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Fiagon AG Medical Technologies

Hennigsdorf

Annual financial statements for the business year from 01/01/2017 to 12/31/2017

Balance sheet

assets

	December 31, 2017 EUR	12/31/2016 EUR
A. Fixed assets	13,266,138.09	12,474,503.30
I. Tangible assets	2,958.04	3,729.00
II. Financial Assets	13,263,180.05	12,470,774.30
B. Current Assets	1,137,642.51	708,158.89
I. Receivables and other assets	1,113,941.62	534,638.97
II. Cash in hand, Bundesbank balances, bank balances and checks	23,700.89	173,519.92
C. Prepaid expenses	9,553.74	48,299.78
Balance sheet total, total assets	14,413,334.34	13,230,961.97

liabilities

	December 31, 2017 EUR	12/31/2016 EUR
A. Equity	12,851,860.57	12,959,705.43
I. Drawn capital	108,012.00	108,012.00
II. Capital reserve	12,743,848.57	12,851,693.43
B. contributions made to carry out the agreed capital increase	2,545.00	0.00
C. Provisions	297,350.00	229,900.00
D. Liabilities	1,261,578.77	41,356.54
Balance sheet total, total liabilities	14,413,334.34	13,230,961.97

attachment

A. General information on the annual financial statements

Fiagon AG Medical Technologies, based in Hennigsdorf, is registered in the Neuruppin District Court with HRB No. 10738.

The company's annual financial statements as of December 31, 2017 were prepared on the basis of the accounting and valuation regulations of the Commercial Code (HGB) and the relevant provisions of the Stock Corporation Act (AktG).

The company is a small corporation within the meaning of § 267 HGB. It partly makes use of the size-dependent relief for small corporations for the annex.

The company prepares a voluntary consolidated financial statement according to the regulations of §§ 290 ff. HGB.

B. Accounting and valuation principles

When preparing the annual financial statements, the management assumed the going concern premise for accounting and valuation.

In detail, the following accounting and valuation methods were applied unchanged:

The assets of the **tangible assets** are basically at cost, less straight-line depreciation tax recognized maximum rates on the basis of, as far as these are commercially legally permissible. Low-value assets up to a value of EUR 410.00 were written off in full in the year of acquisition. The depreciation on additions to fixed assets was always pro rata temporis.

The shares in the subsidiaries shown under **financial assets** as well as the loans to affiliated companies were recognized at acquisition cost. Based on the current planning, there are no likely permanent impairments in value.

Receivables and other assets were generally reported at cost.

The **liquid means** are at their nominal value.

The **active deferred income** includes payments made before the balance sheet date, which represent expenses for the time thereafter.

The **equity capital** is stated at nominal value and corresponds to the information in the commercial register and the regulations in the articles of association. The capital reserve contains additional payments from shareholders and is shown at nominal value.

The position "**Contributions made to implement the capital increase**" was recognized in the amount of the contributions actually made.

Provisions have been recognized in the amount of the settlement amount required according to prudent business judgment and take into account all risks that are identifiable as of the balance sheet date and must be recognized in an appropriate amount. Liabilities are shown at their settlement amount.

Insofar as the annual financial statements were based on amounts in **foreign currencies**, the conversion was carried out using the respective closing rate or the mean spot exchange rate.

C. Notes to the balance sheet

1. Fixed assets

The shares shown under financial assets serve to establish a permanent connection. The loans to Fiagon GmbH in the amount of EUR 7,165 thousand (previous year: EUR 6,373 thousand) have a term until December 31, 2021.

The financial assets are shown at acquisition cost despite the negative equity of the affiliated companies, as there is no expected permanent impairment within the meaning of Section 253 (3) sentence 5 HGB and, in accordance with the option under Section 253 (3) sentence 6 HGB, there is also no voluntary impairment. Depreciation is made in the case of only temporary impairment. The unchanged approach to acquisition costs results from the positive planning of the subsidiaries for 2018/2019.

It is assumed for 2018 that Fiagon GmbH will generate sales of up to EUR 6 million and generate a balanced result. Fiagon NA should achieve similar sales targets in 2018 and close the year with a clearly positive result.

At both companies, the restructuring and cost reduction program implemented in 2018 with savings in particular in the areas of personnel, marketing and travel costs, as well as manufacturing costs, will lead to a significant improvement in earnings, which will make a positive contribution to earnings in the following year in particular. All restructuring costs in the form of severance payments and one-off payments will be taken into account in 2018.

For 2019 it is forecast that sales at Fiagon GmbH will increase to up to EUR 8 million and at Fiagon NA to EUR 7 million, with significantly improved contribution margins, in particular due to the already achieved and planned cost reductions. Newly concluded sales contracts in China (September 2017 for the minimally invasive spine surgery sector) and the USA (June 2018 for the ENT and cranial surgery sector), which should make a full contribution to earnings in 2019, will contribute to the increase in sales.

The receivables from affiliated companies include loans and offsetting, at the same time represent trade receivables and have a remaining term of up to one year in full.

The other assets essentially consist of sales tax receivables of the current year in the amount of KEUR 136 (previous year: KEUR 123).

2. Equity

The company's share capital as of the balance sheet date was EUR 108,012. It is divided into 108,012 shares with a nominal value of EUR 1.00 each.

In 2017, the company carried out a contractually guaranteed revaluation and purchase price adjustment, which was promised to those shareholders who had participated in the capital increase 2015/2016 and in the conversion of loans in 2015 in the amount of EUR 1 million. The purchase price adjustment was linked to the fact that the company did not achieve certain financial parameters in 2016 or 2017, which was already the case for 2016. The shareholders concerned therefore had the option of subscribing 2,545 shares at their nominal value, which they made full use of. The registration of these new shares took place on February 1, 2018.

As part of the Annual General Meeting held on September 14, 2017, an increase in Conditional Capital 2017 / I for the issue of convertible loans of up to EUR 2 million with corresponding conversion rights of up to 9,045 shares was approved. The convertible loan must be issued by June 30, 2019, with a maximum loan term of 5 years. The conversion amount must be at least EUR 265.35 per share.

The 2017 Annual General Meeting also resolved to increase the company's share capital by June 30, 2022 by up to 12,867 no-par value registered shares (Authorized Capital 2017 / D). This Authorized Capital 2017 / I forms the basis for the capital increase planned for 2018 (see supplementary report).

The capital reserve developed as follows:

As of 01/01/2017:	KEUR	12,852
Withdrawal to cover losses:	KEUR	-108
As of December 31, 2017:	KEUR	12,744

3. Liabilities

Other liabilities include tax liabilities of EUR 13 thousand (previous year: EUR 13 thousand).

As in the previous year, all liabilities have a remaining term of up to one year.

D. Other information

The company has taken on a guarantee for a bank loan from Fiagon GmbH in the amount of EUR 500 thousand. A claim is so far unlikely.

An average of 5 employees worked in the company during the financial year.

The company's organs are the general meeting, the management board and the supervisory board.

Hennigsdorf, June 20, 2018

Prof. Dr. Kai Desinger, Executive Board (CEO)

Dr. Friedrich Jacobi, Board Member (CFO)

Dr. Dirk Mucha, Board Member (CTO)

The above balance sheet and notes are an abbreviated version of the annual financial statements.

Information to determine:

The annual financial statements were adopted on July 31, 2018.
