholders,

Since the announcement of the going public one year ago and the IPO in February 2019 Marinomed achieved several important milestones. Certainly one of the more important achievements is the successful completion of the Phase III study for our allergy medication Budesolv. Based on the study data, we are now preparing for the marketing authorisation and the commercialisation of our lead product. The aim is to timely provide the drug to as many allergy patients as possible. Since the study also validated the Marinosolv® platform, we are confident that we can successfully apply the technology in additional projects. Moreover, we now have a suitable site for the future: a property that we purchased in Korneuburg near Vienna in the third quarter of 2019.

Investments in new Marinosolv® products

In November, more detailed data of the successful Phase III clinical trial for the allergy drug Budesolv were published during the renowned ACAAI conference in Houston. After the success of the study the focus in R&D is still on investments in new innovative products based on Marinosolv®. In the reporting period, the clinical development of the ophthalmology drug Tacrosolv was advanced. Depending on the approval of the relevant authorities, the Tacrosolv Phase II study is planned to take place in the first half 2020. Until granting of the first distribution rights, the Marinosolv® segment is characterised by high expenses in research and development. Revenues are expected to be recorded with the start of commercialisation of the products. With our allergy medication Budesolv we thereby target the USD 5 billion global market for cortisone-based hay fever treatment.

Carragelose® back on growth trajectory

Marinomed markets Carragelose® products through its distribution partners, the first causal therapy for colds and flu infections. Autumn is also the start of the cold season in key markets. As a result, the Carragelose® segment traditionally records the highest revenues in the last quarter. Nevertheless, with revenues of EUR 3.30 million, the Carragelose® platform could generate slight growth in the first nine months of 2019 (1-9/2018: EUR 3.23 million). Thus, after a difficult start to the year, the segment is back on its growth trajectory.

Results negative as planned – Focus on investments in the future

In order to achieve its long-term growth targets, in the first three quarters 2019 Marinomed primarily invested in research and development. These expenses stood at EUR 3.19 million, significantly higher than in the prior-year period (1-9/2018: EUR 2.11 million). The increase was planned and, due to disciplined cost management, even slightly lower than expected. At EUR -5.28 million the operating result (EBIT) was negative as planned, reflecting the high R&D expenses and, in particular, the one-time costs in connection with the IPO (1-9/2018: EUR -3.09 million). The financial result includes non-cash effects related to the convertible bond and amounted to EUR -0.86 million (1-9/2018: EUR -0.73 million). The result for the first three quarters 2019 stood at EUR -6.15 million, after EUR -3.81 million in the prior-year period.

Outlook 2019

The high investments in research and development require a solid financial basis, which in 2019 was further strengthened by a loan commitment from the European Investment Bank of up to EUR 15 million. In October 2019, Marinomed called the first tranche of the loan in the amount of EUR 4 million. It will be used primarily for further research in the Marinosolv® segment. The scope of application of the Marinosolv technology is manifold. A variety of existing drugs may be optimised improving solubility of the active ingredients. At the same time Marinomed plans further investments in the Carragelose® segment – in clinical studies, in optimising production and in continuing the marketing authorisation process for Carravin, a combination of Carragelose® and the decongestant Xylometazolin.

Marinomed expects a continued positive order and sales performance in 2019. However, high research and development expenses as well as one-time expenses related to the IPO result in the Company expecting operating losses for the fiscal year 2019. The losses are planned and largely attributable to the expansion of the Marinosolv® technology platform. Such investments and our success in product development form the basis for future value creation and increased earnings. With the consistent implementation of our growth strategy, we are on the right track to make this visible in our financial figures in the foreseeable future.



Andreas Grassauer, CEO



Eva Prieschl-Grassauer, CSO

Pascal Schmidt, CFO

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

all amounts in EUR	1-9/2019	1-9/2018	7-9/2019	7-9/2018
PROFIT OR LOSS				
Revenues	3,315,484.72	3,232,803.01	1,657,368.80	1,717,728.96
Other income	472,108.24	554,380.78	178,518.41	57,682.17
Other gains (losses), net	1,922.03	13,344.07	166.50	3,805.41
Expenses for materials	-2,248,594.01	-2,305,170.80	-1,141,370.59	-1,191,446.58
Expenses for services	-2,194,904.00	-973,464.50	-555,831.36	-183,068.83
Personnel expenses	-2,847,718.40	-1,772,179.90	-841,758.87	-645,715.43
Depreciation and amortisation	-245,434.25	-177,157.63	-81,385.50	-59,785.07
Other expenses	-1,537,603.75	-1,658,531.20	-443,916.37	-1,003,194.77
Operating result (EBIT)	-5,284,739.42	-3,085,976.17	-1,228,208.98	-1,303,994.14
Financial income	226.38	406,968.63	64.62	11.78
Financial expenses	-864,493.18	-1,132,752.08	-18,956.71	-456,192.73
Financial result	-864,266.80	-725,783.45	-18,892.09	-456,180.95
Loss before taxes	-6,149,006.22	-3,811,759.62	-1,247,101.07	-1,760,175.09
Taxes on income	-3,500.00	-2,625.00	-875.00	-875.00
Loss for the period	-6,152,506.22	-3,814,384.62	-1,247,976.07	-1,761,050.09
Other comprehensive income (loss) for the period	0,00	0,00	0,00	0,00
Total comprehensive loss for the period	-6,152,506.22	-3,814,384.62	-1,247,976.07	-1,761,050.09

All results are attributable to shareholders of the Company.

Statement of financial position

all amounts in EUR	30.09.2019	31.12.2018
ASSETS		
Non-current assets		
Intangible assets	1,407,386.15	1,331,721.20
Property, plant and equipment	1,582,859.17	195,446.79
Shares in affiliated companies	35,000.00	0.00
Deposits and other non-current receivables	12,497.93	12,838.36
	3,037,743.25	1,540,006.35
Current assets		
Inventories	136,623.20	115,708.78
Trade and other receivables	2,255,057.39	1,892,173.03
Current tax receivables	16.90	16.90
Cash and cash equivalents	10,338,536.73	1,715,471.10
	12,730,234.22	3,723,369.81
Total assets	15,767,977.47	5,263,376.16
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	1,469,772.00	1,000,000.00
Capital reserves	40,703,401.20	6,968,315.43
Accumulated deficit	-30,387,921.71	-24,235,415.49
	11,785,251.49	-16,267,100.06
Non-current liabilities		
Borrowings	459,696.06	1,173,514.57
Convertible bond	0.00	5,583,138.60
Other financial liabilities	0.00	7,131,983.32
Other non-current liabilities	115,864.10	0.00
	575,560.16	13,888,636.49
Current liabilities		
Borrowings	133,246.62	3,715,639.49
Trade payables	1,184,204.84	2,014,536.49
Convertible bond	0.00	131,178.08
Current contract liabilities and other current liabilities	734,714.36	960,485.67
Provisions	1,355,000.00	820,000.00
	3,407,165.82	7,641,839.73
Total equity and liabilities	15,767,977.47	5,263,376.16

Statement of cash flows

all amounts in EUR	1-9/2019	1-9/2018
Cash flow utilised by operating activities	-6,205,170.11	-2,865,376.59
Cash flow utilised by investing activities	-1,606,287.53	-172,943.29
Cash flow generated from financing activities	16,434,523.27	485,156.64
Net cash flow	8,623,065.63	-2,553,163.24
Cash & cash equivalents at beginning of period	1,715,471.10	6,030,381.94
Cash & cash equivalents at end of period	10,338,536.73	3,477,218.70

Statement of changes in equity

all amounts in EUR	Nominal capital/ Share capital	Capital reserves	Contribution made for a resolved capital increase	Accumulated deficit	Total
January 1, 2018	132,360.00	6,979,333.83	0.00	-12,138,564.77	-5,026,870.94
Loss for the period	0.00	0.00	0.00	-3,814,384.62	-3,814,384.62
Total comprehensive income (loss) for the period	0.00	0.00	0.00	-3,814,384.62	-3,814,384.62
Paid in capital, net of transaction cost	0.00	0.00	856,621.60	0.00	856,621.60
September 30, 2018	132,360.00	6,979,333.83	856,621.60	-15,952,949.39	-7,984,633.96
January 1, 2019	1,000,000.00	6,968,315.43	0.00	-24,235,415.49	-16,267,100.06
Loss for the period	0.00	0.00	0.00	-6,152,506.22	-6,152,506.22
Total comprehensive income (loss) for the period	0.00	0.00	0.00	-6,152,506.22	-6,152,506.22
ESOP 2019	0.00	281,826.28	0.00	0.00	281,826.28
Paid in capital, net of transaction cost	299,000.00	20,336,262.17	0.00	0.00	20,635,262.17
Conversion convertible bond	170,772.00	13,116,997.32	0.00	0.00	13,287,769.32
September 30, 2019	1,469,772.00	40,703,401.20	0.00	-30,387,921.71	11,785,251.49

Segment reporting

Period ended September 30, 2018	Carragelose	Marinosolv	Corporate	Total
all amounts in kEUR				
Total revenues	3,232.8	0.0	0.0	3,232.8
<i>Thereof sales of goods</i>	<i>3,076.1</i>	<i>0.0</i>	<i>0.0</i>	<i>3,076.1</i>
<i>Austria</i>	<i>74.8</i>	<i>0.0</i>	<i>0.0</i>	<i>74.8</i>
<i>Other European countries</i>	<i>1,433.7</i>	<i>0.0</i>	<i>0.0</i>	<i>1,433.7</i>
<i>Non-European countries</i>	<i>1,567.5</i>	<i>0.0</i>	<i>0.0</i>	<i>1,567.5</i>
<i>Thereof other revenues</i>	<i>156.7</i>	<i>0.0</i>	<i>0.0</i>	<i>156.7</i>
<i>Austria</i>	<i>57.4</i>	<i>0.0</i>	<i>0.0</i>	<i>57.4</i>
<i>Other European countries</i>	<i>38.3</i>	<i>0.0</i>	<i>0.0</i>	<i>38.3</i>
<i>Non-European countries</i>	<i>61.0</i>	<i>0.0</i>	<i>0.0</i>	<i>61.0</i>
Cost of goods sold	-2,282.2	0.0	0.0	-2,282.2
Contract research	-65.5	-448.7	0.0	-514.2
Personnel expenses	-509.3	-559.1	-703.8	-1,772.2
Other miscellaneous income/expense	-418.5	-134.5	-442.7	-995.7
Depreciation and amortisation	-103.5	-20.1	-53.5	-177.2
Non-recurring items	0.0	0.0	-577.3	-577.3
Operating result (EBIT)	-146.1	-1,162.5	-1,777.4	-3,086.0

Period ended September 30, 2019	Carragelose	Marinosolv	Corporate	Total
all amounts in kEUR				
Total revenues	3,300.5	15.0	0.0	3,315.5
<i>Thereof sales of goods</i>	<i>3,009.7</i>	<i>0.0</i>	<i>0.0</i>	<i>3,009.7</i>
<i>Austria</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>Other European countries</i>	<i>1,910.4</i>	<i>0.0</i>	<i>0.0</i>	<i>1,910.4</i>
<i>Non-European countries</i>	<i>1,099.3</i>	<i>0.0</i>	<i>0.0</i>	<i>1,099.3</i>
<i>Thereof other revenues</i>	<i>290.8</i>	<i>15.0</i>	<i>0.0</i>	<i>305.8</i>
<i>Austria</i>	<i>55.0</i>	<i>15.0</i>	<i>0.0</i>	<i>70.0</i>
<i>Other European countries</i>	<i>63.2</i>	<i>0.0</i>	<i>0.0</i>	<i>63.2</i>
<i>Non-European countries</i>	<i>172.6</i>	<i>0.0</i>	<i>0.0</i>	<i>172.6</i>
Cost of goods sold	-2,172.0	0.0	0.0	-2,172.0
Contract research	-262.2	-1,437.4	0.0	-1,699.6
Personnel expenses	-527.4	-837.3	-1,483.1	-2,847.7
Other miscellaneous income/expense	-327.3	128.8	-759.8	-958.3
Depreciation and amortisation	-120.3	-55.9	-69.2	-245.4
Non-recurring items	0.0	0.0	-677.2	-677.2
Operating result (EBIT)	-108.7	-2,186.8	-2,989.3	-5,284.7

In both reporting periods "Cost of goods sold" include expenses for merchandise and regular batch release charges (excluding exceptional charges) related to "Sales of goods" and form part of, but do not equal the sum of the P&L items "Expenses for materials" and "Expenses for services".

In both reporting periods "Non-recurring items" include IPO-related expenses (especially for legal and other consulting), that were not directly deducted from equity.

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

As of September 30, 2018 this position additionally includes income from the conversion of loans to non-repayable grants in the amount of kEUR 350.5.

Research and development expenses

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

all amounts in EUR	Jan-Sep		Jul-Sep	
	2019	2018	2019	2018
Personnel expenses	832,073.05*	818,812.00	259,406.66	260,177.50
Expenses for services	1,756,566.75	697,204.50	438,720.49	99,386.39
Expenses for materials	105,722.84	55,607.00	21,100.64	17,978.78
Other expenses	85,031.05	142,396.00	24,008.55	53,065.13
Depreciation and amortisation	171,129.63	123,621.91	56,534.26	41,698.33
Financial expenses	240,299.63	271,732.89	17,988.80	86,263.27
Total	3,190,822.95	2,109,374.30	817,759.40	558,569.40

*Amount does not include one-time IPO bonus payments for R&D personnel

Legal notice

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Disclaimer

This condensed interim report of Marinomed Biotech AG was neither fully audited nor reviewed by the Company's statutory auditor.

This update includes forward-looking statements that have been made on the basis of information available at this point in time. As a result of various unforeseen factors, the actual development may deviate from the presented expectations. Marinomed Biotech AG will not update these forward-looking statements, neither on the basis of changed actual circumstances nor on the basis of changed assumptions or expectations. This update is not and shall not be construed as an offer, invitation, recommendation or solicitation to sell, issue, purchase or subscribe for any securities of Marinomed Biotech AG.

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