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Half-Year Report 2019

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Half-Year Report 2019

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To Our Shareholders

Dear Shareholders,

The new drug class Biosimilars, still in its youth, continues to establish itself in the market and in medical practice. A recent analysis by ProBiosimilars, Germany’s working group for the biosimilars industry, shows that these are getting better and better at meeting the country’s healthcare needs. Within Germany, a biosimilar is already preferred to the reference drug in 38 percent of cases. Over the period from April 2018 to March 2019, German industry revenue grew by 73 percent compared to the prior-year period, reaching roughly one billion euros, and putting the German biosimilar market in second place worldwide after the United States. According to the leading human data science information platform IQVIA, this remarkable growth momentum has resulted both from market launches of several new biosimilar alternatives to Humira®1), the world’s number-one drug by revenue, as well as from growing market penetration of existing biosimilar drugs with the active ingredients infliximab, etanercept, rituximab, trastuzumab and pegfilgrastim.

Biosimilars can provide significant relief to the cost burdens which are straining our health systems. According to figures from the German Federal Statistical Office, the country’s healthcare expenditures totaled € 376 billion in 2017 and are estimated to have grown to € 387 billion for year 2018, with most of these costs (more than 57%) borne by the country’s Krankenkassen, the statutory health insurance schemes whose funding is shared between employees and employers. To put this massive figure into perspective, it exceeds Germany’s total federal government budget for the year, which was € 329 billion. This juxtaposition dramatically underscores the central importance of healthcare within the German economy, and it foreshadows the growing difficulties that this and other healthcare systems will face if they wish to remain financial viable in the future. Experts fear that statutory healthcare premiums in Germany, now at around 14.6 percent of income, could gradually rise to as much as 25 percent unless actions are taken now to improve the cost efficiency of healthcare. Biosimilars can be a significant part of these urgently needed savings. Over the medium to long term, these will become ever more indispensable to patient care, because follow-on products to important, life-saving medications

create competition and drive down prices, as we know from conventional generic drugs. In addition to bringing down pricing and broadening treatment availability, the competition from these new drugs is also a driver of innovation in the pharmaceutical market, creating new treatment options which were not available before.

With the development of our biosimilar candidates, we have taken another major step forward. In the case of FYB201, our candidate biosimilar to Lucentis®2), we are readying documents for submission very shortly to the U.S. Food and Drug Administration (FDA), which will mark a tremendous milestone for Formycon. And within Europe, our planned submission of FYB201 registration documents to the European Medicines Agency (EMA) has now been moved forward to the first quarter of 2020. As to our development of FYB202, our candidate biosimilar to Stelara®3, we will shortly commence phase I clinical trials, thereby entering a critically important project phase. FYB203, our candidate biosimilar to the ophthalmic drug Eylea®4, has completed a preclinical study demonstrating comparable intraocular pharmacokinetics to the reference product. The more complex patent landscape here presented a particular challenge, which we have managed in large part by developing an alternative formulation (dosage form).

Details of our FYB205 development project have not yet been announced. The proceeds of approx. € 17.3 million from our second-quarter capital increase will be used primarily for the expansion of our candidate pipeline and for the development of Formycon-owned biosimilar projects. Once FYB201 is submitted for regulatory approval, thereby freeing up development capacity, we plan to shift these resources to other new development projects, enabling us to push these even further forward.

Over recent years, Formycon has been a true pioneer in biosimilar development. We made good decisions at the beginning of 2012 and 2013 respectively in selecting the molecules for our candidate development projects. With Lucentis®, Stelara® and Eylea®, we precisely and foresightedly targeted those reference drugs with patent expiries between 2020 and 2025 with the highest sales revenue. Our ability to make these decisions at such an early stage demonstrates our insight into the long-range dynamics of our chosen markets. As we embarked on our early development work and raised the investment capital required for this, we were the first company to introduce the “biosimilars” investing theme to the German capital market and to successfully raise capital for this purpose.

“ We look back with satisfaction upon an eventful first half of 2019.”

Dr. Nicolas Combé
CFO

In the area of product development, we likewise made a good, foresighted decision at an early stage to design our own plastic syringe device so that we would be able to offer a suitable application system for our ophthalmic biosimilars. In the area of clinical development, we were the world’s first company to enter phase III clinical trials in close consultation with both the FDA and EMA. The successful completion of these phase III clinical trials in 2018 was a pivotal moment in the development of our Lucentis® biosimilar and a defining moment for Formycon. And with our planned FDA filing approaching rapidly, we are on the cusp of attaining a corporate milestone of even greater practical significance.

We look back with satisfaction upon an eventful first half of 2019, and we look ahead, with great excitement and confidence, to the decisive remaining months of this year.

Formycon Management
September 2019

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1 Humira® is a registered trademark of AbbVie
2 Lucentis® is a registered trademark of Genentech Inc.
3 Stelara® is a registered trademark of Johnson & Johnson
4 Eylea® is a registered trademark of Regeneron Pharmaceuticals Inc.

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Unified Interim Management Report

I Basic information about the Group and Formycon AG

Business model

FORMYCON develops biosimilars, meaning follow-on products to biopharmaceuticals already on the market. The Company's business model envisages either the out-licensing to suitable cooperation partners or the transfer into joint venture arrangements of select biosimilar candidates upon the achievement of certain development milestones. Together with the respective partner, FORMYCON then drives forward with the remaining development of the biosimilar candidate through to regulatory approval, spanning all technical stages of the biopharmaceutical development chain from analysis and cell line development to preclinical studies and clinical trials, all the way through to the creation and submission of approval application documents. Once the new drug has been approved and is ready for market launch, the respective partner company generally assumes commercial responsibility. Depending on the terms of the cooperation, FORMYCON then participates accordingly in post-launch proceeds from product sales.

As of June 30, 2019, FORMYCON was working on the following biosimilar projects:

- FYB201 is a biosimilar candidate for Lucentis®* (ranibizumab), an ophthalmic drug used in the treatment of neovascular ("wet") age-related macular degeneration (nAMD) and other serious eye diseases. The driving focus during 2019 is on the preparation of regulatory approval documents, which are expected to be submitted to the U.S. Food and Drug Administration (FDA) at the beginning of the fourth quarter of 2019. Submission to the European Medicines Agency (EMA) is planned for the first quarter of 2020.

- FYB202 is a biosimilar candidate for Stelara®** (ustekinumab), a biopharmaceutical used in the treatment of certain serious inflammatory diseases, such as moderate to severe psoriasis, as well as Crohn's disease. FYB202 is being developed in a joint venture together with Aristo Pharma GmbH. The achievement of key defined milestones at the beginning of the second quarter of 2019 marked the successful completion of the pilot phase. Phase I clinical trials are expected to commence in mid-2019.

- FYB203 is a biosimilar candidate for Eylea®*** (aflibercept). Similarly to Lucentis®, Eylea® is used to treat neovascular age-related macular degeneration (nAMD) and other serious eye diseases. During the first half of 2019, preclinical studies were completed, successfully demonstrating comparable intraocular pharmacokinetics of FYB203 in an alternative formulation to the reference product Eylea®. The focus of FORMYCON's activities is now on preparations for phase III clinical trials, which are scheduled to commence in mid-2020.

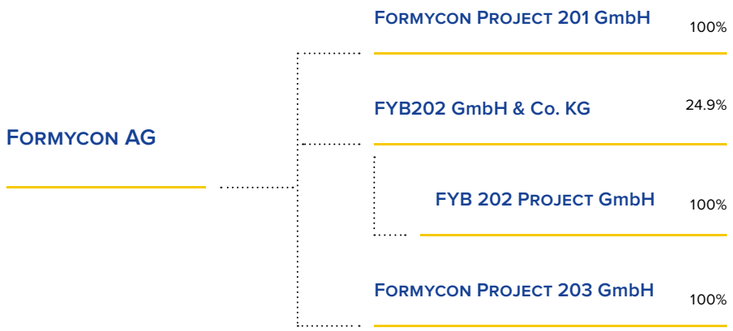
- FYB205 is a further development project about which details have not yet been announced. The rights to this project remain with FORMYCON.

FORMYCON's group structure is designed around this business model. Its biosimilar candidates FYB201 and FYB203 have been out-licensed to Bioeq IP AG and San-

[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.

to Holding (Deutschland) GmbH respectively, which hold exclusive commercialization rights, and are managed accordingly. FYB202 is being developed in a joint venture entity (FYB202 GmbH & Co. KG) together with Aristo Pharma GmbH, with FORMYCON holding a 24.9 percent share. Drawing upon the expertise from its many years of research and development work, FORMYCON provides development services to its dedicated project subsidiaries such as FORMYCON PROJECT 201 GmbH and FORMYCON PROJECT 203 GmbH. Development services are likewise provided to FYB 202 PROJECT GmbH, a subsidiary of FYB202 GmbH & Co. KG, which holds the project rights to FYB202, the candidate biosimilar to Stelara®. The subsidiaries and affiliates are named according to the respective project name.

The structure of FORMYCON Group is as follows:



FORMYCON PROJECT 201 GmbH was the first such company to be spun off, which was in 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 FYB202 GmbH & Co. KG, with the remaining 75.1 percent held by Aristo. Upon completion of the pilot phase at the beginning of the second quarter of 2019, the terms of the joint venture agreement call for already incurred and future development costs, as well as potential future sales proceeds, to be shared pro rata according to shareholding.

In the current phase of the company's development, the 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. Future FORMYCON revenue from product sales will be derived from the pharmaceutical market, and thus healthcare policy and regulation should be recognized as an important external influence factor.

II Report on Business Performance

General economic conditions and industry conditions in the first half of 2019

The German economy posted significant growth in the first quarter of 2019, according to figures from the German Federal Ministry for Economic Affairs. A strong domestic economy defied the troubled external environment, enabling German GDP growth of 0.4 percent in the first three months, due in large part to expanded value creation in the domestic service sector. The country's robust labor market likewise had a favorable effect, with increasing employment levels serving to boost household incomes. The supportive fiscal climate encouraged spending by both consumers and businesses, which continued to invest at a solid level despite a more subdued business outlook. Last but not least, the impending exit of the United Kingdom from the European Union (Brexit), which during the first quarter was still scheduled for the end of March, once again triggered a stockpiling of British inventories, as a result of which more goods from Germany were produced and sold.

Nevertheless, the prevailing economic trend suggests that the German economy has not overcome its weakness despite the good start to 2019, as the second quarter was far more subdued. The country's heavily export-oriented industrial sector continued its dry spell, while the service sector, following its strong performance in the first quarter, slowed its pace considerably. Even the booming construction sector decelerated noticeably from its previously high level. On the plus side, employment continues to increase, albeit at a slower pace, and income growth is helping to stimulate private consumption. Government fiscal policy is serving to encourage not only private consumption but also government spending, both consumption and capital investment. Even if the momentum in the German labor market were to decline in the wake of an economic downturn, it will still be supported by strong buoyant forces in the domestic economy.

"The German economy is currently navigating difficult waters," says Clemens Fuest, president of ifo Institute (Leibniz Institute for Economic Research at the University of Munich). The ifo Institute's business climate index, considered the country's most important economic barometer, fell in July 2019 to 95.7 points, its lowest level since April 2013, and marking its tenth decline in eleven months.

The global economy is currently in a phase of weakness, with the global economic engine continuing to sputter as trade conflicts and geopolitical uncertainties weigh on it. Here, the approach of Brexit warrants particular mention. Following a strong first quarter, the U.S. economy is likely to lose momentum as the year progresses. Although Japan's economy showed gains, these were largely the result of business investment. China's pace of growth was dragged down by the developing trade war with the U.S. Growth in the emerging markets was also muted, with the Russian and Indian economies, in particular, unable to maintain the pace of their expansion in the recent past. In Europe, economic growth, which has already been weak, posted only a slight uptick. As of its most recent forecast of May 2019, the OECD expects global growth to slow to 3.2 percent in 2019, down from 3.5 percent in 2018.

During the first half of 2019, the German chemical and pharmaceutical sector was unable to sustain the prior year's lofty level. According to figures from the German Chemical Industry Association (VCI), sales revenue in Germany's third-largest industrial sector slumped by 4 percent compared to the first six months of 2018, to just under EUR 96 billion. The decline across almost all areas within the sector was largely due to weaker demand, resulting in a production decline of 6.5 percent. According to the VCI, the decline was also partly attributable to the normalization of pharmaceutical production, which had previously skyrocketed by 11.5 year-over-year due to a special effect in 2018. Despite the restrained conditions within the chemical sector, total German industry employment rose slightly to 464,800, an increase of 0.5 percent. Business expectations for 2019 have, on the whole, been slightly reduced, with the VCI now forecasting a full-year production decline of around 4 percent. Total annual sector revenue, taking into account a 1 percent increase in average prices, is now projected to come in at just under EUR 197 billion, which would be 3 percent below 2018's record-setting total industry revenue of EUR 204 billion.

Specifically looking at the pharmaceutical industry, the German Association of Research-Based Pharmaceutical Companies (vfa) is, in contrast, confident about the industry outlook for 2019, with pharmaceutical producers expected to bring more than 30 new drugs to market. These will, for example, include new antibiotics effective in treating bacterial infections which are resistant to older antibiotics. About one third of the new drugs will be targeted at cancer treatment. Another focus of 2019 could be new drugs to treat blood clotting disorders. Finally, drug manufacturers are now enhancing their packaging with additional new safety features to better protect patients from counterfeit products. This new, legally required system uniquely identifies every individual product package, so that pharmacies and hospitals can verify the authenticity of medications before dispensing them to patients.

Business development during the period

Business performance during the reporting period was according to plan, for both FORMYCON Group and FORMYCON AG. The Group ended the half year with a consolidated net loss of € 695K on consolidated revenue of € 17,228K. For the parent company only, the six-month net loss was € 661K on revenue of € 11,333K. Neither FORMYCON AG nor FORMYCON Group has any financial debt.

During the first half of 2019, FORMYCON reported the following events and developments:

1

In March 2019, FORMYCON announced its decision to carry out a cash capital increase transaction. The Company's registered capital was increased, through partial use of its already approved capital, by € 577,397.00 to a new total of € 10,000,000.00 through the issuance of 577,397 no-par-value bearer shares with a nominal value (i.e. imputed share in the Company's total registered capital) of € 1.00 per share. The issue price of the new shares was set at € 29.90 per share, under exclusion of general subscription rights as provided under sec. 4 para. 3 of the Company's articles of incorporation. The entire subscription amount, generating gross capital raising proceeds of € 17,264,170.30, was placed in a private transaction to M&H Equity AG, a strategic investor based in Switzerland.

2

In May, FORMYCON reported several important advances in its drug development portfolio. Firstly, it was announced that the Company expects to file its application with the U.S. Food and Drug Administration (FDA) for the regulatory approval of FYB201, its candidate biosimilar to Lucentis®, at the beginning of the fourth quarter of 2019, with submission to the European Medicines Agency (EMA) expected to follow in the first quarter of 2020. The Company thus hopes to have regulatory approval in place, in both the U.S. and European Union, on schedule in 2021.

Regarding FYB202, Formycon's candidate biosimilar to Stelara® under joint venture development with Aristo Pharma GmbH, the successful completion of the pilot phase was announced, with preparations underway to commence phase I clinical trials in the middle of 2019.

Development progress was also made on FYB203, the candidate biosimilar to Eylea®. A preclinical study with FYB203 in an alternative formulation was successfully completed, thus demonstrating comparable pharmacokinetics to the reference product Eylea®. The focus of activities is now on preparation for phase III clinical trials, scheduled to start in mid-2020.

3

Also in May, FORMYCON announced its fiscal year 2018 results. Consolidated revenue rose by approx. 48 percent, almost exactly repeating the revenue growth of the prior year, to a full-year total of € 43.0 million, with consolidated net income of € 7.1 million. FORMYCON Group ended the year with cash and liquid resources of € 12.3 million.

4

At the beginning of June, FORMYCON announced an update to its pending cash capital increase transaction, reporting that the subscribing investor, M&H Equity AG, had paid only a portion of the total subscription amount to the Company's capital increase account. Out of the total agreed amount of € 17,264,170.30, the Swiss investor had paid only € 5,000,000.00, comprising € 577,397.00 of nominal (registered) capital and € 4,422,603.00 of share premium (additional paid-in capital). Because of the outstanding payment obligation of € 12,264,170.30, the issued shares had not yet been delivered.

5

In the same month, FORMYCON reported its financial results for the first quarter of 2019, with sales revenue and other income of € 9.5 million and first-quarter EBITDA of € 0.5 million. The Company anticipates full-year 2019 consolidated revenue of roughly € 35.0 million.

6

At the end of June, FORMYCON announced a further update regarding its pending cash capital increase transaction. By agreement dated June 26, 2019, Wendeln & Cie. KG, an asset management company controlled by long-time FORMYCON anchor shareholder and Supervisory Board member Peter Wendeln, assumed all rights from the original subscription form concluded with M&H Equity AG along with all 577,397 shares under the cash capital increase transaction. Even before this transaction, Peter Wendeln and his affiliated companies were FORMYCON's largest investor group. The assumption of the 577,397 new shares increases this anchor investor's shareholding from approx. 18.9 percent to approx. 24.6 percent.

FORMYCON continues to strategically position itself as a leading and independent developer of biosimilar drugs, thereby helping patients gain better access to important, already established biopharmaceutical treatments. In pursuing its strategy, the company is particularly focused on regulatory approval in the highly regulated markets of the European Union, the United States, Japan, Canada and Australia and on positioning itself as a potential partner for major pharmaceutical corporations and generic drug producers.

Shares

The overall shareholder structure of FORMYCON AG, following the cash capital increase in the first half of 2019, remained virtually unchanged. Roughly 35 percent of shares continue to be held by family offices. Within this investor category, Peter Wendeln and companies with which he is affiliated had previously been the largest holder among FORMYCON's family office investors, with 18.9 percent of shares prior to the capital transaction. Following the purchase of 577,397 newly issued shares, this shareholding increased to approx. 24.6 percent. The Company's management team was extremely pleased by this vote of confidence by a longtime Supervisory Board member and FORMYCON anchor shareholder, viewing this increased investment commitment as a very positive signal for the Company's future. The 15 percent of shares held by institutional investors also remained stable. A further 15 percent of shares are held by FORMYCON's founders and management, with the remaining 35 percent in free float.

The Company's shares are listed in the Frankfurt Stock Exchange's "Scale" segment for small- to medium-sized companies. At the start of 2018, FORMYCON shares were added to the Deutsche Börse's "Scale 30 Index" of the 30 most actively traded shares within the Exchange's Scale segment.

Shares of FORMYCON AG began 2019 at a price of € 33.60 in the Xetra trading segment and closed trading on June 29, 2019 at a price of € 35.00. This corresponds to a gain in share price over the six-month period of approx. 4.2 percent. The price performance of the Company's shares was thus roughly in line with the Scale All Share Index, which rose by 5.8 percent during the six-month period. In contrast, however, the DAX index of German large-cap stocks, exceeded the expectations of stock market experts, posting one of the strongest first-half performances in its history (although below the record performance during the first half of 2007); following the DAX's 18.3 percent plunge in 2018, the German blue-chip index soared by 17.2 percent in the first half of the year, thereby almost completely recovering the prior year's losses. This performance was particularly impressive in view of the slowdown in economic momentum and the smoldering threat of trade wars between the U.S. and Europe as well as China. The surprisingly strong stock market performance could be due to two factors: Firstly, the impending exit of the United Kingdom from the European Union (Brexit), which during the first quarter was still scheduled for the end of March, triggered a stockpiling of British inventories, as a result of which more goods from Germany were produced and sold, thereby boosting first-quarter GDP. In addition to this one-off effect, the European Central Bank, with its sustained policy of ultra low interest rates, continued to support the stock market, favoring equities by making fixed-income investments less attractive.

Finally, FORMYCON has, since its introduction throughout the EU in July 2016, been subject to the requirements of the Market Abuse Regulation (MAR), replacing key parts of the German Securities Trading Act (Wertpapierhandelsgesetz) with the stated goal of promoting the integrity of the financial markets by improving transparency. Under the MAR, 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, integrating appropriate compliance processes into its existing risk management system as necessary.

Staff

During 2019, FORMYCON's organization, which has grown steadily over past years, has been further expanded through the hiring of additional employee, crossing the 100-person mark for the first time. In particular, protein analysis, one of the Company's core areas of expertise, was further strengthened, boosting the total number of staff from 95 at the end of 2018 to 103 as of June 30, 2019. Of these, 89 were working in research and development. With a total of 14 staff, including management, the business and administrative side of the FORMYCON remains lean.

Research and development

The Group's activities, as in prior years, were substantially comprised of research and development activities at the parent company level, the primary objective of these being the research and development of biosimilar drugs.

The consolidated expenditures for these Group activities may be broken down as follows:

in €	Current year
Cost of raw materials. consumables and supplies	1,256,933.00
Third-party services	10,171,332.00
Staff expenses	3,952,709.00
Depreciation and amortization	448,719.00
Other	2,037,670.00
	17,867,363.00

As of June 30, 2019, 89 employees worked in research and development. Expenditures during the period totaled € 17,867,363, and these were all were charged as current expense. No research and development expenditures were capitalized. In the area of patent protection, the Group continued to push forward with the international phase of its pending patent applications. Product development activities are proceeding on schedule, and thus prospects for the success of these development activities remain strong.

Financial performance

The financial results reported herein are for the six-month period from January 1, 2019 to June 30, 2019. 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 € 17,228K, compared to € 24,591K in the prior year, resulting in a consolidated six-month net loss of € 695K. This figure is comparable to the same period in the prior year adjusted for the special non-recurring, non-cash item, which increased both revenue and earnings in the prior year, and was thus in line with expectations for the first half of 2019. Cost of materials during the period was € 11,428K, leading to a consolidated six-month gross profit of € 5,757K.

During the first half of 2019, **FORMYCON AG** continued to drive forward with the development of its four biosimilar projects according to its defined business model. As a result of the out-licensing deals for FYB 201 signed in late 2013 and for FYB 203 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 new joint venture with Aristo Pharma GmbH in 2017, FORMYCON transferred the intellectual property rights in its FYB202 biosimilar project to the joint venture entities, FYB202 GmbH & Co. KG and its subsidiary FYB 202 PROJECT GmbH. FORMYCON holds a 24.9 percent stake in the joint venture with Aristo Pharma GmbH and, following the completion of the pilot phase, will bear a pro rata share of accumulated project investments and other development costs. The six-month loss for FORMYCON AG (parent company only) totaled € 661K on revenue of € 11,333K.

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 € 19,841K (of which € 12,264K represents the remaining outstanding amount of share premiums due from shareholders in conjunction with the cash capital increase of March 2019), compared to total current liabilities of € 2,611K. The Company did not have any bank loans or long-term loans during the period.

As of the period closing date, consolidated cash and equivalents amounted to € 7,489K, while marketable securities, also included in cash and liquid resources in the following Statements of Cash Flows, totaled € 473K. Return on sales (annual net income/loss divided by sales revenue) for the period was negative 4.0%, while EBIT (operating profit) was negative € 682K and EBITDA (operating profit plus depreciation and amortization) was negative € 232K.

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

Consolidated Statement of Cash Flows

for the period from January 1. 2019 to June 30. 2019

	in €	June 30. 2019	June 30. 2018
	Period net income (loss)	**−695,022.28**	**7,588,786.55**
+/−	Depreciation. amortization. write-downs (impairments) and write-ups of fixed assets	448,718.96	405,209.88
+/−	Additions to/subtractions from provisions	−994,636.00	1,237,407.00
−/+	Changes to inventories and trade receivables. as well as other assets not included among investing and financing activities	−13,987,847.21	1,118,368.20
+/−	Changes to trade payables. as well as other liabilities not included among investing and financing activities	−1,189,853.28	2,550,200.05
−/+	Gain/loss resulting from disposals of fixed assets	−532.20	479.25
+/−	Interest expense/interest income	-,-	16,263.97
=	**Cash flow from operating activities**	**−16,419,172.01**	**12,916,714.90**
−	Amounts paid for investments in intangible assets	−62,930.36	−19,543.75
+	Amounts received from disposals of property. plant and equipment	1,064.40	-,-
−	Amounts paid for investments in property. plant and equipment	−428,866.06	−571,162.23
−	Amounts paid for investments in financial assets	−4,700,000.00	−15,973,000.00
+	Interest received	-,-	1,110.83
=	**Cash flow from investing activities**	**−5,190,732.02**	**−16,562,595.15**
+	Amounts received from capital contributions by shareholders of the parent company	17,264,170.30	-,-
−	Interest paid	-,-	−17,374.80
=	**Cash flow from financing activities**	**17,264,170.30**	**−17,374.80**
	Total changes in cash and liquid resources from cash flows	**−4,345,733.73**	**−3,663,255.05**
+	Cash and liquid resources at beginning of period	12,308,462.55	15,478,277.12
=	**Cash and liquid resources at end of period ***	**7,962,728.82**	**11,815,022.07**

Cash and liquid resources includes cash and cash equivalents as well as short-term marketable securities available for sale.

c. Net assets

During the reporting period, the Group's equity capital ratio rose to 92.2% (prior year: 79.0%), thereby continuing at its above-average level. The significant boost is attributable to the capital increase entered into the Company's commercial register in April 2019, under which FORMYCON's share capital was raised from € 9,422,603.00 to € 10,000,000.00 through the issuance against cash contributions, from a portion of the Company's approved capital, of 577,397 new no-par-value bearer shares with a nominal value (i.e. imputed share in the Company's total registered capital) of € 1.00 per share, at an issuing price of € 29.90 per share. The share premium (additional paid-in capital) in the amount of € 16,686,773.29 was booked to the capital reserve account, which boosted the Company's equity accordingly. Non-current assets, which 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.

Consolidated working capital, measured as the difference between current assets and current liabilities, amounted to € 24,058K as of the period closing date. Period cash flow from operating activities was negative € 16,419K, in line with Company plan, while cash flow from investing activities was negative € 5,191K. The large annual cash outflow relating to investing activities was substantially due to the capital increase of FYB202 GmbH & Co. KG, for which the related investment outflow amount was € 4,700K.

Return on equity (annual net income/average equity) for the fiscal year was negative 1.4%, while return on total capital (annual net income/average total capital) was negative 1.3%. 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 and whose interests as to successful product development and subsequent market launch are fully aligned. The cooperative partnership arrangements and congruent objectives suggest a relatively low conflict potential. 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 Outlook

Over the past years, FORMYCON successfully passed through various phases 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 successful 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 entered the next phase of its development. Its focus is now on the implementation of its strategy, on the operational optimization of processes and structures, on further and ongoing expansion to its product pipeline, and on additional future out-licensing deals for its biosimilar candidates, or transfer of its biosimilar projects into joint venture arrangements.

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 satisfactorily. Provided that development remains on track, the launch of FYB201 in the U.S. should be possible in the year 2021. Due to the patent expirations of the reference drug, market entry in the main European markets is planned for 2022.

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

Based upon contractual income from its two projects already licensed out, FYB201 and FYB203, as well as the fee revenue from its provision of development services for FYB202, the Company anticipates full-year 2019 sales revenue of roughly € 35.0 million; because the non-recurring gain in 2018 from the rebooking of accrued development expenses will not be repeated in 2019, full-year net income is expected to be slightly negative. This is not expected to result in any material change in balance sheet structure.

FORMYCON anticipates a continued modest rise in staff during the second half of 2019. Because of the resulting moderate increase in expenses, the Company anticipates a slight full-year loss for 2019.

No significant risks are currently anticipated as a result of exchange rate changes or inflation, or from any other specific influencing factors.

IV Report on Opportunities and Risks

Opportunities

FORMYCON continues to hold a positive view as to future growth in the healthcare sector, which is decisively important to the Company, for the following reasons:

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

- 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.

- 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 corporate strategy.

- Anticipated regulatory changes in the two markets currently most important in terms of sales revenue, the United States and Europe, suggest that environmental conditions for both the development and marketing of biosimilars will improve significantly over the coming years.

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 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 generally, with few exceptions, 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 analytically, 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 reach 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 of a biosimilar drug costs upwards of USD 100 million, requiring cost-intensive analytical, preclinical and clinical studies to demonstrate its comparability to the reference product in terms of quality, safety and efficacy. Because of these lengthy studies, the development of a biosimilar also requires a relatively long development timeframe of six to eight years.

The prospects for the future commercial success of a biosimilar development project are largely determined by the selection of product candidates at the start of the process. 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 by FORMYCON 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 reaches successful completion – the profitability of the projects would seem assured.

Through its established out-licensing partnerships as well as 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 remain favorable. 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.

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. Biopharmaceuticals, in particular, have been a significant driver of these treatment advances. Of the world's 15 best-selling drugs, 12 are biopharmaceuticals. Specifically within Germany, biopharmaceuticals comprised 26 percent of the total drug market in 2017, equal to EUR 10.2 billion in sales revenue – and the trend is continuing upward.

At the same time, however, the high cost of these powerful treatments, which in some cases may cost up to EUR 100,000 per patient per year, or even more, is a major burden on healthcare system costs. The political will to act as a result of these cost pressures could also, by increasing the pressure on biopharmaceutical prices, impact FORMYCON's business environment.

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 financial 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 by trained personnel or specialized service providers, making changes to equipment as necessary to ensure that it remains at the state of the art.

Patent risks

The possibility of patent infringements, even if only alleged, is an inherent risk in biosimilar development because of the large number of potentially relevant patents which must be considered. Disputes with competitors or other patent owners, or defense against lawsuits claiming patent infringement, may pose a considerable financial burden. Particularly in the U.S., such legal actions generally involve very 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.

In order to avoid infringements upon the intellectual property rights of others, FORMYCON conducts exhaustive patent searches already at the time that project candidates are selected, then continues to closely monitor the relevant patent environment over the course of the development of its biosimilar candidates. Nevertheless, the possibility cannot be excluded that FORMYCON could be the subject of patent litigation, even if such litigation is unjustified.

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 been able to recruit numerous 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 fiercely competitive labor market. For a growing organization, staff turnover is relatively 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, along with talent planning to ensure that future succession is in place.

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, to the extent feasible, with reasonable 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 cost 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. As to risks relating to manufacture and marketing, no such risks are currently known.

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 other 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 producers. The competition situation in each specific case will depend upon the pricing of the reference drug as well as the pricing of any new competitors in the market. It is, in addition, entirely possible that the manufacturer of the originator product might reduce its pricing upon patent expiry, or seek to enter into discount agreements with health insurers or other major buyers over extended contractually binding periods, 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 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.

V 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 by avoiding the accumulation of significant 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.

VI Report on Branches

The Company does not currently maintain any branches.

Martinsried/Planegg,
Germany, July 20, 2019

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, 2019

in €	June 30, 2019	Dec. 31, 2018
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	203,291.19	175,701.80
2. Goodwill	512,265.00	591,075.00
	715,556.19	**766,776.80**
II. Property. plant and equipment		
1. Land and buildings. including property-like rights and buildings on third-party land	97,667.00	135,032.00
2. Technical equipment and machinery	3,042,499.17	2,947,532.03
3. Other plant. production equipment and office equipment	426,504.53	390,340.80
	3,566,670.70	**3,472,904.83**
III. Financial assets		
Investment participations	20,673,249.00	15,973,249.00
	20,673,249.00	**15,973,249.00**
B. Current assets		
I. Inventories		
1. Raw materials. consumables and supplies	170,376.56	166,221.03
2. Unfinished products and services	282,750.00	1,013,200.00
3. Advance payments	0.00	36,131.37
	453,126.56	**1,215,552.40**
II. Receivables and other assets		
1. Trade accounts receivable	7,558,673.32	5,167,840.26
2. Other assets	12,282,125.31	53,964.20
of which remaining amount of share premium (additional paid-in capital) due from shareholders: € 12.264.170.30		
	19,840,798.63	**5,221,804.46**
III. Securities		
Other securities	473,352.20	4,972,308.23
	473,352.20	**4,972,308.23**
IV. Cash and cash equivalents	**7,489,376.62**	**7,336,154.32**
C. Prepaid expenses	**276,686.81**	**145,407.93**
D. Deferred tax asset	**519,700.00**	**519,700.00**
	54,008,516.71	**39,623,857.97**

Consolidated Interim Balance Sheet – Liabilities and Equity

as of June 30, 2019

in €	June 30, 2019	Dec. 31, 2018
A. Equity		
I. Subscribed capital[1]	10.000.000,00	9.422.603,00
II. Capital reserve	52.238.527,64	35.551.754,34
III. Profit / Loss carryforward	– 11.734.519,47	– 18.833.134,55
IV. Annual net income / loss	– 695.022,28	7.098.615,08
	49.808.985,89	**33.239.837,87**
B. Provisions		
1. Tax provisions	519.700,00	519.700,00
2. Other provisions	1.067.673,00	2.062.309,00
	1.587.373,00	**2.582.009,00**
C. Liabilities		
1. Trade accounts payable	1.662.771,85	2.730.781,29
of which due within one year: € 1,662,771.85 (prior year: € 2,730,781.29)		
2. Other liabilities	948.444,67	1.069.347,35
of which due within one year: € 436,291.28 (prior year: € 595,089.77)		
of which due in more than one year: € 512,153.39 (prior year: € 474,257.58)		
of which from taxes: € 26,636.73 (prior year: € 213,491.81)		
of which relating to social security: € 508.50 (prior year: € 195.26)		
	2.611.216,52	**3.800.128,64**
D. Deferred income	**941,30**	**1.882,46**
	54.008.516,71	**39.623.857,97**

[1] Conditional Capital 2015: € 291,260.00
Conditional Capital 2019: € 4,284,740.00

Consolidated Interim Income Statement

for the period from January 1, 2019 to June 30, 2019

	in €		June 30, 2019	June 30, 2018
1.	Sales revenue		17,228,361.68	24,591,102.77
2.	Increase or decrease in inventories of finished and unfinished products		−730,450.00	815,800.00
	Total revenue		**16,497,911.68**	**25,406,902.77**
3.	Other operating income		687,806.69	126,505.14
	of which income attributable to foreign currency translation: € 36.554.70 (prior year: € 60.331.58)			
4.	Cost of materials			
	a. Cost of raw materials. consumables and supplies and of purchased goods	1.256.932.90		1,029,526.76
	b. Cost of purchased services	10.171.331.88		10,989,279.99
			11,428,264.78	12,018,806.75
	Gross profit		**5,757,453.59**	**13,514,601.16**
5.	Staff expenses			
	a. Wages and salaries	3.351.321.50		3,016,869.22
	b. Social contributions and costs for retirement benefits and for support benefits	601.387.58		515,405.05
	of which for retirement benefits: € 59.107.85 (prior year: € 51.133.72)			
			3,952,709.08	3,532,274.27
6.	Depreciation. amortization and writedowns			
	of intangible assets and on property plant and equipment		448,718.96	405,209.88
7.	Other operating expenses		2,037,670.06	1,351,760.58
	of which expenses arising from foreign currency conversions € 26.708.81 (prior year: € 40.116.71)			
	Operating income		**−681,644.51**	**8,225,356.43**
8.	Other interest and similar income		710.69	1,110.83
9.	Writedowns of financial assets and securities held in current assets		0.30	0.00
10.	Interest and similar expense		13,932.16	17,374.80
11.	Taxes on income		0.00	620,000.00
	Income after tax		**−694,866.28**	**7,589,092.46**
12.	Other taxes		156.00	305.91
	Period net income (loss)		**−695,022.28**	**7,588,786.55**

Notes to the Consolidated Interim Financial Statements for the Period from January 1, 2019 to June 30, 2019

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 Consolidated Interim Financial Statements

Items in the consolidated interim balance sheet and consolidated interim 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 Interim 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 Interim 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 Interim 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 Interim 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.

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

Fiscal year and period of consolidation

These Consolidated Interim Financial Statements have been prepared as of June 30, 2019, which is the balance sheet closing date for FORMYCON AG, the parent company.

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

Scope of consolidation

These Consolidated Financial Interim 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.

Principles of consolidation

For subsidiaries which are fully consolidated into the Consolidated Interim 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 2 to these Notes.

Derivatives

The Group did not hold any derivative financial instruments as of June 30, 2019.

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 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. three 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 € 250.00 are expensed in full in their year of acquisition.

Low-value fixed assets with an individual acquisition cost of between € 250.00 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.

Current assets

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.

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.

III 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 included elsewhere in these Notes.

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.

Equity and share issuances

A schedule of changes in equity is provided as Attachment 3. The Company's registered capital (Grundkapital) was raised, through official entry in its trade register on April 10, 2019, from € 9,422,603.00 to € 10,000,000.00, an increase of € 577,397.00, through the issuance against cash contributions, from a portion of the Company's approved capital, of 577,397 new no-par-value bearer shares with a nominal value (i.e. imputed share in the Company's total registered capital) of € 1.00 per share.

Information required per sec. 160 of the Stock Corporation Act

Number of shares outstanding

The Company has registered capital (Grundkapital) of € 10,000,000.00, which is divided into 10,000,000 bearer shares without par value.

Approved Capital 2015

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). As part of the Approved Capital 2015 has already been used through share issuance, the remaining and available amount is € 3,763,404.00.

Approved Capital 2019

By resolution of the annual shareholders' meeting of June 27, 2019, 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 26, 2024, and by no more than a total of € 5,000,000.00, through the issuance of up to 5,000,000 new no-par-value bearer shares, against contributions in cash and/or in kind (the "Approved Capital 2019"). 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). Notwithstanding the foregoing, the Executive Board is authorized, subject to the approval of the Supervisory Board, to exclude the general statutory subscription rights of shareholders in the following specific cases:

- for fractional shares;
- in the case that the capital increase is made against cash contributions and the issue price of the new shares is not significantly lower than the stock exchange price and the new shares issued under exclusion of subscription rights do not exceed 10% of the share capital, either at the time this authorization takes effect or at the time this authorization is exercised, whereby this 10% limit is to be calculated based on the proportion of share capital attributable to new shares issued, or repurchased treasury shares sold, subsequent to June 27, 2019 under a simplified exclusion of subscription rights pursuant to or in accordance with sec. 186 para. 3 sentence 4 of the German Stock Corporation Act, as well as calculated based on the proportion of share capital relating to stock options and/or conversion rights or obligations arising from bonds issued subsequent to June 27, 2019, likewise in accordance with sec. 186 para. 3 sentence 4 of the Stock Corporation Act; and
- in the case of capital increases against non-cash contributions for the granting of companies, parts of companies, or equity interests in companies (including increases of existing equity investments), or in satisfaction of financial obligations of the Company

Following the date of record, this action was entered into the Company's commercial register.

Number of subscription rights per sec. § 192 para. 2 no. 1 of the Stock Corporation Act

The Company's registered capital has been conditionally increased by a maximum of € 4,284,740.00, divided into a maximum of 4,284,740 no-par-value bearer shares (the "Conditional Capital 2019"). This capital increase is conditional upon the exercise of warrants or conversion rights by the holders of convertible bonds and/or bonds with attached warrants issued under the authority granted to the Executive Board by the resolution of the annual shareholders' meeting of June 27, 2019 and valid until June 26, 2024, or upon the triggering of obligations to issue shares arising from such warrants or convertible bonds. The newly issued shares shall participate in profits from the start of the fiscal year in which they arise due to such exercise, or due to the fulfillment

of such obligations arising from such warrants or convertible bonds. The Executive Board is authorized, subject to approval of the Supervisory Board, to determine further details regarding the specific implementation of any such contingent capital increase.

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

The Company's registered capital was conditionally increased by a maximum of € 715,260.00 for the issuance of a maximum of 715,260 new no-par-value bearer shares (the "Conditional Capital 2015"). The Conditional Capital 2015 serves exclusively to secure subscription rights (stock options) granted to members of the Executive Board and Company employees, as well as executives and employees of Company subsidiaries and affiliates, under the authority granted by resolution of the annual shareholders' meeting of June 30, 2015 to issue such stock options at any time up to and including June 29, 2020 (the "Stock Option Plan 2015"). This capital increase is conditional upon such subscription rights having been issued and upon the exercise of such subscription rights by the holders thereof, and further provided that the Company does not grant treasury shares or provide a cash settlement in fulfillment of such subscription rights. 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 Executive Board is authorized, subject to approval of the Supervisory Board, to determine further details regarding the specific implementation of any such contingent capital increase. In the case of such subscription rights (stock options) being granted to Executive Board members, the Supervisory Board is similarly authorized. The Supervisory Board is further authorized to amend the Company's articles of incorporation to reflect such utilization of the conditional capital. As of the reporting date, a total of 424,000 stock options were issued.

Provisions

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

per sec. 285 no. 12 of the Commercial Code

in €	Current year
Bonuses	327,000.00
Unpaid invoices	356,480.00
Accrued vacation	235,163.00
Safekeeping obligations	103,100.00
Audit and advisory costs	26,650.00
Occupational cooperative and other social expenses	9,280.00
Ancillary expenses	10,000.00

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 2.

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:

sec. 285 sentence 1 no. 3a of the Commercial Code

in €	Current year	Total amount
Property rental	460,857.52	1,615,607.28
Vehicle leases	36,535.34	56,543.60
Other rental agreements	52,431.60	64,530.80

IV Additional Notes to the Consolidated Interim Income Statement

Sales revenue may be broken down as follows:

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

in €	Current year
Sales revenue from development services	17,228,361.68

Other operating income includes income attributable to foreign currency translation in the amount of € 36,554.70 (prior year: € 60K).

Staff expenses include costs for retirement contributions in the amount of € 59,107.85 (prior year: € 51K).

Other operating expenses include expenses attributable to foreign currency translation in the amount of € 26,708.81 (prior year: € 40K).

V Other Information

Number of staff

Sec. 314 para. 1 no. 4 of the Commercial Code requires the following information regarding the average number of staff (excluding Executive Board members) during the fiscal year:

per sec. 314 para. 1 of the Commercial Code

	Current year
Administrative activities	10
Research activities	87
Total	**97**

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, Chief Executive Officer
- **Dr. Nicolas Combé**, residing in Munich, Chief Financial Officer
- **Dr. Stefan Glombitza**, residing in Holzkirchen, Chief Operating Officer

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 € 41,500.00, while total remuneration to members of the Executive Board was € 619,252.18.

The following members of the Executive and Supervisory Boards are members of other supervisory boards:

- **Dr. Nicolas Combé**: alphazoo AG
- **Dr. Olaf Stiller**: Bodenwert Immobilien AG, Nano Repro AG
- **Hermann Vogt**: Cumerius AG

Shareholdings and scope of consolidation

	Share of capital (in %)	Equity (in €)	Period net income (in €)
FORMYCON PROJECT 201 GmbH	100	−54,574.66	7,161.43
FORMYCON PROJECT 203 GmbH	100	−1,793,740.81	−41,236.35
FYB202 GmbH & Co. KG	24,9	Interim results not available	Interim results not available

Martinsried/Planegg,
Germany, July 20, 2019

Dr. Carsten Brockmeyer

Dr. Nicolas Combé

Dr. Stefan Glombitza

Consolidated Schedule of Fixed Assets

Attachment 1

for the period from January 1, 2019 to June 30, 2019

in €	Changes in historical cost of acquisition				Changes in accumulated depreciation & amortization				Changes in net book value	
	Historical cost of acquisition or production at Dec. 31. 2018	Additions	Historical cost of disposals	Historical cost of acquisition or production at June 30. 2019	Accumulated depreciation & amortization at Dec. 31. 2018	Current-year depreciation & amortization	Write-downs on disposals	Accumulated depreciation & amortization at June 30. 2019	Net book value at Dec. 31. 2018	Net book value at June 30. 2019
Intangible assets										
Purchased concessions. industrial property rights. and similar rights and assets. as well as licenses for such rights and assets	489,337.37	62,930.36	0.00	552,267.73	313,635.57	35,340.97	0.00	348,976.54	175,701.80	203,291.19
Goodwill	1,576,200.00	0.00	0.00	1,576,200.00	985,125.00	78,810.00	0.00	1,063,935.00	591,075.00	512,265.00
Property. plant and equipment										
Land and buildings. including property-like rights and buildings on third-party land	504,046.99	0.00	0.00	504,046.99	369,014.99	37,365.00	0.00	406,379.99	135,032.00	97,667.00
Technical equipment and machinery	5,266,344.38	321,020.13	5,561.23	5,581,803.28	2,318,812.35	225,558.20	5,066.44	2,539,304.11	2,947,532.03	3,042,499.17
Other plant. production equipment and office equipment	1,097,343.42	107,845.93	18,915.51	1,186,273.84	707,002.62	71,644.79	18,878.10	759,769.31	390,340.80	426,504.53
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
Financial assets										
Investment participations	15,973,249.00	4,700,000.00	0.00	20,673,249.00	0.00	0.00	0.00	0.00	15,973,249.00	20,673,249.00
Total	**24,906,521.16**	**5,191,796.42**	**24,476.74**	**30,073,840.84**	**4,693,590.53**	**448,718.96**	**23,944.54**	**5,118,364.95**	**20,212,930.63**	**24,955,475.89**

Consolidated Schedule of Liabilities

Attachment 2

as of June 30, 2019

in €	June 30. 2019	of which due within 1 year	of which due in 1-5 years	of which due in more than 5 years	of which collateralized
Trade accounts payable	1,662,771.85	1,662,771.85	0.00	0.00	0.00
Other liabilities	948,444.67	436,291.28	512,153.39	0.00	817,003.65
Total	**2,611,216.52**	**2,099,063.13**	**512,153.39**	**0.00**	**817,003.65**

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

Consolidated Schedule of Changes in Equity

Attachment 3

for the period from January 1, 2019 to June 30, 2019

in €	Subscribed capital	Capital reserves	Profit (loss) carryforward	Net income (loss)	Equity
as of Dec. 31, 2018	**9,422,603.00**	**35,551,754.34**	**– 18,833,134.55**	**7,098,615.08**	**33,239,837.87**
Capital increases	577,397.00	16,686,773.30	0.00	0.00	17,264,170.30
Appropriation of prior-year profit	0.00	0.00	7,098,615.08	– 7,098,615.08	0.00
Annual net income (loss)	0.00	0.00	0.00	– 695,022.28	– 695,022.28
as of June 30, 2019	**10,000,000.00**	**52,238,527.64**	**– 11,734,519.47**	**– 695,022.28**	**49,808,985.89**

Consolidated Statement of Cash Flows

Attachment 4

for the period from January 1, 2019 to June 30, 2019

	in €	June 30, 2019	June 30, 2018
	Period net income (loss)	**–695,022.28**	**7,588,786.55**
+/–	Depreciation. amortization. write-downs (impairments) and write-ups of fixed assets	448,718.96	405,209.88
+/–	Additions to/subtractions from provisions	–994,636.00	1,237,407.00
–/+	Changes to inventories and trade receivables. as well as other assets not included among investing and financing activities	– 13,987,847.21	1,118,368.20
+/–	Changes to trade payables. as well as other liabilities not included among investing and financing activities	– 1,189,853.28	2,550,200.05
–/+	Gain/loss resulting from disposals of fixed assets	–532.20	479.25
+/–	Interest expense/interest income	-,-	16,263.97
=	**Cash flow from operating activities**	**– 16,419,172.01**	**12,916,714.90**
–	Amounts paid for investments in intangible assets	–62,930.36	– 19,543.75
+	Amounts received from disposals of property. plant and equipment	1,064.40	-,-
–	Amounts paid for investments in property. plant and equipment	–428,866.06	–571,162.23
–	Amounts paid for investments in financial assets	–4,700,000.00	– 15,973,000.00
+	Interest received	-,-	1,110.83
=	**Cash flow from investing activities**	**–5,190,732.02**	**– 16,562,595.15**
+	Amounts received from capital contributions by shareholders of the parent company	17,264,170.30	-,-
–	Interest paid	-,-	– 17,374.80
=	**Cash flow from financing activities**	**17,264,170.30**	**– 17,374.80**
	Total changes in cash and liquid resources from cash flows	**–4,345,733.73**	**–3,663,255.05**
+	Cash and liquid resources at beginning of period	12,308,462.55	15,478,277.12
=	**Cash and liquid resources at end of period ***	**7,962,728.82**	**11,815,022.07**

Cash and liquid resources includes cash and cash equivalents as well as short-term marketable securities available for sale.

Review Report of Independent Auditor

We have reviewed the accompanying consolidated interim financial statements as of June 30, 2019, 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, 2019 to June 30, 2019.

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 6, 2019

SRS Audit GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Rudolf Schmitz
Wirtschaftsprüfer
[German Public Accountant]

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FORMYCON AG
Interim Financial Statements

Interim Balance Sheet – Assets

as of June 30, 2019

in €	June 30, 2019	Dec. 31, 2018
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	203,291.19	175,701.80
2. Goodwill	512,265.00	591,075.00
	715,556.19	**766,776.80**
II. Property. plant and equipment		
1. Land and buildings. including property-like rights and buildings on third-party land	97,667.00	135,032.00
2. Technical equipment and machinery	3,042,499.17	2,947,532.03
3. Other plant. production equipment and office equipment	426,504.53	390,340.80
	3,566,670.70	**3,472,904.83**
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	20,673,249.00	15,973,249.00
	22,300,249.00	**17,600,249.00**
B. Current assets		
I. Inventories		
1. Raw materials. consumables and supplies	170,376.56	166,221.03
2. Unfinished products and services	116,850.00	220,400.00
3. Advance payments	-,-	36,131.37
	287,226.56	**422,752.40**
II. Receivables and other assets		
1. Trade accounts receivable	1,152,412.19	1,137,074.70
2. Receivables from affiliated companies	7,098,078.74	4,943,537.39
3. Other assets	12,280,900.01	52,763.04
of which remaining amount of share premium (additional paid-in capital) due from shareholders: € 12.264.170.30		
	20,531,390.94	**6,133,375.13**
III. Securities		
Other securities	473,352.20	4,972,308.23
	473,352.20	**4,972,308.23**
IV. Cash and cash equivalents	**6,088,422.92**	**5,140,825.18**
C. Prepaid expenses	**276,686.81**	**145,407.93**
D. Deferred tax asset	**519,700.00**	**519,700.00**
	54,759,255.32	**39,174,299.50**

Interim Balance Sheet – Liabilities and Equity

as of June 30, 2019

in €	June 30, 2019	Dec. 31, 2018
A. Equity		
I. Subscribed capital[1]	10,000,000.00	9,422,603.00
II. Capital reserve	52,238,527.64	35,551,754.34
III. Profit / Loss carryforward	–9,870,278.92	– 17,150,269.34
IV. Annual net income / loss	–660,947.36	7,279,990.42
	51,707,301.36	**35,104,078.42**
B. Provisions		
1. Tax provisions	519,700.00	519,700.00
2. Other provisions	890,073.00	1,252,809.00
	1,409,773.00	**1,772,509.00**
C. Liabilities		
1. Trade accounts payable	692,971.38	1,219,483.40
of which due within one year: € 692,971.38 (prior year: € 1,219,483.40)		
2. Liabilities toward affiliated companies	0.00	7,397.16
of which due within one year: € 0.00 (prior year: € 7,397.16)		
3. Other liabilities	948,268.28	1,068,949.06
of which due within one year: € 436,114.89 (prior year: € 594,691.48)		
of which due in more than one year: € 512,153.39 (prior year: € 474,257.58)		
of which from taxes: € 26.636,73 (prior year: € 213,491.81)		
of which relating to social security: € 508.50 (prior year: € 195.26)		
	1,641,239.66	**2,295,829.62**
D. Deferred income	**941.30**	**1,882.46**
	54,759,255.32	**39,174,299.50**

[1] Conditional Capital 2015: € 291,260.00
Conditional Capital 2019: € 4,284,740.00

Interim Income Statement

for the period from January 1, 2019 to June 30. 2019

in €			June 30, 2019	June 30, 2018
1.	Sales revenue		11,332,759.88	18,909,512.64
2.	Increase or decrease in inventories of finished and unfinished products		– 103,550.00	– 337,500.00
	Total revenue		**11,229,209.88**	**18,572,012.64**
3.	Other operating income		73,973.89	107,115.74
	of which income attributable to foreign currency translation: € 4.766.73 (prior year: € 41.802.93)			
4.	Cost of materials			
	a. Cost of raw materials. consumables and supplies and of purchased goods	1,256,932.90		1,029,526.76
	b. Cost of purchased services	4,279,313.21		4,074,638.43
			5,536,246.11	5,104,165.19
	Gross profit		**5,766,937.66**	**13,574,963.19**
5.	Staff expenses			
	a. Wages and salaries	3,351,321.50		3,016,869.22
	b. Social contributions and costs for retirement benefits and for support benefits	601,387.58		515,405.05
	of which for retirement benefits: € 59.107.85 (prior year: € 51.133.72)			
6.	Depreciation. amortization and writedowns of intangible assets and on property plant and equipment		448,718.96	405,209.88
7.	Other operating expenses		2,013,009.98	1,302,841.98
	of which expenses arising from foreign currency conversions € 15.082.94 (prior year: € 6.671.57)			
	Operating income		**– 647,500.36**	**8,334,637.06**
8.	Other interest and similar income		619.13	1,110.83
9.	Interest and similar expense		13,909.83	16,326.46
10.	Taxes on income		0.00	620,000.00
	Income after tax		**– 660,791.06**	**7,699,421.43**
11.	Other taxes		156.00	305.91
	Period net income (loss)		**– 660,947.06**	**7,699,115.52**

Notes to the Interim Financial Statements for the period from January 1, 2019 to June 30, 2019

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.

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 accordance with 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 € 250.00 are expensed in full in their year of acquisition.

Low-value fixed assets with an individual acquisition cost of between € 250.00 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.

Current assets

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.

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.

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

Provisions

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.

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

Liabilities

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

III Additional notes to the Interim Balance Sheet

Fixed assets

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

Equity

A schedule of changes in equity is provided as Attachment 3. The Company's registered capital (Grundkapital) was raised, through official entry in its trade register on April 10, 2019, from € 9,422,603.00 to € 10,000,000.00, an increase of € 577,397.00, through the issuance against cash contributions, from a portion of the Company's approved capital, of 577,397 new no-par-value bearer shares with a nominal value (i.e. imputed share in the Company's total registered capital) of € 1.00 per share.

Information required per sec. 160 of the Stock Corporation Act

Number of shares outstanding

The Company has registered capital (Grundkapital) of € 10,000,000.00, which is divided into 10,000,000 bearer shares without par value.

Approved Capital 2015

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 "Approved 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). As part of the Approved Capital 2015 has already been used through share issuance, the remaining and available amount is € 3,763,404.00.

Approved Capital 2019

By resolution of the annual shareholders' meeting of June 27, 2019, 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 26, 2024, and by no more than a total of € 5,000,000.00, through the issuance of up to 5,000,000 new no-par-value bearer shares, against contributions in cash and/or in kind (the "Approved Capital 2019"). 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). Notwithstanding the foregoing, the Executive Board is authorized, subject to the approval of the Supervisory Board, to exclude the general statutory subscription rights of shareholders in the following specific cases:

- for fractional shares,
- in the case that the capital increase is made against cash contributions and the issue price of the new shares is not significantly lower than the stock exchange price and the new shares issued under exclusion of subscription rights do not exceed 10% of the share capital, either at the time this authorization takes effect or at the time this authorization is exercised, whereby this 10% limit is to be calculated based on the proportion of share capital attributable to new shares issued, or repurchased treasury shares sold, subsequent to June 27, 2019 under a simplified

exclusion of subscription rights pursuant to or in accordance with sec. 186 para. 3 sentence 4 of the German Stock Corporation Act, as well as calculated based on the proportion of share capital relating to stock options and/or conversion rights or obligations arising from bonds issued subsequent to June 27, 2019, likewise in accordance with sec. 186 para. 3 sentence 4 of the Stock Corporation Act; and

— in the case of capital increases against non-cash contributions for the granting of companies, parts of companies, or equity interests in companies (including increases of existing equity investments), or in satisfaction of financial obligations of the Company.

Following the date of record, this action was entered into the Company's commercial register.

Number of subscription rights per sec. § 192 para. 2 no. 1 of the Stock Corporation Act

The Company's registered capital has been conditionally increased by a maximum of € 4,284,740.00, divided into a maximum of 4,284,740 no-par-value bearer shares (the "Conditional Capital 2019"). This capital increase is conditional upon the exercise of warrants or conversion rights by the holders of convertible bonds and/or bonds with attached warrants issued under the authority granted to the Executive Board by the resolution of the annual shareholders' meeting of June 27, 2019 and valid until June 26, 2024, or upon the triggering of obligations to issue shares arising from such warrants or convertible bonds. The newly issued shares shall participate in profits from the start of the fiscal year in which they arise due to such exercise, or due to the fulfillment of such obligations arising from such warrants or convertible bonds. The Executive Board is authorized, subject to approval of the Supervisory Board, to determine further details regarding the specific implementation of any such contingent capital increase.

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

The Company's registered capital was conditionally increased by a maximum of € 715,260.00 for the issuance of a maximum of 715,260 new no-par-value bearer shares (the "Conditional Capital 2015"). The Conditional Capital 2015 serves exclusively to secure subscription rights (stock options) granted to members of the Executive Board and Company employees, as well as executives and employees of Company subsidiaries and affiliates, under the authority granted by resolution of the annual shareholders' meeting of June 30, 2015 to issue such stock options at any time up to and including June 29, 2020 (the "Stock Option Plan 2015"). This capital increase is conditional upon such subscription rights having been issued and upon the exercise of such subscription rights by the holders thereof, and further provided that the Company does not grant treasury shares or provide a cash settlement in fulfillment of such subscription rights. 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 Executive Board is authorized, subject to approval of the Supervisory Board, to determine further details regarding the specific implementation of any such contingent capital increase. In the case of such subscription rights (stock options) being granted to Executive Board members, the Supervisory Board is similarly authorized. The Supervisory Board is further authorized to amend the Company's articles of incorporation to reflect such utilization of the conditional capital. As of the reporting date, a total of 424,000 stock options were issued.

Provisions

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

sec, 285 no, 12 of the Commercial Code

in €	Current year
Bonuses	327,000.00
Unpaid invoices	190,580.00
Accrued vacation	235,163.00
Safekeeping obligations	102,300.00
Audit and advisory costs	15,750.00
Occupational cooperative and other social expenses	9,280.00
Ancillary expenses	10,0000.00

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 2.

Contingent liabilities

The Company has issued letters of comfort (Patronatserklärung) in support of its subsidiaries FORMYCON PROJECT 203 GmbH and FORMYCON PROJECT 201 GmbH. Claims under these letters of comfort are not anticipated because the subsidiaries have sufficient liquidity to fulfill their respective 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:

sec. 285 sentence 1 no. 3a of the Commercial Code

in €	Current year	Total amount
Property rental	460,857.52	1,615,607.28
Vehicle leases	36,535.34	56,543.60
Other rental agreements	52,431.60	64,530.80

VI Additional notes to the Interim Income Statement

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

in €		Current year
	Period net loss	–660,947.36
+	Loss carryforward from prior year	–9,870,278.92
=	Accumulated loss to balance sheet	– 10,531,226.28
	of which: Loss carryforward to 2018	**–9,870,278.92**

V 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:

per sec. 285 no. 7 of the Commercial Code

	Current year
Administrative activities	10
Research activities	87
Total	**97**

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, Chief Executive Officer
- **Dr. Nicolas Combé**, residing in Munich, Chief Financial Officer
- **Dr. Stefan Glombitza**, residing in Holzkirchen, Chief Operating Officer

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 € 41,500.00, while total remuneration to members of the Executive Board was € 619,252.18.

The following members of the Executive and Supervisory Boards are members of other supervisory boards:

- **Dr. Nicolas Combé** : alphazoo AG
- **Dr. Olaf Stiller**: Bodenwert Immobilien AG, Nano Repro AG
- **Hermann Vogt**: Cumerius AG

Shareholdings and scope of consolidation

	Share of capital	Equity	Period net income
	(in %)	(in €)	(in €)
FORMYCON PROJECT 201 GmbH	100	–54,574.66	7,161.43
FORMYCON PROJECT 203 GmbH	100	– 1,793,740.81	– 41,236.35
FYB202 GmbH & Co. KG	24,9	Interim results not available	Interim results not available

Martinsried/Planegg,
Germany, July 20, 2019

Dr. Carsten Brockmeyer

Dr. Nicolas Combé

Dr. Stefan Glombitza

Schedule of Fixed Assets

Attachment 1

for the period from January 1, 2019 to June 30, 2019

in €	Changes in historical cost of acquisition				Changes in accumulated depreciation & amortization				Changes in net book value	
	Historical cost of acquisition or production at Dec. 31, 2018	Additions	Historical cost of disposals	Historical cost of acquisition or production at June 30, 2019	Accumulated depreciation & amortization at Dec. 31, 2018	Current-year depreciation & amortization	Write-downs on disposals	Accumulated depreciation & amortization at June 30, 2019	Net book value at Dec. 31, 2018	Net book value at June 30, 2019
Intangible assets										
Purchased concessions. industrial property rights. and similar rights and assets. as well as licenses for such rights and assets	489,337.37	62,390.36	0.00	552,267.73	313,635.57	35,340.97	0.00	348,976.54	175,701.80	203,291.19
Goodwill	1,576,200.00	0.00	0.00	1,576,200.00	985,125.00	78,810.00	0.00	1,063,935.00	591,075.00	512,265.00
Property. plant and equipment										
Land and buildings. including property-like rights and buildings on third-party land	504,046.99	0.00	0.00	504,046.99	369,014.99	37,365.00	0.00	406,379.99	135,032.00	97,667.00
Technical equipment and machinery	5,266,344.38	321,020.13	5,561.23	5,581,803.28	2,318,812.35	225,558.20	5,066.44	2,539,304.11	2,947,532.03	3,042,499.17
Other plant. production equipment and office equipment	1,097,343.42	107,845.93	18,915.51	1,186,273.84	707,002.62	71,644.79	18,878.10	759,769.31	390,340.80	426,504.53
Financial assets										
Shares in affiliated companies	50,000.00	0.00	0.00	50,000.00	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	1,577,000.00	0.00	0.00	0.00	0.00	1,577,000.00	1,577,000.00
Investment participations	15,973,249.00	4,700,000.00	0.00	20,673,249.00	0.00	0.00	0.00	0.00	15,973,249.00	20,673,249.00
Total	**26,533,521.16**	**5,191,256.42**	**24,476.74**	**31,700,840.84**	**4,693,590.53**	**448,718.96**	**23,944.54**	**5,118,364.95**	**21,839,930.63**	**26,582,475.89**

Schedule of Liabilities

Attachment 2

as of June 30, 2019

in €	June 30, 2019	of which due within 1 year	of which due in 1-5 years	of which due in more than 5 years	of which collateralized
Trade accounts payable	692.971,38	692.971,38	0,00	0,00	0,00
Other liabilities	948.268,28	436.114,89	512.153,39	0,00	817.003,65
Total	**1.641.239,66**	**1.129.086,27**	**512.153,39**	**0,00**	**817.003,65**

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 3

for the period from January 1, 2019 to June 30, 2019

in €	Subscribed capital	Capital reserves	Profit (loss) carryforward	Net income (loss)	Equity
as of Dec. 31, 2018	**9.422.603.00**	**35.551.754.34**	**– 17.150.269.34**	**7.279.990.42**	**35.104.078.42**
Capital increases	577,397.00	16,686,773.30	0.00	0.00	17,264,170.30
Appropriation of prior-year profit	0.00	0.00	7,279,990.42	–7,279,990.42	0.00
Annual net income (loss)	0.00	0.00	0.00	–660,947.36	–660,947.36
as of June 30, 2019	**10,000,000.00**	**52,238,527.64**	**–9,870,278.92**	**–660,947.36**	**51,707,301.36**

Review Report of Independent Auditor

We have reviewed the accompanying interim financial statements as of June 30, 2019, 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, 2019 to June 30, 2019.

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 6, 2019

SRS Audit GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Rudolf Schmitz
Wirtschaftsprüfer
[German Public Accountant]

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