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ON THE WAY

Annual Report 2015

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Dr. Carsten Brockmeyer
CEO

Dr. Nicolas Combé
CFO

Letter to Shareholders

Dear Shareholders

The development of biosimilar drugs is demanding, requiring not only expertise and sustained effort but also intense commitment. Our day-to-day work efforts towards this goal are aptly described by the words long ago of Chinese philosopher Laozi: "A journey of a thousand miles begins with a single step." We at FORMYCON have indeed taken this first step – and in fact, we are already many miles along our journey as a developer of biosimilars, having already achieved several extraordinary successes. The road which still lies ahead of us will undoubtedly continue to be both challenging and exciting.

Step by step, and mile after mile, we will strive for ever more success on the path which remains before us. Our heartfelt enthusiasm for biological science, for pharmacology and for innovation will drive us to develop the high quality, highly effective biosimilar drugs for the medical treatment needs of tomorrow. Our aim is to make these powerful drugs affordable and widely available, so that they can ease the suffering of as many patients as possible.

2015 was a strikingly good year for FORMYCON, a year in which we made great advances in our biosimilar development efforts. A key milestone was the commencement of phase III clinical trials, led by our licensing partner, of our furthest advanced biosimilar candidate, FYB201, based on the active ingredient ranibizumab. This biosimilar candidate is a follow-on version of Lucentis*, a highly successful ophthalmic drug with current annual revenues of some USD 3.5 billion. The phase III trial, on a broad range of patients, should demonstrate that FYB201 is comparable to the reference product in terms of its efficacy and safety.

Along with this milestone, 2015 saw another major success: the out-licensing of another biosimilar candidate, FYB203 (aflibercept), to Santo Holding GmbH. With this deal now in place, we have gained not only significantly greater certainty in our planning but also a major boost to our financial stability. Under the terms of the deal, Santo has assumed responsibility and funding for the remaining development and the commercializationof FYB203, a biosimilar candidate for Eylea**, which is likewise a high-revenue biotech drug for treating ophthalmic disease (2015 revenue approx. USD 4.1 billion). FORMYCON, in addition, receives regular fees plus a participation on future product revenues. With this solid foundation now in place, we can focus our attention and resources on our core business and proceed with the development of our products.

With our biosimilar candidates for Lucentis and Eylea, we virtually cover the entire global market for intraocular anti-VEGF pharmacologic agents, currently one of the most rapidly growing pharmacotherapeutic markets. Through the development of innovative approaches for the formulation and administration of our products, which we are seeking to protect with

various patent applications, we have established for ourselves an extraordinarily promising position within this field.

In parallel with these two out-licensed projects, we are also pushing forward rapidly with the development of FYB202, our third biosimilar candidate, for which we hope to sign an out-licensing deal within the current year. During 2015, moreover, we identified three further biosimilar drug candidates which we are in the process, step by carefully considered step, of elevating to official project status.

With these advances in, and expansion of, our development efforts, we also grew significantly during 2015 in terms of our staff and our laboratory and office space. Through the dedication of an additional floor in the building complex where our company is headquartered in Martinsried, on the outskirts of Munich, we now have ample office and laboratory space to support our growth.
With these milestones in place, we have, as of the end of this past year, completed the first phase of our company's strategic development and have now commenced phase II. In the coming years, we will focus relentlessly on the continued, consistent implementation of our strategic plan, on the operational optimization of our processes and structures, on the ongoing expansion of our drug pipeline, and on further out-licensing opportunities for our biosimilar candidates. As we do so, the business objective of FORMYCON will remain to combine this company development with healthy financial results. This is our guiding principle, and it is one which is all too easily forgotten in our investment-intensive industry – but it is a commitment which we have already been able to successfully evidence in the completed fiscal year.

The third phase of our company's development is slated to begin in 2020, when our partners bring the first of these FORMYCON-developed biosimilars to market. From that point on, we hope to begin reaping the rich fruits of our labor, of the many years of hard work by the entire staff of FORMYCON. Step by step, mile by mile, this is the road which lies ahead. We hope that you, our valued shareholders, will continue with us on this journey.

* Lucentis is a registered trademark of Genentech Inc.

** Eylea is a registered trademark of Regeneron Pharmaceuticals Inc.

Planegg, April 2016

FORMYCON AG

Dr. Carsten Brockmeyer
Chief Executive Officer

Dr. Nicolas Combé
Chief Financial Officer

Dr. Olaf Stiller
Chairman of the Supervisory Board

Report of the Supervisory Board

During fiscal year 2015, the Supervisory Board properly carried out its duties under governing law and under the company's articles of incorporation, supervising and advising the Executive Board on an ongoing basis in its management of the company. The Supervisory Board was directly involved in all decisions of fundamental importance and received regular written and oral reports on the company's business performance, the further development of its strategy, and its financial performance.

In addition, the Chairman of the Supervisory Board remained in continual contact with the Executive Board, discussing current developments and business events of key importance. Furthermore, regular consultations were held with the Executive Board on matters of the company's strategy, planning, business development, risk position, risk management, and regulatory compliance.

In the course of four board meetings, all business matters and pending decisions requiring concurrence of the Supervisory Board under governing law or under the company's articles of association were discussed in depth. All members of the Supervisory Board were in attendance at these meetings

The meetings of the Supervisory Board focused primarily on ensuring that the company's financial resources are secure and on the current and future development of its areas of business, in particular with regard to the state of its drug development efforts and its progress toward commencing preclinical studies and clinical trials, as well as related questions regarding key staff. Moreover, the Supervisory Board discussed and debated key strategic projects with the Executive Board.

Discussion during these meetings also centered on ways to ensure and strengthen the company's competitiveness and on strategic concepts for its future growth. At each of these quarterly meetings, the Executive Board and Supervisory Board together reviewed the company's financial performance and plan. In conjunction with the approval of the annual financial statements, discussions specifically focused on key details of valuations and the resulting consequences for the company's capital structure.

The annual financial statements and consolidated financial statements as of December 31, 2015, including the respective management reports, were examined by PanTax Audit GmbH, the Düsseldorf-based audit and tax firm appointed by the Annual Meeting of Shareholders for fiscal year 2015, which also examined the company's bookkeeping. The audit firm, having determined that these were in compliance with all legal requirements, provided its unqualified audit opinion. Furthermore, the audit firm determined that the Executive Board has enacted measures, as required under sec. 91 para. 2 of the German Stock Corporation Act, to establish a risk monitoring system in appropriate form, and that this system is suitable for recognizing, at an early stage, any developments which might endanger the company's continued existence.

Advance copies of the financial statement documents to be examined and of the audit reports were provided to the Supervisory Board to ensure that it was comprehensively informed. In addition, the Supervisory Board asserted its right to inspect the accounts and papers of the company, in particular by requesting presentation of certain legal agreements it deemed important, including documents not specifically requiring its concurrence. All transactions requiring concurrence of the Supervisory Board under governing law or under the company's articles of incorporation were examined by the Supervisory Board before reaching its decision on such concurrence.

A representative of the audit firm attended the meeting of the Supervisory Board on April 14, 2016, at which the financial statements were discussed, and reported on the key findings of the audit examination. The Supervisory Board noted and concurred with the audit findings.

As a result of its own examination, the Supervisory Board found no cause to raise any objections to the financial statement documents which it reviewed, including also the concluding statement of the Executive Board. The Supervisory Board thus approves the annual financial statements of Formycon AG and consolidated financial statements of Formycon Group as presented to it. The annual financial statements of Formycon AG are adopted accordingly.

The Supervisory Board did not form any committees.

The Supervisory Board would like to thank the Executive Board along with the entire staff of FORMYCON for their continued commitment and for all their hard work during 2015.

Munich, April 2016

Dr. Olaf Stiller
Chairman of the Supervisory Board

ON THE WAY

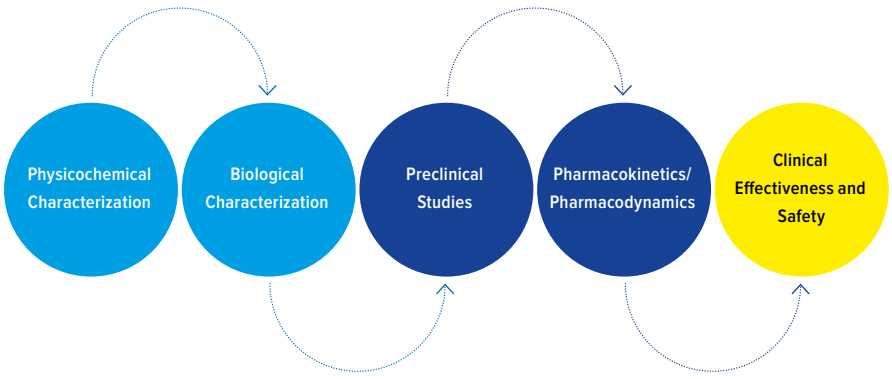
Our mission
Biosimilar drugs of the highest quality

Biosimilars are the pharmaceuticals of the future: As follow-on drugs of biopharmaceuticals for which patent protection is expiring, biosimilars ensure quality, safety and efficacy comparable to the reference drug – but at a significantly lower cost. Because these biosimilars are less expensive than the reference products, their introduction to the market contributes significantly to making highly effective treatments more affordable and thus available to a greater number of patients.

The spectrum of diseases which can be successfully treated with biopharmaceuticals is far-reaching. These include, for example, neovascular ("wet") age-related macular degeneration (nAMD), diabetes, multiple sclerosis, asthma, breast cancer, and rheumatoid arthritis – to name but a few.

The development and production of these highly complex biosimilars is demanding, requiring not only great expertise but also state-of-the-art technology and uncompromising quality standards. Analytical design, in particular, plays a critical role in developing these sophisticated new class of drugs. Like the reference biopharmaceuticals, biosimilars are produced by living cells using biotechnology, with these cells modified using genetic engineering so that they produce precisely the desired protein.

Bringing these products to market likewise requires a high level of experience and expertise. As the reference drugs lose their patent protection, biosimilars are submitted for regulatory approval in markets with the most stringent processes for the approval of new drugs, such as the U.S., the European Union, Canada, Japan and Australia.



In their development biosimilars go through five phases – from initial analysis in the laboratory to the demonstration of clinical efficacy and safety in humans.

Looking at detail: Chromatography is among the sophisticated technologies used extensively by FORMYCON in developing biosimilars.

FORMYCON is specifically focusing on the "third wave" of biosimilars, meaning follow-on versions of blockbuster biopharmaceuticals with patent expiry starting in the year 2020. Because we already committed to this generation of biosimilars at very early stage, FORMYCON has been able to secure a leading position for itself in this vast approaching market.

We currently have three biosimilar candidates in preclinical and clinical phases. We have already signed major out-licensing deals for two of these, the ophthalmic drugs FYB201 (ranibizumab) and FYB203 (aflibercept), with Santo Holding GmbH. The interest of potential partners in our third product candidate, FYB202, is likewise great. We have, moreover, now identified three additional biosimilar candidates for our pipeline.

Our aim is to remain at the leading edge of biosimilar development, driving our efforts to successful conclusion and bringing these products to market in close cooperation with our partners, while continually expanding our product pipeline. In doing so, FORMYCON will span the entire value-creation chain, from early-stage analysis to clinical trials, and all the way through to regulatory approval. In this way, we will be in a position not only to offer a complete, beginning-to-end development concept to our product partners but also to ensure our capacity to generate a steady stream of new biosimilar products long into the future, which our partners will likewise be able to bring to the global market.

OUR PIPELINE

FYB 201

FYB 202

FYB 203

Our claim
A biosimilars company of international importance

Biosimilars represent a particularly dynamic segment of the pharmaceutical market, and the development of these complex new drugs is currently one of the most exciting areas in the global pharmaceutical industry.

Within this emerging field, FORMYCON is already now a significant player. Our claim, and the goal we have set for ourselves, is to steadily expand this position and to assume a sustainable, long-term role as a leading independent developer of biosimilar drugs for the world market.

How will we achieve this? What is our company's key strength? It is, undoubtedly, the wealth of expertise and experience which we have in our scientists, our management, our advisory board and our supervisory board. Several of our experts already have a past track record of successful biosimilar drug development, while others bring extensive experience from the pharmaceutical and biotechnology industries. Building upon this knowledge base, we work each day, with passion and meticulous attention to every detail, towards the creation of next-generation biosimilar drugs of the highest quality.

Quality is, in fact, the overarching principle which permeates everything we do at FORMYCON, beginning with market analysis, proceeding into protein analysis, development and quality control, then moving onwards into clinical trials until finally culminating in regulatory approval. Across all of these critical activities, we insist on the highest scientific standards – not only in the development which takes place in our own in-house laboratories but also in the work done by our external partners and by preclinical and clinical testing organizations.

We have successfully completed the first phase of our company's development: the creation of our organization and growth into its present form, and the development of our first biosimilar product candidates. Over this time, it is not only our organization, our offices and laboratories, and our product pipeline which have grown; it is also our human resources and the know-how of our staff. And we will continue to grow. FORMYCON has gained increasing attention in the scientific and professional community as a very desirable place to work, offering not only challenge and opportunities for

Reference Product INN Field	Indications	Partner	Preclinical Phase	Clinical Phase I	Clinical Phase III	Patent expiry
Lucentis® Ranibizumab Ophthalmology	wAMD, DME (RVO, DR)	Santo Holding GmbH				EU 1/2022 US 6/2020
🔒	🔒					
Eylea® Aflibercept Ophthalmology	wAMD, DME (RVO, CNV)	Santo Holding GmbH				EU 5/2025 US 6/2023

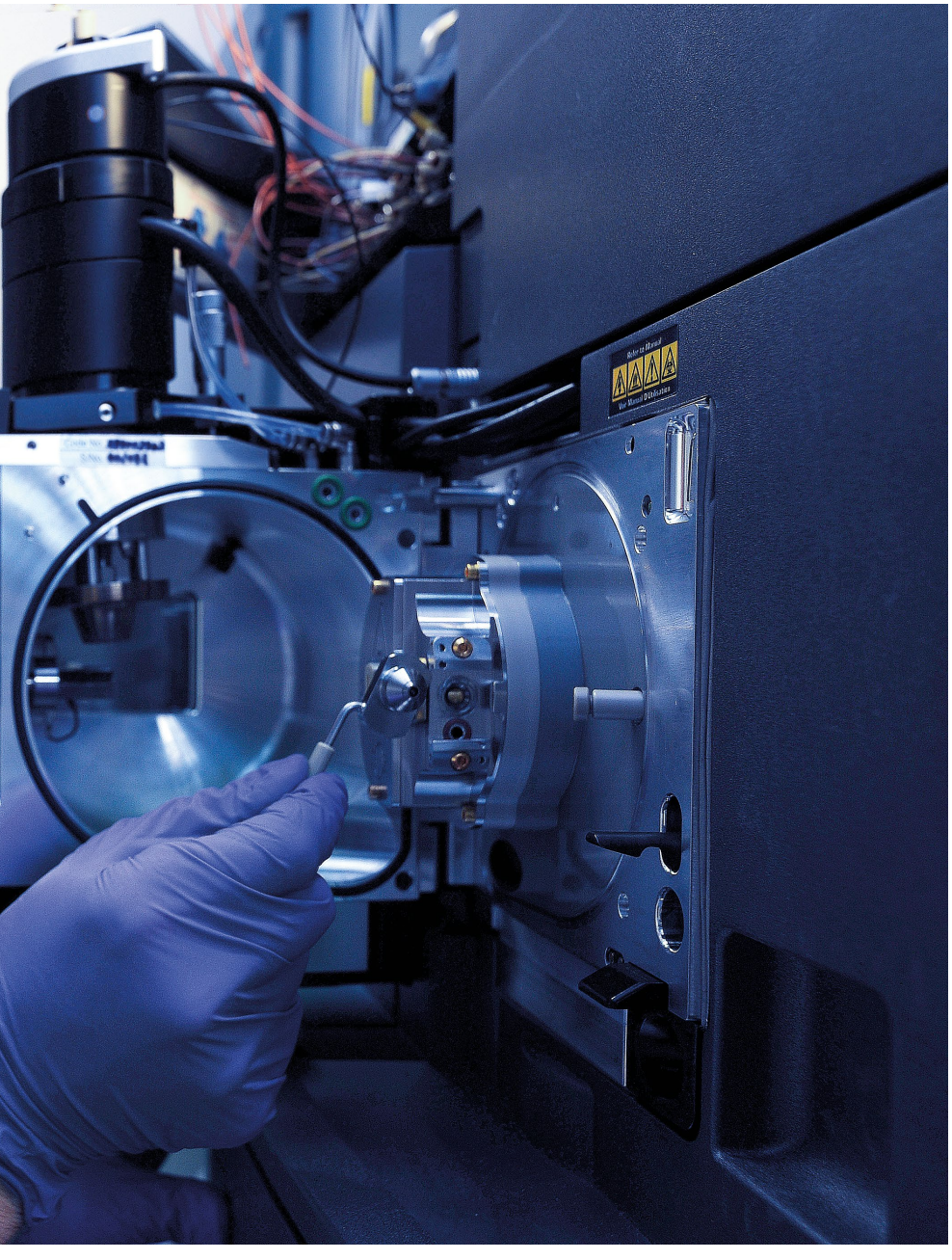
With FYB201 and FYB203 FORMYCON has two promising biosimilar candidates. The reference products Lucentis® and Eylea® cover more than 90% of the market for anti-VEGF therapies. The pipeline will be expanded in the future by addressing blockbuster biopharmaceuticals with large or growing market potential.

personal advancement but also a collegial atmosphere where creativity is valued. As our growth accelerates, we are adjusting our structures and organization. It is vital that we remain efficient as we grow, while also retaining our flexibility to make decisions quickly.

FORMYCON bears a great responsibility – towards its staff, its investors and its customers. Patients, and the physicians who treat them, urgently require effective therapeutics of the highest quality, at affordable prices. Ultimately, what we do is about the health and well-being of our fellow human beings. In our modern age, however, when medical treatments are becoming ever more effective but also dramatically more expensive, finding ways to make these effective, modern treatments available to all patients is a great challenge, even in wealthy industrialized nations. We, as a biosimilars company, are making a significant contribution to solve this problem, developing more affordable new-generation drugs which can be made available to more patients. And by addressing one of today's most pressing healthcare problems, we are set to play an increasingly important role in the healthcare system.

FORMYCON scientists examining the structure of a biosimilar candidate using a mass spectrometer.

Our commitment
FORMYCON – a sound investment



It is not only in the development of its biosimilar candidates to date that FORMYCON has enjoyed remarkable success. Our financial position is likewise extraordinarily favorable. Following two capital increases, with two out-licensing deals signed and in place, and with the support of strong partners and our investors, our company stands today upon a solid foundation. Our licensing income is steadily rising, our financial reserves are ample, and our costs are firmly under control. This financial strength gives us the latitude to further invest, carefully and deliberately, into our core activities – into the development of further biosimilars.

Looking ahead, the outlook for FORMYCON is also strong. Biosimilars represent a relatively new and rapidly growing area of pharmaceutical biotechnology. By the year 2020, biopharmaceuticals with combined revenues of USD 100 billion are expected to lose patent protection. Last year, the combined sales revenue for the two biotech ophthalmic drugs, Lucentis® and Eylea®, accounting for more than 90 percent of the global market for anti-VEGF therapeutics, exceeded USD 7.5 billion.

Working at a laminar flow workbench: The development of a biosimilar drug demands great expertise and precision.

This clear and far-sighted view is important not only in our strategic and corporate planning but also in our financial and capital planning. It is for this reason that we take great care in our projections of income and expenses, even if this means being on the conservative side. This is important because our company requires the certainty of a rock-solid financial foundation to confidently and rapidly proceed through the development work that lies in the years ahead.

The words and actions of our investors tell us that we're on the right path. Some 30 percent of our shares are widely held, while roughly one half are in the hands of institutional investors, with the remaining 20 percent owned by company founders and management. Several of our investors have been with us since the very beginnings of our company's history. This longevity demonstrates their long-term investment horizon and testifies to their confidence in our work.

FORMYCON'S successful track record has not been limited to our laboratories. We have thrived in the financial markets as well, with our price of our shares rising more than eightfold from their initial listing at the Entry Standard of Frankfurt Stock Exchange in July 2012 through the end of 2015. Alone in 2015, our share price rose by more than 100 percent. Our market capitalization has soared commensurately, from EUR 12.1 million in the middle of 2012 to EUR 210 million as of the end of 2015. We have placed great emphasis on transparency in our communications and in building our credibility, regularly reporting on the milestones in our biosimilar development projects and on our company's financial results.

Our current share price is, of course, subject to fluctuation, and the daily ups and downs of the stock market are beyond our control. We would, however, point to the wise words of the late André Kostolany, a legend in equity investing: The dog might run ahead of his master, or trail behind his master, but in the end, they both come home at the same time. In the same way, it is the fundamental, real performance of FORMYCON which will ultimately determine its share price.

Our task, and our duty to our shareholders, is to ensure that our performance remains strong. In doing so, we are laying the foundation so that FORMYCON shares will continue to be an attractive investment long into the future.

Management Report

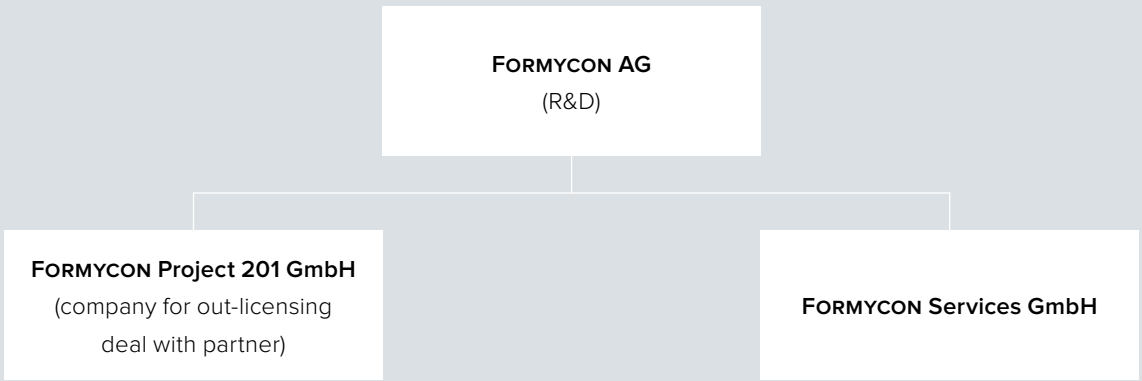
I. Basic Information about the Group

1. Business Model

The business model of FORMYCON centers around the development of follow-on products of biopharmaceuticals, so-called biosimilars. The Company's business objective is to develop new products for subsequent out-licensing, whereby their development is then assumed or supported by the new licensing partner. FORMYCON is able to cover the entire biopharmaceutical development chain from analysis and cell line development to preclinical studies and clinical trials, all the way through to regulatory approval, and thus is in a position, following such an out-licensing deal, to undertake portions of the remaining development in cooperation with the partner company.

FORMYCON Group is structured in accordance with this business model. Core research and development activities are conducted by FORMYCON AG, with drug candidates then spun off into product-specific subsidiaries, leaving the parent company free to afocus entirely on R&D. In addition, FORMYCON Services GmbH, a separate subsidiary, offers specialized services on a fee-for-service basis to pharmaceutical and biotech companies.

In the past year, the Group's structure was thus as follows:



FORMYCON Project 201 GmbH was the first such company to be spun off, which was during fiscal year 2014, assuming all ongoing project activities for the Company's first two biosimilars to be licensed out. More such partnerships are planned in subsequent years. FORMYCON AG, which owns 100% of both subsidiaries, does not have any other facilities besides its main offices and laboratories in Martinsried, a suburb of Munich.

The activities of FORMYCON Group are substantially limited to research and development. While it conduct certain other activities relating to its fee-for-service business, these are not significant.

The business of FORMYCON is directed toward the pharmaceutical market, and thus healthcare policy and regulation should be recognized as an important external influence factor.

2. Research and Development

The Group's activities are substantially comprised of research and development, the expenditures for which may be broken down as follows:

	2015 K€	2014 K€
Third-party services	6,164	5,081
Raw materials, etc.	2,716	827
Staff expenses	3,860	2,894
Depreciation and amortization	934	1,072
Other	2,939	1,927
	16,613	**11,801**

42 employees worked in research and development. Expenditures during the fiscal year totaled €16,613K, or 98.0% of sales revenue, and these were all charged as current expense. No research and development expenditures were capitalized. Relevant patent applications were filed, and product development activities are proceeding on schedule, so that market entry is anticipated according to plan. There were no significant changes to report within the research area.

II. Report on Business Performance

1. General Economic Conditions and Industry Conditions

In describing conditions for the pharmaceutical and biosimilars industry during the fiscal year, 2015 may be broadly divided into two parts. While the economy remained strong until April 2015, as did the financial markets, conditions deteriorated through the remainder of the year.

As attention to the Greek crisis receded into the background during 2015, the markets focused increasingly on plummeting oil prices and on the economic slowdown in China. While the sharp drop price of oil had a positive impact by lowering the production costs of many products and by making it cheaper for people to drive, it drove many oil producing companies and countries dependent upon oil exports into serious difficulties. As a result, concerns grew about the overall economy.

In the course of the year, the economic slowdown in China also had an increasing negative impact. As growth in the country's economy slowed to lower levels than in prior year, doubts grew as to whether the People's Republic, with its massive domestic market, would be able to continue in its role as the economic locomotive of the Far East.

The political crises in Syria, North Africa and Ukraine likewise had a dampening effect on general economic sentiment. In Germany and elsewhere in Europe, the refugee crisis dominated news headlines, casting growing doubt upon Germany's ability to solve this challenge, while at the same exposing deep splits within the European Union. The partial reintroduction of border controls within the Schengen Area also began to hinder trade in goods, thus further increasing the financial burden on the economy.

Above and beyond these specific factors, sluggishness in the European economy persisted, despite the strength of Germany. While headlines of Greece's economic troubles were largely replaced with news of war in Syria and the ensuing refugee crisis, the economic crisis in Greece remained unsolved. For this among other reasons, the European Central Bank held its reference rate at a historically low level.

For the pharmaceutical and biotech industry, a particularly drastic event was the announcement by U.S. pharmaceutical executive and hedge fund manager Martin Shkreli of a 55-fold increase in the price of a

long-established drug for treating toxoplasmosis. As U.S. presidential candidate Hillary Clinton unleashed, through her comments on Twitter, a far-ranging discussion about the high level of drug prices, turning it into a campaign issue, fears grew about the potential future impact to the profitability of pharmaceutical and biotech companies. Throughout the industry, share prices of drug companies came under pressure, although nothing had fundamentally changed in their position.

At the end of 2015 and start of 2016, a number of international IPOs were closely watched as a litmus test for the stability and outlook of the pharmaceutical and biotech industry. As most of these were successfully brought to market, analysts and investors once again began to focus on the industry's fundamentals.

These high stock market expectations of biotechnology companies have been fueled first and foremost by dynamic growth in the world healthcare market. According to a recent industry report from IMS Health, global spending for pharmaceuticals is expected to rise from more than $1 trillion in 2015 to almost $1.3 trillion in 2018. This growing demand is being driven, in particular, by the aging of populations in the developed nations and by the increasing prevalence of chronic diseases. Even in the emerging market countries, population growth and improving access to medical care is likewise pushing up healthcare spending. Spending in the so-called "pharmerging markets" – meaning developing countries where use of pharmaceuticals is growing rapidly, and of which China constitutes a 46% share – is expected to rise in the coming years at an annual growth rate of between 8 and 11%.

In major European countries, cost cutting programs have been holding spending growth in check, and in some cases even reducing healthcare spending. Specifically within Germany, expenditures for pharmaceuticals and diagnostic tests rose by 9.6% in 2015, to €30.8 billion, although this sizable increase was partly due to a statistical effect. The German statutory health insurers are thus expected to reintensify their efforts to realize cost savings, as they were able to successfully achieve in prior years through increased compulsory rebates, voluntary manufacturer rebates, patent expiries and greater competition.

Over the past three decades, new-generation pharmaceuticals produced using biotechnological means have enabled great advances in the treatment of such serious diseases as multiple sclerosis, cancer and rheumatoid arthritis. In view of the high treatment costs involved, however, these are the number-one driver of spending growth for the German statutory health insurers. As the patents for these modern biopharmaceuticals reach expiry, a window of opportunity will be opened for biopharmaceutically similar drugs, or biosimilars, to enter the market and compete, thus potentially enabling significant reductions in healthcare spending for these drugs. In contrast to conventional generic drugs, the production of biosimilars involves significant investment and highly specialized expertise.

Although there has been a decline in biopharmaceutical patent expirations over the past few years, Pro Generika e.V., the German industry association for generic drugs and biosimilars, expects a reversal in this paradigm starting in 2016. Analysis from INSIGHT Health, a German provider of healthcare information and market research, likewise show that the annual market value of expiring biopharmaceutical patents, at €1.34 billion, is significantly larger than forecasted even just in 2014. Moreover, for the first time ever, revenues of off-patent biopharmaceuticals will surpass those of conventional drugs produced through chemical synthesis. By the year 2020, global revenues for these biosimilar drugs could rise tenfold to some $25 billion.

With its research and development activities already advanced, FORMYCON sees itself as being in a strong competitive position in the market for biosimilars, which remains in a very early stage, and thus its market position may be regarded as good. Significant changes from the prior year are the result of further maturing of this market as well as successful study results of FORMYCON'S initial products.

2. Business Development During the Period

Both FORMYCON AG and FORMYCON Group performed well during fiscal year 2015. Revenue for the parent company only (FORMYCON AG unconsolidated) was €13.6 million, with after-tax net income of €0.6 million, while FORMYCON Group reported consolidated revenue of €16.9 million and net income likewise of €0.6 million. Neither FORMYCON AG nor FORMYCON Group has any financial debt.

FORMYCON made significant advances during 2015 in the development of its product candidates as well as of the Company itself, reaching a number of important milestones:

- In March 2015, FORMYCON passed a Good Manufacturing Practices (GMP) inspection carried out at its premises by regional government authorities, officially certifying that FORMYCON operates its production in accordance with these internationally accepted guidelines for quality assurance.

- In April 2015, FORMYCON successfully completed an increase in its share capital as a private placement transaction in the amount of €11.1 million. The new shares were subscribed by international investors, primarily within the U.S.

- In May 2015, Dr. Carsten Brockmeyer, CEO of FORMYCON, was chosen for the 2015 "Medicine Maker Power List", a global selection of the 20 most influential people in the pharmaceutical world.

- Also in May 2015, the Company signed its second out-licensing deal with Santo Holding GmbH for its FYB 203 biosimilar project, granting Santo exclusive worldwide marketing rights for this product candidate. With this deal in place, Santo has now assumed responsibility for further clinical development, marketing and distribution. In addition, FORMYCON received a multi-million-euro upfront payment to continue the technical and preclinical development work on FYB 203 on behalf of Santo. FORMYCON is also entitled to a significant share of the drug's future sales revenue.

- In June 2015, FORMYCON received a positive Scientific Advice from the U.S. Food and Drug Administration (FDA) for its FYB 201 biosimilar project (ranibizumab), its first new drug to be out-licensed to Santo Holding, thus clearing the way for commencement of global phase III clinical trials.

- At the Company's annual meeting of shareholders in June 2015, shareholders expressed their particular support for FORMYCON'S orientation around long-term, sustainable business performance.

- In October 2015, strategic partner company bioeq GmbH and FORMYCON announced the commencement of phase III clinical trials for FYB201 (ranibizumab), a Lucentis® biosimilar.

FORMYCON continues to strategically position itself as a leading independent company in the development, production and marketing of high-quality biosimilar drugs, with a particular focus on the highly regulated markets of Europe and North America. The Company's strength lies in the expertise of its senior management, its supervisory and strategic advisory boards, and its highly qualified professional staff. Moreover, its tightly focused development processes lead to rapid and reliable results. With its unique base of technical and development expertise, FORMYCON is a desirable partner for both major pharmaceutical corporations and for producers of generic drugs.

Looking ahead to the future, FORMYCON is actively planning to expand its product portfolio of biosimilar drug candidates.

3. Shareholder Structure and Share Performance

Approx. 50 percent of the shares of FORMYCON AG are held by family offices and institutional investors. A further approx. 20 percent are held by the Company's founders and management. The remaining approx. 30 percent are widely held. The Company's shares are listed in the Entry Standard segment of the Frankfurt Stock Exchange. Based on daily closing prices, the Company's shares started the year at a price of €10.10, reaching an all-time high of €32.50 on April 10, 2015, before closing the year on December 30, 2015, at a price of €23.15. Relative to other biotech stocks, shares in FORMYCON AG have performed well, since their original listing as well as during fiscal year 2015.

4. Staff

Because of our increasing number of biosimilar projects and the advance of our drug candidates currently under development, FORMYCON's staff also grew significantly during fiscal year 2015, starting the year with 40 employees and growing to 53 by the end of December. A moderate further increase in staff is planned for 2016.

5. Expansion of Laboratory and Office Space

With this growth in staff over the past years, FORMYCON's need for office and laboratory space has also grown considerably. Thus, in the summer of 2015, interior construction works began on an additional floor which the Company rented in its headquarters facility in Martinsried, outside of Munich. With the completion of these works in the fall of 2015, the Company now has approx. 520 sq.m. (approx. 5,600 sq.ft.) of additional office and laboratory space at its disposal.

6. Financial Performance

The financial results herein are reported for the fiscal year from January 1, 2015 to December 31, 2015. 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 fiscal year 2015, FORMYCON proceeded with the development of its first three biosimilar projects according to plan. As a result of its out-licensing deals for FYB201, signed in December 2013, and FYB203, signed in May 2015, the Company again generated significant and recurring sales revenue, which were once again significantly greater than during the prior year. Under the terms of the new out-licensing deal for FYB203, FORMYCON received an up-front multi-million-euro payment in 2015, to

be followed with subsequent payments in support of ongoing product development through to regulatory approval as well as a percentage of future sales revenues after market launch.

Sales revenue for FORMYCON AG (parent entity only) totaled €13,561K for the fiscal year, compared to €10,530K in the prior year. Cost of materials rose to €5,669K, leaving a full-year gross profit of €8,108K.

In view of its planned additional out-licensing deals, FORMYCON AG anticipates that its coverage ratios will remain stable or improve.

For the consolidated FORMYCON Group, sales revenues for fiscal year 2015 rose 34% to €16,925K, producing annual net income of €578K, as gross profit was once again roughly offset by other expenses

b) Financial position

The financial position of both FORMYCON AG and FORMYCON Group during the fiscal year was notably solid and stable, with key liquidity ratios significantly above average. Current assets totaled €23,307K, compared to total current liabilities of just €1,605K. The Company did not have any bank loans or long-term loans during the period.

As of the period closing date, cash and equivalents amounted to €622K, while marketable securities, also included in cash and liquid resources in the following consolidated statement of cash flows, totaled €19,675K. Return on sales (after-tax profit divided by sales revenue) for the period was 3%, while EBIT (operating profit) was €538K and EBITDA (operating profit plus depreciation and amortization) was €1,473K.

The Company did not have any financial debt.

c) Net assets

During the reporting period, the Group's equity capital ratio increased from 77.6% to 91.5%, which is considerably above average. Non-current assets, which declined as a result of depreciation and amortization, are completely covered by equity capital, suggesting a strong and healthy balance sheet structure.

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

Consolidated Statement of Cash Flows for the Period from January 1, 2015 to December 31, 2015

	2015 €	2014 €
Net income for the period	**577,518.13**	**860,324.39**
Depreciation, amortization, write-downs (impairments) and write-ups of fixed assets	934,812.51	1,071,931.20
Additions to/subtractions from reserves	133,672.36	0.00
Changes to inventories and trade receivables, as well as other assets not included among investing and financing activities	541,723.02	-2,584,623.10
Changes to trade payables, as well as other liabilities not included among investing and financing activities	-1,652,552.48	601,023.51
Gain/loss resulting from disposals of fixed assets	23,092.80	11,762.72
Interest expense/interest income	-41,258.21	7,417.58
Cash flow from operating activities	**517,008.13**	**-32,163.70**
Proceeds from disposals of intangible assets	2,600.84	0.00
Amounts paid for investments in property, plant and equipment	-669,927.27	-570,831.79
Interest received	71,492.58	165.54
Cash flow from investing activities	**-595,833.85**	**-570,666.25**
Amounts received from shareholders of the parent company for additions to equity capital	11,182,430.00	0.00
Interest paid	-30,234.37	-7,583.12
Cash flow from financing activities	**11,152,195.63**	**-7,583.12**
Total changes in cash and liquid resources from cash flows	**11,073,369.91**	**-610,413.07**
Cash and liquid resources at the beginning of the period	9,223,867.92	899,311.60
Cash and liquid resources at the end of the period	**20,297,237.83**	**288,898.53**

Compared to the prior year, the definition of cash and liquid resources was changed, in accordance with German Accounting Standard (DRS) 21, to also include holdings of short-term securities, thus limiting comparability to the prior year.

Statement of Cash Flows for FORMYCON AG (unconsolidated) per German Accounting Standard (DRS) 21

	2015 K€	2014 K€	K€	Delta %
Net income/loss	600.3	869.9	-269.6	-31.0
Depreciation, amortization, writedowns (impairments) and write-ups of fixed assets	934.8	1,071.9	-137.1	-12.8
Additions to/subtractions from long-term reserves	0.0	0.0	0.0	0.0
Other non-cash expenses/income	0.0	0.0	0.0	0.0
Gain/loss resulting from disposals of fixed assets	143.7	5.4	138.3	2,548.9
Gross cash flow before change in working capital	**1,678.9**	**1,947.3**	**-268.4**	**-13.8**
Additions to/subtractions from medium- and short-term reserves	134.1	25.6	108.5	424.6
Changes to inventories and trade receivables, as well as other assets not included among investing and financing activities	-302.4	-2,287.7	1,985.3	-86.8
Changes to trade payables, as well as other liabilities not included among investing and financing activities	-1,067.1	-280.8	-786.2	280.0
Interest expense/interest income	-46.3	7.4	-53.7	-724.1
Other income from participations	0.0	0.0	0.0	0.0
Expense/income relating to extraordinary items	0.0	0.0	0.0	0.0
Expense/income relating to income tax	0.0	0.0	0.0	0.0
Proceeds relating to extraordinary items	0.0	0.0	0.0	0.0
Payments relating to extraordinary items	0.0	0.0	0.0	0.0
Income tax payments/refunds	-16.9	0.0	-16.9	0.0
Cash flow from operating activities	**380.3**	**-588.2**	**968.5**	**-164.6**
Proceeds from disposals of intangible assets	0.0	6.3	-6.3	-100.0
Payments for investments in intangible assets	0.0	0.0	0.0	0.0
Proceeds from disposals of property, plant and equipment	2.6	0.0	2.6	0.0
Payments for investments in property, plant and equipment	-669.9	-595.8	-74.1	12.4
Proceeds from disposals of financial assets	0.0	0.0	0.0	0.0
Payments for investments in financial assets	0.0	0.0	0.0	0.0
Proceeds resulting from eliminations from scope of consolidation	0.0	0.0	0.0	0.0
Payments resulting from additions to scope of consolidation	0.0	0.0	0.0	0.0
Proceeds from sale of financial assets relating to the Company's management of its short-term financial resources	0.0	0.0	0.0	0.0
Payments for purchase of financial assets relating to the Company's management of its short-term financial resources	0.0	0.0	0.0	0.0
Proceeds relating to extraordinary items	0.0	0.0	0.0	0.0
Payments relating to extraordinary items	0.0	0.0	0.0	0.0
Interest received	71.5	0.2	71.3	43,087.5
Dividends received	0.0	0.0	0.0	0.0
Cash flow from investing activities	**-595.8**	**-589.3**	**-6.5**	**1.1**

	2015 K€	2014 K€	K€	Delta %
Proceeds from shareholders of the parent company for additions to equity capital	11,182.4	0.00	11,182.4	0.0
Proceeds from minority shareholders for additions to equity capital	0.00	0.00	0.00	0.0
Payments to shareholders of the parent company resulting from capital decreases	0.00	0.00	0.00	0.0
Payments to minority shareholders resulting from capital decreases	0.00	0.00	0.00	0.0
Proceeds from loans and from the issuance of bonds	0.00	0.00	0.00	0.0
Repayments of bonds and loans	0.00	0.00	0.00	0.0
Grants and donations received	0.00	0.00	0.00	0.0
Proceeds relating to extraordinary items	0.00	0.00	0.00	0.0
Payments relating to extraordinary items	0.00	0.00	0.00	0.0
Interest paid	-25.2	-7.6	-17.6	232.3
Dividends paid to shareholders of parent company	0.00	0.00	0.00	0.0
Dividends paid to minority shareholders	0.00	0.00	0.00	0.0
Cash flow from financing activities	**11,157.2**	**-7.6**	**11,164.8**	**-147,232.5**
Total changes in cash and liquid resources from cash flows	10,941.7	-1,185.2	12,126.8	-1,023.2
Cash and liquid resources at the beginning of the period	9,196.0	10,381.2	-1,185.2	-11.4
Cash and liquid resources at the end of the period	**20,137.7**	**9,196.0**	**10,941.7**	**119.0**

7. Financial and Non-Financial Performance Indicators

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

Working capital, measured as the difference between current assets and current liabilities, amounted to €21,038K as of the period closing date. Cash flow (calculated as annual net income + depreciation and amortization + changes in long-term provisions) for the period remained positive at €1,512K. This was helped by the fact that the company's investment outflows of €670K were less than depreciation and amortization.

Return on equity (annual net income / average equity) was 2.32%, while return on total capital (EBIT / average total capital) was 2.44%.

FORMYCON undertakes development for selected clients who see themselves as partners of FORMYCON. Because of the small number of relationship clients, this implies a low conflict potential. The Company has been able to attain high general levels of customer satisfaction.

The Company's staff works primarily in research and development. Staff turnover is very low, demonstrating the high general level of employee satisfaction.

III. Report on Subsequent Events

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

FORMYCON has filed for additional patents pertaining to pharmaceutical formulations and modes of administration for intraocular VEGF antagonists. The Company was, in addition, able to recruit the first patient into the phase III clinical studies for FYB201 (ranibizumab), marking a further important milestone in the development of this biosimilar drug. FORMYCON also publicly announced the name of the active agent for its FYB203 biosimilar candidate: aflibercept (brand name of original patent drug: Eylea®), which like FYB201 is an ophthalmic biopharmaceutical.

IV. Report on Outlook

Over the past three years, FORMYCON has successfully passed through the first phase of its corporate and organizational development. With, in particular, the pleasing progress of our FYB201 project (ranibizumab), culminating most recently in the commencement of phase III clinical trials, and the signing of an out-licensing agreement for FYB203, we have put into place a strong and solid foundation to support the Company's continued development and future growth.

Meanwhile, we have now entered the next phase of our company's development. Our relentless focus will be on the consistent implementation of our strategy, on the operational optimization of our processes and structures, on further and ongoing expansion to our product pipeline, and on additional out-licensing deals for our biosimilar candidates.

With its strong financial foundation and range of services and expert capabilities, the Group enjoys a strong market position. Our biosimilar projects, moreover, are rapidly moving forward according to our plan. We continue to anticipate the launch of FYB201 in the European and American markets in the year 2020, immediately upon expiry of the reference product patent.

On the basis of the two out-licensing deals in place for FYB201 and FYB203, we anticipate a further increase in consolidated revenue in fiscal year 2016 compared to 2015 to a level of approx. € 20 million.

We will, in the future, continue to invest a significant portion of our resources into the development of new biosimilar drug products, with the aim of further strengthening and broadening the basis for the Company's long-term business and financial success. In addition to pushing forward with development efforts for our pending biosimilar projects, we aim to launch several new development projects starting in 2016, proceeding carefully and deliberately. With these additional projects, further increases are likewise to be expected in product development expenditures, in fiscal years 2016 and 2017. Net income for fiscal year 2016 will to a large extent depend upon pending efforts to sign a deal with a partner for FYB202, thus limiting the usefulness of any forecasts made at this time. Despite this, the Company expects financial results over the next few years to be roughly comparable.

Our third-party services subsidiary, FORMYCON Services GmbH, will continue in future years to provide development services to pharmaceutical and biotechnology companies.

The Group's strong balance sheet and financial position put it in a position to take advantage of future business opportunities as they may arise.

We do not anticipate any significant risks arising as a result of exchange rate changes or inflation, nor from any other specific influencing factors.

Aside from changes arising from our continued growth (in revenue and staff), no significant changes are expected in 2016 to the Company's financial and non-financial performance indicators.

V. Report on Opportunities and Risks

1. Opportunities

Looking ahead to the future, the Company's management anticipates a continuation of favorable trends in the healthcare sector. There are several reasons for this:

- Advances in medical technology are offering new treatments for diseases which just a decade or two ago could not be treated satisfactorily, or in some cases not at all.
- Populations are aging, not only in Germany but in the world as a whole, and there are thus ever more elderly people requiring intensive medical care.
- Through its research and development work in biosimilars, FORMYCON has been able to establish itself at an early stage as a leader in a new market segment which offers extraordinary promise. With its extensive expertise in biosimilars, FORMYCON has potential access to this entire market. The results we have already achieved strongly suggest that the Company, with its current strategy, is on the right path.

Management sees opportunities for future organic growth particularly in future product development as well as further out-licensing deals.

The Company will compete in its market – particularly as new competitors enter the biosimilars segment – on the basis of its expertise and experience, its capacity for innovation, its reliability, and the high levels of quality and customer satisfaction which is it able to maintain.

Biosimilar companies generally have a competitive advantage relative to the companies which create and develop entirely new biopharmaceuticals because of their far lower development costs and development risks. Compared to the conventional generics market, moreover, competition within the biosimilars segment is generally less because of the significantly higher barriers to market entry.

2. Risks

Industry-specific risks:
Should global turbulence persist in the world's financial and commodity markets, or should geopolitical risks further intensify, the resulting economic decline could adversely affect not only general business conditions but also, insofar as the healthcare market in Germany and internationally is specifically impacted, the demand for FORMYCON products. Such an event could thus pose risks to the Group's revenue and earnings.

In addition, biosimilar producers face particular challenges which were not faced in the past by the producers of conventional generics based on small molecules. For one, the costs of product development, production and marketing of biosimilars are far higher. Moreover, biosimilars represent an entirely new class of drugs which must gain familiarity and acceptance with physicians, patients and health insurers.

A further risk, albeit a small one, is that the manufacturer of the original drug might change a production process or dosage form, forcing the producer of a competing biosimilar drug to follow suit.

Another significant risk is that the producer of the original patented biopharmaceutical might drop its own price upon expiry of patent protection in order to retain market share in the face of new competition from a biosimilar.

The risk also exists that the potential market for a biosimilar drug might be significantly curtailed, or even entirely eliminated, by the regulatory approval of some future new drug.

Moreover, governmental authorities responsible for drug approval could make changes to the regulatory process which hamper or even preclude market entry for biosimilars.

Even if the risks are considerably less than those involved in the creation and development of entirely new biopharmaceuticals, the development of a biosimilar drug, like any drug development project, fundamentally involves risks of project failure for scientific, technical, regulatory or business reasons. There are also particular such fundamental risks arising from FORMYCON'S work together with external partners in certain areas, where risks could potentially arise which are not only technical in nature but also contractual.

Profitability risks:
FORMYCON'S management does not currently see any immediate risks to group earnings. There are medium- to long-term risks that research and development efforts could prove to be unsuccessful, or that new biosimilar drugs might not find market acceptance. It is, moreover, impossible to exclude the possibility of setbacks or delays in the Company's product development efforts.

Financial risks:
In view of the Group's stable liquidity and strong base of equity capital, no liquidity risks can be identified at present. FORMYCON has ample cash and other liquid resources to carry it through its current product development efforts.

3. Overall Assessment

Looking to the future, FORMYCON management continues to see risks in the fragile economic outlook in certain regions of the world. Considering the Group's strong and stable financial condition, however, management is confident that it is well equipped to deal with future risks which might specifically impact its market segment.

At present, no risks can be identified which might endanger the Company's continued existence. Compared to the previous year, there has been no significant change in either the probability of a significant risk event or the potential financial impact if such a risk event were to occur. Considering the Group's position on the whole, there has been no fundamental change in its risk exposure. 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.

VI. Report on Risks Related 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 foreign-currency liabilities.

The Group's most significant foreign-currency exposure arises from purchases of third-party services in

Swiss francs (CHF), 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.

We do not see any risks which might endanger the Company as a going con.

VII. Report on Branches

The Company does not currently maintain any branches.

Planegg, Germany, March 31, 2016

FORMYCON AG

Dr. Carsten Brockmeyer

Dr. Nicolas Combé

Formycon Group

Consolidated Profit and Loss Account Balance Sheet

Consolidated Income Statement
for the Period from January 1, 2015 to December 31, 2015

			Dec. 31, 2015	Dec. 31, 2014
		€	€	€
1.	**Sales revenue**		16,924,987.86	12,585,017.94
2.	**Other operating income**		229,153.19	86,117.11
3.	**Cost of materials**			
	a) Cost of raw materials, consumables and supplies and of purchased goods	-2,716,144.97		-827,539.65
	b) Cost of purchased services	-6,164,911.84	-8,881,056.81	-5,081,154.84
	Gross Profit		8,273,084.24	6,762,440.56
4.	**Staff expenses**			
	a) Wages and salaries	-3,357,462.43		-2,521,934.66
	b) Social contributions and costs for retirement benefits and for support benefits	-503,501.96	-3,860,964.39	-372,312.77
5.	**Depreciation and amortization**			
	a) of intangible assets and on property plant and equipment, as well as on capitalized expenditures from initiation and expansion of business operations		-934,812.51	-1,071,931.20
6.	**Other operating expenses**		-2,939,603.42	-1,926,924.96
	Operating Income		537,703.92	869,336.97
7.	**Other interest and similar income**		71,492.58	165.54
8.	**Write-downs of financial assets**		-5,035.00	0.00
9.	**Interest and similar expense**		-25,199.37	-7,583.12
	Financial Result		41,258.21	-7,417.58
10.	**Income from Ordinary Activities**		578,962.13	861,919.39
11.	**Other taxes**		-1,444.00	-1,595.00
12.	**Annual Net Income**		**577,518.13**	**860,324.39**

Consolidated Balance Sheet as of December 31, 2015

Assets		as of Dec. 31, 2015	as of Dec. 31, 2015
	€	€	€
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	69,830.13		120,070.75
2. Goodwill	1,063,935.00	1,133,765.13	1,221,555.00
II. Property, plant and equipment			
1. Land and buildings, including property-like rights and buildings on third-party land	189,548.30		240,094.58
2. Other plant, production equipment and office equipment	2,363,731.19		2,448,761.46
3. Advance payments and plant under construction	52,858.29	2,606,137.78	0.00
B. Current Assets			
I. Inventories			
1. Raw materials, consumables and supplies		232,190.88	345,561.84
II. Receivables and other assets			
1. Trade accounts receivable	2,756,867.56		3,252,360.28
2. Other assets	21,199.16	2,778,066.72	27,076.44
III. Securities			
1. Other securities		19,674,750.65	8,934,969.39
IV. Cash and cash equivalents		622,487.18	288,898.53
C. Prepaid Expenses			
1. Other prepaid expenses		99,931.81	26,913.87
		27,147,330.15	**16,906,262.14**

Liabilities and Equity

		as of Dec. 31, 2015	as of Dec. 31, 2014
	€	€	€
A. Equity			
I. Subscribed capital[1]	9,079,603.00		8,626,683.00
II. Capital reserve	28,977,034.34		18,247,524.34
III. Loss carryforward	-13,763,138.18		-14,623,462.57
IV. Annual net income	577,518.13	24,871,017.29	860,324.39
B. Provisions			
1. Other provisions		663,895.00	530,222.64
C. Liabilities			
1. Trade accounts payable of which due within one year: € 649,182.22 (prior year: € 2,270,649.00)	649,182.22		2,270,649.00
2. Other liabilities	955,706.22	1,604,888.44	994,321.34
of which from taxes: € 564,565.91 (prior year: € 429,220.32)			
of which due within one year: € 686,429.54 (prior year: € 994,321.34)			
of which relating to social security: € 600.00 (prior year: € 0.00)			
D. Deferred income		7,529.42	0.00
		27,147,330.15	**16,906,262.14**

[1] Conditional Capital (1): € 174,000.00
Conditional Capital (2): € 715,260.00

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements for the Fiscal Year from Fanuary 1, 2015 to December 31, 2014

General

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

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

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

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

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

To provide a better overview, additional information on the Consolidated Balance Sheet and Consolidated Income Statement are provided in these Notes to the Consolidated Financial Statements, which for the reasons stated above have been adjusted in their presentation and structure compared to prior years. There have been no changes, however, in accounting approach, in valuation, or in the reporting of assets, liabilities or earnings.

Fiscal Year and Period of Consolidation

These Consolidated Financial Statements have been prepared as of December 31, 2015, which is the balance sheet closing date for FORMYCON AG, the parent company.

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

Scope of Consolidation and Affiliated Companies

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

An overview of these shareholdings and of the scope of consolidation is provided as appendix 1 to these Notes.

Principles of Consolidation

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

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

The elimination of intermediate results in accordance with sec. 304 para. 2 of the Commercial Code was not necessary because the influence of intra-company 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.

Derivative Financial Instruments

The Group did not hold any derivative financial instruments as of December 31, 2015.

Accounting and Valuation Principles

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.

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 € 410.00 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.

Property, plant and equipment are valued at their cost of acquisition or production, less accumulated depreciation. The depreciation of all moveable assets is linear, with depreciation in the year of acquisition on a pro rata basis.
Low-value fixed assets with an individual acquisition cost of up to € 150.00 are expensed in full in their year of acquisition.

Low-value fixed assets with an individual acquisition cost of between € 150.00 and € 410.00 are depreciated in full in their year of acquisition.

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. 298 para. 1 and 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.

Receivable and other assets are stated at the lower of their nominal value or other fair value. Non-specific credit risks are taken into account through a general provision for credit risk. 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.

Transitory (inter-period) **prepaid and deferred items** are posted in accordance with sec. 298 para. 1 and sec. 250 of the Commercial Code.

Deferred tax items may arise because of differences in valuations between tax accounts and these financial statements prepared under the Commercial Code, because of tax loss carryforwards, or because of tax effects arising from consolidation, insofar as these differences are reversed in future periods. Deferred tax expense items are offset against deferred tax income items in accordance with sec. 298 para. 1 and sec. 274 para. 1 of the Commercial Code. The Group exercised its elective right not to post the net amount of deferred tax income on the balance sheet.

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

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

Assets and liabilities denominated in foreign currency and included in the Consolidated Balance Sheet are translated into euros at the applicable exchange rate on the day of their original posting, with adjustments as of the balance sheet closing date based on the average spot exchange rate on that date, in accordance with sec. 298 para. 1 and sec. 256a of the Commercial Code.

Additional Notes to the Consolidated Balance Sheet

A schedule of changes in **fixed assets**, including depreciation taken in the current fiscal year, is provided as appendix 2.

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 appendix 3.

Sales revenue may be broken down as follows (information on composition of sales revenue per sec. 314 para. 1 no. 3 of the Commercial Code):

	absolute	relative
Out-licensing income / research	€ 16,617,927.00	98.20 %
Services	€ 307,060.02	1.80 %

Other operating income includes foreign currency gains in the amount of € 16,434.33 (prior year: € 890.77).

Staff expenses do not include expenses for retirement schemes.

Other operating expenses include foreign currency losses in the amount of €158,738.98 (prior year: €3,940.32).

Other Information

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

Members of the Executive Board (Vorstand):

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

Members of the Supervisory Board (Aufsichtsrat):

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

During the fiscal year, the members of the Supervisory Board received total remuneration, within the meaning of sec. 314 no. 6 of the Commercial Code, of €22,500.00.

In accordance with sec. 314 para. 3 of the Commercial Code, the information cited in sec. 314 no. 6 of the Code on remuneration granted to the Executive Board is omitted.

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

Herr Dr. Stiller, Bodenwert Immobilien AG, NanoRepro AG

Information on fees paid to financial statement auditor per sec. 314 para. 1 no. 9 of the Commercial Code:

	€
Financial statement audit services	30,000.00
Tax advisory services	5,000.00
Other services	16,000.00

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

Total company staff	48
of which in administration	6
of which in research	42

The information about subsidiaries, affiliates and other shareholdings required under sec. 313 para. 2 nos. 1 to 4 of the Commercial Code are included as appendix 1 to these Notes.

Information Required per Sec. 160 of the Stock Corporation Act

1. Shares outstanding

The Company has registered capital (Grundkapital) of €9,079,603, which is divided into 9,079,603 bearer shares without par value.

2. Approved capital

By resolution of the annual shareholders' meeting of June 30, 2015, the Executive Board is authorized, subject to the approval of the Supervisory Board, to increase the Company's registered capital one or more times at any time until June 29, 2020, and by no more than a total of €4,531,301.00, through the issuance of up to 4,531,301 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).

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

The Company's Executive Board is authorized, subject to the approval of the Supervisory Board, to issue subscription rights on the Company's shares one or more times at any time until June 29, 2020, granting the right to subscribe to up to 715,260 no-par-value bearer shares of the Company, in accordance with the agreed terms and conditions (the "Conditional Capital 2015").

The Conditional Capital 2010, which was put in place for subscription rights in accordance with sec. 192 para. 2 no. 3 of the Stock Corporation Act, has been reduced and currently totals €174,000.00, providing entitlement to the subscription of 174,000 no-par-value bearer shares.

Planegg, Germany, March 31, 2016

FORMYCON AG

Dr. Carsten Brockmeyer

Dr. Nicolas Combé

Shareholdings and Scope of Consolidation

Appendix 1

	Share of capital	Equity	Annual net income
		€	€
FORMYCON PROJECT 201 GMBH	100 %	10,523.96	-9,177.73
FORMYCON SERVICES GMBH	100 %	-1,670,146.95	-13,653.15

Consolidated Schedule of Liabilities at December 31, 2015

Appendix 3

	Dec. 31, 2015	< 1 year	of which due in 1 – 5 years	> 5 years	of which collateralized
	€	€	€	€	€
1. Trade accounts payable	649,182.22	649,182.22	0.00	0.00	0.00
2. Other liabilities	955,706.22	686,429.54	269,276.68	0.00	0.00
	1,604,888.44	**1,335,611.76**	**269,276.68**	**0.00**	**0.00**

Consolidated Statement of Cash Flows for the Period from January 1, 2015 to December 31, 2015

	2015 €	2014 €
Net income for the period	**577,518.13**	**860,324.39**
Depreciation, amortization, write-downs (impairments) and write-ups of fixed assets	934,812.51	1,071,931.20
Additions to/subtractions from reserves	133,672.36	0.00
Changes to inventories and trade receivables, as well as other assets not included among investing and financing activities	541,723.02	-2,584,623.10
Changes to trade payables, as well as other liabilities not included among investing and financing activities	-1,652,552.48	601,023.51
Gain/loss resulting from disposals of fixed assets	23,092.80	11,762.72
Interest expense/interest income	-41,258.21	7,417.58
Cash flow from operating activities	**517,008.13**	**-32,163.70**
Proceeds from disposals of intangible assets	2,600.84	0.00
Amounts paid for investments in property, plant and equipment	-669,927.27	-570,831.79
Interest received	71,492.58	165.54
Cash flow from investing activities	**-595,833.85**	**-570,666.25**
Amounts received from shareholders of the parent company for additions to equity capital	11,182,430.00	0.00
Interest paid	-30,234.37	-7,583.12
Cash flow from financing activities	**11,152,195.63**	**-7,583.12**
Total changes in cash and liquid resources from cash flows	**11,073,369.91**	**-610,413.07**
Cash and liquid resources at the beginning of the period	9,223,867.92	899,311.60
Cash and liquid resources at the end of the period	**20,297,237.83**	**288,898.53**

Compared to the prior year, the definition of cash and liquid resources was changed to also include holdings of short-term securities, thus limiting comparability to the prior year.

Consolidated Schedule of Changes in Equity as of December 31, 2015

	as of Jan. 1, 2015	Additions to equity	Annual net income	as of Dec. 31, 2015
	K€	K€	K€	K€
Subscribed capital	8,627	453		9,080
Capital reserve	18,248	10,729		28,977
Profit (loss) carryforward	-14,624			-13,763
Consolidated net income	860		577	577
Equity	**13,111**	**11,183**	**577**	**24,871**

Consolidated Statement of Changes in Fixed Assets for the Period from January 1, 2015 to December 31, 2015

Appendix 2

	Historical cost of acquisition or production	Additions
	€	€
I. Intangible assets		
1. Purchased concessions, industrial property rights, and similar rights and assets as well as licenses for such rights and assets	262,780.62	0.00
2. Goodwill	1,576,200.00	0.00
II. Property, plant and equipment		
1. Land and buildings, including property-like rights and buildings on third-party land	353,823.64	0.00
2. Other plant, production equipment and office equipment	4,347,753.64	617,068.98
3. Advance payments and plant under constructions	0.00	52,858.29
	6,540,557.90	**669,927.27**

Disposals at historical cost	Accumulated depreciation & amortization	Net book value Dec. 31, 2015	Net book value Dec. 31, 2014	Current year depreciation & amortization	Disposals in current year at net book value
€	€	€	€	€	€
8,718.43	184,232.06	69,830.13	120,070.75	45,455.22	4,785.40
0.00	512,265.00	1,063,935.00	1,221,555.00	157,620.00	0.00
0.00	164,275.34	189,548.30	240,094.58	50,546.28	0.00
107,724.13	2,493,367.30	2,363,731.19	2,448,761.46	681,191.01	20,908.24
0.00	0.00	52,858.29	0.00	0.00	0.00
116,442.56	**3,354,139.70**	**3,739,902.91**	**4,030,481.79**	**934,812.51**	**25,693.64**

Audit opinion

To Formycon AG, Martinsried/Planegg, Germany:

We have audited the consolidated annual financial statements prepared by Formycon AG, comprising the consolidated balance sheet and income statement, the notes to the consolidated financial statements, the statement of cash flows and schedule of changes in equity, and the group management report for the fiscal year from January 1, 2015 to December 31, 2015. The preparation of the consolidated financial statements and group management report in accordance with German commercial law, as well as supplementary provisions under company articles of incorporation, is the responsibility of the Group's management. Our responsibility is to express an opinion, based on our audit, on the consolidated financial statements and on the group management report.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 of the German Commercial Code (Handelsgesetzbuch, HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW). Those standards require that we 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 [German] principles of proper accounting 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 consolidated financial statements and group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessment of the individual company financial statements drawn into the consolidated financial statements, the scope of consolidation, the principles of accounting and consolidation which have been used, of significant estimates made by management, and of the overall presentation of the consolidated annual financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated annual financial statements comply with the legal requirements, including supplementary provisions under company articles of incorporation, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with [German] principles of proper accounting. The group management report is consistent with the consolidated annual financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks relating to future development.

Cologne, Germany, April 12, 2016

Dr. Rudolf Schmitz
Wirtschaftsprüfer
[German Public Accountant]

PanTaxAudit GmbH
Wirtschaftsprüfungsgesellschaft

FORMYCON AG

Profit and Loss Account
Balance Sheet

Income Statement for the Period from January 1, 2015 to December 31, 2015

			as of Dec. 31, 2015	as of Dec. 31, 2014
		€	€	€
1.	**Sales revenue**		13,561,502.60	10,529,856.35
2.	**Other operating income**		214,959.81	85,226.34
3.	**Cost of materials**			
	a) Cost of raw materials, consumables and supplies and of purchased goods	2,714,818.69		827,539.65
	b) Cost of purchased services	2,954,049.02		3,037,150.23
	Gross profit		8,107,594.70	6,750,392.81
4.	**Staff expenses**			
	a) Wages and salaries	3,357,462.43		2,521,934.66
	b) Social contributions and costs for retirement benefits and for support benefits	503,501.96		372,312.77
	of which for retirement benefits: € 50,990.28 (prior year: € 28.1K)			
5.	**Depreciation and amortization**			
	a) of intangible assets and on property, plant and equipment		934,812.51	1,071,931.20
6.	**Other operating expenses**		2,751,283.00	1,905,182.24
	Operating income		560,534.80	879,031.94
7.	**Other interest and similar income**		71,492.58	165.54
8.	**Write-downs of financial assets and securities held in current assets**		5,035.00	0.00
9.	**Interest and similar expense**		25,199.37	7,583.12
	Financial result		41,258.21	-7,417.58
10.	**Income from ordinary activities**		601,793.01	871,614.36
11.	**Other taxes**		1,444.00	1,674.00
12.	**Annual net income**		**600,349.01**	**869,940.36**

Balance Sheet as of December 31, 2015

Fixed Assets

	2015	2014
	€	€
A. Intangible assets		
I. Immaterielle Vermögensgegenstände		
1. Purchased concessions, industrial property rights, and similar rights and assets, as well as licenses for such rights and assets	69,830.13	120,070.75
2. Goodwill	1,063,935.00	1,221,555.00
	1,133,765.13	1,341,625.75
II. Property, plant and equipment		
1. Land and buildings, including property-like rights and buildings on third-party land	189,548.30	240,094.58
2. Other plant, production equipment and office equipment	2,363,731.19	2,448,761.46
3. Advance payments and plant under construction	52,858.29	0.00
	2,606,137.78	2,688,856.04
III. Financial assets		
1. Shares in affiliated companies	50,000.00	50,000.00
2. Loans to affiliated companies	1,547,349.12	1,667,965.88
	1,597,349.12	1,717,965.88
B. Current assets		
I. Inventories		
1. Raw materials, consumables and supplies	232,190.88	345,561.84
II. Receivables and other assets		
1. Trade accounts receivable	0.00	303.36
2. Receivables from affiliated companies	2,755,972.62	2,390,087.50
3. Other assets	21,199.16	27,076.44
	2,777,171.78	2,417,467.30
III. Securities		
1. Other securities	19,674,750.65	8,934,969.39
IV. Cash and cash equivalents	462,959.92	261,073.69
C. Prepaid expenses	99,931.81	26,913.87
	28,584,257.07	**17,734,433.76**

Liabilities and Equity

	2015	2014
	€	€
A. Equity		
I. Subscribed capital[1]	9,079,603.00	8,626,683.00
II. Capital reserve	28,977,034.34	18,247,524.34
III. Loss carryforward	-12,076,346.07	-12,946,286.43
IV. Annual net income	600,349.01	869,940.36
	26,580,640.28	14,797,861.27
B. Provisions		
1. Other provisions	653,095.00	519,000.00
C. Liabilities		
1. Trade accounts payable	387,286.15	1,423,251.15
of which due within one year: € 387,286.15 (€ 1,423.3K)		
2. Other liabilities	955,706.22	994,321.34
of which due within one year: € 955,706.22 (€ 994.3K)		
of which from taxes: € 259,156.21 (€ 429.2K)		
of which relating to social security: € 600 (€ 0.0K)		
	1,342,992.37	2,417,572.49
D. Deferred income	7,529.42	0.00
	28,584,257.07	**17,734,433.76**

[1] Conditional Capital (1): € 174,000.00
Conditional Capital (2): € 715,260.00

Notes to the Annual Financial Statements

Notes to the Financial Statements for the Fiscal Year From January 1, 2015 to December 31, 2015

I. General

These financial statements, presented here in translation from the German original, and retaining the presentation structure and principles of valuation applied to the prior year's financial statements, have been prepared in accordance with sections 242 et seq. and 264 et seq. of the German Commercial Code (Handelsgesetzbuch, HGB) as well as the relevant sections of the German Stock Corporation Act (Aktiengesetz, AktG).

The provisions which apply are those for medium-sized corporations.

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

II. Accounting and Valuation Methods:

General

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

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

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.

Production Cost

Production costs include direct costs, appropriate portions of indirect material costs and production overhead, and to the extent this is caused by the production, depreciation on fixed assets. In addition, appropriate shares of general administrative expenses are included, as well as of expenses for staff amenities, voluntary social benefits and pensions. Borrowing costs are not included.

Fixed Assets

Purchased **intangible assets**, with the exception of low-cost software, are stated at their cost of acquisition less accumulated amortization, which is linear. Purchased software which is, for each individual purchase, of minimal value is expensed in full in the year of acquisition. The Company has not made any use of the 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.

Property, plant and equipment are valued at their cost of acquisition or production, less accumulated depreciation. In the case of any impairment in value which is expected to be permanent, a write-down is taken. Should the grounds for the permanent impairment no longer exist, such write-downs are reversed up to the original acquisition cost, as per the relevant write-down recovery provision of the Commercial Code. The depreciation of property, plant and equipment is linear, with depreciation in the year of acquisition on a pro rata basis.

Low-value fixed assets of up to €410.00 are expensed in full in their year of acquisition. For reasons of simplification, the depreciation method used for tax purposes is also used in these financial statements under the Commercial Code, since the discrepancies between this approach and an individual valuation of each such asset are immaterial.

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

The raw materials, consumables and supplies as well as purchased goods included within **inventories** are stated at their average cost of acquisition, insofar as no write-down to a lower value as of the balance sheet date is called for. Finished and unfinished products are valued at their cost of production.

Receivables and other assets are valued at their nominal amount, taking all identifiable risks into account and, insofar as they do not accrue or pay interest, discounting any amounts which are due more than one year after the balance sheet date.

Securities are valued at their cost of acquisition, insofar as no write-down to a lower value as of the balance sheet date is called for.

Cash and cash equivalents are stated at their nominal value.

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 as published by the Deutsche Bundesbank over the past seven fiscal years.

Liabilities

Liabilities are stated at the amount required for their fulfillment.

III. Additional Notes to the Balance Sheet

A schedule of changes in the individual fixed asset accounts, including depreciation taken in the current fiscal year, is provided as appendix 1.

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

The amount for other provisions includes the following significant individual items (information on other provisions per sec. 285 no. 12 of the Commercial Code):

	€
Accrued vacation	42,800.00
Bonuses	438,580.00
Utilities and other expenses payable as tenant	85,000.00
Advisory costs	25,000.00
Safekeeping obligations	44,600.00
Occupational cooperative	17,115.00
	653,095.00

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 appendix 3.

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

IV. Additional Notes to the Income Statement

Sec. 158 of the Stock Corporation Act requires the following supplementary information regarding the calculation and appropriation of net income:

	€
Annual net income	600,349.01
Loss carryforward from prior year	12,076,346.07
Accumulated loss to balance sheet	11,475,997.06
of which loss carryforward to 2016	11,475,997.00

V. Other Information

Information on Governing Bodies

Information on Executive Board per sec. 285 no. 10 of the Commercial Code:

- **Dr. Carsten Brockmeyer,** CEO
- **Dr. Nicolas Combé,** CFO

In accordance with sec. 286 para. 4 of the Commercial Code, the information cited in Sec. 285 no. 9a of the Code on remuneration granted to the Executive Board is omitted.

Information on Supervisory Board per sec. 285 no. 10 of the Commercial Code:

- **Dr. Olaf Stiller,** Chairman
- **Hermann Vogt,** Deputy chairman
- **Peter Wendeln**

During the fiscal year, the members of the Supervisory Board received total remuneration, within the meaning of sec. 285 no. 9a of the Commercial Code, of € 22,500.00.

Number of Staff

Sec. 285 no. 7 of the Commercial Code requires the following information regarding the average number of staff during the fiscal year (information on number of staff per sec. 285 no. 7 of the Commercial Code):

Employees in operating activities	42
Employees in business office	4
Employees in management	2
	48

VI. Contingent Liabilities

The following contingent liabilities existed as of the financial statement closing date:

Rental agreement guarantees in the amount of € 117,802.00

Because these obligations have been fulfilled until now, claims under these guarantees are not anticipated.

VII. 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 contractual obligations for ongoing performance. For obligations up to five years, the annual amount is €120,932.16. For obligations beyond five years, the annual amount is €218,504.00.

VIII. Information Required per Sec. 160 of the Stock Corporation Act

Shares Outstanding

The Company has registered capital (Grundkapital) of €9,079,603 (prior year: €8,626.7K), which is divided into 9,079,603 bearer shares without par value.

Approved Capital

By resolution of the annual shareholders' meeting of June 30, 2015, the Executive Board is authorized, subject to the approval of the Supervisory Board, to increase the Company's registered capital one or more times at any time until June 29, 2020, and by no more than a total of €4,531,301.00, through the issuance of up to 4,531,301 new no-par-value bearer shares, against contributions in cash and/or in kind (the "Authorized Capital 2015"). The newly issued shares shall participate in profits from the start of the fiscal year for which, at the time of their issuance, no resolution has yet been taken by the annual shareholders' meeting as to the application of retained profits. The Company's shareholders shall, in general, be granted subscription rights. The shares may, however, also be assumed by one or more banks subject to the obligation that they offer these to the Company's shareholders for subscription (indirect subscription rights).

Number of Subscription Rights per Sec. § 192 Para. 2 No. 3 of the Stock Corporation Act

The Company's Executive Board is authorized, subject to the approval of the Supervisory Board, to issue subscription rights on the Company's shares one or more times at any time until June 29, 2020, granting the right to subscribe to up to 715,260 no-par-value bearer shares of the Company, in accordance with the agreed terms and conditions (the "Conditional Capital 2015").

The Conditional Capital 2010, which was put in place for subscription rights in accordance with sec. 192 para. 2 no. 3 of the Stock Corporation Act, has been reduced and currently totals €174,000.00, providing entitlement to the subscription of 174,000 no-par-value bearer shares.

Planegg, Germany, March 31, 2016

FORMYCON AG

Dr. Carsten Brockmeyer

Dr. Nicolas Combé

Schedule of Fixed Assets

Appendix 1

	Historical cost of acquisition or production	Additions
	€	€
I. Intangible assets		
1. Purchased concessions, industrial property rights, and similar rights and assets, as well as licenses for such rights and assets	262,780.62	0.00
2. Goodwill	1,576,200.00	0.00
II. Property, plant and equipment		
1. Land and buildings, including property-like rights and buildings on third-party land	353,823.64	0.00
2. Other plant, production equipment and office equipment	4,347,753.64	617,068.98
3. Advance payments and plant under construction	0.00	52,858.29
III. Financial assets		
1. Shares in affiliated companies	50,000.00	0.00
2. Loans to affiliated companies	1,667,965.88	0.00
	8,258,523.78	**669,927.27**

Disposals at historical cost	Accumulated depreciation & amortization	Net book value at Dec. 31, 2015	Net book value at Dec. 31, 2014	Current year depreciation & amortization	Disposals at net book value
€	€	€	€	€	€
8,718.43	184,232.06	69,830.13	120,070.75	45,455.22	4,785.40
0.00	512,265.00	1,063,935.00	1,221,555.00	157,620.00	0.00
0.00	164,275.34	189,548.30	240,094.58	50,546.28	0.00
107,724.13	2,493,367.30	2,363,731.19	2,448,761.46	681,191.01	20,908.24
0.00	0.00	52,858.29	0.00	0.00	0.00
0.00	0.00	50,000.00	50,000.00	0.00	0.00
120,616.76	0.00	1,547,349.12	1,667,965.88	0.00	120,616.76
237,059.32	**3,354,139.70**	**5,337,252.03**	**5,748,447.67**	**934,812.51**	**146,310.40**

Schedule of Receivables

Appendix 2

	Dec. 31, 2015	of which due in more than 1 year	of which trade receivables	of which other assets
	€	€	€	€
Receivables from affiliated companies	2,755,972.62	120,616.75	2,195,334.72 (2014: € 1,625.9K)	560,637.90 (2014: € 764.2K)
Other assets	21,199.16	0.00	-	-,
	2,777,171.78	**120,616.75**	**2,195,334.72**	**560,637.90**

Appendix 3

Schedule of Liabilities

	Dec. 31, 2015	of which due in less than 1 year	of which due in 1 – 5 years	of which due in more than 5 years	of which collateralized
	€	€	€	€	€
Trade accounts payable	387,286.15	387,286.15	0.00	0.00	0.00
Other liabilities	955,706.22	955,706.22	0.00	0.00	0.00
	1,342,992.37	**1,342,992.37**	**0.00**	**0.00**	**0.00**

Appendix 4

Schedule of Changes in Equity

	Subscribed capital	Capital reserve	Loss carryforward	Annual net income	Equity capital
	€	€	€	€	€
as of January 1, 2015	**8,626,683.00**	**18,247,524.34**	**-12,946,286.43**	**869,940.36**	**14,797,861.27**
Capital increases	452,920.00	-	-	-	452,920.00
Increases in capital reserve	-	10,729,510.00	-	-	10,729,510.00
Appropriation of prior year net income	-	-	869,940.36	-869,940.36	0.00
Annual net income	-	-	-	600,349.01	600,349.01
as of December 31, 2015	**9,079,603.00**	**28,977,034.34**	**-12,076,346.07**	**600,349.01**	**26,580,640.28**

Audit opinion

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of FORMYCON AG for the fiscal year from January 1, 2015 to December 31, 2015. The maintenance of the books and records and the preparation of the annual financial statements and 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 express an opinion, based on our audit, on the annual financial statements, together with the bookkeeping system, and on the management report.

We conducted our audit of the annual financial statements in accordance with Sec. 317 of the German Commercial Code (Handelsgesetzbuch, HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW). Those standards require that we 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 [German] 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 management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements, including supplementary provisions under the Company's articles of incorporation, 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 relating to future development.

Cologne, Germany, April 12, 2016

Dr. Rudolf Schmitz
Wirtschaftsprüfer
[German Public Auditor]

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