formycon®

Distinguished Growth

Annual Report 2016

Index

Milestones 2016

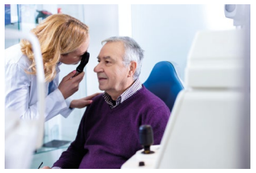
1

In January of 2016, FORMYCON filed **several patent applications** pertaining to pharmaceutical formulations and modes of administration for intraocular VEGF antagonists.

2

In February, FORMYCON announced the appointment of **Professor Johannes Buchner, a noted biotechnology expert**, to its Advisory Board.

3



Also in February, FORMYCON and its licensing partner brought the **first patient** into confirmatory phase III clinical trial for their Lucentis®[1] biosimilar (FYB201).

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In late February, FORMYCON announced that FYB203, another product in its development pipeline, is a **biosimilar to Eylea®**[2] (aflibercept).

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In June, Dr. Carsten Brockmeyer, CEO of FORMYCON, was once again named by The Medicine Maker, a renowned British industry magazine, to its annual list of **the world's most influential people** in pharmaceuticals, in recognition of his contributions to drug research and development.

6

In July, FORMYCON announced the addition of a third member to its Executive Board, appointing **pharmaceutical executive Dr. Stefan Glombitza** as Chief Operating Officer with effect from October 1.

7

In October, FORMYCON **won an award** from the Stifterverband, Germany's renowned donor association for the promotion of education, science and innovation, recognizing its work in biosimilars development and granting it the right to use the association's prestigious "Innovative through Research" seal.

8

In November, FORMYCON was named a **"Growth Champion of 2017"** by "Focus Spezial", a special edition of one of Germany's leading magazines. In addition to its #1 ranking in the category of Chemicals and Pharmaceuticals, FORMYCON came in at #2 in the magazine's overall rankings of the 500 most rapidly growing companies in Germany, across all industries.

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

[1] Lucentis is a registered trademark of Genentech Inc.
[2] Eylea is a registered trademark of Regeneron Pharmaceuticals Inc.

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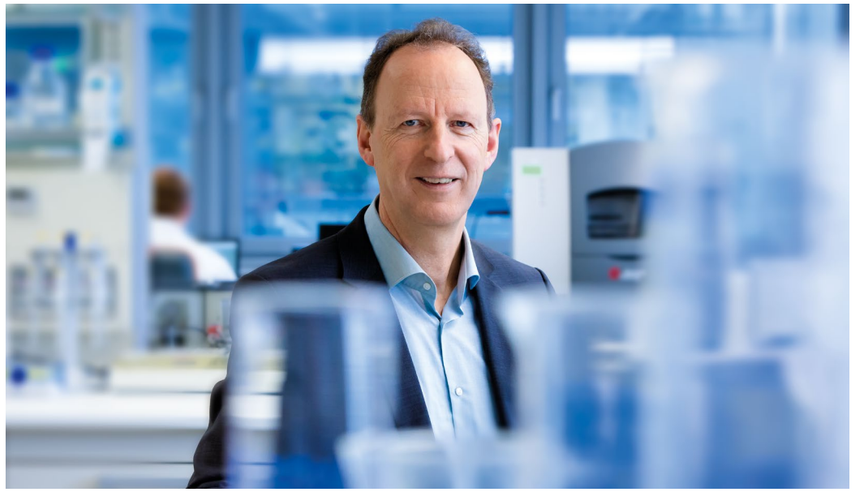
To Our Shareholders



Dr. Carsten Brockmeyer CEO

Letter to Shareholders

Dr. Stefan Glombitza COO

Dr. Nicolas Combé CFO

Dear Shareholders,

We have chosen **“Distinguished Growth”** as the title theme of this year’s annual report – not because we wish to artificially aggrandize ourselves but because “Distinguished Growth” accurately characterizes, in two words, the results we have achieved in 2016. FORMYCON has demonstrably grown, not only in our reported revenue but also in our growing staff and in the continued expansion of, and advances in, our development pipeline. Moreover, the Executive Board was strengthened in the late summer of 2016 with the addition of Dr. Stefan Glombitza as Chief Operating Officer. With Dr. Glombitza, FORMYCON has gained a renowned and highly experienced expert in the field of pharmaceutical development. Since joining our senior management team and successfully assuming day-to-day responsibility for our operating activities, he has helped make FORMYCON an even better company.

We have been publicly recognized for the results we have been achieving. “Focus Spezial”, a special edition of one of Germany’s leading magazines, named FORMYCON as “Growth Champion 2017” in the category of Chemicals and Pharmaceuticals. Moreover, in the magazine’s overall rankings of the 500 most rapidly growing companies in Germany, across all industries, FORMYCON came in at #2. These are results that we can be proud of.

This is not the only public recognition that FORMYCON has gained over the past year. Dr. Carsten Brockmeyer, our CEO, was included for the second year in a row in the “Medicine Maker Power List”, a global selection of the most influential people in the pharmaceutical world. Last but not least, FORMYCON won a prestigious award from the Stifterverband, Germany’s renowned donor association for the promotion of education, science and innovation.

The advances achieved in the ongoing development of our biosimilar projects were, of course, of paramount importance in 2016. FYB201, our biosimilar candidate to reference product Lucentis®[1] being developed in partnership with Bioeq IP AG, is now in phase III clinical trials, the final step before submission for regulatory approval. It is our intention, together with our partner, to be the first to bring a competing biosimilar to market following the U.S. patent expiry of Lucentis® in 2020. This is the priority for our resources and efforts.

The same applies to FYB203, our biosimilar for Eylea®[2], which we have out-licensed to Santo Holding. Over the past fiscal year, we have likewise made significant advances in this development project and are confident that we will remain on schedule to be among the first to market with a biosimilar drug for Eylea®.

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Our strategic priority, rather, is to maximize the value of our development projects, and thereby the company, through careful planning and execution of these investments. We are building FORMYCON for the future.

In parallel with these efforts, the FORMYCON team made significant progress over the past year with the ongoing FYB202 product candidate, while also launching our next drug development project, FYB205. Our goal remains unchanged: to build a robust and high quality development pipeline which enables us to regularly launch biosimilar products across various regions of the world starting in the year 2020. Our efforts in 2016 have brought us a good way closer to this goal.

Despite these gratifying developments over the past year, we are only at the beginning of our company's growth phase. We are, at present, investing large sums into our biosimilar development projects and therefore into the future of FORMYCON. This being the case, we are fortunate indeed that we are already generating significant revenue from our established licensing agreements, and that we also have considerable financial reserves in place.Our financial position is thus sound, despite the intensity of our R&D activities. The primary focus of this company in its current phase of growth, however, is not necessarily current profits. Our strategic priority, rather, is to maximize the value of our development projects, and thereby the company, through careful planning and execution of these investments. We are building FORMYCON for the future.

The real growth in our revenues and profits will commence in 2020, when – provided that our development efforts proceed as planned – our biosimilar products will begin to enter the marketing phase, generating revenues in which we are contractually entitled to a significant share. This is the turning point in our strategic plan when we will, together with our partners, begin to reap the fruits of our many years of hard work.

We have received much support for this strategy, from our shareholders as well as the financial world at large. During 2016, we had the opportunity to explain our business model at various investor events, while also continuing to seek opportunities for direct contact with our shareholders in both Europe and North America. We can see how investor interest in FORMYCON shares has been soaring over the past year. And even more importantly to us, many shareholders see their holdings in FORMYCON not as short-term speculation but as a highly promising investment for the long term.

Needless to say, we are well aware of the challenges inherent to the pharmaceutical business. To reach market fruition, an arduous regulatory process must be completed, with numerous questions from regulatory authorities to be answered. As we seek approval from these authorities, we will, together with our partners, have to demonstrate the uncompromised quality, safety and efficacy of our biosimilar drugs. Finally, our products will have to find their place in the market, along with appropriate pricing. In this stage, the experience and strength of our partner companies will be of enormous benefit.

Changes in the political and economic environment likewise present challenges. Driven particularly by events in the U.S., shifts and realignments are taking place around the world. It remains to be seen how these developments will impact the pharmaceutical and biotechnology industry.

In spite of these shifts – or perhaps even because of them – we are convinced that the future outlook for biosimilar drugs remains bright. Through the regulatory approval process they must pass, these products must demonstrate efficacy and safety comparable to their respective reference products, while at the same time offering the potential for significant savings to healthcare providers. These new competing drugs can thus make a significant contribution towards the financial stabilization of the world's healthcare systems – and, by reducing the cost of these high-quality biopharmaceuticals, also make them accessible to a broader range of patients.

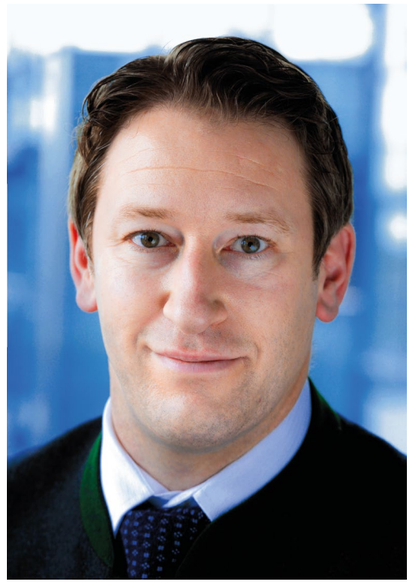
We thank you for the confidence you have placed in us over the past year. You can be sure that we will do our very best to continue this distinguished growth in fiscal year 2017 – through our expertise, our relentless efforts and our commitment to quality. We hope that you will continue with us on this journey.

Dr. Carsten Brockmeyer

Dr. Nicolas Combé

Dr. Stefan Glombitza

Report of the Supervisory Board



Dr. Olaf Stiller
Chairman of the Supervisory Board

During fiscal year 2016, 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, 2016, including the respective management reports, were examined by Pan-Tax Audit GmbH, the Düsseldorf-based audit and tax firm appointed by the Annual Meeting of Shareholders for fiscal year 2016, 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 § 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 27, 2017, 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 2016.

Munich,
April 2017

Dr. Olaf Stiller
Chairman of the Supervisory Board

Distinguished Growth

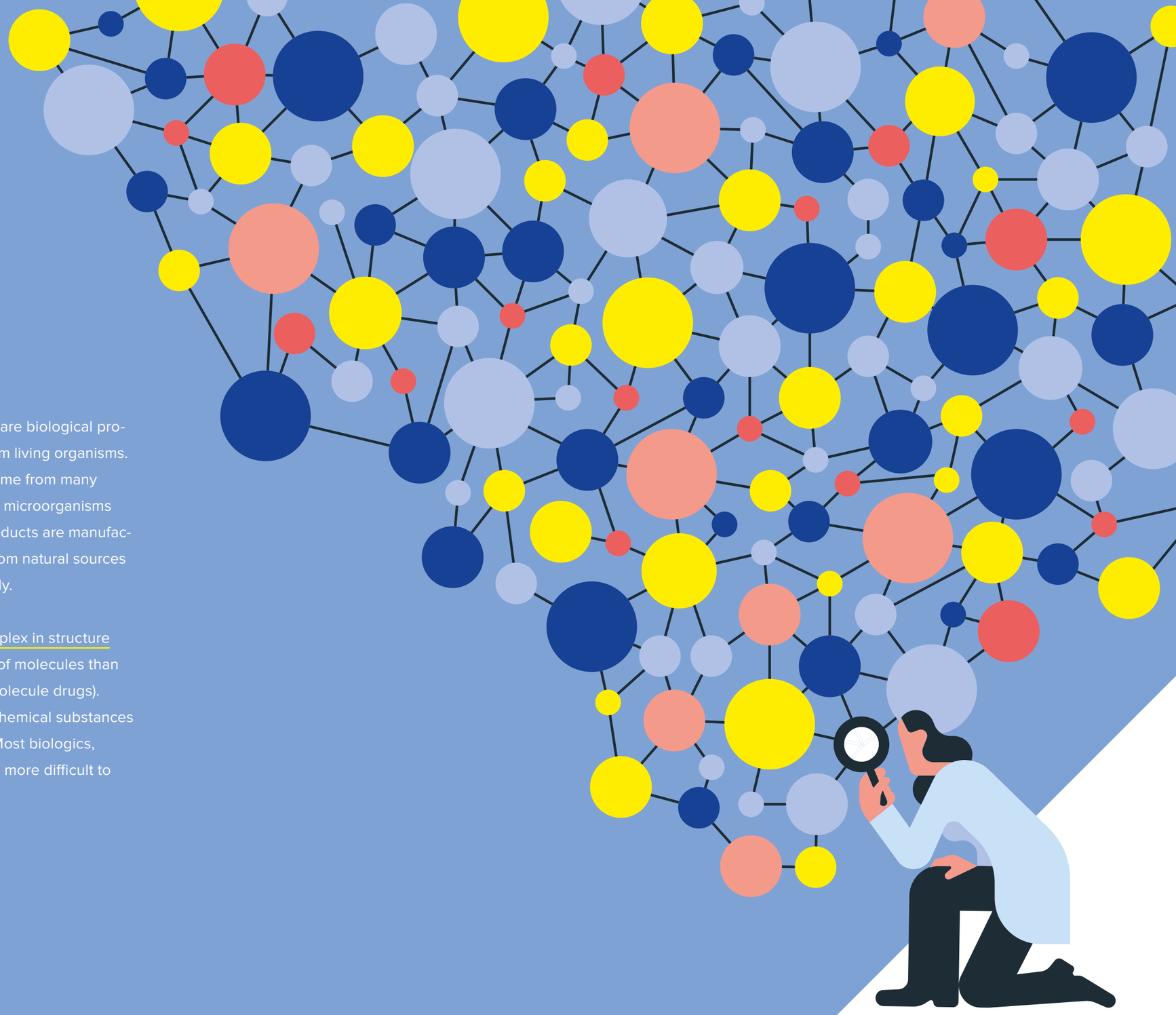
Over the next few pages, we would like to tell you about a number of fundamental issues in biosimilar development. We want to clarify how these products are developed, why they are of particular relevance to health policy and how FORMYCON is addressing the demands on development to generate long-term added value for its shareholders.

What are biological products?

Many of today's important medications are biological products. Biological products are made from living organisms. The material they are made from can come from many sources, including humans, animals and microorganisms such as bacteria or yeast. Biological products are manufactured through biotechnology, derived from natural sources or, in some cases, produced synthetically.

Most biological products are more complex in structure and have larger molecules or mixtures of molecules than conventional drugs (also called small molecule drugs). Conventional drugs are made of pure chemical substances and their structures can be identified. Most biologics, however, are complex mixtures that are more difficult to identify or characterize.

FDA, Information for Consumers, 2017



Why have biosimilar medicines been developed and approved?

Biological medicines are treatments that can help patients with serious diseases such as cancer and inflammatory diseases. However, they are complex and can be very expensive and time consuming to develop. This can limit patients' access to such medicines, and can make it difficult for the healthcare system to afford them. Biosimilar medicines can improve patient access to such treatments and are expected to be less costly for EU healthcare systems.

However, biosimilars are not simply 'cheap copies' of reference medicines. Biosimilars are manufactured following strict quality requirements, using state-of-the-art methods, and manufacturing facilities are subject to inspections like those of all other medicines. Biosimilar medicines have been used safely in the EU since 2006 as an alternative to reference medicines.

European Commission,
Information on biosimilar medicines for patients, 2016

Why aren’t all studies with the reference medicine repeated with the biosimilar medicine?

“

Because the safety and effectiveness of the reference medicine are already well known, if the biosimilar medicine is very similar in structure and has the same biological activity, not all clinical studies need to be repeated. Instead, studies aim to show that there are no clinically meaningful differences between the biosimilar and the reference medicine.

European Commission,
Information on biosimilar medicines for patients, 2016

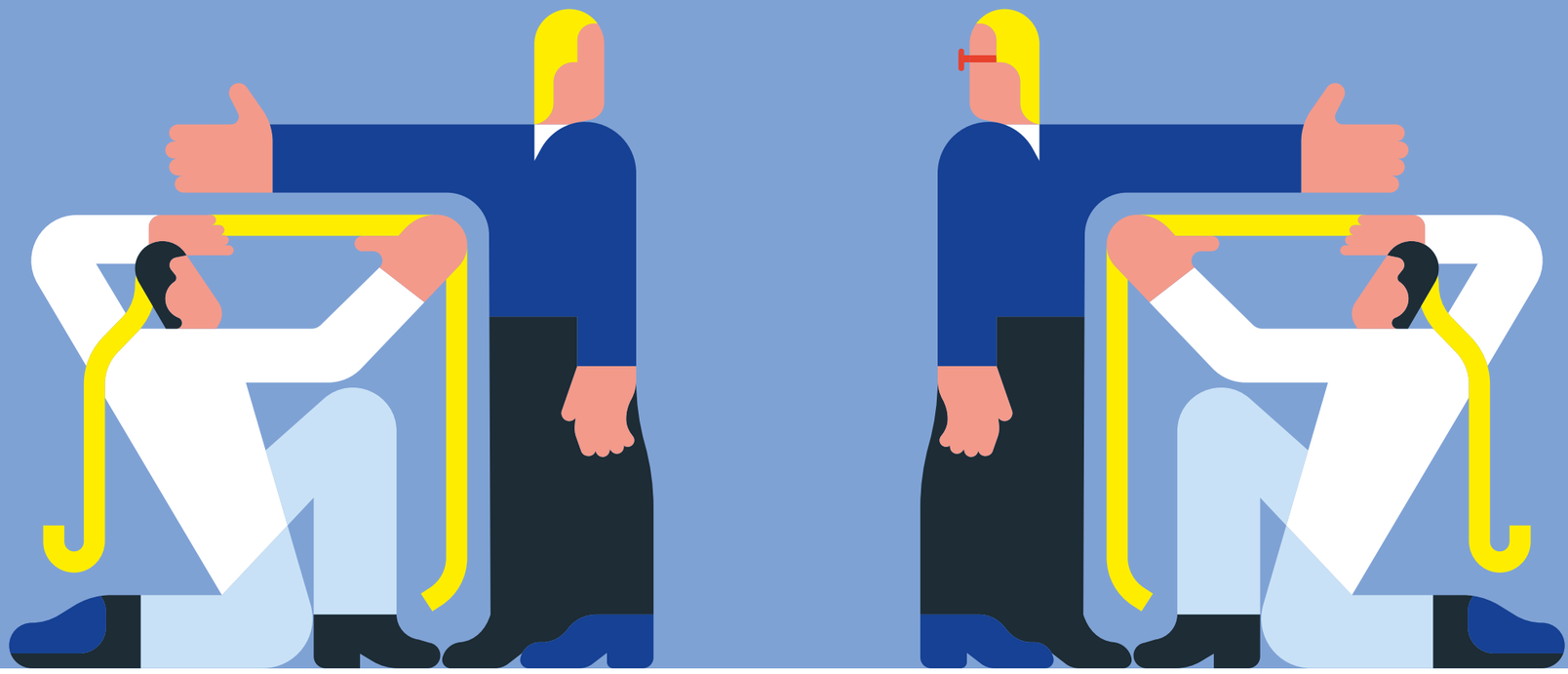
How are biosimilars approved in the EU and in the US?

The authorisation of biosimilar medicines in the EU requires a different set of data compared to other biological medicines. However, the same high standards of quality, safety and efficacy are applied. As for any medicine, the benefits of a biosimilar medicine have to be shown to outweigh its risks before it is approved for marketing. This requires large amounts of data, including data on its purity and manufacture, how well the biosimilar medicine works and extensive comparison with the reference medicine. Following positive assessment by EMA, biosimilar medicines are approved by the European Commission for use in EU patients.

European Commission, Information on biosimilar medicines for patients, 2016

The Biologicals Price Competition and Innovation Act (BCPI) of 2009 created an abbreviated licensure pathway for biological products that are demonstrated to be "biosimilar" to or "interchangeable" with an FDA-licensed (approved) biological product. Under this law, a biological product may be demonstrated to be biosimilar if data show that, among other things, the product is highly similar to an already-approved biological product, also called the reference product, and has no clinically meaningful differences in terms of safety, purity, and potency from the reference product.

FDA, Information for consumers, 2017



Cost savings with biosimilars

Over the coming years biosimilars will play an increasingly important role for the treatment of severe diseases such as rheumatism, multiple sclerosis or cancer. They will contribute significantly to keep healthcare systems sustainable and stable. Therefore the frame conditions for an effective and safe supply with generic drugs and biosimilars need to be enhanced permanently.

Bundesministerium für Gesundheit,
Bericht zu den Ergebnissen des Pharmadialogs, April 2016

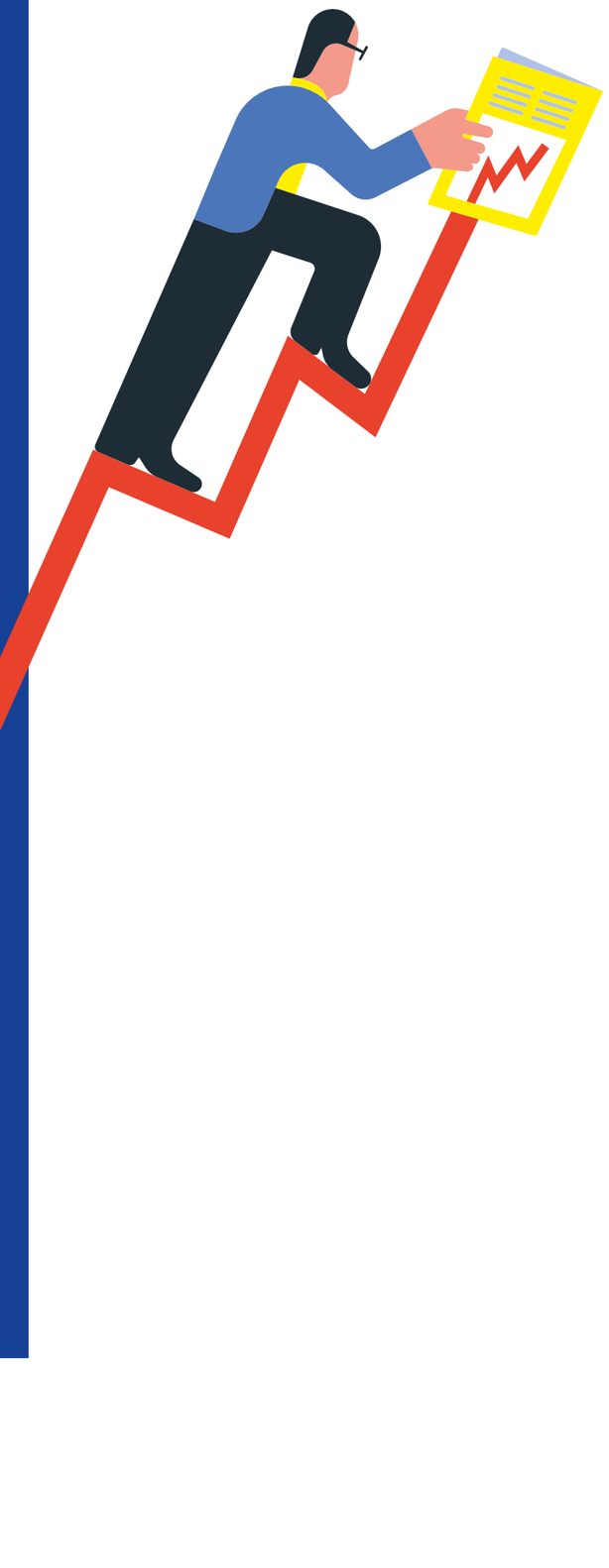
The use of biosimilars is expected to generate overall savings from €11.8 up to €33.4 billion for 8 EU countries between 2007 and 2020.

IGES Study, 2012

Growth of the biosimilars market

Looking at the ongoing focus, the market is well positioned to achieve a robust growth in the coming decade as the number of patent expiries grows and the legal and regulatory squabbles are sorted out; based on a very comprehensive analysis, we have projected the market to be worth $ 32 billion worldwide by 2025.

Research and Markets,
Global Biosimilars Market Report, 2015 – 2025



Focus magazine lists FORMYCON as growth champion 2017

Munich – The biosimilar company FORMYCON has been named “growth champion 2017” in the category “Chemistry and Pharma” by the news magazine FOCUS.

Due to its significant growth in sales over recent years, FORMYCON was ranked first in this segment in a current rating of the 500 companies in Germany with the largest growth in sales in the period from 2012 to 2015. In the overall ranking, FORMYCON took second place.

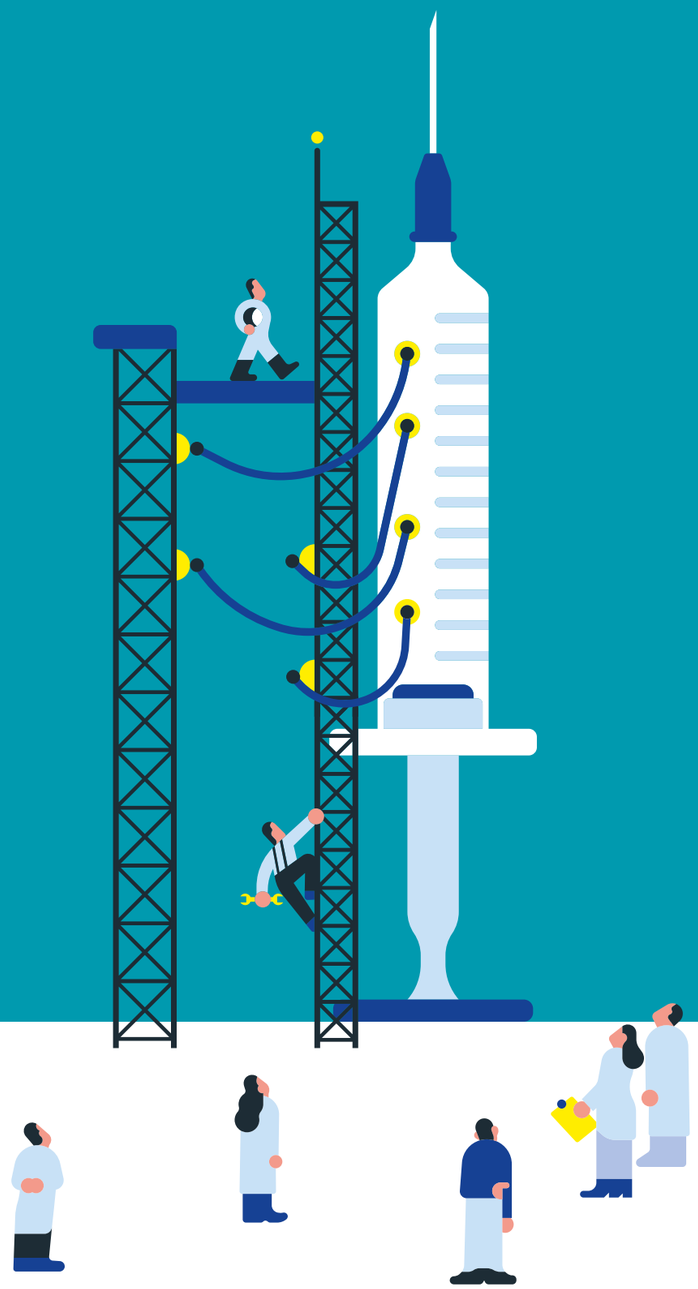
FORMYCON AG,
Press Release November 30, 2016

FORMYCON and bioeq enroll first patient in pivotal phase III study with FYB201

- COLUMBUS-AMD study investigates the comparability of FYB201, an investigational biosimilar ranibizumab, and Lucentis®* in patients with neovascular age-related macular degeneration (nAMD)
- Study involves 650 participants in around 80 clinical centers worldwide
- Partners FORMYCON and bioeq significantly advance in the development of FYB201

Munich – FORMYCON AG and bioeq GmbH today announced that they have enrolled the first patient in their clinical phase III study involving FYB201. […]

FORMYCON AG,
Press Release, February 23, 2016



* Lucentis is a registered trademark of Genentech Inc.

Dr. Carsten Brockmeyer honored as one of the world's most influential people in the medicines industry

- Highly respected magazine "The Medicine Maker" lists the FORMYCON head for the second time in a row
- Based on achievements in pharmaceutical development

Munich – Dr. Carsten Brockmeyer, CEO of the biosimilar company FORMYCON AG, has again been chosen as one of the world's top 100 most influential people in the pharmaceutical sector by the trade magazine "The Medicine Maker". [...]

FORMYCON AG,
Press Release, June 14, 2016

The highly respective British journal **"The Medicine Maker"** reports on innovations and trends in the pharmaceutical industry. Once a year, the editorial team recognizes leading figures for their outstanding achievements in research and development in medicines and therapies.

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Management Report

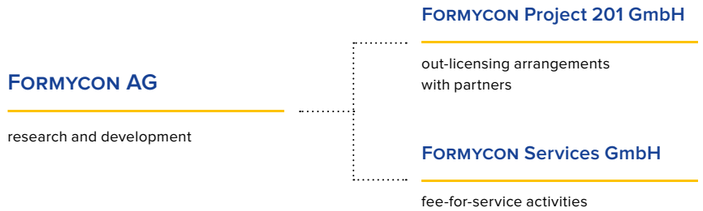
I Basic information About the Group and the Company

Business model

The business model of FORMYCON centers around the development of biosimilars, meaning follow-on products to biopharmaceuticals already on the market. The Company's business objective is to develop new products for subsequent out-licensing, whereby their following 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, both for its own projects and on behalf of its product-specific subsidiary, FORMYCON Project 201 GmbH. 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 first two biosimilars to be licensed out. 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.

II Report on Business Performance

General economic conditions and industry conditions

Statistics from the German Bundesbank show that the German economy grew during 2016 at a solid and steady rate. According to calculations by the German Federal Statistical Office, GDP grew by 1.9% over 2015 in real terms, the strongest economic growth rate in five years. The primary driver of this growth was domestic consumption, with private consumption spending, exclusive of price effects, rising by 2.0% over the prior year. Government consumption expenditures rose at an even more robust rate of 4.2%.

In spite of these positive developments, anxieties continued to make themselves felt among broad swaths of the population and economy. The Brexit vote in the UK, for instance, triggered uncertainty and unease about the future of the European Union. Italy's poor economic performance, coupled with a change of government, likewise dampened sentiment throughout the EU. Meanwhile, concerns at the international level centered on the U.S. presidential electoral battle and subsequent election of Donald Trump, as well as on the ongoing conflict in Syria and largely related refugee crisis.

At the start of 2016, weak economic figures from China and the plunging price of oil triggered market shocks around the globe. Concerns about the global economy likewise unleashed sharp and dramatic drops in equity markets. The DAX, Germany's leading stock market index, plummeted to a low of 8,752.87 points in February. In June, the UK's unexpected "Leave" vote on its continued EU membership likewise triggered sharp market drops, wiping out billions from the world's stock markets in one day. The surprise election of Donald Trump as President of the United States, in contrast, caused only a brief market bump. Despite these events, the German DAX index ended the year with a small plus compared to the prior year-end.

It should be noted that global equity prices continued to be largely driven by the flood of money from major central banks, although the U.S. Federal Reserve began to pull back in 2016 on the levers of monetary policy, raising the reference rate slightly by 0.25 percentage points and signaling further such actions. In Japan and in the Eurozone, in contrast, money remained extremely cheap. In early December 2016, the European Central Bank (ECB) announced that it would be extending its purchase of billions in government bonds and other securities through to the end of 2017.

The pharmaceutical and biotechnology industry faced significant challenges in 2016, in particular with the prospect of drastic changes in its two most important regulatory authorities: the U.S. Food and Drug Administration (FDA) and the European Medicines Agency (EMA). In the United States, President Trump has raised the possibility of redefining the scope of the FDA, while on the other side of the Atlantic, the EMA, which has until now been based in London, must grapple with a presumed move to the Continent following the Brexit vote.

The year 2016 was, moreover, marked by recurrent criticism of high pharmaceutical prices, especially during the U.S. presidential race. Both of the candidates, Hillary Clinton and Donald Trump, stated their intentions to impose more stringent regulation on drug prices.

Many, if not virtually all, of the world's healthcare systems are struggling with rising expenditure levels. Within Europe, a number of countries have launched cost-cutting programs in an attempt to grapple with this problem. Specifically within Germany, the statutory health insurers are expected to further intensify the efforts they have made over the past years to realize savings in healthcare costs.

Modern biotechnology-based drugs, in particular, represent a significant component of these expenditures. While these biopharmaceuticals are generally highly effective and have indeed enabled tremendous advances in the treatment of serious diseases such as multiple sclerosis, cancer, rheumatoid arthritis and eye disorders, the high costs which these treatments involve have also been a major driver of rising healthcare costs.

It is noteworthy that the share of total sales revenue for biopharmaceuticals attributable to drugs for which patent protection has expired has now grown to exceed the off-patent share for conventional drugs synthesized through chemical means. The accelerating number of patent expiries for these modern biopharmaceutical drugs is creating a promising market opportunity for follow-on biosimilar drugs which not only ensure medical treatment meeting the highest standards of quality but are also able to offer significant cost advantages. This factor is likely to further increase in importance in the future, thereby benefitting developers and producers of biosimilars, including FORMYCON. Global sales of biosimilar drugs are currently estimated at roughly $ 3 billion. According to forecasts by industry experts, this figure could grow tenfold by the year 2025, to some $ 30 billion. FORMYCON's well positioned project pipeline, the expertise of its staff and its solid financial foundation put it in a strong position to compete in this growing market.

2016 marked a major milestone for Europe's biosimilars industry: the tenth anniversary since the first biosimilar was introduced to the European market. The importance of this industry to healthcare systems, and its increasingly significant role, was also underscored in Germany, where a pharmaceutical dialog initiated by the German federal government was brought to its conclusion in 2016. A key outcome of this dialog was that the position of biosimilars as a high-quality but lower-cost alternative should be further strengthened.

Business development during the period

Business performance during the reporting period was in accordance with plan, for both FORMYCON Group and FORMYCON AG. The Group ended the fiscal year with an annual net loss of € 4,066K on consolidated revenue of € 19,533K. For the parent company only, the net loss was € 4,182K on revenue of € 13,862K. Neither FORMYCON AG nor FORMYCON Group has any financial debt.

Following the initiation of phase III clinical trials at the end of 2015 for FYB201, the FORMYCON biosimilar development project which is furthest advanced, the Company attained a number of subsequent business milestones during 2016.

Milestones

1 In January of 2016, FORMYCON **filed several patent** applications pertaining to pharmaceutical formulations and modes of administration for intraocular VEGF antagonists.

2 In February, FORMYCON announced **the appointment of Professor Johannes Buchner**, a noted biotechnology expert, to its Advisory Board.

3 Also in February, FORMYCON and its licensing partner brought the **first patient** into confirmatory phase III clinical trial for their Lucentis®[1] biosimilar (FYB201).

4 In late February, FORMYCON announced that FYB203, another product in its development pipeline, is a **biosimilar to Eylea®**[2] (aflibercept).

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[2] Eylea is a registered trademark of Regeneron Pharmaceuticals Inc.

FORMYCON continues to strategically position itself as a leading independent company in the development of high-quality biosimilar drugs, with a particular focus on the highly regulated markets of Europe and the United States. The Company's strengths are in the expertise of its scientists, its management, and its supervisory board. Moreover, its tightly focused development processes lead to rapid and reliable results. As to cooperation arrangements with partner companies, FORMYCON strives to be a desirable partner for both major pharmaceutical corporations and producers of generic drugs.

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 were listed in the Entry Standard segment of the Frankfurt Stock Exchange until the end of February 2017 and since March 1, 2017 in the Exchange's new "Scale" segment for small- to medium-sized companies.

Since the start of July 2016, FORMYCON has been additionally subject to the provisions of the Market Abuse Regulation (MAR), under which the Company is legally required to publish ad hoc announcements of information relevant to its share price, to report certain transactions by Company officers (Directors' Dealings), and to maintain lists of persons deemed insiders. FORMYCON has completed the timely implementation of these procedures and, where necessary, integrated the respective processes into its existing risk management system.

Shares of FORMYCON AG began the year 2016 at an exchange price of € 23.11 and closed the year, on December 30, at a slightly higher price of € 23.78.

Staff

During 2016, FORMYCON continued to grow, including in terms of staffing levels, because of the increasing number of biosimilar projects as well as the advancing stage of development projects. During the fiscal year, the number of staff grew by 17, thereby ending the year at 70.

Research and development

The Group's activities, during 2016 as in the prior years, were substantially comprised of research and development activities at the parent company level, the expenditures for which may be broken down as follows:

in €	Current year
Cost of raw materials, consumables and supplies	6,921,588.72
Third-party services	8,466,187.51
Staff expenses	5,117,152.80
Depreciation and amortization	698,880.00
Other	2,531,629.66
	23,735,438.69

As of the end of 2016, 59 employees worked in research and development. Expenditures during the fiscal year totaled € 23,735,438.69, and these were all were charged as current expense. Research and development expenditures exceeded sales revenue. No research and development expenditures were capitalized. Relevant patent applications were filed, and product development activities are proceeding on schedule, so that these development activities remain in line with plan.

Financial performance

The financial results herein are reported for the fiscal year from January 1, 2016 to December 31, 2016. Because of rounding errors, it is possible that the figures cited do not precisely add up to the stated total, or that percentages do not precisely correspond to the absolute figures.

a. Results of operations

During the reporting period, **FORMYCON Group** generated consolidated revenue of € 19,533K, compared to € 16,925K in the prior year, resulting in an annual net loss of −€ 4,066K. Cost of materials rose to € 15,388K, leading to a decline in consolidated gross profit from € 8,273K to € 4,276K.

During fiscal year 2016, **FORMYCON AG** continued to drive forward with the development of its four biosimilar projects according to plan. As a result of its first two out-licensing deals, for FYB201 signed in late 2013 and for FYB203 in 2015, the Company continued to post significant sales revenue. Under the terms of these deals, FORMYCON AG received ongoing payments towards its product development activities.

At the parent company level, FORMYCON AG generated total full-year revenue of € 13,862K, resulting in an annual net loss of −€ 4,182K. In view of its planned additional out-licensing deals, the Company anticipates improving future coverage ratios.

b. Financial position

The financial position of both FORMYCON AG and FORMYCON Group remains stable, with key liquidity ratios significantly above average, as in the prior year. Current assets totaled € 20,672K, compared to total current liabilities of € 4,289K. 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 € 2,995K, while marketable securities, also included in cash and liquid resources in the following Statements of Cash Flows, totaled € 10,972K. Return on sales (annual net income/loss divided by sales revenue) for the period was −20.8%, while EBIT (operating profit) was −€ 4,072K and EBITDA (operating profit plus depreciation and amortization) was € 3,373K.

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

Consolidated Statement of Cash Flows for FORMYCON Group

per German Accounting Standard (DRS) 21

	in K€	2016	2015	Change K€	Change %
	Net income/loss	−4,066.1	577.5	−4,643.6	−804.1
+/−	Depreciation, amortization, writedowns (impairments) and write-ups of fixed assets	698.9	934.8	−235.9	−25.2
−/+	Gain/loss resulting from disposals of fixed assets	28.9	23.1	5.8	25.3
=	**Gross cash flow before change in working capital**	**−3,338.3**	**1,535.4**	**−4,873.7**	**−317.4**
+/−	Additions to/subtractions from medium- and short-term reserves	56.1	133.7	−77.5	−58.0
−/+	Changes to inventories and trade receivables, as well as other assets not included among investing and financing activities	−3,710.2	541.7	−4,252.0	−784.9
+/−	Changes to trade payables, as well as other liabilities not included among investing and financing activities	1,962.5	−1,652.6	3,615.0	−218.8
+/−	Interest expense/interest income	−8.5	−41.3	32.8	−79.5
=	**Cash flow from operating activities**	**−5,038.4**	**517.0**	**−5,555.5**	**−1,074.5**
−	Payments for investments in intangible assets	−61.9	0.0	−61.9	
+	Proceeds from disposals of property, plant and equipment	0.3	2.6	−2.3	−88.5
−	Payments for investments in property, plant and equipment	−1,325.3	−669.9	−655.4	97.8
+	Interest received	33.2	71.5	−38.3	−53.6
=	**Cash flow from investing activities**	**−1,353.7**	**−595.8**	**−757.9**	**127.2**
+	Proceeds from shareholders of the parent company for additions to equity capital	86.5	11,182.4	−11,095.9	−99.2
−	Interest paid	−24.7	−30.2	5.5	−18.2
=	**Cash flow from financing activities**	**61.8**	**11,152.2**	**−11,090.4**	**−99.4**
	Total changes in cash and liquid resources from cash flowss	−6,330.4	11,073.4	−17,403.7	−157.2
+	Cash and liquid resources at the beginning of the period	20,297.2	9,223.9	11,073.4	120.1
=	**Cash and liquid resources at the end of the period**	**13,966.9**	**20,297.2**	**−6,330.4**	**−31.2**

Statement of Cash Flows for FORMYCON AG (unconsolidated)

per German Accounting Standard (DRS) 21

	in K€	2016	2015	Change K€	Change %
	Net income/loss	−4,182.1	600.3	−4,782.4	−796.6
+/−	Depreciation, amortization, writedowns (impairments) and write-ups of fixed assets	698.9	934.8	−235.9	−25.2
−/+	Gain/loss resulting from disposals of fixed assets	29.2	143.7	−114.5	−79.7
=	**Gross cash flow before change in working capital**	**−3,454.0**	**1,678.9**	**−5,132.8**	**−305.7**
+/−	Additions to/subtractions from medium- and short-term reserves	56.1	134.1	−78.0	−58.1
−/+	Changes to inventories and trade receivables, as well as other assets not included among investing and financing activities	−2,589.0	−302.5	−2,286.5	756.0
+/−	Changes to trade payables, as well as other liabilities not included among investing and financing activities	770.0	−1,067.1	1,837.1	−172.2
+/−	Interest expense/interest income	−8.5	−46.3	37.8	−81.7
=	**Cash flow from operating activities**	**−5,225.3**	**380.3**	**−5,605.5**	**−1,474.1**
+	Proceeds from disposals of intangible assets	0.0	2.6	−2.6	−100.0
−	Payments for investments in intangible assets	−61.9	−669.9	608.0	−90.8
−	Payments for investments in property, plant and equipment	−1,325.3	0.0	−1,325.3	
−	Payments for investments in financial assets	−9.7	0.0	−9.7	
+	Interest received	33.2	71.5	−38.3	−53.6
=	**Cash flow from investing activities**	**−1,363.7**	**−595.8**	**−767.8**	**128.9**
+	Proceeds from shareholders of the parent company for additions to equity capital	86.5	11,182.4	−11,095.9	−99.2
−	Interest paid	−24.7	−25.2	0.5	−1.9
=	**Cash flow from financing activities**	**61.8**	**11,157.2**	**−11,095.4**	**−99.4**
	Total changes in cash and liquid resources from cash flows	−6,527.1	10,941.7	−17,468.8	−159.7
+	Cash and liquid resources at the beginning of the period	20,137.7	9,196.0	10,941.7	119.0
=	**Cash and liquid resources at the end of the period**	**13,610.6**	**20,137.7**	**−6,527.1**	**−32.4**

c. Net assets

During the reporting period, the Group's equity capital ratio fell 91.6% to 82.9%, thereby remaining considerably above average. Non-current assets, which rose as a result of investing activities, continued to be 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.

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 € 16,383K as of the period closing date. Cash flow (calculated as annual net income + depreciation and amortization + changes in long-term provisions) for the period, negative as per Company plan, was −€ 3,338K. The Company's cash flow from investing activities of −€ 1,354K exceeded annual depreciation and amortization, thus resulting in further cash outflows.

Return on equity for the fiscal year was −17.8%, while return on total capital was −15.6%. With respect to non-financial indicators, reference is made to the above report on research and development.

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

The Company's staff works primarily in research and development. Staff turnover is 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.

At the start of March 2017, the Company changed its listing segment on the Frankfurt Stock Exchange. Its shares, until then listed in the Entry Standard segment, are now included in the Exchange's new **"Scale"** segment for small- to medium-sized companies.

IV Report on Outlook

Over the past years, FORMYCON has successfully passed through the first phase of its business development, successfully completing its capitalization, the initiation of multiple biosimilar R&D projects and out-licensing deals for two biosimilar candidates. With, in particular, the launch of phase III clinical trials for FYB201 (ranibizumab), the signing of an out-licensing agreement for FYB203, and its work on two further projects, FORMYCON has put into place a sound foundation for its future development and growth.

Meanwhile, the Company has now entered its next phase of development. Its focus is now on the implementation of its strategy, on the operational optimization of processes and structures, on further and ongoing expansion to its product pipeline, and on additional out-licensing deals for its biosimilar candidates.

With its strong financial foundation and range of services and capabilities, the Group enjoys a strong market position. Its biosimilar projects, moreover, are rapidly moving forward according to plan. Provided that development remains on track, the launch of FYB201 in the U.S. is possible in the year 2020, immediately upon expiry of the reference product patent. Market entry in Europe is planned for 2022.

As in prior years, FORMYCON will continue to invest a major part of its resources into the development of new biosimilars. Through its subsidiary FORMYCON Services GmbH, it will also continue to offer development services to pharmaceutical and biotechnology companies on a manageable scale.

Based upon contractual income from its two projects already licensed out, FYB201 and FYB203, the Company anticipates revenue during fiscal year 2017 of roughly € 25 million. Annual net income for 2017 will, on the other hand, depend strongly upon the outcome of partnering negotiations for FYB202.

Following the significant increases in staffing levels over the past two years, FORMYCON anticipates a further modest rise in the number of staff during 2017. This should likewise lead to a moderate increase in staff expenses, in line with the Group's current business structure and activities.

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

V Report on Opportunities and Risks

Opportunities

Looking ahead to the future, FORMYCON 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 market segment which **offers significant future promise**. With its extensive expertise in biosimilars, FORMYCON has potential access to this entire market. The results already achieved strongly suggest that the Company, with its current strategy, is on the right path.

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

The Company will continue to compete in its market 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.

Compared to their reference products, biosimilars have the advantage of lower development costs. At the same time, competition within the biosimilars segment is generally far less than in the conventional generics market because of the significantly higher barriers to market entry. Moreover, biosimilars must necessarily demonstrate their similarity and comparability to their reference products in the course of extensive preclinical studies. This means that the probability of failure during subsequent clinical trials is far lower than for entirely new pharmaceuticals.

Risks

Industry-specific risks

Should global economic turbulence persist, or should geopolitical risks 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 biosimilars. Such an event could thus potentially pose risks to FORMYCON'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 a reference drug might attempt to extend its patent protection through new dosage forms or by patenting new treatment cycles. There is, in addition, the potential for disputes over intellectual property rights. The avoidance of infringements upon intellectual property rights, or the defense against charges of such infringements, can pose a serious financial burden to companies in this industry. In the worst case, such disputes may result in restrictions on, or even the prohibition of, the marketing of a company's product(s), the imposition of fines, or the cessation of the development or marketing of a company's product(s).

Another risk to be considered 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.

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

Should there be a shift in the political and regulatory environment, particularly within the European Union, so that the off-label usage of medications is required or stipulated solely on the basis of cost considerations, this could significantly reduce the market opportunities for biosimilars for such off-label indications.

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 entails the possibility 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 and service providers in certain areas, where risks could potentially arise which are not only technical in nature but also contractual.

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

Risks to profitability

No immediate risks to the Group's earnings are foreseen at this time. There are medium- to long-term risks that research and development efforts could prove to be unsuccessful, that products developed by FORMYCON might not find market acceptance, or that the Company may be unable to arrange partnering deals. It is, moreover, impossible to exclude the possibility of setbacks, delays or outright failures 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.

Overall assessment

Given the fragile economic outlook in certain regions of the world, there continue to be risks to FORMYCON's future development. Considering its strong and stable financial condition, however, the Company is well equipped to deal with such future risks.

At present, no risks can be identified which might endanger the Company's continued existence. Compared to the previous year, there has been no fundamental change in the risks facing the Company. 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 significant foreign-currency positions.

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.

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

VII Report on Branches

The Company does not currently maintain any branches.

Martinsried/Planegg,
March 31, 2017

Dr. Carsten Brockmeyer

Dr. Nicolas Combé

Dr. Stefan Glombitza

D

FORMYCON Group
Consolidated Financial Statements

Consolidated Balance Sheet – Assets

as of December 31

in €	Current year	Prior year
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	83,289.88	69,830.13
2. Goodwill	906,315.00	1,063,935.00
	989,604.88	**1,133,765.13**
II. Property, plant and equipment		
1. Land and buildings, including property-like rights and buildings on third-party land	193,784.52	221,938.28
2. Technical equipment and machinery	2,353,165.58	1,795,741.37
3. Other plant, production equipment and office equipment	502,437.58	535,599.84
4. Advance payments and plant under construction	360,000.00	52,858.29
	3,409,387.68	**2,606,137.78**
B. Current assets		
I. Inventories		
1. Raw materials, consumables and supplies	248,604.95	232,190.88
2. Advance payments	383,449.05	0.00
	632,054.00	**232,190.88**
II. Receivables and other assets		
1. Receivables from affiliated companies	5,208,887.66	2,756,867.56
of which due in more than one year € 0.00 (prior year: € 0.0K)		
2. Other assets	864,053.45	21,199.16
of which due in more than one year € 0.00 (prior year: € 0.0K)		
	6,072,941.11	**2,778,066.72**
III. Securities		
1. Other securities	10,972,156.57	19,674,750.65
	10,972,156.57	**19,674,750.65**
IV. Cash and cash equivalents	**2,994,728.58**	**622,487.18**
C. Prepaid expenses	**115,441.54**	**99,931.81**
of which original issue discounts (disagio) € 0.00 (prior year: € 0.0K)		
	25,186,314.36	**27,147,330.15**

Consolidated Balance Sheet – Liabilities and Equity

in €	Current year	Prior year
A. Equity		
I. Subscribed capital[1]	9,099,603.00	9,079,603.00
II. Capital reserve	29,043,554.34	28,977,034.34
III. Loss carryforward	– 13,185,620.05	– 13,763,138.18
IV. Annual net income	– 4,066,130.88	577,518.13
	20,891,406.41	**24,871,017.29**
B. Provisions		
1. Other provisions	720,029.00	663,895.00
	720,029.00	**663,895.00**
C. Liabilities		
1. Trade accounts payable	2,309,134.70	649,182.22
of which due within one year € 2,309,134.70 (prior year: € 649.2K)		
2. Other liabilities	1,260,097.15	955,706.22
of which due within one year € 1,209,097.15 (prior year: € 686.4K)		
of which from taxes € 218,716.47 (prior year: € 564.6K)		
of which relating to social security € 0.00 (prior year: € 0.0K)		
	3,569,231.85	**1,604,888.44**
D. Deferred income	**5,647.10**	**7,529.42**
	25,186,314.36	**27,147,330.15**

[1] Conditional Capital (1): € 154,000.00
Conditional Capital (2): € 715,260.00

Consolidated Income Statement

for the period from January 1, 2016 to December 31, 2016

in €			Current year	Prior year
1.	Sales revenue		19,532,995.62	16,924,987.86
	Total revenue		**19,532,995.62**	**16,924,987.86**
2.	Other operating income		130,680.27	229,153.19
	of which income attributable to foreign currency translation € 66,111.44 (prior year: € 154K)			
3.	Cost of materials			
	a. Cost of raw materials, consumables and supplies and of purchased goods	6,921,588.72		2,716,144.97
	b. Cost of purchased services	8,466,187.51		6,164,911.84
			15,387,776.23	8,881,056.81
	Gross profit		**4,275,899.66**	**8,273,084.24**
4.	Staff expenses			
	a. Wages and salaries	4,329,413.26		3,357,462.43
	b. Social contributions and costs for retirements benefits and for support benefits	787,739.54		503,501.96
	of which for retirement benefits € 89,007.14 (prior year: € 50.9K)			
			5,117,152.80	3,860,964.39
5.	Depreciation and amortization			
	of intangible assets and on property plant and equipment		698,880.00	934,812.51
	of which write-downs and write-offs € 0.00 (prior year: € 0.0K)			
6.	Other operating expenses		2,531,629.66	2,939,603.42
	of which expenses arising from foreign currency conversions € 96,954.67 (prior year: € 282.7K)			
	Operating income		**–4,071,762.80**	**537,703.92**
7.	Other interest and similar income		33,196.36	71,492.58
	of which income from amortization of original issue discounts € 0.00 (prior year: € 0.0K)			
	of which from affiliated companies € 0.00 (prior year: € 0.0K)			
8.	Interest and similar expense		24,718.44	25,199.37
	of which expense for amortization of original issue discounts € 0.00 (prior year: € 0.0K)			
	of which to affiliated companies € 0.00 (prior year: € 0.0K)			
	Financial result		**8,477.92**	**41,258.21**
9.	**Income after tax**		**–4,063,284.88**	**578,962.13**
10.	Other taxes		2,846.00	1,444.00
11.	**Annual net income (loss)**		**–4,066,130.88**	**577,518.13**
12.	Loss carryforward from prior year		13,185,620.05	13,763,138.18
13.	**Accumulated loss to balance sheet**		**–17,251,750.93**	**–13,185,620.05**

Notes to the Consolidated Financial Statements

General information about the Company

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

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

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 § 1 and sec. 265 § 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 § 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 § 1 and sec. 275 § 2 of the Commercial Code. This format is appropriate to the Group's structure.

These Consolidated Financial Statements have fundamentally been prepared using the same principles of presentation structure as in the prior fiscal year (sec. 298 of the Commercial Code in conjunction with sections 265, 266, 275 and 276).

In deviation from the above, the structure of the Income Statement has been adjusted, and sales revenue redefined, to conform to the German Accounting Directive Implementation Act (Bilanzrichtlinie-Umsetzungsgesetz, BilRUG), which entered into law on 23 July 2015. The presentation of the prior year has likewise been adjusted accordingly. These accounting adjustments did not have any noteworthy impact on the net asset position, the financial position, or the profitability position of the Company.

In bringing the Schedule of Fixed Assets per sec. 284 § 3 of the Commercial Code into accordance with the Accounting Directive Implementation Act, changes were made to classifications of property, plant and equipment. Laboratory equipment, previously included under "Other plant, production equipment and office equipment", is now included under "Technical equipment", which in view of the R&D nature of the company provides a more transparent presentation of assets. The prior-year figures have been adjusted accordingly, in both the Schedule of Fixed Assets and in the Balance Sheet. The adjusted presentation does not affect the presentation of the Company's financial position or profitability position, as it only involves adjustments to subclassifications.

The net book values of these assets for the prior year were recategorized as follows:

in €	Prior year restated	Prior year as originally reported
Land and buildings	221,938.28	189,548.30
Technical equipment	1,795,741.37	0.00
Other plant, production equipment and office equipment	535,599.84	2,363,731.19
	2,553,279.49	**2,553,279.49**

The new legal definition of revenue per sec. 277 § 1 of the Commercial Code, as amended during 2015 by the Accounting Directive Implementation Act, has only a minimal effect on the comparability of revenue. If this new definition had been applied to fiscal year2015, prior-year revenue would have been € 60,910.14 higher than actually reported.

Fiscal year and period of consolidation

These Consolidated Financial Statements have been prepared as of December 31, 2016, 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

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

An overview of these shareholdings and of the scope of consolidation is provided as Attachment 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 § 2 of the Commercial Code was not necessary because the influence of intracompany sales of goods and services was of minimal importance for the presentation of a true and fair view of the Group's net assets, earnings and financial position.

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

Foreign currency translation

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

The remaining term of **liabilities**, along with their collateralization through liens or similar rights, as well as their relationship to other balance sheet items, is shown in the Consolidated Schedule of Liabilities included as Attachment 4 to these Notes.

Derivatives

The Group did not hold any derivative financial instruments as of December 31, 2016.

Principles of balance sheet presentation and valuation

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

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

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 § 1 sentences 2 and 3), be treated as chattel.

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

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

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

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 goods are valued at their cost of production in accordance with sec. 298 § 1 and sec. 255 § 2 sentence 2 of the Commercial Code.

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

Receivables and other assets are stated at the lower of their nominal value or other fair value. 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 § 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 § 1 and sec. 274 § 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 included in the Consolidated Balance Sheet which are **denominated in foreign currency** 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 § 1 and sec. 256a of the Commercial Code.

Additional notes to the Consolidated Balance Sheet

A schedule of changes in consolidated fixed assets, including depreciation taken in the current fiscal year, is provided in Attachment 2.

Other provisions are comprised of the following:

per § 285 Nº 12 of the Commercial Code

in €	Current year
Accrued vacation	83,784.00
Bonuses	497,465.00
Utilities and other expenses payable as tenant	15,000.00
Audit and advisory costs	46,000.00
Safekeeping obligations	48,500.00
Occupational cooperative and other social expenses	29,280.00

Additional notes to the Income Statement

Sales revenue may be broken down as follows:

	Out-licensing/research	Services
absolute in €	19,475,425.51	57,570.11
as %	99.7	0.3

Other operating income includes income attributable to foreign currency translation in the amount of € 66,111.44 (prior year: € 153,925.17).

Staff expenses include costs for retirement contributions in the amount of € 89,007.14 (prior year: € 50.9K).

Other operating expenses include expenses attributable to foreign currency translation in the amount of € 96,954.67 (prior year: € 282,674.03).

Total research and development costs during the fiscal year were € 23,735K.

Other information

Information on members of the Executive Board and Supervisory Board per sec. 314 Nº 6 of the Commercial Code

Members of the Executive Board:

- **Dr. Carsten Brockmeyer**, residing in Marzling
- **Dr. Nicolas Combé**, residing in Marburg
- **Dr. Stefan Glombitza**, residing in Holzkirchen

Members of the Supervisory Board:

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

Remuneration

During the fiscal year, the members of the Supervisory Board received total remuneration of € 22,500.00. Total remuneration to members of the Executive Board was € 880,413.00 (of which € 375,000 was success-based).

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

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

Information on auditor fees per sec. 314 § 1 Nº 9 of the Commercial Code

- **Audit services:** 30.000,00 €
- **Tax advisory services:** 5.000,00 €

Number of staff

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

per sec. 314 § 1 Nº 4 of the Commercial Code

	Current year
Administration	6
Research and development	59
Total company staff	**65**

Shareholdings

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

Capital increase from approved capital

During the fiscal year, 20,000 no-par-value bearer shares were issued from approved capital, at an imputed value of € 1 per share, determined according to their nominal value.

Contingent liabilities

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

- **Rental agreement guarantees in the amount of:** € 117,802.00
- **Other payment guarantees in the amount of :** € 30,646.02

Other financial obligations

The total amount of other financial obligations, within the meaning of sec. 314 N° 2a of the Commercial Code, results from contractual obligations for ongoing performance. For obligations up to five years, the annual amount is € 347,524.36.

Appropriation of profits

The Executive Board of the parent company proposes to carry forward the annual net loss to the next fiscal year.

Information required per sec. 160 of the Stock Corporation Act

Number of shares outstanding

The Company has registered capital (Grundkapital) of € 9,099,603.00, which is divided into 9,099,603 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 § 2 N° 3 of the Stock Corporation Act

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

The Conditional Capital 2010, which was put in place for subscription rights in accordance with sec. 192 § 2 N° 3 of the Stock Corporation Act, has been reduced and currently totals € 148,750.00, providing entitlement to the subscription of 148,750 no-par-value bearer shares.

Martinsried/Planegg,
March 31, 2017

Dr. Carsten Brockmeyer

Dr. Nicolas Combé

Dr. Stefan Glombitza

Consolidated Schedule of Fixed Assets

Attachment 1

in €	Changes in historical cost of acquisition or production					Changes in accumulated depreciation & amortization				Changes in net book value		
	Historical cost of acquisition or production at 12.31.2015	Additions	Rebookings	Historical cost of disposals	Historical cost of acquisition or production at 12.31.2016	Accumulated depreciation & amortization at Dec. 12.31.2015	Current-year depreciation & amortization	Depreciation & amortization on disposals	Accumulated depreciation & amortization at 12.31.2016	Net book value at 12.31.2015	Net book value of disposals	Net book value at 12.31.2016
Intangible assets												
Purchased concessions, industrial property rights, and similar rights and assets, as well as licenses for such rights and assets	254,062.19	61,920.03	0.00	0.00	315,982.22	184,232.06	48,460.28	0.00	232,692.34	69,830.13	0.00	83,289.88
Goodwill	1,576,200.00	0.00	0.00	0.00	1,576,200.00	512,265.00	157,620.00	0.00	669,885.00	1,063,935.00	0.00	906,315.00
Property, plant and equipment												
Land and buildings, including property-like rights and buildings on third-party land	414,074.91	10,799.54	20,935.58	0.00	445,810.03	192,136.63	59,888.88	0.00	252,025.51	221,938.28	0.00	193,784.52
Technical equipment and machinery	3,917,445.38	789,551.67	106,987.08	505,047.19	4,308,936.94	2,121,704.01	312,861.48	478,794.13	1,955,771.36	1,795,741.37	26,253.06	2,353,165.58
Other plant, production equipment and office equipment	879,401.84	89,871.06	0.00	13,348.61	955,924.29	343,802.00	120,049.36	10,364.65	453,486.71	535,599.84	2,983.96	502,437.58
Advance payments and plant under construction	52,858.29	435,064.37	– 127,922.66	0.00	360,000.00	0.00	0.00	0.00	0.00	52,858.29	0.00	360,000.00
Total	**7.094.042.61**	**1.387.206.67**	**0.00**	**518.395.80**	**7.962.853.48**	**3.354.139.70**	**698.880.00**	**489.158.78**	**3.563.860.92**	**3.739.902.91**	**29.237.02**	**4.398.992.56**

Consolidated Schedule of Receivables

Attachment 2

in € (prior year in €K)	12.31.2016	of which due in more than 1 year	of which trade receivables	of which other assets	of which from affiliated companies	dof which from companies in which an ownership interest exists	of which from shareholders	of which from legally authorized representatives[1]	of which from Supervisory Board[2]
Receivables from affiliated companies	5,208,887.66	0.00	-.-	-.-	0.00 (prior year: 0.0)	0.00 (prior year: 0.0)	0.00 (prior year: 0.0)	0.00	0.00
Other assets	864,053.45	0.00	-.-	-.-	0.00 (prior year: 0.0)	0.00 (prior year: 0.0)	0.00 (prior year: 0.0)	0.00	0.00
Total	**6,072,941.11**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**

Consolidated Schedule of Liabilities

Attachment 3

in € (prior year in €K)	12.31.2016	of which due within 1 year	of which due in 1 – 5 years	of which due in more than 5 years	of which collateralized	of which for trade accounts	of which to affiliated companies	of which to companies in which an ownership interest is held	of which other liabilities	of which to shareholders
Trade accounts payable	2,309,134.70	2,309,134.70	0.00	0.00	0.00	-.-	0.00 (prior year: 0.0)	0.00 (prior year: 0.0)	-.-	0.00 (prior year: 0.0)
Other liabilities	1,260,097.15	1,209,097.15	0.00	0.00	616.79	-.-	0.00 (prior year: 0.0)	0.00 (prior year: 0.0)	-.-	0.00 (prior year: 0.0)
Total	**3,569,231.85**	**3,518,231.85**	**0.00**	**0.00**	**616.79**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**

Consolidated Schedule of Changes in Equity

Attachment 4

in €K	Subscribed capital	Capital reserves	Profit reserves	Profit (loss) carryforward	Adjustments for capital consolidation	Adjustments for foreign currency translation	Consolidated net income	Minority interests in consolidated equity	Consolidated equity
as of 12.31.2015	**9,080.0**	**28,977.0**	**0.0**	**– 13,763.0**	**0.0**	**0.0**	**577.0**	**0.0**	**24,871.0**
Additions to equity	20.0	67.0	0.0	0.0	0.0	0.0	0.0	0.0	87.0
Appropriation of prior-year profit	0.0	0.0	0.0	577.0	0.0	0.0	– 577.0	0.0	0.0
Annual consolidated net income	0.0	0.0	0.0	0.0	0.0	0.0	– 4,066.0	0.0	– 4,066.0
as of 12.31.2016	**9,100.0**	**29,044.0**	**0.0**	**– 13,186.0**	**0.0**	**0.0**	**– 4,066.0**	**0.0**	**20,892.0**

Because of rounding errors, the stated figures may not precisely add up to the stated totals.

Consolidated Statement of Cash Flows

Attachment 5

per German Accounting Standard (DRS) 21

	in K€	2016	2015	Change K€	Change %
	Net income/loss	−4,066.1	577.5	−4,643.6	−804.1
+/−	Depreciation, amortization, writedowns (impairments) and write-ups of fixed assets	698.9	934.8	−235.9	−25.2
−/+	Gain/loss resulting from disposals of fixed assets	28.9	23.1	5.8	25.3
=	**Gross cash flow before change in working capital**	**−3,338.3**	**1,535.4**	**−4,873.7**	**−317.4**
+/−	Additions to/subtractions from medium- and short-term reserves	56.1	133.7	−77.5	−58.0
−/+	Changes to inventories and trade receivables, as well as other assets not included among investing and financing activities	−3,710.2	541.7	−4,252.0	−784.9
+/−	Changes to trade payables, as well as other liabilities not included among investing and financing activities	1,962.5	−1,652.6	3,615.0	−218.8
+/−	Interest expense/interest income	−8.5	−41.3	32.8	−79.5
=	**Cash flow from operating activities**	**−5,038.4**	**517.0**	**−5,555.5**	**−1,074.5**
−	Payments for investments in intangible assets	−61.9	0.0	−61.9	
+	Proceeds from disposals of property, plant and equipment	0.3	2.6	−2.3	−88.5
−	Payments for investments in property, plant and equipment	−1,325.3	−669.9	−655.4	97.8
+	Interest received	33.2	71.5	−38.3	−53.6
=	**Cash flow from investing activities**	**−1,353.7**	**−595.8**	**−757.9**	**127.2**
+	Proceeds from shareholders of the parent company for additions to equity capital	86.5	11,182.4	−11,095.9	−99.2
−	Interest paid	−24.7	−30.2	5.5	−18.2
=	**Cash flow from financing activities**	**61.8**	**11,152.2**	**−11,090.4**	**−99.4**
	Total changes in cash and liquid resources from cash flowss	−6,330.4	11,073.4	−17,403.7	−157.2
+	Cash and liquid resources at the beginning of the period	20,297.2	9,223.9	11,073.4	120.1
=	**Cash and liquid resources at the end of the period**	**13,966.9**	**20,297.2**	**−6,330.4**	**−31.2**

Shareholdings and Scope of Consolidation

Attachment 6

	Share of capital (in %)	Equity (in €)	Annual net income (in €)
FORMYCON Project 201 GmbH	100	20,463.39	9,939.43
FORMYCON Services GmbH	100	−1,564,135.97	106,010.98

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, 2016 to December 31, 2016. 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 with [German] statutory requirements, as a whole provides a suitable view of the Group's position, and suitably presents the opportunities and risks relating to future development.

Legal Information

Company name	Formycon AG
Legal form	German stock corporation (Aktiengesellschaft)
Registered offices	Martinsried/Planegg, Germany
Street address	Fraunhoferstr. 15 82152 Martinsried/Planegg, Germany
Commercial register	The Company is entered into the commercial register (Handelsregister) of the District Court of Munich under number HR B 200801.
Subject of business	The subject of the Company's business is the development of pharmaceutical and biopharmaceutical products, the development of drug delivery systems, the provision of diagnostic laboratory services and works for third parties, and the carrying out of diagnostic laboratory services.
Fiscal year	Calendar year
Registered capital (Grundkapital)	€ 9,099,603.00
Executive Board (Vorstand)	Dr. Carsten Brockmeyer, residing in Marzling Dr. Nicolas Combé, residing in Marburg Dr. Stefan Glombitza, residing in Holzkirchen
Supervisory Board (Aufsichtsrat)	Dr. Olaf Stiller, residing in Marburg (Chairman) Hermann Vogt, residing in Dieburg (Deputy Chairman) Peter Wendeln, residing in Oldenburg
Prior year financial statements	The financial statements as of December 31, 2015, were audited by us and provided with an unqualified audit opinion.

PanTaxAudit GmbH
Wirtschaftsprüfungsgesellschaft

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WIRTSCHAFTS-PRÜFUNGS-GESELLSCHAFT
SIEGEL

Dr. Rudolf Schmitz
Wirtschaftsprüfer
[German Public Accountant]

Doris Wolff
Wirtschaftsprüferin
[German Public Accountant]

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FORMYCON AG
Financial Statements

Balance Sheet – Assets

as of December 31, 2016

in €	Current year	Prior year
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	83,289.88	69,830.13
2. Goodwill	906,315.00	1,063,935.00
	989,604.88	**1,133,765.13**
II. Property, plant and equipment		
1. Land and buildings, including property-like rights and buildings on third-party land	193,784.52	221,938.28
2. Technical equipment and machinery	2,353,165.58	1,795,741.37
3. Other plant, production equipment and office equipment	502,437.58	535,599.84
4. Advance payments and plant under construction	360,000.00	52,858.29
	3,409,387.68	**2,606,137.78**
III. Financial assets		
1. Shares in affiliated companies	50,000.00	50,000.00
2. Loans to affiliated companies	1,557,000.00	1,547,349.12
	1,607,000.00	**1,597,349.12**
B. Current assets		
I. Inventories		
1. Raw materials, consumables and supplies	248,604.95	232,190.88
2. Advance payments	362,397.50	0.00
	611,002.45	**232,190.88**
II. Receivables and other assets		
1. Receivables from affiliated companies	4,114,007.73	2,755,972.62
of which due in more than one year € 0.00 (prior year: € 120.6K)		
2. Other assets	857,794.69	21,199.16
of which due in more than one year € 0.00 (prior year: € 21.2K)		
	4,971,802.42	**2,777,171.78**
III. Securities		
1. Other securities	10,972,156.57	19,674,750.65
	10,972,156.57	**19,674,750.65**
IV. Cash and cash equivalents	**2,638,437.20**	**462,959.92**
C. Prepaid expenses	**115,441.54**	**99,931.81**
of which original issue discounts (disagio) € 0.00 (prior year: € 0.0K)		
	25,314,832.74	**28,584,257.07**

Balance Sheet – Liabilities and Equity

in €	Current year	Prior year
A. Equity		
I. Subscribed capital[1]	9,099,603.00	9,079,603.00
II. Capital reserve	29,043,554.34	28,977,034.34
III. Loss carryforward	– 11,475,997.06	– 12,076,346.07
IV. Annual net income	– 4,182,081.29	600,349.01
	22,485,078.99	**26,580,640.28**
B. Provisions		
1. Other provisions	709,229.00	653,095.00
	709,229.00	**653,095.00**
C. Liabilities		
1. Trade accounts payable	854,780.50	387,286.15
of which due within one year € 854,780.50 (prior year: € 387.3K)		
2. Other liabilities	1,260,097.15	955,706.22
of which due within one year € 303,427.95 (prior year: € 955.7K)		
of which from taxes € 218,716.47 (prior year: € 259.2K)		
of which relating to social security € 0.00 (prior year: € 0.0K)		
	2,114,877.65	**1,342,992.37**
D. Deferred income	**5,647.10**	**7,529.42**
	25,314,832.74	**28,584,257.07**

[1] Conditional Capital (1): € 154,000.00
Conditional Capital (2): € 715,260.00

Income Statement

for the period from January 1, 2016 to December 31, 2016

in €			Current year	Prior year
1.	Sales revenue		13,861,612.60	13,561,502.60
	Total revenue		**13,861,612.60**	**13,561,502.60**
2.	Other operating income		126,168.70	214,959.81
	of which income attributable to foreign currency translation € 61,599.87 (prior year: € 137.5K)			
3.	Cost of materials			
	a. Cost of raw materials, consumables and supplies and of purchased goods	6,921,588.72		2,714,818.69
	b. Cost of purchased services	2,949,963.35		2,954,049.02
			9,871,552.07	5,668,867.71
	Gross profit		**4,116,229.23**	**8,107,594.70**
4.	Staff expenses			
	a. Wages and salaries	4,329,413.26		3,357,462.43
	b. Social contributions and costs for retirements benefits and for support benefits	787,739.54		503,501.96
	of which for retirement benefits € 89,007.14 (prior year: € 51.0K)			
			5,117,152.80	3,860,964.39
5.	Depreciation and amortization			
	of intangible assets and on property plant and equipment		698,880.00	934,812.51
	of which write-downs and write-offs € 0.00 (prior year: € 0.0K)			
6.	Other operating expenses		2,487,909.64	2,751,283.00
	of which expenses arising from foreign currency conversions € 84,573.63 (prior year: € 124K)			
	Operating income		**–4,187,713.21**	**560,534.80**
7.	Other interest and similar income		33,196.36	71,492.58
	of which income from amortization of original issue discounts € 0.00 (prior year: € 0.0K)			
	of which from affiliated companies € 0.00 (prior year: € 0.0K)			
8.	Write-downs on financial assets and on securities held in current assets		0.00	5,035.00
9.	Interest and similar expense		24,718.44	25,199.37
	of which expense for amortization of original issue discounts € 0.00 (prior year: € 0.0K)			
	of which to affiliated companies € 0.00 (prior year: € 0.0K)			
	Financial result		**8,477.92**	**41,258.21**
10.	**Income after tax**		**–4,179,235.29**	**601,793.01**
11.	Other taxes		2,846.00	1,444.00
12.	**Annual net income (loss)**		**–4,182,081.29**	**600,349.01**

Notes to the Financial Statements

General information about the Company

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

General information about the content and structure of these Financial Statements

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

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

In deviation from the above, the structure of the Income Statement has been adjusted, and sales revenue redefined, to conform to the German Accounting Directive Implementation Act (Bilanzrichtlinie-Umsetzungsgesetz, BilRUG), which entered into law on 23 July 2015. The presentation of the prior year has likewise been adjusted accordingly. These accounting adjustments did not have any noteworthy impact on the net asset position, the financial position, or the profitability position of the Company.

In bringing the Schedule of Fixed Assets per sec. 284 § 3 of the Commercial Code into accordance with the Accounting Directive Implementation Act, changes were made to classifications of property, plant and equipment. Laboratory equipment, previously included under “Other plant, production equipment and office equipment”, is now included under “Technical equipment”, which in view of the R&D nature of the company provides a more transparent presentation of assets. The prior-year figures have been adjusted accordingly, in both the Schedule of Fixed Assets and in the Balance Sheet. The adjusted presentation does not affect the presentation of the Company’s financial position or profitability position, as it only involves adjustments to subclassifications.

The net book values of these assets for the prior year were recategorized as follows:

in €	Prior year restated	Prior year as originally reported
Land and buildings	221,938.28	189,548.30
Technical equipment	1,795,741.37	0.00
Other plant, production equipment and office equipment	535,599.84	2,363,731.19
	2,553,279.49	**2,553,279.49**

The new legal definition of revenue per sec. 277 § 1 of the Commercial Code, as amended during 2015 by the Accounting Directive Implementation Act, has only a minimal effect on the comparability of revenue. If this new definition had been applied to fiscal year2015, prior-year revenue would have been € 60,910.14 higher than actually reported.

Accounting and valuation methods

Other than such changes as required under the Accounting Directive Implementation Act, the accounting and valuation methods applied to balance sheet and income statement items in the prior year were retained.

Foreign currency translation

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

Principles of balance sheet presentation and valuation

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

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

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 § 1 sentences 2 and 3), be treated as chattel.

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

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

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

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.

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

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

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

Receivables and other assets are stated at the lower of their nominal value or other fair value. 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.

Cash and cash equivalents are stated at their nominal value.

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

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

Additional notes to the Balance Sheet

A schedule of changes in fixed assets, including depreciation taken in the current fiscal year, is provided as Attachment 1 .

A schedule of **receivables and other assets** is provided as Attachment 2, showing their scheduled maturities as well as their relationship to other balance sheet items. The amount for other provisions includes the following significant individual items:

Information on other provisions

per sec. 285 Nº 12 of the Commercial Code

in €	Current year
Accrued vacation	83,784.00
Bonuses	497,465.00
Utilities and other expenses payable as tenant	15,000.00
Audit and advisory costs	36,000.00
Safekeeping obligations	47,700.00
Occupational cooperative and other social expenses	29,280.00

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 Attachment 3.

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

Additional notes to the Income Statement

per sec. 158 of the Stock Corporation Act

in €		Current year
	Annual net loss	4,182,081.29
+	Loss carryforward from prior year	11,475,997.06
=	Accumulated loss to balance sheet	15,658,078.35
	of which Loss carryforward to 2017	**15,658,078.35**

Other information

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

Members of the Executive Board:

- **Dr. Carsten Brockmeyer**, residing in Marzling (Chief Executive Officer)
- **Dr. Nicolas Combé**, residing in Marburg (Chief Financial Officer)
- **Dr. Stefan Glombitza**, residing in Holzkirchen (Chief Operating Officer)

Members of the Supervisory Board:

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

Remuneration

During the fiscal year, the members of the Supervisory Board received total remuneration, within the meaning of sec. 285 Nº 9 of the Commercial Code, of € 22,500.00. Total remuneration to members of the Executive Board was € 880,413.00 (of which € 375,000 was success-based).

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

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

Information on auditor fees per sec. 285 Nº 17 of the Commercial Code

- **Audit services:** € 30,000.00
- **Tax advisory services:** € 5,000.00

Number of staff

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

per sec. 285 Nº 7 of the Commercial Code

	Current year
Administrative activities	6
Research activities	59
Total	**65**

Shareholdings and scope of consolidation

	Share of capital (in %)	Equity (in €)	Annual net income (in €)
FORMYCON Project 201 GmbH	100	20,463.39	9,939.43
FORMYCON Services GmbH	100	– 1,564,135.97	106,010.98

Contingent liabilities

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

- **Rental agreement guarantees in the amount of:** € 117,802.00
- **Other payment guarantees in the amount of:** € 30,646.02

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

The only letters of comfort (Patronatserklärungen) which we have issued are in support of our own subsidiary FORMYCON Services GmbH. To the best of our knowledge, the relevant companies will, in all cases, be able to fulfill their underlying obligations. We therefore do not expect any claims to be made.

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 € 347,524.36.

Appropriation of profits

The Executive Board proposes to carry forward the annual net loss to the next fiscal year.

Information required per sec. 160 of the Stock Corporation Act

Number of shares outstanding

The Company has registered capital (Grundkapital) of € 9,099,603.00, which is divided into 9,099,603 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 § 2 N° 3 of the Stock Corporation Act

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

The Conditional Capital 2010, which was put in place for subscription rights in accordance with sec. 192 § 2 N° 3 of the Stock Corporation Act, has been reduced and currently totals € 148,750.00, providing entitlement to the subscription of 148,750 no-par-value bearer shares.

Martinsried/Planegg,
March 31, 2017

Dr. Carsten Brockmeyer

Dr. Nicolas Combé

Dr. Stefan Glombitza

Schedule of Fixed Assets

Attachment 1

in €	Changes in historical cost of acquisition or production					Changes in accumulated depreciation & amortization				Changes in net book value		
	Historical cost of acquisition or production at 12.31.15	Additions	Rebookings	Historical cost of disposals	Historical cost of acquisition or production at 12.31.16	Accumulated depreciation & amortization at 12.31.15	Current-year depreciation & amortization	Depreciation & amortization on disposals	Accumulated depreciation & amortization at 12.31.16	Net book value at 12.31.15	Net book value of disposals	Net book value at 12.31.16
Intangible assets												
Purchased concessions, industrial property rights, and similar rights and assets, as well as licenses for such rights and assets	254,062.19	61,920.03	0.00	0.00	315,982.22	184,232.06	48,460.28	0.00	232,692.34	69,830.13	0.00	83,289.88
Goodwill	1,576,200.00	0.00	0.00	0.00	1,576,200.00	512,265.00	157,620.00	0.00	669,885.00	1,063,935.00	0.00	906,315.00
Property, plant and equipment												
Land and buildings, including property-like rights and buildings on third-party land	414,074.91	10,799.54	20,935.58	0.00	445,810.03	192,136.63	59,888.88	0.00	252,025.51	221,938.28	0.00	193,784.52
Technical equipment and machinery	3,917,445.38	789,551.67	106,987.08	505,047.19	4,308,936.94	2,121,704.01	312,861.48	478,794.13	1,955,771.36	1,795,741.37	26,253.06	2,353,165.58
Other plant, production equipment and office equipment	879,401.84	89,871.06	0.00	13,348.61	955,924.29	343,802.00	120,049.36	10,364.65	453,486.71	535,599.84	2,983.96	502,437.58
Advance payments and plant under construction	52,858.29	435,064.37	– 127,922.66	0.00	360,000.00	0.00	0.00	0.00	0.00	52,858.29	0.00	360,000.00
Financial assets												
Shares in affiliated companies	50,000.00	0.00	0.00	0.00	50,000.00	0.00	0.00	0.00	0.00	50,000.00	0.00	50,000.00
Loans to affiliated companies	1,547,349.12	9,650.88	0.00	0.00	1,557,000.00	0.00	0.00	0.00	0.00	1,547,349.12	0.00	1,557,000.00
Total	**8,691,391.73**	**1,396,857.55**	**0.00**	**518,395.80**	**9,569,853.48**	**3,354,139.70**	**698,880.00**	**489,158.78**	**3,563,860.92**	**5,337,252.03**	**29,237.02**	**6,005,992.56**

Schedule of Receivables

Attachment 2

in € (prior year in €K)	12.31.2016	of which due in more than 1 year	of which trade receivables	of which other assets	of which from affiliated companies	of which from companies in which an ownership interest exists	of which from shareholders	of which from legally authorized representatives[1]	of which from Supervisory Board[2]
Receivables from affiliated companies	4,114,007.73	0.00	3,724,499.58	389,508.15	-.-	-.-	0.00	0.00	0.00
Other assets	857,794.69	0.00	-.-	-.-	0.00 (prior year: 0.0)	0.00 (prior year: 0.0)	0.00	0.00	0.00
Total	**4,971,802.42**	**0.00**	**3,724,499.58**	**389,508.15**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**

Schedule of Liabilities

Attachment 3

in € (prior year in €K)	12.31.2016	of which due within 1 year	of which due in 1 – 5 years	of which due in more than 5 years	of which collateralized	of which for trade accounts	of which to affiliated companies	of which to companies in which an ownership interest is held	of which other liabilities	of which to shareholders
Trade accounts payable	854,780.50	854,780.50	0.00	0.00	0.00	-.-	0.00 (prior year: 0.0)	0.00 (prior year:0.0)	-.-	0.00 (prior year: 0.0)
Other liabilities	1,260,097.15	303,427.9	735,966.15	0.00	0.00	-.-	0.00 (prior year: 0.0)	0.00 (prior year: 0.0)	-.-	0.00 (prior year: 0.0)
Total	**2,114,877.65**	**1,158,208.45**	**735,966.15**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**

Schedule of Changes in Equity

Attachment 4

in €	Subscribed capital	Capital reserves	Profit(loss) carryforward	Annual net income	Equity
as of 01.01.2016	**9,079,603.00**	**28,977,034.34**	**– 12,076,346.07**	**600,349.01**	**26,580,640.28**
Capital increases	20,000.00				20,000.00
Additions to capital reserves		66,520.00			66,520.00
Appropriation of prior-year profit			600,349.01	– 600,349.01	0.00
Annual net income				– 4,182,081.29	– 4,182,081.29
as of 12.31.2016	**9,099,603.00**	**29,043,554.34**	**– 11,475,997.06**	**– 4,182,081.29**	**22,485,078.99**

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, 2016 to December 31, 2016. 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 consolidated annual financial statements and with [German] statutory requirements, as a whole provides a suitable view of the Company's position, and suitably presents the opportunities and risks relating to future development.

Munich, Germany,
March 31, 2017

Legal Information

Company name	FORMYCON AG
Legal form	German stock corporation (Aktiengesellschaft)
Registered offices	Martinsried/Planegg, Germany
Street address	Fraunhoferstr. 15 82152 Martinsried/Planegg, Germany
Commercial register	The Company is entered into the commercial register (Handelsregister) of the District Court of Munich under number HR B 200801.
Subject of business	The subject of the Company's business is the development of pharmaceutical and biopharmaceutical products, the development of drug delivery systems, the provision of diagnostic laboratory services and works for third parties, and the carrying out of diagnostic laboratory services.
Fiscal year	The Company's fiscal year runs from January 1 to December 31 of each year
Registered capital	The Company's registered capital (Grundkapital) is € 9,099,603.00.
Executive Board and legal representation	Dr. Carsten Brockmeyer, Member of Executive Board Dr. Nicolas Combé, Member of Executive Board Dr. Stefan Glombitza, Member of Executive Board
Supervisory Board	Dr. Olaf Stiller, Chairman Hermann Vogt, Deputy Chairman Peter Wendeln
Prior year financial statements	The financial statements as of December 31, 2015, were audited by us and provided with an unqualified audit opinion.

PanTaxAudit GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Rudolf Schmitz
Wirtschaftsprüfer
[German Public Accountant]

Doris Wolff
Wirtschaftsprüferin
[German Public Accountant]

Imprint

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Date of Publication
June 2017

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