formycon

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Mid-Year Report 2016

Dr. Carsten Brockmeyer
CEO

Dr. Nicolas Combé
CFO

Letter to Shareholders

Dear Shareholders,

The biosimilars industry continues to gain momentum. More and more biopharmaceuticals are reaching the end of their patent lives, freeing the way for new biosimilar drugs to compete. Almost every month, we are now reading news of regulatory authorities in the established markets paving the way for yet another biosimilar product to enter the market – whether through outright regulatory approval or favorable preliminary reports.

We in Europe, and specifically in Germany, are fortunate to find ourselves at the leading edge of these development efforts thanks to the globally pioneering role which the European Medicines Agency (EMA) took on in encouraging this new generation of drugs. In particular, the EMA was the world's first regulatory authority to draw up a comprehensive framework for the approval of biosimilars. Since 2006, when the agency gave the green light to the very first biosimilar drug, a total of 22 such follow-on biopharmaceuticals have received approval. In Japan, another of the world's key pharmaceutical markets, a total of eight biosimilars have been approved, while the number is three in Canada and 11 in Australia. The laggard here has clearly been the United States, where the first biosimilar drug finally came to market in the fall of 2015. Since then, however, it has become evident that the U.S. is looking more and more closely at biosimilars – and that the forces are gathering to accelerate regulatory approval for products from this new class of drugs. The reason is all too clear: Healthcare systems around the globe are struggling with rising costs. Biosimilars, as a competing high-quality alternative to state-of-the-art treatments, offer the potential for significant cost savings. This is true in the United States as well, where media attention on skyrocketing drug prices has gained intensity in recent months.

The favorable trend can also be seen on the sales volume side. According to market experts, annual revenues for biosimilar products are currently in the range of USD 2.5 to 3 billion. This figure is expected to rise to some USD 20 billion by the year 2020 and roughly USD 30 billion by 2025. There is no doubt that the era of biosimilars is just beginning.

This position is supported by statements and assessments from political leaders, healthcare policymakers, health insurers and pharmaceutical industry experts. This is notably true in Germany, where a dialog on pharmaceutical policy between the federal government and key players in the pharmaceutical industry culminated several months ago in a clear statement on the increased usage of biosimilars. The potential of biosimilars was specifically emphasized by Hermann Gröhe, Germany's Federal Minister of Health, as well as Jens Spahn, a prominent member of the German Bundestag and a leading spokesperson on healthcare policy. In its most recent report on pharmaceuticals, Barmer GEK, one of Germany's largest statutory health insurers, focused particularly on biosimilars, noting that the country's statutory health insurers could save more than EUR 4.2 billion from 2017 through 2021 through the use of these competing new drugs. Looking at the broader European market, IGES, a research institute specializing in healthcare issues, estimates that aggregate EU healthcare expenditures from 2007 through 2020 could be reduced by up to EUR 33 billion.

What does all of this mean for Formycon? For starters, it serves as a powerful validation of our daily work. At a more strategic level, though, these developments show that Formycon is at the crossroads of a market which, while challenging and rapidly changing, is also extraordinarily interesting, with enormous profit potential. And we are successful in this market: We now have four biosimilar candidates in our product pipeline, one of which is already in phase III clinical trials, the final step needed for regulatory approval.

With our increasing outlays, our staff has been growing steadily. We are particularly pleased that Dr. Stefan Glombitza, an experienced pharmaceutical industry executive, will be joining our Executive Board in the fall of 2016.

At the same time, we are seeing ever more external interest in Formycon. We are regularly receiving inquiries from major global pharmaceutical and generic drug corporations who are interested in exploring cooperation with us. In our efforts to create sustainable value for our shareholders, to drive forward with the development of our company, and to ensure our future, we are striving to find solutions that meet our financing needs to fully develop our potential while also ensuring a safe and secure foundation for our company. So far we have managed to do this successfully – and this will remain our goal.

Planegg, August 10, 2016

FORMYCON AG

Dr. Carsten Brockmeyer

Dr. Nicolas Combé

Consolidated Interim Financial Statements Management Report

Summary Interim Management Report for the Period from January 1, 2016 to June 30, 2016 FORMYCON AG and FORMYCON Group

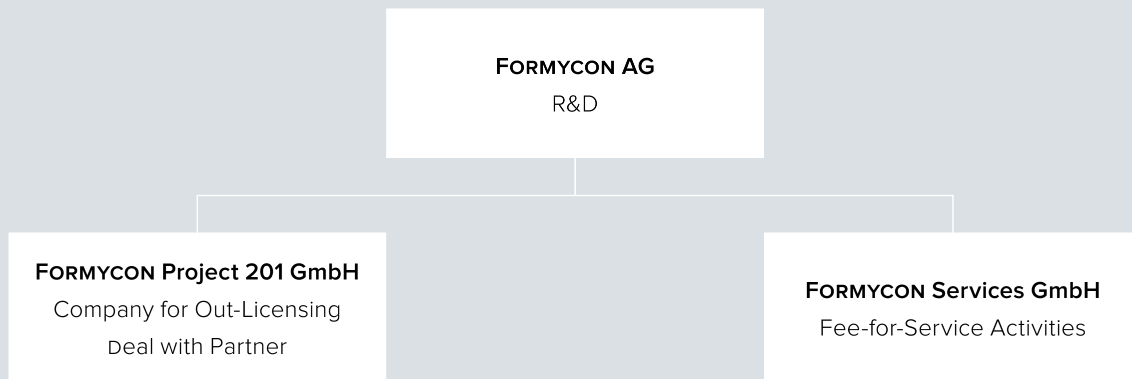
I. Basic Information about the Group

1. Business Model

The business model of FORMYCON centers around the development of follow-on products of biopharmaceuticals, so-called biosimilars. The Company's business objective is to develop new products for subsequent out-licensing, whereby their subsequent 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. The actual research and development activities are conducted by FORMYCON AG, both for its own projects as well as on behalf of its spun-off, 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.

During the half-year period, the Group's structure was thus as follows:



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

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

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

2. Research and Development

The Group's activities were, over the half-year period, substantially comprised of research and development, the expenditures for which may be broken down as follows:

	€
Cost of raw materials, consumables and supplies	3,549,047.55
Third-party services	2,297,979.74
Staff expenses	2,586,610.13
Depreciation and amortization	340,223.21
Other	1,251,521.31
	10,025,381.94

During the period, 57 employees worked in research and development. Total R&D expenditures were € 10,025,381.94, which were entirely charged as current expense. During the first half of 2016, R&D expenses 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 market entry is expected to remain in accordance with plan.

II. Report on Business Performance

1. General Economic Conditions and Industry Conditions

The German economy got off to a strong start in 2016, with the German Federal Statistical Office reporting GDP growth of 0.7% over the preceding quarter. The economic growth was driven primarily by private households with their consumption expenditures. The refugee crisis, in addition, had the effect of a small fiscal stimulus package.

However, the country's leading economic research institutions, seeing a number of factors weighing on the economy, made downward corrections in the spring of 2016 to their current-year economic forecasts for Germany. While the consensus in the fall of 2015 was for GDP growth of 1.8 percent in the current year, this consensus outlook was cut six months later to 1.6 percent. For 2017, the institutions anticipate growth of 1.5 percent.

The reporting period was marked by a number of overarching themes, such as the ongoing political conflicts; the terror attacks in Europe, particularly France; the economic imbalances in the EU; and the ongoing low interest rate policy of the European Central Bank. Toward the end of the reporting period, and immediately following it, the Brexit vote in the UK as well as the political turmoil in Turkey dominated the agenda.

The uncertainty following the Brexit vote could, in particular, result in British GDP growth in 2016 and 2017 being one to 2.5 percentage points lower than previously estimated, according to calculations from the European Commission. It could also, in the assessment of the European Central Bank (ECB), act as a brake on the economy of the Eurozone, with ECB President Mario Draghi warning that growth over the next three years could be 0.3 to 0.5 percentage points lower than previously assumed.

Despite these factors, growth in the healthcare sector remains strong. According to an IMS healthcare industry report, for example, global pharmaceutical expenditures will rise from somewhat more than USD 1 trillion in 2015 to almost USD 1.3 trillion in 2018. Demand is rising, notes the report, in particular because of the increasingly prevalence of chronic diseases and ageing populations in the developed markets. At the same time, population growth and improved access to medical care is leading to rising healthcare costs in emerging market countries. The report expects outlays in these so-called "pharmerging markets", of which China constitutes some 46 percent, to rise over the coming years at an annual rate of eight to eleven percent.

Within the pharmaceutical and biotech industry, however, the price discussions which began last year remain a key issue, and for this reason, many investors have been cautious about equities in the healthcare and biotech sectors. That being said, operating results in the industry have remained positive, and this applies as well to the biosimilars segment. Regulatory authorities have initiated examination and granted approval to a number of new biosimilar drugs. In the case of some companies, however, it has been evident that a solid financial foundation, or lack thereof, is a decisive determinant of their ability to carry forward with company growth and the development of product candidates. From this standpoint, FORMYCON is, with its out-licensing arrangements and the stable income resulting therefrom, in a sound position.

Within the healthcare sector, cost continues to be a dominant theme. Many if not virtually all of the world's healthcare systems are struggling with rising expenses, and for this reason, various European countries have launched cost reduction programs. Within Germany, the statutory health insurers are likely to further intensify their efforts of recent years to realize cost savings.

Today's biopharmaceuticals, in particular, constitute a considerable cost factor. While these modern drugs are often highly effective and have brought about major advances in the treatment of serious diseases such as multiple sclerosis, cancer and rheumatoid arthritis, the high costs of these treatments have also been substantial drivers of rising overall costs for health insurers.

It is striking that, measured in terms of aggregate sales value, patent expirations of biopharmaceuticals now exceed those of traditional drugs produced through chemical synthesis. As patent expiries of these modern biotech drugs continue to accelerate, a promising window of opportunity is opening for competing follow-on biopharmaceuticals, offering high-quality, state-of-the-art drug therapies at a significantly lower cost. This trend is expected to further increase in significance in the future, to the benefit of producers of biosimilars, including FORMYCON. Global biosimilars sales are currently some USD 3 billion. According to projections from industry experts, this figure could grow tenfold by 2025, to roughly USD 30 billion. In view of its strongly positioned pipeline, the expertise of its staff, and its solid financial foundation, FORMYCON finds itself in a favorable competition position as this new market develops.

2. Business Development during the Period

During the reporting period, both FORMYCON AG and FORMYCON Group performed according to plan. First-half revenue for the parent company only (FORMYCON AG unconsolidated) was € 7.1 million, resulting in a net period loss of € 1.2 million, while FORMYCON Group reported consolidated revenue of € 8.7 million and a net loss likewise of € 1.2 million. Neither FORMYCON AG nor FORMYCON Group has any financial debt.

During the first six months of 2016, FORMYCON was able to record a number of key advances in its product development efforts as well as its development as a company;

- At the start of 2016, FORMYCON filed several patent applications pertaining to pharmaceutical formulations and modes of administration for intraocular VEGF antagonists.
- In February, FORMYCON announced the appointment of Professor Johannes Buchner, a

noted biotechnology expert, to its Advisory Board.

- Also in February, FORMYCON and bioeq GmbH, its licensing partner, were able to recruit the first patients into the pivotally important phase III clinical studies for FYB201 (ranibizumab).

- In the same month, FORMYCON announced that FYB203, the next of the products in its development pipeline, is a biosimilar to compete with Eylea® (aflibercept).

- With the release of its first-quarter results, FORMYCON also announced that a fourth biosimilar development project has now been added to its product pipeline.

- 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 most influential people in the global pharmaceutical industry. He had been ranked among the top 20 already in 2015.

- In July, FORMYCON announced that its Executive Board, until now consisting of two, would be expanded with the addition of Dr. Stefan Glombitza, a highly regarded pharmaceutical executive, who will become the Company's Chief Operating Officer.

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

3. Shares

Approx. 50 percent of the shares of FORMYCON AG are held by family offices and institutional investors. A further approx. 20 percent are held by the Company's founders and management. The remaining approx. 30 percent are widely held. The Company's shares are listed in the Entry Standard segment of the Frankfurt Stock Exchange.

Since the start of July 2016, FORMYCON has been additionally subject to the requirements of the Market Abuse Regulation (MAR), under which the Company is obligated to publish ad hoc announcements of events that could affect its share price, to report securities transactions by its senior executives (directors' dealings), and to maintain lists if Company insiders. FORMYCON has punctually implemented these regulatory requirements, integrating the necessary new processes into its existing risk management system as necessary.

4. Staff

Because of FORMYCON's increasing number of biosimilar projects and the advance of its drug candidates currently under development, its staff continued to grow during the first half of 2016, starting the period with 53 employees and growing to 65 by the end of June. A moderate further increase in staff is planned for the remainder of 2016.

5. Financial performance

The financial results herein are reported for the period from January 1, 2016 to June 30, 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 continued to drive forward with the development of its biosimilar products in accordance with plan. The two projects which are the subjects of existing out-licensing deals, FYB201 and FYB203, once again generated significant revenue. Total period sales revenue for FORMYCON AG (parent entity only) was € 7.1 million, virtually unchanged from the same first-half period in 2015. On a Group (consolidated) basis, cost of materials rose to € 5.8 million, resulting in a gross profit of € 3.0 million.

The Company anticipates that its coverage ratios will remain stable or improve.

For the first half of 2016, FORMYCON Group generated consolidated sales revenue of € 8.7 million and a net reported loss for the period of € 1.2 million

b) Financial position

The financial position of both FORMYCON AG and FORMYCON Group during the period remained solid and stable, with key liquidity ratios significantly above average. Current assets totaled € 21,277K, compared to total current liabilities of € 1,715K. 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 € 5,702 K, while marketable securities, also included in cash and liquid resources in the accompanying consolidated statement of cash flows, totaled € 11,975K.

Because of the Company's intense R&D efforts and high related expenditures during the period, and because these expenditures were not capitalized, the Company reported a period loss.

The Company did not have any financial debt.

c) Net assets

During the reporting period, the Group's equity capital ratio increased from 91.5% to 93.19%, thus remaining at a high level. Non-current assets, which remained roughly constant as reinvested capital slightly exceeded depreciation and amortization expense, were completely covered by equity capital, suggesting a strong and healthy balance sheet structure.

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

6. 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 € 19,502K for the consolidated Group (€ 19,561K for the unconsolidated parent company only) as of the period closing date. Consolidated cash flow (calculated as annual net income + depreciation and amortization + changes in long-term provisions) for the period was negative at € - 705K. This was due to the fact that the Group's investment outflows of € 434K exceeded current depreciation and amortization expense.

Return on equity and return on total capital for the period were, as already described, negative.

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

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

III. Report on Subsequent Events

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

IV. Report on Outlook

With its strong financial foundation and range of services and expert capabilities, the Group enjoys a strong market position. Its biosimilar projects, moreover, are moving forward according to plan. The launch of FYB201 in Europe and the U.S. remains anticipated in the year 2020, immediately upon expiry of the reference product patent.

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

FORMYCON will, in the future, continue to invest a significant portion of its resources into the development of new biosimilar drug products, with the aim of further strengthening the basis for the Company's long-term business and financial success. Alongside its pending biosimilar projects, the Company will launch and push forward with additional new development projects, proceeding carefully and deliberately. With these additional projects, further increases are likewise to be expected in product development expenditures, in the current fiscal years as well as 2017. Net income for fiscal year 2016 will to a large extent depend upon pending efforts to sign a deal with a partner for FYB202, thus limiting the usefulness of any forecasts made at this time. Financial results in future years will likewise depend greatly upon the success of partnering deals for further development projects.

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

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

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

No significant changes are expected in 2016 to the Company's financial and non-financial performance indicators.

V. Report on Opportunities and Risks

1. Report on Opportunities

Looking ahead to the future, a continuation of favorable trends in the healthcare sector is foreseen. 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 worldwide, 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 extraordinary promise. With its extensive expertise in biosimilars, FORMYCON has potential access to this entire market. The results it has already achieved strongly suggest that the Company, with its current strategy, is on the right path.

Opportunities for future organic growth are particularly in future product development as well as further out-licensing deals.

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

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

2. Report on Risks

Industry-Specific Risks:
Possible turbulence in the world's financial and commodity markets or geopolitical risks could weaken the economy. This, in turn, could adversely affect not only general business conditions but also, insofar as healthcare markets are specifically impacted, the demand for products developed by FORMYCON. Such an event could thus pose risks to the Company's revenue and earnings.

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

A further risk, albeit a small one, is that the manufacturer of the reference drug might change a production process or dosage form, forcing the producer of a biosimilar drug to follow suit. There is, in addition, the potential for disputes over intellectual property rights. The avoidance of infringements upon the intellectual property rights of third parties, or the defense against charges of infringements claimed by third parties, 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 significant risk is that the producer of the 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.

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.

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.

3. 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 Relating to the Use of Financial Instruments

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

The Group's most significant foreign-currency exposure arises from purchases of third-party services in Swiss francs (CHF), 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.

Planegg, August 10, 2016

FORMYCON AG

Dr. Carsten Brockmeyer

Dr. Nicolas Combé

FORMYCON Group

Consolidated Interim Financial Statements

Consolidated Interim Income Statement for the Period from January 1, 2016 to June 30, 2016

		06.30.2016	06.30.2015
	€	€	€
1. Sales revenue		8,762,467.08	9,819,080.95
Total revenue		8,762,467.08	9,819,080.95
2. Other operating income		92,450.67	38,666.60
3. Cost of materials			
a) Cost of raw materials, consumables and supplies and of purchased goods	3,549,047.55		429,208.48
b) Cost of purchased services	2,297,979.74		3,853,027.55
		5,847,027.29	**4,282,236.03**
Gross profit		3,007,890.46	5,575,511.52
4. Staff expenses			
a) Wages and salaries	2,221,749.97		1,651,444.42
b) Social contributions and costs for retirement benefits and for support benefits	364,860.16		261,946.33
of which for retirement benefits: € 31,644.84 (prior year: € 30,337.98)			
		2,586,610.13	**1,913,390.75**
5. Depreciation and amortization			
a) of intangible assets and on property, plant and equipment		340,223.21	507,067.93
6. Other operating expenses		1,251,521.31	1,614,830.22
Operating income		-1,170,464.19	1,540,222.62
7. Other interest and similar income		642.37	10.55
8. Interest and similar expense		12,870.05	11,069.59
Financial result		-12,227.68	-11,059.04
9. Income from ordinary activities		-1,182,691.87	1,529,163.58
10. Other taxes		929.00	468.00
11. Period net income (loss)		**-1,183,620.87**	**1,528,695.58**

Consolidated Interim Balance Sheet as of June 30, 2016

Assets

	06.30.2016	12.31.2015
	€	€
A. Fixed assets		
I. Intangible assets		
1. Purchased concessions, industrial property rights, and similar rights and assets, as well as licenses for such rights and assets	111,030.74	69,830.13
2. Goodwill	985,125.00	1,063,935.00
	1,096,155.74	**1,133,765.13**
II. Property, plant and equipment		
1. Land and buildings, including property-like rights and buildings on third-party land	164,275.16	189,548.30
2. Other plant, production equipment and office equipment	2,580,835.78	2,363,731.19
3. Advance payments and plant under construction	42,665.00	52,858.29
	2,787,775.94	**2,606,137.78**
B. Current assets		
I. Inventories		
1. Raw materials, consumables and supplies	260,648.24	232,190.88
2. Advance payments	50,000.00	0.00
	310,648.24	**232,190.88**
II. Receivables and other assets		
1. Trade accounts receivable	2,951,231.81	2,756,867.56
2. Other assets	426,654.09	21,199.16
	3,377,885.90	**2,778,066.72**
III. Securities		
1. Other securities	11,974,750.65	19,674,750.65
IV. Cash and cash equivalents	5,813,878.52	622,487.18
C. Prepaid expenses	66,996.72	99,931.81
	25,428,091.71	**27,147,330.15**

Liabilities and Equity

	06.30.2016	12.31.2015
	€	€
A. Equity		
I. Subscribed capital[1]	9,084,603.00	9,079,603.00
II. Capital reserve	28,981,464.34	28,977,034.34
III. Loss carryforward	-13,185,620.05	-13,763,138.18
IV. Annual net income(loss)	-1,183,620.87	577,518.13
	23,696,826.42	**24,871,017.29**
B. Provisions		
1. Other provisions	799,907.00	663,895.00
C. Liabilities		
1. Trade accounts payable	259,954.66	649,182.22
of which due within one year: € 644,766.66 (prior year: € 2,270,649.00)		
2. Other liabilities	664,815.37	955,706.22
of which from taxes: € 1,347,072.03 (prior year: € 60,876.56)		
of which due within one year: € 1,703,074.68 (prior year: € 994,321.34)		
	924,770.03	**1,604,888.44**
D. Deferred income	6,588.26	7,529.42
	25,428,091.71	**27,147,330.15**

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

Notes to the Consolidated Interim Financial Statements

Notes to the Consolidated Interim Financial Statements for the Period from January 1, 2016 to June 2016

General

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

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

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

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

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

To provide a better overview, additional information on the Consolidated Interim Balance Sheet and Consolidated Interim Income Statement are provided in these Notes to the Consolidated Interim Financial Statements. The consistency principle has been applied with regard to accounting approach, valuation, and presentation.

Fiscal Year and Period of Consolidation

These Consolidated Interim Financial Statements have been prepared as of June 30, 2016.

Interim financial statements were correspondingly prepared for the individual companies within the scope of consolidation.

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 para. 2 of the Commercial Code was not necessary because the influence of intra-company sales of goods and services was of minimal importance for the presentation of a true and fair view of the Group's net assets, earnings and financial position.

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

Foreign Currency Translation

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

Derivative Financial Instruments

The Group did not hold any derivative financial instruments as of June 30, 2016.

Accounting and Valuation Principles

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

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

Purchased **intangible assets** (including software) are capitalized and amortized based upon expected useful life. Purchased software for which the individual cost of acquisition does not exceed € 410.00 may, in following the relevant tax accounting regulations ("trivial programs" per German Income Tax Guideline 5.5 para. 1 sentences 2 and 3), be treated as chattel.
The Group has not made any use of its elective right under sec. 248 para. 2 of the Commercial Code to capitalize self-produced intangible assets.
Previously existing goodwill continues to be amortized on a linear pro rata basis over a business-customary useful life of ten years (under the continuity principle).
The long useful life was chosen because this goodwill represents, among other factors, licensing opportunities over long periods.

Property, plant and equipment are valued at their cost of acquisition or production, less accumulated depreciation. The depreciation of all moveable assets is linear, with depreciation in the year of acquisition on a pro rata basis.
Low-value fixed assets with an individual acquisition cost of up to € 150.00 are expensed in full in their year of acquisition.
Low-value fixed assets with an individual acquisition cost of between € 150.00 and € 410.00 are depreciated in full in their year of acquisition.

Inventories are valued at their rolling moving average prices. Both finish and unfinished good are valued at their cost of production in accordance with sec. 298 para. 1 and sec. 255 para. 2 sentence 2 of the Commercial Code. All recognizable risks to inventory arising from such factors as extended inventory holding periods or diminished usability are reflected through appropriate write-downs.

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

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

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

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

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

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

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

Additional Notes to the Consolidated Balance Sheet

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

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

Additional Notes to the Consolidated Income Statement

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

	absolute €	relative
Out-licensing income / research	7,053,490.00	100.00%
Services	0.00	0.00 %

Other operating income includes foreign currency gains in the amount of € 38,954.33 (prior year: € 16,434.33).

Staff expenses do not include expenses for retirement schemes.

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

Other Information

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

Members of the Executive Board (Vorstand):

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

Members of the Supervisory Board (Aufsichtsrat):

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

During the first half of the fiscal year, the members of the Supervisory Board received total remuneration, within the meaning of sec. 314 no. 6 of the Commercial Code, of € 11,250.00.

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

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

Dr. Olaf Stiller, Bodenwert Immobilien AG,
NanoRepro AG

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

	€
Audit services (1H2016)	20,000.00
Tax advisory services	0.00
Other services	0.00

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

Total company staff	62
of which in administration	7
of which in research	55

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

Information Required per sec. 160 of the Stock Corporation Act

1. Shares Outstanding

The Company has registered capital (Grundkapital) of € 9,079,603, which is divided into 9,079,603 bearer shares without par value. As of the period closing date, an increase to the Company's registered capital from its conditional capital (for stock options) in the amount of € 20,000.00 was pending, of which € 5,000.00 was already paid in. This amount has therefore been additionally included in subscribed capital, so that the total reported amount is € 9,084,603.00.

2. Approved Capital

By resolution of the annual shareholders' meeting of June 30, 2015, the Executive Board is authorized, subject to the approval of the Supervisory Board, to increase the Company's registered capital one or more times at any time until June 29, 2020, and by no more than a total of € 4,531,301.00, through the issuance of up to 4,531,301 new no-par-value bearer shares, against contributions in cash and/or in kind

(the "Authorized Capital 2015"). The newly issued shares shall participate in profits from the start of the fiscal year for which, at the time of their issuance, no resolution has yet been taken by the annual shareholders' meeting as to the application of retained profits. The Company's shareholders shall, in general, be granted subscription rights. The shares may, however, also be assumed by one or more banks subject to the obligation that they offer these to the Company's shareholders for subscription (indirect subscription rights).

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

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

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

Planegg, August 10, 2016

FORMYCON AG

Dr. Carsten Brockmeyer

Dr. Nicolas Combé

Shareholdings and Scope of Consolidation

Attachment 1 to Notes

	Share of capital	Equity	Period income (loss)
		€	€
FORMYCON Project 201 GmbH	100 %	58,611.34	48,087.38
FORMYCON Services GmbH	100 %	-1,675,378.70	-5,231.75

Consolidated Statement of Changes in Fixed Assets for the Period from January, 1 2016 to June 30, 2016

Attachment 2 to Notes

	Historical cost of acquisition/ production	Additions	Transfers	Disposals at historical cost	Accumulated depreciation & amortization	Net book value at 06.30.2016	Net book value at 12.31.2015	Current year depreciation & amortization	Disposals at net book value
	€	€	€	€	€	€	€	€	€
I. Intangible assets									
1. Purchased concessions, industrial property rights, and similar rights and assets, as well as licenses for such rights and assets	233,342.77	61,920.03	0.00	0.00	184,232.06	111,030.74	69,830.13	20,719.42	0.00
2. Goodwill	1,576,200.00	0.00	0.00	0.00	591,075.00	985,125.00	1,083,935.00	78,810.00	0.00
II. Property, plant and equipment									
1. Land and buildings, including property-like rights and buildings on third-party land	353,823.64	0.00	0.00	0.00	189,548.48	164,275.16	189,548.30	25,273.14	0.00
2. Other plant, production equipment and office equipment	4,940,283.56	359,696.16	85,257.66	415,117.44	2,389,284.16	2,580,835.78	2,363,731.19	215,420.65	12,428.58
3. Advance payments and plant under construction	52,858.29	75,064.37	-85,257.66	0.00	0.00	42,665.00	52,858.29	0.00	0.00
	7,156,508.26	**496,680.56**	**0.00**	**415,117.44**	**3,354,139.70**	**3,883,931.68**	**3,759,902.91**	**340,223.21**	**12,428.58**

Consolidated Schedule of Liabilities as of June 30, 2016

Attachment 3 to Notes

	06.30.2016	of which due in < 1 year	of which due in 1–5 years	of which due in > 5 years	of which secured
	€	€	€	€	€
1. Trade accounts payable	259,954.66	259,954.66	0.00	0.00	0.00
2. Other liabilities	664,815.37	232,962.71	431,852.66	0.00	578,847.13
	924,770.03	**492,917.37**	**431,852.66**	**0.00**	**578,847.13**

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

Consolidated Statement of Cash Flows for the Period from January 1,2016 to June 30, 2016

Attachment 4 to Notes

	06.30.2016	06.30.2015
	€	€
Net income for the period	-1,183,620.87	1,528,695.58
Depreciation, amortization, write-downs (impairments) and write-ups of fixed assets	340,223.21	507,067.93
Additions to/subtractions from provisions	136,012.00	52,800.85
Changes to inventories and trade receivables, as well as other assets not included among investing and financing activities	-645,341.45	-624,352.44
Changes to trade payables, as well as other liabilities not included among investing and financing activities	-681,059.57	-917,129.00
Gain/loss resulting from disposals of fixed assets	12,428.58	19,984.66
Interest expense/interest income	12,227.68	11,059.04
Net income tax expense	-	-
Cash flow from operating activities	**-2,009,130.42**	**578,126.62**
Amounts paid for investments in intangible assets	-	-
Amounts paid for investments in property, plant and equipment	-496,680.56	-350,366.32
Interest received	642.37	10.55
Cash flow from investing activities	**-496,038.19**	**-350,355.77**
Amounts received from shareholders of the parent company for additions to equity capital	9,430.00	11,115,960.00
Interest paid	-12,870.05	-11,069.59
Cash flow from financing activities	**-3,440.05**	**11,104,890.41**
Total changes in cash and liquid resources from cash flows	-2,580,608.66	11,332,661.26
Cash and liquid resources[1] at the beginning of the period	20,297,237.83	9,223,867.92
Cash and liquid resources[1] at the end of the period	**17,788,629.17**	**20,556,529.18**

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

Consolidated Schedule of Changes in Equity for the Period Ending June 30, 2016

Attachment 5 to Notes

	as of January 1, 2016	Additions to equity	Appropriation of prior year net income	Period net income (loss)	as of June 30, 2016
	K€	K€	K€	K€	K€
Subscribed capital	9,080	5			9,085
Capital reserve	28,977	4			28,981
Profit (loss) carryforward	-13,763		577		-13,186
Consolidated net income (loss)	577		-577	-1,183	-1,183
Equity	24,871	9		-1,183	23,697
	24,871	**9**		**-1,183**	**23,697**

Consolidated Interim Financial Statements **Auditor's Review Report**

"To FORMYCON AG, Planegg, Germany:

We have reviewed the accompanying consolidated interim financial statements as of June 30, 2016, consisting of the balance sheet, income statement, statement of cash flows, schedule of changes in equity, and notes to the financial statements, as well as the interim group management report for the period from January 1, 2016 to June 30, 2016.

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

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

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

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

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

The mandate under which we have provided our services to FORMYCON AG as described above is subject to the General Terms of Engagement for German Public Auditors and Public Audit Firms of January 1, 2002. By acknowledging and using the information contained within this report, the recipient confirms acceptance of the terms and conditions therein (including the liability provision under item 9 of the General Terms of Engagement), specifically the applicability thereof in relation to us."

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

Cologne, August 12, 2016

Dr. Lehwald und Kollegen GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft
Dr. Rudolf Schmitz
Wirtschaftsprüfer
[German Public Accountant]

Formycon AG

Interim Financial Statements

Formycon AG
Interim Income Statement for the Period from January 1, 2016 to June 30, 2016

		06.30.2016	06.30.2015
	€	€	€
1. Sales revenue		7,053,490.34	7,110,312.00
Total revenue		7,053,490.34	7,110,312.00
2. Other operating income		88,061.95	268,409.93
3. Cost of materials			
a) Cost of raw materials, consumables and supplies and of purchased goods	3,549,047.55		429,208.48
b) Cost of purchased services	651,380.18		1,426,147.09
		4,200,427.73	**1,855,355.57**
Gross profit		2,941,124.56	5,523,366.36
4. Staff expenses			
a) Wages and salaries	2,221,749.97		1,651,444.42
b) Social contributions and costs for retirement benefits and for support benefits	364,860.16		261,946.33
		2,586,610.13	**1,913,390.75**
5. Depreciation and amortization			
a) of intangible assets and on property, plant and equipment		340,223.21	507,067.93
6. Other operating expenses		1,227,611.04	1,439,954.96
Operating income		-1,213,319.82	1,662,952.72
7. Other interest and similar income		642.37	10.55
8. Interest and similar expense		12,870.05	11,069.59
Financial result		-12,227.68	-11,059.04
9. Income from ordinary activities		-1,225,547.50	1,651,893.68
10. Other taxes		929.00	468.00
11. Period net income (loss)		**-1,226,476.50**	**1,651,425.68**

Interim Balance Sheet as of June 30, 2016

Assets

	06.30.2016	12.31.2015
	€	€
A. Fixed assets		
I. Intangible assets		
1. Purchased concessions, industrial property rights, and similar rights and assets, as well as licenses for such rights and assets	111,030.74	69,830.13
2. Goodwill	985,125.00	1,063,935.00
	1,096,155.74	**1,133,765.13**
II. Property, plant and equipment		
1. Land and buildings, including property-like rights and buildings on third-party land	164,275.16	189,548.30
2. Other plant, production equipment and office equipment	2,580,835.78	2,363,731.19
3. Advance payments and plant under construction	42,665.00	52,858.29
	2,787,775.94	**2,606,137.78**
III. Financial assets		
1. Shares in affiliated companies	50,000.00	50,000.00
2. Loans to affiliated companies	1,557,349.12	1,547,349.12
	1,607,349.12	**1,597,349.12**
B. Current assets		
I. Inventories		
1. Raw materials, consumables and supplies	260,648.24	232,190.88
2. Advance payments	50,000.00	0.00
	310,648.24	**232,190.88**
II. Receivables and other assets		
1. Trade accounts receivable	1,945.94	0.00
2. Receivables from affiliated companies	2,638,072.88	2,755,972.62
3. Other assets	893,309.55	21,199.16
	3,533,328.37	**2,777,171.78**
III. Securities		
1. Other securities	11,974,750.65	19,674,750.65
IV. Cash and cash equivalents	5,701,891.79	462,959.92
C. Prepaid expenses	66,996.72	99,931.81
	27,078,896.57	**28,584,257.07**

Liabilities and Equity

	06.30.2016	12.31.2015
	€	€
A. Equity		
I. Subscribed capital[1]	9,084,603.00	9,079,603.00
II. Capital reserve	28,981,464.34	28,977,034.34
III. Loss carryforward	-11,475,997.06	-12,076,346.07
IV. Annual net income(loss)	-1,226,476.50	600,349.01
	25,363,593.78	**26,580,640.28**
B. Provisions		
1. Other provisions	789,107.00	653,095.00
C. Liabilities		
1. Trade accounts payable	254,792.16	387,286.15
of which due within one year: € 254,792.16 (prior year: € 387,286.16)		
2. Other liabilities	664,815.37	955,706.22
of which due within one year: € 232,962.71 (prior year: € 955,706.22)		
of which from taxes: € 49,415.62 (prior year: € 259,156.21)		
of which relating to social security: € 0.00 (prior year: € 600.00)		
	919,607.53	**1,342,992.37**
D. Deferred income	6,588.26	7,529.42
	27,078,896.57	**28,584,257.07**

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

Notes to the Interim Financial Statements

Notes to the Interim Financial Statements for the Period from January 1, 2016 to June 30, 2016

I. General

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

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

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

II. Accounting and Valuation Methods

General

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

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

Foreign Currency Translation

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

Production Costs

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

Fixed Assets

Purchased **intangible assets**, with the exception of low-cost software, are stated at their cost of acquisition less accumulated amortization, which is linear. Purchased software which is, for each individual purchase, of minimal value is expensed in full in the year of acquisition. The Company has not made any use of the elective right under sec. 248 para. 2 of the Commercial Code to capitalize self-produced intangible assets.

Previously existing goodwill continues to be amortized on a linear pro rata basis over a business-customary useful life of ten years (under the continuity principle). The long useful life was chosen because this goodwill represents, among other factors, licensing opportunities over long periods.

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

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

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

Current Assets

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

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

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

Cash and cash equivalents are stated at their nominal value.

Provisions

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

Liabilities

Liabilities are stated at the amount required for their fulfillment.

III. Additional Notes to the Balance Sheet

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

	€
Accrued vacation	415,817.00
Bonuses	254,150.00
Safekeeping obligations	44,600.00
Occupational cooperative	8,540.00
Financial statements	11,000.00
Other	55,000.00

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.

IV. Additional Notes to the Income Statement

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

	€
Net period loss (first half of fiscal year)	1,226,176.50
Loss carryforward from prior year	11,475,997.06
Accumulated loss to balance sheet	12,702,473.56
of which: Loss carryforward to second half of 2016	12,702,473.56

V. Other Information

Information on Governing Bodies

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

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

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

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

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

During the first half of the fiscal year, the members of the **Supervisory Board** received **total remuneration**, within the meaning of sec. 285 no. 9a of the Commercial Code, of € 11,250.00.

Number of staff

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

Employees in operating activities	56
Employees in business office	4
Employees in management	2
Total:	**62**

VI. Contingent Liabilities

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

Rental agreement guarantees in the amount of € 234,475.00.

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 subsidiaries. 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.

VII. Other Financial Obligations

The total amount of other financial obligations, within the meaning of sec. 285 sentence 1 no. 3a of the Commercial Code, results from contractual obligations for ongoing performance. For obligations up to five years, the annual amount is € 63,898.64. For obligations beyond five years, the annual amount is € 347,524.38.

VIII. Shareholdings

As to our subsidiaries, we have the following information to report:

- **FORMYCON Services GmbH 100 %**
  Period net income (loss) for 1H 2016:
  € -5,231.75
  Equity capital as of June 30, 2016:
  € -1,675,378.70

- **FORMYCON Project 201 GmbH 100 %**
  Period net income for 1H 2016:
  € 48,087.38
  Equity capital as of June 30, 2016:
  € 58,611.34

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

Shares Outstanding

The Company has registered capital (Grundkapital) of € 9,079,603.00 (prior year: € 8,626.7 K), which is divided into 9,079,603 bearer shares without par value. As of the period closing date, an increase to the Company's registered capital from its conditional capital (for stock options) in the amount of € 20,000.00 was pending, of which € 5,000.00 was already paid in. This amount has therefore been additionally included in subscribed capital, so that the total reported amount is € 9,084,603.00.

Approved Capital

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

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

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

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

Planegg, August 10, 2016

FORMYCON AG

Dr. Carsten Brockmeyer   Dr. Nicolas Combé

Schedule of Changes in Fixed Assets

Attachment 1 to Notes

	Historical cost of acquisition/ production	Additions	Transfers	Disposals at historical cost	Accumulated depreciation & amortization	Net book value at 06.30.2016	Net book value at 12.31.2015	Current year depreciation & amortization	Disposals at net book value
	€	€	€	€	€	€	€	€	K€
I. Intangible assets									
1. Purchased concessions, industrial property rights, and similar rights and assets, as well as licenses for such rights and assets	233,342.77	61,920.03	0.00	0.00	184,232.06	111,030.74	69,830.13	20,719.42	0.00
2. Goodwill	1,576,200.00	0.00	0.00	0.00	591,075.00	985,125.00	1,063,935.00	78,810.00	0.00
II. Property, plant and equipment									
1. Land and buildings, including property-like rights and buildings on third-party land	353,823.64	0.00	0.00	0.00	189,548.48	164,275.16	189,548.30	25,273.14	0.00
2. Other plant, production equipment and office equipment	4,940,283.56	359,696.16	85,257.66	415,117.44	2,389,284.16	2,580,835.78	2,363,731.19	215,420.65	12,428.58
3. Advance payments and plant under construction	52,858.29	75,064.37	-85,257.66	0.00	0.00	42,665.00	52,858.29	0.00	0.00
III. Financial assets									
1. Shares in affiliated companies	50,000.00	0.00	0.00	0.00	0.00	50,000.00	50,000.00	0.00	0.00
2. Loans to affiliated companies	1,547,349.12	10,000.00	0.00	0.00	0.00	1,557,349.12	1,547,349.12	0.00	0.00
	8,753,857.38	**506,680.56**	**0.00**	**415,117.44**	**3,354,139.70**	**5,491,280.80**	**5,337,252.03**	**340,223.21**	**12,428.58**

Schedule of Receivables

Attachment 2 to Notes

	06.30.2016	of which due in > 1 year	of which trade receivables	of which other assets
	€	€	€	€
Trade accounts receivable	1,945.94			
Receivables from affiliated companies	2,638,072.88	120,616.75	2,517,456.12 (2015: K€ 120.0)	120,616.75 (2015: K€ 560.6)
Other assets	833,309.65	0.00	-	-
	3,533,328.37	**120,616.75**		

Attachment 3 to Notes

Schedule of Liabilities

	06.30.2016	of which due in < 1 year	of which due in 1–5 years	of which due in > 5 Jahren	of which secured
	€	€	€	€	€
Trade accounts payable	254,792.16	254,792.16	0.00	0.00	0.00
Other liabilities	664,815.37	232,962.71	431,852.66	0.00	578,847.13
	919,607.53	**487,754.87**	**431,852.66**	**0.00**	**578,847.13**

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

Attachment 4 to Notes

Schedule of Changes in Equity

	Subscribed capital	Capital reserve	Loss carryforward	Annual net income	Equity capital
	€	€	€	€	€
as of January 1, 2016	**9,079,603.00**	**28,977,034.34**	**-12,076,346.07**	**600,349.01**	**26,580,640.28**
Capital increases	5,000.00	-	-	-	5,000.00
Increases in capital reserve	-	4,430.00	-	-	4,430.00
Appropriation of prior year net income	-	-	600,349.01	-600,349.01	600,349.01
Annual net income	-	-	-	-1,226,476.50	-1,226,476.50
as of June 30, 2016	**9,084,603.00**	**28,981,464.34**	**-11,475,996.06**	**1,226,476.50**	**25,363,593.78**

Interim Financial Statements
Auditor's Review Report

"To FORMYCON AG, Planegg, Germany:

We have reviewed the accompanying interim financial statements as of June 30, 2016, consisting of the balance sheet, income statement and notes to the financial statements, as well as the interim management report for the period from January 1, 2016 to June 30, 2016.

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

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

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

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

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

The mandate under which we have provided our services to FORMYCON AG as described above is subject to the General Terms of Engagement for German Public Auditors and Public Audit Firms of January 1, 2002. By acknowledging and using the information contained within this report, the recipient confirms acceptance of the terms and conditions therein (including the liability provision under item 9 of the General Terms of Engagement), specifically the applicability thereof in relation to us."

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

Cologne, August 12, 2016

Dr. Lehwald und Kollegen GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft
Dr. Rudolf Schmitz
Wirtschaftsprüfer
[German Public Accountant]

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