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Half-Year Report 2018

formycon®

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A

Letter to Shareholders

Dr. Carsten Brockmeyer CEO

Letter to Shareholders

Dr. Stefan Glombitza COO

Dr. Nicolas Combé CFO

Dear Shareholders,

Following 2017, a year marked by more regulatory approvals of biosimilars than ever before, the dynamic growth of this market segment for follow-on biopharmaceutical drugs continued apace in the first half of 2018. The number of biosimilars approved for distribution is now up to 43 in Europe and 11 in the U.S., and the market acceptance of this new drug class is growing steadily. According to IQVIA, worldwide biosimilar sales in the period from April 2017 to March 2018 were approx. USD 5.3 billion, representing a growth rate of 93 percent – or almost double over the prior year.

Already today, biosimilars are greatly valued among medical professionals because these new drugs have been able to adequately demonstrate that they deliver the exact same safety and efficacy as their reference products. At the same time, they provide access to these powerful medications to a broader base of patients, thereby substantially helping to improve patient care.

More recently, strong tailwinds favoring biosimilars have been increasingly coming from the world's largest pharmaceutical market, the United States. In May of 2018, U.S. President Donald Trump cited the strengthening of competition in the prescription drug market as a policy priority. This was promptly followed by implementation in the form of the "American Patients First" initiative, which will, among other things, specifically intensify competition in the biopharmaceuticals area and promote the use of biosimilars. The U.S. Food and Drug Administration (FDA) is likewise advancing these same policy objectives with its "Biosimilar Innovation Plan" and "Biosimilar Action Plan", which will, in addition, significantly accelerate the regulatory approval process for biosimilars.

All of these initiatives have the same ultimate aim, which is to improve the availability of medications and to achieve savings on drug expenditures. Towards this aim, biosimilars play a key role. According to calculations by the Rand Corporation, the U.S. healthcare system alone will be able, with the help of biosimilar drugs, to achieve savings of USD 54 billion dollars over the next decade. Other such estimates, such as that of U.S. pharmacy benefit manager Express Scripts, project even greater savings of up to USD 250 billion over a ten-year period.

Within Europe, which has led the way in biosimilars, the signs are likewise favorable. It was in Europe that the first substantive regulatory frameworks for biosimilars were developed, and the continent continues to show remarkable momentum in the approval of these new drugs. In the first half of 2018 alone, five new biosimilars received green light from the European Medicines Agency (EMA) – and as of the beginning of May, a further 16 biosimilar alternatives to four reference products were under examination for regulatory approval.

FORMYCON is working hard to develop high-quality biosimilars which will broaden patient access to vital drugs. Our goal is to make a significant contribution to improving patient care while helping healthcare systems to achieve their cost reduction goals.

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Together with our license partner, we reached an extremely important milestone in the first half of 2018: Our phase III clinical trials for FYB201, our biosimilar candidate to Lucentis®[1] (ranibizumab), reached its primary endpoint, successfully demonstrating comparable efficacy to the reference drug in patients with neovascular ("wet") age-related macular degeneration (nAMD). Reaction to this news was positive, not only in the specialist community but also beyond, including also in the financial markets. This milestone further underscores FORMYCON's pioneering role in the development of biosimilars for ophthalmology and attests to our company's ability to successfully develop high-quality biosimilar drugs.

In the meantime, the treatment cycle for the final patient in these phase III clinical trials has been completed. Together with our licensing partner, we are currently working with great intensity to prepare the required documents for submission to the U.S. Food and Drug Administration (FDA) and European Medicines Agency (EMA). In addition to the data package from the clinical trials demonstrating comparability, the other key components of this approval package are the documentation of the drug's technical development, the analytical demonstration of comparability to the reference drug, and the specification of the drug's commercial supply chain. Planning and implementation for supplying the market subsequent to approval is the responsibility of our license partner. Our shared objective remains the regulatory approval and market launch of FYB201 as the first approved biosimilar to reference product Lucentis® upon expiration of the reference drug's legal protection in the United States.

Our other two partnered projects – FYB202, a biosimilar candidate to Stelara®[2] (ustekinumab), and FYB203, a biosimilar to Eylea®[3] – are likewise proceeding apace. With the analytical phase and large parts of preclinical development now complete, we are, together with the respective development partners, preparing to initiate clinical trials.

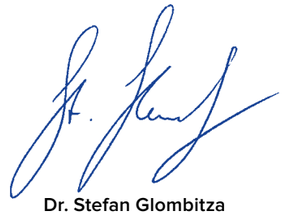
As to our company's business performance, FORMYCON continued to grow over the past six months. Revenues increased to EUR 24.59 million, an increase of EUR 16.49 over the same period in 2017, while operating income rose by EUR 11.11 million to end the six-month period at EUR 8.22 million. In line with our continued growth and staffing requirements, we have further increased our employees from 83 to 91. Our growth has been notably recognized by the Financial Times: In the renowned newspaper's FT1000 list of Europe's thousand fastest-growing companies, FORMYCON came in at #7 and was the only biotech company to make the top ten.

We are working relentlessly to improve our organization and to optimize our processes, both in the office and in the lab. Through these efforts, we are increasing our efficiency and consistently focusing our entire organization around our core competence, which is the development of high-quality biosimilar drugs.

The continuing growth of FORMYCON and the rapidly advancing progress of our biosimilar projects are positive developments also for our shareholders. Each milestone which we are able to achieve marks another step towards fulfilling the trust which you, our shareholders, have placed in us. And for this continued trust, we would like to take this opportunity once again to thank you.

Dr. Carsten Brockmeyer

Dr. Nicolas Combé



Dr. Stefan Glombitza

[1] Lucentis® is a registered trademark of Genentech Inc.
[2] Stelara® is a registered trademark of Johnson & Johnson
[3] Eylea® is a registered trademark of Regeneron Pharmaceuticals Inc.

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Unified Interim Management Report

I Basic Information about the Group

Business model

FORMYCON develops biosimilars, meaning follow-on products to biopharmaceuticals already on the market. The Company seeks to license out its biosimilar candidates once certain defined development milestones have been attained, or to further develop these through to regulatory approval in cooperation with development partners. In this, FORMYCON is able to cover the entire biopharmaceutical development chain from analysis and cell line development to preclinical studies and clinical trials, all the way through to preparation of regulatory approval documents, and thus is in a position, following such an out-licensing deal or partnership arrangement, to undertake portions of the remaining development work. The partner company generally assumes responsibility for subsequent production and product marketing.

As of June 30, 2018, FORMYCON was working on the following biosimilar projects:

- FYB201 is a biosimilar candidate for Lucentis®[1] (ranibizumab), an ophthalmic drug used in the treatment of neovascular ("wet") age-related macular degeneration (nAMD) and other serious eye diseases. As of midyear 2018, the project was in the final phase of global phase III clinical trials.

- FYB202 is a biosimilar candidate for Stelara®[2] (ustekinumab), a biopharmaceutical used in the treatment of certain serious inflammatory diseases, such as moderate to severe psoriasis, as well as for the treatment of Crohn's disease. As of the end of June 2018, FYB202 was in the advanced preclinical study phase.

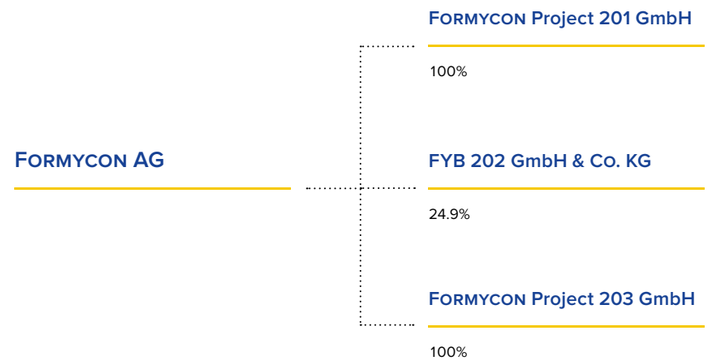
- FYB203 is a biosimilar candidate for Eylea®[3] (aflibercept). Like Lucentis®, Eylea® is used to treat neovascular age-related macular degeneration (nAMD) and other serious eye diseases. As of the end of June 2018, FYB203 was likewise in an advanced stage of preclinical development.

- FYB205 is a further development project about which FORMYCON has not yet announced any details. The rights to this project remain, as previously reported, entirely with FORMYCON.

FORMYCON Group is structured in accordance with this business model. The actual research and development is performed by FORMYCON AG, which conducts these activities not only for its own projects but also on behalf of affiliated companies, licensing partners and separately spun-off, product-specific subsidiaries, such as FORMYCON Project 201 GmbH and FORMYCON Project 203 GmbH. These subsidiaries are named in accordance with the respective biosimilar projects. FYB201 is out-licensed to Bioeq IP AG, while marketing rights to FYB203 are held by Santo Holding (Deutschland) GmbH. In addition, FORMYCON AG provides development services to FYB 202 Project GmbH, a subsidiary of FYB 202 GmbH & Co. KG, which holds the project rights to FYB202.

[1] Lucentis® is a registered trademark of Genentech Inc.
[2] Stelara® is a registered trademark of Johnson & Johnson
[3] Eylea® is a registered trademark of Regeneron Pharmaceuticals Inc.

The structure of FORMYCON Group is as follows:



FORMYCON Project 201 GmbH was the first such company to be spun off, during fiscal year 2014. This entity, along with now likewise FORMYCON Project 203 GmbH, have assumed all ongoing project activities for the two out-licensed biosimilar candidates, FYB201 and FYB203.

In addition, FORMYCON established a joint venture in December 2017 together with Aristo Pharma GmbH, a member of the Strüngmann Group, to further develop its biosimilar candidate FYB202. FORMYCON owns 24.9 percent of the joint venture company, named FYB 202 GmbH & Co. KG, with the remaining 75.1 percent held by Aristo. FORMYCON and Aristo will bear the remaining development costs and share the potential future income from the marketing of FYB202 according to their respective ownership shares.

The current focus of FORMYCON Group is on research and development activities for its own biosimilar projects. Business activities of the Group beyond this are not significant.

The market from which FORMYCON will derive its future revenues is the pharmaceutical market. Healthcare policy and regulation must thus be recognized as important external influence factors, particularly within the large and heavily regulated pharmaceutical markets.

II Report on Business Performance

General economic and industry conditions during the first half of 2018

Following the report of the German Federal Ministry for Economic Affairs that 2017 was the strongest year since 2011, the Ministry further concluded in the spring of 2018 that the German economy remains in a steady and broad-based upswing with a solid domestic foundation. It reported that, for this reason, capacities are well utilized, with stable consumer prices despite employment at record levels. For full year 2018, the Ministry estimated in its spring forecast that GDP would rise by 2.3 percent on a price-adjusted basis. For the year 2019, it predicts an increase of 2.1 percent.

However, against the backdrop of the growing trade conflicts between the U.S. and China as well as between the U.S. and Europe towards the end of the first half of 2018, both the German and global economies could lose momentum. According to a mid-year 2018 report by the Bank for International Settlements, there have been initial indications that, in the face of protectionist measures, business investment is being curtailed. In its annual analysis of the German economy in mid-2018, the International Monetary Fund (IMF) warned that "rising protectionist trends, geopolitical uncertainty, or a reassessment of sovereign risk in the euro area could lead to bouts of financial turbulence, negatively affect export prospects, and weigh on investment."

German economic sentiment did, in fact, post a small decline in June. According to a study by the the ifo Institute (Leibniz Institute for Economic Research at the University of Munich), the business climate index fell by 0.5 points to 101.8 points. June also marked the second month in which the German Institute for Economic Research (DIW Berlin)'s economic barometer saw a worsening.

In addition, the Bank for International Settlements, in its economic report in June 2018, identified other factors which could threaten the global upturn. According to the BIS, economies remain overly dependent upon monetary policy. Through zero or negative interest rates as well as asset purchase programs, the major central banks forced an economic and market upturn following the financial crisis which has been characterized by high valuations on the capital markets and extremely loose financing conditions. This could become a problem because the central banks lack the latitude to maneuver in the event of a new crisis. The central banks would therefore, in the view of the BIS, do well to press forward with their normalization of monetary policy.

According to the report of the BIS, it could also be problematic if the historically low yields on the world's key bond markets were to suddenly rise. This is a particular issue in the U.S. because, if inflation were to post an unexpectedly strong rise there, the U.S. Federal Reserve might need to tighten its monetary policy faster and more vigorously than financial market participants have been assuming, in which case U.S. bond yields could skyrocket, triggering a debt crisis. Because of the importance of the U.S. dollar as the world's primary currency for government and corporate loans, and alone because of the sheer size of the U.S. economy, the impact would be felt globally.

During the first quarter of 2018, global chemical and pharmaceutical production continued to grow thanks to continued strong demand from industrial customers. According to figures from the German Chemical Industry Association (VCI), the industry was able to increase output at the beginning of 2018, which rose by one percent compared to the previous quarter. Particularly in many Asian countries, production has been increasing dynamically. However, industry experts have also pointed out that risks have increased significantly in the face of U.S. protectionist threats and sanctions. Uncertainty has bending also compounded by the approach of Brexit and by political crises in several European countries.

As of mid-year 2018, it was not possible to foresee the extent to which the pharmaceutical industry would be affected by a general economic downturn. Typically, this industry is considered to be relatively non-cyclical, as patients require their medications in both good times and bad. In addition, there is a worldwide trend towards more effective therapies, which fundamentally favors the development of new drugs, particularly biopharmaceuticals. Further reinforcing this trend, attempts are being made around the globe to reduce costs in healthcare systems, which should likewise encourage the use of biosimilars. Of particular note, the Trump administration has signaled that it aims to more strongly promote the use of biosimilars within the United States.

Business development during the period

Business performance during the first six months of 2018 was in accordance with plan, for both FORMYCON Group and FORMYCON AG. The Group ended the period with consolidated net income of € 7,589K on consolidated revenue of € 24,591K. For the parent company only, period net income was € 7,699K on revenue of € 18,910K. Neither FORMYCON AG nor FORMYCON Group has any financial debt.

During the first half of 2018, FORMYCON was once again able to attain several important company milestones:

1 In April 2018, FORMYCON was ranked #7 in the Financial Times list of Europe's 1000 fastest growing companies.

2 In May, FORMYCON and its licensing partner Bioeq reached a key milestone: FYB201, the ranibizumab biosimilar candidate, demonstrated efficacy comparable to the reference product in phase III clinical trials.

3 Also in May, FORMYCON announced its financial results for 2017, posting full-year consolidated revenue of just over € 29 million compared to € 19.5 million in 2016, a year-to-year increase of 48 percent.

4 Following on these strong full-year results, FORMYCON in June likewise reported a successful first quarter of 2018. Both sales and earnings were significantly higher than during the same quarter in the prior year, with revenue rising from € 3.38 million to € 13.69 million and operating income for the quarter of € 6.67 million, compared to an operating loss of € 0.71 million in the prior-year quarter.

5 In June, the final patient was treated under the phase III clinical trials for FYB201.

FORMYCON continues to strategically position itself as a leading independent company in the development of high-quality biosimilar drugs, with a particular focus on the highly regulated markets of Europe and the United States. FORMYCON strives to be, and to remain in the future, a desirable partner for both major pharmaceutical corporations and producers of generic drugs.

Shares

Approx. 50 percent of the shares of FORMYCON AG continue to be held by family offices and institutional investors. A further approx. 20 percent are held by the Company's founders and management. The remaining approx. 30 percent are widely held. Since March 1, 2017, shares of FORMYCON AG have been listed in the Frankfurt Stock Exchange's "Scale" segment for small- to medium-sized companies. Moreover, since the launch of Deutsche Börse's new "Scale 30 Index" on February 7, 2018, FORMYCON shares have been included within this market index of the 30 most liquid shares within the Exchange's Scale segment.

In addition, FORMYCON has, since July 2016, been subject to the requirements of the Market Abuse Regulation (MAR), under which the Company is obligated to publicly release ad hoc announcements of information relevant to its share price, to report securities transactions by its executives (directors' dealings), and to maintain a registry of Company insiders. FORMYCON has implemented these requirements and, where necessary, integrated corresponding processes into its existing risk management system.

Shares of FORMYCON AG were quoted at a price of € 32.20 on December 29, 2017, the last trading day of the year, and at € 34.85 on June 29, 2018. This corresponds to increase in share price over the half-year period of more than eight percent.

Staff

Following significant increases in FORMYCON's workforce over the past several years in line with the company's overall growth, the number of employees once again rose during the first half of 2018. While the company had 83 employees at the start of the year, the number grew to 91 by the end of June, of whom 80 were working in research and development

Research and development

During the first half of 2018, as in previous years, the Group's business activities were limited to the research and development activities at the parent company level, primarily directed toward the research and development of biosimilar drugs. As to the specific biosimilar projects currently in R&D, reference is made to the above summaries. Out of the four development projects currently underway, three are licensed out or being developed together with cooperation partners. Only the FYB205 project is currently being pursued by FORMYCON alone.

As of the end of June, 80 employees worked in research and development. All R&D expenditures during the period were charged as current expense. No research and development expenditures were capitalized. Relevant patent applications have been filed, and product development activities are proceeding apace

Financial performance

The financial results herein are reported for the six-month period from January 1, 2018 to June 30, 2018. Because of rounding errors, it is possible that the figures cited do not precisely add up to the stated total, or that percentages do not precisely correspond to the absolute figures.

a. Results of operations

During the reporting period, FORMYCON Group generated consolidated revenue of € 24,591K, compared to € 8,098K in the first six months of 2017, resulting in consolidated net income for the period of € 7,589K. A significant portion of this was extraordinary revenue resulting from the rebooking of prior R&D expenditures, for prior fiscal years going back to 2013, which have now been assumed by our development partner.

Cost of materials rose to € 12,019K while consolidated gross profit increased from € 1,986K to € 13,515K.

During the first half of 2018, FORMYCON AG continued to drive forward with the development of its four biosimilar projects according to plan. As a result of the out-licensing deals for FYB201 signed in late 2013 and for FYB203 in 2015, the Company continued to post significant sales revenue. Under the terms of these deals, FORMYCON AG received ongoing payments for its product development services provided on behalf of the licensee.

As part of the creation of a more recent joint venture with Aristo Pharma GmbH, FORMYCON transferred its intellectual property rights in its FYB202 biosimilar project to the joint venture entities, FYB 202 GmbH & Co. KG and its subsidiary FYB 202 Project GmbH. FORMYCON received payment for this sale of rights, which had a positive impact on both revenue and earnings for the period. Total sales revenue for FORMYCON AG (parent only) was thus € 18,910K, resulting in period net loss of € 7,699K.

Based upon the favorable half-year results and minimum taxation applicable thereto, income tax expense of € 620K was recognized as of the reporting date. However, considering the Company's anticipated R&D expenses for the second half of the year, as well as allocated losses from FYB 202 GmbH & Co. KG, it is not expected that any actual income tax will be due.

b. Financial position

The financial position of both FORMYCON AG and FORMYCON Group remains stable, with key liquidity ratios significantly above average, as in prior years. Current assets totaled € 18,213K, compared to total current liabilities of € 3,296K. The Company did not have any bank loans or long-term loans during the period.

As of the period closing date, cash and equivalents amounted to € 4,147K, while marketable securities, also included in cash and liquid resources in the following Statements of Cash Flows, totaled € 6,973K. Return on sales (net income divided by sales revenue) for the period was 31%, while EBIT (operating profit) was € 8,225K and EBITDA (operating profit plus depreciation and amortization) was € 8,630K.

The Company did not have any financial debts. Its cash flows during the period are summarized in the following Statements of Cash Flows:

Consolidated Statement of Cash Flows

for the period from January 1, 2018 to June 30, 2018

	in €	June 30, 2018	June 30, 2017
	Period net income (loss)	**7,588,786.55**	**– 2,907,638.63**
+/–	Depreciation, amortization, write-downs (impairments) and write-ups of fixed assets	405,209.88	388,464.42
+/–	Additions to/subtractions from provisions	1,237,407.00	264,735.00
–/+	Changes to inventories and trade receivables, as well as other assets not included among investing and financing activities	1,118,368.20	4,273,241.66
+/–	Changes to trade payables, as well as other liabilities not included among investing and financing activities	2,550,200.05	– 1,290,284.95
–/+	Gain/loss resulting from disposals of fixed assets	479.25	8,370.78
+/–	Interest expense/interest income	16,263.97	19,586.61
=	**Cash flow from operating activities**	**12,916,714.90**	**756,474.89**
–	Amounts paid for investments in intangible assets	– 19,543.75	-.-
+	Amounts received from disposals of property, plant and equipment	-.-	342.02
–	Amounts paid for investments in property, plant and equipment	– 571,162.23	– 286,855.53
–	Amounts paid for investments in financial assets	– 15,973,000.00	-.-
+	Interest received	1,110.83 €	476.12 €
=	**Cash flow from investing activities**	**– 16,562,595.15**	**– 286,037.39**
–	Interest paid	– 17,374.80	– 20,062.73
=	**Cash flow from financing activities**	**– 17,374.80**	**– 20,062.73**
	Total changes in cash and liquid resources from cash flows	**– 3,663,255.05**	**450,374.77**
+	Cash and liquid resources at beginning of period	15,478,277.12	13,966,885.15
=	**Cash and liquid resources at end of period[1]**	**11,815,022.07**	**14,417,259.92**

[1] Cash and liquid resources includes not only cash and cash equivalents but also short-term liquid securities

c. Net assets

During the reporting period, the Group's equity capital ratio fell slightly to 79%, a level which was, as in prior years, above average. The decline in the ratio was due to growth in total assets resulting from business investment (FYB202). Non-current assets, which likewise rose as a result of investing activities, continued to be covered by equity capital, suggesting a healthy balance sheet structure.

The Company's current assets consist almost completely of cash and marketable, highly liquid securities and thus involve negligible risks.

Financial and non-financial performance indicators

Because FORMYCON remains in the product development phase, the informative value of customary financial indicators is necessarily limited. The performance indicators of importance to the Group are those which measure its long-term, sustainable financial strength.

Working capital, measured as the difference between current assets and current liabilities, amounted to € 9,027K as of the period closing date. Cash flow (calculated as period net income + depreciation and amortization + changes in long-term provisions) for the period was € 7,994K, in line with Company plan. Cash outflow from investing activities of –€ 16,562, resulting substantially from the Company's investment into the FYB 202 GmbH & Co. KG project vehicle, exceed the Company's generated cash flow.

Return on equity for the period was 23%, while return on total capital was, because of the high equity capitalization, likewise 23%. With respect to non-financial indicators, reference is made to the above report on research and development.

FORMYCON undertakes development for selected clients who see themselves as partners of FORMYCON. Because of the small number of relationship clients, this implies a low conflict potential. In its business activities, the Company has been able to attain high levels of customer satisfaction. The Company's staff works primarily in research and development. Staff turnover is low, likewise demonstrating the high general level of employee satisfaction.

III Report on Subsequent Events

Since the end of the reporting period, there have been no subsequent events at FORMYCON of accounting significance.

IV Report on Outlook

During the years 2012 through 2015, FORMYCON successfully passed through the first phase of its business development, successfully completing its capitalization, the initiation of multiple biosimilar R&D projects and out-licensing deals for two biosimilar candidates. With, in particular, the completion of phase III clinical trials for FYB201 (ranibizumab), the signing of an out-licensing agreement for FYB203 (aflibercept), and the transfer of FYB202 (ustekinumab) into a joint venture with Aristo Pharma GmbH, FORMYCON has put into place a sound foundation for its continued growth.

Meanwhile, the Company has already entered its next phase of its development, which is execution. Its focus is now on the consistent implementation of its strategy, on the operational optimization of processes and structures, and on further and ongoing expansion to its product pipeline. In addition, the Company intends to launch additional biosimilar development projects, either for subsequent out-licensing or for onward development on an increasingly self-sufficient basis.

With its strong financial foundation and range of services and capabilities, the Group enjoys a strong market position, and its biosimilar projects are moving forward with great promise. Provided that development remains on track, the market entry of FYB201 is anticipated in the U.S. in the year 2020 and in Europe in 2022.

As in prior years, FORMYCON will continue to invest a major part of its resources into the development of its biosimilars.

The Company anticipates full-year 2018 revenue of approx. € 35 million, well above the level of 2017. This revenue results from remuneration received for the Company's development activities for its out-licensed projects FYB201 and FYB203 as well as for the jointly developed project FYB202. The credit for the investments in the FYB202 project from 2013 to 2016 resulted in a non-recurring increase to revenues and earnings in the amount of € 8.47 million which was non-cash, i.e. without any corresponding cash inflow. FORMYCON expects to report significantly positive full-year earnings.

Following the significant increases in staffing levels over the past years, FORMYCON anticipates a further modest rise in the number of staff during 2018. This should likewise lead to a moderate increase in staff expenses.

Looking ahead to 2019, the Company expects that its business will remain stable, with balanced results for its out-licensed products. In the absence of any capitalization of internally generated intangible assets, our own R&D activities will continue to be recognized as current expense and thus operate at a loss.

V Report on Opportunities and Risks

Opportunities

FORMYCON takes an optimistic view of future growth in the healthcare sector, which is decisively important to the Company, for the following reasons:

- Advances in medical technology – in particular, powerful biopharmaceuticals – has, in recent years, enabled the treatment of diseases that were considered untreatable or only poorly treatable even just ten to 20 years ago. Because of the intensity of medical research, notably in the field of genetic technology, these advances will continue in the coming years and decades.

- Because of demographic trends, there is an ever increasing number of seniors who require extensive medical care. Moreover, the life expectancy of the population as a whole is increasing, so that their medical treatment, in particular with pharmaceuticals, is often possible or necessary over a significantly longer period of time.

- The need for sustained reductions in healthcare costs, particularly in the area of pharmaceutical outlays, is increasing. Most importantly, this pressing need has now reached the highest political levels. In May 2018, for example, U.S. President Donald Trump announced plans to significantly reduce spending on prescription drugs. Biosimilars should play a major role in helping to achieve this objective.

- Out of the total of 80 monoclonal antibodies currently approved in the U.S., and 73 in Europe, 17 will lose their patent protection by 2020. A further 72 such drugs will run off patent in the years following 2020, thereby opening up a significant market.

- FORMYCON established its position in the highly promising market for biosimilars development at an early stage and, with its comprehensive expertise, is able to exploit the potential of this fast-growing market. FORMYCON's business model is scalable. The continued growth of both the market environment and the Company itself shows that FORMYCON is on the right path with its strategy.

Opportunities for further growth lie in the expansion of the product portfolio, in the out-licensing of product candidates, and in strategic collaborations to jointly develop biosimilar projects or further expand the Company's value creation chain.

In positioning itself against competitors, FORMYCON continues to rely upon the experience and expertise of its staff, the innovations which they are able to achieve, the reliability of the scientific procedures which it uses in its development work, the reliability and consistency of its partners, and the high standards of quality and scientific expertise in the selection of its service providers and consultants.

Biosimilars have the advantage over their reference products of considerably more cost-effective development because of procedures which are, for the most part, already scientifically proven and development processes which are largely well established. At the same time, the level of competition in the area of biosimilar development is modest compared to the market for conventional generic drugs due to the comparatively high barriers to market entry, in particular the complexity of producing biopharmaceuticals and the specialized expertise required. Because the similarity and comparability of a biosimilar to its reference product must already be demonstrated in preclinical studies, the likelihood that the development of the biosimilar will fail in one of the subsequent clinical phases is generally far lower than in the case of innovative biopharmaceuticals.

In addition to taking share in existing markets where their reference products are already being sold, biosimilars may, because of their lower price, be able to open new markets where the more expensive reference products are not currently available.

Risks

Principles

FORMYCON, one of the few independent developers of biosimilars, operates in a global market with many different participants and influencers. Business success is determined by the identification of profit opportunities, along with the best possible assessment of the many and varied risks associated with these. In order to ensure that this happens, the entire staff of FORMYCON, up to and including the Executive Board, must adhere to the Company's established risk management system, thereby aiming to ensure that that these risks are handled optimally while at the same time providing the necessary entrepreneurial and operational flexibility. Regular reviews of this system further ensure that it is constantly improved and that, as circumstances change, changes are likewise made to the system promptly and in accordance with evolving needs.

Towards this end, individual risks are identified across all relevant business areas and projects and are categorized according to the probability of occurrence as well as to their potential harmfulness. Where changes in these individual risks occur, or structural changes, these are then reevaluated through periodic reviews.

This process aims to ensure that the Company steers clear of such risks to the extent possible, or if they arise, that their consequences are managed as effectively and expeditiously as possible.

Strategic risks

Compared to the development of an entirely new biopharmaceutical, the financial investment required for the development of a biosimilar drug is considerably less. Nevertheless, the development costs of a biosimilar may be in the range of USD 100 to 150 million, requiring several years of cost-intensive clinical studies to demonstrate its comparability to the reference product.

The prospects for success are largely determined by the selection of biosimilar candidates in the development portfolio. With its FYB201 and FYB203 projects, FORMYCON is focusing on ophthalmic preparations, while its FYB202 project is targeted at immunological disorders. The intended therapeutic application of the company's latest development project, FYB205, has not yet been announced.

The future size and growth trajectory of these markets may be derived from existing sales statistics for the respective reference products. Declining sales of a reference product could, however, result in a potential future market size for a biosimilar under development which is significantly smaller than originally assumed. This could, in the worst case, lead to future product sales inadequate to make the biosimilar development effort profitable. At present, FORMYCON is developing biosimilars to compete with three of the world's best-selling biopharmaceuticals set to lose their patent protection following the year 2020, so that – provided that their development is successful and market launches are within the planned timeframes – the profitability of the projects would seem assured.

Through its established out-licensing partnerships and, more recently, its joint venture with Aristo Pharma, FORMYCON has the benefit of reliable partners with great expertise, who have already been working closely with FORMYCON for years. While the potential unplanned termination of such a partnership constitutes a significant strategic risk as a matter of principle, this risk is viewed as minimal.

Industry and market risks

From the standpoint of FORMYCON, conditions in the healthcare sector have remained favorable. Moreover, advances in medical technology have been enabling the treatment of diseases which a few decades or even years ago were regarded as untreatable or only poorly treatable. These advances are likely to continue.

Demographic trends around the globe are also playing a key role as populations continue to age and live longer. Older people require more extensive medical care, regardless of economic cycles and consumer purchasing power.

Biosimilar drugs, however, face special challenges compared to traditional generic drugs. This relatively new class of medications has not yet established itself in all markets, meaning that doctors, patients and insurers in many regions must become familiar with biosimilars and their use in clinical practice. Therefore, compared to traditional generics, not only development and production costs but also marketing costs for biosimilars could be significantly greater.

Financial controls

Through its internal control system, FORMYCON ensures the correctness of its accounts and accounting processes, including the correctness and reliability of its financial reporting as this appears in its consolidated financial statements and group management report. In this, FORMYCON relies upon the standards established by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW) for accounting-related internal control systems and risk management systems.

Environmental, health and workplace safety

Workplace safety and health, as well as the protection of employees and the environment, is a top priority for FORMYCON. FORMYCON therefore places great importance not only on the fulfillment of statutory and regulatory requirements but also on the regular training and further qualification of all of its staff in the relevant aspects of workplace safety. In addition to our biological safety officer, our designated project manager as required under the German Genetic Engineering Act (Gentechnikgesetz) and our trained safety specialist, FORMYCON has designated several other experienced employees with specific responsibilities in the area of workplace safety and protection. A company doctor regularly conducts preventive examinations and advises employees and senior management on medical matters. FORMYCON holds all permits and approvals required for its operations. Compliance with all regulatory requirements regarded safety and the protection of employees and the environment is monitored internally on an ongoing basis.

Financing and liquidity risks

FORMYCON's liquidity situation and equity capitalization is stable, and the Company's liquidity position is particularly strong for a company whose products are still in the development stage.

Irrespective of this, conditions within the Company's operating business may change, giving rise to financial risks. As none of the Company's product candidates has yet obtained regulatory approval, it cannot be ruled out that one or more such approvals could come later than anticipated, or that the scope of approval could be different than planned, or that approval could be denied. Moreover, the required financial outlays for product development, regulatory approval and market launch could substantially exceed planned budgets. There is also the possibility that future license income, even subsequent to regulatory approval, could be less than anticipated.

In order to mitigate such financial risks in its ongoing operating business, FORMYCON undertakes highly detailed and long-term planning, drawing also on outside expertise. The financial risks of project development, which FORMYCON bears entirely by itself during the initial development phase, have been significantly reduced in the case of the FYB201 and FYB203 projects through the successful out-licensing deals and in the case of FYB202 through the establishment of a joint venture partnership.

The possibility cannot be excluded, however, that such one or more development partnerships could be terminated for reasons not under FORMYCON's control. Such an event could have a material adverse impact on the Company's profit and loss accounts as well as on its financial planning. At the present time, FORMYCON assesses this risk as very low.

FORMYCON will continue to fund its future development pipeline projects from its own financial resources, with the aim of moving these into attractive partnership arrangements starting from a certain product development stage.

Risks to the Company's future financial performance could arise from the general economic environment, in which potential bank insolvencies cannot be ruled out. FORMYCON invests its liquid assets exclusively with financial institutions with strong and stable ratings and which can be regarded as relatively safe in the event of a financial crisis.

With its strong financial footing, FORMYCON is well positioned to overcome future risks as these may arise. The Company's existing financial resources should be sufficient to cover its short- to medium-term capital needs. This, however, cannot be used to infer any sort of assurance as to the availability of long-term financial resources.

There are, at present, no identifiable fundamental risks which would jeopardize the Company's continued existence.

Organizational risks

FORMYCON's operating activities depend upon the proper functioning of its laboratories and IT infrastructure. Various risks can be identified which might impair or interrupt the availability of these critical resources, temporarily or even over an extended period. To the extent possible, the financial risks which might result from such events are insured. In addition, FORMYCON employs state-of-the-art security technology to eliminate or mitigate such risks – for example, relating to cyberattacks or data loss. The Company also regularly conducts maintenance and inspections of its critical equipment.

Patent risks

Legal disputes with competitors over intellectual property rights cannot be excluded. The avoidance of infringements upon intellectual property rights, or the defense against charges of such infringements, can pose a considerable financial burden. Particularly in the U.S., such legal actions generally involve high costs. In the worst case, such a dispute could result in restrictions on, or even the prohibition of, the marketing of one or more products on one or more relevant markets, and/or the imposition of sizable fines. Such a legal action could also make it necessary to cease the development, launch, or ongoing marketing of one or more products.

Staff risks

The expertise and many years of experience of its employees are key pillars of FORMYCON's success. In particular, the development of a biosimilar drug, from early-stage analysis through to regulatory approval, requires highly qualified specialists.

Over recent years, FORMYCON has recruited numerous new staff members, many of them highly qualified scientists and managers. This demonstrates that the Company is a highly attractive employer, able to successfully fill these critical positions, even in a tight labor market. Staff turnover is likewise low. The loss of key staff would constitute a significant risk. To keep this risk as low as possible, the Company has implemented a number of staff motivation and retention initiatives.

Risks associated with product development

The quality, comparability, efficacy and safety of a biosimilar drug must be comprehensively demonstrated to the regulatory authorities through analytical and preclinical studies along with clinical trials. Both the planning and implementation of any individual stage of product development could potentially entail delays which are generally not predictable and which, in turn, would result in higher costs. There is, moreover, the risk that final regulatory approval of a biosimilar candidate might take longer than planned, or that the drug might not be approved at all.

With this in mind, FORMYCON plans all steps of product development with the greatest possible care and with time allowances for delays that might arise. Preclinical and clinical studies as well as the extensive program of analytical characterization take place in close consultation with the respective authorities and with assistance and expert advice from outside specialists. Notwithstanding this, the precise results or outcome of any such study cannot be predicted in advance. It therefore cannot be ruled out that particular stages of a product development program might need to be repeated, that one or more such studies might not reach successful conclusion, or that a development program might fail in its entirety.

Within the scope of the Company's development activities, the production of active ingredients and finished products by third-party producers represents a substantial component. It should be specifically noted here, in the context of risks that might arise, that such production capacities must typically be planned and arranged with lead times of one to two years and that, for this reason, short-term changes to the project cycle could result in additional waiting periods along with substantial cancellation fees. Another risk is that such outside partners might not be able to comply with the stringent regulatory requirements which apply to gaining regulatory approval of a biosimilar drug. Should such an event arise, regulatory approval could be delayed or completely denied. In addition, difficulties arising in the recruitment of patients for clinical trials may also affect the profitability of a drug development project.

The possibility likewise cannot be excluded that external partners might not be able to fulfill the tasks assigned to them within the agreed timeframes or to the agreed quality standards.

Because all of the Company's projects are currently in various stages of development, risks involved with manufacture and marketing are not yet relevant.

Legal risks

FORMYCON does business in an international environment and in highly regulated markets. There is thus the possibility that FORMYCON could be drawn into legal disputes which might even be unjustified or frivolous, based upon patent law, competitive or antitrust law, tax law or environmental law, or arising from contractual claims. The possibility cannot be excluded that such legal actions might, whether through court judgements, binding arbitration or regulatory or other official decisions, result in financial burdens which are not covered by insurance or only partially insured. At the present time, no such legal disputes or proceedings are identifiable.

Additional risks arise from the Company's compliance obligations. Actions or inactions by the Company could, for example, be legally contested, inadequate or untimely financial communications could result in fines, or improperly conducted shareholder meetings or shareholder resolutions could be disputed. With these risks in mind, FORMYCON assesses and monitors all of its relevant processes, procedures and decisions from a legal standpoint, using in house and/or outside expertise as necessary.

Regulatory risks

The requirements and conditions for the regulatory approval of drugs by the relevant authorities are subject to constant change. The risk cannot be excluded that these authorities might change the regulatory requirements in such a way as to impede, or even entirely preclude, the regulatory approval required for a biosimilar to reach market. Moreover, a political and policy trend towards increasing restrictions on "off-label use" of prescribed drugs, particularly in the European Union, might significantly curtail future market opportunities which would otherwise arise from the use of biosimilars in such indications.

Competitive risks

The current aim of FORMYCON is to launch its products, through its respective partners, upon expiry of patent protection on the reference product in the respective market. In each such market, FORMYCON must compete not only with the manufacturer of the reference drug but also with other biosimilar developers. The competition situation in each specific case will depend upon the pricing of the reference product as well as the pricing of any new competitors in the market. It is, in addition, possible that the manufacturer of the reference product might sign long-term price discount contracts and/or reduce its pricing upon patent expiry in order to retain market share. This would improve its defensive competitive position against a new biosimilar entry and make it more difficult for the biosimilar to take share.

Through the experience and expertise of its staff and its strategic partners, the strategic positioning of its product development portfolio, and its strong financial footing, FORMYCON strives to face these competitive challenges. Nevertheless, it cannot be excluded that competitors might, in an unexpected or unpredictable way, find themselves in an advantageous competitive position relative to, and to the detriment of, FORMYCON.

Summary assessment of risks

Even if the risks involved for FORMYCON are less than those in the development of original biotechnology-based drugs, there are, in the biosimilars development business, the same fundamental risks that one or several projects could fail, either partially or completely, for a range of different scientific, technical, regulatory, economic and other reasons.

In particular areas, FORMYCON must necessarily rely upon key outside partners and providers. Risks could thus potentially also arise within areas over which FORMYCON has no direct control.

It must, moreover, be fundamentally recognized that the Company faces not only various known and identifiable risks but also unknown risks and uncertainties. These include, but are not limited to, risks associated with research and development, the regulatory approval process, the workings of regulatory and other authorities, the results of clinical trials, changes in laws and regulations, product quality, patient safety and patent disputes. With regards to projects in its pipeline, FORMYCON AG provides no representations, warranties or other guarantees that these will receive the regulatory or other related approvals within the timeframes required for market entry, or that these will be profitable and/or successful.

Overall assessment

Compared to the previous year, there has been no fundamental change in the risks facing the Company. At present, no risks can be identified which might endanger the Company's continued existence. Through the use of internal control mechanisms, the Company is in a position to identify changes in its risk exposure at an early stage and to take appropriate action. Furthermore, in view of its financial stability, the Company is well equipped to deal with potential future risks.

VI Report on Risks Relating to the Use of Financial Instruments

The financial instruments currently used by FORMYCON Group to any significant extent are receivables, liabilities and bank balances. Liabilities are settled within the stipulated period. Potential currency risks, which could have a negative effect on the Group's asset situation, financial position and profitability, are mitigated through ongoing monitoring of existing foreign-currency positions.

The Group's most significant foreign-currency exposure arises from purchases of third-party services in Swiss francs (CHF) and U.S. dollars, which are paid promptly in order to minimize currency risks.

FORMYCON's risk management policy is fundamentally to protect against financial risks of all kinds. In managing its financial position, the Group follows a conservative risk policy. To the extent that payment default or other credit risks are identifiable with regard to financial assets, these risks are reflected through value adjustments.

No risks are foreseen which might endanger the Company as a going concern.

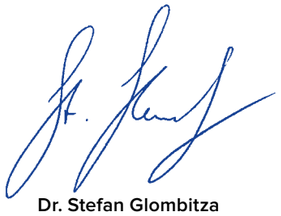
VII Report on branches

The Company does not currently maintain any branches.

Martinsried/Planegg,
Germany, July 20, 2018

Dr. Carsten Brockmeyer

Dr. Nicolas Combé



Dr. Stefan Glombitza

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FORMYCON Group
Consolidated Interim Financial Statements

Consolidated Interim Balance Sheet – Assets

as of June 30, 2018

in €	June 30, 2018	Dec. 31, 2017
A. Fixed assets		
I. Intangible assets		
1. Purchased concessions, industrial property rights, and similar rights and assets, as well as licenses for such rights and assets	107,557.87	109,395.90
2. Goodwill	669,885.00	748,695.00
	777,442.87	**858,090.90**
II. Property, plant and equipment		
1. Land and buildings, including property-like rights and buildings on third-party land	104,221.53	134,484.48
2. Technical equipment and machinery	2,971,438.57	2,678,355.60
3. Other plant, production equipment and office equipment	445,246.53	442,401.67
4. Advance payments and plant under construction	0.00	0.00
	3,520,906.63	**3,255,241.75**
III. Financial assets		
1. Investment participations	15,973,249.00	249.00
	15,973,249.00	**249.00**
B. Current assets		
I. Inventories		
1. Raw materials, consumables and supplies	151,230.00	149,359.85
2. Unfinished products and services	1,244,300.00	428,500.00
3. Advance payments	182,224.13	0.00
	1,577,754.13	**577,859.85**
II. Receivables and other assets		
1. Trade accounts receivable	8,417,895.15	10,519,237.84
2. Other assets	27,715.50	55,967.82
	8,445,610.65	**10,575,205.66**
III. Securities		
1. Other securities	6,973,059.81	10,973,553.73
	6,973,059.81	**10,973,553.73**
IV. Cash and cash equivalents	**4,841,962.26**	**4,504,723.39**
C. Prepaid expenses	**94,002.16**	**82,669.63**
	42,203,987.51	**30,827,593.91**

Consolidated Interim Balance Sheet – Liabilities and Equity

in €	June 30, 2018	Dec. 31, 2017
A. Equity		
I. Subscribed capital[1]	9,343,853.00	9,343,853.00
II. Capital reserve	35,032,791.84	35,032,791.84
III. Loss carryforward	– 18,833,134.55	– 17,251,750.93
IV. Annual net income (loss)	7,588,786.55	– 1,581,383.62
	33,132,296.84	**25,543,510.29**
B. Provisions		
1. Tax provisions	620,000.00	0.00
2. Other provisions	1,892,793.00	1,275,386.00
	2,512,793.00	**1,275,386.00**
C. Liabilities		
1. Liabilities toward banks	0.00	789.85
of which due within one year € 0.00 (prior year: € 789.85)		
2. Trade accounts payable	4,723,252.99	1,767,156.09
of which due within one year € 4,723,252.99 (prior year: € 1,767,156.09)		
3. Other liabilities	1,832,821.06	2,236,986.90
of which due within one year € 1,209,506.96 (prior year: € 1,667,008.83)		
of which from taxes € 825,264.44 (prior year: € 1,335,964.69)		
of which relating to social security € 0.00 (prior year: € 260.00)		
	6,556,074.05	**4,004,932.84**
D. Deferred income	**2,823.62**	**3,764.78**
	42,203,987.51	**30,827,593.91**

[1] Conditional Capital (1): € 100,250.00
Conditional Capital (2): € 715,260.00

Consolidated Interim Income Statement

for the period from January 1, 2018 to June 30, 2018

	in €		June 30, 2018	June 30, 2017
1.	Sales revenue		24,591,102.77	8,098,311.17
2.	Increase or decrease in inventory of finished and unfinished products		815,800.00	0.00
	Total revenue		**25,406,902.77**	**8,098,311.17**
3.	Other operating income		126,505.14	35,669.39
	of which income attributable to foreign currency translation € 60,331.58 (prior year: € 21,420.50)			
4.	Cost of materials			
	a. Cost of raw materials, consumables and supplies and of purchased goods	1,029,526.76		661,065.46
	b. Cost of purchased services	10,989,279.99		5,487,100.63
			12,018,806.75	6,148,166.09
	Gross profit		**13,514,601.16**	**1,985,814.47**
5.	Staff expenses			
	a. Wages and salaries	3,016,869.22		2,711,529.83
	b. b) Social contributions and costs for retirement benefits and for support benefits	515,405.05		439,990.20
	of which for retirement benefits € 51,133.72 (prior year: € 52,757.76)			
			3,532,274.27	3,151,520.03
6.	Depreciation and amortization			
	of intangible assets and on property, plant and equipment		405,209.88	388,464.42
7.	Other operating expenses		1,351,760.58	1,333,372.04
	of which expenses attributable to foreign currency translation € 40,116.71 (prior year: € 15,059.47)			
	Operating income		**8,225,356.43**	**–2,887,542.02**
8.	Other interest and similar income		1,110.83	476.12
9.	Interest and similar expense		17,374.80	20,062.73
10.	Taxes on income		620,000.00	0.00
	After-tax earnings		**7,589,092.46**	**–2,907,128.63**
11.	Other taxes		305.91	510.00
12.	**Period net income (loss)**		**7,588,786.55**	**–2,907,638.63**

Notes to the Consolidated Interim Financial Statements for the Period from January 1, 2018 to June 30, 2018

General information about the Company

FORMYCON AG has its registered offices in Martinsried/Planegg, Germany, and is entered into the commercial register (Handelsregister) of the District Court of Munich under number HRB 200801.

General information about the content and structure of these Consolidated Interim Financial Statements

Items in the consolidated balance sheet and consolidated income statement for which there is no reportable amount either in the current fiscal year or the prior year are omitted as provided under sec. 298 para. 1 and sec. 265 para. 8 of the German Commercial Code (Handelsgesetzbuch, HGB).

The Consolidated Financial Statements and Group Management Report, presented here in translation from the German original, have been prepared in accordance with the legal provisions of the Commercial Code as well as the applicable sections of the German Stock Corporation Act (Aktiengesetz, AktG).

The Consolidated Financial Statements have been prepared in accordance with the principles of accounting and valuation prescribed for large corporations under the Commercial Code, in particular sections 297 and 298.

The Consolidated Balance Sheet uses the presentation structure required by sec. 298 par. 1 and sec. 266 para. 2 and 3 of the Commercial Code.

The Consolidated Income Statement retains the total expenditure format, as used in prior years, and in accordance with sec. 298 para. 1 and sec. 275 para. 2 of the Commercial Code. This format is appropriate to the Group's structure.

Fiscal year and period of consolidation

These Consolidated Interim Financial Statements have been prepared as of June 30, 2018, which is the balance sheet closing date for FORMYCON AG, the parent company.

These Consolidated Interim Financial Statements are based upon the duly attested financial statements of the individual consolidated companies, the fiscal years of which likewise end on the same date.

Scope of consolidation

These Consolidated Financial Statements include, in addition to FORMYCON AG, two other companies in which FORMYCON AG has a direct or indirect controlling interest.

An overview of these shareholdings and of the scope of consolidation may be found in the subsequent section of these Notes ("Shareholdings").

Principles of consolidation

For subsidiaries which are fully consolidated into the Consolidated Financial Statements (per sec. 301 of the Commercial Code), capital is consolidated in accordance with the revaluation method, under which assets and liabilities are stated at their full present value and the acquired cost of the shareholding offset against the owned percentage share of the present value of the subsidiary's equity at the time of its acquisition. Should this difference be positive, i.e. an asset, it is carried as goodwill. Should this difference be negative, i.e. a liability, it is shown as an excess resulting from capital consolidation. Such items were not required.

Sales revenue, expenses and earnings, as well as receivables and liabilities, between fully consolidated companies are eliminated in accordance with sec. 303 and sec. 305 of the Commercial Code.

The elimination of intermediate results in accordance with sec. 304 para. 2 of the Commercial Code was not necessary because the influence of intracompany sales of goods and services was of minimal importance for the presentation of a true and fair view of the Group's net assets, earnings and financial position.

In the procedures for consolidation, deferred tax items were taken into account in accordance with sec. 306 of the Commercial Code, with the resulting effect on reported net income, so long as the difference in tax expense is expected to be reversed in subsequent fiscal years.

Foreign currency translation

In preparing these Consolidated Financial Statements, there were no consolidated companies with accounts in other currencies.

The remaining term of liabilities, along with their collateralization through liens or similar rights, as well as their relationship to other balance sheet items, is shown in the Consolidated Schedule of Liabilities included as Attachment 3 to these Notes.

Derivatives

The Group did not hold any derivative financial instruments as of June 30, 2018

Principles of balance sheet presentation and valuation

The balance sheet includes all assets, all liabilities and all prepaid and deferred items. Assets and liabilities are valued individually. The valuation of assets and liabilities takes all risks into account which are identifiable based on the principles of prudent business judgment.

Fixed assets

Purchased **intangible assets** (including software) are capitalized and amortized based upon expected useful life. Purchased software for which the individual cost of acquisition does not exceed EUR 800.00 may, in following the relevant tax accounting regulations ("trivial programs" pser German Income Tax Guideline 5.5 para. 1 sentences 2 and 3), be treated as chattel.

The Group has not made any use of its elective right under sec. 248 para. 2 of the Commercial Code to capitalize self-produced intangible assets.

Previously existing goodwill continues to be amortized on a linear pro rata basis over a business-customary useful life of ten years (under the continuity principle).

The long useful life was chosen because this goodwill represents, among other factors, licensing opportunities over long periods. The remaining useful life is approx. four years.

Property, plant and equipment are valued at their cost of acquisition, less accumulated depreciation. The depreciation of all moveable assets is linear, with depreciation in the year of acquisition on a pro rata basis.

Low-value fixed assets with an individual acquisition cost of up to EUR 150.00 are expensed in full in their year of acquisition.

Low-value fixed assets with an individual acquisition cost of between EUR 150.00 and EUR 800.00 are depreciated in full in their year of acquisition.

Financial assets are stated at their cost of acquisition, or should there be an impairment in value, regardless of whether it is expected to be permanent or temporary, written down to the lower fair value.

Inventories are valued at their rolling moving average prices. Both finish and unfinished good are valued at their cost of production in accordance with sec. 255 para. 2 sentence 2 of the Commercial Code.

All recognizable risks to inventory arising from such factors as extended inventory holding periods or diminished usability are reflected through appropriate write-downs.

Current assets

Raw materials, consumables and supplies as well as purchased goods in **inventories** are valued at their average cost of acquisition, insofar as a write-down to a lower value as of the balance sheet closing date is not required. Finished and unfinished products are valued at their cost of production.

Receivables and other assets are stated at the lower of their nominal value or other fair value. In the case of doubtful accounts, provisions are taken against individual accounts.

Securities are stated at their cost of acquisition, insofar as their fair market value as of the balance sheet closing date does not require a lower valuation.

Cash and cash equivalents are stated at their nominal value.

Prepaid and deferred items are posted in accordance with sec. 298 para. 1 and sec. 250 of the Commercial Code.

Provisions

Other provisions are stated at the amount required for their fulfillment using prudent business judgment, and considering future increases in prices and costs at the time of their fulfillment. Provisions due after more than one year are discounted from the time of their expected fulfillment at the average market interest rate over the past seven fiscal years as published by the Deutsche Bundesbank.

Tax provisions are determined according to the principles of prudent business judgment.

Liabilities

Liabilities are stated at the amount required for their fulfillment.

Additional notes to the Consolidated Interim Balance Sheet

The names of other companies in which shares are held as well as the amount of these shareholdings are listed in the subsequent section of these Notes (“Shareholdings”).

A schedule of changes in consolidated **fixed assets**, including depreciation and amortization taken in the current fiscal year, is provided in Attachment 1 to these Notes.

Other provisions are comprised of the following:

Information on other provisions

per sec. 285 no. 12 of the Commercial Code

in €	Current year
Bonuses	311,167.00
Unpaid invoices	1,274,560.00
Accrued vacation	200,866.00
Safekeeping obligations	52,500.00
Audit and advisory costs	36,300.00
Occupational cooperative and other social expenses	17,400.00

The remaining term of **liabilities**, along with their collateralization through liens or similar rights, as well as their relationship to other balance sheet items, is shown in the Consolidated Schedule of Liabilities included as Attachment 3 to these Notes.

The changes to the Company’s consolidated equity are presented in the Consolidated Schedule of Changes in Equity provided as Attachment 6.

Additional notes to the Consolidated Interim Income Statement

Sales revenue may be broken down as follows:

Information on sales revenue

per sec. 314 para. 1 no. 3 of the Commercial Code

in €	Current year
Sales revenue from development services	16,118,102.77
Sales revenue from transfer of FYB202	8,473,000.00
Total	**24,591,102.77**

Other operating income includes income attributable to foreign currency translation in the amount of € 60,331.58 (prior year: € 21K).

Staff expenses include costs for retirement contributions in the amount of € 51,133.72 (prior year: € 52K).

Other operating expenses include expenses attributable to foreign currency translation in the amount of € 40,116.71 (prior year: € 15K).

Information on governing bodies

Information on members of the Executive Board and Supervisory Board per sec. 314 para. 1 no. 6 of the Commercial Code:

Members of the Executive Board:

- **Dr. Carsten Brockmeyer,** residing in Marzling, CEO
- **Dr. Nicolas Combé**, residing in Munich, CFO
- **Dr. Stefan Glombitza**, residing in Holzkirchen, COO

Members of the Supervisory Board:

- **Dr. Olaf Stiller**: residing in Marburg (Chairman), member of the executive board of Paedi Protect AG
- **Hermann Vogt**: residing in Dieburg (Deputy Chairman), independent management advisor and financial advisor
- **Peter Wendeln**: residing in Oldenburg, managing partner of Wendeln & Cie. Asset Management GmbH

Remuneration

During the reporting period, the members of the Supervisory Board received total remuneration of € 16,500.00, while total remuneration to members of the Executive Board was € 599,999.98.

The following members of the Supervisory Board are members of other supervisory boards:

- **Dr. Olaf Stiller**, Marburg: Bodenwert Immobilien AG, Nano Repro AG
- **Hermann Vogt**, Dieburg: Cumerius AG

Number of staff

Sec. 314 para. 1 no. 4 of the Commercial Code requires the following information regarding the average **number of staff** during the fiscal year:

	Current year
Administration	8
Research and development	77
Total company staff	**85**

Shareholdings

	Share of capital (in %)	Equity (in €)	Period net income (in €)
FORMYCON PROJECT 201 GMBH	100	−55,115.02	−51,617.03
FORMYCON Project 203 GmbH	100	−1,688,079.16	−58,711.94
FYB 202 GMBH & Co. KG	24.9	Interim results not available	Interim results not available

Other financial obligations

The total amount of other financial obligations, within the meaning of sec. 285 sentence 1 no. 3a of the Commercial Code, results from the following long-term contractual obligations:

	Current year (in €)	Total amount (in €)
Property rental	416,043.24	1,787,671.07
Vehicle leases	53,597.76	82,965.40
Other rental agreements	49,567.44	110,279.36

Information required per sec. 160 of the Stock Corporation Act

Number of shares outstanding

The Company has registered capital (Grundkapital) of € 9,343,853.00, which is divided into 9,343,853 bearer shares without par value.

Approved capital

By resolution of the annual shareholders' meeting of June 30, 2015, the Executive Board is authorized, subject to the approval of the Supervisory Board, to increase the Company's registered capital one or more times at any time until June 29, 2020, and by no more than a total of € 4,340,801.00, through the issuance of up to 4,340,801 new no-par-value bearer shares, against contributions in cash and/or in kind (the "Authorized Capital 2015"). The newly issued shares shall participate in profits from the start of the fiscal year for which, at the time of their issuance, no resolution has yet been taken by the annual shareholders' meeting as to the application of retained profits. The Company's shareholders shall, in general, be granted subscription rights. The shares may, however, also be assumed by one or more banks subject to the obligation that they offer these to the Company's shareholders for subscription (indirect subscription rights).

Number of subscription rights
per sec. § 192 para. 2 no. 3 of the Stock Corporation Act

The Company's Executive Board is authorized, subject to the approval of the Supervisory Board, to issue subscription rights on the Company's shares one or more times at any time until June 29, 2020, granting the right to subscribe to up to 715,260 no-par-value bearer shares of the Company, in accordance with the agreed terms and conditions.

The Conditional Capital 2010, which was put in place for subscription rights in accordance with sec. 192 para. 2 no. 3 of the Stock Corporation Act, has been reduced and currently totals € 100,250.00, providing entitlement to the subscription of 100,250 no-par-value bearer shares.

Martinsried/Planegg,
Germany, July 20, 2018

Dr. Carsten Brockmeyer

Dr. Nicolas Combé

Dr. Stefan Glombitza

Consolidated Schedule of Fixed Assets

Attachment 1

for the period from January 1, 2018 to June 30, 2018

in €	Changes to cost of acquisition					Changes to accumulated depreciation & amortization				Changes to net book value		
	Historical cost of acquisition at Dec. 31, 2017	Additions	Rebookings	Historical cost of disposals	Historical cost of acquisition at June 30, 2018	Accumulated depreciation & amortization at Dec. 31, 2017	Current-period depreciation & amortization	Depreciation & amortization on disposals	Write-ups	Accumulated depreciation & amortization at June 30, 2018	Net book value at Dec. 31, 2017	Net book value at June 30, 2018
Intangible assets												
Purchased concessions, industrial property rights, and similar rights and assets, as well as licenses for such rights and assets	394,433.55	19,543.75	0.00	0.00	413,977.30	285,037.65	21,381.78	0.00	0.00	306,419.43	109,395.90	107,557.87
Goodwill	1,576,200.00	0.00	0.00	0.00	1,576,200.00	827,505.00	78,810.00	0.00	0.00	906,315.00	748,695.00	669,885.00
Property, plant and equipment												
Land and buildings, including property-like rights and buildings on third-party land	446,664.47	0.00	0.00	0.00	446,664.47	312,179.99	30,262.95	0.00	0.00	342,442.94	134,484.48	104,221.53
Technical equipment and machinery	4,927,888.09	494,919.80	0.00	162,603.81	5,260,204.08	2,249,532.49	201,836.83	162,603.81	0.00	2,288,765.51	2,678,355.60	2,971,438.57
Other plant, production equipment and office equipment	1,006,900.03	76,242.43	0.00	6,580.25	1,076,562.21	564,498.36	72,918.32	6,101.00	0.00	631,315.68	442,401.67	445,246.53
Advance payments and plant under construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial assets												
Investment participations	249.00	15,973,000.00	0.00	0.00	15,973,249.00	0.00	0.00	0.00	0.00	0.00	249.00	15,973,249.00
Total	**8,352,335.14**	**16,563,705.98**	**0.00**	**169,184.06**	**24,746,857.06**	**4,238,753.49**	**405,209.88**	**168,704.81**	**0.00**	**4,475,258.56**	**4,113,581.65**	**20,271,598.50**

Consolidated Schedule of Changes in Equity

Attachment 2

in €K	Subscribed capital	Capital reserve	Loss carryforward	Annual net income	Equity capital
as of January 1, 2018	**9,344**	**35,033**	**– 17,252**	**– 1,581**	**25,544**
Capital increases					
Increases in capital reserve					
Appropriation of prior year net income			– 1,581	1,581	
Period net income				7,589	7,589
as of June 30, 2018	**9,344**	**35,033**	**– 18,833**	**7,589**	**33,132**

Consolidated Statement of Cash Flows

Attachment 3

for the period from January 1, 2018 to June 30, 2018

	in €	June 30, 2018	June 30, 2017
	Period net income (loss)	**7,588,786.55**	**–2,907,638.63**
+/–	Depreciation, amortization, write-downs (impairments) and write-ups of fixed assets	405,209.88	388,464.42
+/–	Additions to/subtractions from provisions	1,237,407.00	264,735.00
–/+	Changes to inventories and trade receivables, as well as other assets not included among investing and financing activities	1,118,368.20	4,273,241.66
+/–	Changes to trade payables, as well as other liabilities not included among investing and financing activities	2,550,200.05	– 1,290,284.95
–/+	Gain/loss resulting from disposals of fixed assets	479.25	8,370.78
+/–	Interest expense/interest income	16,263.97	19,586.61
=	**Cash flow from operating activities**	**12,916,714.90**	**756,474.89**
–	Amounts paid for investments in intangible assets	– 19,543.75	-.-
+	Amounts received from disposals of property, plant and equipment	-.-	342.02
–	Amounts paid for investments in property, plant and equipment	–571,162.23	–286,855.53
–	Amounts paid for investments in financial assets	– 15,973,000.00	-.-
+	Interest received	1,110.83 €	476.12 €
=	**Cash flow from investing activities**	**– 16,562,595.15**	**–286,037.39**
–	Interest paid	– 17,374.80	–20,062.73
=	**Cash flow from financing activities**	**– 17,374.80**	**–20,062.73**
	Total changes in cash and liquid resources from cash flows	**– 3,663,255.05**	**450,374.77**
+	Cash and liquid resources at beginning of period	15,478,277.12	13,966,885.15
=	**Cash and liquid resources at end of period[1]**	**11,815,022.07**	**14,417,259.92**

[1] Cash and liquid resources includes not only cash and cash equivalents but also short-term liquid securities

Consolidated Schedule of Liabilities

Attachment 4

as of June 30, 2018

in €	June 30, 2018	of which due in less than 1 year	of which due in 1 – 5 years	of which due in more than 5 years	of which secured
Trade accounts payable	4,723,252.99	4,723,252.99	0.00	0.00	0.00
Other liabilities	1,832,821.06	1,209,506.96	623,314.10	0.00	926,246.70
Total	**6,556,074.05**	**5,932,759.95**	**623,314.10**	**0.00**	**0.00**

The other liabilities are secured by assets legally owned by other parties for which the Company is the beneficial owner.

Independent Auditor's Review Report of Consolidated Interim Financial Statements

We have reviewed the accompanying consolidated interim financial statements as of June 30, 2018, consisting of the balance sheet, income statement, statement of cash flows, schedule of changes in equity, and notes to the financial statements, as well as the interim group management report for the period from January 1, 2018 to June 30, 2018.

The preparation of the consolidated interim financial statements and interim group management report in accordance with German commercial law, as well as supplementary provisions under the Company's articles of incorporation, are the responsibility of the Company's management. Our responsibility is to issue a certified report, based on our review, on the consolidated interim financial statements and interim group management report.

We have conducted our review of the consolidated interim financial statements and interim group management report in accordance with German generally accepted standards for the review of financial statements as established by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW). These standards require that we plan and perform our review so as to exclude the possibility, with a reasonable degree of certainty in our critical appraisal, that the consolidated interim financial statements are not, in all material respects, in accordance with the requirements of German commercial law and supplementary provisions under the Company's articles of incorporation, or that the Company's net assets, financial position and profitability are not presented in accordance with [German] principles of proper accounting, or that the interim group management report is not consistent with the consolidated interim financial statements, or as a whole does not provide a suitable view of the Company's position or does not suitably present the opportunities and risks of future developments.

A review, which consists primarily of asking questions of Company staff and of making analytical assessments, does not offer the degree of assurance which may be attained through an audit examination. Because we have not been commissioned to conduct an audit examination [of these consolidated interim financial statements], we cannot provide an audit opinion.

Based upon our review, nothing has come to our attention that causes us to believe the consolidated interim financial statements are not, in all material respects, in accordance with the requirements of German commercial law and supplementary provisions under the Company's articles of incorporation, or that the Company's net assets, financial position and profitability are not presented in accordance with [German] principles of proper accounting, or that the interim group management report is not consistent with the consolidated interim financial statements, or as a whole does not provide a suitable view of the Company's position or does not suitably present the opportunities and risks of future developments.

This certified report is directed to the Company for informational purposes.

The mandate under which we have provided our services to FORMYCON AG as described above is subject to the General Terms of Engagement for German Public Auditors and Public Audit Firms of January 1, 2017. By acknowledging and using the information contained within this report, the recipient confirms acceptance of the terms and conditions therein (including the liability provision under item 9 of the General Terms of Engagement), specifically the applicability thereof in relation to us.

The publication or dissemination of the consolidated interim financial statements and interim group management report in any form deviating from that which was the subject of our review shall, insofar as this report is quoted, or reference is made to our review, require our renewed review.

Munich, Germany, August 10, 2018

SRS Audit GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Rudolf Schmitz
Wirtschaftsprüfer
[German Public Accountant]

The above report is a company translation from the original German. Only the original German text is signed and authoritative.

D

FORMYCON AG
Interim Financial Statements

Interim Balance Sheet – Assets

as of June 30, 2018

in €	June 30, 2018	Dec. 31, 2017
A. Fixed assets		
I. Intangible assets		
1. Purchased concessions, industrial property rights, and similar rights and assets, as well as licenses for such rights and assets	107,557.87	109,395.90
2. Goodwill	669,885.00	748,695.00
	777,442.87	**858,090.90**
II. Property, plant and equipment		
1. Land and buildings, including property-like rights and buildings on third-party land	104,221.53	134,484.48
2. Technical equipment and machinery	2,971,438.57	2,678,355.60
3. Other plant, production equipment and office equipment	445,246.53	442,401.67
4. Advance payments and plant under construction		0.00
	3,520,906.63	**3,255,241.75**
III. Financial assets		
1. Shares in affiliated companies	50,000.00	50,000.00
2. Loans to affiliated companies	1,577,000.00	1,577,000.00
3. Investment participations	15,973,249.00	249.00
	17,600,249.00	**1,627,249.00**
B. Current assets		
I. Inventories		
1. Raw materials, consumables and supplies	151,230.00	149,359.85
2. Unfinished products and services	6,000.00	343,500.00
3. Advance payments	182,224.13	0.00
	339,454.13	**492,859.85**
II. Receivables and other assets		
1. Trade accounts receivable	3,196,909.62	6,978,013.44
2. Receivables from affiliated companies	3,439,708.18	4,128,386.29
3. Other assets	22,921.30	55,967.82
	6,659,539.10	**11,162,367.55**
III. Securities		
1. Other securities	6,973,059.81	10,973,553.73
	6,973,059.81	**10,973,553.73**
IV. Cash and cash equivalents	**4,146,793.92**	**3,448,577.97**
C. Prepaid expenses	**94,002.16**	**82,669.63**
	40,111,447.62	**31,900,610.38**

Interim Balance Sheet – Liabilities and Equity

in €	June 30, 2018	Dec. 31, 2017
A. Equity		
I. Subscribed capital[1]	9,343,853.00	9,343,853.00
II. Capital reserve	35,032,791.84	35,032,791.84
III. Loss carryforward	– 17,150,269.34	– 15,658,078.35
IV. Annual net income (loss)	7,699,115.52	– 1,492,190.99
	34,925,491.02	**27,226,375.50**
B. Provisions		
1. Tax provisions	620,000.00	
2. Other provisions	643,593.00	1,179,486.00
	1,263,593.00	**1,179,486.00**
C. Liabilities		
1. Liabilities toward banks	0.00	789.85
of which due within one year € 0.00 (prior year: € 789.85)		
2. Trade accounts payable	2,086,992.78	1,234,384.52
of which due within one year € 2,086,992.78 (prior year: € 1,234,384.52)		
3. Liabilities toward affiliated companies	0.00	18,822.83
of which due within one year € 0.00 (prior year: € 18,822.83)		
4. Other liabilities	1,832,547.20	2,236,986.90
of which due within one year € 1,209,506.96 (prior year: € 1,667,008.83)		
of which from taxes € 825,264.44 (prior year: € 1,335,964.69)		
of which relating to social security € 0.00 (prior year: € 260.00)		
	3,919,539.98	**3,490,984.10**
D. Deferred income	**2,823.62**	**3,764.78**
	40,111,447.62	**31,900,610.38**

[1] Conditional Capital (1): € 100,250.00
Conditional Capital (2): € 715,260.00

Interim Income Statement

for the period from January 1, 2018 to June 30, 2018

in €			June 30, 2018	June 30, 2017
1.	Sales revenue		18,909,512.64	4,803,011.23
2.	Increase or decrease in inventory of finished and unfinished products		– 343,500.00	0.00
	Total revenue		**18,572,012.64**	**4,803,011.23**
3.	Other operating income		107,115.74	19,477.83
	of which income attributable to foreign currency translation € 41,802.93 (prior year: € 5,228.94)			
4.	Cost of materials			
	a. Cost of raw materials, consumables and supplies and of purchased goods	1.029.526.76		661,065.46
	b. Cost of purchased services	4.074.638.43		2,181,380.97
			5,104,165.19	2,842,446.43
	Gross profit		**13,574,963.19**	**1,980,042.63**
5.	Staff expenses			
	a. Wages and salaries	3.016.869.22		2,711,529.83
	b. Social contributions and costs for retirement benefits and for support benefits	515.405.05		439,990.20
	of which for retirement benefits € 51,133.72 (prior year: € 52,757.76)			
			3,532,274.27	3,151,520.03
6.	Depreciation and amortization of intangible assets and on property, plant and equipment		405,209.88	388,464.42
7.	Other operating expenses		1,302,841.98	1,302,746.65
	of which expenses attributable to foreign currency translation € 6,671.57 (prior year: € 1,137.72)			
	Operating income		**8,334,637.06**	**– 2,862,688.47**
8.	Other interest and similar income		1,110.83	476.12
9.	Interest and similar expense		16,326.46	19,145.65
10.	Taxes on income		620,000.00	0.00
	After-tax earnings		**7,699,421.43**	**– 2,881,358.00**
11.	Other taxes		305.91	510.00
12.	**Period net income (loss)**		**7,699,115.52**	**– 2,881,868.00**

Notes to the Interim Financial Statements for the Period from January 1, 2018 to June 30, 2018

I General information about the Company

FORMYCON AG has its registered offices in Martinsried/Planegg, Germany, and is entered into the commercial register (Handelsregister) of the District Court of Munich under number HRB 200801.

II General information about the content and structure of these Interim Financial Statements

These Financial Statements, presented here in translation from the German original, have been prepared in accordance with sections 242 et seq. of the German Commercial Code (Handelsgesetzbuch, HGB) under observance of the supplementary provisions of sections 242 et seq. of the Commercial Code applicable to medium-sized corporations as well as of the German Stock Corporation Act (Aktiengesetz, AktG).

The Company has made use of financial statement simplification provisions depending upon company size allowed by sections 266 I, 276 and 288 of the Commercial Code.

The Income Statement has been prepared using the total expenditure format as prescribed by sec. 275 para. 2 of the Commercial Code.

III Accounting and valuation methods

The accounting and valuation methods applied to balance sheet and income statement items in the prior year were retained.

Foreign currency translation

Assets and liabilities denominated in foreign currency are translated into euros at the average spot exchange rate on the day of their original posting. Changes in exchange rates between then and the balance sheet date are reflected by write-downs of assets or write-ups of liabilities only for amounts due in more than one year and only to the extent necessary so that valuation on the balance sheet date is without losses. Items due within a period of less than one year are translated at the average spot exchange rate as of the date of the financial statements. The resulting income or expense arising from currency translation is shown separately in the Income Statement under other operating income or expenses.

Principles of balance sheet presentation and valuation

The balance sheet includes all assets, all liabilities and all prepaid and deferred items. Assets and liabilities are valued individually.

The valuation of assets and liabilities takes all risks into account which are identifiable based on the principles of prudent business judgment.

Fixed assets

Purchased **intangible assets** (including software) are capitalized and amortized based upon expected useful life. Purchased software for which the individual cost of acquisition does not exceed € 800.00 may, in following the relevant tax accounting regulations (“trivial programs” per German Income Tax Guideline 5.5 para. 1 sentences 2 and 3), be treated as chattel.

The Company has not made any use of its elective right under sec. 248 para. 2 of the Commercial Code to capitalize self-produced intangible assets.

Previously existing goodwill continues to be amortized on a linear pro rata basis over a business-customary useful life of ten years (under the continuity principle).

The long useful life was chosen because this goodwill represents, among other factors, licensing opportunities over long periods. The remaining useful life is approx. four years.

Property, plant and equipment are valued at their cost of acquisition, less accumulated depreciation. The depreciation of all moveable assets is linear, with depreciation in the year of acquisition on a pro rata basis.

Low-value fixed assets with an individual acquisition cost of up to € 150.00 are expensed in full in their year of acquisition.

Low-value fixed assets with an individual acquisition cost of between € 150.00 and € 800.00 are depreciated in full in their year of acquisition.

Financial assets are stated at their cost of acquisition, or should there be an impairment in value, regardless of whether it is expected to be permanent or temporary, written down to the lower fair value.

Inventories are valued at their rolling moving average prices. Both finish and unfinished goods are valued at their cost of production in accordance with sec. 255 para. 2 sentence 2 of the Commercial Code.

All recognizable risks to inventory arising from such factors as extended inventory holding periods or diminished usability are reflected through appropriate write-downs.

Current assets

Receivables and other assets are stated at the lower of their nominal value or other fair value. In the case of doubtful accounts, individual provisions are taken.

Securities are stated at the lower of their cost of acquisition or fair market value as of the balance sheet closing date.

Cash and cash equivalents are stated at their nominal value.

Tax provisions and **other provisions** take into account all uncertain liabilities and recognizable risks. These are stated at the amount required for their fulfillment using prudent business judgment, and considering future increases in prices and costs at the time of their fulfillment. Provisions due after more than one year are discounted from the time of their expected fulfillment at the average market interest rate over the past seven fiscal years.

All **liabilities** are stated at the amount required for their fulfillment.

IV Additional notes to the Balance Sheet

Fixed assets

A schedule of changes in fixed assets, including depreciation and amortization, is provided as Attachment 1.

Receivables and other assets

A schedule of receivables and other assets is provided as Attachment 2, showing their scheduled maturities as well as their relationship to other balance sheet items.

Equity

A schedule of changes in equity is provided as Attachment 4.

Information required per sec. 160 of the Stock Corporation Act

Number of shares outstanding

The Company has registered capital (Grundkapital) of € 9,343,853.00, which is divided into 9,343,853 bearer shares without par value.

Approved capital

By resolution of the annual shareholders' meeting of June 30, 2015, the Executive Board is authorized, subject to the approval of the Supervisory Board, to increase the Company's registered capital one or more times at any time until June 29, 2020, and by no more than a total of € 4,340,801.00, through the issuance of up to 4,340,801 new no-par-value bearer shares, against contributions in cash and/or in kind (the "Authorized Capital 2015"). The newly issued shares shall participate in profits from the start of the fiscal year for which, at the time of their issuance, no resolution has yet been taken by the annual shareholders' meeting as to the application of retained profits. The Company's shareholders shall, in general, be granted subscription rights. The shares may, however, also be assumed by one or more banks subject to the obligation that they offer these to the Company's shareholders for subscription (indirect subscription rights).

Number of subscription rights
per sec. § 192 para. 2 no. 3 of the Stock Corporation Act

The Company's Executive Board is authorized, subject to the approval of the Supervisory Board, to issue subscription rights on the Company's shares one or more times at any time until June 29, 2020, granting the right to subscribe to up to 715,260 no-par-value bearer shares of the Company, in accordance with the agreed terms and conditions.

The Conditional Capital 2010, which was put in place for subscription rights in accordance with sec. 192 para. 2 no. 3 of the Stock Corporation Act, has been reduced and currently totals € 100,250.00, providing entitlement to the subscription of 100,250 no-par-value bearer shares.

Provisions

The amount for other provisions includes the following significant individual items:

Information on other provisions per sec. 285 no. 12 of the Commercial Code

in €	Current year
Bonuses	311,167.00
Unpaid invoices	36,260.00
Accrued vacation	200,866.00
Safekeeping obligations	51,700.00
Audit and advisory costs	26,200.00
Occupational cooperative and other social expenses	17,400.00

Liabilities

A schedule of liabilities, including their collateralization through liens or similar rights, as well as their relationship to other balance sheet items, is provided as Attachment 3.

Contingent liabilities

The Company has issued a letter of comfort (Patronatserklärung) in support of its subsidiary FORMYCON Project 203 GmbH. Claims under this letter of comfort are not anticipated because the subsidiary has sufficient liquidity to fulfill its obligations.

Other financial obligations

The total amount of other financial obligations, within the meaning of sec. 285 sentence 1 no. 3a of the Commercial Code, results from the following long-term contractual obligations:

	Current year (in €)	Total amount (in €)
Property rental	416,043.24	1,787,671.07
Vehicle leases	53,597.76	82,965.40
Other rental agreements	49,567.44	110,279.36

V Additional Notes to the Income Statement

Sec. 158 of the Stock Corporation Act requires the following supplementary information:

in €		Current year
	Period net income	7,699,115.52
+	Loss carryforward from prior year	–17,150,269.34
=	Accumulated loss to balance sheet	–9,451,153.82
	of which: Loss carryforward to 2018	**–9,451,153.82**

VI Other information

Number of staff

Sec. 285 no. 7 of the Commercial Code requires the following information regarding the average number of staff (excluding Executive Board members) during the fiscal year:

	Current year
Administrative activities	8
Research activities	77
Total	**85**

Information on members of the Executive Board and Supervisory Board per sec. 285 no. 10 of the Commercial Code

Members of the Executive Board:

- **Dr. Carsten Brockmeyer**, residing in Marzling, CEO
- **Dr. Nicolas Combé**, residing in Munich, CFO
- **Dr. Stefan Glombitza**, residing in Holzkirchen, COO

Mitglieder des Aufsichtsrats:

- **Dr. Olaf Stiller**: residing in Marburg (Chairman); member of the executive board of Paedi Protect AG
- **Hermann Vogt**: residing in Dieburg (Deputy Chairman); independent management advisor and financial advisor
- **Peter Wendeln**: residing in Oldenburg; managing partner of Wendeln & Cie. Asset Management GmbH

Remuneration

During the reporting period, the members of the Supervisory Board received total remuneration, within the meaning of sec. 285 no. 9 of the Commercial Code, of € 16,500.00, while total remuneration to members of the Executive Board was € 599,999.98.

The following members of the Supervisory Board are members of other supervisory boards:

- **Dr. Olaf Stiller**, Marburg: Bodenwert Immobilien AG, Nano Repro AG
- **Hermann Vogt**, Dieburg: Cumerius AG

Shareholdings and scope of consolidation

	Share of capital (in %)	Equity (in €)	Period net income (in €)
FORMYCON Project 201 GmbH	100	–55,115.02	–51,617.03
FORMYCON Project 203 GmbH	100	–1,688,079.16	–58,711.94
FYB 202 GmbH & Co. KG	24.9	Interim results not available	Interim results not available

Martinsried/Planegg,
Germany, July 20, 2018

Dr. Carsten Brockmeyer

Dr. Nicolas Combé

Dr. Stefan Glombitza

Schedule of Fixed Assets

Attachment 1

for the period from January 1, 2018 to June 30, 2018

in €	Changes to cost of acquisition					Changes to accumulated depreciation & amortization				Changes to net book value		
	Historical cost of acquisition at Dec. 31, 2017	Additions	Rebookings	Historical cost of disposals	Historical cost of acquisition at June 30, 2018	Accumulated depreciation & amortization at Dec. 31, 2017	Current-period depreciation & amortization	Depreciation & amortization on disposals	Write-ups	Accumulated depreciation & amortization at June 30, 2018	Net book value at Dec. 31, 2017	Net book value at June 30, 2018
Intangible assets												
Purchased concessions, industrial property rights, and similar rights and assets, as well as licenses for such rights and assets	394,433.55	19,543.75	0.00	0.00	413,977.30	285,037.65	21,381.78	0.00	0.00	306,419.43	109,395.90	107,557.87
Goodwill	1,576,200.00	0.00	0.00	0.00	1,576,200.00	827,505.00	78,810.00	0.00	0.00	906,315.00	748,695.00	669,885.00
Property, plant and equipment												
Land and buildings, including property-like rights and buildings on third-party land	446,664.47	0.00	0.00	0.00	446,664.47	312,179.99	30,262.95	0.00	0.00	342,442.94	134,484.48	104,221.53
Technical equipment and machinery	4,927,888.09	494,919.80	0.00	162,603.81	5,260,204.08	2,249,532.49	201,836.83	162,603.81	0.00	2,288,765.51	2,678,355.60	2,971,438.57
Other plant, production equipment and office equipment	1,006,900.03	76,242.43	0.00	6,580.25	1,076,562.21	564,498.36	72,918.32	6,101.00	0.00	631,315.68	442,401.67	445,246.53
Advance payments and plant under construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial assets												
Shares in affiliated companies	50,000.00		0.00	0.00	50,000.00	0.00	0.00	0.00	0.00	0.00	50,000.00	50,000.00
Loans to affiliated companies	1,577,000.00	0.00	0.00	0.00	1,577,000.00	0.00	0.00	0.00	0.00	0.00	1,577,000.00	1,577,000.00
Investment participations	249.00	15,973,000.00	0.00	0.00	15,973,249.00	0.00	0.00	0.00	0.00	0.00	249.00	15,973,249.00
Total	**9,979,335.14**	**16,563,705.98**	**0.00**	**169,184.06**	**26,373,857.06**	**4,238,753.49**	**405,209.88**	**168,704.81**	**0.00**	**4,475,258.56**	**5,740,581.65**	**21,898,598.50**

Schedule of Receivables

Attachment 2

in €	June 30, 2018	of which trade receivables	of which other assets	of which from affiliated companies
Trade accounts receivable	3,196,909.62	3,196,909.62	0.00	0.00
Receivables from affiliated companies	3,439,708.18	1,930,872.32	1,508,835.86	3,439,708.18
Receivables from other companies in which an ownership interest exists	0.00	0.00	0.00	0.00
Other assets	22,921.30	0.00	22,921.30	
Total	**6,659,539.10**	**5,127,781.94**	**1,531,757.16**	**3,439,708.18**

Schedule of Liabilities

Attachment 3

in €	June 30, 2018	of which due in less than 1 year	of which due in 1 – 5 years	of which due in more than 5 years	of which secured
Trade accounts payable	2,086,992.78	2,086,992.78	0.00	0.00	0.00
Other liabilities	1,832,547.20	1,209,233.10	623,314.10	0.00	962,246.70
Total	**3,919,539.98**	**3,296,225.88**	**623,314.10**	**0.00**	**962,246.70**

The other liabilities are secured by assets legally owned by other parties for which the Company is the beneficial owner.

Schedule of Changes in Equity

Attachment 4

in €	Subscribed capital	Capital reserve	Loss carryforward	Annual net income	Equity capital
as of January 1, 2018	**9,343,853.00**	**35,032,791.84**	**– 15,658,078.35**	**– 1,492,190.99**	**27,226,375.50**
Capital increases					
Increases in capital reserve					
Appropriation of prior year net income			– 1,492,190.90	1,492,190.99	
Period net income				7,699,115.52	7,699,115.52
as of June 30, 2018	**9,343,853.00**	**35,032,791.84**	**– 17,150,269.34**	**7,699,115.52**	**34,925,491.02**

Independent Auditor's Review Report of Unconsolidated (Parent Only) Interim Financial Statements

We have reviewed the accompanying interim financial statements as of June 30, 2018, consisting of the balance sheet, income statement and notes to the financial statements, as well as the interim management report for the period from January 1, 2018 to June 30, 2018.

The preparation of the interim financial statements and interim management report in accordance with German commercial law, as well as supplementary provisions under the Company's articles of incorporation, are the responsibility of the Company's management. Our responsibility is to issue a certified report, based on our review, on the interim financial statements and interim management report

We have conducted our review of the interim financial statements and interim management report in accordance with German generally accepted standards for the review of financial statements as established by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW). These standards require that we plan and perform our review so as to exclude the possibility, with a reasonable degree of certainty in our critical appraisal, that the interim financial statements are not, in all material respects, in accordance with the requirements of German commercial law and supplementary provisions under the Company's articles of incorporation, or that the Company's net assets, financial position and profitability are not presented in accordance with [German] principles of proper accounting, or that the interim management report is not consistent with the interim financial statements, or as a whole does not provide a suitable view of the Company's position or does not suitably present the opportunities and risks of future developments.

A review, which consists primarily of asking questions of Company staff and of making analytical assessments, does not offer the degree of assurance which may be attained through an audit examination. Because we have not been commissioned to conduct an audit examination [of these interim financial statements], we cannot provide an audit opinion.

Based upon our review, nothing has come to our attention that causes us to believe the interim financial statements are not, in all material respects, in accordance with the requirements of German commercial law and supplementary provisions under the Company's articles of incorporation, or that the Company's net assets, financial position and profitability are not presented in accordance with [German] principles of proper accounting, or that the interim management report is not consistent with the interim financial statements, or as a whole does not provide a suitable view of the Company's position or does not suitably present the opportunities and risks of future developments.

This certified report is directed to the Company for informational purposes.

The mandate under which we have provided our services to FORMYCON AG as described above is subject to the General Terms of Engagement for German Public Auditors and Public Audit Firms of January 1, 2017. By acknowledging and using the information contained within this report, the recipient confirms acceptance of the terms and conditions therein (including the liability provision under item 9 of the General Terms of Engagement), specifically the applicability thereof in relation to us.

The publication or dissemination of the interim financial statements and interim management report in any form deviating from that which was the subject of our review shall, insofar as this report is quoted, or reference is made to our review, require our renewed review.

Munich, Germany, August 10, 2018

SRS Audit GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Rudolf Schmitz
Wirtschaftsprüfer
[German Public Accountant]

The above report is a company translation from the original German. Only the original German text is signed and authoritative.

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FORMYCON AG
Fraunhoferstraße 15
82152 Martinsried/Planegg
Germany

T +49 89 864 667 100
F +49 89 864 667 110
E info@formycon.com
I www.formycon.com

Date of Publication
September 2018

Concept and Realisation
Anton Barchukov
www.barchukovdesign.de