formycon®

Pioneering work in biosimilar development

Annual Report 2019

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formycon®

Annual Report 2019

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To Our Shareholders

Dear shareholders,
dear friends and FORMYCON staff,

the **coronavirus crisis** is putting humanity to the test. The global SARS-CoV-2 pandemic threatens the health of millions of people. About half of the world's population is currently struggling with the consequences of a more or less pronounced lockdown, which is intended to slow down the spread of the virus in order to enable health systems to provide adequate care for those who became infected. In this situation, what matters most to us all is having strong and capable healthcare systems which are able to withstand unprecedented strains.

And this is where FORMYCON comes in: Already before this crisis, we have been playing an important role in the development of affordable biopharmaceutical drugs, with the aim of making a major contribution to the cost-effective supply of important medications to patients around the world. Our company employs scientific staff with extraordinary abilities and commitment. Beyond our own team of experts, we also enjoy a strong and vibrant network within both academia and industry. For all of these reasons, we as a company have **made the decision to help** respond to the current pandemic by using our experience with antibodies to develop drugs for the treatment of COVID-19, in addition to our ongoing biosimilar projects. Through the current situation, however, we will not lose sight of our company's already established mission, which is to develop biosimilar drugs for the treatment of serious diseases, thereby providing patients with better access to vital medications.

During 2019, we once again made great strides forward with the development of our biosimilar candidates. Of particular significance to our company's future prospects was an advance in our **FYB203** project (candidate biosimilar to Eylea®[1]). The manufacturing process for FYB203's active ingredient has already been scaled up to a commercial level. The preclinical study was successfully completed last year, demonstrating comparable intraocular pharmacokinetics of our alternative formulation to reference product Eylea®.

With regard to our planned phase III clinical trials of FYB203, preparatory work is proceeding as expected, and the first regulatory approval hurdles have been passed. Advance coordination with the relevant approval authorities – the U.S. Food and Drug Administration (FDA), the European Medicines Agency (EMA) and the Pharmaceuticals and Medical Devices Agency (PMDA) in Japan – has already been successfully completed through scientific advice procedures.

In our development work on **FYB202**, our candidate biosimilar to Stelara®[2], we were able to announce the commencement of phase I clinical trials, which aim to demonstrate the comparable pharmacokinetics, safety and tolerability of FYB202 to the reference drug Stelara®. The project is now slated to enter phase III clinical trials in the third quarter of 2020.

Last but most definitely not least, there is **FYB201**, our further advanced product in the product pipeline and a candidate biosimilar to blockbuster ophthalmic drug ranibizumab (reference product Lucentis®[3]). This past December, our license partner Bioeq AG formally submitted the application for regulatory approval of FYB201 to the FDA, which upon its preliminary review requested additional data. Following the request of a national European health authority, the contract manufacturing organization (CMO) responsible for the manufacture of the FY201 active ingredient had moved a piece of processing equipment to another area within the company site. The official order for this relocation was unrelated to the production of the FYB201 active ingredient. In close coordination with the FDA, these additional data are now being generated for manufacturing in the relocated production environment for incorporation into the approval document package, after which Bioeq will re-submit the approval application to the FDA. As we look to the future, we are filled with confidence, including specifically that we will be able to provide our partners with a product of excellent quality, which is essential for market success. In this respect, we also welcome the selection of the US distribution partner Coherus BioSciences, Inc., a U.S. biosimilar specialist company which achieved striking sales results last year with the launch of its first biosimilar drug Udenyca®[4] (pegfilgrastim). Coherus thus already has the sales expertise and proven experience to navigate the many complexities of the U.S. pharmaceutical market.

As to our **FYB20x** pipeline projects, no details have yet been announced. The development of these additional biosimilar candidates is currently in the analytical phase, and important intellectual property (IP) rights have already been established. The proceeds of approx. EUR 17.3 million from our capital increase in the second quarter of 2019 will primarily be used for the expansion of our pipeline and for development work on FORMYCON's own biosimilar projects.

FORMYCON has, over the past few years, done truly **pioneering work** in biosimilar drug development and has, with its selection of the molecules to be developed into product candidates, demonstrated a sound grasp of the growth dynamics of its chosen markets. For the three reference products Lucentis®, Stelara® and Eylea® alone, the combined global market size during 2019 was approx. USD 18 billion, representing growth of 14 percent over the prior year.

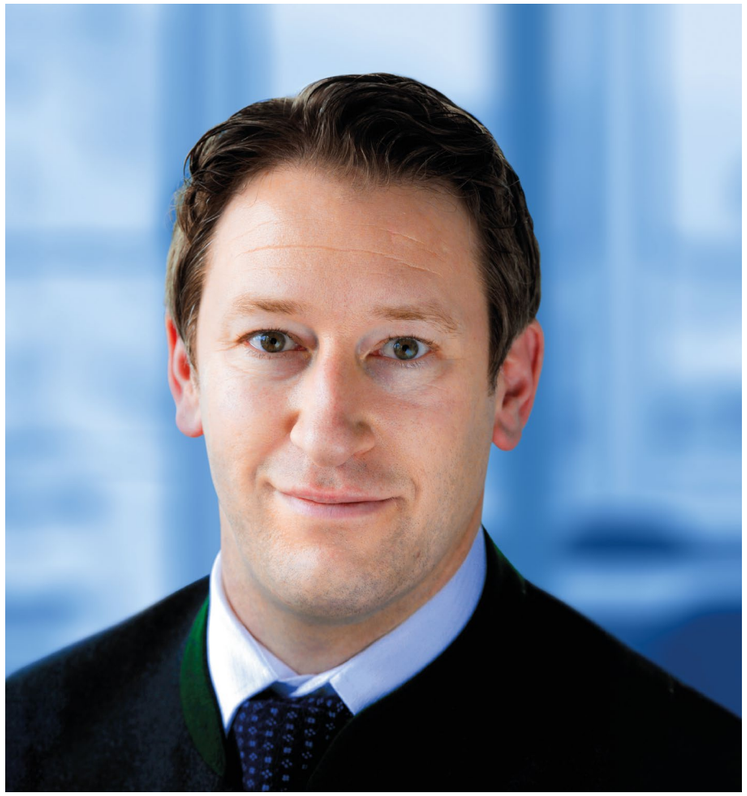
As we look back upon an eventful fiscal year 2019, we want to specially recognize our partners for their excellent cooperation and joint efforts, our shareholders for their continued confidence in our company and our future prospects, and most of all our superb staff for their commitment, for their hard work each and every day, and for their many individual contributions towards our shared success.

We hope that all of you remain healthy through the current pandemic and long beyond.

FORMYCON Management
May 2019

[1] Eylea® is a registered trademark of Regeneron Pharmaceuticals Inc.
[2] Stelara® is a registered trademark of Johnson & Johnson
[3] Lucentis® is a registered trademark of Genentech Inc.
[4] Udenyca® is a registered trademark of Coherus BioSciences, Inc.

Report of the Supervisory Board



Dr. Olaf Stiller
Chairman of the Supervisory Board

Dear shareholders,

during fiscal year 2019, the Supervisory Board intensively examined the financial condition and business performance of FORMYCON AG, thereby fulfilling its duties under governing law and under the company's articles of incorporation. It supervised and advised the Executive Board on an ongoing basis in its management of the company. The Supervisory Board was directly involved in all decisions of fundamental importance.

The Supervisory Board received regular reports from the Executive Board in both written and oral form, providing comprehensive and timely information. These reports fully met the requirements established by the Supervisory Board in terms of both content and scope. On the basis of these reports, the current development status of the company's biosimilar candidates, the company's financial position and organizational alignment, and business events of key importance were discussed. Furthermore, regular consultations were held with the Executive Board on matters of the company's strategy, business and financial planning, and business performance. The Supervisory Board also closely examined the company's risk situation and risk management and its compliance with legal requirements and ethical norms.

The Chairman of the Supervisory Board was promptly informed by the Executive Board of all important events that were of material significance to the Supervisory Board's assessment of the company's financial condition and business performance and to the corporate management of FORMYCON AG. In addition, the Chairman of the Supervisory Board held regular interim discussions with the Executive Board to discuss current business performance as well as individual topics and decisions of particular importance. In this way, the Chairman of the Supervisory Board was regularly and extensively informed between meetings.

At the annual shareholders' meeting held on June 27, 2019, Hermann Vogt, the Deputy Chairman of the Supervisory Board and member since 2013, was re elected by a large majority to an additional full term of office (i.e. until the conclusion of the annual shareholders' meeting which ratifies the company's fourth fiscal year following the start of the term of office). Under the articles of incorporation of FORMYCON AG, the Supervisory Board consists of three members, and re election is permitted.

In the course of the four regular board meetings during the fiscal year, all business matters and pending decisions requiring concurrence of the Supervisory Board under governing law or under the company's articles of association were discussed in

depth before being voted upon. All members of the Supervisory Board were in attendance at these meetings. The Executive Board was also present at these meetings in order to discuss issues and answer questions.

Attendance at quarterly meetings of the Supervisory Board:

	Feb. 20/21, 2019	April 1, 2019	Oct. 1, 2019	Dec. 11, 2019
Dr. Olaf Stiller	✓	✓	✓	✓
Hermann Vogt	✓	✓	✓	✓
Peter Wendeln	✓	✓	✓	✓

The meetings of the Supervisory Board focused primarily on ensuring that the company's financial resources are secure and on the current and future development of its areas of business, in particular with regard to the state of the company's application for regulatory approval of its FYB201 project and the launch and continuing progress of clinical trials for the FYB202 and FYB203 projects. The Supervisory Board also discussed and debated other key strategic initiatives with the Executive Board.

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

Where agenda items concerning the Executive Board were discussed or voted upon, or where closed discussion or votes of the Supervisory Board were otherwise required, members of the Executive Board were excluded from these meetings or portions of meetings.

The annual financial statements and consolidated financial statements as of December 31, 2019, including the respective management reports, were examined by the Munich office of PanTax Audit GmbH, the audit and tax firm appointed by the Annual Meeting of Shareholders for fiscal year 2019, which also examined the company's bookkeeping. The audit firm, having determined that these were in compliance with all legal requirements, provided its unqualified audit opinion. Furthermore, the audit firm determined that the Executive Board has enacted measures, as required under sec. 91 para. 2 of the German Stock Corporation Act, to establish a risk monitoring system in appropriate form, and that this system is suitable for recognizing, at an early stage, any developments which might endanger the company's continued existence.

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

In its meeting of April 28, 2020 to discuss the financial results and audit report for 2019, the Supervisory Board reviewed the unconsolidated and consolidated financial statements of FORMYCON AG for fiscal year 2019 as well as the audit procedures and findings of PanTax Audit GmbH. At this meeting, a representative of the audit firm was present to report in depth upon key findings of the audit examination.

These findings were discussed with the Supervisory Board and questions answered by the representative of the audit firm. Based upon its own examining review, the Supervisory Board found no cause to raise any objections to the financial statement documents which it reviewed. The Supervisory Board thus approves the unconsolidated and consolidated financial statements for fiscal year 2019 as presented to it. The annual financial statements of FORMYCON AG are adopted accordingly.

The Supervisory Board did not form any committees.

The Supervisory Board would like to thank the members of the Executive Board along with the entire staff of FORMYCON for their continued commitment and for all their hard work over the past year. We also like to extend our gratitude to our business partners, who have likewise contributed substantially to our company's success.

Munich, April 2020

Dr. Olaf Stiller
Chairman of the Supervisory Board

B

Unified Management Report

Unified Management Report of FORMYCON AG and FORMYCON Group for Fiscal Year 2019

I Basic Information about the Group and FORMYCON AG

Business model

FORMYCON develops biosimilars, meaning follow-on products to biopharmaceuticals already on the market. The Company seeks to license out its biosimilar candidates to cooperation partners once certain defined development milestones have been attained and to further develop these through to regulatory approval together with the respective partner company. In doing so, FORMYCON is able to cover all technical stages of the biopharmaceutical development chain from analysis and cell line development to preclinical studies and clinical trials, all the way through to the creation and submission of regulatory approval application documents. Through these in-house capabilities, FORMYCON is also in a position, following such an out-licensing deal or partnership arrangement, to undertake the remaining development work. The partner company generally assumes responsibility for subsequent production and product marketing.

As of the end of 2019, FORMYCON was working on the following biosimilar projects:

- FYB201 is a candidate biosimilar to Lucentis®[1] (ranibizumab), an ophthalmic drug used in the treatment of neovascular ("wet") age-related macular degeneration (nAMD) and other serious eye diseases. Phase III clinical trials were successfully completed in June 2018. The focus of project development activities during 2019 was on the preparation of regulatory approval documents for submission to the U.S. Food and Drug Administration (FDA).

- FYB202 is a biosimilar candidate for Stelara®[2] (ustekinumab), a biopharmaceutical used in the treatment of various serious inflammatory diseases, such as moderate to severe psoriasis, Crohn's disease, and ulcerative colitis. The launch of phase I clinical trials for FYB202 was announced in October 2019.

- FYB203 is a biosimilar candidate for Eylea®[3] (aflibercept). Similarly to Lucentis®, Eylea® is used to treat neovascular age-related macular degeneration (nAMD) and other serious eye diseases. Through the completion of preclinical studies in mid-2019, it was successfully demonstrated that FYB203, in its alternative formulation, exhibits comparable pharmacokinetics to Eylea®, the reference drug.

- FYB20X: FORMYCON is actively working on other pipeline projects, which include further biosimilar drug candidates currently under evaluation. Details of these other projects have not yet been publicly announced, and the rights thereto remain with FORMYCON.

[1] Lucentis® is a registered trademark of Genentech Inc.
[2] Stelara® is a registered trademark Johnson & Johnson
[3] Eylea® is a registered trademark of Regeneron Pharmaceuticals Inc.

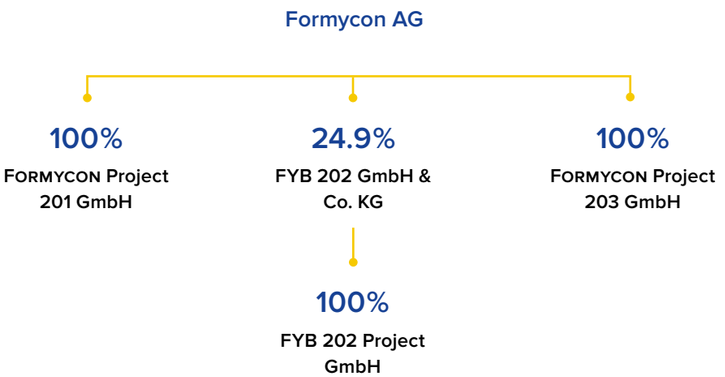
The corporate **structure of FORMYCON Group** corresponds to this business model. The actual research and development work is performed by FORMYCON AG, which conducts these activities not only for its own projects and on behalf of its subsidiaries, such as FORMYCON Project 201 GmbH and FORMYCON Project 203 GmbH, but also for associated companies in which FORMYCON holds a minority investment participation, such as FYB 202 GmbH & Co. KG. This arrangement also generates reported sales revenue, since FORMYCON continues to provide development work for the biosimilar candidates which is paid for by the licensing partners even after the projects have been licensed out. Once the already out-licensed biosimilar candidates FYB201 and FYB203 enter the marketing phase, FORMYCON will participate in future sales revenue in the form of royalties, thereby directly participating in the ultimate market success of its out-licensed projects.

FORMYCON Project 201 GmbH was the first project to be spun off into a separate subsidiary, during fiscal year 2014, and into which all project activities for biosimilar candidate FYB201 were transferred to facilitate an out-licensing deal. It remains a 100%-owned subsidiary of FORMYCON AG. FORMYCON's license partner for FYB201 is Bioeq AG, a 50/50 joint venture between the Polpharma SA, Poland's largest pharmaceutical company, and Santo Holding (Deutschland) GmbH, a holding company owned by the Strüngmann family.

A similar arrangement is in place with **FORMYCON Project 203 GmbH**, which is likewise a 100%-owned subsidiary of FORMYCON AG. In this case, partner Santo Holding (Deutschland) GmbH has held the license and marketing rights for the associated FORMYCON biosimilar candidate FYB203 since 2015.

In the case of the third project vehicle, **FYB 202 GmbH & Co. KG**, FORMYCON AG holds an investment participation. The company was founded in 2017 as a joint venture between FORMYCON AG, which owns a 24.9% share, and Aristo Pharma GmbH, which owns the remaining 75.1% and is likewise part of the Strüngmann Group. FYB 202 GmbH & Co. KG, in turn, owns 100% of another project-specific subsidiary company, **FYB 202 Project GmbH**, into which FORMYCON contributed the project rights for its FYB202 biosimilar candidate. Following the successful completion of the pilot phase at the start of the second quarter of 2019, the terms of the joint venture agreement stipulated that already incurred and future development costs of both FORMYCON and Aristo Pharma GmbH, as well as future sales proceeds, be shared pro rata according to shareholding.

The structure of FORMYCON Group may thus be summarized as follows:



The current focus of FORMYCON Group is on research and development activities for its own biosimilar projects. To the extent that it engages in other business activities, these are primarily in support of the research and development activities.

The future market for FORMYCON's biosimilar product candidates is the global pharmaceutical market. Healthcare policy and regulation should therefore be recognized as an important external influence factor.

II Report on Business Performance

General economic conditions and industry conditions

According to the German Federal Ministry for Economic Affairs, Germany posted real GDP growth in 2019 for the tenth year in a row. With the industrial sector affected by sluggish world trade, however, there was a marked slowdown in economic momentum, with total full-year economic output increasing in 2019 by only 0.6% (2018: 1.5%). It should be noted here that even this thin 0.6% real growth was above expectations due to a relatively healthy service sector, corporate and construction investment, and government consumption. The construction sector posted the strongest growth, with a year-to-year increase of 4.0%. The information and communications service sector and the financial and insurance services sector also grew at above-average rates of 2.9% respectively. Compared to 2018, government consumption expenditures grew by 2.5%. As to gross fixed capital investment, government expenditures on building construction (particularly civil engineering projects and residential construction) rose by 3.8% in real terms over the prior year. With an increase of 2.7%, investments in research and development were also above the previous year's level. In contrast, economic output fell sharply across large swaths of the industrial sector. Manufacturing (excluding construction), which comprises roughly one quarter of the German economy, shrank by 3.6%. Weakness in the automotive sector made a particular large contribution to this decline.[1]

To put this 0.6% growth rate into a broader historical context, German GDP has grown at an average real (price-adjusted) rate of 2.0% per year over the past five years (2014 – 2019).

Growth in Germany's labor market was robust, with employment rising during 2019 by 400,000 (0.9%) and closing the year at a record level of 45.3 million. Due to the resulting higher disposable income (+3.4% in the third quarter of 2019), private consumer spending rose by 1.6% in real terms over the prior year, thus once again providing a reliable base of support to the country's domestic economy.

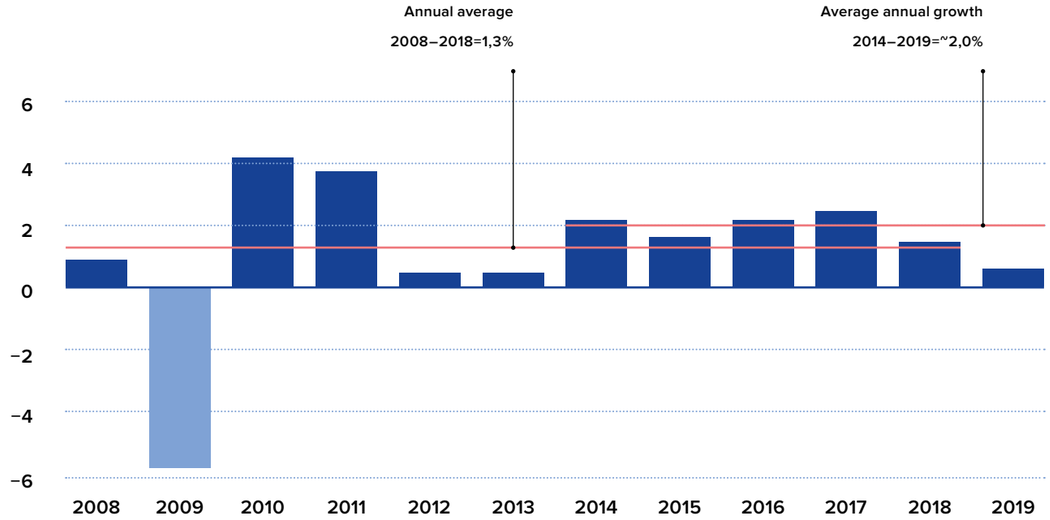
It should also be noted that the German government, according to provisional figures, ended the year with a surplus for the eighth year in a row, despite all of the macroeconomic uncertainties. Although the 2019 budget surplus of € 49.8 billion fell short of the record of € 62.4 billion surplus in 2018, Germany's government budget ended the year in a very solid position.

That being said, weakness in the global economic environment has been having an effect on Germany's balance of trade, with import growth of 1.9% outstripping thin export growth of just 0.9% – and even less in recent months. This softness in German exports has been due to the various global trade conflicts as well as problems in the automotive sector. [2]

[1] cf. German Federal Ministry for Economic Affairs, "The economic situation in Germany in January 2020", https://www.bmwi.de/Redaktion/EN/Pressemitteilungen/Wirtschaftliche-Lage/2020/2020115-economic-situation-in-germany-in-january-2020.html

[2] cf. German Federal Statistical Office (destatis), Press release No. 018 of 15 January 2020, https://www.destatis.de/EN/Press/2020/01/PE20_018_811.html

Gross domestic product, price-adjusted
Change on the previous year in %



2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1.0	−5.7	4.2	3.9	0.4	0.4	2.2	1.7	2.2	2.5	1.5	0.6

Source: https://www.destatis.de/DE/Presse/Pressemitteilungen/2020/01/PD20_018_811.html

Within the pharmaceutical sector, sales revenue (including drug sales through both pharmacy and clinical channels) once again posted solid growth in 2019. According to IQVIA, a leading information platform for human data science, full-year sales within the country's pharmaceutical market totaled € 46.4 billion, an increase of approx. 7% over the prior year. The market segments showing the greatest growth rates were principally patent-protected preparations and generics/biosimilars. During 2019, the newest drugs under patent – meaning those which have yet to establish themselves on the market – grew at a rate of 17%, while drugs for which patent protection expired fell by 14%. Sales revenue for generics and biosimilars (aggregated together) grew at a year-over-year rate of 11%.[3]

The view of the German Chemical Industry Association (VCI) on 2019 was less positive, with sales revenue in Germany's third largest sector declining by 5.0% to a full-

[3] cf. IQVIA, "Marktbericht: Entwicklung des deutschen Pharmamarktes im Jahr 2019" (German only), https://www.iqvia.com/de-de/locations/germany/library/publications/iqvia-marktbericht-gesamtjahr2019

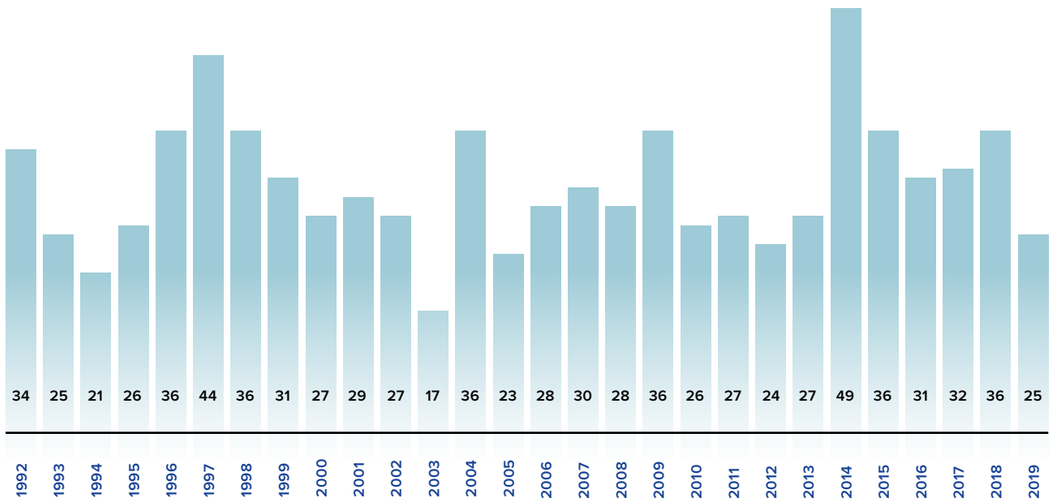
year total of € 193 billion, following a record revenue level of € 204 billion in 2018. The decline was due to weakening global economic conditions as well as trade disputes between China and the USA, which took its toll on chemical exports elsewhere, including within Europe. Despite this weakness in the chemical sector and a 7.5% drop in production levels, the number of employees within the sector rose slightly to a total of 464,800, an increase of 0.5% compared to the prior year (462,000 employees) and thus the highest level of industry employment since 2001. In the view of the VCI, Germany's thin economic growth hardly suggests any substantial easing of this situation. Furthermore, according to Hans Van Bylen, president of the VCI, foreign markets likewise provide little prospect of any near-term turnaround in industry conditions. The association therefore anticipates only a slight increase in production of 0.5% in 2020 within Germany's chemical-pharmaceutical industry, with the modest growth coming specifically from the pharmaceutical sector (+2%).

Van Bylen also emphasized the German chemical-pharmaceutical industry's aim to intensify its efforts in terms of innovation, digitalization and sustainability in order to ensure Germany's long-term competitiveness within the global industry, as well as to better arm the country's industry against economic fluctuations and trade conflicts. In terms of innovation, the industry is already one of the leaders globally, as well as among all German industries, with current annual research outlays of some € 12 billion. In addition to a long-term increase in R&D investment, companies will also have to address customer needs more intensively in the future and deepen cooperation arrangements. This is, in the view of the VCI, the only way to develop individual solutions for more sustainable products. Innovation also goes hand in hand with the currently very timely themes of digitalization and sustainability. A VCI press release cites a recent study which demonstrates that it is technologically possible for Germany's massive chemical industry to be carbon-neutral by 2050. To achieve this ambitious climate goal, companies will have to invest some € 45 billion in a new generation of systems. The Association further calls on the German government to provide support for these innovations and to create the needed framework conditions. In particular, the Association sees a shorter approval process for production facilities, lower corporate taxes and lower costs as important and necessary government policy decisions to encourage these innovations.[4]

The pharmaceutical industry is one of Germany's most important and most innovative sectors. Thanks to medical progress, life expectancy in Germany has increased by an average of four years just over the past 20 years (women: 3 years and 4 months; men: 4 years and 8 months). Despite the increasing number of new cancer diagnoses, the number of deaths has been decreasing; since 1990, cancer mortality in Germany has decreased by 25%. In addition to lifestyle changes and better early detection and diagnosis, new medications have, in particular, helped to achieve these dramatic gains in treating various forms of cancer better and more efficiently. Germany's research-based pharmaceutical companies bring an average of more than 25 new drugs to the market each year, helping to extend and improve the lives of patients.

[4] cf. German Chemical Industry Association (VCI), "Annual stocktaking 2019: Weaker result for chemistry in a difficult environment", https://www.vci.de/vci-online/die-branche/wirtschaftliche-lage/2019-12-03-schwache-chemiekonjunktur-in-schwierigem-umfeld-vci.jsp

Number of Drugs with New Active Ingredients (Excluding Biosimilars)



Source: https://www.vfa.de/digitorials/insights/insights-medikamente

Germany's total annual pharmaceutical expenditures of approx. € 56 billion are roughly 15% of the country's total healthcare costs (2017: € 376 billion). Three quarters of these expenditures are borne by statutory health insurers (compared to 7% for private healthcare insurers, a much smaller part of the German healthcare system). Incremental expenditures as new drugs are introduced are largely offset by the market entry of generics and biosimilars and the price competition resulting therefrom. Accordingly, such follow-on products upon patent expiry of the originator drugs play a vital role not only in maintaining the healthcare system's economic viability but also in driving new innovation: As pharmaceutical corporations face new competition upon patent expiry from significantly cheaper generic or biosimilars, they are forced to drive forward with their research and development efforts in pursuit of future drugs, thus continuing the market cycle of new and better treatment options.[5]

Business development during the period

Business performance during the reporting period was satisfactory, for both FORMYCON Group and FORMYCON AG. The Group ended the year with an annual consolidated net loss of € 2,293K on consolidated revenue of € 33,157K. For the parent company only, the full-year net loss was € 2,197K on revenue of € 21,038K. Neither FORMYCON AG nor FORMYCON Group has any financial debt.

[5] cf. German Association of Research-Based Pharmaceutical Companies (vfa), "Pharma in Bewegung - Insights & Images", https://www.vfa.de/digitorials/insights/insights-uebersicht

During fiscal year 2019, FORMYCON was able to achieve the following corporate milestones:

- In March of 2019, FORMYCON announced the placement with an institutional investor of shares to be issued from a cash capital increase in the amount of almost € 17.3 million. Through the partial exercise of the Company's already authorized capital, its registered capital of € 9,422,603.00 was increased by € 577,397.00 against cash contribution to a new total of € 10,000,000.00 through the issuance of 577,397 new no-par-value bearer shares with a nominal value (i.e. imputed share in the Company's total registered capital) of € 1.00 per share. With an issue price of € 29.90 per share, the total gross proceeds from this capital increase transaction were € 17,264,170.30. The share subscription was carried out as a private placement, with the funds raised therefrom to be primarily used for the development of the Company's own biosimilar projects.

- In May, FORMYCON reported several important advances in its drug development portfolio. Firstly, it was announced that the Company expected to file its application with the U.S. Food and Drug Administration (FDA) for the regulatory approval of FYB201 in fourth quarter of 2019, with submission to the European Medicines Agency (EMA) expected to follow in the second quarter of 2020. Regarding FYB202, FORMYCON's candidate biosimilar to Stelara® under joint venture development with Aristo Pharma GmbH, the successful completion of the pilot phase was announced following the achievement of key project milestones. FORMYCON holds a 24.9% share of FYB 202 GmbH & Co. KG, the joint venture vehicle and, with effect from the completion of the pilot phase, is to share future development costs as well as future product revenue on a pro rata basis according to shareholding. As of the announcement date, FORMYCON had invested roughly € 21 million into the development of FYB202. The Company further announced that phase I clinical trials would commence in mid-2019. The third announced success was regarding development progress on FYB203, the candidate biosimilar to Eylea®. A preclinical study with FYB203 in an alternative formulation was successfully completed, thus demonstrating comparable pharmacokinetics to the reference product Eylea®.

- Also in May, FORMYCON announced its fiscal year 2018 results, with the Group reporting net income of approx. € 7.1 million on consolidated sales revenue of approx. € 43.0 million. The significant increase in earnings over the prior year (2017: loss of € 1.6 million on revenue of € 29 million) was largely the result of the non-cash accounting impact of the FYB202 licensing transaction on the Company's income statement.

- At the beginning of June, FORMYCON announced an update to the cash capital increase transaction previously reported in March. As of the date of the new announce-

ment, the subscribing institutional investor had remitted only € 5,000,000.00, comprised of the nominal capital for the subscribed new shares in the amount of € 577,397.00 and a contractual advance towards the share premium (additional paid-in capital) in the amount of € 4,422,603.00. The subscribing investor thus had a remaining payment obligation in the amount of € 12,264,170.30. Because this amount was still unpaid, the shares had not been delivered to the subscriber.

— At the end of June, FORMYCON announced a further update regarding the pending capital increase transaction. Because the original subscriber had not fulfilled the remaining payment obligation in the amount of € 12,264,170.30, Wendeln & Cie. KG, an asset management company controlled by long-time FORMYCON anchor shareholder and Supervisory Board member Peter Wendeln, under the terms of an agreement dated June 26, 2019, assumed all rights and obligations from the original subscription contract along with all 577,397 newly issued shares. Even before this transaction, Peter Wendeln and his affiliated companies were FORMYCON's largest investor group. Through the assumption of the 577,397 new shares, this shareholding was increased to approx. 24.6 percent.

— In September, FORMYCON announced its financial result for the six-month period ending June 30, 2019, reporting half-year consolidated sales revenue of € 17.2 million. With EBITDA of negative € 0.2 million and a six-month net loss of € 0.7 million, the figures were in line with expectations.

— In October, FORMYCON announced the launch of phase I clinical trials of its ustekinumab biosimilar candidate FYB202, in line with the Company's previous announcement on development progress in May 2019. The aim of this testing is to prove the comparability FYB202 to the reference drug Stelara® in terms of pharmacokinetics, safety and tolerability.

— A highlight in November was the announcement of the U.S. marketing partner for FYB201, FORMYCON's candidate biosimilar to Lucentis®. The Company reported that its partner Bioeq AG (formerly Bioeq IP AG), the licensee and exclusive owner of worldwide marketing rights to FYB201, signed a license and development agreement with American biosimilar specialist Coherus BioSciences, Inc. Bioeq further announced its intention to submit regulatory approval documents to the U.S. Food and Drug Administration (FDA) in the fourth quarter of 2019.

— In December 2019, our license partner Bioeq AG proceeded to submit the application for regulatory approval of FYB201 with the FDA, as had originally been announced in May 2019. As part of a preliminary review, the FDA in February 2020 unexpectedly requested additional data from all parties involved (see ad hoc announcement of February 4, 2020). Following the request of a national European health authority, the drug substance contract manufacturer has moved a piece of processing equipment to a different location within the same site after the production of the FYB201 drug substance qualification batches was completed. The official order for this relocation was unrelated to the production of the FYB201 active ingredient. In close coordination with the FDA, these additional data are now being generated for manufacturing in the relocated production environment for incorporation into the approval document package, after which Bioeq will re-submit the approval application to the FDA.

— Finally, FORMYCON was ranked in 2019 within the top third of the "500 FOCUS Business Growth Champions", a ranking by one of Germany's most respected national news magazines. With an average annual growth of 47% over the years between 2015 and 2018, FORMYCON was ranked #4 within the chemical, pharmaceutical and biotechnology category. Another highlight of the year was the nomination of FORMYCON AG and our CEO Dr. Carsten Brockmeyer, and subsequent selection as a finalist, for the EY Entrepreneur of the Year Award 2019 in Germany. The award, which distinguishes excellence among up-and-coming companies in employee management, innovation and sustainable growth, was launched in 1986 by global audit and consulting firm Ernst & Young (EY). Since then, the competition has established itself across 60 countries including Germany and is one of the most prestigious company awards worldwide. FORMYCON, together with other highly regarded Germany companies, made the final cut of finalists within the "Industry" category and was thus invited to the awards ceremony in Stuttgart.

The steady advances of the Company's biosimilar development projects, its further increase in staff, and its preparations for later stages of company growth were, once again in 2019, accompanied by further organizational adjustments and improvements. The guiding aim of these changes has been to consistently focus on operational excellence, meaning clear and effective processes as well as appropriate organizational structures. More specifically, the changes seek to make internal processes as streamlined and effective as possible, so that FORMYCON's entrepreneurial agility and high quality standards may be retained while, at the same time, creating a scalable organization which can seamlessly grow with future expansion of the project portfolio. Towards this end, FORMYCON added several highly competent and experienced managers over the past year to strengthen key areas of the Company.

FORMYCON continues to strategically position itself as a leading and independent developer of biosimilar drugs. As a pioneer in the creation and engineering of these follow-on biopharmaceuticals, particularly within the rapidly growing therapeutic areas such as ophthalmology and inflammatory skin and intestinal diseases, the Company is now focused on achieving regulatory approval in the highly regulated markets of the European Union, the United States, Japan, Canada and Australia and on positioning itself as a potential partner for major pharmaceutical corporations and generic drug producers. In this way, FORMYCON is making a significant contribution to providing patients throughout the world with access to vital and affordable biopharmaceuticals, to providing urgently needed cost savings to healthcare systems, and thus to making highly effective healthcare more sustainable.

Shares and the capital markets

General stock market performance

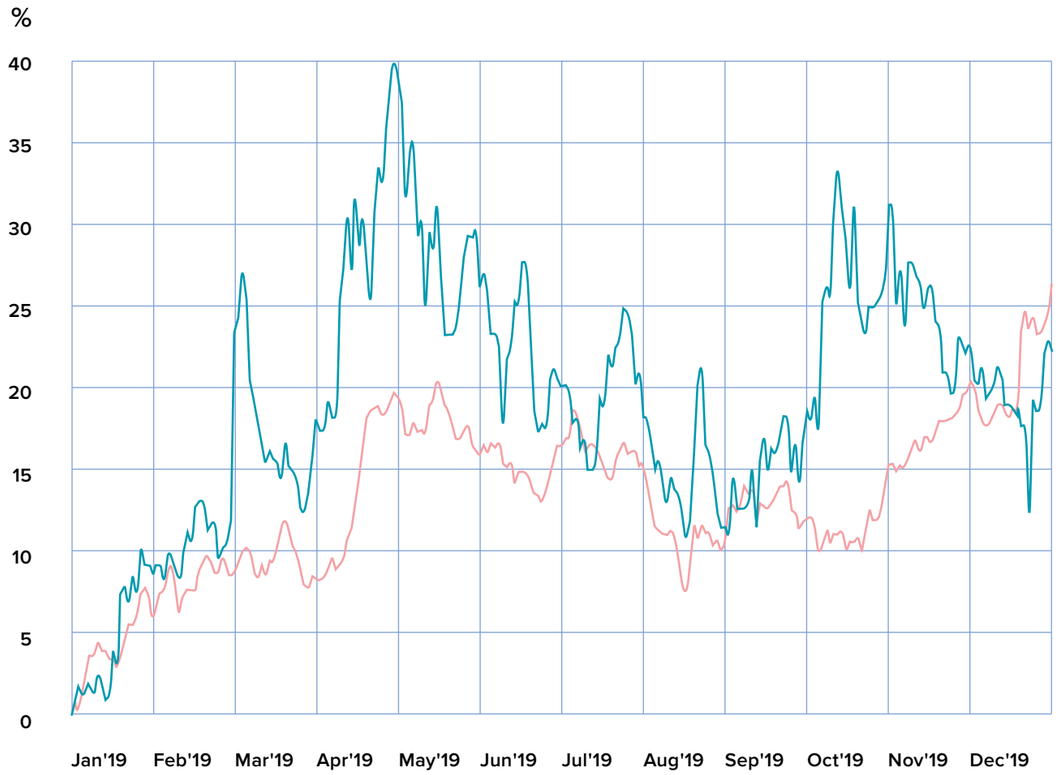
2019 was an eventful year for the world's stock markets. It was not only more favorable than 2018 but also considerably more so than many market pundits had been predicting. The pessimism at the start of the year was understandable; there was great uncertainty in the markets following plunges in December of 2018 of up to 20% in most equity markets, a fourth sequential interest rate hike by the U.S. Federal Reserve, and a further round of tensions in the U.S.-China trade dispute.[6] Perhaps these issues created a "wall of worry" that acted to subdue investor enthusiasm at the start of the year, thereby helping to set the stage for the strong performance of the world's stock markets in the course of 2019 as the markets began to focus more on the partial settlement of the U.S.-Chinese trade dispute, the clarity following UK election results, and the announcement of expansionary monetary policies by both the U.S. Federal Reserve and European Central Bank (ECB).[7]

As to the German equity markets, prices made a U-turn following 2018, the worst year for Germany's DAX equity index since the international financial crisis in 2008, and in the course of 2019, the DAX rose by more than 25%, its strongest performance in years. German's MDAX index of second-tier stocks beyond the 30 largest blue chips posted an even more impressive performance, soaring by some 30%. In addition to these larger names, the stocks of Germany's small and medium-sized companies also performed remarkably well during 2019, with the Scale 30 Performance Index ending the year with a gain of 24.5%.[8]

Performance of FORMYCON shares

Shares of FORMYCON likewise performed well during 2019, with Xetra trading starting the year at a price of € 26.10 and closing on December 30, the last trading day of the year, at € 31.00, a rise of 19%. A total of 2,005,812 FORMYCON shares were traded across all trading venues during 2019 (prior year: 2,136,486), corresponding to a daily average of 7,991 shares traded (prior year: 8,512). Of this total, approx. 65% of the shares were traded on the Xetra trading system, 7% on the Frankfurt Stock Exchange, and 28% on other stock exchanges. FORMYCON shares reached their year high on April 30, 2019, with Xetra trading at € 36.40.

[6] cf. IG Group, "Rückblick – Highlights an den Börsen 2019" (German only): https://www.ig.com/de/nachrichten-und-trading-ideen/rueckblick-_-highlights-an-den-boersen-2019-191230
[7] cf. Börse ARD, "Ein fantastisches Jahr für Aktien" (German only): https://www.tagesschau.de/wirtschaft/boerse/boerse-aktienjahr-101.html
[8] cf. Börse.de (German only): https://www.boerse.de/historische-kurse/Dax/DE0008469008



Source: https://www.onvista.de/aktien/chart/FORMYCON-AG-Aktie-DE000A1EWVY8

FORMYCON shares : Basic information

Ticker symbol	FYB
German securities identifier (WKN)	A1EWVY
ISIN	DE000A1EWVY8
Listed exchange, Market segment	Frankfurt Stock Exchange, Scale (Open Market)
Trading venues	XETRA, Berlin, Düsseldorf, Frankfurt, Hamburg, Munich, Stuttgart, Tradegate
Designated Sponsors	Wolfgang Steubing AG, mwb fairtrade Wertpapierhandelsbank AG

FORMYCON shares: Performance information[9]

In €	2019	2018
52-week high (XETRA)	36.40	38.80
52-week low (XETRA)	26.20	25.05
Opening price at start of year (XETRA)	26.10	33.15
Closing price at end of year (XETRA)	31.00	26.00
Annual average price (XETRA closing prices)	30.97	32.82
in shares		
Total shares traded (on all trading venues) in shares	2,005,812	2,136,486
Daily average shares traded (on all trading venues) in shares	7,991	8,512
Total shares issued as of December 31	10,000,000	9,422,603

Shareholder structure

If certain voting rights thresholds are exceeded, the relevant shareholders are required, under German law, to file a notification thereof with the respective issuing company as well as with the German Federal Financial Services Authority (BaFin). According to sec. 33 para. 4 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), however, this provision regarding voting rights thresholds does not apply to all domestic issuers. The term "issuer" is restricted to those issuing companies whose shares are listed on an organized market within the meaning of sec. 2 para. 11 of the Act.[10] Thus, these provisions of the Securities Trading Act do not extend to companies which, like FORMYCON, are listed in the unofficial regulated market (*Freiverkehr*), or "Open Market", as these companies are not legally considered to be listed on an official exchange.

As of the financial statement closing date of December 31, 2019, the Company had received no such notifications that any such voting rights thresholds had been exceeded. Nevertheless, as part of its targeted investor relations activities, FORMYCON strives to ascertain its shareholder structure to the greatest extent possible.

With some 35% of shares in the hands of family offices and another 15% held by institutional investors, the shareholder structure of FORMYCON AG remained stable during 2019. Founders and management held approx. 15% of shares, with the remaining 35% in free float. Following the Company's announced 2019 cash capital increase transaction, Wendeln & Cie. KG, an asset management company controlled by anchor shareholder and long-time Supervisory Board member Peter Wendeln, subsequently stepped in to assumed all rights and obligations of the share subscription by the original investor (cf.

[9] cf. Onvista: https://www.onvista.de/aktien/Formycon-AG-Aktie-DE000A1EWVY8?notation=41353628&activeType=line&activeTab=T5&displayVolume=true&min=1582614289000&max=1583243191000&zoom=false&scaling=linear&assetName=Formycon%20AG&isPopup=false

[10] cf. German Federal Financial Supervisory Authority (BaFin), "General principles for filing notifications under sections 33, 38 and 39 of the WpHG" https://www.bafin.de/EN/Aufsicht/BoersenMaerkte/Emittentenleitfaden/Modul2/Kapitel1/Kapitel1_2/Kapitel1_2_2/kapitel1_2_2_node_en.html;jsessionid=5F92791D547EE0101FDA99B0D2C1DDDC.1_cid393

directors' dealings announcements of June 5, 2019 and June 26, 2019). Even prior to this transaction, Peter Wendeln and companies under his control represented the largest investor block in FORMYCON AG. Following the assumption of the subscription to these 577,397 additional shares, the total shareholding rose to approx. 24.6%. Because of demand for shares, Wendeln & Cie. KG subsequently sold 72,000 of the newly subscribed shares to selected existing investors at a price of € 30.90 in a private placement transaction (cf. directors' dealings announcement of November 14, 2019). As of December 31, 2019, Wendeln & Cie. KG thus held a total of 23.91% of the Company's shares.

Scale (Open Market) market segment

The Company's shares have, since March 1, 2017, been listed in the Frankfurt Stock Exchange's "Scale" segment for small- to medium-sized companies. The initial listing requirements and ongoing obligations of this Open Market (unofficial regulated) segment are designed to facilitate capital raising for small- to medium-sized companies and to provide access to German and international investors. FORMYCON shares were added to the Deutsche Börse's "Scale 30 Index" of the 30 most liquid shares within the Exchange's Scale segment in February 2018, soon after the launch of this new market index of Germany's most actively traded small- to medium-sized companies at the start of 2018. The inclusion of FORMYCON within the Scale 30 Index was based primarily upon order book turnover on the Xetra and Frankfurt Stock Exchange trading venues as well as quarterly adjusted market capitalization. The Scale 30 Index is calculated in real time, is denominated in euros, and is available in both price and performance variants. Since the creation of this select index of the most traded stocks in the Scale segment, these stocks have been gaining greater visibility among investors. The Scale 30 Index serves as a complement to Deutsche Börse's "Scale All Share Index", which tracks the entirety of stocks in the Scale segment.

Finally, FORMYCON has, since its introduction throughout the EU in July 2016, been subject to the requirements of the Market Abuse Regulation (MAR), replacing key parts of the German Securities Trading Act (*Wertpapierhandelsgesetz*) with the stated goal of promoting the integrity of the financial markets by improving transparency. Under the MAR, the Company is obligated to publicly release ad hoc announcements of information relevant to its share price, to report securities transactions by its executives (directors' dealings), and to maintain a registry of Company insiders. FORMYCON has implemented these requirements, integrating appropriate compliance processes into its existing risk management system as necessary.

Subscribed capital

In 2019, the Company's subscribed capital rose to a new total of € 10,000,000, divided into 10,000,000 shares, through a capital increase transaction executed as a private placement under exclusion of general subscription rights. As to the exercise of

stock options under the 2015 stock option program, these were carried out as cash settlements, in accordance with section 3.2 of the 2015 stock option program, and thus did not result in any further increase in the Company's subscribed capital (cf. directors' dealings announcements of July 23, 2019).

Annual General Meeting

On June 27, 2019, the Executive Board and Supervisory Board welcomed FORMYCON AG shareholders to the Company's Annual General Meeting in Planegg, Germany, with shareholders present or voting by proxy representing over 44% of the Company's subscribed capital (prior year: 40%). All resolutions proposed by the Management were approved, each with a majority in excess of 95%. The Annual General Meeting re elected Hermann Vogt to a further term on the Supervisory Board. In the subsequent constitutive meeting of the new Supervisory Board, Dr. Olaf Stiller was re elected as Chairman.

Investor relations

Professional dialogue with our investors and with the international capital markets forms an important component of FORMYCON's corporate strategy. In 2019, FORMYCON provided regular information about its business activities to the investment community, and its senior management presented the Company at various investor conferences and road shows, primarily in Germany, France and Switzerland, with the aim of exposing the Company to a larger base of potential target investors and increasing its visibility on the capital markets. In addition, FORMYCON held its first In-House Investors Day in 2019, offering existing and potential new investors a deeper insight into biosimilar development through presentations as well as a tour of FORMYCON's laboratories. As of the end of 2019, five analysts were regularly providing equity research coverage on FORMYCON AG.

The following analysts published research studies on FORMYCON during 2019:

Research provider	Analyst
B. Metzler seel. Sohn & Co. KGaA	Tom Diedrich
Edison Investment Research Limited	Dr. Daniel Wilkinson & Dr. John Savin
First Berlin Equity Research GmbH	Simon Scholes
Kepler Cheuvreux	Damien Choplain
SRH AlsterResearch AG	Oliver Drebing

More information about FORMYCON and its investor relations activities may be found in the "Investors" section of the Company's website. FORMYCON believes in open dialogue with its investors and with the capital markets, as an integral part of its corporate philosophy. In this spirit, the Investor Relations department of FORMYCON AG stands ready to respond to any questions or suggestions:

FORMYCON AG	
Contact Person	Sabrina Müller Corporate Communications & Investor Relations
Street address	Fraunhoferstr. 15, 82152 Martinsried/Planegg, Germany
Phone	+49 89 864 667 149
Email	ir@formycon.com
Web	https://www.formycon.com/investoren/aktie/

Staff

The business success of FORMYCON depends, among other factors, on the expertise of highly educated and skilled professional staff whose behavior in their decisions and business dealings is built upon a foundation of responsibility and ethical principles. This foundation is specifically defined through FORMYCON's Code of Conduct, with which all staff are expected to fully comply. In its corporate and management culture, FORMYCON attaches particular importance to a spirit of mutual trust, thereby encouraging a free and open exchange of views spanning the entire organization, across all levels. FORMYCON views this open and candid work environment as crucial for shared success. By participating in this open dialogue and actively participating in the company, each and every employee can make decisive contributions to the company's success.

As of December 31, 2019, FORMYCON had a total of 113 employees (prior year: 95), or expressed in terms of full-time equivalents (FTEs), and without adjustment for employees on parental leave, 101.3 (prior year: 87.8).

The average staffing during the fiscal years 2019 and 2018 is shown below, divided by functional area, and expressed in terms of FTEs to more meaningfully reflect part-time staff.

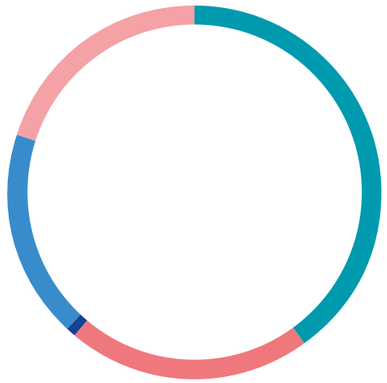
Average annual staffing (in FTE, excluding Executive Board members) by function

	2019	2018	Change
Research & development	80	72	11 %
General & administrative	10	8	25 %
Total	**90**	**80**	**13 %**

The analytics area was, in particular, strengthened over the past year in order to have the resources in place needed for the extensive work efforts entailed in the Company's existing and new biosimilar projects. The Company's regulatory affairs department was also further expanded in order to have sufficient expertise and capacity to produce regulatory approval documents of the highest quality standards and to interface with regulatory approval authorities internationally.

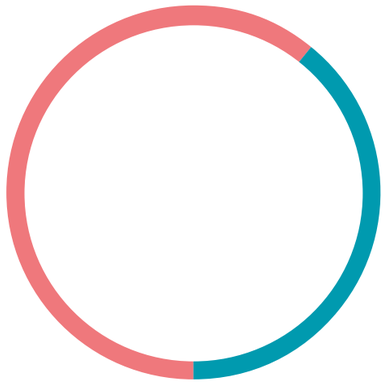
Staff expenses during fiscal year 2019 were € 9,094,672, an increase of approx. 15% over the prior year (€ 7,928,911) due to the increase in staffing as well as salary adjustments.

Educational Level of Staff (as of Dec. 31, 2019)



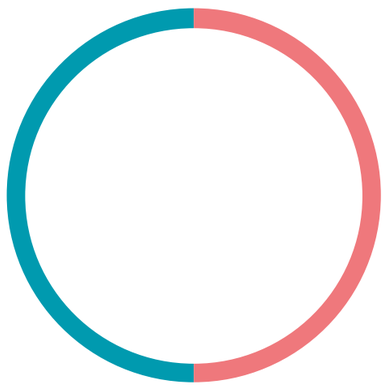
40% PhD
20% Diplom (equiv. Master's)
1% Bachelor's
18% Master's
21% Other

Percentage of Total Staff by Gender (as of Dec. 31, 2019)



61% female
39% male

Percentage of 2nd Management Level by Gender (as of Dec. 31, 2019)



50% female
50% male

Employees from nine different countries

Among FORMYCON's key success factors is the recruiting and retention of highly educated and skilled employees with superb abilities. 79% of the Company's total employees have a university degree, and 40% a doctorate. In terms of gender, 61% are female and 39% male. The average employee age as of the end of 2019 was 40 years. The percentage of women within the second management level (director level) is 50%. FORMYCON is proud of the stable organization and diverse workforce that it has built over the years, with employees from nine different countries (Austria, China, Cyprus, Germany, India, Italy, Montenegro, Romania, UK).

FORMYCON operates in a global and highly dynamic environment and hires the best possible employees, without regard to gender, nationality or age. To further these efforts to attract and retain talent, the Company has implemented an employee referral program which offers incentives to staff who contribute to the recruitment process by recommending suitable candidates.

In order to maximize the attraction and retention of talent which is so vital to the Company, FORMYCON pursues a strategy of actively fostering long-term loyalty of its staff throughout the Company's various functional areas. In order to achieve this strategic aim, FORMYCON offers individual opportunities for advanced training, not only for present job responsibilities but also to prepare staff for future career progression. For scientific staff, a new "scientific career path" was introduced in 2019 to better encourage career planning within the Company. In addition to offering such specific benefits as flexible working hours, a company pension scheme, health and wellness programs, and teambuilding events, FORMYCON generally places great importance on overall employee satisfaction, which is – along with technical excellence – essential to the

Company's ultimate success. In order to objectively measure the overall satisfaction of its workforce, FORMYCON regularly conducts anonymous surveys using an external service provider, focusing in particular on any psychological issues which might present a risk to the Company. The survey thus includes specific questions not only about the employee's satisfaction with the Company but also about psychological stresses within the workplace. The company also offers individual health assessments to its employees, along with coaching on relevant health topics. Through all of these measures, the Company strives to achieve and maintain the highest possible levels of employee satisfaction and loyalty.

Research and development

The Group's activities during 2019, as in prior years, were substantially comprised of research and development activities at the parent company level.

The consolidated expenditures for these Group activities may be broken down as follows:

in €	Fiscal year
Cost of raw materials, consumables and supplies	2,340,228
Third-party services	19,005,902
Staff expenses	9,094,672
Depreciation and amortization	911,913
Other	3,997,357
	35,350,073

As of the close of 2019, 97 staff members worked in research and development (prior year: 82). Expenditures during the period totaled € 35,350,073, and these were all were charged as current expense. No research and development expenditures were capitalized. In the area of patent protection, the Group continued to push forward with the international phase of its pending patent applications. Product development activities are proceeding on schedule, and thus prospects for the success of these development activities remain strong.

Financial performance

The financial results herein are reported for the fiscal year from January 1, 2019 to December 31, 2019. 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 € 33,157K, compared to € 42,994K in the prior fiscal year, resulting in an annual consolidated net loss of € 2,293K (prior year: net income of € 7,099K). Cost of materials declined to € 21,346K (prior year: € 24,853K), yielding consolidated gross profit from € 11,731K, a decline of € 7,178K.

During fiscal year 2019, **FORMYCON AG** continued to drive forward with the development of its four biosimilar projects according to its defined business model. As a result of the 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 for its product development services provided on behalf of the licensee.

As part of the creation of a new joint venture with Aristo Pharma GmbH in 2017, FORMYCON transferred its intellectual property rights in its FYB202 biosimilar project to the joint venture entities, FYB 202 GmbH & Co. KG and its subsidiary FYB 202 Project GmbH. FORMYCON holds a 24.9% stake in the joint venture with Aristo Pharma GmbH and, following the completion of the pilot phase, will bear a pro rata share of accumulated project investments and other development costs. Including this non-recurring item, the full-year net loss for FORMYCON AG (parent company only) was € 2,197K on revenue of € 21,038K.

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 years. Current assets totaled € 28,060K, compared to total current liabilities of € 5,345K. The Company did not have any bank loans or long-term loans during the period.

As of the period closing date, consolidated cash and equivalents amounted to € 22,116K, while marketable securities, also included in cash and liquid resources in the following Statements of Cash Flows, totaled € 238K. Return on sales (annual net income/loss divided by sales revenue) for the period was −6.9%, while EBIT (operating profit/loss) was −€ 2,273K and EBITDA (operating profit/loss plus depreciation and amortization) was −€ 1,361K.

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

Consolidated Statement of Cash Flows

per German Accounting Standard (DRS) 21

	in €K	2019	2018	Change €K	Change %
	Net income/loss	−2,293.3	7,098.6	−9,391.9	−132.3
+/−	Depreciation, amortization, writedowns (impairments) and write-ups of fixed assets	911.9	904.3	7.6	0.8
−/+	Gain/loss resulting from disposals of fixed assets	7.7	34.5	−26.9	−77.8
=	**Gross cash flow before change in working capital**	**−1,373.7**	**8,037.4**	**−9,411.2**	**−117.1**
+/−	Additions to/subtractions from medium- and short-term reserves	−704.2	786.9	−1,491.1	−189.5
−/+	Changes to inventories and trade receivables, as well as other assets not included among investing and financing activities	907.0	4,653.0	−3,745.9	−80.5
+/−	Changes to trade payables, as well as other liabilities not included among investing and financing activities	−335.3	−205.9	−129.4	62.8
+/−	Interest expense/interest income	25.6	27.5	−1.9	−6.8
+/−	Expense for taxes on income	8.6	0.0	8.6	0.0
−/+	Payment (reimbursement) of taxes on income	−8.6	0.0	−8.6	0.0
=	**Cash flow from operating activities**	**−1,480.5**	**13,298.9**	**−14,779.4**	**−111.1**
−	Payments for investments in intangible assets	−89.8	−114.1	24.3	−21.3
−	Payments for investments in property, plant and equipment	−922.6	−951.0	28.4	−3.0
−	Payments for investments in financial assets	−4,700.0	−15,973.0	11,273.0	−70.6
+	Interest received	2.7	5.5	−2.8	−51.4
=	**Cash flow from investing activities**	**−5,709.7**	**−17,032.7**	**11,322.9**	**−66.5**
+	Proceeds from shareholders of the parent company for additions to equity capital	17,264.2	597.7	16,666.5	2,788.4
−	Interest paid	−28.3	−33.0	4.7	−14.3
=	**Cash flow from financing activities**	**17,235.9**	**564.7**	**16,671.2**	**2,952.0**
	Total changes in cash and liquid resources from cash flows	10,045.6	−3,169.0	13,214.7	−417.0
+	Cash and liquid resources at the beginning of the period	12,308.5	15,477.5	−3,169.0	−20.5
=	**Cash and liquid resources at the end of the period***	**22,354.1**	**12,308.5**	**10,045.6**	**81.6**

* Cash and liquid resources includes cash and cash equivalents as well as short-term marketable securities available for sale.

Statement of Cash Flows (parent company only)

per German Accounting Standard (DRS) 21

	in €K	2019	2018	Change €K	Change %
	Net income/loss	−2,197.2	7,280.0	−9,477.2	−130.2
+/−	Depreciation, amortization, writedowns (impairments) and write-ups of fixed assets	911.9	904.3	7.6	0.8
−/+	Gain/loss resulting from disposals of fixed assets	7.7	34.5	−26.9	−77.8
=	**Gross cash flow before change in working capital**	**−1,277.7**	**8,218.8**	**−9,496.5**	**−115.5**
+/−	Additions to/subtractions from medium- and short-term reserves	2.0	73.3	−71.3	−97.3
−/+	Changes to inventories and trade receivables, as well as other assets not included among investing and financing activities	−1,495.3	5,036.4	−6,531.7	−129.7
+/−	Changes to trade payables, as well as other liabilities not included among investing and financing activities	432.4	−1,196.2	1,628.6	−136.1
+/−	Interest expense/interest income	25.2	26.3	−1.0	−4.0
+/−	Expense for taxes on income	−8.6	0.0	−8.6	0.0
−/+	Payment (reimbursement) of taxes on income	8.6	0.0	8.6	0.0
=	**Cash flow from operating activities**	**−2,313.4**	**12,158.5**	**−14,472.0**	**−119.0**
−	Payments for investments in intangible assets	−89.8	−114.1	24.3	−21.3
−	Payments for investments in property, plant and equipment	−922.6	−951.0	28.4	−3.0
−	Payments for investments in financial assets	−4,700.0	−15,973.0	11,273.0	−70.6
+	Interest received	1.7	5.4	−3.7	−69.0
=	**Cash flow from investing activities**	**−5,710.7**	**−17,032.8**	**11,322.0**	**−66.5**
+	Proceeds from shareholders of the parent company for additions to equity capital	17,264.2	597.7	16,666.5	2,788.4
−	Interest paid	−26.9	−31.7	4.8	−15.1
=	**Cash flow from financing activities**	**17,237.3**	**566.0**	**16,671.2**	**2,945.4**
	Total changes in cash and liquid resources from cash flows	9,213.1	−4,308.2	13,521.3	−313.8
+	Cash and liquid resources at the beginning of the period	10,113.1	14,421.3	−4,308.2	−29.9
=	**Cash and liquid resources at the end of the period***	**19,326.2**	**10,113.1**	**9,213.1**	**91.1**

* Cash and liquid resources includes cash and cash equivalents as well as short-term marketable securities available for sale.

c. Net assets

Over the reporting period, the Group's equity capital ratio rose to 90.0% (prior year: 83.9%), thereby continuing at its above-average level. Non-current assets, which rose as a result of investing activities, continued to be completely covered by equity capital, suggesting a 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.

Consolidated working capital, measured as the difference between current assets and current liabilities, amounted to € 22,715K as of the period closing date. Cash flow from operating activities was −€ 1,480.5K, in line with forecast. Cash flow from investing activities of −€ 5,709K substantially exceeded depreciation and amortization expense, reflecting continued growth in the Company's fixed asset base. The high cash outflow for investing activities was primarily attributable to the capital increase at FYB 202 GmbH & Co. KG, for which related investment outlays were € 4,700K.

As expected, return on equity (annual net income(loss)/average equity) and total return on capital (annual net income(loss)/average total capital) were both negative for the fiscal year. As to non-financial performance indicators, please refer to the above "Research and development" section of this report.

FORMYCON undertakes development for selected clients who see themselves as partners of FORMYCON and whose interests as to successful product development and subsequent market launch are fully aligned. The cooperative partnership arrangements and congruent objectives suggest a relatively low conflict potential. The Company's staff works primarily in research and development.

III Report on Subsequent Events

In December 2019, our licensing partner Bioeq AG submitted a biologics license application (BLA) with the U.S. Food and Drug Administration (FDA) for the regulatory approval of FYB201, our candidate biosimilar to Lucentis®. As part of a preliminary review, the FDA in February 2020 unexpectedly requested additional data from all parties involved (see ad hoc announcement of February 4, 2020). Following the request of a national European health authority, the drug substance contract manufacturer has moved a piece of processing equipment to a different location within the same site after the production of the FYB201 drug substance qualification batches was completed. The official order for this relocation was unrelated to the production of the FYB201 active ingredient. In close coordination with the FDA, these additional data are now being generated for manufacturing in the relocated production environment. FORMYCON and Bioeq anticipate that these data will take approximately four months to collect. Accordingly, Bioeq decided to withdraw the initial BLA and to re-submit it after incorporating the additional data, which may result in a corresponding delay in the approval process. With regard to the COVID-19 pandemic, FORMYCON was able to adapt well to the prevailing situation by reacting quickly and proactively and by implementing appropriate measures to decentralize the organization, so that the impact of the pandemic on the company's operational development activities has thus far been minimal. More specific information on the effects of the current COVID-19 situation on the company's individual development projects may be found in the following section.

IV Report on Outlook

Over the past several years, FORMYCON has successfully gone through various phases of its development as a vibrant and rapidly growing organization, with the capitalization of the Company and the launch of multiple biosimilar development projects marking the emergence of FORMYCON into a more mature phase of its corporate development, where the Company stands now.The current focus is on continued execution of this strategy and, particularly during 2020, continued progress with the project development of the current biosimilar candidates; on the further expansion of FORMYCON's project pipeline; and on additional partnering deals to license out these biosimilar candidates or shift them into joint ventures. In addition, FORMYCON is pushing forward with further efforts to digitalize its business processes to bring greater efficiency and effectiveness to its management and organization.

FYB201 – candidate biosimilar to Lucentis®

FYB201, FORMYCON's candidate biosimilar to ophthalmic blockbuster drug ranibizumab (reference product: Lucentis®), is the furthest advanced development project within the product pipeline. Together with licensing partner Bioeq AG, the combined team is working hand in hand towards the successful launch of the Company's first commercial product. In addition to the attractive growth of the overall market for Lucentis®, which according to the manufacturer grew by some 8% during 2019 to just short of USD 4 billion, the selection of biosimilar specialist Coherus BioSciences, Inc. as the U.S. marketing partner further boosts FORMYCON's confidence as it looks toward the future. The Company's FYB201 development activities during 2020 will focus, in particular, on the additional data collection in the relocated production environment as requested by the U.S. Food and Drug Administration (FDA) and on re-submission by Bioeq AG of the application for regulatory approval of the new drug. This additional data will also be integrated as FORMYCON works with Bioeq to prepare the application for approval for submission to the European Medicines Agency (EMA).

FORMYCON continues to work with license partner Bioeq AG and its manufacturing partner on the resubmission of the Biologics License Application (BLA) for the FYB201 project, a biosimilar candidate for Lucentis(R) (Ranibizumab), despite the situation regarding COVID-19. Together, Formycon and its partners are interacting with the U.S. Food and Drug Administration (FDA) and are currently focused on supporting the effort to generate the additional manufacturing data requested by the FDA for resubmission. Based on the manufacturing dates, completion of these efforts, and certain regulatory interactions for FYB201, a resubmission of the BLA is expected in the course of the second half of 2020 by license partner Bioeq AG.

FYB202 – candidate biosimilar to Stelara®

FYB202, FORMYCON's candidate biosimilar drug to reference product Stelara® (active ingredient: ustekinumab), targets multiple indications for the treatment of serious inflammatory diseases. With the transfer of the FYB202 project into a joint venture with Aristo Pharma GmbH, FORMYCON has created a strong basis to drive forward with the remaining development work. Thus far, FORMYCON has invested some € 21 million into the FYB202 project. Under current planning, FORMYCON will be able to fund its remaining pro rata obligations to the joint venture from its available liquidity resources. The manufacturing process for the active ingredient has already been scaled up to a commercial production level. In October of 2019, the start of the phase I clinical trials was announced, with the aim of demonstrating that the pharmacokinetics, safety and tolerability of FYB202 are comparable to those of reference drug Stelara®. Preparations for the start of the phase III study, scheduled for the third quarter of 2020, are continuing as planned. As part of this comprehensive clinical evaluation, FYB202 will then be tested on a larger patient population and at several study sites. Bioeq GmbH is the sponsor of the clinical trials and is also responsible for the study design and clinical operations. Advance coordination with the relevant approval authorities – the FDA in the U.S. and the EMA in Europe – has already been successfully completed through scientific advice procedures. As to the overall market for Stelara®, the growth dynamics are very encouraging: According to the manufacturer, full-year 2019 sales grew by 21% over the prior year to approx. USD 6.3 billion, with this growth partly fueled by the regulatory approval during 2019 of ulcerative colitis as an additional treatment indication.

FYB203 – candidate biosimilar to Eylea®

FYB203, a candidate biosimilar to Eylea® (active ingredient: aflibercept), is – like Lucentis® above – used in the treatment of neovascular age-related macular degeneration (nAMD) along with other serious eye diseases. FORMYCON signed a deal in 2015 to license out FYB203 to cooperation partner Santo Holding (Deutschland) GmbH. In this drug development project as well, the manufacturing process for FYB203's active ingredient has already been scaled up to a commercial level. The preclinical study was successfully completed last year, demonstrating comparable intraocular pharmacokinetics of our alternative formulation to reference product Eylea®.

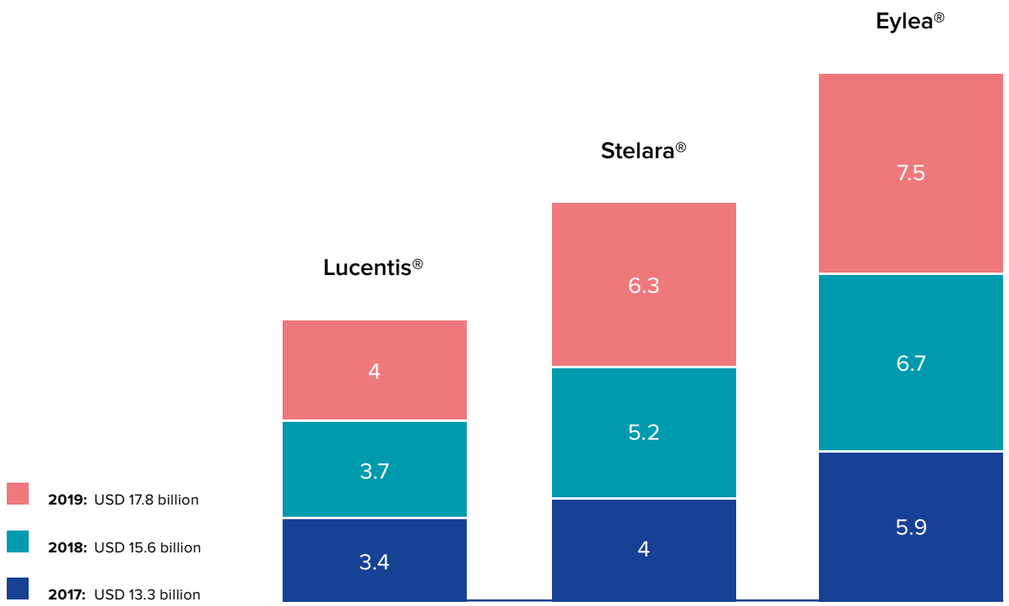
Preparatory work for phase III clinical trials is proceeding according to plan. The first regulatory approvals have been received to commence a randomized, double-blind, multicenter phase III study comparing the efficacy and safety of our aflibercept biosimilar FYB203 with the reference drug Eylea® in patients with neovascular age-related macular degeneration. Advance coordination with the relevant approval authorities – the FDA in the U.S., the EMA in Europe, and the Pharmaceuticals and Medical Devices Agency (PMDA) in Japan – has already been successfully completed through scientific advice procedures. The start of the phase III clinical trial is planned for mid-2020. The worldwide marketing rights for FYB203 have since been transferred from Santo Holding (Deutschland) GmbH within the Santo Group to Klinge Biopharma GmbH. As with the reference drugs to our first two biosimilar candidates, Eylea® posted a significant rise in sales during 2019: With full-year revenue of some USD 7.5 billion, the manufacturer announced 12% growth over the prior year.

Adding these three together, the total combined market for the reference drugs to these three FORMYCON biosimilar candidates was almost USD 18 billion in 2019, with growth of roughly 34% since 2017.

FYB20x – biosimilar candidates not yet announced

Details of other FORMYCON pipeline projects (FYB20x) have not yet been publicly announced. Specific development efforts for several biosimilar candidates, however, are currently in the analytical phase, and important intellectual property (IP) rights have already been established. Beyond these, further potential biosimilar candidates are un-

Growth of Reference Markets for FORMYCON Biosimilar Candidates (In USD Billion)



der active evaluation. As a general matter, FORMYCON wishes to develop and eventually commercialize each of its projects together with a partner, thereby maximizing the value of a significant retained equity interest.

With its financial soundness and its strong portfolio of capabilities, FORMYCON Group is well positioned in the market. As in the past, FORMYCON will continue to invest a large part of these resources into the development of new biosimilars. Based upon the two projects already licensed out, FYB201 and FYB203, and the development fees resulting from these, as well as the provision of development services for FYB202, the company anticipates for 2020 a turnover volume above the level of last year. No significant changes in the Company's balance sheet structure are anticipated. Provided that the development of its current biosimilar candidates proceeds as planned, FORMYCON could enter the royalty phase starting from 2021/2022. Exchange rate or inflation risks are not currently viewed as relevant factors, and no other unusual influences are anticipated.

Following a further increase in the number of employees during 2019 which raised the Company's staffing above the 100-employee mark, the company expects a further modest increase in 2020, which should likewise serve to modestly increase its cost structure. The Company thus again anticipates a modest net annual loss for fiscal year 2020, in part due to investments into promising new projects.

All of us at FORMYCON feel a great responsibility for the work we are doing. Through our biosimilars, we are making a significant contribution to broadening access to vital medications so that as many patients as possible may receive effective treatment. Beyond this sense of responsibility to help patients, FORMYCON also believes in social responsibility. FORMYCON has been a member of the UN Global Compact Network Germany since 2019. The UN Global Compact, one of the world's largest and most important initiatives for responsible corporate governance, has set itself the goal of an inclusive and sustainable global economy, supporting companies in aligning their strategies and activities with social and sustainability goals. In addition to the protection of human rights, these also include the elimination of all forms of forced labor, the abolition of child labor, the elimination of discrimination in hiring and employment, and protection of the environment, with a focus on a precautionary approach, the promotion of environmental awareness, and the development and diffusion of environmentally friendly technologies. FORMYCON stands firmly for global action with responsibility and will maintain this principled commitment long into the future. Over the coming year, we aim to further expand our specific environmental and societal initiatives, in particular with a "Social Awareness Day" involving our staff which is currently in planning.

V Report on Opportunities and Risks

Opportunities

FORMYCON continues to hold a positive view as to future growth in the healthcare sector, which is decisively important to the Company, for the following reasons:

- Advances in medical technology, in particular using powerful biopharmaceuticals, have enabled the treatment of diseases that were considered untreatable or only poorly treatable even just ten to twenty years ago. Because of the intensity of medical research, notably in the field of genetic technology, these rapid advances should continue in the coming years.

- Because of demographic trends, there is an ever increasing number of seniors who require extensive medical care. Moreover, the life expectancy of the population as a whole is increasing, so that their medical treatment, in particular with pharmaceuticals, is often possible or necessary over a significantly longer period of time.

- FORMYCON established its position in the highly promising market for biosimilars development at an early stage and, with its comprehensive expertise, is able to exploit the potential of this fast-growing market. FORMYCON's business model is scalable. The continued growth of both the market environment and the Company itself shows that FORMYCON is on the right path with its corporate strategy.

- Anticipated regulatory changes in the two markets currently most important in terms of sales revenue, the United States and Europe, suggest that environmental conditions for both the development and marketing of biosimilars will further improve over the coming years.

Opportunities for further growth lie in the expansion of the product portfolio, in the out-licensing of product candidates, and in strategic collaborations to jointly develop biosimilar projects or further expand the Company's value creation chain.

In positioning itself against competitors, FORMYCON continues to rely upon the experience and expertise of its staff, the innovations which they are able to achieve, the reliability of the scientific procedures which it uses in its development work, its stringent selection of reliable partners, and the high standards of quality and scientific expertise in the selection of its service providers and consultants.

Biosimilars have the advantage over their reference products of more cost-effective development because of procedures which are, for the most part, already scientifically proven and development processes which are largely well established. At the same time, the level of competition in the area of biosimilar development is generally, with few exceptions, modest compared to the market for conventional generic drugs due to the comparatively high barriers to market entry, in particular the complexity of producing biopharmaceuticals and the specialized expertise required. Because the similarity and comparability of a biosimilar to its reference product must already be demonstrated analytically, the likelihood that the development of the biosimilar will fail in one of the subsequent clinical phases is generally far lower than in the case of innovative biopharmaceuticals.

In addition to taking share in existing markets where their reference products are already being sold, biosimilars may, because of their lower price, be able to reach new markets where the more expensive reference products are not currently available.

Risks

Principles

FORMYCON, one of the few independent developers of biosimilars, operates in a global market with many different participants and influencers. Business success is determined by the identification of profit opportunities, along with the best possible assessment of the many and varied risks associated with these. 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 aiming to ensure that that these risks are handled optimally while at the same time providing the necessary entrepreneurial and operational flexibility. Regular reviews of this system further ensure that it is constantly improved and that, as circumstances change, changes are likewise made to the system promptly and in accordance with evolving needs. Towards this end, 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 through periodic reviews. This process aims to ensure that the Company steers clear of such risks to the extent possible, or if they arise, that their consequences are managed 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 considerably less. Nevertheless, the development of a biosimilar drug costs in the range of USD 100 to 200 million, requiring cost-intensive analytical, preclinical and clinical studies to demonstrate its comparability to the reference product in terms of quality, safety and efficacy. Because of these complex requirements, the development of a biosimilar also requires a relatively long development timeframe of six to eight years.

The prospects for the future commercial success of a biosimilar development project are largely determined by the selection of product candidates at the start of the process. With its FYB201 and FYB203 projects, FORMYCON is focusing on ophthalmic preparations, while its FYB202 project is targeted at immunological disorders. The intended therapeutic applications of the company's early-stage development projects have not yet been announced.

The future size and growth trajectory of these markets may be derived from existing sales statistics for the respective reference products. Declining sales of a reference

product could, however, result in a potential future market size for a biosimilar under development by FORMYCON which is 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, so that – provided that their development reaches successful completion – the profitability of the projects would seem assured.

Through its established out-licensing partnerships as well as its joint venture with Aristo Pharma GmbH, FORMYCON has the benefit of reliable partners with great expertise, who have already been working closely with FORMYCON for years. While the potential unplanned termination of such a partnership constitutes a significant strategic risk as a matter of principle, the likelihood of such event occurring is viewed as minimal.

Industry and market risks

From the standpoint of FORMYCON, conditions in the healthcare sector remain favorable. Demographic trends around the globe are also playing a key role as populations continue to age and live longer. Older people require more extensive medical care, regardless of economic cycles and consumer purchasing power.

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. Biopharmaceuticals, in particular, have been a significant driver of these treatment advances. Of the world's best-selling drugs, most are biopharmaceuticals. Specifically within Germany, biopharmaceuticals comprised 27.4 percent of the total drug market in 2018, equal to € 11.4 billion in sales revenue[11] – and the trend is continuing upward.

At the same time, however, the high cost of these powerful treatments, which in some cases may cost up to € 100,000 per patient per year, or even more, is a major burden on healthcare system costs. The political will to act as a result of these cost pressures could also, by increasing the pressure on biopharmaceutical prices, impact FORMYCON's business environment.

Controlling

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.

[11] cf. BCG & German Association of Research-Based Pharmaceutical Companies (vfa), "Biotech Report: Medizinische Biotechnologie in Deutschland 2019"

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 places great importance not only on the fulfillment of statutory and regulatory requirements but also on the regular training and further qualification of all of its staff in the relevant aspects of workplace safety. In addition to our biological safety officer, our designated project manager as required under the German Genetic Engineering Act (*Gentechnikgesetz*) and our trained safety specialist, FORMYCON has designated several other experienced employees with specific responsibilities in the area of workplace safety and protection. A company doctor regularly conducts preventive examinations and advises employees and senior management on medical matters. FORMYCON holds all permits and approvals required for its operations. Compliance with all regulatory requirements regarded safety and the 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 the Company's liquidity position is particularly strong for a company whose products are still in the development stage. Irrespective of this, conditions within the Company's operating business may change, giving rise to financial risks. As none of the Company's product candidates has yet obtained regulatory approval, it cannot be ruled out that one or more such approvals could come later than anticipated, or that the scope of approval could be different than planned, or that approval could be denied. Moreover, the required financial outlays for product development, regulatory approval and market launch could substantially exceed planned budgets. There is also the possibility that future license income, even subsequent to regulatory approval, could be less than anticipated.

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, have been significantly reduced in the case of the FYB201 and FYB203 projects through the successful out-licensing deals and in the case of FYB202 through the establishment of a joint venture partnership.

The possibility cannot be excluded, however, that such one or more development partnerships could be terminated 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 moving these into attractive partnership arrangements starting from a certain product development stage.

Risks to the Company's future financial performance could arise from the general economic environment, in which potential bank insolvencies cannot be ruled out. FORMYCON invests its liquid assets exclusively with financial institutions with strong and stable ratings and which can be regarded as relatively safe in the event of a financial crisis.

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

Organizational risks

FORMYCON's operating activities depend 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 also regularly conducts maintenance and inspections of its critical equipment by trained personnel or specialized service providers, making changes to equipment as necessary to ensure that it remains at the state of the art.

Patent risks

The possibility of patent infringements, even if only alleged, is an inherent risk in biosimilar development because of the large number of potentially relevant patents which must be considered. Disputes with competitors or other patent owners, or defense against lawsuits claiming patent infringement, may pose a considerable financial burden. Particularly in the U.S., such legal actions generally involve very 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 products on one or more relevant markets, and/or the imposition of sizable fines. Such a legal action could also make it necessary to cease the development, launch, or ongoing marketing of one or more products.

In order to avoid infringements upon the intellectual property rights of others, FORMYCON conducts exhaustive patent searches already at the time that project candidates are selected, then continues to closely monitor the relevant patent environment over the course of the development of its biosimilar candidates. Nevertheless, the possibility cannot be excluded that FORMYCON could be the subject of patent litigation, even if such litigation is unjustified.

Staff risks

The expertise and many years of experience of its employees are key pillars of FORMYCON's success. In particular, the development of a biosimilar drug, from early-stage analysis through to regulatory approval, requires highly qualified specialists. Over recent years, FORMYCON has been able to recruit numerous highly qualified scientists and managers. This demonstrates that the Company is a highly attractive employer, able to successfully fill these critical positions, even in a fiercely competitive labor market. For a growing organization, staff turnover is relatively low. The loss of key staff would constitute a significant risk. To keep this risk as low as possible, the Company has implemented a number of staff motivation and retention initiatives, along with talent planning to ensure that future succession is in place. It is also impossible to rule out the risk of staff absences due to illness. The rate of sick leave at FORMYCON is, compared to other industries in Germany, very low. FORMYCON has, nevertheless, established a health management system to mitigate the impact of staff absences resulting from illness.

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 implementation of any individual stage of product development could potentially entail delays which are generally not predictable and which, in turn, would 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.

In its biosimilar development work, FORMYCON relies in part upon external partners. Should an external partner fail to provide the required resources, or fail to provide them within the required timeframe, or should the timeframe in which such resources are made available be shifted for other reasons, this could lead to delays in the Company's development projects.

With this in mind, FORMYCON plans all steps of product development with the greatest possible care and, to the extent feasible, with reasonable time allowances for delays that might arise. Preclinical and clinical studies as well as the extensive program of analytical characterization take place in close consultation with the respective authorities and with assistance and expert advice from outside specialists. Notwithstanding this, the precise results or outcome of any such study cannot be completely predicted in advance.

It cannot be ruled out that particular stages of a product development program might need to be repeated, that one or more such studies might not reach successful conclusion, or that a development program might fail in its entirety. 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 completely denied. In addition, difficulties arising in the recruitment of patients for clinical trials may also affect the profitability of a drug development project.

Legal risks

FORMYCON does business in an international environment and in highly regulated markets. There is thus the possibility that FORMYCON could be drawn into legal disputes which might even be unjustified or frivolous, based upon patent law, competitive or antitrust law, tax law or environmental law, or arising from other 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, for example, not covered by insurance or only partially insured. In particular, it appears likely that the manufacturer of the reference product will pursue legal avenues available to it with regards to the regulatory approval of FYB201 in the United States. While the possibility cannot be excluded that FORMYCON might be drawn into such a legal dispute, the Company is prepared for this contingency. At the present time, no other legal conflicts of material relevance are identifiable.

Additional risks 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 and political 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, the political and public policy environment, particularly in the European Union and the United States, may have a significant influence on market opportunities for biosimilars as a whole or within specific areas of indication. For example, politically influenced changes to regulations governing the permitted choice of prescription drug, the eligibility of biosimilars for reimbursement, and/or their interchangeability with the originator drug may an impact on competition or pricing, and thus have a significant impact on sales revenue for the biosimilar market as a whole and on future FORMYCON products in particular. Furthermore, the possibility cannot be ruled out, particularly in the U.S., that a partial or complete government shutdown could lead to delays in the regulatory approval process.

Competitive risks

The current aim of FORMYCON is to launch its products, through its respective partners, upon expiry of patent protection on the reference product in the respective market. In each such market, FORMYCON must compete not only with the manufacturer of the reference drug, who might attempt to defend its market position and establish barriers to market entry (e.g. through life-cycle management), but also with other biosimilar producers. The competition situation in each specific case will depend upon the pricing of the reference drug as well as the pricing of any new competitors in the market. It is, in addition, entirely possible that the manufacturer of the originator product might reduce its pricing upon patent expiry, or seek to enter into discount agreements with health insurers or other major buyers over extended contractually binding periods, in order to retain market share. This would improve its defensive competitive position against a new biosimilar entry and make it more difficult for the biosimilar to take share.

Through 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 strives to face these competitive challenges. Nevertheless, it cannot be excluded that competitors might, in an unexpected or unpredictable way, find themselves in an advantageous competitive position relative to, and to the detriment of, FORMYCON.

Summary assessment of risks

Even if the risks involved for FORMYCON are 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 draw upon the services of outside partners and providers, which necessarily entails dependencies. Risks could thus potentially also arise within areas over which FORMYCON has no direct management 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.

Overall assessment

Compared to the previous year, there has been no fundamental change in the risks facing the Company. At present, no risks can be identified which might endanger the Company's continued existence. 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. Furthermore, in view of its financial stability, the Company is well equipped to deal with potential future risks.

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) and U.S. dollars, which are paid promptly in order to minimize currency risks.

FORMYCON's risk management policy is fundamentally to protect against financial risks of all kinds.

In managing its financial position, the Group follows a conservative risk policy. To the extent that payment default or other credit risks are identifiable with regard to financial assets, these risks are reflected through value adjustments.

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

VII Report on Branches

The Company does not currently maintain any branches.

Martinsried/Planegg,
Germany, March 26, 2020

Dr. Carsten Brockmeyer

Dr. Nicolas Combé

Dr. Stefan Glombitza

C

FORMYCON Group
Consolidated Financial Statements

Consolidated Balance Sheet – Assets

as of December 31, 2019

in €	Dec, 31, 2019	Dec, 31, 2018
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	198,217.10	175,701.80
2. Goodwill	433,455.00	591,075.00
	631,672.10	**766.776,80**
II. Property, plant and equipment		
1. Land and buildings, including property-like rights and buildings on third-party land	74,685.53	135,032.00
2. Technical equipment and machinery	3,233,310.27	2,947,532.03
3. Other plant, production equipment and office equipment	392,873.64	390,340.80
	3,700,869.44	**3.472.904,83**
III. Financial assets		
1. Investment participations	20,673,249.00	15,973,249.00
	20,673,249.00	**15.973.249,00**
B. Current assets		
I. Inventories		
1. Raw materials, consumables and supplies	199,374.83	166,221.03
2. Unfinished products and services	171,182.00	1,013,200.00
3. Advance payments	36,131.37	36,131.37
	406,688.20	**1.215.552,40**
II. Receivables and other assets		
1. Trade accounts receivable	4,920,107.68	5,167,840.26
2. Other assets	379,224.81	53,964.20
	5,299,332.49	**5.221.804,46**
III. Securities		
Other securities	238,250.00	4,972,308.23
	238,250.00	**4.972.308,23**
IV. Cash and cash equivalents	**22,115,843.98**	**7,336,154.32**
C. Prepaid expenses	**119,418.68**	**145,407.93**
D. Deferred tax asset	**370,000.00**	**519,700.00**
	53,555,323.89	**39,623,857.97**

Consolidated Balance Sheet – Liabilities and Equity

as of December 31. 2019

in €	Dec, 31. 2019	Dec, 31. 2018
A. Equity		
I. Subscribed capital[1]	10,000,000.00	9,422,603.00
II. Capital reserve	52,238,527.64	35,551,754.34
III. Loss carryforward	−14,027,807.15	−11,734,519.47
	48,210,720.49	**33,239,837.87**
B. Provisions		
1. Tax provisions	519,700.00	519,700.00
2. Other provisions	1,358,147.80	2,062,309.00
	1,877,847.80	**2,582,009.00**
C. Liabilities		
1. Trade accounts payable of which due within one year € 2,211,539.47 (prior year: € 2,730,781.29)	2,211,539.47	2,730,781.29
2. Other liabilities	1,255,216.13	1,069,347.35
of which from taxes € 162,140.83 (prior year: € 213,491.81)		
of which relating to social security € 2,977.46 (prior year: € 195.26)		
of which due within one year € 553,542.44 (prior year: € 595,089.77)		
of which due in more than one year € 701,673.69 (prior year: € 474,257.58)		
	3,466,755.60	**3,800,128.64**
D. Deferred income	**0.00**	**1,882.46**
	53,555,323.89	**39,623,857.97**

[1] Conditional Capital 2019: € 4,284,740
Conditional Capital 2015: € 624,260

Consolidated Income Statement

for the period from January 1. 2019 to December 31. 2019

	in €	Dec, 31. 2019	Dec, 31. 2018
1.	Sales revenue	33,157,175.84	42,993,517.36
2.	Increase or decrease in inventories of finished and unfinished products	842,018.00	584,700.00
	Total revenue	**32,315,157.84**	**43,578,217.36**
3.	Other operating income	762,122.88	184,325.40
	of which income attributable to foreign currency translation € 58,746.59 (prior year: € 70,753.62)		
4.	Cost of materials		
	a. Cost of raw materials, consumables and supplies and of purchased goods	2,340,228.37	1,958,171.25
	b. Cost of purchased services	19,005,901.53	22,895,036.60
		21,346,129.90	24,853,207.85
	Gross profit	**11,731,150.82**	**18,909,334.91**
5.	Staff expenses		
	a. Wages and salaries	7,808,727.70	6,791,793.78
	b. Social contributions and costs for retirement benefits and for support benefits	1,285,944.32	1,137,117.51
	of which for retirement benefits € 128,193.61 (prior year: € 111,409.64)		
		9,094,672.02	7,928,911.29
6.	Depreciation, amortization and writedowns of intangible assets and on property plant and equipment	911,913.43	904,283.98
7.	Other operating expenses	3,997,357.47	2,950,147.66
	Operating income	**–2,272,792.10**	**7,125,991.98**
	of which expense arising from foreign currency translation € 60,521.67 (prior year: € 64,093.90)		
8.	Other interest and similar income	2,675.45	5,509.74
9.	Writedowns of financial assets and securities held in current assets	855.30	85.00
10.	Interest and similar expense	28,250.73	32,964.52
11.	Taxes on income	–8,550.00	0.00
12.	**Income after tax**	**–2,290,672.68**	**7,098,452.20**
13.	Other taxes	2,615.00	–162.88
14.	**Annual net loss (profit)**	**–2,293,287.68**	**7,098,615.08**
15.	Loss carryforward from prior year	11,734,519.47	18,833,134.55
16.	**Accumulated loss to balance sheet**	**14,027,807.15**	**11,734,519.47**

Notes to the Consolidated Financial Statements for the Fiscal Year from January 1, 2019 to December 31, 2019

I General Information about the Company

FORMYCON AG ("FORMYCON" or the "Company"), together with the subsidiary companies within its scope of consolidation (the "Group"), is a leading independent developer of high-quality biosimilar drugs, meaning follow-on products to biopharmaceuticals already on the market.

FORMYCON AG has its registered offices in Munich, Germany, and is entered into the commercial register (*Handelsregister*) of the District Court of Munich under number HRB 200801. The Company's shares are listed in the Frankfurt Stock Exchange's Open Markest "Scale" segment for small- to medium-sized companies (Deutsche Börse: Open Market, Scale, German securities identifier (WKN): A1EWVY, ticker symbol: FYB, ISIN: DE000A1EWVY8).

II General Information about the Content and Structure of these Consolidated Financial Statements

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

Items in the Consolidated Balance Sheet and Consolidated Income Statement for which there is no reportable amount either in the current fiscal year or the prior year are omitted as provided under sec. 298 para. 1 and sec. 265 para. 8 of the German Commercial Code (*Handelsgesetzbuch*, HGB).

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

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

The Consolidated Income Statement retains the total expenditure format, as used in prior years. This format is appropriate to the Group's structure.

III Consolidation

Fiscal year and period of consolidation

These Consolidated Financial Statements have been prepared as of December 31, 2019, which is the balance sheet closing date for FORMYCON AG, the parent company.

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

Scope of consolidation

These Consolidated Financial Statements include, in addition to FORMYCON AG, two other companies in which FORMYCON AG has a direct or indirect controlling interest. Further information about shareholdings may be found in these Notes to the Consolidated Financial Statements, within the relevant table in section VII ("Other information").

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.

IV Balance Sheet Presentation and Valuation Methods

Foreign currency translation

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

The remaining term of liabilities, along with their collateralization through liens or similar rights, as well as their relationship to other balance sheet items, is shown in the Consolidated Schedule of Liabilities included as Attachment 3 to these Notes.

Derivatives

The Group did not hold any derivative financial instruments as of December 31, 2019.

Principles of balance sheet presentation and valuation

The Balance Sheet includes all assets, all liabilities and all prepaid and deferred items. Assets and liabilities are valued individually. The valuation of assets and liabilities takes all risks into account which are identifiable based on the principles of prudent business judgment.

Fixed assets

Purchased **intangible assets** are capitalized at the cost of acquisition and amortized based upon expected useful life.

No use has been made of the elective right under sec. 248 para. 2 of the Commercial Code to capitalize self-produced intangible assets.

Goodwill derived from acquisitions is amortized on a linear pro rata basis over a business-customary useful life of ten years. The long useful life (extending until September 30, 2022) 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, less accumulated depreciation. The depreciation of all moveable assets is linear, with depreciation in the year of acquisition on a pro rata basis. In the event of any impairment in value which is expected to be permanent, the respective asset is written down to the lower fair value.

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

Raw materials, consumables and supplies as well as purchased goods in **inventories** are valued at their average cost of acquisition, insofar as a write-down to a lower value as of the balance sheet closing date is not required. Finished and unfinished products are valued at their cost of production in accordance with sec. 255 para. 2 sentence 2 of the Commercial Code.

Receivables and other assets are valued at the lower of nominal or fair value. In the case of doubtful receivables, bad debt allowances are made individually. There are no general provisions for bad debts.

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

Cash and cash equivalents are stated at their nominal value.

Prepaid and deferred items

Prepaid and deferred items are posted in accordance with sec. 250 of the Commercial Code.

Deferred taxes

The calculation of **deferred taxes**, in accordance with sec. 274 of the Commercial Code, is based upon timing differences between balance sheet items as these are stipulated under the Commercial Code and under German tax law. The resulting cumulative deferred tax relief (deferred tax asset) and cumulative deferred tax burden (deferred tax liability) are determined on a net basis in accordance with sec. 274 para. 1 sentence 3 of the Commercial Code. In addition, the deferred tax relief resulting from existing loss carryforwards has now been recognized. The income tax rate used to calculate deferred taxes is 29.83%, or in the case of investment participations in partnerships, 15.83%.

On this basis, the deferred tax amounts are calculated as follows:

	Difference in taxable amount (in €)	Tax rate (in %)	Deferred taxes (in €)
Valuation of participation in FYB 202 GmbH & Co, KG	15.841.866,00	15,83	−2,506,975.32
Deferred tax asset from loss carryforward		29,83	2,878,595.00
Deferred tax assets to balance sheet			371,619.68
Deferred tax assets to balance sheet (rounded)			370,000.00
Prior year			519,700.00
Reduction in deferred tax assets			149,700.00

Provisions

Tax provisions and **other provisions** take into account all uncertain obligations and all identifiable risks. These are stated at the amount required for their fulfillment using prudent business judgment, including future increases in prices and costs. 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.

Liabilities are stated at the amount required for their fulfillment.

Liabilities

V Additional Notes to the Consolidated Balance Sheet

Fixed assets

A **Consolidated Schedule of Fixed Assets**, including depreciation and amortization taken in the current fiscal year, is provided in Attachment 1 to these Notes.

Receivables and other assets

The remaining term of receivables and other assets, and their relationship to other balance sheet items, is shown in the **Consolidated Schedule of Receivables** included as Attachment 2.

Equity capital

Changes to consolidated equity are presented in the **Consolidated Schedule of Changes in Equity** included as Attachment 4.

Information required per sec. 160 of the Stock Corporation Act

Number of shares outstanding

The Company has registered capital (*Grundkapital*) of € 10,000,000, which is divided into 10,000,000 bearer shares without par value.

Approved Capital 2019

By resolution of the Annual General Meeting of June 27, 2019, 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 26, 2024, and by no more than a total of € 5,000,000, through the issuance of up to 5,000,000 new no-par-value bearer shares, against contributions in cash and/or in kind (the "Approved Capital 2019"). 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 General 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). Notwithstanding the foregoing, the Executive Board is authorized, subject to the approval of the Supervisory Board, to exclude the general statutory subscription rights of shareholders in the following specific cases:

- for fractional shares;
- in the case that the capital increase is made against cash contributions and the issue price of the new shares is not significantly lower than the stock exchange price and the new shares issued under exclusion of subscription rights do not exceed 10% of the share capital, either at the time this authorization takes effect or at the time this authorization is exercised, whereby this 10% limit is to be calculated based on the proportion of share capital attributable to new shares issued, or repurchased treasury shares sold, subsequent to June 27, 2019 under a simplified exclusion of subscription rights pursuant to or in accordance with sec. 186 para. 3 sentence 4 of the German Stock Corporation Act, as well as calculated based on the proportion of share capital relating to stock options and/or conversion rights or obligations arising from bonds issued subsequent to June 27, 2019, likewise in accordance with sec. 186 para. 3 sentence 4 of the Stock Corporation Act; and
- in the case of capital increases against non-cash contributions for the granting of companies, parts of companies, or equity interests in companies (including increases of existing equity investments), or in satisfaction of financial obligations of the Company.

This action was entered into the Company's commercial register on July 2, 2019.

Number of subscription rights per sec. § 192 para. 2 no. 1 of the Stock Corporation Act

The Company's registered capital has been conditionally increased by a maximum of € 4,284,740, divided into a maximum of 4,284,740 no-par-value bearer shares (the "Conditional Capital 2019"). This capital increase is conditional upon the exercise of warrants or conversion rights by the holders of convertible bonds and/or bonds with attached warrants issued under the authority granted to the Executive Board by the resolution of the Annual General Meeting of June 27, 2019 and valid until June 26, 2024, or upon the triggering of obligations to issue shares arising from such warrants or convertible bonds. The newly issued shares shall participate in profits from the start of the fiscal year in which they arise due to such exercise, or due to the fulfillment of such obligations arising from such warrants or convertible bonds. The Executive Board is authorized, subject to approval of the Supervisory Board, to determine further details regarding the specific implementation of any such contingent capital increase.

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

The Company's registered capital has been conditionally increased by a maximum of € 715,260 for the issuance of a maximum of 715,260 new no-par-value bearer shares (the "Conditional Capital 2015"). The Conditional Capital 2015 serves exclusively to secure subscription rights (stock options) granted to members of the Executive Board and Company employees, as well as executives and employees of Company subsidiaries and affiliates, under the authority granted by resolution of the Annual General Meeting of June 30, 2015 to issue such stock options at any time up to and including June 29, 2020 (the "Stock Option Plan 2015"). This capital increase is conditional upon such subscription rights having been issued and upon the exercise of such sub-

scription rights by the holders thereof, and further provided that the Company does not grant treasury shares or provide a cash settlement in fulfillment of such subscription rights. 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 General Meeting as to the application of retained profits. The Executive Board is authorized, subject to approval of the Supervisory Board, to determine further details regarding the specific implementation of any such contingent capital increase. In the case of such subscription rights (stock options) being granted to Executive Board members, the Supervisory Board is similarly authorized. The Supervisory Board is further authorized to amend the Company's articles of incorporation to reflect such utilization of the conditional capital. As of the reporting date, a total of 376,000 stock options were issued.

Provisions

Other provisions are substantially comprised of the following:

in €	Fiscal year
Bonuses	788,080.00
Unpaid invoices	191,983.00
Accrued vacation	152,884.00
Safekeeping obligations	115,300.00
Audit and advisory costs	58,250.00
Costs of litigation	25,000.00
Occupational cooperative and other social expenses	20,600.00
Miscellaneous staff provisions	6,050.80

Liabilities

The remaining term of liabilities, along with their collateralization through liens or similar rights and their relationship to other balance sheet items, is shown in the **Consolidated Schedule of Liabilities** included as Attachment 3 to these Notes.

Other financial obligations

The total amount of other financial obligations, within the meaning of sec. 314 para. 2 no. 2a of the Commercial Code, results from contractual obligations for ongoing performance. For obligations up to one year, the total amount is € 729,824, for obligations between one and five years € 1,374,616, and for obligations beyond five years, € 0.

VI Additional Notes to the Consolidated Income Statement

Sales revenue of € 33,157,176 during the fiscal year was entirely attributable to development services.

Total research and development costs during the fiscal year were € 35,350,073.

VII Other Information

Number of staff

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

Average number of staff	Fiscal year
Administration	12
Research & development	90
Total company staff:	**102**

Information on the Executive Board and Supervisory Board

Information on members of the Executive Board per sec. 314 para. 1 no. 6 of the Commercial Code:

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

Information on members of the Supervisory Board per sec. 314 para. 1 no. 6 of the Commercial Code:

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

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

- **Dr. Olaf Stiller**: Member of supervisory board, Bodenwert Immobilien AG
  Chairman of supervisory board, Nano Repro AG
- **Hermann Vogt**: Member of supervisory board, Cumerius AG

Remuneration

During the fiscal year, the members of the Supervisory Board received total remuneration of € 57,000, while total remuneration to members of the Executive Board, within the meaning of sec. 314 para. 1 no. 6 of the Commercial Code, was € 1,350,394 (of which € 475,000 was success-based), along with 17,500 stock options with a current fair value of € 56,175.

Information on shareholdings per sec. 313 para. 2 no. 1–8 of the Commercial Code

The following subsidiary companies were included within these Consolidated Financial Statements in accordance with sec. 313 para. 2 no. 1 of the Commercial Code:

Company name	**Registered location**	**Share of capital** (in %)	**Equity** (in €K)
FORMYCON PROJECT 201 GmbH	Munich	100	−64
FORMYCON PROJECT 203 GmbH	Munich	100	−1,846
FYB 202 GmbH & Co. KG*	Berlin	24,9	19,401

* Investment participations per sec. 313 para. 2 no. 4 of the Commercial Code for which consolidation is not provided for under no. 1 to no. 3

Information on auditor fees per sec. 314 para. 1 no. 9 of the Commercial Code

in €	**Fiscal year**
Audit services	76,319.00
Tax advisory and other services	3,040.00
Total	**79,359.00**

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

As of the balance sheet closing date, the total number of subscription rights (stock options) granted to staff and members of the Executive Board and Company employees but not yet exercised was 376,000.

Significant events subsequent to balance sheet closing date

There have been no events of material significance which occurred following the end of the financial year and are not reflected in the Consolidated Financial Statements.

With regard to the ongoing COVID-19 pandemic, FORMYCON has been able to adapt well to the prevailing situation by reacting promptly and by implementing appropriate measures to decentralize organizational functions, so that the impact of the pandemic on the company's operational activities, particularly for development, has thus far been minimal.

Appropriation of profit or loss

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

Planegg, Germany,
March 26, 2020

Dr. Carsten Brockmeyer

Dr. Nicolas Combé

Dr. Stefan Glombitza

Consolidated Schedule of Fixed Assets

Attachment 1

in €	Changes in historical cost of acquisition				Changes in historical cost of acquisition				Changes in net book value		
	Historical cost of acquisition or production at Dec, 31, 2018	Additions	Historical cost of disposals	Historical cost of acquisition or production at Dec, 31, 2019	Accumulated depreciation & amortization at Dec, 31, 2018	Current-year depreciation & amortization	Depreciation & write-downs on disposals	Accumulated depreciation & amortization at Dec, 31, 2019	Net book value at Dec, 31, 2018	Net book value of disposals	Net book value at Dec, 31, 2019
Intangible assets											
Purchased concessions, industrial property rights, and similar rights and assets, as well as licenses for such rights and assets	489,337	89,788	0	579,125	313,636	67,273	0	380,909	175,701	0	198,216
Goodwill	1,576,200	0	0	1,576,200	985,125	157,620	0	1,142,745	591,075	0	433,455
Property, plant and equipment											
Land and buildings, including property-like rights and buildings on third-party land	504,047	0	0	504,047	369,015	60,346	0	429,361	135,032	0	74,686
Technical equipment and machinery	5,266,344	755,184	22,053	5,999,475	2,318,812	461,792	14,439	2,766,165	2,947,532	7,614	3,233,310
Other plant, production equipment and office equipment	1,097,343	167,452	55,256	1,209,539	707,003	164,882	55,218	816,667	390,340	37	392,872
Financial assets											
Investment participations	15,973,249	4,700,000	0	20,673,249	0	0	0	0	15,973,249	0	20,673,249
Total	**24,906,520**	**5,712,424**	**77,309**	**30,541,635**	**4,693,591**	**911,913**	**69,657**	**5,535,847**	**20,212,929**	**7,651**	**25,005,788**

* Discrepencies in totals are due to rounding errors.

Consolidated Schedule of Receivables

Attachment 2

in € (prior year in €K)	Dec. 31, 2019	of which due in more than 1 year
Trade accounts receivable	4,920,108	0 (prior year: 0)
Other assets	379,225	0 (prior year: 0)
Total	**5,299,332**	**0 (prior year: 0)**

Consolidated Schedule of Liabilities

Attachment 3

in € (prior year in €K)	Dec. 31, 2019	of which due within 1 year	of which due in 1–5 years	of which due in more than 5 years	of which due in more than 1 year	of which collateralized
Trade accounts payable	2,211,539	2,211,539 (PY: 2,731)	0	0	0 (PY: 0)	0
Other liabilities	1,255,216	553,542 (PY: 595)	701,674	0	701,674 (PY: 474)	1,030,156
Total	**3,466,756**	**2,765,082 (PY: 3,326)**	**701,674**	**0**	**701,674 (PY: 474)**	**1,030,156**

Trade accounts payable may be secured by industry-customary conditional retention of title.
Other liabilities may be secured by industry-customary conditional retention of title.

Consolidated Schedule of Changes in Equity

Attachment 4

in €	Subscribed capital	Capital reserves	Profit (loss) carryforward	Adjustments for capital consolidation	Adjustments for foreign currency translation	Consolidated net income (loss)	Minority interests in group equity	Consolidated equity
as of Dec. 31. 2018	**9,422,603.00**	**35,551,754.34**	**–18,833,134.55**	**0.00**	**0.00**	**7,098,615.08**	**0.00**	**33,239,837.87**
Additions to equity	577,397.00	16,686,773.30	0.00	0.00	0.00	0.00	0.00	17,264,170.30
Appropriation of prior-year profit	0.00	0.00	7,098,615.08	0.00	0.00	–7,098,615.08	0.00	0.00
Annual consolidated net income (loss)	0.00	0.00	0.00	0.00	0.00	–2,293,287.68	0.00	–2,293,287.68
as of Dec. 31. 2019	**10,000,000.00**	**52,238,527.64**	**–11,734,519.47**	**0.00**	**0.00**	**–2,293,287.68**	**0.00**	**48,210,720.49**

Consolidated Statement of Cash Flows

Attachment 5

per German Accounting Standard (DRS) 21

	in €K	2019	2018	Change €K	Change %
	Net income/loss	−2,293.3	7,098.6	−9,391.9	−132.3
+/−	Depreciation, amortization, writedowns (impairments) and write-ups of fixed assets	911.9	904.3	7.6	0.8
−/+	Gain/loss resulting from disposals of fixed assets	7.7	34.5	−26.9	−77.8
=	**Gross cash flow before change in working capital**	**−1,373.7**	**8,037.4**	**−9,411.2**	**−117.1**
+/−	Additions to/subtractions from medium- and short-term reserves	−704.2	786.9	−1,491.1	−189.5
−/+	Changes to inventories and trade receivables, as well as other assets not included among investing and financing activities	907.0	4,653.0	−3,745.9	−80.5
+/−	Changes to trade payables, as well as other liabilities not included among investing and financing activities	−335.3	−205.9	−129.4	62.8
+/−	Interest expense/interest income	25.6	27.5	−1.9	−6.8
+/−	Expense for taxes on income	8.6	0.0	8.6	0.0
−/+	Payment (reimbursement) of taxes on income	−8.6	0.0	−8.6	0.0
=	**Cash flow from operating activities**	**−1,480.5**	**13,298.9**	**−14,779.4**	**−111.1**
−	Payments for investments in intangible assets	−89.8	−114.1	24.3	−21.3
−	Payments for investments in property, plant and equipment	−922.6	−951.0	28.4	−3.0
−	Payments for investments in financial assets	−4,700.0	−15,973.0	11,273.0	−70.6
+	Interest received	2.7	5.5	−2.8	−51.4
=	**Cash flow from investing activities**	**−5,709.7**	**−17,032.7**	**11,322.9**	**−66.5**
+	Proceeds from shareholders of the parent company for additions to equity capital	17,264.2	597.7	16,666.5	2,788.4
−	Interest paid	−28.3	−33.0	4.7	−14.3
=	**Cash flow from financing activities**	**17,235.9**	**564.7**	**16,671.2**	**2,952.0**
	Total changes in cash and liquid resources from cash flows	10,045.6	−3,169.0	13,214.7	−417.0
+	Cash and liquid resources at the beginning of the period	12,308.5	15,477.5	−3,169.0	−20.5
=	**Cash and liquid resources at the end of the period***	**22,354.1**	**12,308.5**	**10,045.6**	**81.6**

* Cash and liquid resources includes cash and cash equivalents as well as short-term marketable securities available for sale.

Report of Independent Auditor

To die FORMYCON AG

Audit opinions

We have examined the consolidated annual financial statements of FORMYCON AG (the "Company") and its subsidiaries (together the "Group"), consisting of the consolidated balance sheet as of December 31, 2019, and the consolidated income statement, consolidated schedule of changes in equity and consolidated statement of cash flows for the fiscal year from January 1 to December 31, 2019, along with the notes to the consolidated financial statements, including the presentation of the accounting policies employed. We have, in addition, examined the management report of FORMYCON Group for the fiscal year from January 1 to December 31, 2019.

In our opinion, on the basis of the findings of our audit examination,

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of the German Commercial Code (*Handelsgesetzbuch*, HGB) and provide a true and fair view of the assets, liabilities and financial position of the Group as of December 31, 2019, and of its financial performance for the fiscal year from January 1, to December 31, 2019, in accordance with German principles of proper accounting, and
- the accompanying group management report as a whole provides an accurate picture of the Group's position, is consistent in all material respects with the consolidated financial statements, complies with German legal requirements, and suitably presents the opportunities and risks relating to future development.

Pursuant to sec. 322 para. 3 sentence 1 of the Commercial Code, we declare that our audit examination has not led to any reservations relating to the compliance of the consolidated financial statements and group management report with legal and accounting requirements.

Basis for our audit opinions

We conducted our audit examination of the consolidated financial statements in accordance with sec. 317 of the Commercial Code and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer*, IDW). Our responsibilities under these legal requirements and standards are further described in the section of this audit report entitled "Responsibility of the auditor in its audit examination of the consolidated financial statements and group management report". We are, in accordance with the requirements of the Commercial Code as well as German laws and regulations governing public accountants, independent of the subject group companies and have fulfilled our other professional duties as German public accountants in accordance with these requirements. We believe that the evidence we have obtained through our audit examination provides a sufficient and suitable basis for our audit opinions regarding the consolidated financial statements and group management report.

Responsibility of the Company's legal representatives and supervisory board for the consolidated financial statements and group management report

The Company's legal representatives [members of the Executive Board, per sec. 78 of the German Stock Corporation Act] are responsible for the preparation of the consolidated financial statements and for ensuring that these comply, in all material respects, with the Commercial Code and provide a true and fair view of the assets, liabilities, financial position and financial performance of the Group in accordance with German principles of proper accounting. In addition, the legal representatives are responsible for such internal controls as they deem necessary, in accordance with German principles of proper accounting, to facilitate the preparation of consolidated financial statements that are free from material misstatement, whether intentional or unintentional.

In preparing the consolidated financial statements, the Company's legal representatives are responsible for assessing the Group's continued viability as a going concern, as well as for disclosing, as applicable, any information relevant to the Group's continuance as a going concern. They are, in addition, responsible for maintaining financial accounts on the basis of the going concern principle, unless contrary to law or factual circumstances.

Furthermore, the Company's legal representatives are responsible for the preparation of the group management report which, as a whole, provides an accurate picture of the Group's position, is consistent in all material respects with the consolidated financial statements, complies with German legal requirements, and suitably presents the opportunities and risks relating to future development. The legal representatives are, in addition, responsible for such procedures and precautionary measures (systems) as they deem necessary to facilitate the preparation of the group management report in accordance with the applicable German legal requirements, and to be able to provide appropriate and sufficient evidence for the assertions in the group management report.

The Company's supervisory board is responsible for oversight of the accounting processes used by the Group in its preparation of the consolidated annual financial statements and management report.

Responsibility of the auditor in its audit examination of the consolidated financial statements and group management report

The objective of our audit examination is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether intentional or unintentional, and as to whether the group management report as a whole provides an accurate picture of the Group's position, is consistent in all material respects with the consolidated financial statements and the findings of our audit examination, complies with German legal requirements and suitably presents the opportunities and risks relating to future development, then to issue a report of our audit examination including our audit opinions regarding the consolidated financial statements and group management report.

"Reasonable assurance" is a high level of assurance but is not a guarantee that an audit conducted in accordance with sec. 317 of the Commercial Code and with German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW) will always detect a material misstatement. Misstatements may arise through error or through intentional act and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the business decisions of users of this information taken on the basis of these consolidated financial statements.

During our audit examination, we exercise due professional discretion and maintain a critical stance. Furthermore, we:

- identify and assess the risks of material misstatement, whether intentional or unintentional, in the consolidated financial statements and group management report, plan and perform audit procedures responsive to such risks, and obtain audit evidence that is sufficient and appropriate to form a basis for our audit opinions. The risk of not detecting a material misstatement resulting from intentional act is higher than for one resulting from error, as intentional acts may involve fraudulent collusion, forgery of documents, intentional omissions, misrepresentations or the override of internal controls.

- gain an understanding of the internal control systems relevant to our audit examination of the consolidated financial statements, and of the Company's procedures and precautionary measures relevant to our audit examination of the group management report, so that we are able to design audit methods appropriate to the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- assess the appropriateness of the accounting policies employed by the Company's legal representatives and the reasonableness of their accounting estimates and related disclosures.

- draw conclusions as to the suitability of the accounting policies employed by the legal representatives on the basis of the going concern principle and, on the basis of the audit evidence obtained, whether material uncertainty exists relating to events or circumstances which raise significant doubts regarding the Group's ability to continue as a going concern. If we conclude that such material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements and group management report or, if these disclosures are inadequate, to modify our audit opinions accordingly. We draw our conclusions upon the basis of the audit evidence obtained up to the date of our audit opinion. Subsequent events or circumstances could, however, cause the Group to cease being able to continue as a going concern.

- assess the overall presentation, structure and content of the consolidated financial statements, including related disclosures, and determine whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements provide a true and fair view of the assets, liabilities, financial position and financial performance of the Group in accordance with German principles of proper accounting.

- obtain sufficient suitable audit evidence in support of the accounting information of the companies or business activities within the Group to form audit opinions on the consolidated financial statements and group management report. We are responsible for the planning, supervision and execution of the audit examination of the consolidated financial statements. We bear sole responsibility for our audit opinions.

- assess the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the picture it conveys of the Group's position.

- conduct audit examinations of forward-looking statements made by the Company's legal representatives in the group management report. On the basis of sufficient and suitable audit evidence, we validate, in particular, the significant assumptions used by the Company's legal representatives as a basis for forward-looking statements and determine whether these assumptions provide a reasonable basis for the forward-looking statements. We do not express any audit opinion specific to such forward-looking statements or to the underlying assumptions. There is a substantial and unavoidable risk that actual future circumstances may differ substantially from such forward-looking statements.

In our discussions with those responsible for the supervision of the Company, we determine the planned scope and timeframe of the audit examination. We then report significant audit findings, specifically including any deficiencies in internal control systems identified during our audit examination.

Munich, Germany, March 27, 2020

PANTAXAUDIT GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT ★ MÜNCHEN ★ WIRTSCHAFTS-PRÜFUNGS-GESELLSCHAFT SIEGEL

PanTaxAudit GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Rudolf Schmitz
Wirtschaftsprüfer
[German Public Accountant]

Doris Wolff
Wirtschaftsprüferin
[German Public Accountant]

Legal Information

Company name	FORMYCON AG
Legal form	German stock corporation (*Aktiengesellschaft*)
Registered offices	Munich, Germany
Street address	Fraunhoferstr. 15 82152 Martinsried/Planegg, Germany
Articles of incorporation	The Company was founded through its articles of incorporation (*Satzung*) of May 5, 2010, which were most recently amended as of July 2, 2019.
Subject of business	The subject of the Company's business is the development of pharmaceutical and biopharmaceutical products, the development of drug delivery systems, the provision of diagnostic laboratory services and works for third parties, and the carrying out of diagnostic laboratory services.
Commercial register	The Company is entered into the commercial register (*Handelsregister*) of the District Court of Munich under number HRB 200801.
Fiscal year	The Company's fiscal year runs from January 1 to December 31 of each year.
Subscribed capital	The Company's registered capital (*Grundkapital*) is € 10,000,000.00
Executive Board	Dr. Carsten Brockmeyer, Member of Executive Board
	Dr. Nicolas Combé, Member of Executive Board
	Dr. Stefan Glombitza, Member of Executive Board
Supervisory Board	Dr. Olaf Stiller, residing in Marburg, Chairman
	Hermann Vogt, residing in Dieburg, Deputy Chairman
	Peter Wendeln, residing in Oldenburg
Prior year financial statements	The financial statements as of December 31, 2018, were audited by us and provided with an unqualified audit opinion.

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FORMYCON AG
Financial Statements

Balance Sheet – Assets

as of December 31. 2019

in €	Dec, 31. 2019	Dec, 31. 2018
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	198,217.10	175,701.80
2. Goodwill	433,455.00	591,075.00
	631,672.10	**766,776.80**
II. Property, plant and equipment		
1. Land and buildings, including property-like rights and buildingson third-party land	74,685.53	135,032.00
2. Technical equipment and machinery	3,233,310.27	2,947,532.03
3. Other plant, production equipment and office equipment	392,873.64	390,340.80
	3,700,869.44	**3,472,904.83**
III. Financial assets		
1. Shares in affiliated companies	50,000.00	50,000.00
2. Loans to affiliated companies	1,577,000.00	1,577,000.00
3. Investment participations	20,673,249.00	15,973,249.00
	22,300,249.00	**17,600,249.00**
B. Current assets		
I. Inventories		
1. Raw materials, consumables and supplies	199,374.83	166,221.03
2. Unfinished products and services	85,382.00	220,400.00
3. Advance payments	36,131.37	36,131.37
	320,888.20	**422,752.40**
II. Receivables and other assets		
1. Trade accounts receivable	1,218,073.53	1,137,074.70
2. Receivables from affiliated companies	6,310,210.28	4,943,537.39
3. Other assets	377,985.99	52,763.04
	7,906,269.80	**6,133,375.13**
III. Securities		
Other securities	238,250.00	4,972,308.23
	238,250.00	**4,972,308.23**
IV. Cash and cash equivalents	**19,087,955.25**	**5,140,825.18**
C. Prepaid expenses	**119,418.68**	**145,407.93**
D. Deferred tax asset	**370,000.00**	**519,700.00**
	54,675,572.47	**39,174,299.50**

Balance Sheet – Liabilities and Equity

as of December 31. 2019

in €	Dec, 31. 2019	Dec, 31. 2018
A. Equity		
I. Subscribed capital[1]	10,000,000.00	9,422,603.00
II. Capital reserve	52,238,527.64	35,551,754.34
III. Loss carryforward	−12,067,516.44	−9,870,278.92
	50,171,011.20	**35,104,078.42**
B. Provisions		
1. Tax provisions	519,700.00	519,700.00
2. Other provisions	1,254,797.80	1,252,809.00
	1,774,497.80	**1,772,509.00**
C. Liabilities		
1. Trade accounts payable of which due within one year € 2,211,539.47 (prior year: € 2,730,781.29)	1,475,010.53	1,219,483.40
2. Liabilities toward affiliated companies of which due within one year € 5.88 (prior year: € 7,397.16)	5.88	7,397.16
3. Other liabilities of which from taxes € 162,140.83 (prior year: € 213,491.81) of which relating to social security € 2,977.46 (prior year: € 195.26) of which due within one year € 553,373.37 (prior year: € 594,691.48) of which due in more than one year € 701,673.69 (prior year: € 474,257.58)	1,255,047.06	1,068,949.06
	2,730,063.47	**2,295,829.62**
D. Deferred income	**0.00**	**1.882,46**
	54,675,572.47	**39,174,299.50**

[1] Conditional Capital 2019: € 4,284,740
Conditional Capital 2015: € 624,260

Income Statement

for the period from January 1. 2019 to December 31. 2019

in €		Dec, 31. 2019	Dec, 31. 2018
1.	Sales revenue	21,037,705.94	29,619,510.49
2.	Increase or decrease in inventories of finished and unfinished products	135,018.00	123,100.00
	Total revenue	**20,902,687.94**	**29,496,410.49**
3.	Other operating income	135,867.85	161,021.13
	of which income attributable to foreign currency translation € 14,555.39 (prior year: € 58,330.26)		
4.	Cost of materials		
	a. Cost of raw materials. consumables and supplies and of purchased goods	2,340,228.37	1,958,171.25
	b. Cost of purchased services	6,940,458.82	8,707,676.44
		9,280,687.19	10,665,847.69
	Gross profit	**11,757,868.60**	**18,991,583.93**
5.	Staff expenses		
	a. Wages and salaries	7,808,727.70	6,791,793.78
	b. Social contributions and costs for retirement benefits and for support benefits	1,285,944.32	1,137,117.51
	of which for retirement benefits € 128,193.61 (prior year: € 111,409.64)		
		9,094,672.02	7,928,911.29
6.	Depreciation. amortization and writedowns of intangible assets and on property plant and equipment	911,913.43	904,283.98
7.	Other operating expenses	3,927,904.54	2,852,191.59
	of which expense arising from foreign currency translation € 22,079.58 (prior year: € 14,326.36)		
	Operating income	**–2.176.621,39**	**7.306.197,07**
8.	Other interest and similar income	2,532.57	5,419.15
9.	Writedowns of financial assets and securities held in current assets	855.30	85.00
10.	Interest and similar expense	28,228.40	31,703.68
11.	Taxes on income	–8,550.00	0.00
12.	**Income after tax**	**–2,194,622.52**	**7,279,827.54**
13.	Other taxes	2,615.00	–162.88
14.	**Annual net loss (profit)**	**–2,197,237.52**	**7,279,990.42**
15.	Loss carryforward from prior year	9,870,278.92	17,150,269.34
16.	**Accumulated loss to balance sheet**	**12,067,516.44**	**9,870,278.92**

Notes to the Financial Statements for the Fiscal Year from January 1, 2019 to December 31, 2019

I General Information about the Company

FORMYCON AG ("FORMYCON " or the "Company"), together with the subsidiary companies within its scope of consolidation (the "Group"), is a leading independent developer of high-quality biosimilar drugs, meaning follow-on products to biopharmaceuticals already on the market.

FORMYCON AG has its registered offices in Munich, Germany, and is entered into the commercial register (*Handelsregister*) of the District Court of Munich under number HRB 200801. The Company's shares are listed in the Frankfurt Stock Exchange's Open Market "Scale" segment for small- to medium-sized companies (Deutsche Börse: Open Market, Scale, German securities identifier (WKN): A1EWVY, ticker symbol: FYB, ISIN: DE000A1EWVY8).

II General Information about the Content and Structure of these Financial Statements

These Financial Statements, presented here in translation from the German original, have been prepared in accordance with sections 242 et seq. of the German Commercial Code (*Handelsgesetzbuch*, HGB) under observance of the supplementary provisions of sections 264 et seq. of the Commercial Code applicable to medium-sized corporations as well as sections 150 et seq. of the German Stock Corporation Act (*Aktiengesetz*, AktG).

The Company is a medium-sized corporation within the sense of sec. 267 of the Commercial Code and thus makes use of the simplified requirements depending upon company size as provided under sec. 266 para. 1, sec. 276 and sec. 288 of the Commercial Code.

The Income Statement has been prepared using the total expenditure format in accordance with sec. 275 para. 2 of the Commercial Code.

The Company's fiscal year corresponds to the calendar year.

III Balance Sheet Presentation and Valuation Methods

General

The valuation methods used were selected in conformity with the general stipulations listed in sec. 252 of the Commercial Code and applied in observance of the principles of balance sheet continuity, going concern, individual valuation and 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.

Derivatives

The Company did not hold any derivative financial instruments as of December 31, 2019.

Principles of balance sheet presentation and valuation

The Balance Sheet includes all assets, all liabilities and all prepaid and deferred items. Assets and liabilities are valued individually. The valuation of assets and liabilities takes all risks into account which are identifiable based on the principles of prudent business judgment.

Fixed assets

Purchased **intangible assets** (including software) are capitalized and amortized based upon expected useful life.

No use has been made of the elective right under sec. 248 para. 2 of the Commercial Code to capitalize self-produced intangible assets.

Goodwill derived from acquisitions is amortized on a linear pro rata basis over a business-customary useful life of ten years. The long useful life (extending until September 30, 2022) 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, less accumulated depreciation. The depreciation of all moveable assets is linear, with depreciation in the year of acquisition on a pro rata basis. In the event of any impairment in value which is expected to be permanent, the respective asset is written down to the lower fair value.

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

Raw materials, consumables and supplies as well as purchased goods in **inventories** are valued at their average cost of acquisition, insofar as a write-down to a lower val-

ue as of the balance sheet closing date is not required. Finished and unfinished products are valued at their cost of production in accordance with sec. 255 para. 2 sentence 2 of the Commercial Code.

Receivables and other assets are valued at the lower of nominal or fair value. In the case of doubtful receivables, bad debt allowances are made individually. There are no general provisions for bad debts.

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

Cash and cash equivalents are stated at their nominal value.

Prepaid and deferred items

Prepaid and deferred items are posted in accordance with sec. 250 of the Commercial Code.

Deferred taxes

The calculation of **deferred taxes**, in accordance with sec. 274 of the Commercial Code, is based upon timing differences between balance sheet items as these are stipulated under the Commercial Code and under German tax law. The resulting cumulative deferred tax relief (deferred tax asset) and cumulative deferred tax burden (deferred tax liability) are determined on a net basis in accordance with sec. 274 para. 1 sentence 3 of the Commercial Code. In addition, the deferred tax relief resulting from existing loss carryforwards has now been recognized. The income tax rate used to calculate deferred taxes is 29.8%, or in the case of investment participations in partnerships, 15.8%.

On this basis, the deferred tax amounts are calculated as follows:

	Difference in taxable amount (in €)	Tax rate (in %)	Deferred taxes (in €)
Valuation of participation in FYB 202 GmbH & Co, KG	15,841,866.00	15.8	–2,506,975.00
Deferred tax asset from loss carryforward		29.8	2,878,595.00
Deferred tax assets to balance sheet			371,620.00
Deferred tax assets to balance sheet (rounded)			370,000.00
Prior year			519,700.00
Reduction in deferred tax assets			149,700.00

Provisions

Tax provisions and **other provisions** take into account all uncertain obligations and all identifiable risks. These are stated at the amount required for their fulfillment using prudent business judgment, including future increases in prices and costs. 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.

Liabilities

Liabilities are stated at the amount required for their fulfillment.

IV Additional Notes to the Balance Sheet

Fixed assets

A **Schedule of Fixed Assets**, including depreciation and amortization taken in the current fiscal year, is provided in Attachment 1 to these Notes.

Receivables and other assets

The remaining term of receivables and other assets, and their relationship to other balance sheet items, is shown in the **Schedule of Receivables** included as Attachment 2.

Equity capital

Changes to equity are presented in the **Schedule of Changes in Equity** included as Attachment 4.

Information required per sec. 160 of the Stock Corporation Act

Number of shares outstanding

The Company has registered capital (*Grundkapital*) of € 10,000,000, which is divided into 10,000,000 bearer shares without par value.

Approved capital

By resolution of the Annual General Meeting of June 27, 2019, 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 26, 2024, and by no more than a total of € 5,000,000, through the issuance of up to 5,000,000 new no-par-value bearer shares, against contributions in cash and/or in kind (the "Approved Capital 2019"). 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 General 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). Notwithstanding the foregoing, the Executive Board is authorized, subject to the approval of the Supervisory Board, to exclude the general statutory subscription rights of shareholders in the following specific cases:

— for fractional shares;

— in the case that the capital increase is made against cash contributions and the issue price of the new shares is not significantly lower than the stock exchange price and the new shares issued under exclusion of subscription rights do not exceed 10% of the share capital, either at the time this authorization takes effect or at the time this authorization is exercised, whereby this 10% limit is to be calculated based on the proportion of share capital attributable to new shares issued, or repurchased treasury shares sold, subsequent to June 27, 2019 under a simplified exclusion of subscription rights pursuant to or in accordance with sec. 186 para. 3 sentence 4 of the German Stock Corporation Act, as well as calculated based on the proportion of share capital relating to stock options and/or conversion rights or obligations arising from bonds issued subsequent to June 27, 2019, likewise in accordance with sec. 186 para. 3 sentence 4 of the Stock Corporation Act; and

— in the case of capital increases against non-cash contributions for the granting of companies, parts of companies, or equity interests in companies (including increases of existing equity investments), or in satisfaction of financial obligations of the Company.

This action was entered into the Company's commercial register on July 2, 2019.

Number of subscription rights per sec. § 192 para. 2 no. 1 of the Stock Corporation Act

The Company's registered capital has been conditionally increased by a maximum of € 4,284,740, divided into a maximum of 4,284,740 no-par-value bearer shares (the "Conditional Capital 2019"). This capital increase is conditional upon the exercise of warrants or conversion rights by the holders of convertible bonds and/or bonds with attached warrants issued under the authority granted to the Executive Board by the resolution of the Annual General Meeting of June 27, 2019 and valid until June 26, 2024, or upon the triggering of obligations to issue shares arising from such warrants or convertible bonds. The newly issued shares shall participate in profits from the start of the fiscal year in which they arise due to such exercise, or due to the fulfillment of such obligations arising from such warrants or convertible bonds. The Executive Board is authorized, subject to approval of the Supervisory Board, to determine further details regarding the specific implementation of any such contingent capital increase.

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

The Company's registered capital has been conditionally increased by a maximum of € 715,260 for the issuance of a maximum of 715,260 new no-par-value bearer shares (the "Conditional Capital 2015"). The Conditional Capital 2015 serves exclusively to secure subscription rights (stock options) granted to members of the Executive Board and Company employees, as well as executives and employees of Company subsidiaries and affiliates, under the authority granted by resolution of the Annual General Meeting of June 30, 2015 to issue such stock options at any time up to and including June 29, 2020 (the "Stock Option Plan 2015"). This capital increase is conditional upon such subscription rights having been issued and upon the exercise of such subscription rights by the holders thereof, and further provided that the Company does not grant treasury shares or provide a cash settlement in fulfillment of such subscription rights. 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 General Meeting as to the application of retained profits. The Executive Board is authorized, subject to approval of the Supervisory Board, to determine further details regarding the specific implementation of any such contingent capital increase. In the case of such subscription rights (stock options) being granted to Executive Board members, the Supervisory Board is similarly authorized. The Supervisory Board is further authorized to amend the Company's articles of incorporation to reflect such utilization of the conditional capital. As of the reporting date, a total of 376,000 stock options were issued.

Provisions

Other provisions are substantially comprised of the following:

in €	Fiscal year
Bonuses	788,080
Accrued vacation	152,884
Safekeeping obligations	114,500
Unpaid invoices	106,183
Audit and advisory costs	41,500
Costs of litigation	25,000
Occupational cooperative and other social expenses	20,600
Miscellaneous staff provisions	6,051

Liabilities

The remaining term of liabilities, along with their collateralization through liens or similar rights and their relationship to other balance sheet items, is shown in the **Schedule of Liabilities** included as Attachment 3 to these Notes.

Contingent liabilities

The Company has issued a letter of comfort (*Patronatserklärung*) in support of its subsidiaries FORMYCON Project 201 GmbH and FORMYCON Project 203 GmbH. To the best of our knowledge, the respective companies will be able, in all cases, to fulfill their underlying obligations. Claims thereunder are thus not anticipated.

Other financial obligations

The total amount of other financial obligations, within the meaning of sec. 285 sentence 1 no. 3a of the Commercial Code, results from contractual obligations for ongoing performance. For obligations up to one year, the total amount is € 729,824, for obligations between one and five years € 1,374,616, and for obligations beyond five years, € 0.

Additional notes to the Income Statement

Total research and development costs during the fiscal year were € 23,215,177.

V Other Information

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:

Average number of staff	Fiscal year
Administration	12
Research & development	90
Total company staff:	**102**

Information on the Executive Board and Supervisory Board

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

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

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

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

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

- **Dr. Olaf Stiller**: Member of supervisory board, Bodenwert Immobilien AG
  Chairman of supervisory board, Nano Repro AG
- **Hermann Vogt**: Member of supervisory board, Cumerius AG

Remuneration

During the fiscal year, the members of the Supervisory Board received total remuneration of € 57,000, while total remuneration to members of the Executive Board, within the meaning of sec. 285 no. 9 of the Commercial Code, was € 1,350,394 (of which € 475,000 was success-based), along with 17,500 stock options with a current fair value of € 56,175.

Information on shareholdings per sec. 285 no. 11 of the Commercial Code

	Share of capital (in %)	Equity (in €K)	Annual net income/loss (in €K)
FORMYCON PROJECT 201 GmbH (Munich)	100	−64	−3
FORMYCON PROJECT 203 GmbH (Munich)	100	−1,846	−93
FYB 202 GmbH & Co. KG (Berlin)	24.9	19,401	−17,249

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

in €	Fiscal year
Audit services	50,500
Tax advisory and other services	3,040
Total	**53,540**

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

As of the balance sheet closing date, the total number of subscription rights (stock options) granted to staff and members of the Executive Board and Company employees but not yet exercised was 376,000.

Significant events subsequent to balance sheet closing date

There have been no events of material significance which occurred following the end of the financial year and are not reflected in the Financial Statements.

With regard to the ongoing COVID-19 pandemic, FORMYCON has been able to adapt well to the prevailing situation by reacting promptly and by implementing appropriate measures to decentralize organizational functions, so that the impact of the pandemic on the company's operational activities, particularly for development, has thus far been minimal. FORMYCON AG has a strong base of liquidity in place, providing management with adequate financial latitude to manage the company through this period.

Appropriation of profit or loss

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

Planegg, Germany,
March 26, 2020

Dr. Carsten Brockmeyer

Dr. Nicolas Combé

Dr. Stefan Glombitza

Schedule of Fixed Assets

Attachment 1

in €	Changes in historical cost of acquisition				Changes in accumulated depreciation & amortization				Changes in net book value		
	Historical cost of acquisition or production at Dec. 31, 2018	Additions	Historical cost of disposals	Historical cost of acquisition or production at Dec. 31, 2019	Accumulated depreciation & amortization at Dec. 31, 2018	Current-year depreciation & amortization	Depreciation & write-downs on disposals	Accumulated depreciation & amortization at Dec. 31, 2019	Net book value at Dec. 31, 2018	Net book value of disposals	Net book value at Dec. 31, 2019
Intangible assets											
Purchased concessions, industrial property rights, and similar rights and assets, as well as licenses for such rights and assets	489,337	89,788	0	579,125	313,636	67,273	0	380,908	175,702	0	198,217
Goodwill	1,576,200	0	0	1,576,200	985,125	157,620	0	1,142,745	591,075	0	433,455
Property, plant and equipment											
Land and buildings, including property-like rights and buildings on third-party land	504,047	0	0	504,047	369,015	60,346	0	429,361	135,032	0	74,686
Technical equipment and machinery	5,266,344	755,184	22,053	5,999,475	2,318,812	461,792	14,439	2,766,165	2,947,532	7,614	3,233,310
Other plant, production equipment and office equipment	1,097,343	167,452	55,256	1,209,540	707,003	164,882	55,218	816,666	390,341	37	392,874
Financial assets											
Shares in affiliated companies	50,000	0	0	50,000	0	0	0	0	50,000	0	50,000
Loans to affiliated companies	1,577,000	0	0	1,577,000	0	0	0	0	1,577,000	0	1,577,000
Investment participations	15,973,249	4,700,000	0	20,673,249	0	0	0	0	15,973,249	0	20,673,249
Total	**26,533,521**	**5,712,424**	**77,309**	**32,168,637**	**4,693,591**	**911,913**	**69,658**	**5,535,846**	**21,839,931**	**7,651**	**26,632,791**

* Discrepencies in totals are due to rounding errors.

Schedule of Receivables

Attachment 2

in € (prior year in €K)	Dec. 31, 2019	of which due in more than 1 year
Trade accounts receivable	1,218,074	0 (PY: 0)
Receivables from affiliated companies	6,310,210	0 (PY: 0)
Receivables from affiliated companies	377,986	
Total	**7,906,270**	**0 (PY: 0)**

Schedule of Liabilities

Attachment 3

in € (prior year in €K)	Dec. 31, 2019	of which due within 1 year	of which due in 1–5 years	of which due in more than 5 years	of which due in more than 1 year	of which collateralized
Trade accounts payable	1,475,011	1,475,011 (PY: 1,219)	0 (PY: 0)	0	0 (PY: 0)	0
Liabilities toward affiliated companies	6	6 (PY: 7)	0 (PY: 0)	0	0 (PY: 0)	0
Other liabilities	1,255,047	553,373 (PY: 595)	701,674 (PY: 474)	0	701,674 (PY: 474)	1,030,156
Total	**2,730,063**	**2,028,390 (PY: 1,822)**	**701,674 (PY: 474)**	**0**	**701,674 (PY: 474)**	**1,030,156**

Trade accounts payable may be secured by industry-customary conditional retention of title.
Other liabilities may be secured by industry-customary conditional retention of title.

Schedule of Changes in Equity

Attachment 4

in €	Subscribed capital	Capital reserves	Profit reserves	Profit (loss) carryforward	Equity
Jan. 1, 2019	**9,422,603**	**35,551,754**	**–17,150,269**	**7,279,990**	**35,104,078**
Capital increases	577,397	0	0	0	577,397
Additions to capital reserves	0	16,686,773	0	0	16,686,773
Appropriation of prior-year profit	0	0	7,279,990	–7,279,990	0
Annual consolidated net income (loss)	0	0	0	–2,197,237	–2,197,237
as of Dec. 31, 2019	**10,000,000**	**52,238,528**	**–9,870,279**	**–2,197,237**	**50,171,012**

Report of Independent Auditor

To FORMYCON AG

Audit opinions

We have examined the annual financial statements of FORMYCON AG (the "Company"), consisting of the balance sheet as of December 31, 2019, and the income statement, schedule of changes in equity and statement of cash flows for the fiscal year from January 1 to December 31, 2019, along with the notes to the financial statements, including the presentation of the accounting policies employed. We have, in addition, examined the management report of FORMYCON AG for the fiscal year from January 1 to December 31, 2019.

In our opinion, on the basis of the findings of our audit examination,

- the accompanying financial statements comply, in all material respects, with the requirements of the German Commercial Code (*Handelsgesetzbuch*, HGB) and provide a true and fair view of the assets, liabilities and financial position of the Company as of December 31, 2019, and of its financial performance for the fiscal year from January 1, to December 31, 2019, in accordance with German principles of proper accounting, and

- the accompanying management report as a whole provides an accurate picture of the Company's position, is consistent in all material respects with the financial statements, complies with German legal requirements, and suitably presents the opportunities and risks relating to future development.

Pursuant to sec. 322 para. 3 sentence 1 of the Commercial Code, we declare that our audit examination has not led to any reservations relating to the compliance of the financial statements and management report with legal and accounting requirements.

Basis for our audit opinions

We conducted our audit examination of the annual financial statements in accordance with sec. 317 of the Commercial Code and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer*, IDW). Our responsibilities under these legal requirements and standards are further described in the section of this audit report entitled "Responsibility of the auditor in its audit examination of the financial statements and management report". We are, in accordance with the requirements of the Commercial Code as well as German laws and regulations governing public accountants, independent of the Company and have fulfilled our other professional duties as German public accountants in accordance with these requirements. We believe that the evidence we have obtained through our audit examination provides a sufficient and suitable basis for our audit opinions regarding the financial statements and management report.

Responsibility of the Company's legal representatives and supervisory board for the financial statements and management report

The Company's legal representatives [members of the Executive Board, per sec. 78 of the German Stock Corporation Act] are responsible for the preparation of the annual financial statements and for ensuring that these comply, in all material respects, with the Commercial Code and provide a true and fair view of the assets, liabilities, financial position and financial performance of the Company in accordance with German principles of proper accounting. In addition, the legal representatives are responsible for such internal controls as they deem necessary, in accordance with German principles of proper accounting, to facilitate the preparation of financial statements that are free from material misstatement, whether intentional or unintentional.

In preparing the financial statements, the Company's legal representatives are responsible for assessing the Company's continued viability as a going concern, as well as for disclosing, as applicable, any information relevant to the Company's continuance as a going concern. They are, in addition, responsible for maintaining financial accounts on the basis of the going concern principle, unless contrary to law or factual circumstances.

Furthermore, the Company's legal representatives are responsible for the preparation of the management report which, as a whole, provides an accurate picture of the Company's position, is consistent in all material respects with the financial statements, complies with German legal requirements, and suitably presents the opportunities and risks relating to future development. The legal representatives are, in addition, responsible for such procedures and precautionary measures (systems) as they deem necessary to facilitate the preparation of the management report in accordance with the applicable German legal requirements, and to be able to provide appropriate and sufficient evidence for the assertions in the management report.

The Company's supervisory board is responsible for oversight of the accounting processes used by the Company in its preparation of the annual financial statements.

Responsibility of the auditor in its audit examination of the annual financial statements and management report

The objective of our audit examination is to obtain reasonable assurance as to whether the annual financial statements as a whole are free from material misstatement, whether intentional or unintentional, and as to whether the management report as a whole provides an accurate picture of the Company's position, is consistent in all material respects with the financial statements and the findings of our audit examination, complies with German legal requirements and suitably presents the opportunities

and risks relating to future development, then to issue a report of our audit examination including our audit opinions regarding the annual financial statements and management report.

"Reasonable assurance" is a high level of assurance but is not a guarantee that an audit conducted in accordance with sec. 317 of the Commercial Code and with German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW) will always detect a material misstatement. Misstatements may arise through error or through intentional act and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the business decisions of users of this information taken on the basis of these financial statements.

During our audit examination, we exercise due professional discretion and maintain a critical stance. Furthermore, we:

- identify and assess the risks of material misstatement, whether intentional or unintentional, in the annual financial statements and management report, plan and perform audit procedures responsive to such risks, and obtain audit evidence that is sufficient and appropriate to form a basis for our audit opinions. The risk of not detecting a material misstatement resulting from intentional act is higher than for one resulting from error, as intentional acts may involve fraudulent collusion, forgery of documents, intentional omissions, misrepresentations or the override of internal controls.

- gain an understanding of the internal control systems relevant to our audit examination of the financial statements, and of the Company's procedures and precautionary measures relevant to our audit examination of the management report, so that we are able to design audit methods appropriate to the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- assess the appropriateness of the accounting policies employed by the Company's legal representatives and the reasonableness of their accounting estimates and related disclosures.

- draw conclusions as to the suitability of the accounting policies employed by the legal representatives on the basis of the going concern principle and, on the basis of the audit evidence obtained, whether material uncertainty exists relating to events or circumstances which raise significant doubts regarding the Company's ability to continue as a going concern. If we conclude that such material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the annual financial statements and management report or, if these disclosures are inadequate, to modify our audit opinions accordingly. We draw our conclusions upon the basis of the audit evidence obtained up to the date of our audit opinion. Subsequent events or circumstances could, however, cause the Company to cease being able to continue as a going concern.

- assess the overall presentation, structure and content of the annual financial statements, including related disclosures, and determine whether the financial statements present the underlying transactions and events in such a way that the financial statements provide a true and fair view of the assets, liabilities, financial position and financial performance of the Company in accordance with German principles of proper accounting.

- assess the consistency of the management report with the annual financial statements, its conformity with German law, and the picture it conveys of the Company's position.

- conduct audit examinations of forward-looking statements made by the Company's legal representatives in the management report. On the basis of sufficient and suitable audit evidence, we validate, in particular, the significant assumptions used by the Company's legal representatives as a basis for forward-looking statements and determine whether these assumptions provide a reasonable basis for the forward-looking statements. We do not express any audit opinion specific to such forward-looking statements or to the underlying assumptions. There is a substantial and unavoidable risk that actual future circumstances may differ substantially from such forward-looking statements.

In our discussions with those responsible for the supervision of the Company, we determine the planned scope and timeframe of the audit examination. We then report significant audit findings, specifically including any deficiencies in internal control systems identified during our audit examination.

Munich, Germany, March 27, 2020

Munich, Germany, March 27, 2020

PanTaxAudit GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Rudolf Schmitz
Wirtschaftsprüfer
[German Public Accountant]

Doris Wolff
Wirtschaftsprüferin
[German Public Accountant]

Legal Information

Company name	FORMYCON AG
Legal form	German stock corporation (*Aktiengesellschaft*)
Registered offices	Munich, Germany
Street address	Fraunhoferstr. 15 82152 Martinsried/Planegg, Germany
Articles of incorporation	The Company was founded through its articles of incorporation (*Satzung*) of May 5, 2010, which were most recently amended as of July 2, 2019.
Subject of business	The subject of the Company's business is the development of pharmaceutical and biopharmaceutical products, the development of drug delivery systems, the provision of diagnostic laboratory services and works for third parties, and the carrying out of diagnostic laboratory services.
Commercial register	The Company is entered into the commercial register (*Handelsregister*) of the District Court of Munich under number HR B 200801.
Fiscal year	The Company's fiscal year runs from January 1 to December 31 of each year
Subscribed capital	The Company's registered capital (Grundkapital) is € 10,000,000.00
Executive Board	Dr. Carsten Brockmeyer, Member of Executive Board
	Dr. Nicolas Combé, Member of Executive Board
	Dr. Stefan Glombitza, Member of Executive Board
Supervisory Board	Dr. Olaf Stiller, residing in Marburg, Chairman
	Hermann Vogt, residing in Dieburg, Deputy Chairman
	Peter Wendeln, residing in Oldenburg
Prior year financial statements	The financial statements as of December 31, 2018, were audited by us and provided with an unqualified audit opinion.

Imprint

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