

CO.DON AG – Financial year 2018 marked by transformation

- + Revenue slightly down year on year due to uncertainty about reimbursements
- + Solid first quarter of current year 2019
- + first-time practice of IFRS accounting for the 2018 financial year to the CO.DON Group
- + International contracts and commitments for current markets with a total volume of EUR 26 million up to 2022
- + Investment in new production site in Leipzig is within budget
- + Internationalisation of shareholder structure
- + Further expansion and internationalisation of organisational structure
- + Operational boost for Executive Board

Berlin / Teltow, 11 April 2019 – CO.DON AG pursued its strategy of commercialisation and internationalisation in financial year 2018, but revenue was slightly lower than the previous year and was generated almost exclusively in Germany. Accounting for the financial year ended is in accordance with IFRS for CO.DON group due to the further restructuring and internationalisation of the company and the establishment of subsidiaries.

The CO.DON Group reported consolidated net income of EUR -6.2 million for the reporting year (previous year: EUR -6.5 million; all 2018 figures preliminary and unaudited).

Revenue of CO.DON AG in the reporting period came to EUR 5.7 million (previous year: EUR 5.9 million).

The reasons included increased discussions between health insurers, users and the Health Insurance Medical Services (MDK) about the reimbursement of ACTs in general and so also for the applications offered by CO.DON AG, which led to an increasing decline in orders from our hospital partners. This uncertainty was only overcome towards the end of the reporting year, so laying the foundations for the standardised reimbursement of the EU-authorized product in this and future years.

Another factor impacting revenue was foreign sales, which only picked up slowly and remained below expectations. Here too, discussions about the reimbursement of costs in the individual new markets took an unexpectedly long time but were largely completed by the end of the reporting year.

The total loss was reduced year on year. The company's earnings were partly depressed by higher fees and charges in connection with centralised EU marketing authorisation, as well as higher auditing and transport costs. Our expenses for strategic market entry into the planned target markets in Europe also had a negative impact on the result. Further costs were incurred in the course of the ongoing strategic restructuring, expansion and internationalisation, particularly for additional recruitment in the relevant areas, for building the production site in Leipzig and developing the MECDOX software solution, which will be deployed internationally.

Overall the loss for the full year 2018 came to EUR 6,264k (previous year: EUR 6,568k). Average monthly cash burn increased year on year to EUR 1,387k (previous year: EUR 820k).

Detailed figures for the financial year 2018 will be announced when the annual report is published in late April 2019.

CO.DON took several strategic decisions for the future development of the Group in 2018:

To finance and implement company strategy we issued convertible bonds for a total nominal amount of up to EUR 15.3 million and a maturity of three years in the first half of 2018, as well as warrants for a total nominal amount of up to EUR 2.0 million. In this context our shareholder structure became more international with the addition of a US financial group with global operations and extensive strategic experience in healthcare and biotech.

- The construction of the new production site in Leipzig, which will create one of the world's largest and most up-to-date facilities for the industrial-scale production of human cells when work is completed in 2019, is fully within budget and on schedule.

The activities initiated in 2018 to open strategically selected target markets had an effect, as can be seen from the corresponding contracts signed.

- Initial success has already been achieved with the reimbursement of treatment costs, a key factor for exploiting the full potential of the individual country. In addition to reimbursement rules in the United Kingdom and the Netherlands, we were able to sign a distribution agreement independent of sales volumes for our articular cartilage product Spherox in Austria.

This trend continued into the current financial year 2019: in January 2019 CO.DON AG and Bauerfeind France SARL agreed on a partnership to open the French market and distribute CO.DON AG's EU-authorized product there. A key aspect of the planned agreement is a minimum order obligation for Bauerfeind France SARL, like that in place with the distribution partner in Austria. The new agreement also provides for a financial minimum order amount for three years after the market launch and the reimbursement by French health insurers of costs incurred by patients for CO.DON's EU-authorized product. This, along with the predictable income from the upcoming licensing to Russia, give CO.DON AG a high level of certainty for its positive financial planning from financial year 2022 onwards.

- Ralf Jakobs, CEO of the CO.DON Group: "The result of a turbulent financial year with many changes was that we were able to restructure and reposition ourselves in 2018. We established a stable commercial basis for CO.DON AG for the years ahead, on which we can continue to build to reach our target of breaking even by 2021/22. This is based on international contracts, term sheets and commitments with licensees, distribution partners and hospitals in the markets in which we are currently present. Overall, these agreements are currently expected to enable us to generate cash inflows in excess of EUR 26 million is anticipated by 2022. Then there is forecast revenue from the German market, and our efforts to sign further contracts of this type in Europe.

CO.DON AG has made a successful start to the new financial year. We are confident that the steps taken last year and in the current year to prepare for market entry, the corporate restructuring and the strengthening of the Executive Board will create the conditions for growth in Germany and abroad. In the reporting period we made substantial progress in all areas of our strategic priorities. We will see this clearly in revenue and earnings in the years ahead.”

CO.DON AG develops, produces and markets autologous cell therapies for the minimally invasive repair of cartilage defects. The product being marketed is a cell therapy product that uses only the patient's own cartilage cells ("autologous chondrocytes"). CO.DON's method is currently used in over 200 clinics in Germany and more than 14,000 patients have already been treated. In July 2017 we received marketing authorisation for the advanced therapy medicinal product Spherox from the European Medicines Agency. The shares in CO.DON AG are listed on the Frankfurt Stock Exchange (ISIN: DE000A1K0227). Executive Board: Ralf M. Jakobs. Further information is available from www.codon.de

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