formycon

21st CENTURY BIOSIMILARS

Annual Report 2013

formycon®

Annual Report 2013

Annual Financial Statements

Consolidated financial statements

Letter to the Shareholders

Dear shareholders in Formycon AG,

The past year has been a very successful one for our company. Ever since Nanohale AG acquired the assets of Scil Technology in 2012 and was relaunched as FORMYCON, we have been working steadily on implementing a strategy change founded on our vision for the new company. This reads as follows: we want to become one of the world's leading developers in the field of follow-on biologics, so-called biosimilars. It is not presumptuous to say that we made great strides towards this in 2013.

The arrival of the biosimilar pioneer Dr. Carsten Brockmeyer in the company in 2012 and his appointment to CEO of FORMYCON in April 2013, made a decisive contribution to this. The expertise of this world-wide renowned scientist helped the FORMYCON team to start developing two of their own biosimilars in quick succession in the first six months alone. Development always begins with analysis of the originator molecule. Analysis – that sounds like routine laboratory work, but do not be misled: the quality and precision required to determine the complex molecular structure of a biotech drug requires very special know-how and high-tech equipment. This is the only way of acquiring the data needed to synthesise a follow-on that is as similar as possible – as a biosimilar.

But what does this mean for you as an investor? Why did FORMYCON implement such a radical reorientation? What may we expect from biosimilars?

The economic potential of the active substance follow-ons that we are developing is clear: experts presume that the first two original preparations alone, with their different indications, addressed by FORMYCON will each have generated an annual turnover of several billion US Dollars by the time patent protection expires at the end of the decade. Overall, biopharmaceutical pharmaceutical products with sales of approx. 100 billion Dollars will have lost their patent protection by 2020. Thus it is clear that – similarly to the wave of patent expiries since the beginning of this millennium and the very prompt appearance of the conventional generic drugs on the market – a sea-change in the pharmaceutical market is pending. This will present tremendous chances on the market for developers of biosimilars. That is our field of business and we want to seize these opportunities.

You, our shareholders, have already created the decisive conditions for our successful work by implementing three capital increases to lay the financial foundations to enable the FORMYCON team to do their work. For instance, in February 2013, 2,117,405 new shares with profit share entitlements were placed with institutional investors and family offices at a price of €3.50 per share. This resulted in an influx of €7.41 million to FORMYCON AG and the capital stock was increased from €5.08 million to €7.20 million. The capital stock was further increased to €7.37 million by completion of a further cash capital increase from authorised capital under exclusion of stock subscription rights in the amount of 170,479 shares at €3.50 per share. An ordinary Shareholders' Meeting on 20 June, and an extraordinary Shareholders' Meeting on 2 October, adopted and confirmed the resolutions to create new authorised capital, which also laid the foundation for the third capital increase in December 2013. Here, institutional investors and family offices subscribed to 1,257,027 new shares with profit share entitlements at a price of €7.50 per share. €9.43 million flowed into the company and the capital stock increased to €8.63 million.

Due to the financial stability created by this, FORMYCON AG was able to take the next step towards economic exploitation of its expertise sooner than planned.

The first molecule was licensed out to the Santo-Holding run by the two founders of Hexal, Thomas und Andreas Strüngmann as early as December 2013. From this time onwards, Santo provided the funding for the further development, production and marketing authorisation of our first biosimilar. Of major importance for our company: the financial dimension of the deal. Dependant on meeting certain turnover goals, this could amount to several hundred million Euros, and would thus additionally secure continuing development work on the second – and meanwhile even a third – biosimilar active substance.

Thus FORMYCON AG has achieved its ambitious target: positioning itself as a globally-oriented biosimilar developer. We have now intensified our work on expanding our product and technology pipeline to realise the inherent company goodwill of FORMYCON AG.

Martinsried, June 2014

FORMYCON AG

Dr. Carsten Brockmeyer

Dr. Nicolas Combé

21st CENTURY BIOSIMILARS

Why FORMYCON is investing in the third wave of biopharmaceutical follow-on products in its **Agenda 2020**

He who comes too late is punished by life". This legendary sentence from the last President of the Soviet Union, Mikhail Gorbachev, has rightly been acclaimed as the saying of the century. Its implied message is that: when the time has come for something, it can no longer be put off. And those of us who do not want to sink are better advised to swim with the oncoming wave. But – as every surfer knows – to do this successfully, it is vitally important to be in the right starting position in good time to catch the wave at the decisive moment.

This picture illustrates FORMYCON's long-term orientation so graphically because the company is actually putting its money on a wave. Although it is still only recognisable as a vague bulge on the horizon, in a few years' time it will have grown to gigantic proportions. We are speaking here of the so-called third wave of biosimilars. Specifically, this means follow-on drugs for biopharmaceutically synthesised preparations whose patents start expiring in 2020. Until now, members of the interested public, the pharmaceutical industry and statutory health insurers in the important markets have only been interested in the first and second waves. The first wave consisted of biosimilars for preparations whose patents had already expired, above all somatropin, filgrastim and epoetin alfa. The second wave comprises biotech drugs whose patent protection will have expired by 2020. These include monoclonal antibody preparations with sales in the billions such as Herceptin or rituximab.

But, as we can elucidate from the most recent statements from, for example, Teva or Stada, the third wave of biosimilars has already sparked the interest of the major pharmaceutical and generics companies. The third wave consists of products that are used in the fields of ophthalmology, autoimmune diseases, metabolic diseases, and coagulation disorders. Those companies that have not started developing these biosimilars in good time are threatened by the consequences formulated by Gorbachev, due to the development periods of seven to eight years for biosimilars. Or they will have to take out licenses from companies that were quicker, such as FORMYCON which, as an independent developer with a focused team, can react rapidly and make quick decisions, and thus keep ahead of the others in terms of development.

Thus, it is precisely this "Agenda 2020" that FORMYCON AG has based its re-orientation process on over the last two years. This strategy is further validated by a current publication in the renowned pharmaceutical information service "FirstWord Pharma", which reports that all the experts asked about the subject of biosimilars are of the unanimous opinion that the relevant market players should already be investing in the third wave, if they want to have licensable biosimilars ready as of 2020 when the patents expire.

Biosimilars represent a great deal of money for the pharmaceutical industry. World-wide sales of these preparations still amount to "only" around 2.5 billion Dollars. But according to some estimates, this could multiply by a factor of ten by 2020. The market environment for biosimilars is also expected to be considerably better by 2020 than it is today.

First, because the preparations that reach the market by that time will have shown the possible cost savings for the statutory health insurers more clearly. The Institut für Gesundheits- und Sozialforschung [Institute for Health and Social Research] (IGES) in Berlin calculates that the potential savings for the German statutory health insurers alone will be twelve billion EUR, and 33 billion EUR for all Europe by the year 2020. Second, the price benefit of the "me toos" compared with the "originals" should lead to the situation in which more patients can profit from their effects than to date.

The FORMYCON AG strategy is also promising for other reasons. As an independent developer, FORMYCON possesses expertise in all stages of development that is unique in Europe: from market analysis and protein analysis to production and clinical development and the marketing authorisation process up to patent law. The scientific team at FORMYCON has already used this head start to define its own molecule pipeline for the "Agenda 2020". Work is already proceeding – at present in different stages of development – on three of the six top candidates. The in-house solution at FORMYCON reads: we do not want to be the fifth or sixth on the market with a biosimilar, we want to be the first!

The time factor also argues in favour of FORMYCON's "Agenda 2020". Because, in view of the twenty molecules or so that are to lose their patent protection starting in 2020 and in view of the time taken to develop a product to marketing authorisation, it is clear that it is going to be a tight squeeze for all those companies who want to market not just one or two, but a whole portfolio of biosimilars. The limited development capacities of even the largest pharmaceutical groups is not only increasing the pressure on them to enter into partnerships, but also to consider fusions and acquisitions. Thus the environment could hardly be better for FORMYCON. Because even the major players in the industry know: "He who comes too late ....".

Report of the supervisory board

The supervisory board received regular written and verbal reports about the progress of business and the financial position of the company during the financial year. Furthermore, the chairman of the supervisory board was in permanent contact with the management board. Questions of company strategy and important occurrences were discussed at these meetings. The supervisory board monitored the company management continuously. All the business transactions and upcoming decisions that required the agreement of the supervisory board according to law and the articles of association were discussed in depth at five meetings. All members of the supervisory board attended its meetings.

The meetings of the supervisory board focused on securing the company's financial resources and discussed the present and future development of the business domains, in particular with regard to the latest technology and the endeavours to start preclinical studies and the associated staffing questions. The management board and the supervisory board discussed development and corporate planning at quarterly meetings. In connection with the preparation of the annual financial statements, discussions centred on individual specific valuations and the resulting consequences for the company's capital structure.

Moreover, the chairman of the supervisory board was in permanent contact with the management board. Questions concerning company strategy, business development, patent matters and important company transactions and incidents were discussed at these meetings. Furthermore, the supervisory board discussed important strategic projects with the management board. The subjects of these discussions were ensuring competitiveness and securing concepts for the future growth of the company.

Preparation of the annual financial statements and the consolidated financial statements as of December 31, 2013 for the financial year 2013 and the bookkeeping were supervised by the tax consultant and chartered accountant Dr. Heinfried Brunsmann. The supervisory board also carefully reviewed the annual financial statements. The documents to be reviewed were handed out to each member of the supervisory board in good time for inspection.

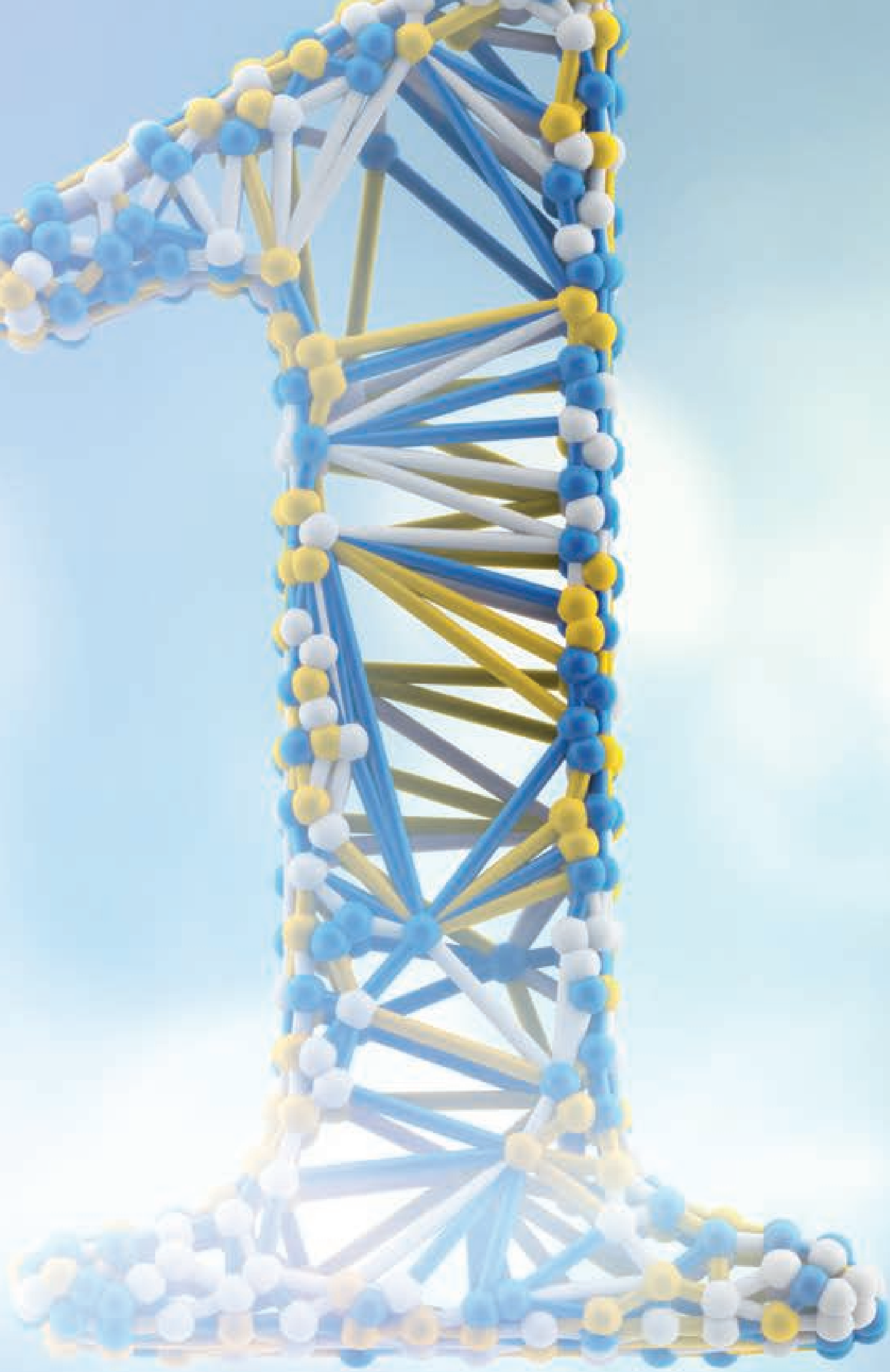
The supervisory board asserted its right to inspect the accounts and papers of the company, in particular by submission of important individual contracts, also independently of their approval requirements. The supervisory board reviewed transactions that require the agreement of the supervisory board due to legal provisions or the articles of association and decided on its agreement.

All members of the supervisory board were present at all meetings of the supervisory board. The supervisory board did not form any committees. The supervisory board approved the annual financial statements prepared by the management board at its meeting on May 7, 2014. The annual financial statements are thus approved.

The supervisory board would like to thank the management board as well as all employees for their dedicated personal commitment and their work in financial year 2013.

Munich, May 7, 2014

Dr. Olaf Stiller
Chairman of the Supervisory Board



Management Report

Appendix 1

1. Business and operating environment

1.1 Framework

The gross domestic product (GDP) of the world economy grew by 2.4% last year. This shows a slight reduction compared to previous year with a GDP-growth-rate of 3.2%. This reduction is due to the weaker growth of the world's emerging economies and the ongoing financial crisis in the euro area ("Eurozone"). For the coming years however, the International Monetary Fund (IMF) is predicting an accelerating upward trend of the world's GDP-growth-rate as high as 3.7% in 2014. In comparison, the German GDP grew with a rate of 0.5% in 2013 (2012: 0.7%). The Cabinet of Germany ("Bundesregierung") and the European Commission nevertheless agree that the recession has bottomed out, forecasting an increase of the GDP as high as 1.7% for 2014.

Despite the moderate economic development, the German stock market has been very successful in 2013. The major indices partly outperformed the good results of the previous year. The German stock index "DAX" grew by almost 26% while the NASDAQ even reached a growth of 41%. The DAX-subsector "Biotechnology" grew by 34% by the end of the year 2013. Some of the listed German biotechnology companies have achieved strong gains in 2013 due to their successful development and marketing work. In the US, the NASDAQ Biotechnology Index has outperformed the strong performance of the previous years an exceptional growth of 68% in 2013. To that effect US markets noticed a clear increase of share capital, capital bonds as well as IPOs.

As part of this environment, FORMYCON AG managed to acquire additional equity at the national and international stock markets of 17.4 million Euros.

According to the latest industry report by IMS Health spending on drugs will, for the first time, exceed the threshold of 1 trillion US-dollars (USD) in 2014 and rise to 1.2 trillion USD in 2017. The growth rates for the developed markets of North America, Europe and Japan are expected to be in the low single digits, due to savings and cost-cutting programs and increasing competition from generics and biosimilars. In contrast, the so-called "Pharmerging Markets" (Brazil, Russia, India, China, etc.) are looking at double-digit growth rates. Together, these markets include high economic growth and a steadily improving public and private health care. According to IMS Health China is the largest and fastest growing market for prescription drugs.

In Germany the cost savings program of compulsory health insurance takes effect. Due to increased mandatory discounts, voluntary manufacturer discounts, patent expirations and an increased competition on the market, pharmaceutical expenditures in Germany could be significantly reduced in recent years. (-4% compared to 2010). In 2011 spending on drugs dropped by 1.2 billion EUR to a total of 29.1 billion EUR. For 2012, the expenditures remained stable and reached 29.2 billion EUR. The greatest influence on the reduced total expenses stemmed from the lower medicine prices, which are largely due to statutory discounts.

Through modern bio-pharmaceutically manufactured drugs, new and successful milestones concerning the treatment of severe diseases such as multiple sclerosis, cancer and rheumatism have been reached. Due to their high treatment costs, those bio-pharmaceutical drugs stand to be the number one cost-driver of statutory health insurance (SHI). The impending patent expiry of modern bio-pharmaceuticals, however, opens a window for generic bio-pharmaceutical products, the so-called biosimilars.

The patent expirations have been going down within the last years, reaching a bottom with an expected value as low as 350 million EUR in 2014. The fundamental relevance of biosimilars, concerning the possible cost savings in SHI, however is presumed to take effect in 2015, with an expected patent expiration volume of more than one billion EUR. In addition, for the first time there are to be more patent free bio-pharmaceutical drugs on the market than there are chemically synthesized ones. Therefore the market entry of biosimilar products at the earliest possible time is of absolute importance.

IGES-scientists have determined the potential cost savings by using mathematical model calculations, based on drugs using erythropetin, granulozyten-colony-stimulating-factors and monoclonale antibodies in eight European countries, to be over 1 billion EUR a year until the year 2020.

1.2 Business development in 2013

The business model of Formycon AG is based on the development of biopharmaceutical imitation products (so-called biosimilars) and has been consequently and consistently renewed in 2013, which has been a very successful year. By managing to carry out the first development project, much faster than expected, in December 2013, Formycon AG is in a very good position for continuing and successful operations within the next years.

In April 2013, Dr. Carsten Brockmeyer, one of the world's leading experts on Biosimilars, joined Formycon AG and acts as chief executive officer (CEO). In November 2013 Formycon AG also appointed Dr. Gerhard Schaefer, formerly Head of Global Product and Business Development at Sandoz International, and Simon Sturge, formerly, Corporate Senior Vice President at Boehringer Ingelheim, to the advisory board. This shows that Formycon AG can rely on outstanding and world leading expertise and years of market experience.

Formycon AG is specialized on the development of biosimilars, the less expensive secondary products of complex biotech drugs. Because more and more drugs are biotechnically/genetically engineered (+ 12-15 % per year) and products are being authorized and licensed, the market for biosimilars is constantly increasing. According to the high interest of large pharmaceutical companies in biosimilars, experts are estimating their total market volume in 2020 to exceed 15 billion USD. However, unlike the development of generic products of conventional, chemically synthesized drugs, the development of biosimilars is very complex and has very high demands in terms of expertise and experience throughout the entire development process. Formycon AG is one of a few companies in the world that has world leading expertise and experience in the development of biosimilars at it's disposal, including the highly regulated markets such as Europe, USA and Japan, and therefore is in a leading position in this innovative and challenging market.

FORMYCON AG currently has two projects in development. As mentioned above, FORMYCON AG was able to carry out one of these projects well ahead of schedule in December 2013 to the Santo Holding GmbH. On behalf of Santo Holding GmbH – owned by the Strüngmann family who are founder and former owners of HEXAL - FORMYCON AG now continues to bring this first development project on the market.

In case of a successful development and a following successful introduction to the market, FORMYCON AG can expect contractual payments in the mid three-digit million range for the coming years. These funds are planned to be invested in other currently running projects to manage to realize them ahead of schedule.

Due to the mentioned contract and the stable investor-structure, FORMYCON AG is one of the few independent companies in the growing biosimilar market. The unique expertise of FORMYCON AG's scientists and management and the integrated development processes makes Formycon a preferred partner for large pharmaceutical companies.

2. Results of operation

FORMYCON AG has continued the development of two biosimilar projects in 2013. In accordance with the forecasts this lead to a loss before tax of 7,740 TEUR (previous year: 2,395 TEUR). Earnings per share fell from -0.47 EUR in the previous year to -0.90 EUR. As expected, the (other) expenses turned out to be significantly higher than the revenue and other income.

Almost all of FORMYCON AG's expenses are for research and development purposes, with the exception of expenses for capital market development, as well as legal and consulting costs.

3. Financial position

By issuing new shares in February 2013, the share capital of the Company has increased by 2,117 TEUR to reach a total amount of 7,199 EUR. The capital reserves increased by 5,294 TEUR.

In April 2013 FORMYCON AG carried out another capital increase through the use of authorized capital. This lead to an increase of FORMYCON AG's share capital to 171 TEUR, resulting in a total share capital of 7,370 TEUR. The capital reserves increased by 426 TEUR.

In early December FORMYCON AG successfully completed another increase in share capital of 1,257 TEUR to 8,627 TEUR. The capital reserves increased by 8,171 TEUR.

After the three mentioned increases in share capital, the share capital total is 8,627 TEUR with capital reserves of 18,248 TEUR.

Liquidity and cash equivalent assets sum up to over 10 million EUR and determine the asset base.

4. Net assets

The company's equity as of December 31, 2013 amounts to 12,251 EUR. Accordingly the company's equity ratio, based on total assets, reaches almost 80%. The loss carryforwards and the net loss for the year 2013 amounted to a total of T€ 14,624. This amount is already included in the before mentioned amount of equity.

5. Supplementary Report

Significant events that occurred after the end of the financial year were not recorded.

6. Opportunities and Risk Report

6.1 Risks

By building up suitable provisions and applying necessary depreciations and amortizations, the FORMYCON AG has accounted for accounting risks. All other elemental risks are insured.

The biggest risks for continued successful operations are (major) setbacks in our product development in terms of time and project progress.

Since the biosimilar products and the idea behind them is relatively new, it cannot be concluded with absolute certainty, whether or not the products will reach actual marketability, despite the high market attention.

6.2 Opportunities

For the future, we see our main opportunity in the further development of marketable biosimilar products. Other than that, there are good chances that the above mentioned carried-out project is going to lead to economic success.

We have also noticed a very high potential in sales of our products during several company presentations, which confirms our market perception.

7. Forecast

Our subsidiary “Formycon Services GmbH” will continue to offer development services for pharmaceutical and biotechnology companies. We anticipate this business model to be able to operate profitably.

According to this, as of 2014, both FORMYCON AG and the group should be able to realize profits after tax, resulting especially from the license agreement with the Santo Holding.

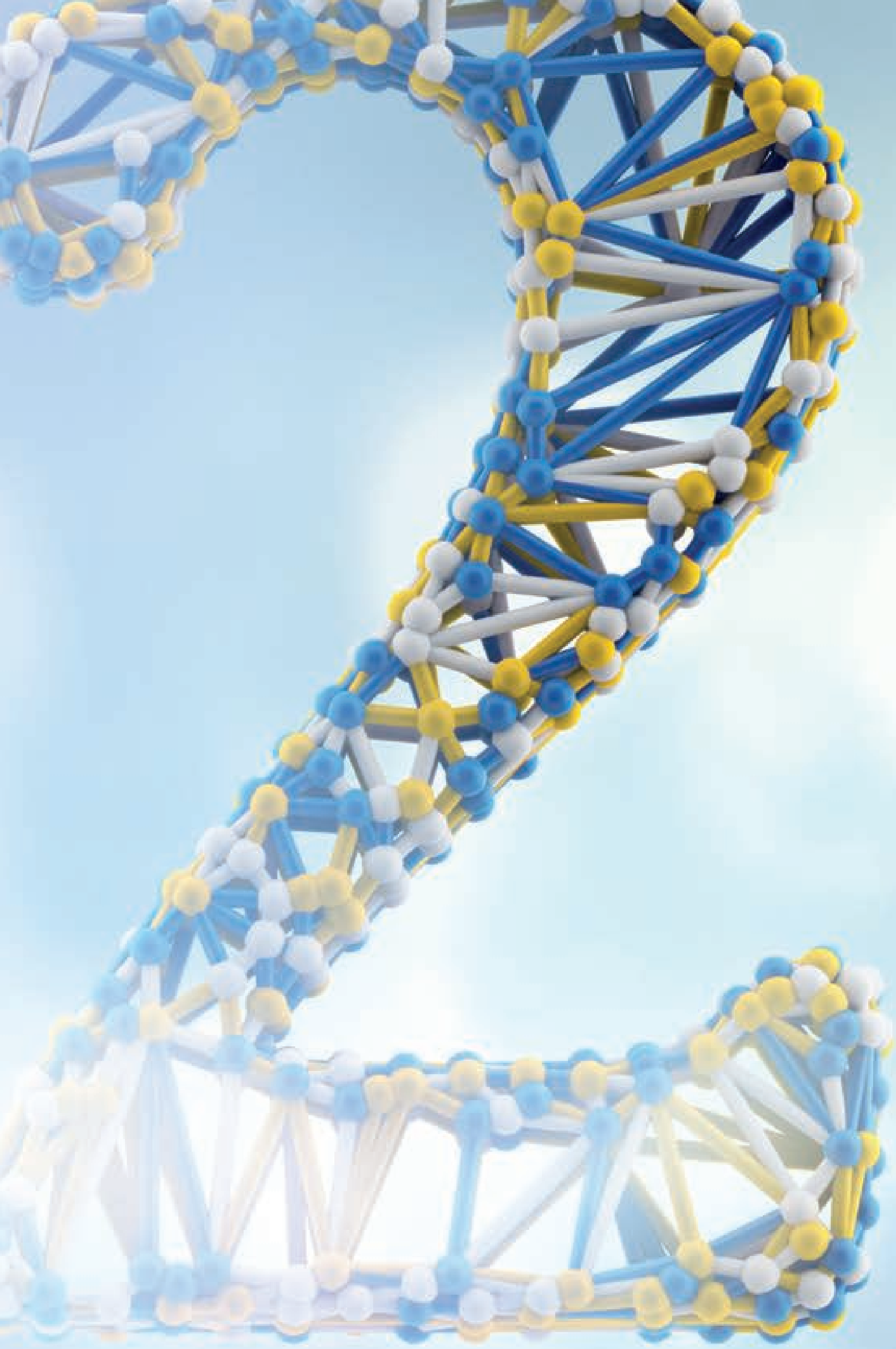
The Board presented forecasts for both the FORMYCON AG and Formycon Services GmbH.

Planegg, April 4, 2014

FORMYCON AG

Dr. Carsten Brockmeyer

Dr. Nicolas Combé



Annual Financial Statements

Profit and Loss Account for the Fiscal Year 2013

Appendix 2

		2013	previous year
	€	€	T€
1. Revenue		276,173.13	138
2. Other operating Income		94,618.30	413
3. Cost of materials			
a) Cost of raw materials and supplies	239,124.06		34
b) Cost for purchased services	1,251,659.20	1,490,783.26	51
Gross profit or loss		**-1,119,991.83**	**466**
4. Personal expenses			
a) Wages and salaries	2,545,791.69		
b) Social costs	362,305.21	2,908,096.90	187
5. Depreciation and amortization			
a) of fixed intangible and tangible assets		1,103,126.30	324
6. Other operating expenses		2,639,928.81	1,399
Operating income		**-7,771,143.84**	**-2,461**
7. Other interest and similar income		7,396.77	162
8. Write-down of financial assets		0,00	70
9. Interest expense and similar expenses		2,040.87	26
Financial results		**5,355.90**	**1,263**
10. Profit before tax		-7,765,787.94	-2,395
11. Other taxes		1,614.00	0
12. Annual Net Profit/Loss		**-7,767,401.94**	**-2,395**

Balance Sheet as of December 31, 2013 and 2012

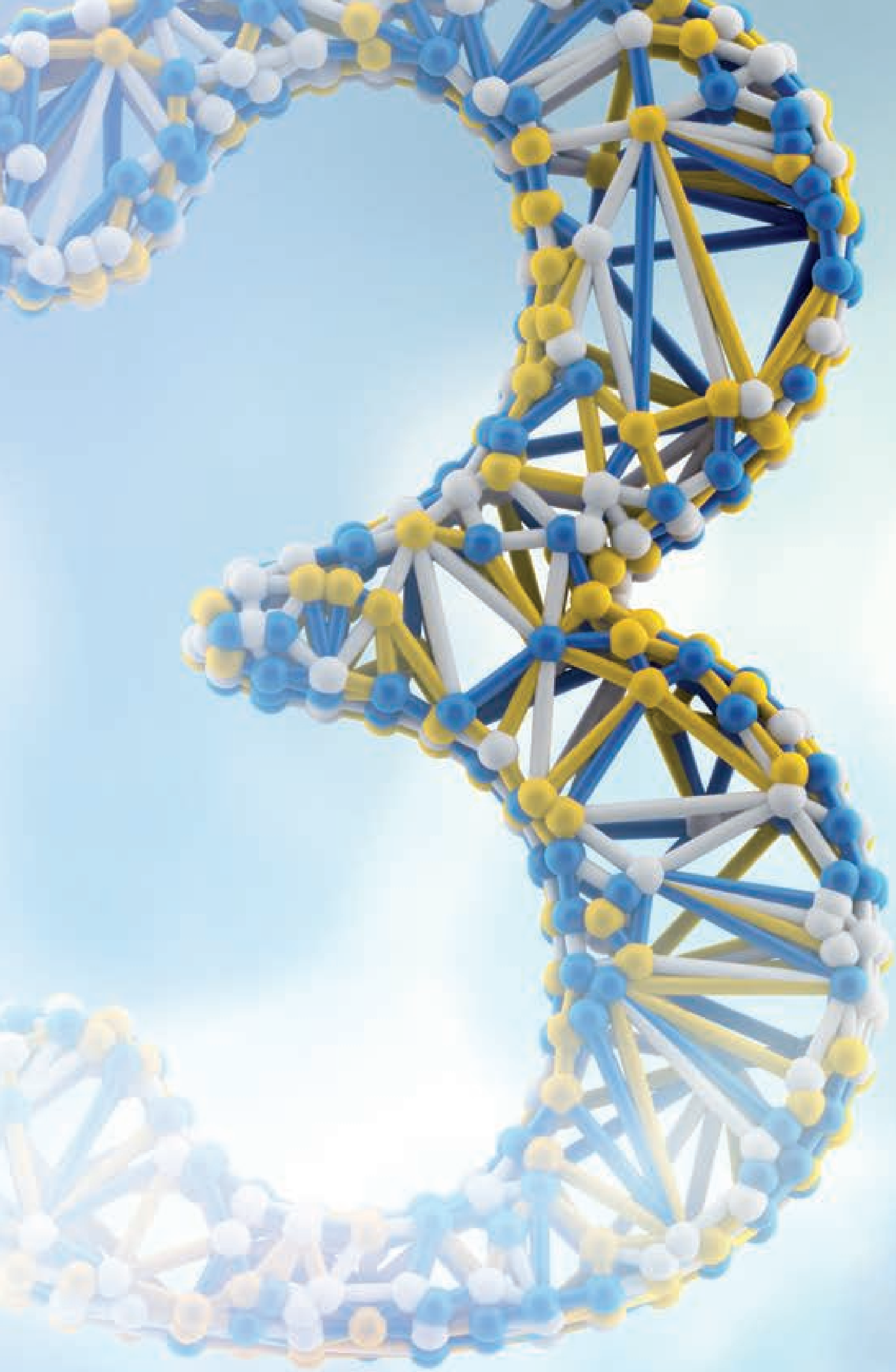
Assets

		2013	2012
	€	€	T€
A. Long-term capital			
I. Intangible assets			
1. Purchased concessions, industrial property rights and assets as well as licenses for such rights and assets	177,318.53		256
2. Goodwill	1,379,175.00	1,556,493.53	1,537
II. Property, plant and equipment			
1. Tenant installations	290,640.86		341
2. Other equipment, factoryand office equipment	2,696,209.53	2,986,850.39	3,404
III. Financial assets			
1. Shares in affiliated companies	25,000.00		0.00
2. Loans to affiliated companies	1,667,965.88		0.00
3. Investment in associations	0.00	1,692,965.88	1.00
B. Short-term capital			
I. Inventories			
1. Raw materials, consumables, and supplies		273,442.75	82
II. Receivables and other assets			
1. Trade receivables	380.80		24
2. Receivables from associated companies	0.00		2
3. Other assets	222,035.70	222,416.50	122
III. Securities			
1. Other securities		9,500,000.00	0.00
IV. Cash and cash equivalents		881,199.20	213
C. Deferred expenses			
1. Other deferred expenses		6,399.47	2
		17,119,767.74	**7,640**

Appendix 1

Passiva

		2013	2012
	€	€	T€
A. Equity			
I. Subscribed capital	8,626,683.00		5,082
II. Capital reserve	18,247,524.34		4,357
III. Loss carry-forward	-5,178,884.49		-2,784
IV. Annual net profit/loss	-7,767,401.94	13,927,920.91	2,395
B. Provisions			
1. Other Provisions		493,440.00	70
C. Liabilities			
1. Trade accounts payable	2,493,123.69		3,105
2. Other liabilities	205,283.14	2,698,406.83	205
		17,119,767.74	**7,640**



Notes to the Financial Statements

Notes to the Financial Statements for the fiscal year 2013

Appendix 2

I. Basics

The company is a small corporation according to § 267 (1) HGB. § 264d HGB is not applicable.

The profit and loss account has been prepared according to § 275 HGB in the total expenditure format.

II. Principles of capitalizing and valuation

The company applied the following principles of capitalizing and valuation:

1. Intangible assets are stated at cost less accumulated amortization and accumulated impairment loss. Intangible assets which were not purchased at any costs, as well as the self-generated goodwill haven't been capitalized.

2. Tangible assets are stated at cost less than accumulated depreciation.

3. Financial assets are stated at historical cost.

4. Inventories are valued at the lower of cost or market value.

5. Receivables and other assets are entered with the original invoice amount.

6. Other provisions were formed when a liability to third parties exists, its take-up appears probable and the anticipated size of the provision can be reliably estimated.

7. Liabilities are valued at the amount that is required to meet the liabilities.

8. There were no changes in capitalization and valuation.

III. Comments on the balance sheet

1. Fixed asset

The development of the group fixed assets is shown in the enclosed fixed-asset movement schedule.

2. Short-term assets

a) The inventory includes raw materials only.

b) Other assets are mainly VAT refunds.

c) All Securities are short-term securities.

d) Trade receivables and other assets are due to within a year.

3. Equity capital as of December 31, 2013 is structured as follows:

	€
Subscribed capital	8,626,683.00
Capital reserve	18,247,524.34
Loss carry-forward	-1,178,884.49
Annual net loss	-7,767,401.94
	13,927,920.91

The development of equity for the fiscal year 2013 is shown in the following table:

	Subscribed Capital €	Capital reserve €	Loss carry-forward €	Annual net loss €	Eternity capital €
January 1, 2013	**5,081,772.00**	**4,357,138.84**	**-2,783,647.41**	**-2,395,237.08**	**4,260,026.35**
Increase in Capital	3,544,911.00				3,544,911.00
Building capital reserve		13,890,385.50			13,890,385.50
Loss carry forward			-2,395,237.08	2,395,237.08	0.00
Annual net loss				-7,767,401.94	-7,767,401.94
December 31, 2013	**8,626,683.00**	**18,247,524.34**	**-5,178,884.49**	**-7,767,401.94**	**13,927,920.91**

4. Provisions

Other provisions consists of:

	€
Vacation	39,450.00
Bonuses	340,110.00
Outstanding invoices	57,000.00
Legal cost	30,000.00
Fees for advice	10,000.00
Archives	8,300.00
Occupational assurance	8,580.00
	493,440.00

5. Liabilities

The amounts falling due are shown in the balance sheet.

6. Other financial liabilities

There are other financial liabilities of € 182,496.58 for leasing contracts.

IV. Comments on the profit and loss account

Other operating expenses are mainly:

Cost of premises	524
Legal cost and cost for advice	820 T€
Capital market communication	567 T€
IT	112 T€
Repairs and maintenance	150 T€

V. Cash Flow Statement

	2013 €	2012 €
Result of year	-7,767	-2,395
Depreciation and amortization of fixed assets	1,103	394
Cash Flow	**-6,664**	**-2,001**
Increase/Decrease of inventory	-192	-32
Increase/Decrease of trade receivables	24	-24
Increase/Decrease of associated companies	2	248
Increase/Decrease of other assets	-99	-68
Increase/Decrease of short terms Securities	-9,500	1,800
Increase/Decrease of deferred expenses	-5	-2
Increase/Decrease of provisions	-423	-82
Increase/Decrease of trade accounts payable	-612	3,105
Increase/Decrease of other liabilities	0	191
Cash Flow from operating activities	**-16,623**	**3,135**
(Net-) Cash paid for invest munts in fixes assets	-144	-4,153
Cash Flow from invest activities	**-44**	**-4,153**
Increase/Decrease of subscribed capital	3,545	506
Increase/Decrease of capital reserves	13,890	1,012
Cash Flow from financing activities	**17,435**	**1,518**
Cash relevant charges in cash and cash equivalents	668	600
Cash at beginning of the fiscal year	213	-287
Cash at end of the fiscal year	**881**	**213**

VI. Other comments

There were 38 employees in the Company exclusive the members of the board.

Members of the Executive board were

- **Dr. Carsten Brockmeyer**
- **Dr. Nicolas Combé**

Members of the supervisory board were

- **Dr. Olaf Stiller** (chairman)
- **Hermann Vogt** (Deputy chairman)
- **Peter Wendeln**

Members of the supervisory board were also member of other supervisory boards as follows:

Dr. Olaf Stiller, Alpha Bloom AG, NanoRepro AG
Hermann Vogt, Mercurius AG

According to § 286 (4) HGB the overall remuration of the Excecutive board and the supervisory board is not given.

Auditing costs are not reported.

VI. Associations more than 20%

Company	Shares in %	Business year	Subsribed capital	annual net loss
Formycon Services GmbH, Planegg	100	2013	25,000.00	-26,753.22

Planegg, April 4, 2014

FORMYCON AG

Dr. Carsten Brockmeyer

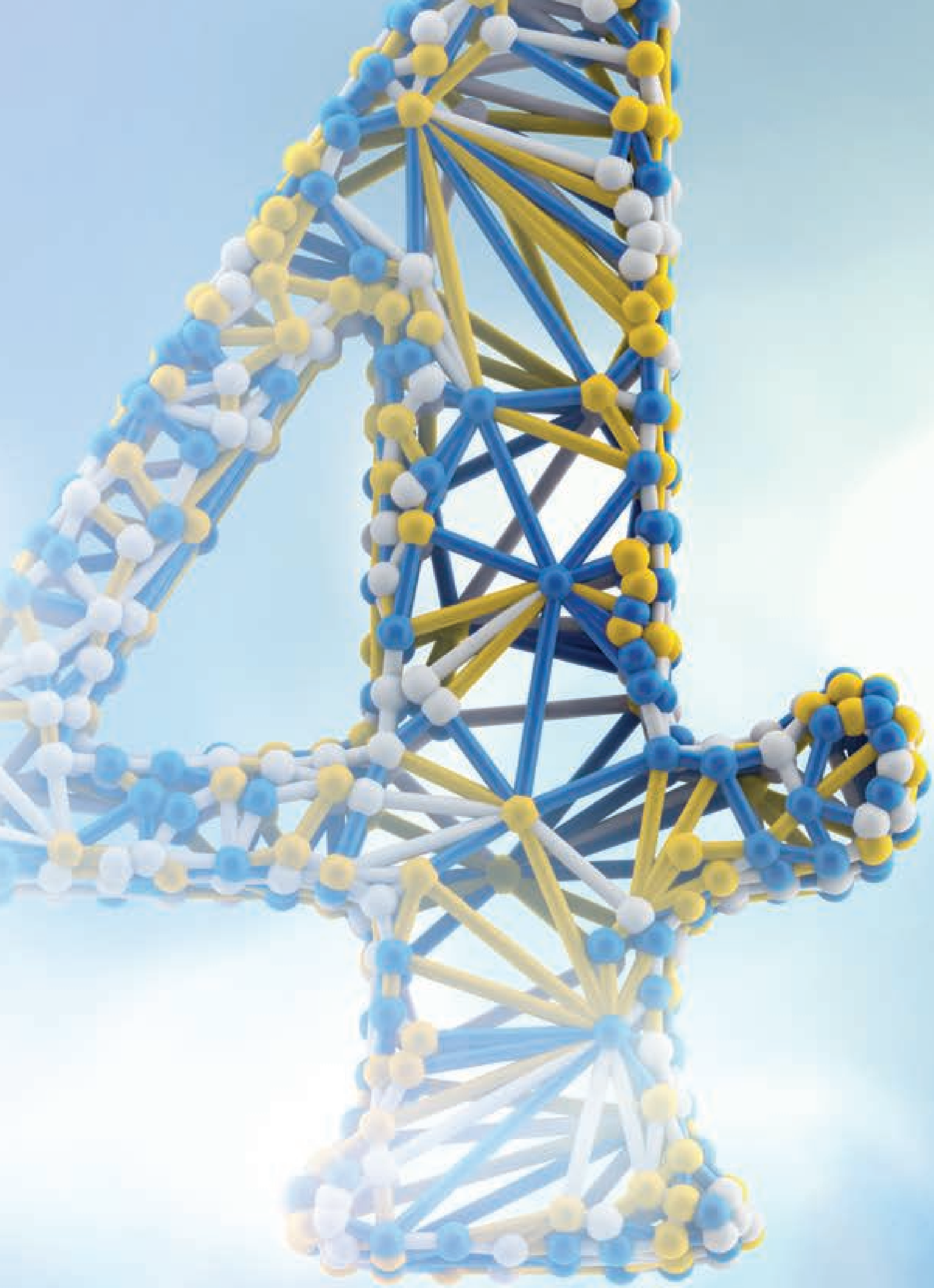
Dr. Nicoals Combé

Fixed-Asset Movement Schedule

	Historical cost	Additions	Repostings
	€	€	€
A. Intangible assets			
I. Immaterielle Vermögensgegenstände			
1. Purchased concessions, industrial Property and assets as well as license for such rights and assets	309,268,42	8,586.00	0.00
2. Goodwill	1,576,200.00	0.00	0.00
II. Property, plant and equipment			
1. Tenant installations	353,823.64	0.00	0.00
2. Other equipment, factory and other equipment	3,707,531.04	179,580.26	0.00
III. Financial assets			
1. Shares in affiliated companies	25,000,00	0.00	0.00
2. Loans to affiliated companies	1,631,921.77	36,044.11	0.00
3. Investment in associations	70,062.65	0.00	0.00
	7,673,807.52	**224,210.37**	**0.00**

Appendix 5

Disposals at historical cost	Accumulated depreciations	Book value 12.31.2013	Book value 12.31.2012	Depreciations business year
€	€	€	€	€
56,240.00	84,295.89	177,318.53	255,678.81	65,727.80
0.00	197,025.00	1,379,175.00	1,536,795.00	157,620.00
0.00	63,182.78	290,640.86	341,187.09	50,546.23
91,136.93	1,099,764.84	2,696,209.53	3,403,822.30	829,232.27
0.00	0.00	25,000.00	25,000.00	0.00
0.00	0.00	1,667,965.88	1,631,921.77	0.00
70,062.65	0.00	0.00	0.00	0.00
217,439.58	**1,444,268.51**	**6,236,309.80**	**7,194,404.97**	**1,103,126.30**



Audit opinion

G. Audit opinion

I have audited the annual financial statements prepared by FORMYCON AG, Planegg comprising the balance sheet, the profit and loss accounts for the business year from January 1, 2013 to December 31, 2013, the notes to the consolidated financial statements, together with the bookkeeping system – and the management report for the business year from January 1, 2013 to December 31, 2013. The maintenance of the books and records and preparation of the annual financial statements and management report in accordance with the requirements of German commercial law and the Company's statutes („German Commercial Code HGB") are the responsibility of the Company's Board of Managing Directors. My responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on my audit.

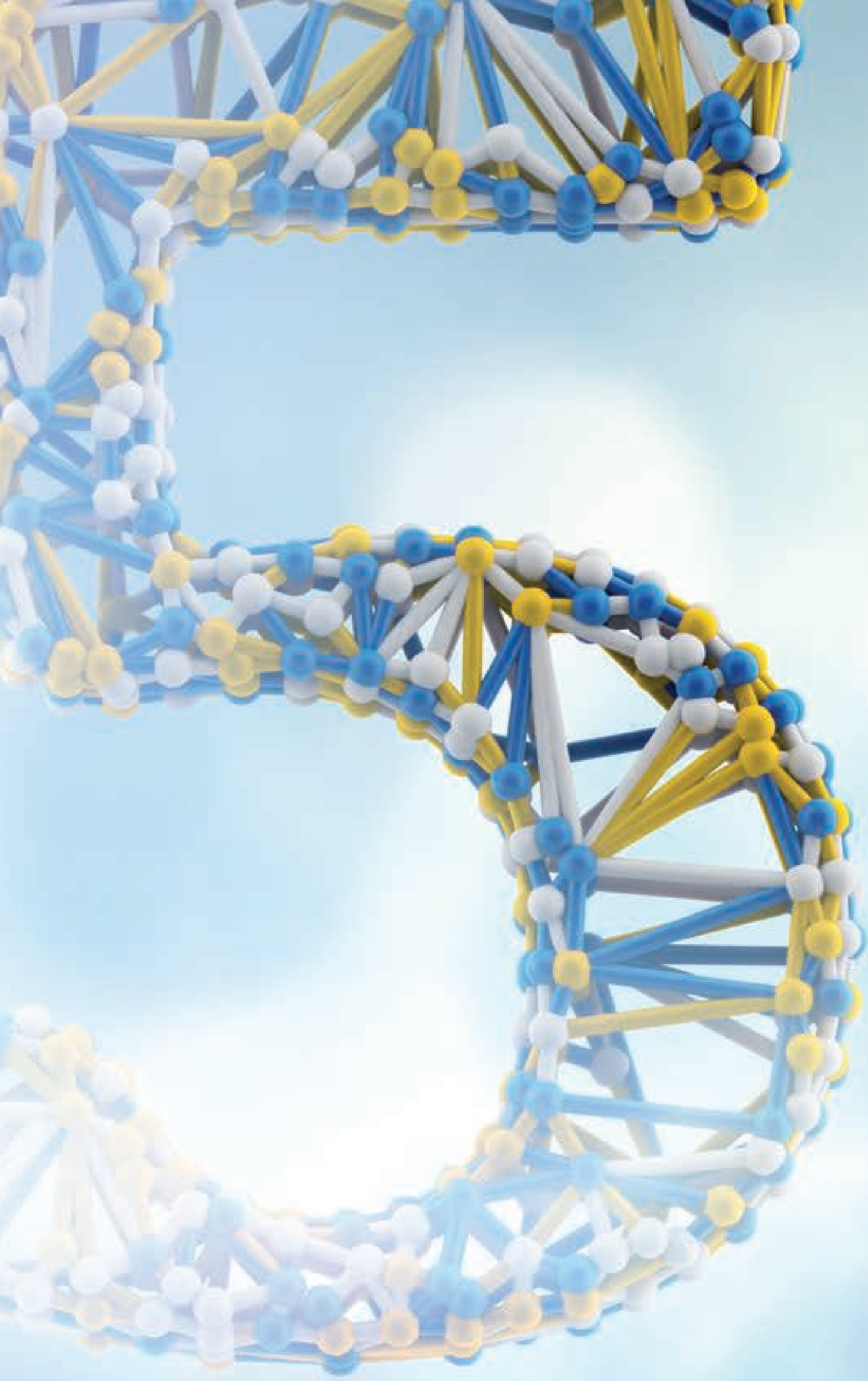
I conducted my audit of the annual financial statements in accordance with § 317 HGB (German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that I plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the annual financial statements and management report. I believe that our audit provides a reasonable basis for my opinion.

My audit has not led to any reservations.

In my opinion, based on the findings of my audit, the annual financial statements comply with German commercial law and the additional rules of the company's statutes and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Planegg, April 4, 2014

Dr. Brunsmann
WP/StB



Group Management Report

Appendix 1

1. Business and operating environment

1.1 Framework

The gross domestic product (GDP) of the world economy grew by 2.4 % last year. This shows a slight reduction compared to previous year with a GDP-growth-rate of 3.2 %. This reduction is due to the weaker growth of the world's emerging economies and the ongoing financial crisis in the euro area ("Eurozone"). For the coming years however, the International Monetary Fund (IMF) is predicting an accelerating upward trend of the world's GDP-growth-rate as high as 3.7% in 2014. In comparison, the German GDP grew with a rate of 0.5 % in 2013 (2012: 0.7 %). The Cabinet of Germany ("Bundesregierung") and the European Commission nevertheless agree that the recession has bottomed out, forecasting an increase of the GDP as high as 1.7% for 2014.

Despite the moderate economic development, the German stock market has been very successful in 2013. The major indices partly outperformed the good results of the previous year. The German stock index "DAX" grew by almost 26 % while the NASDAQ even reached a growth of 41 %. The DAX-subsector "Biotechnology" grew by 34% by the end of the year 2013. Some of the listed German biotechnology companies have achieved strong gains in 2013 due to their successful development and marketing work. In the US, the NASDAQ Biotechnology Index has outperformed the strong performance of the previous years an exceptional growth of 68 % in 2013. To that effect US markets noticed a clear increase of share capital, capital bonds as well as IPOs.

As part of this environment, FORMYCON AG managed to acquire additional equity at the national and international stock markets of 17.4 million Euros.

According to the latest industry report by IMS Health spending on drugs will, for the first time, exceed the threshold of 1 trillion US-dollars (USD) in 2014 and rise to 1.2 trillion USD in 2017. The growth rates for the developed markets of North America, Europe and Japan are expected to be in the low single digits, due to savings and cost-cutting programs and increasing competition from generics and biosimilars. In contrast, the so-called "Pharmerging Markets" (Brazil, Russia, India, China, etc.) are looking at double-digit growth rates. Together, these markets include high economic growth and a steadily improving public and private health care. According to IMS Health China is the largest and fastest growing market for prescription drugs.

In Germany the cost savings program of compulsory health insurance takes effect. Due to increased mandatory discounts, voluntary manufacturer discounts, patent expirations and an increased competition on the market, pharmaceutical expenditures in Germany could be significantly reduced in recent years. (-4 % compared to 2010). In 2011 spending on drugs dropped by 1.2 billion EUR to a total of 29.1 billion EUR. For 2012, the expenditures remained stable and reached 29.2 billion EUR. The greatest influence on the reduced total expenses stemmed from the lower medicine prices, which are largely due to statutory discounts.

Through modern bio-pharmaceutically manufactured drugs, new and successful milestones concerning the treatment of severe diseases such as multiple sclerosis, cancer and rheumatism have been reached. Due to their high treatment costs, those bio-pharmaceutical drugs stand to be the number one cost-driver of statutory health insurance (SHI). The impending patent expiry of modern bio-pharmaceuticals, however, opens a window for generic biopharmaceutical products, the so-called biosimilars.

The patent expirations have been going down within the last years, reaching a bottom with an expected value as low as 350 million EUR in 2014. The fundamental relevance of biosimilars, concerning the possible cost savings in SHI, however is presumed to take effect in 2015, with an expected patent expiration volume of more than one billion EUR. In addition, for the first time there are to be more patent free bio-pharmaceutical drugs on the market than there are chemically synthesized ones. Therefore the market entry of biosimilar products at the earliest possible time is of absolute importance.

IGES-scientists have determined the potential cost savings by using mathematical model calculations, based on drugs using erythropetin, granulozyten-colony-stimulating-factors and monoclonale anti-bodies in eight European countries, to be over 1 billion EUR a year until the year 2020.

1.2 Business development in 2013

The business model of FORMYCON AG is based on the development of biopharmaceutical imitation products (so-called biosimilars) and has been consequently and consistently renewed in 2013, which has been a very successful year. By managing to carry out the first development project, much faster than expected, in December 2013, FORMYCON AG is in a very good position for continuing and successful operations within the next years.

In April 2013, Dr. Carsten Brockmeyer, one of the world's leading experts on Biosimilars, joined FORMYCON AG and acts as chief executive officer (CEO). In November 2013 FORMYCON AG also appointed Dr. Gerhard Schaefer, formerly Head of Global Product and Business Development at Sandoz International, and Simon Sturge, formerly, Corporate Senior Vice President at Boehringer Ingelheim, to the advisory board. This shows that FORMYCON AG can rely on outstanding and world leading expertise and years of market experience.

FORMYCON AG is specialized on the development of biosimilars, the less expensive secondary products of complex biotech drugs. Because more and more drugs are biotechnically/genetically engineered (+12–15% per year) and products are being authorized and licensed, the market for biosimilars is constantly increasing. According to the high interest of large pharmaceutical companies in biosimilars, experts are estimating their total market volume in 2020 to exceed 15 billion USD. However, unlike the development of generic products of conventional, chemically synthesized drugs, the development of biosimilars is very complex and has very high demands in terms of expertise and experience throughout the entire development process. FORMYCON AG is one of a few companies in the world that has world leading expertise and experience in the development of biosimilars at it's disposal, including the highly regulated markets such as Europe, USA and Japan, and therefore is in a leading position in this innovative and challenging market.

In case of a successful development and a following successful introduction to the market, FORMYCON AG can expect contractual payments in the mid three-digit million range for the coming years. These funds are planned to be invested in other currently running projects to manage to realize them ahead of schedule.

Due to the mentioned contract and the stable investor-structure, FORMYCON AG is one of the few independent companies in the growing biosimilar market. The unique expertise of FORMYCON AG's scientists and management and the integrated development processes makes Formycon a preferred partner for large pharmaceutical companies.

2. Results of operation

FORMYCON AG has continued the development of two biosimilar projects in 2013. In accordance with the forecasts this lead to a loss before tax of 7,740 TEUR (previous year: 2,395 TEUR). Earnings per share fell from -0.47 EUR in the previous year to -0.90 EUR. As expected, the (other) expenses turned out to be significantly higher than the revenue and other income.
Almost all of FORMYCON AG's expenses are for research and development purposes, with the exception of expenses for capital market development, as well as legal and consulting costs.

3. Financial position

By issuing new shares in February 2013, the share capital of the Company has increased by 2,117 TEUR to reach a total amount of 7,199 EUR. The capital reserves increased by 5,294 TEUR.

In April 2013 FORMYCON AG carried out another capital increase through the use of authorized capital. This lead to an increase of FORMYCON AG's share capital to 171 TEUR, resulting in a total share capital of 7,370 TEUR. The capital reserves increased by 426 TEUR.

In early December FORMYCON AG successfully completed another increase in share capital of 1,257 TEUR to 8,627 TEUR. The capital reserves increased by 8,171 TEUR.

After the three mentioned increases in share capital, the share capital total is 8,627 TEUR with capital reserves of 18,248 TEUR.

Liquidity and cash equivalent assets sum up to over 10 million EUR and determine the asset base.

4. Net assets

The company's equity as of December 31, 2013 amounts to 12,251 EUR. Accordingly the company's equity ratio, based on total assets, reaches almost 80 %. The loss carryforwards and the net loss for the year 2013 amounted to a total of T € 14,624. This amount is already included in the before mentioned amount of equity.

5. Supplementary Report

Significant events that occurred after the end of the financial year were not recorded.

6. Opportunities and Risk Report

6.1 Risks

By building up suitable provisions and applying necessary depreciations and amortizations, the FORMYCON AG-Group has accounted for accounting risks. All other elemental risks are insured.

The biggest risks for continued successful operations are (major) setbacks in our product development in terms of time and project progress.

Since the biosimilar products and the idea behind them is relatively new, it cannot be concluded with absolute certainty, whether or not the products will reach actual marketability, despite the high market attention.

6.2 Opportunities

For the future, we see our main opportunity in the further development of marketable biosimilar products. Other than that, there are good chances that the above mentioned carried-out project is going to lead to economic success.

We have also noticed a very high potential in sales of our products during several company presentations, which confirms our market perception.

7. Forecast

Our subsidiary "Formycon Services GmbH" will continue to offer development services for pharmaceutical and biotechnology companies. We anticipate this business model to be able to operate profitably.

According to this, as of 2014, both FORMYCON AG and the group should be able to realize profits after tax, resulting especially from the license agreement with the Santo Holding.

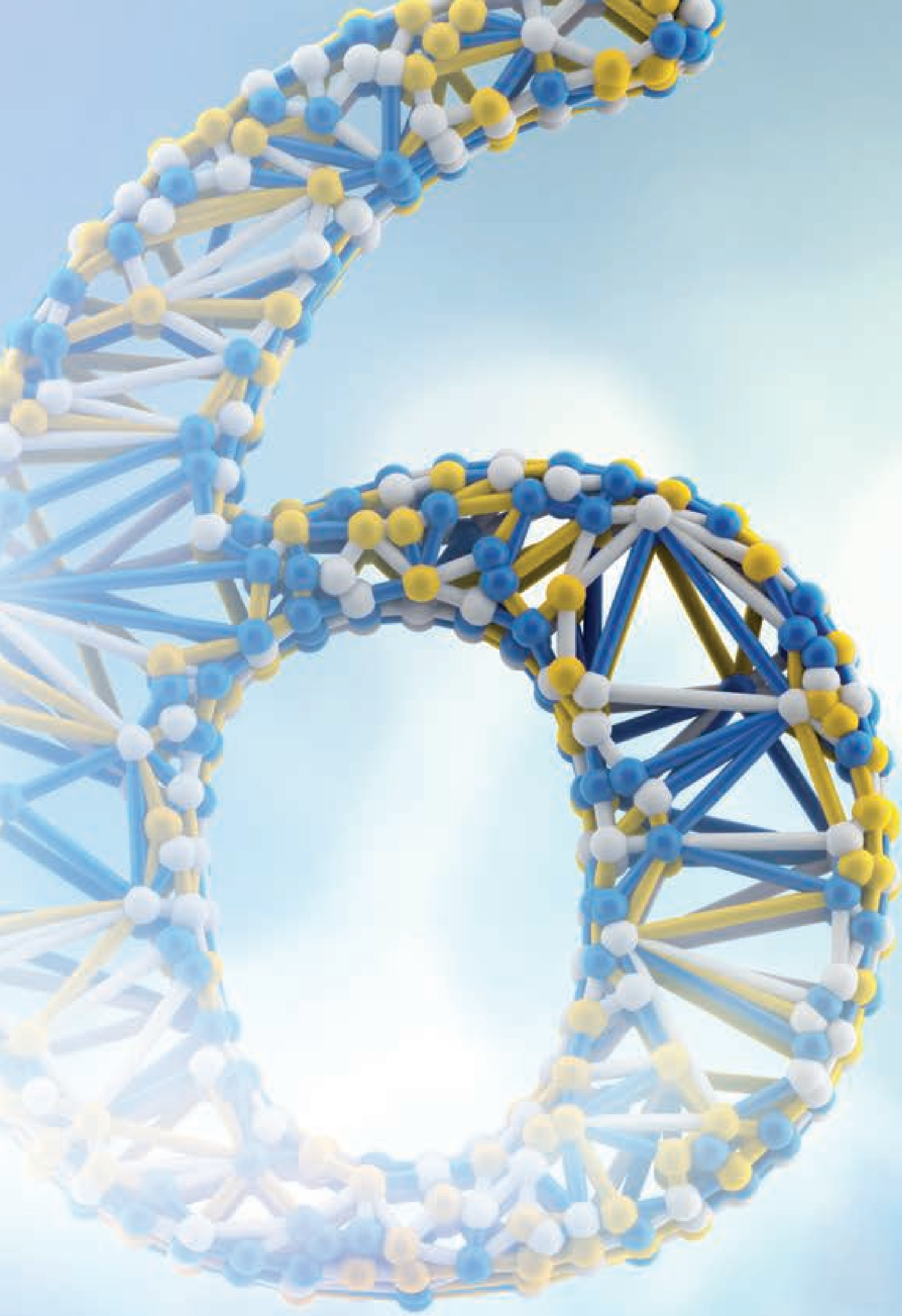
The Board presented forecasts for both the FORMYCON AG and Formycon Services GmbH.

Planegg, April 4, 2014

FORMYCON AG

Dr. Carsten Brockmeyer

Dr. Nicolas Combé



Consolidated Annual Financial Statements

Consolidated Profit and Loss Account for the Fiscal Year 2013

Appendix 2

			31.12.2013
		€	€
1.	**Revenue**		276,173.13
2.	**Other operating income**		136,522.80
3.	**Cost of materials**		
	a) Cost of raw materials and supplies	239,378.28	
	b) Cost for purchased services	1,251,659.20	1,491,037.48
	Gross profit or loss		**-1,078,341.55**
4.	**Personal expenses**		
	a) Wages and salaries	2,545,791.69	
	b) Social costs	362,880.11	2,908,671.80
5.	**Depreciation and amortization**		
	a) of fixed intangible and tangible assets		1,103,126.30
6.	**Other operating expenses**		2,654,250.97
	Operating income		**-7,744,390.62**
7.	**Other interest and similar income**		7,396.77
8.	**Interest expense and similar expenses**		2,040.87
	Financial results		**5,355.90**
9.	**Profit before tax**		-7,739,034.72
10.	**Other taxes**		1,614.00
11.	**Annual net profit/loss**		**-7,740,648.72**

Consolidated Balance Sheet as of December 31, 2013 and 2012

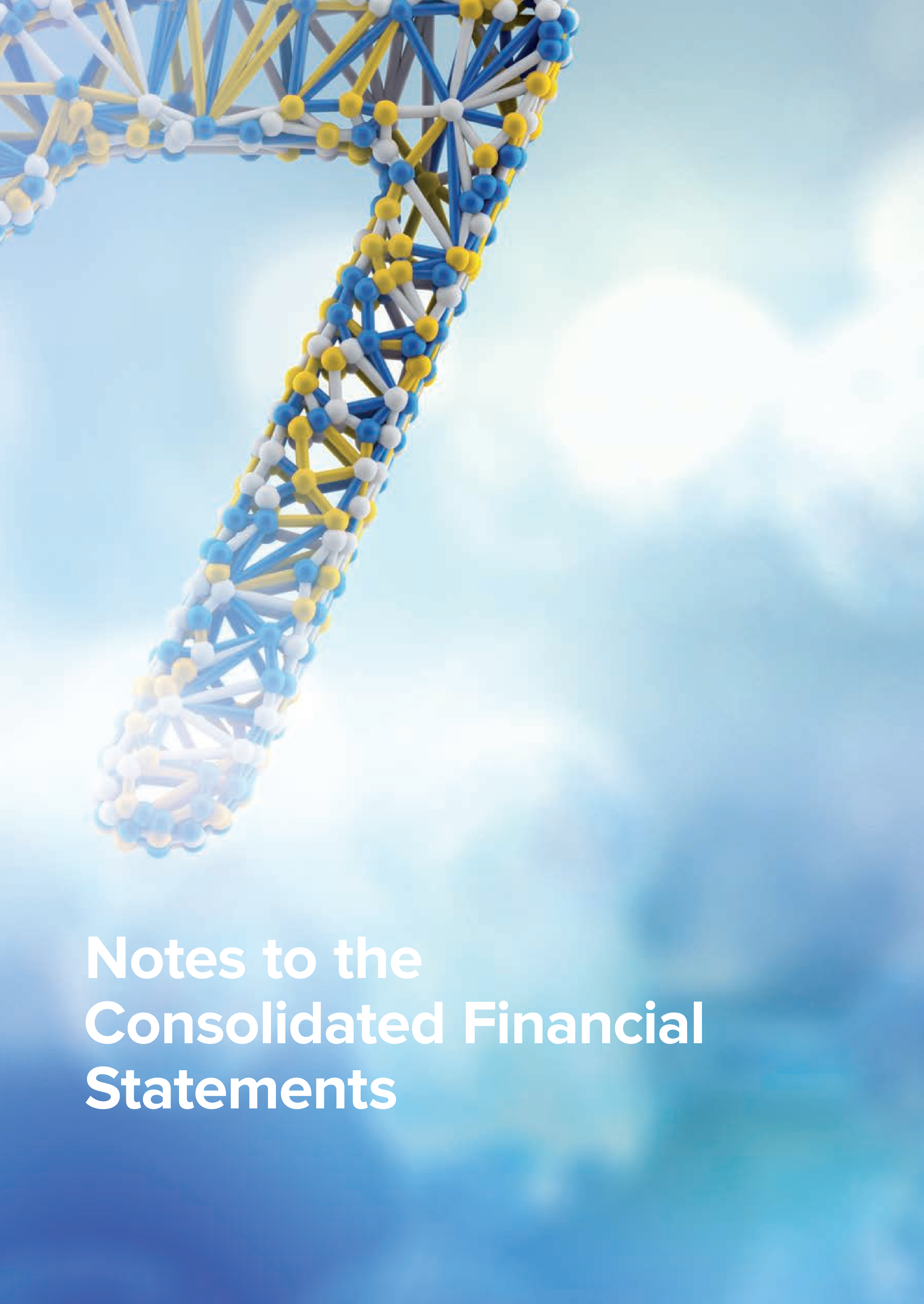
Assets

		2013	2012
	€	€	€
A. Long-term capital			
I. Intangible assets			
1. Purchased concessions, industrial property rights and assets as well as licences for such rights and assets	177,318.53		255,678.81
2. Goodwill	1,379,175.00	1,556,493.53	1,536,795.00
II. Property, plant and equipment			
1. Tenant installations	290,640.86		341,187.09
2. Other equipment, factory and office equipment	2,696,209.53	2,986,850.39	3,403,822.30
III. Financial asstes			
1. Investment in associations		0,00	1.00
B. Short-term capital			
I. Inventories			
1. Raw materials, consumables, and supplies		273,42.75	82,347.47
II. Receivables and other assets			
1. Trade receivables	380.80		24,218.00
2. Receivables from associated	0.00		1,504.75
3. Other assets	222,035.70	222,416.50	124,159.01
III. Securities			
1. Other securities		9,500,000.00	0.00
IV. Cash and cash equivalents		899,311.60	223,042.25
C. Deferred expenses			
1. Other deferred expenses		6,399.47	2,786.76
		15,444,914.24	**5,995,542.44**

Appendix 1

Passiva

		2013	2012
	€	€	€
A. Equity			
I. Subscribed capital	8,626,683.00		5,081,772.00
II. Capital reserve	18,247,524.34		4,357,138.84
III. Loss carry-forward	-6,882,813.85		-6,882,813.85
IV. Annual net profit/loss	-7,740,648.72	12,250,744.77	
B. Provisions			
1. Other Provisions		495,762.64	85,393.00
C. Liabilities			
1. Trade accounts payable	2,493,123.69		3,108,758.01
2. Other liabilities	205,283.14	2,698,406.83	245,294.44
		15,444,914.24	**5,995,542.44**



Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements for the fiscal year 2013

Appendix 2

I. Basic Rules

1. The consolidated Financial Statements for the financial year 2013 is prepared according to the regulations of the German Commercial Code.

A. Consolidated entity

1. In addition to FORMYCON AG as the parent company, the consolidated financial statements include all subsidiaries for which FORMYCON AG directly or indirectly holds the majority of shares.

   List of subsidiaries consolidated:

   FORMYCON AG
   ↓
   Formycon Services GmbH (100 %)

2. The subidiary was full consolidated.

B. Fiscal year and period of consolidation

1. The balance sheet date of the Consolidated Financial Statements is December 31, 2013. The balance sheet date is equal for all group companies. All of the included companies use the calendar year as their financial year. Thus the financial statements for the financial year 2013 formed the basic for consolidation.

C. Consolidation principles

1. The Consolidated Financial Statements are based on the annual financial statements as attested by independent auditors. The attested annual financial statements follow the same principles.
2. The Consolidated Financial Statements are prepared according to §§ 290 ff. HGB (German Commercial Code).
3. All subsidiaries were full consolidated.
4. The group of consolidated entities was unchanged in 2013.
5. Receivables and payables between the consolidated companies are eliminated as part of the debt consolidation.
6. The consolidated profit and loss account has been prepared as a fully consolidated profit and loss account according to the total expenditure format, in which all earnings and expenses between the companies have been offset against each other. Elimination of intercompany profits was not required.
7. Options to capitalize (§ 300 Abs. 2 HGB) and valuation options (§ 308 Abs. 1 HGB) has been left unchanged in the Consolidated Financial Statements.

D. Foreign Currency translation

1. The Consolidated Financial Statements are as well as the Financial Statements of the consolidated companies are prepared in EURO unless stated otherwise. A Foreign Currency translation was not required.

E. Principles of capitalization and valuation

1. The Consolidated Financial Statements are prepared according to German Commercial Code for large corporations in addition to the regulations of the German Stock Corporation Act (AktG).

2. The Financial Statements of all consolidated companies, including the parent company, have been prepared along the same rules as in the previous year. The Profit and loss account has been prepared according to § 275 HGB in th total expenditure format.

3. The balance sheet contaims all assets, all liabilities and all prepaid and deferred items.

4. The valuation followed the principle of single-asset valuation.

5. The valuation of the assets and liabilities follows the accounting principle of prudence.

6. Intangible and tangible assets are stated at cost less accumulated depreciation and accumulated impairment loss. The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs to bring the asset to its working condition.

   Depreciation is computed on a straight-line basis over the estimated useful lives following the tax depreciation tables.

   Financial assets are stated at historical cost or the lower market value, accorting to the lower-of-cost-or-market principle.
   The depriciation period for the Goodwill is 15 years. This is because of the estimated time for resarch and development.

7. Inventories, including raw materials and supplies, are valued at the lower of cost or market value.

8. The receivables and other assets are entered with the original invoice amount a minus valuation adjustment for uncollectible receivables. Receivables are written off if they cannot be collected.

9. The balance sheet follows the form given by § 266 Abs. 2 und 3 HGB modified for group purposes.

10. Other provisions were formed when a liability to third parties exists, its take-up appears probable and the anticipated size of the provision can be reliably estimated.

11. Liabilities are valued at the amount that is required to meet liabilities.

II. Comments on the balance sheet

1. The development of the group fixed assets is shown in the enclosed fixed-asset movement schedule.

2. Liabilities are valued at the amount that is required to meet liabilities. The structure of the liabilities is shown in the enclosed "table of liabilities"

3. The other provisions are mainly composed of benefits payable, legal costs, and the duty to preserve books of account and other records for a specified period.

	€	€	€	€	
Liabilities		amounts falling due			
	Dec 31, 2013	within one year	within one to five years	after more than 5 years	hereof secured
Trade accounts payable	2.493.123,69	2,493,123.69	0.00	0.00	
Other Liabilities	205.283,14	205,283.14	0.00	0.00	
Total	**2,698,406.83**	**2,698,406.83**	**0.00**	**0.00**	**0.00**

III. Comments on the profit and loss accounts

1. Sales were only done by the parent company. Licence fees have been not realized yet.

2. Earnings and expenses follow the matching principle.

IV. Other Information

A. Bodies of the company

1. Members of the Executive Board:

- **Dr. Carsten Brockmeyer,** Göttingen
- **Dr. Nicolas Combé,** Marburg

Supervisory Board:

- **Dr. Olaf Stiller,** Weimar, Chairman
- **Hermann Vogt,** Dieburg, Deputy Chairman
- **Peter Wendeln,** Oldenburg

2. The overall remuneration of the Supervisory Board amounted to 22,500.00 EURO (§ 314 Nr. 6 HGB).

3. According to § 314 Abs. 2 HGB the information according to § 314 Nr. 6 is not given.

4. There are no debts to members of the supervisory board.

B. Employees

1. There were 40 employees employed in the group.

   The staff was structured as follows:

   - 2 Board
   - 5 Administration
   - 33 Research and development

   The counting followed § 267 (5) HGB.

C. Equity

1. On the cutoff date subscribed capital totaled € 8,626,683.00.

   The subsidiaries report as follows:

   - Formycon Services GmbH 100 %,
   - Profit 2013: € 26,753.22
   - Eigenkapital 2013: € -1,652,176.44

D. Contingencies and renumerations

There were other financial liabilities according to § 314 Abs. 2a HGB at the cutoff date of € 182,496.58:

- Auditing € 15,000.00
- Tax advice € 5,248.70
- Other services € 16,200.00

The overall amount according to § 314 Nr. 9 HGB is € 33,448.70.

Planegg, May 2, 2014

Formycon AG

Dr. Carsten Brockmeyer

Dr. Nicolas Combé

Group fixed-asset movement schedule

	Historical cost.	Additions	Repostings	Disposals at historical cost
	€	€	€	€
I. Intangible assets				
1. Purchased concessions, industrial Property and assets as well as licence for such rights and assets	309,268.42	8,586.00	0.00	56,240.00
2. Geschäfts- oder Firmenwert	1,576,200.00	0.00	0.00	197,025.00
II. Property, plant and equipment				
1. Tenant installations	353,823.64	0.00	0.00	0.00
2. Other equipment, factory and other equipment	3,707,531.04	179,580.26	0.00	91,136.93
III. Financial assets				
1. Investment in associations	70,062.65	0.00	0.00	70,062.65
	6,016,885.75	**188,166.26**	**0.00**	**414,464.58**

Appendix 2

Accumulated depreciations €	Book value 12.31.2013 €	Book value 12.31.2012 €	Depreciations business year €	Disposals at book value €
84,295.89	177,318.53	255,678.81	65,727.80	21,218.48
0.00	1,379,175.00	1,536,795.00	157,620.00	0.00
63,182.78	290,640.86	341,187.09	50,546.23	0.00
1,099,764.84	2,696,209.53	3,403,822.30	829,232.27	57,960.76
0.00	0.00	1.00	0.00	1.00
1,247,243.51	**4,543,343.92**	**5,537,484.20**	**1,103,126.30**	**79,180.24**

Consolidated Cash Flow Statements for Fiscal Year 2013

	Year reported €
Result of the year	-7,740,648.72
Depreciation and amortization of intangible assets and plant, equipment and other fixed assets	1,103,126.30
Increase /decrease of long-term provisions	
Profit/loss from disposal of long term capital	79,180.24
Other expenses / income with no impact on cash	
(Gross-) Cash Flow	**-6,558,342.18**
Increase/decrease of short-term provisions	410,369.64
Increase / decrease in trade receivables and other assets that cannot be allocated in investing or financing activities.	-9,767,242.73
Increase / decrease in trade accounts payable and other liabilities that cannot be allocated to investing or financing activities.	-655,645.62
Cash Flow from operating activities	**-16,570,860.89**
(Net-) Cash paid for investments in property, plant and equipment / intangible assets	-188,166.26
Cash Flow from invest activities	**-188,166.26**
Cash received from increase in capital	17,435,296.50
Cash Flow from financing activities	**17,435,296.50**
Cash relevant changes in cash and cash equivalents	676,269.35
Change in currency translation adjustment	
Cash and cash equivalents at beginning of fiscal year	223,042.25
Cash and cash equivalents at end of fiscal year	**899,311.60**

Development of Group Equity for the Fiscal Year 2013

Appendix 2

	Subscribed capital	Capital reserves	Consolidated loss carry forward	Total Equity
	€	€	€	€
January 1, 2013	**5.082**	**4.357**	**-6.883**	**2.556**
Receive of increase of capital	3.545	13.890		**17.435**
Loss				**-7.741**
December 31, 2013	**8.627**	**18.247**	**-6.883**	**12.250**

Audit opinion

I have audited the consolidated financial statements prepared by FORMYCON AG, Planegg comprising the balance sheet, the profit and loss accounts for the business year from January 1, 2013 to December 31, 2013, the cash flow statement, the statement of changes in equity and the notes to the consolidated financial statements – and the group management report for the business year from January 1, 2013 to December 31, 2013. The preparation of the consolidated financial statements and the group management report in accordance with the requirements of German commercial law and the Company's statutes ("German Commercial Code HGB") are the responsibility of the parent Company's management. My responsibility is to express an opinion on the consolidated financial statements and on the group management report based on my audit.

I conducted my audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that I plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. I believe that our audit provides a reasonable basis for my opinion.

My audit has not led to any reservations.

In my opinion, based on the findings of my audit, the consolidated financial statements comply with German commercial law and the additional rules of the company's statutes and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

DIPL.-ÖKONOM MAG. DR. HEINFRIED BRUNSMANN
WIRTSCHAFTS-PRÜFER
SIEGEL
DÜSSELDORF

Düsseldorf, May 2, 2014

Dr. Brunsmann
WP/StB

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