formycon®

Half-Year Report 2017

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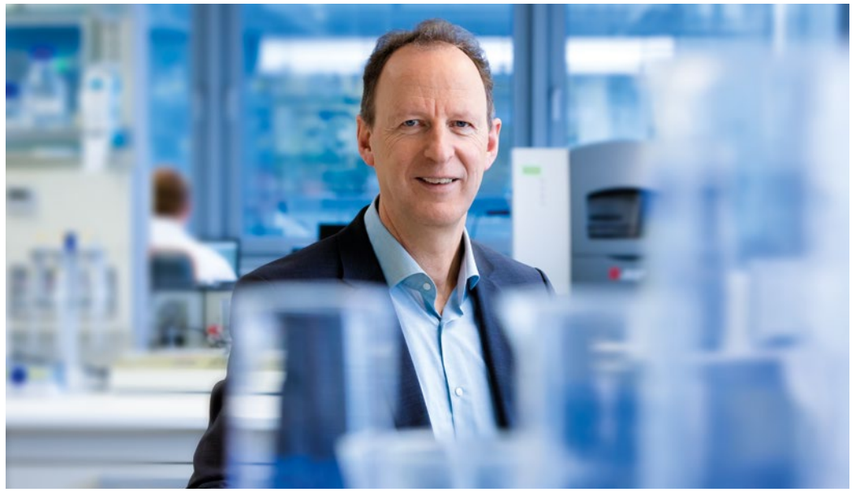
A

Letter to Shareholders



Dr. Carsten Brockmeyer CEO

Letter to Shareholders

Dr. Stefan Glombitza COO

Dr. Nicolas Combé CFO

Dear Shareholders,

Modern pharmaceutical development using biotechnological methods has produced, and continues to produce, astounding advances in the treatment of serious chronic diseases. But such state-of-the-art therapies come at a price, and costs for these drugs continue to rise and rise. In its 2017 report on pharmaceuticals, for example, one of Germany's largest health insurers, Barmer, specifically cited a significant rise in spending on cancer drugs, with total expenditure for outpatient care having soared 41 percent since 2011. While the cost of drugs for the first phase of chemotherapy treatment might have typically been a few thousand euros in the 1990s, these costs today may run, in many cases, to one hundred thousand euros or more per patient and year. There have, over recent years, been similar dramatic increases in the cost of medications for the treatment of such other chronic diseases as rheumatism, severe eye diseases, and psoriasis.

Compared to their reference products, biosimilar drugs offer a considerable cost advantage, with the same quality and safety as their reference products, thereby making a substantial contribution towards the efforts of health systems to control their costs. Simultaneously, these lower costs can open access to these powerful drugs to a broader range of patients.

Eleven years after the regulatory approval of the first biosimilar in Europe, it should come as no surprise that these biopharmaceutical follow-on products have begun to pervade everyday medical practice. As of the end of June 2017, 29 biosimilars have been approved in Europe, and five in the USA. Just in the first half of 2017 alone, the European Medicines Agency (EMA) gave the green light to seven new biosimilar drugs. And with more such regulatory approvals possible through the remainder of 2017, these numbers could rise even higher.

During the first six months of 2017, FORMYCON likewise continued to make great strides forward. Events reaffirmed, moreover, that the company's key past decisions were the right ones, and that the foundation upon which it rests today is both solid and well structured. And where we are today is the collective achievement of the entire team at FORMYCON. As representative examples from among our staff, we would like to introduce to you, over the next several pages, several of these individuals, thereby giving you a more personal look behind the scenes.

The preeminent event in the first half of 2017 was the announcement that our development candidate FYB202 is a prospective biosimilar to Stelara®[1]. Stelara® is a human monoclonal antibody that has been used since 2009 for the treatment of various inflammatory diseases including psoriasis. In 2016, Stelara® was also approved, as an extension of indication, for the treatment of Crohn's disease, a chronic inflammatory condition.

[1] Stelara is a registered trademark of Johnson & Johnson

The financial markets have applauded FORMYCON's strong corporate performance during the first half of 2017, with the company's shares gaining significantly in value.

The significance of Stelara® lies not only in its effectiveness as a therapeutic agent but also its attractiveness as a commercial product. Already today, sales of this drug are roughly USD 3.2 billion annually, and a further near-term rise to USD 4 billion can be realistically expected. And this revenue figure could grow even larger as regulatory approval for this drug is extended to cover treatment of other serious gastrointestinal diseases.

This portends well for the future commercial success of our biosimilar candidate, particularly in view of the additional fact that we – as with our other product candidates – began our own development at the right time and are striving to enable a potential marketing partner for a launch of this Stelara® biosimilar on the market promptly upon patent expiration.

Our further advanced biosimilar drug candidate, FYB201, for which we have signed an out-licensing deal with Bioeq IP AG, is likewise in an exciting stage. FYB201 is a follow-on biopharmaceutical to Lucentis®[2], an ophthalmic agent used in the treatment of neovascular ("wet") age-related macular degeneration (nAMD).

Phase III clinical trials of this biosimilar candidate continue to proceed on plan, and we expect here to achieve a key milestone in the very near future. Because FYB201 is, as of this writing, the world's only candidate biosimilar to Lucentis® currently in the critical phase III trials needed for final regulatory approval, we have a significant advantage in terms of lead time over potential competitors. Provided that regulatory approval is obtained, this advantage in lead time should translate into significant commercial success as this product takes market share.

As to our other pipeline projects, FYB203, a candidate biosimilar to Eylea®[3], out-licensed to and being developed jointly with our partner Santo Holding, is proceeding well. Like Lucentis, Eylea® is used for the treatment of neovascular age-related macular degeneration (nAMD). Finally, FYB205, a biosimilar candidate whose reference product we have not yet announced, is in an early phase of product development.

In this latest project, as well as in our present and future projects, we benefit greatly from the large base of experience we have gained over past years. With each new project, we can also further exploit synergies across our different projects, thereby allowing us to realize even greater efficiencies in our drug development activities.

The intensification of our development efforts, particularly in conjunction with FYB202, necessarily entails greater financial outflows. This is in accordance with our plan and is reflected in our financial results. Despite these increased expenditures and resulting reported loss, FORMYCON continues to have significant financial resources at its disposal. We are, moreover, in active discussions with potential partners regarding a possible out-licensing deal for FYB202. Our objective is to find a structure which maximizes long-term value for our company but which is, at the same time, attractive to the future project partner.

The financial markets have applauded FORMYCON's strong corporate performance during the first half of 2017, with the company's shares gaining significantly in value; from the start of the year through the end of June 2017, our stock price soared by roughly 40 percent, with our market capitalization rising from EUR 222 million to EUR 304 million. It is thus evident that investors recognize the continuous advances that FORMYCON has been making, the lucrative "assets" that it has in its product candidates, and the considerable future potential which it offers.

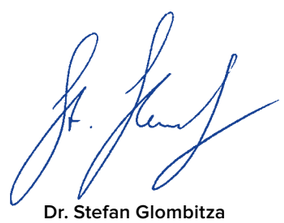
We, the Executive Board of FORMYCON, support this performance through regular meetings with investors and analysts in which we explain, in considerable detail, our strategy and objectives.

In March of 2017, moreover, FORMYCON AG shifted its listing on the Frankfurt Stock Exchange to the newly created "Scale" segment for small- to medium-sized companies. We support the creation of this new market segment, which raises required standards for transparency and disclosure, thereby serving as a seal of quality for companies in our size range which are able to meet these high standards. Supported by the marketing activities of exchange operator Deutsche Börse AG, this listing in the "Scale" segment will further raise public and investor awareness of FORMYCON.

Without question, 2017 has been, and will continue to be, an exciting year for FORMYCON and its shareholders. We look forward, with eager optimism, to the road which lies before us, to the decisions which lie ahead, and to the milestones we must yet cross. Remain faithful!

Dr. Carsten Brockmeyer

Dr. Nicolas Combé



Dr. Stefan Glombitza

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

People at FORMYCON

Our employees make a key contribution to the success of FORMYCON. On the following pages, some of them will share their thoughts on how they see the company and their work.

“

As the lab head for mass spectrometry, I’m responsible for planning our weekly work and for examining the data. My work gives me the opportunity to be part of a young and highly innovative team and to operate the state-of-the-art equipment. I also find it

fascinating to take part in the development of a blockbuster biosimilar from beginning to end.

Stephan Weiler
Laboratory Head for Mass Spectrometry

I like coming to work in the morning because, even though FORMYCON is growing rapidly, there’s still a family-like atmosphere, and we have the spirit of working together as a single team.

Sometimes my work can get hectic – but that's exactly what I love the most: when things are really happening.

Andrea Müller
Management Assistant

I work at the reception desk – so for the past 16 years, I have been first face that everyone sees when they come through the door. And this is the perfect job for me, because as a communicative person, I like working with people. My responsibilities include a lot of different things – not only incoming calls, administration, and secretarial support, but also the organization of company events. I like it when I can help my colleagues, because this is how I make my own contribution to this company's success.

“

As legal counsel for FORMYCON, my job is to support an interdisciplinary team which, through its highly innovative research, is reinventing biopharmaceuticals which are already established on the market.

Marius Benjamin-Schneider
Legal Counsel

The broad range of my work, the company’s flat organizational structure, and the high level of motivation

throughout FORMYCON give me, as a legal professional, the opportunity to play a part in the development of new-generation drugs which stand to significantly expand their future markets. The new challenges – legal and otherwise – which are constantly arising make my work at FORMYCON exciting and varied.

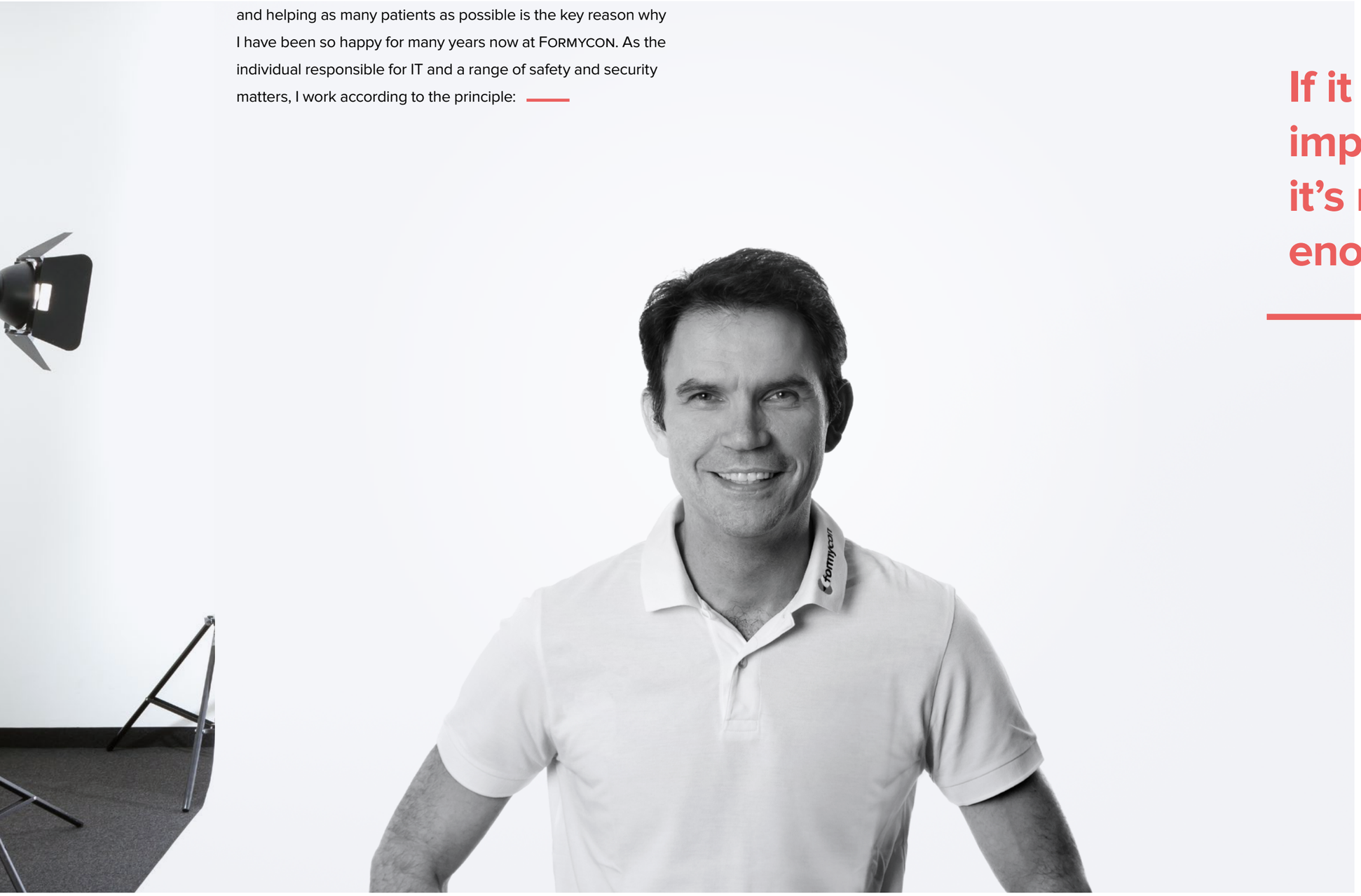
It motivates me to know that, through my work, I can contribute to the success of FORMYCON, thereby also directly helping to improve the quality of life for patients.

“

As a scientist in the department of N-glycan analysis and structural elucidation, my job is to develop analytical methods to decipher the complex chemical structure of biopharmaceuticals. This is an exciting role, which demands a lot of expertise.

Daria Zinne
Scientist Protein & Product Characterization

Being an active part of a team that has the goal of doing good and helping as many patients as possible is the key reason why I have been so happy for many years now at FORMYCON. As the individual responsible for IT and a range of safety and security matters, I work according to the principle:



If it can be improved, it's not good enough.

Bernd Schimkat
Head of IT, Facilities, Environment, Health, Safety

As the person in charge of clinical development, our biosimilar candidates are especially near and dear to me. First of all, our most advanced product FYB201 – a biosimilar version to Lucentis® that is currently in the final stage of clinical development – is demanding much of my attention. It gratifies me that I am able to make a contribution, along with my colleagues in clinical development and our licensing partners,

Dr. Björn Capsius
Director Clinical Development

towards improving future patient care around the world with our high-quality biosimilars.

“

As program manager, I am responsible for FYB201, our furthest advanced biosimilar project – and it’s a job I really love. Because of the company’s manageable size, I have a broad overview of everything and I can be directly involved in all of the different aspects. In other words, I can stay with my project from conception to development, and all the way through to regulatory approval. Even in the communication with our licensing partner I am still the interface person.

Dr. Maria Mayr
Senior Program Manager

I can work with so many different people at FORMYCON at a peer level. Regardless of function or position, everyone is ready to listen.

C

Unified Interim Management Report of FORMYCON AG and FORMYCON Group

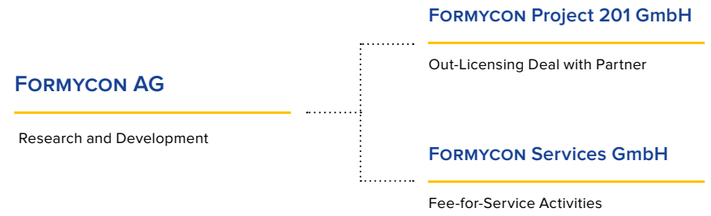
I Basic Information about the Group

Business model

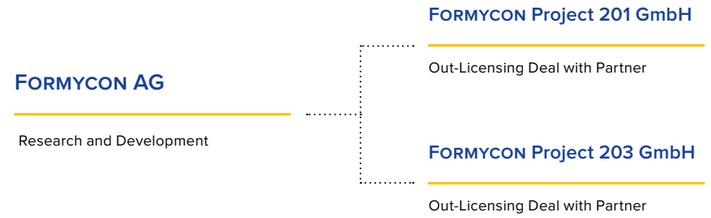
FORMYCON develops biosimilars, meaning follow-on products to biopharmaceuticals already on the market. The Company seeks to license out its biosimilar candidates once certain defined development milestones have been attained, or to develop these through to regulatory approval in cooperation with development partners. 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. Thus the Company is in a position, following such an out-licensing deal or partnership arrangement, to undertake portions of the remaining development work. The partner company generally assumes responsibility for subsequent production and product marketing.

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 and on behalf of its separately spun-off, product-specific subsidiaries. In addition to the first such subsidiary, FORMYCON Project 201 GmbH, FORMYCON Services GmbH was in May 2017 converted into FORMYCON Project 203 GmbH, the Group's second product-dedicated subsidiary. This structural change reflects the Company's strategic decision to discontinue its fee-for-service business to third parties in order to focus exclusively on its own product development pipeline. The subsidiaries, which each have their own licensing partners, are named in accordance with the respective biosimilar projects.

Thus, until May 2017 the Group's structure was as follows:



Since May 2017 the Group's structure has been as follows:



FORMYCON Project 201 GmbH was the first such company to be spun off, during fiscal year 2014. This entity, along with now likewise FORMYCON Project 203 GmbH, have assumed all ongoing project activities for these two out-licensed biosimilar candidates.

The activities of FORMYCON Group are substantially limited to research and development. The Group's other business activities, particularly as relating to its past fee-for-service business, 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

The performance of the German economy during the first half of 2017 was notably robust, with the Economic Barometer of the German Institute for Economic Research (DIW) signaling solid and sustained economic growth. Following a 0.6% rise in German GDP during the first quarter of the year over the prior three months, the Institute has forecast another marked increase of almost 0.5% for the second quarter.

Against this background, the Association of German Chambers of Commerce and Industry (DIHK) raised its full-year growth outlook for 2017 from 1.6 to 1.8 percent, in line with similar projections from the Ifo Institute in Munich (Germany). The Organisation for Economic Co-operation and Development (OECD) anticipates full-year German economic growth of 1.7 percent, only slightly lower.

The economic upturn has been driven, among other factors, by good conditions in the labor market, with calculations from the Ifo Institute posting new records in German employment. General economic conditions have been further boosted by the accelerating global economy, which should be of particular benefit to German industry with its orientation towards exports.

Experts have, on the whole, likewise been quite positive on the global economy. For example, OECD Secretary-General Angel Gurría, referring to the past five years of sluggish economic performance, commented that “this is a dark tunnel, but there is light at the end”. The OECD is forecasting global growth of 3.5 percent for 2017.

Experts, however, have been warning about rising protectionist tendencies in the global economy, driven particularly by new U.S. President Donald Trump. Within the United States, the most important driver of the global economy, economic sentiment deteriorated markedly during the second quarter.

During the first half of the year, the pharmaceutical industry performed favorably, in line with the overall economy. The German Chemical Industry Association (VCI) reported “very good sentiment” within the pharmaceutical and chemical industry. As of early summer 2017, both current business conditions as well as business expectations were generally strong. Sales for the country’s chemical and pharmaceutical industry were, for the first months of 2017, running at a rate 4.9% ahead of the prior-year period. For the first half of the year, employment within the industry was likewise significantly above the prior-year level. In terms of full-year outlook, the Association expects the German chemical and pharmaceutical industry to generate € 191.2 billion in sales, an increase of 3.5 percent.

Specifically within the biosimilars business, the first half of the year was likewise marked by positive developments. Within Europe, regulatory approval was granted to the first biosimilar for cancer treatment, rituximab – and just within the first months of the year, the European Medicines Agency (EMA) approved a total of six new biosimilar drugs. The pace of these approvals further underscores the significance of biosimilars to meeting the world’s pharmaceutical needs. As in prior periods, Europe continues to outpace the United States in regulatory approvals for biosimilars; while the European authorities have, as of the first half of 2017, approved a total of 28 biosimilars, the figure in the U.S. is five. These figures do not include subsequent applications, to both the EMA and the U.S. Food and Drug Administration (FDA), for the approval of complex biosimilars for various additional indications.

Evaluate Pharma, a research firm specialized in the pharmaceutical sector, likewise sees favorable conditions for biopharmaceuticals and particularly biosimilars, predicting in its “World Preview 2017” that the market share of biopharmaceutical drugs will rise from 25 percent in 2016 to 30 percent in the year 2022. And out of the 100 best-selling drugs in the year 2022, 52 percent of market revenue will come from the sale of biopharmaceuticals, putting this new generation of biotech drugs firmly ahead of traditional drugs produced through chemical synthesis.

Offsetting this overall gain in share, ever more biopharmaceuticals will lose their patent protection in the years ahead. In fact, Evaluate Pharma writes that the pharmaceutical industry is entering a “second patent cliff era”, in which a large number of drug patents expire at around the same time. The analysts note, in turn, that these expiries will provide attractive opportunities for biosimilars.

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 first half of 2017 with a period net loss of € 2,908K on consolidated revenue of € 8,098K. For the parent company only, the net loss was € 2,882K on revenue of € 4,803K. Neither FORMYCON AG nor FORMYCON Group has any financial debt.

During the first half of 2017, FORMYCON was once again able to attain important key milestones in the development of its biosimilar candidates as well as of itself as a company. Of particular note, its listing on the Frankfurt Stock Exchange was shifted at the start of March to the newly created “Scale” segment for small- to medium-sized companies. In May, the Company publicly announced that its FYB202 pipeline product is a candidate biosimilar to Stelara®[1] (ustekinumab).

Stelara® is a human monoclonal antibody used for the treatment of certain serious inflammatory diseases, such as moderate to severe psoriasis. In 2016, Stelara® was additionally approved, as an extension of indication, for the treatment of Crohn's disease, a chronic inflammatory condition.

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, and its tightly focused development processes lead to rapid and reliable results. FORMYCON strives, in addition, to be a desirable partner for both major pharmaceutical corporations and producers of generic drugs.

[1] Stelara is a registered trademark of Johnson & Johnson

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. Since March 1, 2017, the Company's shares have been listed in the Frankfurt Stock Exchange's new "Scale" segment for small- to medium-sized companies.

Shares of FORMYCON AG, having opened 2017 at an exchange price of € 23.78, closed the period at a price of € 33.41 on June 30, 2017.

Staff

The increasing number of biosimilar projects as well as the advancing stage of development projects led to further slight increase in FORMYCON staffing levels during the first half of 2017, with the number of staff rising from 70 to 71 – or in terms of period average staff in accordance with the Commercial Code, from 65 to 68. Of these, 60 were engaged in research and development activities, and the remaining eight in management and administration.

Research and development

The Group's activities, during the first six months of 2017 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	661,065.46
Third-party services	5,487,100.63
Staff expenses	3,151,520.03
Depreciation and amortization	388,464.42
Other	1,333,372.04
	11,021,522.58

As of the end of June 2017, 60 employees worked in research and development. Expenditures during the period totaled € 11,021,522.58, and these were all 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 reporting period from January 1, 2017 to June 30, 2017. 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 € 8,098K, compared to € 8,762K in the first half of 2017, resulting in a period net loss of € 2,908K. Cost of materials rose to € 6,148K, leading to consolidated gross profit of € 1,985K, a decline of € 1,022K.

During the first half of 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 unconsolidated parent company level, FORMYCON AG generated total period revenue of € 4,803K, resulting in an annual net loss of −€ 2,882K. 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 prior periods. Current assets totaled € 16,964K, compared to total current liabilities of € 2,230K. 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 € 3,444K, while marketable securities, also included in cash and liquid resources in the following Statement of Cash Flows, totaled € 10,973K. Return on sales (annual net income/loss divided by sales revenue) for the period was −36%, while EBIT (operating profit) was −€ 2,888K and EBITDA (operating profit plus depreciation and amortization) was −€ 2,499K.

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

Consolidated Statement of Cash Flows

for the period from January 1, 2017 to June 30, 2017

	in €	June 30, 2017	June 30, 2016
	Net income for the period	−2,907,638.63	− 1,183,620.87
+/−	Depreciation, amortization, write-downs (impairments) and write-ups of fixed assets	388,464.42	340,223.21
+/−	Additions to/subtractions from provisions	264,735.00	136,012.00
−/+	Changes to inventories and trade receivables, as well as other assets not included among investing and financing activities	4,273,241.66	645,341.45
+/−	Changes to trade payables, as well as other liabilities not included among investing and financing activities	− 1,290,284.95	681,059.57
−/+	Gain/loss resulting from disposals of fixed assets	8,370.78	12,428.58
+/−	Interest expense/interest income	19,586.61	12,227.68
=	**Cash flow from operating activities**	**756,474.89**	**− 2,009,130.42**
+	Amounts received from disposals of property, plant and equipment	342.02	0.0
−	Amounts paid for investments in property, plant and equipment	− 286,855.53	− 496,680.56
+	Interest received	476.12	642.37
=	**Cash flow from investing activities**	**− 286,037.39**	**− 496,038.19**
+	Amounts received from shareholders of the parent company for additions to equity capital	0.00	9,430.00
−	Interest paid	− 20,062.73	− 12,870.05
=	**Cash flow from financing activities**	**− 20,062.73**	**− 3,440.05**
	Total changes in cash and liquid resources from cash flows	450,374.77	− 2,508,608.66
+	Cash and liquid resources at beginning of period	13,966,885.15	20,297,237.83
=	**Cash and liquid resources at end of period[1]**	**14,417,259.92**	**17,788,629.17**

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

c. Net assets

During the reporting period, the Group's equity capital ratio rose from 82.9% to 84.6%, 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 € 14,734K as of the period closing date. Cash flow (calculated as annual net income + depreciation and amortization + changes in long-term provisions) for the period was −€ 2,254K. The Company's cash flow from investing activities of −€ 287K was below period depreciation and amortization, thereby positively impacting cash flow.

Return on equity for the period was −15%, while return on total capital was −13%. With respect to non-financial indicators, reference is made to the report on research and development.

In addition to the development of its own products, FORMYCON is involved in the further development of out-licensed biosimilar candidates. The very small number of "clients" implies a low conflict potential. In its business activities, the Company has been able to attain high levels of satisfaction among its clients/partners. 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

Biosimilar candidate FYB202

On July 24, 2017, subsequent to the end of the reporting period, FORMYCON signed a term sheet for the joint development of FYB202 under a co-investment arrangement with Santo Holding (Deutschland) GmbH. Under the terms of the agreement, FORMYCON is to make an in-kind contribution of its FYB202 project, with FORMYCON participating in up to 30% of total costs and revenue and Santo holding the remaining interest of at least 70%. The objective will be to drive forward with the development of FYB202 through to regulatory approval. Once the pilot phase has been successfully completed, development costs, including project investments to date, will be borne by the two partners in proportion to their ownership stakes.

Capital increase

On July 24, 2017, FORMYCON completed a private placement transaction, raising gross proceeds of approx. € 6 million through the issuance of 190,500 new shares at a price of € 31.50 per share, thereby raising the company's registered capital (*Grundkapital*) to € 9,290,103.00. The proceeds are to be used for the company's planned co-investment into the FYB202 project as well as for the ongoing development of its biosimilar product portfolio.

IV Report on Outlook

Over the past years, FORMYCON successfully passed through the first phase of its business development, 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 development work on FYB202 as well as a fourth pipeline project, FORMYCON has put into place a sound foundation for its future.

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 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.

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 out-licensing 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

Advances in medical technology are making it possible for modern medicine to treat diseases that just ten to twenty years ago were considered untreatable. The new possibilities for treatment arising from these scientific advances, however, are relentlessly pushing up costs for healthcare systems, making it vital for these to find ways to rein in rising drug costs, particularly in the face of ageing societies and chronically underfunded healthcare budgets. In parallel with these developments in the mature economies, purchasing power is rising around the globe, so that the citizens of emerging market and less developed nations are, for the first time, gaining access to powerful new-generation drugs, which today are largely biopharmaceuticals. Already now, seven of the ten top-selling drugs are biopharmaceuticals.

In 2016, total global sales of biopharmaceuticals were approx. USD 197 billion, or some 24% of the global pharmaceutical market. This drug class, which has only been in existence since the 1970s, has been growing at an annual rate of approx. 7.6%, significantly faster than the general economy as well as the overall drug market, which has been growing at a rate of 4.9%. Sales of biosimilars are currently small by comparison, accounting for just USD 2 to 3 billion in 2015. Experts expect this figure to grow, however, to some USD 15 billion annual by the year 2020, and to as much as USD 30 billion by 2025. The growth trend for biosimilars is expected to accelerate in 2020 as some 50 of the 70 monoclonal antibodies currently approved and on the market begin gradually losing their patent protection after this point. It should, moreover, be noted that the likelihood of a biosimilar drug successfully receiving regulatory approval is far greater than for totally new drugs because the safety and efficacy of their reference products have already been established.

FORMYCON, through its research and development work in biosimilars, was able to establish itself at an early stage as a leader in a growth market with significant future promise and is now ideally positioned, thanks to its far-reaching expertise as one of the few

independent developers of biosimilars, to exploit these opportunities to their full potential. And in doing so, FORMYCON will help make it possible for ever more patients to gain access to high-quality biopharmaceuticals at reasonable and affordable prices.

In the near term, the Company's opportunities for revenue growth lie in out-licensing deals for its FYB202 and FYB205 biosimilar drug candidates, while over the medium term these lie in expansion of its product development pipeline as well as in the generation and commercialization of its own intellectual property. The results already achieved strongly suggest that FORMYCON, with its current strategy, is on the right path.

Risks

Principles of risk management

FORMYCON, one of the few independent developers of biosimilars, operates in a global market with many different participants and influencers. The identification of profit opportunities, and the best possible assessment of the many and varied risks associated with these, together determine our prospects for business success, and thus these must be carefully weighed against each other. In order to ensure that this happens, the entire staff of FORMYCON, up to and including the Executive Board, must adhere to the Company's established risk management system, thereby ensuring that these risks are minimized to the greatest extent possible while still providing the necessary entrepreneurial and operational flexibility. Regular reviews of this system further ensure that it is constantly improved and ensure that, as circumstances vary, changes are likewise made to the system promptly and in accordance with evolving needs.

Towards this end, specific individual risks are identified across all relevant business areas and projects and are categorized according to the probability of occurrence as well as to their potential harmfulness. Where changes in these individual risks occur, or structural changes, these are then reevaluated in the course of the periodic reviews. This process ensures that the Company steers clear of such risks to the extent possible, or if they cannot be avoided, that these risks are mitigated as effectively and expeditiously as possible.

Strategic risks

Compared to the development of an entirely new biopharmaceutical, the financial investment required for the development of a biosimilar drug is relatively modest. Nevertheless, the development costs of a biosimilar may exceed USD 100 million and require several years of cost-intensive clinical studies to demonstrate its comparability to the reference drug.

The prospects for success are largely determined by the selection of biosimilar candidates in the development portfolio. With its FYB201 and FYB203 projects, FORMYCON is focusing on ophthalmic preparations, while its FYB202 project is targeted at immunological disorders. The intended therapeutic application of the company's latest development project, FYB205, has not yet been announced.

Actual sales statistics for the reference drug provide a basis for predicting future market growth and market size. Should this future growth of the reference product turn negative, however, the potential future market size for the biosimilar under development by FORMYCON could be significantly smaller than originally assumed. This could, in the worst case, lead to future product sales inadequate to make the biosimilar development effort profitable. At present, FORMYCON is developing biosimilars to compete with three of the world's best-selling biopharmaceuticals set to lose their patent protection following the year 2020, and thus this risk appears, in these particular cases, to be limited.

Through its out-licensing partnerships, FORMYCON has the benefit of reliable partners with valuable expertise, who have already been working closely with FORMYCON for several years. While the potential unplanned termination of a critical out-licensing or strategic partnership constitutes a significant strategic risk, present circumstances again suggest that this risk is minimal.

Industry and market risks

From the standpoint of FORMYCON, conditions in the healthcare sector have remained favorable. Moreover, advances in medical technology have been enabling the treatment of diseases which a few decades or even years ago were regarded as untreatable or only poorly treatable. These advances are likely to continue.

Demographic trends are also playing a key role, not only in the most developed countries but also in emerging market and developing countries, as populations continue to age and live longer. Older people require more extensive medical care, a fundamental trend which is largely independent of economic cycles and consumer purchasing power.

Biosimilar drugs, however, face certain special challenges compared to traditional generic drugs. This relatively new class of medications is not yet fully established in all markets, meaning that doctors, patients and insurers must undergo a process of familiarization and new product class adoption. Therefore, compared to traditional generics, not only development and production costs but also marketing costs for biosimilars could be significantly greater.

Financial controls

Through its internal control system, FORMYCON ensures the correctness of its accounts and accounting processes, including the correctness and reliability of its financial reporting as this appears in its consolidated financial statements and group

management report. In this, FORMYCON relies upon the standards established by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer, IDW*) for accounting-related internal control systems and risk management systems.

Environmental, health and workplace safety

Workplace safety and health, as well as the protection of employees and the environment, is a top priority for FORMYCON. FORMYCON therefore ensures, in addition to the fulfillment of statutory and regulatory requirements, that all employees are regularly trained and further qualified in all relevant aspects of workplace safety. In addition to our biological safety officer, our designated project manager as required under the Genetic Engineering Act (*Gentechnikgesetz*) and our safety expert, FORMYCON has designated various other experienced employees with specific responsibilities in the area of workplace safety and protection. Our company doctor regularly conducts preventive examinations and advises employees and senior management on medical matters. FORMYCON holds all required permits and approvals, and compliance with all regulatory requirements regarded safety and protection of employees and the environment is monitored internally on an ongoing basis.

Financing and liquidity risks

FORMYCON's liquidity situation and equity capitalization is stable – and in fact, the Company's liquidity position is particularly strong for a company whose products are still in the development stage.

Irrespective of this, financial risks may arise from changing operating conditions. Since none of the Company's product candidates is yet at the regulatory approval stage, it cannot be ruled out that such approvals could come later than anticipated, or that the scope of approval could be different than planned, or that approval could be denied, or that the required resources could substantially exceed the planned budgets. There is also the possibility, even after approval, that future license income might fall short of original forecasts.

In order to mitigate such financial risks in its ongoing operating business, FORMYCON undertakes highly detailed and long-term planning, drawing also on outside expertise. The financial risks of project development, which FORMYCON bears entirely by itself during the initial development phase, are significantly reduced by successful out-licensing deals, as was the case with the FYB201 and FYB203 projects.

The possibility cannot be excluded, however, that such an out-licensing agreement might be terminated or abrogated by the licensing partner for reasons not under FORMYCON's control. Such an event could have a material adverse impact on the Company's profit and loss accounts as well as on its financial planning. At the present time, FORMYCON assesses this risk as very low.

FORMYCON will continue to fund its future development pipeline projects from its own financial resources, with the aim of entering into advantageous out-licensing partnerships starting from a certain product development stage. Risks to the Company's future financial performance could thus arise from the ongoing economic weakness in Europe, in which potential bank insolvencies cannot be ruled out. To mitigate this risk, FORMYCON invests its liquid assets exclusively with financial institutions with strong and stable ratings and which can, in view of the present economic environment, be regarded as safe even in a financial crisis situation.

With its strong financial footing, FORMYCON is well positioned to overcome future risks as these may arise. The Company's existing financial resources should be sufficient to cover its short- to medium-term capital needs. There are, at present, no identifiable fundamental risks which would jeopardize the Company's continued existence. This, however, cannot be used to infer any sort of assurance as to the availability of long-term financial resources.

Organizational risks

FORMYCON's operating activities are highly dependent upon the proper functioning of its laboratories and IT infrastructure. Various risks can be identified which might impair or interrupt the availability of these critical resources, temporarily or even over an extended period. To the extent possible, the financial risks which might result from such events are insured. In addition, FORMYCON employs state-of-the-art security technology to eliminate or mitigate such risks – for example, relating to cyberattacks or data loss. The Company likewise regularly conducts maintenance and inspections of its critical equipment to further mitigate such risks to the maximum extent possible.

Patent risks

Another risk that cannot be excluded is the potential for legal disputes with competitors over intellectual property rights. The avoidance of infringements upon intellectual property rights, or the defense against charges of such infringements, could pose a considerable financial burden to the Company. Particularly in the U.S., such legal actions generally involve high costs. In the worst case, such a dispute could result in restrictions on, or even the prohibition of, the marketing of one or more of the company's products and/or the imposition of sizable fines, or even the cessation of the development, launch, or ongoing marketing of one or more of the Company's products.

Staff risks

The development of a biosimilar drug, from early-stage analysis through to regulatory approval, requires highly qualified specialists. The recent past, during which some

35 new staff have been recruited, many of them highly qualified scientists and managers, has shown that FORMYCON, as an attractive employer, is able to successfully fill these critical positions, even in a competitive labor market. The expertise and many years of experience of its employees are key pillars of FORMYCON's success, and the Company's low staff turnover suggests that it should be able to continue to rely upon these in the future. The loss of such critically important staff would constitute a significant risk. To keep this risk as low as possible, the Company employs various staff motivation and retention schemes.

Risks associated with product development

The quality, comparability, efficacy and safety of a biosimilar drug must be comprehensively demonstrated to the regulatory authorities through analytical and preclinical studies along with clinical trials. Both the planning and the execution of each individual stage of product development could potentially entail delays which are generally not predictable and which, in turn, may result in higher costs. There is, moreover, the risk that final regulatory approval of a biosimilar candidate might take longer than planned, or that the drug might not be approved at all.

With this in mind, FORMYCON plans all steps of product development with the greatest possible care and with reasonable time allowances for delays that might arise. Preclinical and clinical studies as well as the extensive program of analytical characterization are planned and carried out in close consultation with the respective authorities, as well as with assistance and expert advice from outside specialists. Notwithstanding this, the precise results or outcome of any such study cannot be predicted in advance. It therefore cannot be ruled out that particular stages of a product development program might need to be repeated, or that one or more studies might not provide the results needed for regulatory approval of the biosimilar candidate.

Within the scope of the Company's development activities, the production of active ingredients and finished products by third-party producers represents a substantial cost component. It should be specifically noted here, in the context of risks that might arise, that such production capacities must typically be planned and arranged with lead times of one to two years and that, for this reason, short-term changes to the project cycle could result in additional waiting periods along with substantial cancellation fees. Another risk is that such outside partners might not be able to comply with the stringent regulatory requirements which apply to gaining regulatory approval of a biosimilar drug. Should such an event arise, regulatory approval could be delayed or even completely denied. In addition, difficulties arising in the recruitment of patients for clinical trials may also affect the profitability of a drug development project. Because all of the Company's projects are currently in various stages of development, risks involved with manufacture and marketing are not yet relevant.

Legal risks

FORMYCON does business in an international environment and in highly regulated markets. There is thus the ongoing possibility that FORMYCON could be drawn into legal disputes which might even be unjustified or frivolous, for example arising from patent law, competitive or antitrust law, tax law or environmental law, or arising from contractual claims. The possibility cannot be excluded that such legal actions might, whether through court judgements, binding arbitration or regulatory or other official decisions, result in financial burdens which are not covered by insurance or only partially insured. At the present time, no such legal disputes or proceedings are identifiable.

Additional risks may arise from the Company's compliance obligations. Actions or inactions by the Company could, for example, be legally contested, inadequate or untimely financial communications could result in fines, or improperly conducted shareholder meetings or shareholder resolutions could be disputed. With these risks in mind, FORMYCON assesses and monitors all of its relevant processes, procedures and decisions from a legal standpoint, using in house and/or outside expertise as necessary.

Regulatory risks

The requirements and conditions for the regulatory approval of drugs by the relevant authorities are subject to constant change. The risk cannot be excluded that these authorities might change the regulatory requirements in such a way as to impede, or even entirely preclude, the regulatory approval required for a biosimilar to reach market. Moreover, there is a political and policy trend towards increasing "off-label use" of prescribed drugs, particularly in the European Union, might constrain the future market opportunities of biosimilars in such indications.

Competitive risks

FORMYCON´s goal is to launch its products, through its respective partners and in the respective markets, upon expiry of patent protection on the reference product. In each such market, FORMYCON must compete not only with the manufacturer of the reference drug but also with other biosimilar developers. The competition situation in each specific case will depend upon the pricing of the reference product as well as the pricing of any new competitors in the market. It is, in addition, entirely possible that the reference product manufacturer might reduce its pricing upon patent expiry in order to retain market share, thereby improving its competitive position against a new biosimilar entry and making it more difficult for the biosimilar to take share.

Compared to the reference drug, a biosimilar enjoys the advantage that the product development costs which must be recovered are far lower, and that there is already an extensive base of clinical experience on the safety and efficacy of the reference drug. At the same time, the development costs and barriers to market entry are high relative to conventional generic drugs, and thus fewer competitors are to be expected.

On the basis of the experience and expertise of its staff and its strategic partners, the strategic positioning of its product development portfolio, and its strong financial footing, FORMYCON is well positioned to meet future competitive challenges. Nevertheless, it cannot be excluded that competitors might – potentially as a result of objective circumstances, and potentially also impossible for FORMYCON to anticipate or predict – find itself in an advantageous competitive position relative to, and to the detriment of, FORMYCON.

Summary assessment of risks

Even if the risks involved in FORMYCON's business activities are significantly less than those in the development of original biotechnology-based drugs, there are, in the biosimilars development business, the same fundamental risks that one or several projects could fail, either partially or completely, for a range of different scientific, technical, regulatory, economic and other reasons.

In particular areas, FORMYCON must necessarily rely upon key outside partners and providers. Risks could thus potentially also arise within areas over which FORMYCON has no direct control.

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

Through the employment of its internal control mechanisms, the Company is in a position to recognize changes in its risk environment at an early stage and to react accordingly. Compared to the prior year, there has been no fundamental change in its risk position.

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, Germany,
August 10, 2017

Dr. Carsten Brockmeyer

Dr. Nicolas Combé

Dr. Stefan Glombitza

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FORMYCON Group
Consolidated Interim Financial Statements

Consolidated Interim Balance Sheet – Assets

as of June 30, 2017

in €	June 30, 2017	Dec. 31, 2016
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	62,732.16	83,289.88
2. Goodwill	827,505.00	906,315.00
	890,237.16	**989,604.88**
II. Property, plant and equipment		
1. Land and buildings, including property-like rights and buildings on third-party land	163,731.60	193,784.52
2. Technical equipment and machinery	2,782,505.46	2,353,165.58
3. Other plant, production equipment and office equipment	452,196.65	502,437.58
4. Advance payments and plant under construction	0.00	360,000.00
	3,398,443.71	**3,409,387.68**
B. Current assets		
I. Inventories		
1. Raw materials, consumables and supplies	236,174.70	248,604.95
2. Advance payments	80,000.00	383,449.05
	316.174,70	**632,054.00**
II. Receivables and other assets		
1. Trade accounts receivable	1,331,855.89	5,208,887.66
2. Other assets	775,337.03	864,053.45
	2,107,192.92	**6,072,941.11**
III. Securities		
Other securities	10,972,926.57	10,972,156.57
	10,972,926.57	**10,972,156.57**
IV. Cash and cash equivalents	**3,444,333.35**	**2,994,728.58**
C. Prepaid expenses	**123,827.37**	**115,441.54**
	21,253,125.78	**25,186,314.36**

Consolidated Interim Balance Sheet – Liabilities and Equity

as of June 30, 2017

in €	June 30, 2017	Dec. 31, 2016
A. Equity		
I. Subscribed capital[1]	9,099,603.00	9,099,603.00
II. Capital reserve	29,043,554.34	29,043,554.34
III. Loss carryforward	– 17,251,750.93	– 13,185,620.05
IV. Annual net income (loss)	– 2,907,683.63	– 4,066,130.88
	17,983,767.78	**20,891,406.41**
B. Provisions		
Other provisions	984,764.00	720,029.00
	984,764.00	**720,029.00**
C. Liabilities		
I. Trade accounts payable	1,127,785.94	2,309,134.70
of which due within one year € 796,465.15 (Dec. 31, 2016: € 854,780.50)		
II. Other liabilities	1,152,102.12	1,260,097.15
of which due within one year € 468,005.47 (Dec. 31, 2016: € 303,427.95)		
of which from taxes € 79,088.56 (Dec. 31, 2016: € 218,716.47)		
of which relating to social security € 2,042.48 € (Dec. 31, 2016: € 0.00)		
	2,279,888.06	**3,569,231.85**
D. Deferred income	**4,705.94**	**5,647.10**
	21,253,125.78	**25,186,314.36**

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

Consolidated Interim Income Statement

for the period from january 1, 2017 to June 30, 2017

in €			June 30, 2017	June 30, 2016
1.	Sales revenue		8,098,311.17	8,762,467.08
	Total revenue		**8,098,311.17**	**8,762,467.08**
2.	Other operating income		35,669.39	92,450.67
	of which income attributable to foreign currency translation € 21,420.50 (prior year: € 43,343.05)			
3.	Cost of materials			
	a. Cost of raw materials, consumables and supplies and of purchased goods	661,065.46		3,549,047.55
	b. Cost of purchased services	5,487,100.63		2,297,979.74
			6,148,166.09	5,847,027.29
	Gross profit		**1,985,814.47**	**3,007,890.46**
4.	Staff expenses			
	a. Wages and salaries	2,711,529.83		2,221,749.97
	b. Social contributions and costs for retirement benefits and for support benefits	439,990.20		364,860.16
	of which for retirement benefits € 52,757.76 (prior year: € 31,644.84)			
			3,151,520.03	2,586,610.13
5.	Depreciation and amortization of intangible assets and on property, plant and equipment		388,464.42	340,223.21
6.	Other operating expenses		1,333,372.04	1,251,521.31
	of which expenses attributable to foreign currency translation € 15,059.47 (prior year: € 56,800.12)			
	Operating income		**– 2,887,542.02**	**– 1,170,464.19**
7.	Other interest and similar income		476.12	642.37
8.	Interest and similar expense		20,062.73	12,870.05
	Financial result		**– 19,586.61**	**– 12,227.68**
9.	**Income from ordinary activities**		**– 2,907,128.63**	**– 1,182,691.87**
10.	Other taxes		510.00	929.00
11.	**Period net income (loss)**		**– 2,907,638.63**	**– 1,183,620.87**

Notes to the Consolidated Interim Financial Statements for the Period from January 1, 2017 to June 30, 2017

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, 2017.

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 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 Interim Financial Statements, there were no consolidated companies with accounts in other currencies.

Derivatives

The Group did not hold any derivative financial instruments as of June 30, 2017.

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.

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 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:

per sec. 314 para. 1 no. 3 of the Commercial Code	Out-licensing income/research	Services
absolute (in €)	8,098,311.17	0.00
relative (as %)	100.00	0.00

Other operating income includes foreign currency gains in the amount of € 21,420.50 (prior year: € 43,343.05).

Staff expenses do not include expenses for retirement schemes.

Other operating expenses include expenses arising from foreign currency translation in the amount of € 15,059.47 (prior year: € 56,800.12).

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**, residing in Marzling, CEO
- **Dr. Nicolas Combé**, residing in Weimar, CFO
- **Dr. Stefan Glombitza**, residing in Holzkirchen, COO

Members of the Supervisory Board (*Aufsichtsrat*):

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

Total remuneration to members of the Executive Board, per sec. 285 no. 9a of the Commercial Code, was € 282,500.00.

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

- **Dr. Olaf Stiller:** Bodenwert Immobilien AG, Nano Repro AG
- **Hermann Vogt:** Cumerius 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 (1H2017):** 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:

Persons	Current year
of which in administration	8
of which in research	60
of which on Executive Board	3
Total company staff	**71**

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.

Report on subsequent events

Biosimilar candidate FYB202

On July 24, 2017, subsequent to the end of the reporting period, FORMYCON signed a term sheet for the joint development of FYB202 under a co-investment arrangement with Santo Holding (Deutschland) GmbH. Under the terms of the agreement, FORMYCON is to make an in-kind contribution of its FYB202 project, with FORMYCON participating in up to 30% of total costs and revenue and Santo holding the remaining interest of at least 70%. The objective will be to drive forward with the development of FYB202 through to regulatory approval. Once the pilot phase has been successfully completed, development costs, including project investments to date, will be borne by the two partners in proportion to their ownership stakes.

Capital increase

On July 24, 2017, FORMYCON completed a private placement transaction, raising gross proceeds of approx. € 6 million through the issuance of 190,500 new shares at a price of € 31.50 per share, thereby raising the company's registered capital (*Grundkapital*) to € 9,290,103.00. The proceeds are to be used for the company's planned co-investment into the FYB202 project as well as for the ongoing development of its biosimilar product portfolio.

Information required per sec. 160 of the Stock Corporation Act

Shares outstanding

The Company has registered capital (*Grundkapital*) of € 9,099,603, 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 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 remains, following partial exercise, € 154,000.00, providing entitlement to the subscription of 154,000 no-par-value bearer shares.

Planegg, Germany,
August 10, 2017

Dr. Carsten Brockmeyer

Dr. Nicolas Combé

Dr. Stefan Glombitza

Consolidated Schedule of Changes in Fixed Assets

Attachment 1

for the period from January 1, 2017 to June 30, 2017

in €	Changes to cost of acquisition/production					Changes to accumulated depreciation & amortization					Changes to net book value	
	Historical cost of acquisition / production at Dec. 31, 2016	Additions	Rebookings	Historical cost of disposals	Historical cost of acquisition / production at June 30, 2017	Accumulated depreciation & amortization at Dec. 31, 2016	Current-period depreciation & amortization	Depreciation & amortization on disposals	Write-ups	Accumulated depreciation & amortization at June 30, 2017	Net book value at Dec. 31, 2016	Net book value at June 30, 2017
Intangible assets												
Purchased concessions, industrial property rights, and similar rights and assets, as well as licenses for such rights and assets	315,982.22	6,614.01	0.00		322,596.23	232,692.34	27,171.73		0.00	259,864.07	83,289.88	62,732.16
Goodwill	1,576,200.00	0.00	0.00		1,576,200.00	669,885.00	78,810.00		0.00	748,695.00	906,315.00	827,505.00
Property, plant and equipment												
Land and buildings, including property-like rights and buildings on third-party land	445,810.03	0.00	0.00	0.00	445,810.03	252,025.51	30,052.92	0.00	0.00	282,078.43	193,784.52	163,731.60
Technical equipment and machinery	4,308,936.94	268,803.37	360,000.00	27,465.31	4,910,275.00	1,955,771.36	191,326.97	19,328.79	0.00	2,127,769.54	2,353,165.58	2,782,505.46
Other plant, production equipment and office equipment	955,924.29	11,438.15	0.00	8,122.89	959,239.55	453,486.71	61,102.80	7,546.61	0.00	507,042.90	502,437.58	452,196.65
Advance payments and plant under construction	360,000.00	0.00	−360,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	360,000.00	0.00
Total	**7,962,946.54**	**286,855.53**	**0.00**	**35,588.20**	**8,214,120.81**	**3,563,860.92**	**388,464.42**	**26,875.40**	**0.00**	**3,925,449.94**	**4,398,992.56**	**4,288,670.87**

Consolidated Schedule of Changes in Equity

Attachment 2

for the period from January 1, 2017 to June 30, 2017

in €K	Subscribed capital	Capital reserve	Profit reserve	Profit (loss) carryforward	Adjustment for consolidation	Foreign currency adjustment	Consolidated net income (loss)	Equity	Total
as of 01.01.2017	**9,100**	**29,044**	0.00	**−13,763**	0.00	0.00	**−4,066**	**20,891**	**20,891**
Appropriation of prior year net income	0.00	0.00	0.00	−4,066	0.00	0.00	4,066	0.00	0.00
Period net income (loss)	0.00	0.00	0.00	0.00	0.00	0.00	−2,908	−2,908	−2,908
as of June 30, 2017	**9,100**	**29,044**	**0.00**	**−17,252**	0.00	0.00	**−2,908**	**17,984**	**17,984**

Consolidated Statement of Cash Flows

Attachment 3

for the period from January 1, 2017 to June 30, 2017

	in €	June 30, 2017	June 30, 2016
	Net income for the period	−2,907,638.63	− 1,183,620.87
+/−	Depreciation, amortization, write-downs (impairments) and write-ups of fixed assets	388,464.42	340,223.21
+/−	Additions to/subtractions from provisions	264,735.00	136,012.00
−/+	Changes to inventories and trade receivables, as well as other assets not included among investing and financing activities	4,273,241.66	645,341.45
+/−	Changes to trade payables, as well as other liabilities not included among investing and financing activities	− 1,290,284.95	681,059.57
−/+	Gain/loss resulting from disposals of fixed assets	8,370.78	12,428.58
+/−	Interest expense/interest income	19,586.61	12,227.68
=	**Cash flow from operating activities**	**756,474.89**	**− 2,009,130.42**
+	Amounts received from disposals of property, plant and equipment	342.02	0.0
−	Amounts paid for investments in property, plant and equipment	− 286,855.53	− 496,680.56
+	Interest received	476.12	642.37
=	**Cash flow from investing activities**	**− 286,037.39**	**− 496,038.19**
+	Amounts received from shareholders of the parent company for additions to equity capital	0.00	9,430.00
−	Interest paid	− 20,062.73	− 12,870.05
=	**Cash flow from financing activities**	**− 20,062.73**	**− 3,440.05**
	Total changes in cash and liquid resources from cash flows	450,374.77	− 2,508,608.66
+	Cash and liquid resources at beginning of period	13,966,885.15	20,297,237.83
=	**Cash and liquid resources at end of period[1]**	**14,417,259.92**	**17,788,629.17**

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

Shareholdings and Scope of Consolidation

Attachment 4

	Share of capital (as %)	Equity (in €)	Period income (loss) (in €)
FORMYCON Project 201 GmbH	100	331.29	−20,132.10
FORMYCON Project 203 GmbH	100	−1,569,774.50	−5,638.53

Consolidated Schedule of Liabilities

Attachment 5

as of June 30, 2017

in €	June 30, 2017	of which due in < 1 year	of which due in 1 – 5 years	of which due in > 5 years	of which secured
Trade accounts payable	1,127,785.94	1,127,785.94	0.00	0.00	0.00
Other liabilities	1,152,102.12	518,221.54	633,880.58	0.00	909,455.48
Total	**2,279,888.06**	**1,646,007.48**	**633,880.58**	**0.00**	**909,455.48**

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

Independent Auditor's Review Report of Consolidated Interim Financial Statements

We have reviewed the accompanying consolidated interim financial statements as of June 30, 2017, 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, 2017 to June 30, 2017.

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

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

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

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

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

The mandate under which we have provided our services to FORMYCON AG as described above is subject to the General Terms of Engagement for German Public Auditors and Public Audit Firms of January 1, 2017. By acknowledging and using the information contained within this report, the recipient confirms acceptance of the terms and conditions therein (including the liability provision under item 9 of the General Terms of Engagement), specifically the applicability thereof in relation to us.

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

Munich, Germany,
August 23, 2017

Dr. Lehwald und Kollegen GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Rudolf Schmitz
Wirtschaftsprüfer
[German Public Acountant]

The above report is a company translation from the original German. Only the original German text is signed and authoritative.

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FORMYCON AG
Interim Financial Statements

Interim Balance Sheet – Assets

as of June 30, 2017

in €	June 30, 2017	Dec. 31, 2016
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	62,732.16	83,289.88
2. Goodwill	827,505.00	906,315.00
	890,237.16	**989,604.88**
II. Property, plant and equipment		
1. Land and buildings, including property-like rights and buildings on third-party land	163,731.60	193,784.52
2. Technical equipment and machinery	2,782,505.46	2,353,165.58
3. Other plant, production equipment and office equipment	452,196.65	502,437.58
4. Advance payments and plant under construction		360,000.00
	3,398,433.71	**3,409,387.68**
III. Financial assets		
1. Shares in affiliated companies	50,000.00	50,000.00
2. Loans to affiliated companies	1,577,000.00	1,557,000.00
	1,627,000.00	**1,607,000.00**
B. Current assets		
I. Inventories		
1. Raw materials, consumables and supplies	236,174.70	248,604.95
2. Advance payments	0.00	362,397.50
	236,174.70	**611,002.45**
II. Receivables and other assets		
1. Receivables from affiliated companies	3,257,452.17	4,114,007.73
2. Other assets	775,337.03	857,794.69
	4,032,789.20	**4,971,802.42**
III. Securities		
1. Other securities	10,972,926.57	10,972,156.57
	10,972,926.57	**10,972,156.57**
IV. Cash and cash equivalents	**1,118,843.42**	**2,638,437.20**
C. Prepaid expenses	**123,827.37**	**115,441.54**
	22,400,232.13	**25,314,832.74**

Interim Balance Sheet – Liabilities and Equity

in €	June 30, 2017	Dec. 31, 2016
A. Equity		
I. Subscribed capital[1]	9.099.603,00	9.099.603,00
II. Capital reserve	29.043.554,34	29.043.554,34
III. Loss carryforward	– 15.658.078,35	– 11.475.997,06
IV. Annual net income (loss)	– 2.881.868,00	– 4.182.081,29
	19.603.210,99	**22.485.078,99**
B. Provisions		
Other provisions	893.964,00	709.229,00
	893.964,00	**709.229,00**
C. Liabilities		
I. Trade accounts payable	796.465,15	854.780,50
of which due within one year € 796,465.15 (Dec. 31, 2016: € 854,780.50)		
II. Other liabilities	1.101.886,05	1.260.097,15
of which due within one year € 468,005.47 (Dec. 31, 2016: € 303,427.95)		
of which from taxes € 79,088.56 (Dec. 31, 2016: € 218,716.47)		
of which relating to social security € 2,042.48 (Dec. 31, 2016: € 0.00)		
	1.898.351,20	**2.114.877,65**
D. Deferred income	**4.705,94**	**5.647,10**
	22.400.232,13	**25.314.832,74**

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

Interim Income Statement

for the period from january 1, 2017 to June 30, 2017

in €			June 30, 2017	June 30, 2016
1.	Sales revenue		4,803,011.23	7,053,490.34
	Total revenue		**4,803,011.23**	**7,053,490.34**
2.	Other operating income		19,477.83	88,061.95
	of which income attributable to foreign currency translation € 5,228.94 (prior year: € 38,954.33)			
3.	Cost of materials			
	a. Cost of raw materials, consumables and supplies and of purchased goods	661,065.46		3,549,047.55
	b. Cost of purchased services	2,181,380.97		651,380.18
			2,842,446.43	4,200,427.73
	Gross profit		**1,980,042.63**	**2,941,124.56**
4.	Staff expenses			
	a. Wages and salaries	2,711,529.83		2,221,749.97
	b. Social contributions and costs for retirement benefits and for support benefits	439,990.20		364,860.16
	of which for retirement benefits € 52,757.76 (prior year: € 31,644.84)			
			3,151,520.03	2,586,610.13
5.	Depreciation and amortization			
	of intangible assets and on property, plant and equipment		388,464.42	340,223.21
6.	Other operating expenses		1,302,746.65	1,227,611.04
	of which expenses attributable to foreign currency translation € 1,137.72 (prior year: € 51,060.33)			
	Operating income		**– 2,862,688.47**	**– 1,213,319.82**
7.	Other interest and similar income		476.12	642.37
8.	Interest and similar expense		19,145.65	12,870.05
	Financial result		**– 18,669.53**	**– 12,227.68**
9.	**Income from ordinary activities**		**– 2,881,358.00**	**– 1,225,547.50**
10.	Other taxes		510.00	929.00
11.	**Period net income (loss)**		**– 2,881,868.00**	**– 1,226,476.50**

Notes to the Interim Financial Statements for the Period from January 1, 2017 to June 30, 2017

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.

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.

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:

per sec, 285 no, 12 of the Commercial Code

in €	Current year
Accrued vacation	439,100.00
Bonuses	273,084.00
Safekeeping obligations	47,700.00
Occupational cooperative/severe disability	12,780.00
Financial statements	17,000.00
Unsettled invoices	89,300.00
Other	15,000.00

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.

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:

Sec. 158 of the Stock Corporation Act

in €		Current year
	Net period loss (first half of fiscal year)	2,881,868.00
+	Loss carryforward from prior year	15,658,078.35
=	Accumulated loss to balance sheet	18,539,946.35
	of which: Loss carryforward to second half of 2017	**18,539,946.35**

Other information

Information on governing bodies

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

- **Dr. Carsten Brockmeyer**, residing in Marzling, CEO
- **Dr. Nicolas Combé**, residing in Weimar, CFO
- **Dr. Stefan Glombitza**, residing in Holzkirchen, COO

Total remuneration to members of the Executive Board, per sec. 285 no. 9a of the Commercial Code, was € 282,500.00.

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

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

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

Sec. 285 no. 7 of the Commercial Code requires the following information regarding the average **number of staff** during the fiscal year:

Sec. 285 no. 7 of the Commercial Code

Persons	Current year
Scientific staff	60
Administrative staff	8
Total	**68**

Contingent liabilities

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

— **Rental agreement guarantees in the amount of:** € 117,802.00

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

The only letters of comfort (*Patronatserklärungen*) which we have issued are in support of our subsidiary FORMYCON Project 203 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. This total amount is € 991,768.04.

Shareholdings

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

	Share of capital (as %)	Equity capital as of June 30, 2017 (in €)	Period net income (loss) for 1H 2017 (in €)
FORMYCON Project 201 GmbH	100	331.29	– 20,132.10
FORMYCON Project 203 GmbH	100	– 1,569,774.50	– 5,638.53

Report on subsequent events

Biosimilar candidate FYB202

On July 24, 2017, subsequent to the end of the reporting period, FORMYCON signed a term sheet for the joint development of FYB202 under a co-investment arrangement with Santo Holding (Deutschland) GmbH. Under the terms of the agreement, FORMYCON is to make an in-kind contribution of its FYB202 project, with FORMYCON participating in up to 30% of total costs and revenue and Santo holding the remaining interest of at least 70%. The objective will be to drive forward with the development of FYB202 through to regulatory approval. Once the pilot phase has been successfully completed, development costs, including project investments to date, will be borne by the two partners in proportion to their ownership stakes.

Capital increase

On July 24, 2017, FORMYCON completed a private placement transaction, raising gross proceeds of approx. € 6 million through the issuance of 190,500 new shares at a price of € 31.50 per share, thereby raising the company's registered capital (*Grundkapital*) to € 9,290,103.00. The proceeds are to be used for the company's planned co-investment into the FYB202 project as well as for the ongoing development of its biosimilar product portfolio.

Information required per sec. 160 of the Stock Corporation Act

Shares outstanding

The Company has registered capital (*Grundkapital*) of € 9,099,603.00 (Dec. 31, 2016: € 9,099,603), 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 para. 2 no. 3 of the Stock Corporation Act

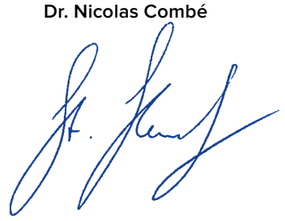
The Company's Executive Board is authorized, subject to the approval of the Supervisory Board, to issue subscription rights on the Company's shares one or more times at any time until June 29, 2020, granting the right to subscribe to up to 715,260 no-par-value bearer shares of the Company, in accordance 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 remains, following partial exercise, € 154,000.00, providing entitlement to the subscription of 154,000 no-par-value bearer shares.

Planegg, Germany,
August 10, 2017

Dr. Carsten Brockmeyer

Dr. Nicolas Combé



Dr. Stefan Glombitza

Schedule of Changes in Fixed Assets

Attachment 1

in €	Changes to cost of acquisition/production					Changes to accumulated depreciation & amortization					Changes to net book value	
	Historical cost of acquisition / production at Dec. 31, 2016	Additions	Rebookings	Historical cost of disposals	Historical cost of acquisition / production at June 30, 2017	Accumulated depreciation & amortization at Dec. 31, 2016	Current-period depreciation & amortization	Depreciation & amortization on disposals	Write-ups	Accumulated depreciation & amortization at June 30, 2017	Net book value at Dec. 31, 2016	Net book value at June 30, 2017
Intangible assets												
Purchased concessions, industrial property rights, and similar rights and assets, as well as licenses for such rights and assets	315,982.22	6,614.01	0.00		322,596.23	232,692.34	27,171.73		0.00	259,864.07	83,289.88	62,732.16
Goodwill	1,576,200.00	0.00	0.00		1,576,200.00	669,885.00	78,810.00		0.00	748,695.00	906,315.00	827,505.00
Property, plant and equipment												
Land and buildings, including property-like rights and buildings on third-party land	445,810.03	0.00	0.00	0.00	445,810.03	252,025.51	30,052.92	0.00	0.00	282,078.43	193,784.52	163,731.60
Technical equipment and machinery	4,308,936.94	268,803.37	360,000.00	27,465.31	4,910,275.00	1,955,771.36	191,326.97	19,328.79	0.00	2,127,769.54	2,353,165.58	2,782,505.46
Other plant, production equipment and office equipment	955,924.29	11,438.15	0.00	8,122.89	959,239.55	453,486.71	61,102.80	7,546.61	0.00	507,042.90	502,437.58	452,196.65
Advance payments and plant under construction	360,000.00	0.00	–360,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	360,000.00	0.00
Financial assets												
Shares in affiliated companies	50,000.00				50,000.00	0.00	0.00		0.00	0.00	50,000.00	50,000.00
Loans to affiliated companies	1,557,000.00	20,000.00	0.00		1,577,000.00	0.00	0.00		0.00	0.00	1,557,000.00	1,577,000.00
Total	**9,569,853.48**	**306,855.53**	**0.00**	**35,588.20**	**9,841,120.81**	**3,563,860.92**	**388,464.42**	**26,875.40**	**0.00**	**3,925,449.94**	**6,005,992.56**	**5,915,670.87**

Schedule of Receivables

Attachment 2

in € (prior year in €K)	June 30, 2017	of which due in > 1 year	of which trade receivables	of which other assets	of which from affiliated companies
Trade accounts receivable	0.00	0.00			0.00 (2016: 0.00)
Receivables from affiliated companies	3,257,452.17	1,000,000.00	2,257,452.17 (2016: 4,114)	1,000,000.00 (2016: 0.00)	
Receivables from other companies in which an ownership interest exists	0.00	0.00	0.00 (2016: 0.00)	0.00 (2016: 0.00)	
Other assets	775,337.03	0.00		775,337.03	0.00 (2016: 0.00)
Total	**4,032,789.20**	**1,000,000.00**	**2,257,452.17**	**1,775,337.03**	**0.00**

Schedule of Liabilities

Attachment 3

as of June 30. 2017

in €	June 30, 2017	of which due in < 1 year	of which due in 1 – 5 years	of which due in > 5 years	of which secured
Trade accounts payable	796,465.15	796,465.15	0.00	0.00	0.00
Other liabilities	1,101,886.05	468,005.47	633,880.58	0.00	909,455.48
Total	**1,898,351.20**	**1,264,470.62**	**633,880.58**	**0.00**	**909,455.48**

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

Schedule of Changes in Equity

Attachment 4

in €	Subscribed capital	Capital reserve	Loss carryforward	Annual net income	Equity capital
as of 01.01. 2017	**9,099,603.00**	**29,043,554.34**	**– 11,475,997.06**	**– 4,182,081.29**	**22,485,078.99**
Capital increases					
Increases in capital reserve					
Appropriation of prior year net income			– 4,182,081.29	– 4,182,081.29	
Annual net income				– 2,881,868.00	– 2,881,868.00
as of June 30, 2017	**9,099,603.00**	**29,043,554.34**	**– 15,658,078.35**	**– 2,881,868.00**	**19,603,210.99**

Independent Auditor's Review Report of Unconsolidated (Parent Only) Interim Financial Statements

We have reviewed the accompanying interim financial statements as of June 30, 2017, 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, 2017 to June 30, 2017.

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

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

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

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

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

The mandate under which we have provided our services to FORMYCON AG as described above is subject to the General Terms of Engagement for German Public Auditors and Public Audit Firms of January 1, 2017. By acknowledging and using the information contained within this report, the recipient confirms acceptance of the terms and conditions therein (including the liability provision under item 9 of the General Terms of Engagement), specifically the applicability thereof in relation to us.

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

Munich, Germany,
August 23, 2017

Dr. Lehwald und Kollegen GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Rudolf Schmitz
Wirtschaftsprüfer
[German Public Accountant]

The above report is a company translation from the original German. Only the original German text is signed and authoritative

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Date of Publication
September 2017

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