







Formycon. The Biosimilar Experts.
Annual Report 2022

Formycon Group Key Figures (IFRS)

42.5
Revenue
in € Mio.

–15.9
EBITDA
in € Mio.

36.0
Net Income
in € Mio.

9.8
Cash and Cash equivalents
in € Mio.

Formycon. Biosimilar Experts.
www.formycon.com/en

About Formycon

Formycon is a biotechnology company founded in Munich in 2012 with the focus on biosimilar development.

More than 200 employees from 28 nations work at Formycon, 60% of them are women.

Approximately 84 % of the employees are working in the area of "research and development."

With its particular expertise in biosimilar and drug development, Formycon is able to manage seven biopharmaceutical projects in parallel.

The development pipeline consists of one approved biosimilar, two late-stage and three preclinical biosimilar projects as well as one innovative COVID-19 drug.

The reference market volume of the biosimilar projects FYB201, FYB202, FYB203 and FYB206 is currently valued at around approximately 43 billion US dollars.

Content

Letter to Shareholders

Dear Shareholders and Friends of Formycon,

Looking back upon an eventful year which was challenging in many respects, we are pleased to report that fiscal year 2022 was, for Formycon, extraordinarily positive.

ATHOS transaction provides major boost to corporate development

The significance of the transaction with ATHOS KG in the spring of 2022 as well as the regulatory approvals and market launches of our first biosimilar product in the second half can hardly be overstated.

Through the ATHOS transaction, we were able to buy back 50 percent of FYB201, the previously out-licensed biosimilar to Lucentis®[1], and 100 percent of FYB202, the candidate biosimilar to Stelara®[2] which has until now been under development through our joint venture. The step up of our ownership interest in these two projects will significantly increase our share of current and future sales proceeds from both products.

With the simultaneous acquisition and integration into Formycon of our long-standing partner Bioeq GmbH with its extensive competencies, particularly in clinical development, regulatory affairs, commercialization and intellectual property management, we have been able to bring complementary resources and expertise into our development organization and strengthen Formycon's R&D capabilities and business operations for the long term.

The transaction has, in short, provided a significant boost to Formycon's development into a fully integrated pharmaceutical company within the biosimilars market segment.

The successful regulatory approval of FYB201 marks an enormously important milestone

Another very significant event followed in the second half of the year with the approval of FYB201 by the UK Medicines and Healthcare products Regulatory Agency (MHRA), the U.S. Food and Drug Administration (FDA) and the European Commission, followed closely by launches of the product by our commercialization partners Teva Pharmaceutical Industries Ltd. in Europe and Coherus BioSciences Inc. in the United States.

Following the first launch of the drug in the UK under the Ongavia®[3] brand name, the preparation is now also available in German pharmacies as Ranivisio®[4]. Initial sales results have also been very strong in the United States, where FYB201 was approved by the FDA under the trade name CIMERLI™[5] as the only Lucentis® biosimilar for automatic substitution. With CIMERLI™ successfully launched in October 2022 and sales already off to a robust start, we expect revenues to accelerate starting from the second quarter of 2023, bringing a significant increase in market share.

"We and the entire team are filled with pride that we have been able to make this first tangible contribution so that modern ophthalmic treatments may be made available to many more patients"

From left to richt: Dr. Stefan Glombitza (CEO), Nicola Mikulcik (CBO), Dr. Andreas Seidl (CSO), Enno Spillner (CFO)

1 Lucentis® is a registered trademark of Genentech, Inc.
2 Stelara® is a registered trademark of Johnson & Johnson.
3 Ongavia® is a registered trademark of Teva Pharmaceutical Industries Ltd.
4 Ranivisio® is a registered trademark of Bioeq AG.
5 CIMERLI™ is a registered trademark of Coherus BioSciences, Inc.

Further submissions for approval of FYB201 are planned in the coming months. Our other pipeline projects are also moving forward according with plan. As to our two advanced-stage biosimilar candidates FYB202 and FYB203, submissions for approval in the United States and Europe should likewise take place in the course of 2023.

Continuing need for new and effective COVID-19 treatments

After the past three years of COVID 19 pandemic, the numbers are sobering: not only over 680 million confirmed infections and upwards of 6.8 million deaths[1] worldwide but also several million people who are suffering from “long COVID”, now and presumably long into the future.[2] Today, most people are protected against infection and serious illness through vaccinations, and life has largely returned to normal. However, two to three percent of the population cannot be effectively vaccinated due to previous illness and are at high risk of infection. Moreover, all existing COVID-19 antibody-based treatments have already lost their efficacy due to recurring mutations of the virus. To help meet this global need, Formycon is working on the development of FYB207, our mutation-resistant biopharmaceutical for COVID treatment.

Growing biosimilars market will help to relieve cost burden on healthcare providers

The world’s healthcare systems have been and continue to be burdened to an unprecedented extent due to the COVID 19 pandemic. In fact, COVID 19 will, according to forecasts, remain the biggest driver of healthcare costs over the coming years.[3]

Given this untenable situation, the intensified focus of healthcare systems on containing these exploding treatment costs should come as no surprise. Biosimilars can make a significant and lasting contribution towards this goal. In Germany alone, healthcare providers are already saving some € 1.7 billion each year through the use of biosimilar alternatives[4] – and this number is rising rapidly. As the pharmaceutical market segment with the highest projected growth rates, the global biosimilars business is expected to be worth more than USD 30 billion by 2026. And as to the annual cost savings to healthcare providers through the use of biosimilars, this figure could climb to more than USD 100 billion globally.[5]

In order to further encourage this development, discussions are currently taking place at the government policy level as to how these less expensive biosimilars can be promoted and development times reduced.

With our superb workforce, our agile corporate structure and our valuable pipeline of projects under active development, we see Formycon as very well positioned in this growth market.

1 Statista GmbH: Statistics and figures on the Corona pandemic.
2 Statista GmbH: Severe disease increases long covid risk.
3,5 IQVIA: The Global Use of Medicines 2023: Outlook to 2027.
4 AG ProBiosimilars: Graphic of the month February 2023.

We would like to extend our sincere gratitude to our staff, to our partners and to you, esteemed shareholders, for your continued confidence in us and in the work we are doing.

Martinsried/Planegg, Germany,
April 25, 2023

Dr. Stefan Glombitza

Dr. Andreas Seidl

Nicola Mikulcik

Enno Spillner

Report of the Supervisory Board

Dr. Olaf Stiller
Chair of the Supervisory Board

Dear Shareholders,

Formycon is able to look back upon yet another eventful and successful year. In my capacity as Chair of the Supervisory Board of Formycon AG, I am pleased to provide you with this overview of the Supervisory Board and its work during fiscal year 2022.

Composition of Supervisory Board

As established by the prevailing Articles of Association (Satzung) of Formycon AG, the Supervisory Board consists of four members:

Name	Role	In office since	Elected until
Dr. Olaf Stiller	Chair of Supervisory Board	2010	2025
Peter Wendeln	Deputy Chair of Supervisory Board	2010	2025
Klaus Röhrig	Member of Supervisory Board	2020	2025
Dr. Thomas Strüngmann	Member of Supervisory Board	2022	2027

The composition of the Supervisory Board during 2021 changed compared to the prior fiscal year. The Annual General Meeting held in virtual format on June 30, 2022 expanded the Supervisory Board from three to four members and elected Dr. Thomas Strüngmann as a new and additional member thereof.

Cooperation between Executive Board and Supervisory Board

Throughout the entire fiscal year, the Supervisory Board, under my chairmanship, duly performed the tasks and duties incumbent on it under German law and under the Company's Articles of Association. The Board intensively considered the operational and strategic development of Formycon AG, regularly advising the Executive Board as to its management of the Company and continuously monitoring this management. The Supervisory Board was directly involved in all decisions of fundamental importance. In my capacity as Chair of the Supervisory Board, I was available to answer questions arising from investor discussions pertaining to the Supervisory Board and its activities.

The Supervisory Board received regular reports from the Executive Board in accordance with its informational obligations in both written and oral form, providing comprehensive and timely information about all business developments and events of substantive importance. 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 and COVID-19 drug, 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 Supervisory Board was promptly and directly informed by the Executive Board of, and involved with, all important events and developments 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, I, in my capacity as Chair 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, I was regularly and extensively informed between meetings.

The cooperation between the Supervisory and Executive Boards during the fiscal year thus met the standards for responsible and goal-oriented action in every respect.

Supervisory Board meetings and main topics of discussion

In the course of the four regular quarterly board meetings during the fiscal year, 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 the meetings during which they held office, some of which took place by way of video or telephone conferences in lieu of presence meetings. The Executive Board was also present at, or otherwise participated in, these meetings in order to discuss issues and answer questions.

In these meetings, the Supervisory Board discussed, among other topics, the following regularly recurring agenda items:

— Progress reports on the Company's biosimilar and COVID 19 drug development projects

— Corporate planning, financial performance and adequacy of the Company's financial resources

— Current and future development of the Company's business areas

— Human resources and key staff

Other central core themes of the meetings involved ways to ensure and strengthen the Company's competitiveness and strategic concepts for its future growth ("Strategy 2030") as well as review and discussion of the Company's systems for risk management and compliance. There were, in addition, discussions of other topics of particular importance including:

— the transaction with ATHOS KG,

— the selection and negotiation process for Executive Board positions to be filled,

— design and review of the goals defined and agreed in writing (Zielvereinbarung) with the Executive Board, and

— approval of the agenda for the Annual General Meeting.

In conjunction with the approval of the annual financial statements, discussions specifically focused on key details of accounting 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.

Audit committee

Name	Role
Klaus Röhrig	Chair of the Audit Committee
Dr. Olaf Stiller	Member of the Audit Committee
Peter Wendeln	Member of the Audit Committee

In order to effectively carry out its oversight duties relating to the auditing of the Company's financial statements and processes, the Supervisory Board formed an **Audit Committee** consisting of the following three members:

The Audit Committee held four meetings during fiscal year 2022, in which all members of the Audit Committee participated either virtually or in person. With the Company's appointed auditor present, the Audit Committee reviewed and discussed the annual financial statements of the Formycon AG parent entity, the consolidated financial statements of the Group, and the combined management report. The Committee also reviewed and discussed the half-year report and audit reviews thereof.

Attendance at regular quarterly meetings of the Supervisory Board:

Date	February 28, 2022	April 26, 2022	September 27, 2022	December 7, 2022
Supervisory Board meetings	**Regular meeting**	**Regular meeting**	**Regular meeting**	**Regular meeting**
Format	**virtual format**	**virtual format**	**presence format**	**virtual format**
Dr. Olaf Stiller	✓	✓	✓	✓
Peter Wendeln	✓	✓	✓	✓
Klaus Röhrig	✓	✓	✓	✓
Dr. Thomas Strüngmann (since June 30, 2022)			✓	✓

The Audit Committee recommended that the Supervisory Board propose KPMG AG Wirtschaftsprüfungsgesellschaft (Munich office) as the auditor to the 2022 Annual General Meeting. The Audit Committee accordingly issued the audit mandate to the elected auditor for fiscal year 2022, determined the focus of the audit process, and agree on the auditor‘s fee.

The Committee’s activities also included oversight of the selection, independence, qualifications and effectiveness of the auditor. In doing so, the Committee focused in particular on its quality assessment of the audit process.

Finally, the Audit Committee reviewed the Company’s accounting process and risk management system and received regular reports on compliance issues.

Audit of the financial statements and consolidated financial statements

The *consolidated financial statements in accordance with IFRS* of Formycon Group as of December 31, 2022, including the combined management report and underlying bookkeeping, were properly examined by the *Munich office of KPMG AG Wirtschaftsprüfungsgesellschaft*, the audit firm appointed by the Annual General Meeting for fiscal year 2022, which has provided its unqualified audit opinion.

The *annual financial statements in accordance with German statutory accounting (HGB)* of Formycon AG (parent company only) as of December 31, 2022, including the combined management report and underlying bookkeeping, were properly examined by the *Munich office of PanTaxAudit GmbH Wirtschaftsprüfungsgesellschaft*, the audit firm appointed by the Annual General Meeting for fiscal year 2022, which has provided its unqualified audit opinion.

Each of these two audit firms 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. The system has been adapted in line with the Company’s growth and is suitable for recognizing, at an early stage, any developments which might endanger the Company’s continued existence. Risks which might jeopardize the Company’s continued existence were not identified.

The annual financial statements of Formycon AG and combined management report for the Formycon Group were prepared in accordance with German statutory accounting regulations. The consolidated financial statements for Formycon Group were prepared in accordance with International Financial Reporting Standards (IFRS) as applicable within the European Union and in accordance with the additionally applicable German statutory provisions pursuant to sec. 315e para. 1 of the German Commercial Code (HGB). The proposals of the Executive Board as to the appropriation of profits, the financial statements, the combined management report and the auditors’ reports were made available to all members of the Supervisory Board with adequate advance time and were discussed and examined in detail at the Audit Committee meeting of April 25, 2023.

A representative of each of the two appointed audit firms attended the meeting in which the financial statements and audit thereof were reviewed and discussed, reporting in considerable depth on the primary results of the audit and answering questions of the Audit Committee relating thereto. Advance copies of the audit reports and other documents relating to the annual financial statements and consolidated financial statements were provided to the Audit Committee to facilitate comprehensive review and discussion.

In addition, the Audit Committee 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 Audit Committee on its behalf before reaching a decision on such concurrence.

Based upon its own examining review, the Audit Committee found no cause to raise any objections to the financial statement documents which it reviewed, including also the concluding statement of the Executive Board. Upon recommendation of the Audit Committee, the Supervisory Board approved the unconsolidated and consolidated financial statements for fiscal year 2022 as presented to it. The annual financial statements of Formycon AG and consolidated financial statements of Formycon Group have been adopted accordingly.

Conflicts of interest among Supervisory and Executive Board members

During fiscal year 2022, no conflicts of interest were reported involving Supervisory Board or Executive Board members.

Changes in composition of Executive Board

By the resolution of the Supervisory Board the following changes were made to the composition of Formycon’s Executive Board:

With effect from July 1, 2022, Dr. Stefan Glombitza, having served since 2016 as Executive Board member and Chief Operating Officer with responsibility for Formycon’s operational development activities, was appointed Chief Executive Officer (CEO). Dr. Glombitza assumed this role from Dr. Carsten Brockmeyer, who retired from the Executive Board as planned upon expiry of his term of office on June 30, 2022.

The Supervisory Board further appointed Ms. Nicola Mikulcik to the position of Executive Board member and Chief Business Officer (CBO) with effect from June 1, 2022 and Dr. Andreas Seidl as Executive Board member and Chief Scientific Officer (CSO) with effect from July 1, 2022, each for a term of five years.

Chief Financial Officer (CFO) Dr. Nicolas Combé likewise departed from the Executive Board as planned upon expiry of his term of office on June 30, 2022, but remained available in an advisory capacity as interim CFO until March 31, 2023.
By the resolution of the Supervisory Board of September 6, 2022 and with effect from April 1, 2023, Mr. Enno Spillner has been appointed Executive Board member and Chief Financial Officer (CFO) for a term of three years.

Our gratitude to all those who have made this possible

On behalf of the entire Supervisory Board, I would like to thank the members of the Executive Board for the solid cooperation and successful management of the Company through the many challenges of the past fiscal year. We extend our especially deep gratitude to our two recently retired board members, Dr. Carsten Brockmeyer and Dr. Nicolas Combé, for their tireless efforts in building the Formycon of today.

We would also like to thank our entire staff for their extraordinary commitment and their impressive achievements. Through your dedication and efforts, Formycon’s pipeline has matured and expanded, and important milestones have been attained.

Finally, we would like to once again extend our special thanks to our partners, who have likewise continued to play a vital role in Formycon’s success.

Munich, April 2023

Dr. Olaf Stiller
Vorsitzender des Aufsichtsrats

Formycon
on the stock market

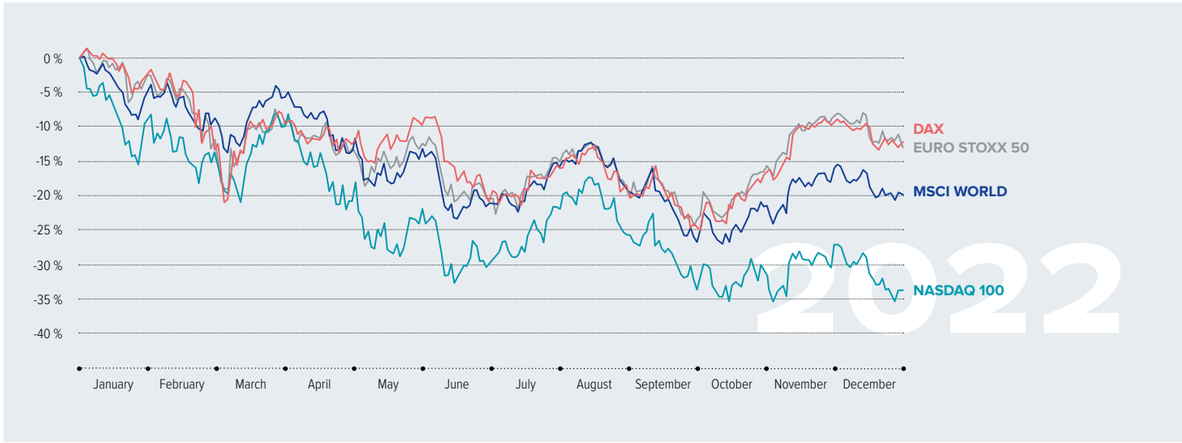
Shares and the capital markets

German and international stock market environment

For the world's equity markets, 2022 was a difficult year. Almost all major stock exchanges were dragged down by geopolitical crises, interest rate hikes, inflation and recessionary fears. The MSCI World index ended the year almost 20% below the prior year's closing,[1] while the NASDAQ 100 suffered an even more dramatic 33% decline, losing a third of its value over the past year.[2]

Europe's leading equity indexes also suffered declines, although to a lesser degree. The EURO STOXX 50 barometer of European blue chips lost 12% over the year.[3] Specifically within Germany, the benchmark DAX equity index closed the year at 15,884.86 points, likewise falling by 12%.[4]

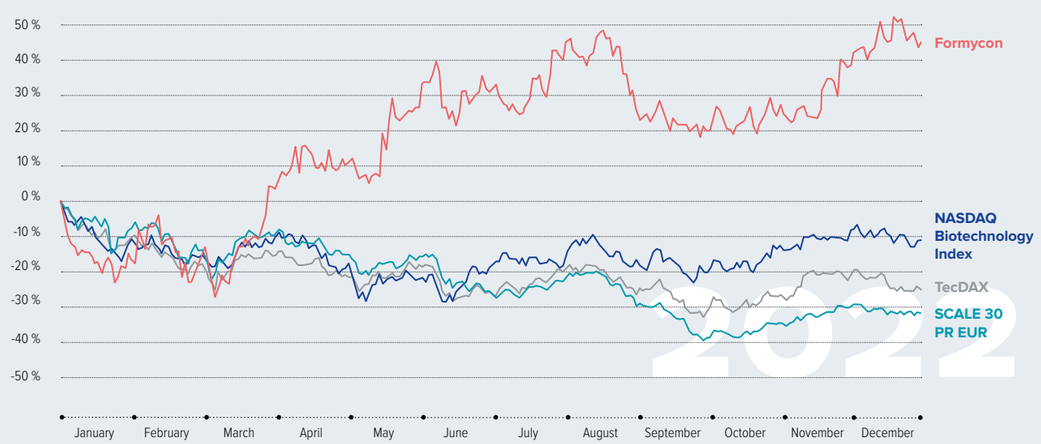
In addition to the general downward market trend during 2022, there were also marked changes in investor preferences, particularly as the long-running boom in technology stocks came to an abrupt end. Many technology-heavy funds were reallocated, with defense and energy stocks increasingly returning to favor in view of the geopolitical and economic developments.



[1] https://www.finanzen.net/index/msci-world/historisch.
[2] https://www.finanzen.net/index/nasdaq_100/historisch.
[3] https://www.finanzen.net/index/euro_stoxx_50/historisch.
[4] https://www.finanzen.net/index/dax/historisch.

Performance of Formycon shares

In stark contrast to the broadly declining stock market environment, the performance of Formycon shares during 2022 was remarkably strong. Building upon this outperformance throughout much of the year, our shares ended the final trading day of the year at a Xetra closing price of €86.50, an increase in market value of 46% over the prior-year close. With this robust gain, Formycon shares stood out not only from the broad benchmark indexes but also in comparison to narrower, sector-specific market benchmarks. Over this same period, the biopharmaceutical-dominated NASDAQ Biotechnology Index fell by 11%.[1] Specifically within the German market, the TecDAX index of technology stocks ended the year down by a punishing 26%, while the Deutsche Börse's Scale 30 Index of Germany's 30 most actively traded small and medium-sized companies plunged by an even more drastic 31%.[2]



[1] https://www.finanzen.net/index/nasdaq_biotechnology/historisch.
[2] https://www.finanzen.net/index/scale_30/historisch.

The upward price momentum of Formycon shares over the past fiscal year reflects, first and foremost, the operational progress of our biosimilar projects. Above all, the announced successes relating to our jointly developed biosimilar asset FYB201, a biosimilar to Lucentis®, provided positive impetus. In March, Formycon announced the transaction under which rights to FYB201 and FYB202 were acquired. By the end of the month, the share price climbed above the €60 mark, thus growing in value by a good quarter within the month. Soon thereafter, in May, UK marketing approval for FYB201 was announced, marking the first general market approval of a Formycon biosimilar. In that same month, our stock price climbed to over €70.

Over the summer, Formycon shares held close to this level, largely moving sideways but also testing the €80 threshold several times. In the second half of July, our share price then firmly established itself above €80 with the commercial launch of FYB201 in the UK. Subsequent market approvals in both the United States and European Union added further support to the outperformance of Formycon shares.

In mid-August, the general economic outlook grew increasingly gloomy, along with the mood on stock exchanges, as concerns about the economy, rising inflation rates and upcoming central bank decisions created uncertainty. There were also worries in Europe as to whether gas reserves would be sufficient for the winter. Formycon shares were not entirely immune to this poor market environment, along with presumed profit-taking on year-to-date gains, and thus our shares returned to the range of €70 to €80 in the following weeks.

In October, FYB201 was commercially launched first in the United States, then in Germany shortly thereafter. On top of these commercialization milestones, Formycon was in November able to report positive results from preclinical in vivo studies of FYB207, marking an important milestone in the development of our novel COVID-19 drug. In combination with modest improvements in the general economic environment and thus in investor confidence, Formycon shares once again found their momentum, closing the month of November above – and subsequently remaining solidly above – the €80 mark. On December 19, Formycon shares were quoted at €90.00, marking not only a new high for the year but also a new all-time high.

Based on the year-end closing stock price and 15,128,775 shares outstanding, the Company's market capitalization increased to €1.3 billion (December 31, 2021: €653 million). The total number of Formycon shares traded during the fiscal year was 3,620,234 (FY2021: 6,067,055). As in the prior year, more than half of this total was traded in the first half of the year. The average trading volume per trading day was 14,087 shares (FY2021: 23,790 shares). With a share of approx. 61% of all Formycon shares traded during the year, the Xetra reference market was Formycon's leading trading venue. Some 3% of all Formycon shares were traded on the floor of the Frankfurt Stock Exchange and the remaining 36% on other stock exchanges.

Formycon shares:
Trading 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

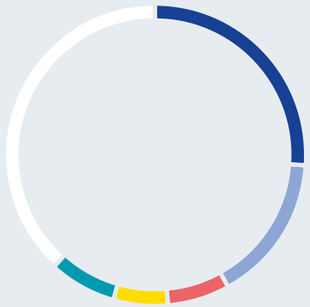
In Euro	**2022**	**2021**
Opening price on Jan. 3, 2022 /Jan. 4, 2021 (Xetra)	59,30	54,60
Closing price on Dec. 30, 2022 / Dec. 30, 2021	85,40	59,00
Average price (Xetra closing price)	69,10	57,85
Market capitalization as of Dec. 31	1.291.997.385	652.820.250
in shares	**2022**	**2021**
Total shares traded (on all trading venues)	3.620.234	6.067.055
Daily average shares traded (on all trading venues)	14.087	23.790
Total shares issued as of Dec. 31	15.128.775	11.064.750

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 Supervisory 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. 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”,[1] as these companies are not legally considered to be listed on an official exchange.

Under sec. 20 of the German Stock Corporation Act (Aktiengesetz), however, entities owning more than one fourth (25%) of the shares of a stock corporation with registered offices in Germany are subject to notification requirements. Upon completion of the transaction, ATHOS KG became the largest shareholder in Formycon with an indirect shareholding of 26.6% of the Company’s share capital. ATHOS KG and the relevant direct and indirect entities thereunder accordingly provided notification to Formycon and published an announcement in the Federal Gazette in accordance with sec. 20 para. 1 of the Stock Corporation Act.[2]

During fiscal year 2022, approx. 48% of the Company’s shares were held by three family offices: ATHOS KG (indirectly), Wendeln & Cie. KG and DSP Beteiligungsgesellschaft mbH & Co. KG. In addition, 6.6% of shares were held by Active Ownership Group and approx. 7% by founders and management. Shares in free float (as defined by Deutsche Börse) were, by the Company’s own assessment, approx. 38.2% of total capital.[3]



Shareholder structure

26.4 %	ATHOS KG
15.8 %	Wendeln & Cie. KG
6.6 %	Active Ownership Corporations S.a.r.l.
6.0 %	DSP Beteiligungsgesellschaft GmbH & Co. KG
7.0 %	Founders and management
38.2 %	Free float

1 German Federal Financial Supervisory Authority (BaFin), “General principles for filing notifications under sections 33, 38 and 39 of the WpHG”
2 Publication in the Federal Gazette (Bundesanzeiger) in accordance with sec. 20 para.1 of the Stock Corporation Act
3 Percentages are approximate and rounded accordingly.

Reporting of securities transactions by company executives (directors' dealings)

During fiscal year 2022, members of the Executive Board or Supervisory Board conducted the following securities transactions subject to reporting requirements under article 19 of the Market Abuse Regulation (MAR):

Name of Executive or Supervisory Board Member	Position	Transaction date	Type of transaction	Average price	Number of shares	Aggregate value	Trading venue
Dr. Stefan Glombitza	CEO	August 4, 2022	Purchase of shares under Employee Stock Ownership Plan	19.46 €	20,000	389,200,00 €	Off exchange
Dr. Stefan Glombitza	CEO	August 22, 2022	Sale of shares under Employee Stock Ownership Plan	76.48 €	15,000	1,147,200.00 €	Off exchange

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 its market capitalization. The composition of the Scale 30 Index is regularly adjusted. The 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.

Formycon has, since its introduction throughout the EU in July 2016, been subject to the requirements of the Market Abuse Regulation, replacing key parts of the German Securities Trading Act 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

As of January 1, 2022, the registered capital (Grundkapital) of Formycon AG was € 11,064,750.00, divided into 11,064,750 bearer shares without par value but with an imputed nominal value of € 1.00 per share. Drawing upon the Approved Capital 2019/I resolved by the Annual General Meeting on June 27, 2019, the Company's share capital was increased by € 4,000,000 to a total of € 15,064,750.00 in conjunction with the transaction with ATHOS KG, with imputed registered capital of € 1.00 per share against contributions in kind.

By resolution of the Supervisory Board on April 26, 2022, Section 4 of the Company's Articles of Association (Satzung), governing the amount and division of registered and conditional capital, was amended accordingly, then legally entered into the commercial register (Handelsregister) on May 6, 2022.

In addition, a total of 64,025 new shares were subscribed under the resolution of the Annual General Meeting of June 30, 2015 (Conditional Capital 2015).

By its resolution of August 4, 2022, the Supervisory Board again accordingly amended Section 4 of the Articles of Association, governing the amount and division of registered and conditional capital.

The registered capital of Formycon AG thus amounted to a total of € 15,128,775.00 as of December 31, 2022. For detailed information on the Company's Approved Capital and Conditional Capital of Formycon AG, please refer to the Notes to the Financial Statements (Ziffer 17 Eigenkapital) included in this report.

Annual General Meeting

The Annual General Meeting of Formycon AG was held on June 30, 2022 in virtual format. In the period subsequent to official publication of the meeting agenda in the Federal Gazette on May 20, 2022, agenda item 9 (“Election of new Supervisory Board member”) was amended by resolution of the Supervisory Board of Formycon AG on June 27, 2022 and Dr. Thomas Strüngmann proposed for election as new member of the Supervisory Board.

Shareholders were able to follow the proceedings of the virtual AGM by way of live audio-visual streaming through a specially established AGM portal. The participating shareholders followed the various recommendations of the Executive Board and Supervisory Board, approving all resolutions proposed by management with large voting majorities. During the proceedings, the Executive Board provided shareholders with a detailed informative presentative about the Company’s current biosimilar projects, the development of its new COVID 19 drug, and the transaction with ATHOS KG, answering all of the questions submitted in advance of the meeting. In addition, shareholders were introduced to two members of the Executive Board newly appointed by the Supervisory Board: Nicola Mikulcik, serving as Chief Business Officer (CBO) with effect from June 1, 2022, and Dr. Andreas Seidl, the Company’s Chief Scientific Officer (CSO) with effect from July 1, 2022. The Annual General Meeting also approved the expansion of the Supervisory Board from three to four members by a large majority, and Dr. Thomas Strüngmann was elected as the new fourth member thereof with 99.99% of votes represented.

Shareholders were able to exercise their voting rights before or during the virtual AGM through postal voting or authorized proxy voting. A total of approx. 10.7 million shares were voted, representing 70.96% of the Company’s share capital.

Investor-Relations-Aktivitäten

Professional dialogue with investors and with the international capital markets forms an important component of Formycon’s investor relations program. During fiscal year 2022, Formycon’s senior management and investor relations department presented the Company at selected investor conferences, such as Metzler MicroCap Days, the Jefferies Pan-European Mid Cap Virtual Conference, the Equity Forum (spring conference), the Hauck & Aufhäuser Stockpicker Summit, the Hamburg Investor Day, the Jefferies Healthcare Conference, and the Deutsche Börse Equity Capital Forum . Through such conferences as well as other outreach activities, including non-deal virtual roadshows as well as presence roadshows in Milan, Luxembourg and Hamburg, the Company has strived to maintain active contact with existing and potential investors and to increase its visibility on the capital markets. As of Dec. 31, 2022, five analysts were regularly providing equity research coverage on Formycon AG.

The following analysts published research studies on Formycon during 2022:

Bank or research provider	Analyst
B. Metzler seel. Sohn & Co. KGaA	Tom Diedrich
First Berlin Equity Research GmbH	Simon Scholes
Hauck & Aufhäuser Privatbankiers AG	Alexander Galitsa
Kepler Cheuvreux	Arsène Guekam
SRH AlsterResearch AG	Alexander Zienkowicz

Further information about Formycon and its investor relations activities may be found in the “Investors” section of the Company’s website

www.formycon.com/en/investor-relations/shares/

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
Sabrina Müller
Senior Manager Corporate
Communications & Investor Relations
Phone +49 89 864 667 149
ir@formycon.com


Formycon.
The Biosimilar-Experts.

TeamFormycon — working together to improve access to modern drug therapies

The approximately 200 people who work for Formycon have a common goal: to develop high-quality biosimilars that contribute to giving patients around the world improved access to state-of-the-art biopharmaceutical therapies. This is the focus of #TeamFormycon, which is made up of experts from 28 nations in the areas of Product Development, Scientific and Preclinical/Clinical Affairs, Business Operations, and Administration.

Our Company is characterized by a culture of diversity and mutual respect, as well as its outstanding expertise across all organizational units. We are proud of our Company's stable growth over the years and of our practiced values of openness, tolerance, reliability, and mutual trust.

Formycon — strong in the development of biosimilars

As an independently owned developer of high-quality biopharmaceuticals, Formycon has specialized particularly in the development of biosimilars.

What are biosimilars?

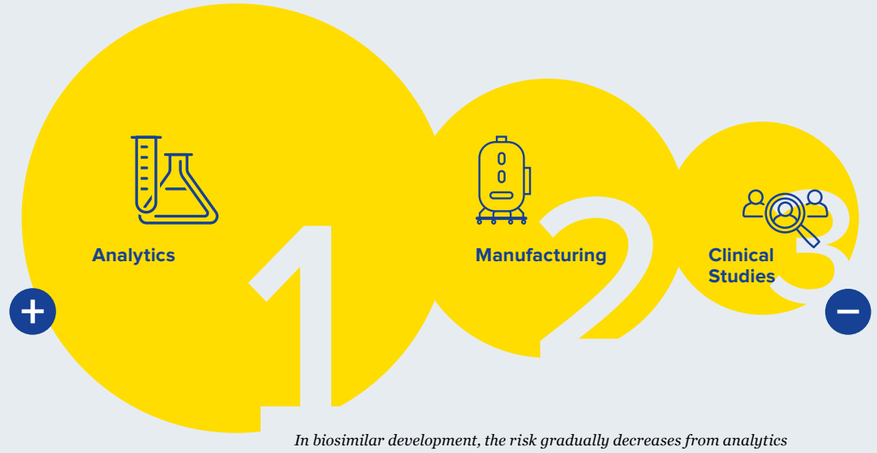
Biosimilars are successor products to biopharmaceuticals that are no longer covered by statutory market protection. They are produced in living cells using state-of-the-art biotechnology Due to this manufacturing process, it is not possible to produce absolutely identical copies of a product. However, biosimilars are very similar to the reference drug and display comparable quality, safety, and efficacy. This is demonstrated in many ways in the course of biosimilar development – from analytics through to clinical studies – and is the basis for the authorization of biosimilars in highly regulated markets such as the EU, the USA, Canada, Japan, and Australia.

“A biosimilar is a biological medicine highly similar to another already approved medicine (‘the reference medicine’). Biosimilars differ from generics in that the latter have simpler chemical structures and are considered to be identical to the reference medicine.”

European Medicines Agency

High level of complexity and challenging development

Biologicals, which include both originator biopharmaceuticals and biosimilars, are characterized by a very high level of complexity. Their uses include the treatment of serious and chronic diseases such as cancer, diabetes, rheumatism, multiple sclerosis, and acquired blindness. The development of these products is very time-consuming and costly, requires a high degree of technological effort, and special expertise.



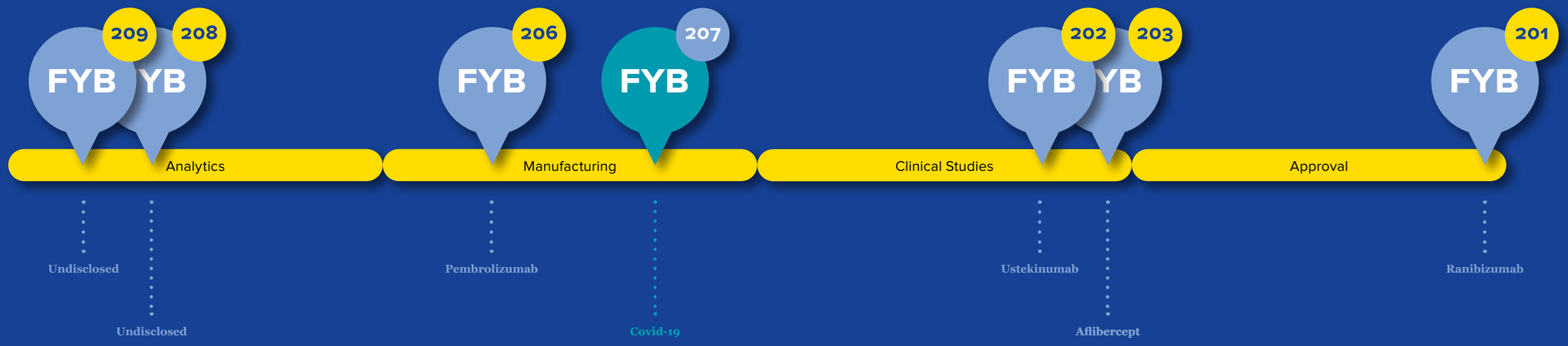
In biosimilar development, the risk gradually decreases from analytics through manufacturing to the clinical studies. The exact opposite is true in the case of innovative drug development, where the risk increases as development progresses.

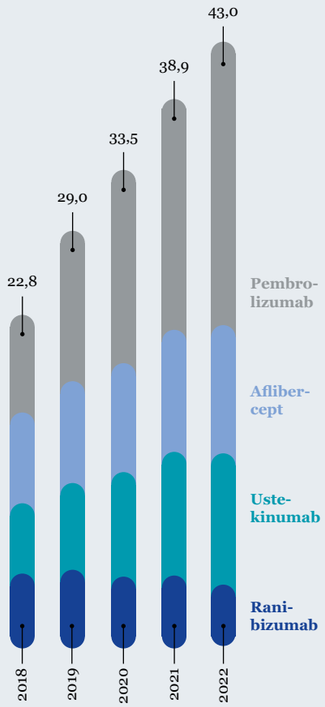
Despite many parallels, the development of an innovative biopharmaceutical differs fundamentally from that of a biosimilar in terms of its risk profile. The entire process of developing a biosimilar aims to achieve and demonstrate its comparability with the reference drug and is associated with a much lower development risk than the research and development of a biological originator product, which is highly exploratory by nature.

High degree of efficacy and cost-effectiveness

In terms of their efficacy, safety, and quality, biosimilars display no clinically relevant differences to the reference drugs, which is the precondition for their authorization. At the same time, they boost competition and are usually less expensive than the originator products. This reduces the costs to healthcare systems and ultimately ensures that treatment with biologicals is affordable and more people can be given access to these therapies.

Formycon Development Projects





Development of the reference market for our biosimilar candidates FYB201 to FYB206 in the past five years: During this period, the joint market volume for the corresponding active substances increased from USD 22.8 billion to USD 43.0 billion.

Formycon — a strong portfolio with an attractive reference market

With indications in ophthalmology, immunology, immuno-oncology, and other chronic diseases, Formycon already covers a broad range of biopharmaceutical therapies.

Alongside the Lucentis® biosimilar FYB201 that was registered in several key markets in 2022, there are currently five more biosimilar candidates in development. Two of these – FYB202 and FYB203 – are close to market launch. FYB206 is in the preclinical phase. Together, the active ingredients of these four biosimilar candidates had a market volume of around USD 43 billion in 2022.

The Formycon biosimilar portfolio is completed by the as yet unpublished biosimilar candidates FYB208 and FYB209.

Based on its extensive experience in the development of biopharmaceuticals, Formycon is also working on developing FYB207, an innovative COVID-19 drug.

You will find further details about each project on the following pages.

Ranibizumab
Lucentis® Biosimilar

FYB 201

Serious retinal diseases are becoming increasingly prevalent

It is well-known that a person's eyesight deteriorates with aging but this often masks serious retinal diseases that occur increasingly in older age. One of these is age-related macular degeneration (AMD). In the case of wet AMD, large deposits on the retina cause abnormal growth of the blood vessels, resulting in the rapid deterioration of central vision.

If left untreated, wet macular degeneration (nAMD) can cause blindness.

77 million

It is estimated that, by 2050, around 77 million Europeans will be affected by AMD.[1]

The older a person is, the greater their risk of suffering from AMD. Growing life expectancy worldwide is therefore increasing the frequency of this disease.

Using VEGF inhibitors

Vascular endothelial growth factor (VEGF), a messenger substance produced by the body, is responsible for the growth of new blood vessels. To block the formation of new blood vessels, growth factor inhibitors known as anti-VEGFs are injected into the vitreous body of the eye.

Injections can preserve vision

In many cases, repeated intravitreal injections over a prolonged period can halt the progress of wet AMD and preserve a patient's vision. The treatment may even improve eyesight in some patients.

FYB 201

FYB201 — biosimilar to treat serious retinal diseases

FYB201 (ranibizumab) is a monoclonal antibody fragment from the group of VEGF inhibitors. In addition to the treatment of wet AMD, ranibizumab is also authorized for the treatment of other serious retinal diseases including diabetic macular edema, which is a frequent secondary disease of diabetes, and myopic choroidal neovascularization, which may occur as the result of pathological myopia.

Distorted lines and a dark spot in the visual cortex are frequent signs of AMD.

First authorizations granted

Following the authorization of FYB201 in the UK, the USA and the EU in 2022, submissions in other attractive markets are planned in the months ahead.

As well as developing the biosimilar itself, Formycon is also working on a proprietary application system for delivering the active ingredient.

Solid ranibizumab market

Alongside aflibercept, ranibizumab is one of the most widely used VEGF inhibitors.

2022 sales of Lucentis®, the reference drug for FYB201, amounted to USD 2.9 billion worldwide.

FYB201 should increase treatment options for ophthalmologists worldwide

In 2022, FYB201 was authorized in the EU, the USA, and the UK. Teva Pharmaceutical Industries Ltd. then launched the biosimilar as Ongavia® in the UK in July.

In the USA, Coherus BioSciences, Inc. brought the product to market as CIMERLI™ in October. Since the late fall of 2022, Teva has successively launched the product as Ranivisio® in the 27 EU member states, Iceland, Norway, and Liechtenstein.

Ustekinumab
Stelara® Biosimilar Candidate

FYB 202

Psoriasis — a global challenge

Psoriasis is a non-infectious, chronic, inflammatory skin condition that is usually characterized by extremely flaky and reddened patches of skin ranging in size from spots to hand-sized areas, often accompanied by severe itching. It may also affect a patient's nails. Around 125 million people worldwide suffer from the condition, about two million of them in Germany.

„ … too many people in the world suffer needlessly from psoriasis due to incorrect or delayed diagnosis, inadequate treatment options and insufficient access to care.“

World Health Assembly WHA67.9

The condition varies from patient to patient. In some cases, it appears to heal itself and only occurs once in the patient's lifetime. However, most patients experience cycles with their skin condition alternating from good to bad. Psoriasis often has a very strong social component. Many patients suffer from depression as a result of their psoriasis.

The 67th World Health Assembly in 2014 highlighted the global significance of psoriasis and its impacts in resolution WHA67.9.

Today – almost ten years later – not all patients have access to modern and effective therapies, even in Germany.

Antibodies can weaken inflammatory responses

Psoriasis is incurable. However, there are therapies which can improve the condition and relieve the symptoms. Medium to severe psoriasis, for example, can be treated with the human monoclonal antibody ustekinumab, which binds the messenger substances interleukin 12 and interleukin 23 that are the main causes of the inflammatory reaction in psoriasis. These can then no longer develop their effect.

Improvement in the skin's appearance after just a few weeks

Ustekinumab is injected subcutaneously into the fatty tissue of the abdominal wall. Injections are given monthly and later quarterly. As a rule, an improvement will be seen after four to eight weeks. If the product is well-tolerated, the treatment can be continued for many years.

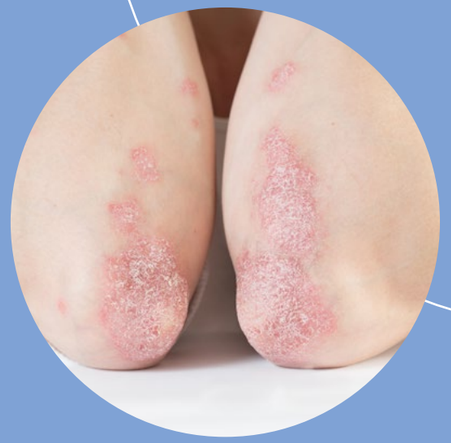
FYB 202

FYB202 — a biosimilar candidate for the treatment of chronic inflammatory diseases

With FYB202, Formycon is developing an ustekinumab biosimilar candidate (trade name: Stelara®) for the treatment of moderate to severe psoriasis. Ustekinumab can also be used to treat psoriatic arthritis, a chronic inflammation of the joints which affects around one in four psoriasis patients, as well as Crohn's disease and ulcerative colitis, the two main forms of chronic inflammatory bowel disease.

The goal of biosimilar development is to contribute to improving access for many psoriasis patients worldwide who are still unable to receive an ustekinumab therapy, primarily for financial reasons.

The clinical development program for FYB202 has been successfully completed in the meantime.



Submission planned for 2023

With the additional pharmacokinetic data from the extended Phase I study, we plan to submit the authorization documents for FYB202 in Europe and the USA in the third quarter of 2023.

Profitable ustekinumab market

Stelara® is a high-end pharmaceutical with prices ranging from around EUR 4,500 for a low-dose application in the EU to around USD 19,000 for a high-dose application in the USA. Global sales in 2022 amounted to some USD 9.7 billion.

Aflibercept
Eylea® Biosimilar Candidate

FYB 203

FYB 203

FYB203 — another biosimilar candidate for the treatment of serious retinal diseases

Like ranibizumab, the fusion protein aflibercept (trade name: Eylea®), which binds both vascular endothelial growth factor (VEGF-A) and placental growth factor (PLGF), is used in the anti-VEGF treatment of age-related wet macular degeneration and other serious retinal diseases. Formycon is rounding off its ophthalmology portfolio with the development of its aflibercept biosimilar FYB203. Thanks to their different mechanisms of action, the two substances complement each other very well. Some patients respond better to aflibercept, others to ranibizumab.

The FDA-specific interim assessment of the Phase III study (MAGELLAN-AMD) demonstrated the comparable efficacy of FYB203 and the reference drug Eylea® in patients with neovascular age-related macular degeneration (nAMD). The overall assessment of the Phase III data is expected in mid-2023.

Authorization applications planned for 2023

Once the assessment of the Phase III study has been completed, the submission of the authorization applications is planned for the second half of 2023.

Growing market for anti-VEGF therapies

Aflibercept and ranibizumab together account for more than 90 percent of the global market for anti-VEGF therapies. 2022 sales of Eylea® were around USD 9.5 billion, coupled with an increase in market volume.

Pembrolizumab
Keytruda® Biosimilar Candidate

FYB 206

Immunotherapies for cancer

The frequency of malignant melanoma continues to grow. In Germany, more than 20,000 new cases are recorded each year – a more than five-fold increase since the 1970s.

With around 60,000 new cases diagnosed each year, lung cancer is actually more prevalent. Non-small cell lung cancer accounts for some 85 percent of these cases. Despite the differences in cancer types, treatment options, and prognosis, they – like other tumor diseases – often have one thing in common. In many cases, the tumor cells are able to manipulate immune checkpoints, especially PD-1, to avoid the body's natural immune defenses. One way they do this is by releasing a substance (PD-L1) that switches off the immune system's T cells

With their research, James Allison and Tasuku Honjo established the foundations for immunotherapy, earning them the Nobel Prize for Medicine in 2018.

A cancer immunotherapy that blocks the PD-1 receptor can activate the immune system so that it is again able to recognize the tumor as "foreign" and then attack it.

Treating advanced cancer

Until now, immunotherapy with checkpoint inhibitors like pembrolizumab was primarily used in patients with advanced cancer, sometimes in combination with chemotherapy. Pembrolizumab is administered as an intravenous infusion every three or six weeks, depending on the dosage.

Checkpoint inhibitors can prolong survival

Studies have shown that pembrolizumab can delay the progress of certain advanced tumor diseases. The active ingredient can also prevent the post-operative recurrence of melanomas, for example.

FYB 206

FYB206 — biosimilar candidate for the treatment of cancer

With FYB206, Formycon is developing a pembrolizumab biosimilar candidate (trade name: Keytruda®) that can be used as an immune checkpoint inhibitor to treat a wide range of tumor diseases. Pembrolizumab binds to the PD-1 receptor, blocking the interaction between PD-1 and its ligand PD-L1 in particular. This helps the immune system to activate the body's cellular anti-tumor immune response and destroy melanoma cells, for example.

Development in the preclinical phase

Having reached key development stages in the preclinical phase of the FYB206 project, the next step is to agree the substance's clinical development with the regulatory authorities. The goal of our development work is to enter the U.S. and EU markets upon expiration of the statutory market protection for reference product Keytruda®.

One of the world's best-selling active ingredients

In 2022, the global reference market for Keytruda® amounted to more than USD 20 billion. According to analysts, Keytruda® could become the world's best-selling drug product in 2023.

In the first half of 2022, work began on the new FYB208 and FYB209 development projects, which will complete the Formycon biosimilar portfolio in the field of immunology.

Undisclosed
Biosimilar Candidates

FYB 208

FYB 209

Innovative
SARS-CoV-2-Blocker

FYB 207

Covid-19
A pandemic with dramatic consequences

Following the first cases of a form of lung inflammation of unknown origin in China in December 2019, the infectious disease that was named COVID-19 spread across the world at a dramatic pace. The WHO officially declared a pandemic on March 11, 2020. Since then, more than 670 million people have been infected with the novel coronavirus and over 6.8 million people have died in connection with the virus. Following an infection, many people have continued suffering from post- or long-COVID symptoms for a long time.

Shortly after the outbreak of the pandemic in Europe, Formycon began developing the COVID-19 fusion protein FYB207.

FYB207 — an innovative SARS-CoV-2 blocker

SARS-CoV-2 and other coronaviruses use the protein ACE2 on the surface of human cells as the entry point for infecting the respiratory system. The viral spike protein binds to ACE2 on the surface of the target cells. Once it has docked, the virus is then absorbed by the cell.

Laboratory studies showed that addition of soluble ACE2 blocks the SARS-Cov-2 and SARS-CoV coronaviruses, thus preventing infection of the cells. ACE2 also has a natural enzyme activity in the cardiovascular system that potentially protects the lungs, heart, and kidneys from failing. Formycon has therefore fused human ACE2 protein with the constant part of human immunoglobulin, thus creating an innovative COVID-19 active ingredient named FYB207. This retains its efficacy against virus mutations, fully prevents in vitro cell infection, and has the potential to treat all coronaviruses that use ACE2 as the entry point of infecting the cells.

Recent modifications of the molecular structure of FYB207 resulted in a further improvement of its bioavailability and efficacy. The further development strategy for the accelerated authorization process was already agreed with the Paul-Ehrlich-Institut and the FDA in 2021.

Interview with Formycon-CSO Dr. Andreas Seidl

Having gripped the world for three years, the SARS-CoV-2 pandemic seems to be ebbing slowly. The Robert Koch Institute recently downgraded the risk from high to moderate. Is COVID-19 no longer something to be afraid of?

That would be desirable, but unfortunately the question cannot yet be answered with any certainty. Vaccination and infection have given most people a degree of immunity. Nevertheless, waves of infection are likely to continue – like the flu – and may result in serious and life-threatening illness.

Will the virus continue to mutate?

That is likely – and it is what underlies the challenge in developing the medical response to future waves of infection. We are seeing that vaccines and therapeutic antibodies can lose their efficacy against new virus mutations, which is why we are taking a slightly different approach with FYB207. Thanks to its binding affinity, FYB207 provides the virus with an alternative target to endogenous ACE2. As a result, it effectively prevents infection, even in the case of virus mutations.

Germany's Standing Committee on Vaccination (STIKO) recommends a second booster with a new Omicron-adapted vaccine and even a fifth vaccination for people at particular risk.

For most people, especially older people, boosters are a very sensible and effective means of protection against infection and serious illness. However, we should not forget that a not insignificant section of the population suffers from an immunodeficiency – due to pre-existing conditions, for example – and cannot be vaccinated effectively. This two to three percent of the population make up a high-risk group for which there is currently still no adequate protection because of the declining efficacy of antibody products.

Could FYB207 be a viable treatment option for this risk group?

Because it is a mutation-resistant product and thanks to its expected good tolerability, FYB207 could be such a treatment option. Its ACE2 enzyme activity also gives it potential for other indications such as acute lung failure.

2022

Highlights of an eventful year

03 | 2022
Transaction with ATHOS KG
As part of the transaction, Formycon acquired all rights in FYB202 and a 50-percent stake in FYB201, and expanded its own development organization through the integration of Bioeq GmbH.

Read more ...

05 | 2022
UK marketing authorization for FYB201
The British Medicines and Healthcare products Regulatory Agency (MHRA) granted marketing authorization in the UK for FYB201, a biosimilar to Lucentis®. In the UK, Teva Pharmaceutical Industries Ltd. markets the biosimilar under the trade name Ongavia®.

Read more ...

06 | 2022
Start of the FYB208 and FYB209 pipeline projects
At the same time as it published its quarterly report, Formycon announced the start of two new biosimilar projects. The reference molecules for FYB208 and FYB209 have been identified and the first development activities initiated.

Read more ...

08 | 2022
Marketing authorization for FYB201 in the USA
The U.S. Food and Drug Administration (FDA) granted 12-month exclusive interchangeability status to FYB201 in the USA, authorizing its use as the automatic substitute for the treatment of all five Lucentis® indications. Coherus BioSciences, Inc. markets the biosimilar in the USA under the trade name CIMERLI™.

Read more ...

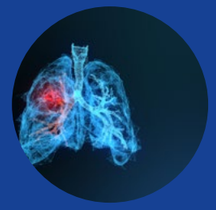
08 | 2022
Positive Phase III results for FYB202
IThe Phase III study achieved its primary endpoint, demonstrating the comparable efficacy of FYB202 and the reference drug Stelara® in patients with moderate to severe psoriasis vulgaris (plaque psoriasis).

The results of the extended Phase I pharmacokinetic study are expected in the first half of 2023.

Read more ...

08 | 2022
EU authorization for FYB201
Following a positive opinion from the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) issued in June 2022, the European Commission granted marketing authorization for FYB201. This applies to all 27 EU member states, Iceland, Norway and Liechtenstein. Teva Pharmaceutical Industries Ltd. markets the biosimilar under the trade name Ranivisio®.

Read more ...



09 | 2022
Publication of details about FYB206
With FYB206, a biosimilar candidate for Keytruda® (pembrolizumab) that is in the advanced preclinical stage of development, Formycon is expanding the range of indications to include the rapidly growing field of immuno-oncology.

Read more ...

11 | 2022
Promising preclinical results for FYB207
Preclinical in vivo studies demonstrated the improved bioavailability of the modified FYB207 lead candidate and confirmed its neutralizing effect.

Read more ...

Combined Management Report 2022

This Combined Management Report covers the reporting period from January 1, 2022 to December 31, 2022 and encompasses the management reports for both Formycon Group (hereinafter also "Formycon" or the "Group") and Formycon AG.

Unless otherwise noted, the presentation of business performance and financial figures relevant to corporate management, both actual and forecasted, are for Formycon Group.

Information which applies solely to the Formycon AG parent entity is specifically marked as such.

Basic information about Formycon Group

Business operations

Formycon is a specialized developer of biosimilar drugs and is, at its current organizational scale, able to develop up to seven biopharmaceutical projects in parallel. The Group's long-term growth strategy is built upon steady expansion of the product pipeline through the targeted selection of new biosimilar candidates, the development of these projects, and their ultimate commercial success through commercialization partnerships, either partly or in their entirety.

Since the 1980s, biopharmaceuticals have been revolutionizing the treatment of serious diseases such as cancer, diabetes, rheumatism, multiple sclerosis and acquired blindness. Starting in the mid 2010s, patents on many of these powerful biopharmaceuticals began expiring, and these patent runoffs will continue in the coming years. ***Biosimilars are follow-on products to biopharmaceutical drugs*** whose market exclusivity has expired. The approval process in the world's highly regulated markets, such as the European Union, the United Kingdom, the United States, Japan, Canada and Australia, are subject to stringent regulatory requirements which, in particular, ensure that the biosimilar's comparability to the reference product has been proved.

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.

Business areas

The Group's primary and core business, and the center of its strategy for sustainable long-term growth, is the development of ***biosimilars***. Within biosimilars development, Formycon currently has six projects spanning indications in of ophthalmology, immunology and immuno-oncology which are in various stages of development, as shown in the following figure.

Biosimilar Candidate	Reference (INN)	Disease Area	Preclinical Phase	Clinical Phase I	Clinical Phase III	Filing	Approval
FYB201	LUCENTIS®	Ophthalmology					
FYB202	STELARA®	Immunology					
FYB203	EYLEA®	Ophthalmology					
FYB206	KEYTRUDA®	Immuno-onkology					
FYB208	undisclosed	undisclosed					
FYB209	undisclosed	undisclosed					

Product	Innovation	Disease Area	Preclinical Phase	Clinical Phase I–III	Filing	Approval
FYB207	Innovatives Produkt	COVID-19				

At the start of the coronavirus crisis, Formycon initiated development of an ***innovative COVID 19 fusion protein*** based upon its extensive experience in the development of biopharmaceuticals and as a contribution to the ongoing global fight against serious illness from this persisting virus. In order to maximize the potential and speed of our product development approach, Formycon's plan for the innovative COVID-19 project is to transfer it into a strategic global partnership for development and commercialization at an early stage.

These two product development approaches are fundamentally different in terms of their respective risk profiles. While biosimilar drug development takes a confirmatory approach, whereby the biosimilar candidate is designed from the start to be demonstrably comparable to the reference drug and is accordingly managed over the entire development period of typically six to eight years, the research and development process for an innovative originator biopharmaceutical entails an exploratory approach and thus a significantly higher level of development risk.

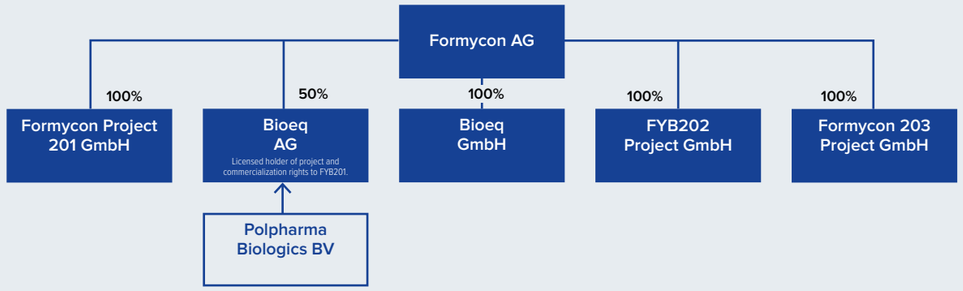
Business objective and strategy

Formycon's guiding objective is to further expand its position as a global player in the rapidly growing market for biosimilars, thereby developing into a fully integrated pharmaceutical company within the biosimilars market segment.

With the help of biosimilars from Formycon, ever more patients around the globe should gain access to vital high-quality biopharmaceuticals for the treatment of serious diseases. Through our work, we aim not only to improve care for patients worldwide but also to contribute to sustainably relieving the financial burden on healthcare systems.

Group structure

Following the strategic transaction with the Strüngmann family office (ATHOS KG), Formycon Group now consists of the parent entity, Formycon AG, along with its 100%-owned subsidiaries Formycon Project 201 GmbH, FYB 202 Project GmbH, Formycon Project 203 GmbH and Bioeq GmbH, as illustrated in the following figure. In addition, Formycon holds a 50% share of Bioeq AG, a joint venture between Formycon and Polpharma Biologics BV



The corporate structure of Formycon Group reflects the establishment to date of dedicated legal entities for certain individual biosimilar projects, particularly in advanced stages of development. Formycon AG performs research and development activities not only for its own projects but also on behalf of its affiliated companies (subsidiaries) and development partners.

Formycon AG, the parent company with registered offices in the Munich suburb of Martinsried/Planegg, is a German stock corporation which has been listed on the Frankfurt Stock Exchange and trades in the Exchange's Open Market "Scale" segment for growth companies. Formycon AG serves, both legally and operationally, as the holding company for Formycon Group. As the Group's parent entity, Formycon AG determines corporate strategy and group-level strategic management as well as communications with the Formycon's key target audiences. Subsidiaries and other companies in which Formycon holds investment participations are managed as distinct businesses with their own management teams.

In its current phase of corporate and organizational growth, the focus of Formycon Group is on research and development activities for both its own and out-licensed biosimilar projects, as well as on the development of its COVID-19 drug candidate. To the extent that it engages in other business activities, these are primarily in support of these research and development activities

Management and oversight

The Formycon AG parent entity is, as required under the German Stock Corporation Act (Aktiengetz) for all German stock corporations, governed by a dual board system consisting of an Executive Board (Vorstand) and a separate Supervisory Board (Aufsichtsrat). Since April 1, 2023, the Executive Board has consisted of four members (previously three), who are appointed and monitored by the Supervisory Board. Since the start of fiscal year 2022, its composition has changed as follows:

Zusammensetzung des Vorstands

Dr. Carsten Brockmeyer	CEO (Chief Executive Officer)	Until June 30, 2022
Dr. Nicolas Combé	CFO (Chief Financial Officer)	Until June 30, 2022
Dr. Stefan Glombitza	COO (Chief Operating Officer) until June 30, 2022	Reappointment since January 1, 2021
Dr. Stefan Glombitza	**CEO (Chief Executive Officer)**	**Appointment until December 31, 2024**
Nicola Mikulcik	**CBO (Chief Business Officer)**	**Since June 1, 2022 (current term of office ends May 31, 2027)**
Dr. Andreas Seidl	**CSO (Chief Scientific Officer)**	**Since July 1, 2022 (current term of office ends June 30, 2027)**
Enno Spillner	**CFO (Chief Financial Officer)**	**Since April 1, 2023 (current term of office ends May 31, 2026)**

Allocation of areas of responsibility among Executive Board members

Dr. Stefan Glombitza (CEO)	Nicola Mikulcik (CBO)	Dr. Andreas Seidl (CSO)	Enno Spillner (CFO) since April 01, 2023
Corporate Strategy and Product Development	**Business Operations**	**Scientific and Pre-/Clinical Affairs**	**General Administration**
— Protein and ProcessSciences	— Business Development and Contract Management	— Preclinics, Bioanalytics and Scientific Affairs	— Finance and Controlling
— Drug Product	— Business Development and Licensing	— Clinical Development and Operations	— Human Resources
— Program Management	— Supply Chain and Logistics	— Intellectual Property	— Corporate Communications and Investor Relations
— Regulatory Affairs and Quality Management	— Intellectual Property and Litigation		— IT / Facility / Environment / Health and Safety
— Finance / Controlling*	— Legal		
— Human Resources*	— Procurement		
— Investor Relations / Corp. Communications*	— Digitalization		
— IT / Facility / Environment / Health and Safety*			

* from July 01, 2022 to March 31, 2023

The Supervisory Board of Formycon AG is elected by the Annual General Meeting. As of December 31, 2022, it consisted of four members.

Remuneration of Executive Board and Supervisory Board

The remuneration of Executive Board members includes fixed and variable components. To date, Formycon has not published a separate report on remuneration. Further information regarding these remuneration components may, however, be found in Section VI (“Other information”) of the Notes to the Financial Statements.

Important processes, partners and sales markets

The development of biosimilar drugs for the world’s most stringently regulated markets demands *exacting standards for their safety, quality and efficacy*. Within the EU, the requirements for quality assurance of the production processes and production environment for the manufacture of medicinal products and active ingredients are established through a European Commission directive laying down the principles and guidelines of Good Manufacturing Practice (GMP) for all medicinal products for human use. Formycon’s laboratories are subject to these guidelines and are periodically examined and audited by regulatory authorities, including also the U.S. Food and Drug Administration (FDA).

With the acquisition of Bioeq GmbH in 2022, Formycon expanded the spectrum of its in-house development resources to encompass clinical development and the management of clinical trials. As a sponsor of such clinical studies, Bioeq GmbH is obliged to comply with detailed regulations on Good Clinical Practice (GCP) when conducting clinical trials of medicinal products for use in humans. Even where not statutory, these GCP guidelines are an international standard recognized throughout the world, serving to protect patients and to ensure the integrity and correctness of the data and findings generated through such clinical studies. Compliance with GCP guidelines on the part of the study sponsor, the participating study centers and other parties involved in the clinical study process is verified during GCP inspections conducted by local health authorities.

Analytik | Manufacuring* | Clinical Development | Approval | Commercialization*

*through partnerships or cooperation agreements

Contract manufacturing and development organizations (CDMO) or “contract manufacturers” are important *partners within the value chain* for biosimilars development and play a critical role for Formycon, including in the production of active ingredients. For the global marketing of biosimilar products, Formycon relies upon commercialization partnerships and cooperation agreements with strong established pharmaceutical players such as Fresenius Kabi AG, Teva Pharmaceutical Industries Ltd. and Coherus BioSciences, Inc.

The market for Formycon’s biosimilar products is the *global pharmaceutical market*, specifically in United States, Europe (including also the UK), Japan, Canada, Australia, the Middle East and North Africa (MENA) region, and Latin America.

Oncology, a field of medicine in which some 19.3 million new cases are registered every year, currently dominates the areas of application for biosimilars worldwide. Overall, however, the number of disease areas in which biosimilars are available and in active use is steadily increasing. The trend of new and expected biosimilar approvals is, in particular, towards indications in immunology and ophthalmology.

While originator biopharmaceuticals are already available for the effective treatment of many serious diseases, these powerful drugs are also very expensive due to the complexity of their development and manufacture, and they can often be prohibitively expensive as a first-line therapy, even in the most developed countries. However, once the legal protection period for an originator biopharmaceutical reaches its end, biosimilar drugs may be brought to market.

The reduced costs of effective treatment through new competition from biosimilars not only helps to relieve the burden on health providers such as statutory health insurers: They also make it possible to bring these powerful treatments to more patients

Competitive situation

Internationally published studies predict average annual growth rates (CAGR) for the global market for biosimilars over the next decade (2023 through 2032) in excess of 14%. Despite substantial barriers to market entry due to high development costs (approx. EUR 150 to 250 million per biosimilar development project), long development cycles (six to eight years), and the specialized expertise required for biosimilars develop, there are a number of international competitors in this attractive market segment.

In addition to major pharmaceutical corporations such as Amgen, Biocon, Celltrion, Fresenius Kabi, Samsung Bioepis and Sandoz but also smaller companies specializing in biosimilars such as Alvotech and XBrane. (These are just examples and are listed in alphabetical order.)

Because of Formycon’s positioning as an independent developer, situations may arise in which such a company, particularly a major pharmaceutical name, is both competitor and commercialization partner. For each of its biosimilar development projects, Formycon seeks out the most suitable commercialization partner, not only for the area of indication but also for the relevant region, and to distinguish itself competitors through its innovative development concepts, the reliability of the scientific processes which it uses, rigorous selection

1 International Agency for Research of Cancer, Fact Sheet World, https://gco.iarc.fr/today/data/factsheets/populations/900-world-fact-sheets.pdf

2 Market.US / Globe Newswire: Biosimilars Market is Anticipated to Grow at a CAGR of 14.1% from 2023-2032 due to increasing incidences of chronic diseases

of reliable partners, and the highest standards of quality and scientific expertise in the selection of its service providers and consultants. Further discussion of competitive risks can be found in the corresponding section of the “Report on risks and opportunities”.

Corporate strategy and management

Formycon’s strategic goal is to sustainably expand the scope of its business activities so that it is able to become a leading global developer of biosimilars for the long term. In order to achieve this goal, Formycon will continue to invest heavily into the expansion of its project pipeline so that it is able to bring new biosimilars to market at regular intervals. In parallel with this strategic thrust, Formycon is pursuing an organizational growth strategy so that it has the resources to compete as a fully integrated pharmaceuticals company, specifically within the biosimilars segment. In order to achieve this strategic vision, the Executive Board is open to considering cooperation arrangements and integration in selected areas of the manufacturing process as well as to building its own commercialization capabilities in certain geographies.

Beyond this guiding vision, Formycon’s strategic focus is on high profitability and sustainable cash flows. Formycon may, as necessary, adapt its strategy and operational approach to particular market conditions. There has been no significant change in Formycon’s strategic orientation compared to the prior year.

The drivers of our success are our agility and our drug development expertise

Formycon stands out from its competitors, particularly large pharmaceutical companies with biosimilar ambitions, above all in the agility and flexibility of its operational activities. In biopharmaceutical development, is important to align structures, processes and behaviors along the value chain in such a way as to foster an organization which is able to learn and thus constantly improve, and which is intensely focused on the excellent execution of the many activities needed for successful drug development. This kind of operational excellence strives for the holistic improvement of all direct and indirect functions throughout the value creation process, thereby enabling ever higher levels of organizational performance and sustained improvements in operational and financial metrics. Despite its relatively lean organization, with some 200 employees in total, this approach allows Formycon to work in parallel on currently seven different biopharmaceutical development projects.

Financial performance indicators

In managing Formycon Group, the Executive Board relies upon a number of key financial performance indicators. During 2022 as in previous years, these were primarily revenue, EBITDA, net profit/loss, and working capital.

Formycon holds a portfolio of partnered biosimilar candidates which, even after successful transfer to licensed or cooperation partnerships, generate revenue for Formycon from development work performed, advance payments, milestone payments and license payments.

In addition, Formycon has a number of its own biosimilar candidates whose research and development expenses are borne entirely by Formycon. As the Group matures and undertakes more pipeline products for its own account, Formycon anticipates that its future research and development expenses will continue to increase. At the same time, Formycon estimates that the percentage of total revenue from milestone and license payments will increase as the pipeline matures.

EBITDA – Earnings before Interest (meaning specifically finance income/expenses), Tax, Depreciation and Amortization – is a common measure of operating profitability which excludes non-cash depreciation of property, plant and equipment and amortization of intangible assets. Because EBITDA excludes certain expense items that are not directly related to current business operations, the Executive Board believes that the indicator is suitable for measuring the Group’s operating performance.

Period profit or loss (net income) is another key performance metric. The profit or loss for the fiscal year provides a bottom-line measure of the profit contribution from the Group’s businesses and other areas of activity over the course of the year. Net profit/loss is thus likewise a financial key performance indicator of Formycon’s overall business model but which takes into account the entirety of income and expenses during the year, including taxes.

Through close attention to the Group’s working capital, the Executive Board is able to monitor liquidity needs and changes and to ensure Formycon’s financial soundness is maintained into the future.

Working capital measures the extent to which current assets (inventories, other assets, receivables, securities, cash and cash equivalents) exceed current liabilities (excluding current portion of shareholder loans and earn out liabilities).

All else being equal, a higher level of working capital means a lower risk of liquidity shortfalls. Formycon’s goal is to maintain positive working capital.

Key financial performance indicators in accordance with IFRS

In € Mio.	2020	2021	**2022**
Revenue	34.3	36.6	**42.5**
EBITDA	-5.7	-12.4	**-15.9**
Net profit (loss)	-6.7	-13.3	**36.0**
Working Capital	44.7	29.5	**14.0**

These financial performance indicators are planned and continuously monitored on a Group-wide basis. Formycon measures deviations between planned and actual financial performance monthly, not only for Formycon Group as a whole but also for Formycon AG as the parent entity of the Group. These key indicators are analyzed monthly as well as quarterly. The Executive Board also regularly reviews the detailed business plan against these actual monthly and quarterly figures. In managing the Group, the key financial performance indicators described above are supplemented by various non-financial management indicators (see “Other non-financial aspects” below).

Report on business performance

General economic conditions

During the past fiscal year, the economic situation in Germany was clearly shaped by the war in Ukraine and unfavorable developments in the energy sector. There were, in addition, dampening influences from ongoing global supply chain bottlenecks, and although less, they still continued to exist. On the positive side, the easing situation in the tail of the COVID 19 pandemic resulted in economic catch up effects, providing growth impetus for capital investment and private consumption.

According to the preliminary figures published by the German Federal Statistical Office (Destatis), the country's real (price-adjusted) GDP grew by 1.9% during the year under review.[1] Although better than initially expected, the German economy was unable to match the prior year's growth rate of 2.7%.[2] With an increase of 1.1%, government consumption increased only slightly in 2022, while investments in equipment rose by 2.5%.[3] Private consumption was the primary growth driver, with consumer spending up 4.6% despite rising consumer prices, driven by the return to normality after the preceding years of pandemic.[4]

For the second year in a row, German foreign trade strengthened significantly. Compared to 2021, exports are estimated to have increased by 14.7%. Imports rose even more sharply, with an estimated increase of 25.6%.[5]

Inflation continued to gain momentum, driven primarily by higher energy and food prices. According to preliminary data, average annual inflation rate for 2022 was 7.9% above the prior-year level.[6] Germany's labor market, on the other hand, remained relatively stable. However, the increasing shortage of skilled workers, and the resulting record number of vacancies, proved to be a particular challenge.

Developments in the global biosimilar market

The world market for biosimilars has been growing for years and, according to forecasts, will continue to expand at rapid rates. McKinsey expects the global market to reach USD 74.0 billion in sales by the year 2030. Compared to 2021, this corresponds to an increase of almost 300% (2021: USD 18.7 billion).[7]

There is particularly robust growth right now in the U.S. market, where biosimilars are explicitly on the policy agenda and have, in fact, been promoted by law since 2021. According to IQVIA[8], sales of biosimilars in the United States are expected to increase from USD 10.2 billion in 2022 to more than USD 38.5 billion in 2027.[9] McKinsey is likewise forecasting a strong upward trend in the market, with average annual growth rates (CAGR) of 26% for the years through 2025.[10]

Within the European market, which together with the American market represents a large part of the worldwide market, biosimilars currently generate annual sales of some € 9 billion,[11] with average annual growth of 8% expected through 2025.[12]

As an attractive alternative to originator biopharmaceuticals, biosimilars create opportunities for strained healthcare system to generate significant cost savings with the same quality of care. It should be underscored, however, that lower-cost biosimilars are doing more than just helping to contain healthcare expenditures. With their lower price levels, biosimilars are also opening new and more sophisticated treatment opportunities for diseases which until now have been difficult to treat. For patients around the globe, biosimilars thus improve not only access to biopharmaceuticals but also the prospects for sophisticated therapies, for example in oncology or immunology.

With the growing availability and utilization of biosimilars, their acceptance as a class of drugs is also increasing, and they are increasingly being valued, requested and prescribed. Their uptake rate, i.e. the period of time until a new biosimilar is established on the market, has been noticeably reduced as a result. Products launched in the U.S. after 2019 captured an average 75% share in their therapeutic area within three years. In contrast, biosimilars brought onto the market before 2019 accounted for only a 39% share over the same period.[13] This rapid acceptance can also be seen in Europe, where some newly introduced biosimilars have, already in the first year, been achieving a market penetration of almost 75%.[14]

In European countries, cost savings generated through the use of biosimilars reached a new all-time high of more than € 30 billion in 2022.[15] In the United States, savings for the second quarter of 2022 alone are estimated at USD 3.2 billion.[16] These significant figures show that, in both markets, biosimilars are crucial to financially strained healthcare systems and have become even more important because of COVID 19; although the pandemic has tapered off, its cost burdens remain, including the financial impact not only of vaccination campaigns but also of therapeutics and treatment costs for "long COVID" disease. Adding these new costs to pre existing cost strains, the world's healthcare systems are facing costs well above pre pandemic forecasts, now and into the foreseeable future. IQVIA estimates the additional global demand required by 2027 at USD 497 billion but also underscores that biosimilars, with their expected annual savings of more than USD 100 billion, can make a significant lasting contribution to offsetting the enormous rise in healthcare costs.[17]

The rapid expansion of the biosimilar market is also being accelerated by patent expiries of important reference preparations. By 2032, more than 55 blockbuster drugs will lose exclusivity in the U.S. and Europe. According to McKinsey, these drugs together represent an estimated total market of more than USD 270 billion.[18] In Europe as well, a number of originator biopharmaceuticals will lose their exclusivity over the next few years. In Germany, France, Italy, Spain and the UK alone, patent protection for biologicals with combined sales revenue of USD 17.5 billion will expire within the next five years.[19] Of these, one of the largest is Lucentis®, for which European patent protection expired in 2002, a market opportunity which Formycon is addressing with its biosimilar FYB201.

1, 4 BMWK, Die wirtschaftliche Lage in Deutschland im Januar 2023, 13.01.23
2 BMWK, Die wirtschaftliche Lage in Deutschland im Januar 2022, 14.01.22
3 BMWK, Ausgewählte Daten zur wirtschaftlichen Lage, Januar 2023
5 Gtai, China verliert für Deutschland im Export an Bedeutung, 17.01.23

6 German Federal Statistical Office, Inflationsrate im Dezeber 2022 voraussichtlich +8,6 %, 03.01.23
7, 10 McKinsey & Company, Three imperatives for R&D in biosimilars, August 2022
8 IQVIA is a leading global provider of advanced analytics, technology solutions, and clinical research services to the life sciences industry.
9 IQVIA, Biosimilars in the United States 2023–2027, Januar 2023

11, 14, 15 IQVIA, The Impact of Biosimilar Competition in Europe, December 2022
12 McKinsey & Company, Three imperatives for R&D in biosimilars, August 2022
13, 16 Amgen Inc., 2022 Biosimilars Trend Report, 10/22

17, 19 IQVIA, Global Use of Medicines 2023, Januar 2023
18 McKinsey & Company, Three imperatives for R&D in biosimilars, August 2022

Significant events

Transaction with ATHOS KG

Through the transaction with ATHOS KG, Formycon acquired full rights to FYB202, a candidate biosimilar to Stelara®, and a 50% interest in FYB201, a candidate biosimilar to Lucentis®. Moreover, through the acquisition and organizational integration of its long-term partner Bioeq GmbH, Formycon has been able to expand its in house expertise and resources in a number of areas important for the development, approval and commercialization of biosimilars.

The transaction between Formycon and ATHOS KG took place at fair value conditions jointly determined and confirmed by independent experts and based on a valuation of € 83.41 per Formycon share. Purchase Price to ATHOS KG for the assets acquired (FYB201, FYB202 and Bioeq GmbH) with a total combined transaction value of approx. € 650 million was made in part through the issuance and granting of shares in Formycon AG under a non-cash capital increase against contributions in kind, thereby fully utilizing Formycon's existing Approved Capital 2019 in the amount of € 4,000,000.00. In addition, ATHOS KG will receive a income share (earn-out component) in future product sales of FYB201 and FYB202 generated by Formycon, through which ATHOS is expected to earn a total participation estimated in the mid three-digit million range. Upon completion of the transaction, ATHOS KG became the largest shareholder of Formycon, with an ownership stake of approx. 26.6%.

Regulatory approval and market launch of Lucentis® biosimilar FYB201 in the UK, the United States and the European Union

On May 17, 2022, Formycon and its license partner Bioeq AG announced a major milestone, namely the granting by the UK Medicines and Healthcare products Regulatory Agency (MHRA) of UK market approval for FYB201, a biosimilar to Lucentis®.

On August 3, FYB201 likewise received market approval in the United States from the U.S. Food and Drug Administration (FDA). Under this approval, FYB201 is now not only the only biosimilar approved in the U.S. to date for the treatment of all five Lucentis® indications but will also enjoy exclusivity as an interchangeable biosimilar for a period of 12 months after launch.

Soon thereafter in the same month, the European Commission also granted marketing authorization for FYB201 in the European Union. The European Commission's approval was based upon the recommendation of the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) from June 2022 and covers all 27 member states of the European Union as well as Iceland, Norway and Liechtenstein.

Teva Pharmaceutical Industries Ltd. now markets FYB201 under the trade name Ranivisio® in the European Union and under the trade name ONGAVIA® in the United Kingdom. Within the United States, FYB201 is marketed by Coherus BioSciences, Inc. under the trade name CIMERLI™.

Summary statement of Executive Board on business performance and economic environment

Formycon is pleased to look back upon a successful fiscal year with positive business performance and corporate achievements, particularly the significant progress in the Group's various development projects. As to financial performance, Formycon Group's results for fiscal year 2022 were in line with expectations, with actual full-year Group revenue slightly above the forecast of approx. € 40 million. It should be noted here that the revenue outlook as of December 31, 2021 was at that time still based upon consolidated financial statements prepared under German statutory accounting (HGB), while the consolidated financial statements as of December 31, 2022 were prepared using IFRS. Because the change in accounting did not lead to any significant changes in revenue recognition, it has not been necessary to restate the prior year's revenue forecast. Revenue during the fiscal year notably included first-time sales from the commercialization and launch of FYB201 in the United Kingdom, the United States and selected European Union countries. Consolidated EBITDA of almost negative € 15.9 million, reflecting planned investments in the development pipeline, was likewise in line with plan. The net profit for the period was significantly affected by the non-cash and non-recurring gain from the sale of Formycon's 24.9% minority share in FYB 202 GmbH & Co. KG to Aristo Pharma GmbH as part of the transaction with ATHOS KG. Although it exited as a shareholder of the FYB 202 GmbH & Co. KG partnership, Formycon AG at the same time acquired 100% of the shares in FYB202 Project GmbH, which owns the global assets and commercialization rights relating to FYB202.

In addition to the acquisition of FYB202, Formycon also acquired, as part of the ATHOS transaction, the 50% stake until now held by ATHOS in FYB201, a biosimilar to Lucentis®. In the case of both acquired assets, FYB201 and FYB202, Formycon has, as partial consideration for the respective acquisitions, assumed conditional purchase price payment obligations (i.e. conditional liabilities) towards ATHOS, the amounts of which will depend upon the actual future revenues realized under each project. The periodic expenses arising from changes to the discounted value of this liability are non-cash and thus affect earnings but not liquidity, thereby having an offsetting effect to the non-cash gain described above.

Formycon Group's liquidity, which includes cash and cash equivalents as well as marketable securities, remained adequate as of December 31, 2022 at € 9.8 million.

The global market for biosimilars continues to develop positively, and experts expect average annual growth (CAGR) of more than 20% for the coming years.[1] The strong competitive position of recently introduced biosimilars in the global market is underscored by their rapidly growing market share. For those active ingredients for which there are biosimilars (excluding insulins), the 2021 share in Germany held by biosimilars was already two thirds, an increase of some 10 percentage points over the prior year.[2] The ever faster market penetration of newly introduced biosimilars is helping to generate considerable savings for healthcare systems. In Germany alone, biosimilars are estimated to have saved approx. € 1.7 billion in 2022.[3] In addition to new treatments, increasing life expectancies are also driving increased demand for biopharmaceutical-based therapies worldwide. A prime example of this is age-related macular degeneration, which is expected to affect some 77 million Europeans by the year 2050.[4] With our development pipeline, we are addressing these and other areas of indication, particularly in ophthalmology and immunology, which are not only important now but also expected to become even more important in the future.

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1 McKinsey & Company, Three imperatives for R&D in biosimilars, August 2022
2 AG Pro Biosimilars, Biosimilars in Zahlen 2021, https://probiosimilars.de/publikationen/ biosimilars-in-zahlen/.
3 AG Pro Biosimilars, Grafik des Monats Februar 2023, Einsparungen durch Biosimilars liegen bei 6 Milliarden Euro (probiosimilars.de)
5 Li JQ, Welchowski T, Schmid M, et al. Prevalence and incidence of age-related macular degeneration in Europe: a systematic review and meta-analysis. British Journal of Ophthalmology 2020;104:1077–1084. https://bjo.bmj.com/content/104/8/1077.

Financial performance

Results of operations

During fiscal year 2022, Formycon Group generated consolidated revenue of € 42,497K compared to €36,613K in the prior fiscal year. The increase in revenue is largely due to the change in the Group's structure and scope of consolidation. Not included in revenue are government grants received for the FYB207 project in the amount of € 5,407K (prior year: € 3,089K), which are accounted for as an offset to expenses. Consolidated full-year EBITDA amounted to negative € 15, 886K (prior year: neg. € 12,388K), mainly due to increased administrative expenses resulting from the strategic transaction. Net profit for the fiscal year was € 35,992K (prior year: period net loss of € 13,290K), including finance income in the amount of € 54,324K which was largely the non-recurring, non-cash gain from Formycon's share in the FYB 202 GmbH & Co. KG partnership, as well as from the effect of the fair value measurement of the contingent purchase price payments arising from the business combination.

In the view of the Executive Board, the revenue achieved for the fiscal year was satisfactory, as were operating costs and EBITDA.

As part of the transaction including the acquisition of 100% of the shares in FYB202 Project GmbH, Formycon AG exited as a shareholder of FYB 202 GmbH & Co. KG. Through the division of assets upon exiting this partnership structure, Formycon realized a non-cash investment gain of € 89,730K. Subsequently, under the fair value remeasurement of the contingent purchase price payments from this transaction at year end, € 22,772K was further recognized as an expense.

During 2022, Formycon Group pushed forward with the development of its biosimilar projects in accordance with its business model. As a result of the out-licensing of FYB201 at the end of 2013 and FYB203 in 2015, Formycon generated significant revenue, as in previous years, through ongoing contractual payments received for development services that Formycon has been providing on behalf of the licensees. For both of these projects, Formycon passes on costs incurred for development work and clinical studies to the respective licensees.

Until and ending with the acquisition and consolidation of FYB202 Project GmbH on May 1, 2022, development expenses for the FYB202 project were likewise passed on to FYB202 Project GmbH.

The launch of development work on the two new biosimilar candidates FYB208 and FYB209 resulted in an increase in research and development expenses during fiscal year 2022, which was offset by the decrease in current expenses as project FYB206 became eligible for capitalization of development costs. At the same time, administrative expenses rose by some € 4,900K due to the costs of the strategic transaction, the conversion to IFRS, the restructuring of the Executive Board, and the subsequent integration of the new subsidiaries.

Financial position

As of the fiscal year end, the Group's equity ratio was 41.8%, compared to 79% at the close of the prior fiscal year. A significant component of the Group's debt was included in the balance sheet for the first time in recognition of the conditional purchase price payment obligations arising from the business combination, which largely accounts for the reduction in the equity ratio. On the asset side, non-current assets increased more than twentyfold as a result of the ATHOS transaction and the associated acquisition of 100% of the shares of FYB202 Project GmbH, 100% of the shares of Bioeq GmbH and 50% of the shares of Bioeq AG. Under this transaction, Formycon also acquired a loan receivable from Bioeq AG in the nominal amount of € 82,000K. The Group's non-current assets are almost completely covered by equity and non-current liabilities from conditional purchase price payment obligations, which is suggestive of a healthy balance sheet structure. Current assets consist largely of liquidity and near-liquid assets, suggesting a low level of balance sheet risk. The increase in trade accounts receivable and other receivables is mainly due to a VAT refund receivable.

Current liabilities include the current portion of loans from Formycon shareholders in the amount of € 20,000K and the current portion of the conditional purchase price payments in the amount of € 14,945K. The remaining € 20,000K of of the shareholder loan is included in non-current liabilities.

The financial position of Formycon Group thus continues to be stable. As in the past, key liquidity indicators are adequate , with current assets of € 30,502K offset by current liabilities (excluding current portion of shareholder loans and current portion of conditional purchase price) of € 15,732K. The Group did not have any bank loans during the period. To ensure the adequacy of Formycon's financial resources, key shareholders of Formycon AG provided the company a credit line during 2022 in the amount of up to € 68,000K, of which € 40,000K was drawn as of the reporting date.

As of the fiscal year end, the Group held cash and cash equivalents in the amount of € 9,820K (prior year: € 25,028K) and working capital (including cash and cash equivalents) in the amount of € 13,975K (prior year: € 29,509K). The decline compared to the prior year reflects the ordinary course of business during the year. Reference is made to the Consolidated Statement of Cash Flows.

Financial management

Principles and objectives

The guiding principle and central objective of Formycon Group's financial management is to ensure that sufficient liquidity is available in order for its development projects to be carried out according to plan.

Liquidity management

Therefore, expected cash flows from the Group's individual projects are regularly analyzed and updated so that Formycon is at all times able to maintain an overview of expected future project spending needs. With its five-year planning horizon, the Group is well able to anticipate changing needs and to take measures as necessary, thereby proactively managing its liquidity. Liquidity is centrally monitored at the Group's headquarters in the Munich suburb of Martinsried/Planegg.

Overview of financial position

The Group's liquid and near-liquid assets, or more specifically working capital as described above, along with remaining the remaining funding line under the shareholder loans as of the reporting date, are sufficient to ensure the financing of the development projects.

Limiting of financial risks

Formycon Group is not exposed to any significant financial risks. Payment obligations in foreign currencies (USD, GBP, CHF and JPY) are not material to the Group. Interest rate risks are not significant.

Investment analysis

Significant investments in long-term assets currently consist primarily of capitalized development costs for the FYB202 and FYB206 projects. Substantial and necessary items of property, plant and equipment, primarily laboratory equipment, are typically financed through lease agreements.

Formycon AG

In addition to the above review of the consolidated financial performance of Formycon Group, this section provides an overview of the financial performance specifically for Formycon AG as the parent entity of the Group, the financial statements of which have been prepared for fiscal year 2022, as in prior years, in accordance with the German Commercial Code (Handelsgesetzbuch, HGB). The complete financial statements with related documents are published separately. As Formycon Group's parent company, Formycon AG determines the Group's overall strategic management, financial management, and communications with the capital markets and with shareholders. Formycon AG is an active operating company engaged in the business of biosimilars development at one location, which is its headquarters in the Munich suburb of Martinsried/Planegg.

Formycon AG generates its revenue from the provision under so called "FTE agreements" of research and development services for biosimilar candidates initiated by Formycon and subsequently out-licensed or developed through partnerships, as well as from upfront and milestone payments and license payments from product sales. In the current phase of Formycon's corporate development, its biosimilar products are marketed solely via commercialization partners.

Profitability of Formycon AG in accordance with German statutory accounting (HGB)

During fiscal year 2022, Formycon AG generated revenue of € 28,257K compared to € 26,546K in the prior fiscal year. In addition Formycon recognized other income from government grants received for FYB207 of € 5,407K (prior year: € 3,089K), which are accounted for as an offset to expenses. Full-year EBITDA amounted to negative € 22,205K (prior year: neg. € 12,299K), while net profit for the period was € 65,755K (prior year: period net loss of € 13,283K).

The revenue achieved, as well as operating costs and EBITDA for the year, was in line with the Executive Board's expectations for the year.

As part of the transaction including acquisition of a 100% share of FYB 202 Project GmbH, Formycon exited its holding in FYB 202 GmbH & Co. KG and is no longer a shareholder thereof. The division of assets through this departure from FYB 202 GmbH & Co. KG generated a book (non-cash) investment gain to Formycon in the amount of € 89,995K.

During 2022, Formycon AG continued to drive forward with the development of its 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 revenue during the period. Under the terms of these deals, the Formycon AG parent entity received ongoing payments for its product development services provided on behalf of the respective licensees. Under this arrangement, Formycon AG passes on the billable project development expenses for FYB201 and FYB203 to its wholly-owned subsidiaries Formycon Project 201 GmbH and Formycon Project 203 GmbH, which in turn invoice the respective licensee.

Through the creation of a joint venture with Aristo Pharma GmbH in 2017, Formycon had transferred the intellectual property rights for its FYB202 biosimilar project to joint venture entities FYB 202 GmbH & Co. KG and FYB 202 Project GmbH. Starting from that point, Formycon AG began to pass on the costs of its project development services for the project to FYB202 Project GmbH. With effect from May 1, 2022, Formycon AG acquired 100% of the shares in FYB202 Project GmbH. The arrangement under which Formycon AG passes the costs of its development services to FYB202 Project GmbH, now its 100% subsidiary, remains unchanged.

Balance sheet structure of Formycon AG in accordance with German statutory accounting (HGB)

As of the fiscal year end, the equity capital ratio for Formycon AG was 89.2%. Non-current assets increased significantly during the period due to the acquisitions of a 100% ownership share of FYB202 Project GmbH, a 100% share of Bioeq GmbH, and 50% of the shares of Bioeq AG. In addition, Formycon assumed, as part of the transaction, a loan receivable from Bioeq AG in the nominal amount of € 82,000K. Non-current assets are almost completely covered by equity capital, which is suggestive of a healthy balance sheet structure. The Group's current assets consist almost completely of cash, cash equivalents and marketable securities and thus involve negligible risks.

Current liabilities include loans from Formycon shareholders in the amount of € 40,000K.

Financial position of Formycon AG in accordance with German statutory accounting (HGB)

The financial position of Formycon AG thus continues to be stable. As in the past, key liquidity indicators are adequate, with current assets of € 23,499K offset by current liabilities of € 9,390K. The company did not have any bank loans during the period. To ensure the adequacy of Formycon's financial resources, key shareholders of Formycon AG provided the company with a credit line during 2022 in the amount of up to € 68,000K, of which € 40,000K was drawn as of the reporting date.

As of the fiscal year end, the Group held cash and cash equivalents in the amount of € 4,040K. Reference is made to the Statement of Cash Flows

Other non-financial aspects

Staff

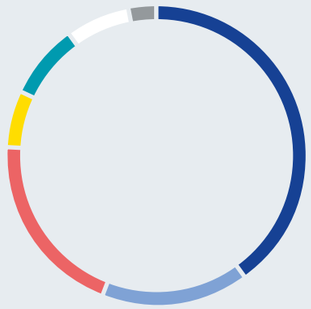
The development of biosimilars is a research-intensive field of activity and therefore requires the expertise of highly qualified and capable employees. For this reason, financial performance indicators alone cannot provide a comprehensive picture of the Formycon's value creation potential, and therefore the Executive Board, in managing the Group, also considers such other non-financial aspects. Above all, these include the critically important activities of our workforce, who contribute their knowledge, their skill and their passion for biosimilars development each and every day, thereby forming the basis for our Group's success

As of December 31, 2022, a total of 205 persons (prior year: 171) were employed by Formycon Group. The average staffing during fiscal year 2022 compared to the prior fiscal year is shown below, divided by functional area and including percentage change, and expressed in terms of full-time equivalents (FTEs) to more meaningfully reflect part-time staff:

Average Formycon Group staffing during the period by function (in FTE, rounded, excluding Executive Board members)

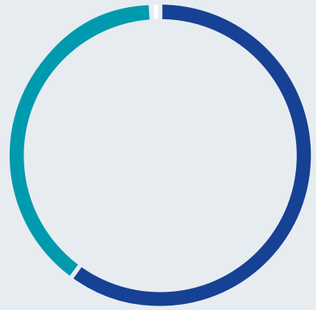
	2022	2021	Ver-änderung
Research & development	**137**	117	17.1%
Business operations	**8**	4	100%
General & administrative	**16**	16	0%
Total	**161**	137	17.5%

Educational level of Formycon staff



40 % Doctorate
16 % Master's equiv. (Diplom)
20 % Master's
6 % Bachelor's
8 % Vocational training (technical)
7 % Vocational training (administrative)
3 % Degree or certification not yet completed

Gender diversity of Formycon staff



60 % Female
39.5 % Male
0.5 % Divers

28

Formycon has employees from 28 nations

Staff expenses during fiscal year 2022 were € 17,076K (prior year: € 12,997K), with the increase due primarily to the greater average number of employees.

As a result of the ATHOS transaction, 15 Bioeq employees were integrated into the Formycon organization, thereby strengthening our resources and expertise particularly within the areas of clinical affairs, intellectual property, quality management, regulatory affairs and program management.

The high level of educational and training qualification of Formycon Group's workforce is illustrated in the following figure (data as of December 31, 2022 for this and the following workforce-related figures):

As can be seen, 82% of the Group's employees have completed a university degree, which in the case of 40% is a doctoral degree. Since 2022 we have been cooperating with the regional chamber of commerce (IHK) in offering technical vocational training positions for young people, under which we currently employ two trainees as IT specialists for systems integration.

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Corporate Social Responsibility

Formycon fully embraces its corporate responsibility to consider the impact of our activities and decisions upon our staff, upon the environment and upon society at large, and to align these with the expectations and needs of our key stakeholder groups. For this reason, Formycon anchors its business decisions on the principles of Corporate Social Reponsibility and on the importance which we as a company place on sustainability.

Corporate ethics and Code of Conduct

The business success of Formycon Group 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. All new employees must familiarize themselves with the German General Equal Treatment Act (Allgemeines Gleichbehandlungsgesetz, AGG) through appropriate training. Starting from 2023, all employees must complete such training on an annual basis. Formycon Group also places great importance upon its Code of Conduct, with which all staff are expected to fully comply. Not only board members and employees but also everyone who acts on behalf of Formycon must comply with this Code of Conduct, regardless of job function, work area or location. Formycon does not tolerate violations of its Code of Conduct or applicable law of any kind, and it is our Company's policy to properly investigate any instance in which non-compliance is suspected.

Management culture and leadership

Formycon sees its management culture and good leadership by its managers as a key determinant not nly of staff commitment but also long-term sustainability of good management, business success and ultimately financial success. In its corporate culture and management culture, Formycon thus 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, candid and agile work environment as crucial for shared success. We strive for a culture of good management and strong leadership, characterized by values, empowerment and accountability, as essential to achieving our goals. Towards this end, our human resources department offers training courses to our managers at regular intervals to improve their people management skills, while also guiding and coaching them in their day-to-day people management challenges through regular "people management circles."

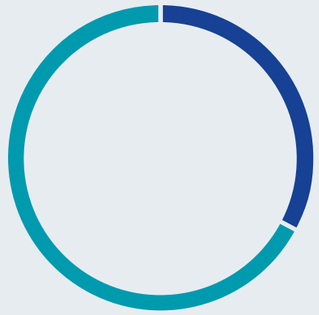
Staff recruitment and diversity

Formycon recruits its staff without regard to gender, gender identity, sexual orientation, ethnicity, nationality, age, handicap or other such personal characteristics. Our corporate culture is characterized by an affirmative attitude towards integration, respect for diversity and equality of opportunity. We are firmly committed to our policy of non-discrimination in recruitment, hiring, training, promotion and all other such matters. Our goal is foster an open working environment in which creativity and individuality can thrive. Since 2022, Formycon Group has taken measures to proactively support the company's LGBTQIA+ community through new dedicated communication channels for information and for exchanges among staff, including a new section on the company's intranet called "FOR_MY_Queers_Community".

Despite the particular challenges created by the COVID-19, Formycon was able throughout the pandemic years to recruit outstanding talent and to successfully integrate new staff into the organization. In 2023, Formycon will begin developing an "employer branding" concept, with the objective not only of being perceived by candidates as an attractive employer but also of firmly anchoring the basic principles of our corporate and management culture throughout the Formycon organization.

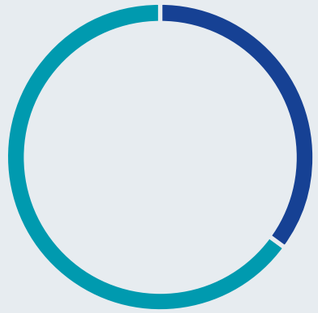
We have long been deeply committed to equal promotion opportunities for women and have made active efforts to fill our management ranks, including at more senior levels, with excellent female candidates. As of December 31, 2022, the percentage of women in Formycon's second level of management (Vice President, Senior Director, Director and Associate Director) was 33.3%. For all management positions, the percentage was a slightly higher 34.6%.

Division of second-level management by gender



33 % Female
67 % Male

Division of all management positions by gender



35 % Female
65 % Male

Our attractiveness as an employer

Formycon strives to be an attractive employer and, specifically with regard to salary structure, orients itself towards the total compensation levels and models customary within the biotechnology industry. In addition to fixed remuneration, Formycon's compensation structure provides for variable annual remuneration appropriate to organizational level which is linked to the achievement of key company goals. In addition, agreement on individual performance goals serves not only to achieve these overarching corporate goals but also to advance and encourage the personal development of the individual employee. Formycon also regularly reviews its compensation levels and makes adjustments as appropriate based upon general economic conditions, including but not limited to price and wage inflation, as part of Formycon's regular annual salary review process. Formycon Group has a stock option program for selected managers and staff under which options to buy shares are allocated annually according to set criteria as a long-term incentive component. To further our efforts to attract and retain talent, the Group has implemented an employee referral program which offers incentives to staff who contribute to the recruitment process by recommending suitable candidates.

In addition, Formycon Group offers a range of attractive employee benefits. Formycon's company pension scheme, which was amended in 2022, is especially worthy of mention in that Formycon offers its participating staff an employer contribution that goes well beyond the customary amount in Germany.

Staff retention and development

In order to maximize the attraction and retention of talent which is so vital to the Group, Formycon pursues a strategy of actively fostering long-term

loyalty of its staff throughout the Group's various functional areas which goes beyond monetary incentives. In order to further 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. Formycon Group has, in addition, established a "scientific career path" for its research staff as well as a "managerial career path" program for staff in the regulatory affairs, quality management and project management areas, thereby fostering career planning within the Group.

Employee satisfaction

Formycon Group places great importance on overall employee satisfaction, which is – along with technical excellence – essential to the Group's ultimate success. Opportunities for flexible work arrangements, company pension offerings, programs to promote general health, joint team-building events and various other employee benefits underscore the sincere regard the Group has for its staff and contribute to high levels of employee loyalty and satisfaction.

To objectively measure the overall satisfaction of its workforce, Formycon again conducted an anonymous survey during 2022 using an external service provider, focusing in particular on any psychological issues which might be adversely affecting its workforce. Although the overall feedback was, as in past years, very positive, follow-up workshops were regularly conducted to identify specific opportunities for improvement, particularly with an eye to making Formycon the best possible place to work – now and long into the future.

Workplace health and safety

At Formycon as in many other progressive companies, the COVID-19 pandemic has prompted a rethink about how to make our workplace not only better but also safer.

From the beginning of and throughout the COVID 19 pandemic, Formycon promptly took extensive measures to protect its staff from infection to the maximum possible extent. By responding with maximum flexibility, and by adjusting working hours and models around the needs of staff, Formycon was able to meet the requirements of the extraordinary situation while ensuring operational continuity. We quickly acted to offer COVID-19 vaccinations to all employees by way of our company doctor. Beyond the exigencies of COVID-19, Formycon also offers annual flu shots, eye examinations in line with the EU directive on minimum safety and health requirements for work with display screen equipment, and consultations on workplace ergonomics.

Because both productivity and quality depend crucially upon the health and motivation of the people who work at Formycon Group, we believe that effective and efficiently organized workplace health and safety is an important competitive advantage. This means that operational performance can only be maximized if health and safety protections are taken seriously and given highest priority. Formycon is proud to hold the "Systematic Safety" seal of quality from the German Accident Prevention and Insurance Association for the Raw Materials and Chemical Industry (Berufsgenossenschaft Rohstoffe und chemische Industrie). This voluntary audit process to receive the seal of quality included rigorous assessments of Formycon's occupational health and safety management system as well as the effectiveness of its health management system. During fiscal year 2022, Formycon recorded no workplace accidents or other reportable incidents (such as travel accidents). Through our health and safety guidelines, our training courses and the regular medical check-ups which we offer, we pursue the goal of doing everything reasonably possible to prevent workplace accidents and to ensure the continued safety and well-being of our entire workforce

Sustainability in our corporate development

Our commitment to the United Nations Global Compact

Formycon has since 2019 been a member of the UN Global Compact, one of the world's largest and most important initiatives for responsible corporate governance, which 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. As a member of the UN Global Compact, Formycon has committed itself to strategically anchoring the theme of sustainability into its business and contributing to the achievement of the UN's Sustainable Development Goals on the basis of the Compact's Ten Principles.

Having its headquarters and laboratories in Germany, Formycon Group already has a high consciousness with respect to human rights, and these standards are formally expressed in our Code of Conduct. Formycon and its business partners, as part of the biopharmaceutical development industry, operate in a highly regulated environment and are already accustomed to regular audits by supervisory authorities. By requiring our suppliers and cooperation partners to cooperate during 2022 with our initial risk assessment and review process for human rights compliance, we made every effort to ensure that we as a company are not complicit in any kind of human rights violations throughout our entire value chain.

Following these first steps, Formycon plans to successively increase its ongoing commitment to further sustainability goals and, above all, to continue to integrate the themes of environmental and social responsibility into our corporate management and culture. Measures have already been introduced towards this end, with corresponding objectives integrated into our corporate goals.

Corporate Governance

Corporate governance spans all aspects of managing and monitoring a company. In simple terms, it means consistently good management, which is something we wholeheartedly believe in. The German Corporate Governance Code (Deutsche Corporate Governance Kodex, DCGK) provides a comprehensive rulebook, with principles, recommendations and suggestions for executive boards and supervisory boards of officially listed German companies based on nationally and internationally recognized standards intended to ensure that all listed companies are managed in the interests of stakeholders. The Code, originally published by the German Federal Ministry of Justice in 2002, was most recently recast by the Government Commission on the German Corporate Governance Code (Regierungskommission Deutscher Corporate Governance Kodex), which entered into legal force upon publication in the Federal Gazette on June 27, 2022.

This new Code provides clarify regarding the respective obligations of a company's executive board and supervisory board to ensure the continued existence of the company and its sustainable creation of value (company interest) in accordance with the principles of social market economy, taking into account the interests of the company's shareholders, its workforce and other groups with an interest in the Group (together "stakeholders").[1]

Because Formycon shares trade within the "Open Market" segment,[2] it is not legally subject to the

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[1] Regierungskommission Deutscher Corporate Governance Kodex
[2] Frankfurt Stock Exchange, Open Market

requirements for organized markets within the meaning of the German Securities Trading Act (Wertpapierhandelsgesetz) and it not legally considered to be listed. As such, Formycon is under no obligation to publish a corporate governance statement or declaration of compliance. However, as part of our commitment to transparent communication with our investors, the Executive Board and Supervisory Board of Formycon has taken initial steps to implement the principles, recommendations and suggestions anchored in the Code within our organization to the greatest extent possible with the aim of, in addition to this voluntary report on corporate governance, adding a declaration of compliance over the coming years – likewise on a voluntary basis – into this section of our future annual financial statements. Our aim in doing so is to strengthen the confidence of our investors, our employees and the public that we are a well-managed, properly supervised company that be counted on to do the right thing.

Research and development

Because Formycon has been, over the past fiscal year as in the preceding years, and remains today focused primarily on the development of its own biosimilar projects, out-licensed projects, and those under development through partnerships, as well as its own COVID-19 drug project, the Group's activities are essentially limited to research and development activities. A large part of the Group's reported sales revenue results from the provision of staff services under so called "FTE agreements" for development work on biosimilar candidates that have been previously licensed out or are under development through partnerships.

As of December 31, 2022, a total of 137 employees on a full-time equivalent (FTE) basis (prior year: 117) were working in research and development. During the reporting period, research and development costs of € 25,875K were capitalized, which are costs for the continued development of the FYB202 project acquired through the ATHOS transaction, as well as for the FYB206 project, which attained a milestone during the reporting period whereby future economic benefit can now be assumed with sufficient probability, thus permitting the capitalization of development costs incurred starting from the attainment of this milestone.

In the area of patent protection, Formycon continued to push forward with the internationalization of its pending patent applications and to manage and uphold patents already granted. Product development activities are proceeding on schedule, and thus prospects for the success of these development activities remain strong. With the addition of capitalized development costs in the amount of € 460,882 K for pending projects acquired as part of the acquisition transaction, the total book value of capitalized development costs as of December 31, 2022 was € 487,638K .

At the level of Formycon AG, research and development costs of € 57,694K were incurred during the fiscal year, all of which were expensed as incurred.

The productivity of Formycon's research and development staff, measured in terms of hours directly allocable to development projects, remained at the high level of previous years. During the reporting period, 83.5% (prior year: 85.1%) of all hours worked were project-related. During the same period, 13.6% (prior year: 17.1%) of hours worked were performed by employees who are not assigned to the research and development area.

Report on risks and opportunities

Risk strategy and policies

The effective management of risks and opportunities is an essential part of Formycon's corporate management, serving to ensure that we are able not only to realize our currently existing potential as successfully as possible but also to maximize our future business and financial potential. We understand risks as both internal and external events that would have a negative impact on the achievement of our business objectives and forecasts. Working within the overall risk level which we consider justifiable and appropriate, the Executive Board then decides which specific risks Formycon should accept in order to take best advantage of the available opportunities. Our goal is to identify risks as early and proactively as possible, to assess them appropriately, and to mitigate or avoid them by taking suitable actions. The risk strategy, which encompasses Formycon's entire scope of activities, is regularly reviewed by the Executive Board and further developed as necessary.

Risk management system

Formycon, one of the few independent developers of biosimilar medicines, 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 Group'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.

Formycon's risk management system is a cornerstone of the Group's governance, ensuring compliance not only with legal and regulatory requirements but also with general principles of sound corporate governance. Good risk management strives to recognize potential risks as early and proactively as possible and to suggest suitable countermeasures, whether to prevent the risk from occurring in the first place or to mitigate consequences in the event that the risk nonetheless materializes. The focus is first and foremost upon foundational risks that could have a significant adverse impact on business activities or even jeopardize the Group's continued existence. For this purpose, Formycon has appointed various risk managers who are responsible for risk management in their respective administrative and operational areas.

In this way, all risks which are significant and can be anticipated, having first been broken down into the respective administrative and operational areas, are subjected to systematic ongoing monitoring and assessed as to their probability of occurrence and the severity of potential adverse consequences.

The results of risk management monitoring and reviews, along with all relevant information, are presented to the Executive Board following each six-month period. The Executive Board may, if it deems appropriate, conduct its own independent assessment of risk management process and/or of specific key risks. The Executive Board also reports its findings to the Supervisory Board.

In parallel with these ongoing risk monitoring processes, the Group may also decide to assess and report on particular short-term risks that could require prompt action so that effective and timely countermeasures may be put in place as necessary.

The risk management system specifically encompasses the following risk areas, which are further described in the following sections: strategic risks; industry and market risks; controlling; environmen-

tal protection, health protection, and workplace safety; financing and liquidity risks; organizational risks; patent risks; staff risks; risks associated with product development; legal risks; regulatory and political risks; and competitive risks.

Risks

The following overview reflects our assessment of the primary risks that could have a negative impact on Formycon's business performance, financial condition and corporate reputation. The statements made are within the context of a multi-year planning horizon. The risk assessments within the overview are based on the "net principle", i.e. taking into account the offsetting effects of risk management, risk mitigation and risk hedging measures.

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 may cost in the range of € 150 to 250 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 and FYB206 at immuno-oncological disorders.

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 and thus termination of the project. In such case, the anticipated future income arising from the project would not be realized. With its advanced-stage biosimilar candidates, Formycon is focused on three of the world's best-selling biopharmaceuticals with combined 2022 global sales revenue of more than € 22 billion, so that – provided that their development reaches successful completion – the profitability of these projects, as they stand right now, seems assured.

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 33% of the total drug market in 2022, equal to approx. € 19 billion in sales revenue [1] – and the trend is continuing upward.

At the same time, however, the high cost of these powerful treatments, which in some cases may cost € 100,000 per patient per year or 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.

[1] IQVIA Fokus Biosimilars Newsletter Ausgabe 12

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

Environmental protection, health protection, 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 as well as the Executive Board 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. Moreover, the Group constantly seeks out new opportunities to further protect the health and safety of its staff. As an example, Formycon recently obtained certification of its company health management system.

Financing and liquidity risks

Formycon's liquidity situation and equity capitalization remain stable, and the Group's liquidity position is particularly strong for a company whose products are largely still in the development stage. Irrespective of this, conditions within the Group's operating business may change, giving rise to financial risks. As most of the Group's products are drug candidates which have not 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 partial or total out-licensing deals. Moreover, Formycon has been granted an available line of credit in the amount of up to € 68 million by a consortium of two major company investors: ATHOS and the healthcare-focused investment group Active Ownership.

The possibility cannot be entirely 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 Group'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, in whole or in part, starting from a certain product development stage.

Risks to the Group'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 Group'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 Group's continued existence. The failure of current or future development projects could, however, result in fundamental risks, depending on the relevance of the respective project to Formycon Group as a whole.

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 Group 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 Group 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 Group 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. Formycon has established a health management system to mitigate the impact of staff absences resulting from illness.

General risks associated with product development

The quality, comparability, efficacy and safety of a biosimilar medicine 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 Group'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 Group'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, or in the availability of production capacity, production components or precursors, and/or other necessary inputs could have an impact on development works or clinical trials, thereby also adversely affecting the timeline and/or profitability of a drug development project or even jeopardizing a project in its entirety.

The above risks apply not only to the development of a biosimilar candidate but also, and to a very substantial degree, to the development of a new and innovative COVID-19 drug under the FYB207 development project. In the case of FYB207, there is the additional possibility that changes in the global pandemic and in the evolving situation might make it necessary to adjust basic assumptions underpinning the project and that circumstances could result that might lead to a reassessment of the profitability and financial viability of the overall project or could jeopardize the project in its entirety.

Risks relating to clinical trials and to the role of Bioeq GmbH as clinical trial sponsor

With the takeover and integration of Bioeq GmbH, Formycon is expanding the scope of its drug development capabilities to include clinical development and the direct management of clinical trials. Bioeq GmbH, a legally separate subsidiary of Formycon Group, continues to serve, as it did before its acquisition by Formycon, in the role of "clinical trial sponsor" for Formycon-developed biosimilar candidates and thus as the official contracting entity for these clinical trials. In its role as clinical trial sponsor, Bioeq GmbH bears not only financial risks but also the risk of liability towards participating patients or other test subjects. With the acquisition of Bioeq GmbH as a subsidiary company belonging to Formycon Group, these risks are effectively assumed by Formycon.

Formycon and Bioeq manage these risks through an appropriate industry-standard monitoring and quality management system, using a risk-based approach in order to assess and ensure quality and safety through all phases of the clinical trial process. This includes but is not limited to ensuring the protection of clinical trial participants and the accuracy and reliability of the clinical trial results. Toward this end, predefined checks are regularly carried out along the entire clinical investigation process as part of the risk control system, with particular attention to relevant aspects of proper medical care, patient protection and data integrity. Any liability risks which may nonetheless arise are further managed through the insurance of participating patients within the framework of legal requirements. In the case of clinical trials involving biosimilars, however, it should be noted that the risk of harm to participating patients or other test subjects can generally be assessed as low because the proteins employed have been in regular clinical use by the originator for a number of years and have already become an established therapy for the respective indication.

As clinical trial sponsor, Bioeq GmbH is, moreover, obligated to comply with detailed and rigorous regulatory requirements for good clinical practice (GCP) when conducting clinical trials of medicinal products for human use under the EU Clinical Trials Regulation, which apply to clinical trials worldwide and which serve to protect patients and ensure the integrity and correctness of the data and findings generated through the trials. The clinical trial sponsor, participating study centers and other parties involved in the clinical trials process are regularly subject to GCP inspections by local health authorities to ensure compliance with these GCP regulatory requirements.

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, which could, for example, be based upon patent law, competitive or antitrust law, tax law or environmental law, or arising from agreements or other contractual claims. Moreover, 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.

Additional risks arise from the Group's compliance obligations. Actions or inactions by the Group 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. The Group has, in addition, introduced a compliance management system that takes into account applicable legal and regulatory requirements, which are also incorporated into the Group's Code of Conduct as well as other Group policies and standard operating procedures. The specific legal and regulatory requirements specifications are regularly reviewed and adjusted as necessary. The Group's internal training system, random validation checks and case-by-case review of specific individual situations that may arise further serve to ensure proper compliance with all applicable requirements.

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 biosimilars 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-developed 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 either entirely or in part, 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 the market entry of new and competing biosimilars, 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.

Special risks relating to the Ukraine conflict

The military conflict between Russia and Ukraine involves risks that cannot yet be assessed but which, in particular, have a bearing upon the cost and availability of energy in Germany and may make raw materials and preliminary products as well as services which are important to Formycon more expensive or potentially even scarce. Formycon strives to mitigate these risks through a long-term sourcing strategy based upon strategic partners and transparent pricing. However, the possibility cannot be ruled out that delays or interruptions in development projects could occur as a result of a potential scarcity of resources or rationing of energy, or that the development costs thereof could become significantly greater.

Special risks relating to the COVID-19 pandemic

The proactive measures taken by Formycon in the very early stages of the COVID-19 pandemic to protect its workforce and avoid infection, and which were continuously adjusted and consistently managed in the two following years, proved their worth: Formycon's staff was able to continue to work on a largely decentralized basis and with minimal disruption. A comprehensive hygiene concept was developed in cooperation with the company doctor and introduced as company policy, through which Formycon was also able to fully comply with applicable government regulations and occupational medical requirements. Where cases of suspected or potential COVID-19 infection arose, these were promptly identified and tested, with no influence on the course of business.

On this basis, and based upon present circumstances, it would thus seem unlikely that an infectious outbreak within the Group's workforce – despite these far-reaching protective measures – would arise that would significantly impact business operations, projects and/or timelines. The possibility also continues to exist that, despite all these measures taken within Formycon, one of its partners or suppliers could be impacted by an infectious outbreak, thereby indirectly impacting the Group.

Opportunities

Formycon's core business is the development of high-quality biosimilar medicines for the world's most stringently regulated markets. In this global market, Formycon seeks growth through the expansion of its product portfolio, not only in terms of the number of biosimilar candidates under development but also, and at least as importantly, through their quality and the market opportunity which they represent. Possible strategic collaborations may significantly contribute toward maximizing these opportunities.

Biosimilar medicines 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. 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.

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. Formycon is able to overcome these considerable barriers through the long and proven experience of its staff, the innovative concepts and the reliability of the scientific processes which Formycon applies for its biosimilar development projects, the stringent selection of strong and reliable partners, and finally the quality and scientific expertise of the service providers and advisors on which Formycon additionally relies.

Within this core business area and market, Formycon sees no change in its favorable future outlook:

Demographic trends, particularly in Western countries, point to a continued increase in the proportion of the population over 55 years of age. This demographic segment has a higher incidence of requiring intensive medical treatment. In addition, the life expectancy is increasing around the world, meaning that long-term treatments, in particular recurring drug administrations, are often possible or even medically necessary over longer remaining lifespans.

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 Formycon own business and organization shows that Formycon Group is on the right path with its corporate strategy.

Overall risk assessment by Executive Board

Compared to the prior-year period, there has been no fundamental change in the risks facing Formycon Group as these relate to its biosimilar development business activities. The risks with regard to FYB207 as an innovative project are comparable to those of any such innovative biopharmaceutical development project.

As of the date of this publication, the Executive Board cannot identify any individual or aggregate risks which might endanger the Group's continued existence. Through the use of internal control mechanisms, the Group 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 Group is well equipped to deal with potential future risks.

Report on risks relating to the use of financial instruments

The financial instruments currently used by Formycon 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 Formycon as a going concern.

Summary risk matrix

Risk	Risk type	Assessed risk level
General risks associated with product development	Strategic	Medium
Risks relating to clinical trials and to the role of Bioeq GmbH as clinical trial sponsor	Strategic	Low
Patent risks	Strategic / Commer-cial	Medium
Regulatory and political risks	Strategic / Commer-cial	Medium
Industry and market risks	Commercial	Medium
Competitive risks	Commercial	Medium
Financing and liquidity risks	Financing	Medium
Controlling	Operating	Low
Environmental protection, health protection, and workplace safety	Operating	Low
Organizational risks	Operating	Low
Staff risks	Operating	Medium
Legal risks	Operating	Medium
Special risks relating to the Ukraine conflict	Operating	Low
Special risks relating to the COVID 19 pandemic	Operating	Low

Risk levels:
Estimated probability and estimated financial impact in the event of occurrence

	Probability of occurrence (PoO)		
	< 25%	25 – 75%	> 75%
< € 10 Mio.	Low	Low	Medium
€ 10 – 50 Mio.	Low	Medium	High
> € 50 Mio.	Medium	High	High

Report on outlook

The information provided within this section includes forward-looking statements based upon our current expectations and certain assumptions. Identified and unidentified risks, inherent uncertainties and other factors may lead to significant deviations between the expectations outlined herein and actual future results. Such future deviations from these expectations could involve the Group's future financial situation and overall development as well as the future sales of its current or potential products. With regard to its pipeline projects, Formycon AG makes no representations, warranties or other guarantees of any kind that these will receive the necessary regulatory approvals or that these will be commercially viable and/or successful.

Future development of Formycon Group

The development of biosimilars is the strategic focus of Formycon Group and the fundamental basis for its sustainable long-term business growth.

With the launch of its first biosimilar product in 2022, Formycon entered a new phase of its corporate development in which expected operating cash flows should open up new growth opportunities for the company. In addition, through the transaction with ATHOS KG and the associated acquisition of a 50% share of biosimilar FYB201 and a 100% share of biosimilar candidate FYB202, Formycon will now be able to enjoy a significantly higher share of future revenues and earnings from the marketing of these drugs.

It is planned to invest the cash inflows from these product sales primarily into the accelerated expansion of Formycon's development pipeline. In doing so, we will have achieved key conditions necessarily to strengthen Formycon's position as a global player in the biosimilars market segment and to further build the Formycon organization into a fully integrated pharmaceutical company within this rapidly growing segment.

Product developments

For 2023, Formycon anticipates substantial license income determined on the basis of revenue and earnings contributions from sales of FYB201, the biosimilar to Lucentis® now being marketed under the names Ranivisio®, ONGAVIA® and CIMERLI™.

During 2023, Formycon also expects to file applications for the regulatory approval of FYB202, its candidate biosimilar to Stelara®, and FYB203, its candidate biosimilar to Eylea®, with the U.S. Food and Drug Administration (FDA) and European Medicines Agency (EMA). Provided that the two biosimilars are approved in the following year (2024), Formycon additional revenue following their respective market launches.

In terms of candidates in advanced development, Formycon plans to commence clinical trials of its immuno-oncological biosimilar candidate FYB206 (reference drug Keytruda®) in 2024 and of its innovative COVID-19 drug FYB207 already during 2023. Formycon also intends to move its innovative COVID-19 drug project into a strategic global partnership for development and commercialization so that it can maximize the full potential of its development approach.

As to Formycon's biosimilar candidates FYB208 and FYB209, these are both in early-stage development.

2023 financial outlook for Formycon Group

The following table summarizes the outlook for the Group's four most important financial performance indicators:

Financial performance indicators

Revenue	Significant increase
EBITDA	At prior-year level
Net profit	At prior-year level excluding non-recurring item
Working Capital	At prior-year level

Revenue

For the current fiscal year, we anticipate a significant increase in revenue compared to fiscal year 2022 due to license income determined on the basis of revenue and earnings contributions from sales of FYB201, the biosimilar to Lucentis® now being marketed under the names Ranivisio®, ONGAVIA® and CIMERLI™, as well as from expected milestone payments for the FYB202 project.

EBITDA and net profit

Because the Group is still in a growth phase involving intensive investment and product development, EBITDA is expected to remain at roughly the prior-year level. No significant change is likewise expected to consolidated net profit excluding the non-recurring gain from Formycon's former investment participation in the FYB 202 GmbH & Co. KG partnership. EBITDA and net profit will continue to be impacted by product development investments, particularly into Formycon's own projects FYB207, FYB208 and FYB209.

In the case of the FYB201 and FYB202 projects, these are expected to make positive EBITDA contributions in future years as revenue is generated from these. In case of projects FYB203 and FYB206, these are expected to be roughly EBITDA neutral; the costs incurred for FYB203 are passed on to the development partner, while costs incurred for FYB206 development now qualify for capitalization. Projects FYB207, FYB208 and FYB209 are expected to make negative EBITDA contributions.

Working capital

Beyond the effect of net income, Formycon anticipates a negative impact to working capital from investments into projects FYB202 and FYB206 and from the planned partial repayment of shareholder loans. These outflows should, however, be largely offset by the proceeds of the capital increase carried out in February. It is therefore expected that working capital will remain roughly unchanged.

2023 financial outlook for Formycon AG

The following table summarizes the outlook for these same four most important financial performance indicators at the parent company level:

Financial performance indicators	
Revenue	At prior-year level
EBITDA	At prior-year level
Net profit	At prior-year level excluding non-recurring item
Working Capital	At prior-year level

Revenue

We expect revenues generated by Formycon AG from passing on the costs of development projects internally within the Group to remain at the prior-year level.

EBITDA and net profit

EBITDA and net profit (excluding the non-recurring gain from Formycon's former investment participation in the FYB 202 GmbH & Co. KG partnership) are likewise expected to remain in line with prior-year levels. Projects FYB201, FYB202 and FYB203 are expected to be roughly neutral to Formycon AG in terms of EBITDA and net profit, as the costs incurred are passed on internally within the Group. EBITDA and net profit will continue to be impacted by product development investments, particularly into Formycon's own projects FYB206, FYB207, FYB208 and FYB209.

Working capital

Beyond the effect of net income, Formycon anticipates a negative impact to working capital from the planned partial repayment of shareholder loans. This outflow should, however, be largely offset by the proceeds of the capital increase carried out in February. It is therefore expected that working capital will remain roughly unchanged.

Summary statement by Executive Board on expected future development

Formycon is not planning any significant changes to its corporate goals or strategy. We aim to continue expanding our position as a global biopharmaceutical company with a focus on biosimilars while maintaining our high standards of performance and quality. To achieve this goal, Formycon will continue to invest heavily into the expansion of our own development pipeline so that we will be able to commercialize new biosimilar products on a regular basis.

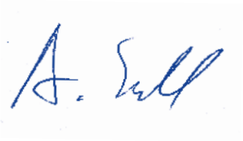
In parallel with this strategic thrust, Formycon is pursuing an organizational growth strategy so that we have the resources to compete as a fully integrated pharmaceuticals company, specifically within the biosimilars segment. In order to achieve this strategic vision, the Executive Board is open to considering cooperation arrangements and integration in selected areas of the manufacturing process as well as to building Formycon's own commercialization capabilities in certain geographies.

Over both the short and long term, our management focus will continue to be on operational excellence and on the generation of stable cash flows.

On the capital markets side, Formycon is actively considering a shift to a more highly regulated stock market segment and is examining the most attractive alternatives.

Martinsried/Planegg, Germany
April 25, 2023

Dr. Stefan Glombitza



Dr. Andreas Seidl

Nicola Mikulcik

Enno Spillner

Consolidated Financial Statements of Formycon Group

01.01. – 31.12.2022

Consolidated Statement of Financial Position

In € K	explanatory note	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020	Jan. 1, 2020
Assets					
Non-current assets					
Goodwill	20	44,534	-	-	-
Other intangible assets	20	488,439	727	271	240
Right-of-use (ROU) assets	19	8,916	5,737	6,297	5,526
Property, plant and equipment	19	2,600	2,694	2,953	3,154
Investment participations at equity	21	186,406	23,615	20,626	20,625
Financial assets	21	92,300	-	-	-
Total non-current assets		**823,195**	**32,773**	**30,147**	**29,545**
Current assets					
Inventories		571	209	90	49
Trade and other receivables	26	14,314	10,914	6,959	5,133
Contract assets	10	1,161	1,024	755	171
Other financial assets		-	150	238	238
Prepayments and other assets	20	4,636	616	379	156
Cash and cash equivalents		9,820	25,029	42,009	22,116
Total current assets		**30,502**	**37,942**	**50,430**	**27,863**
Total assets		**853,697**	**70,715**	**80,577**	**57,408**
Equity and liabilities					
Equity capital					
Subscribed capital	22	15,129	11,065	11,000	10,000
Capital reserve	22	343,419	82,785	80,564	55,029
Accumulated loss carryforward	22	-37,960	-24,669	-17,940	-17,940
Period income (loss)	22	35,992	-13,290	-6,729	
Total equity capital		**356,580**	**55,891**	**66,895**	**47,089**
Non-current liabilities					
Non-current lease obligations	27	7,594	4,406	4,981	4,507
Other non-current liabilities	25	319,339	-	-	-
Deferred tax liabilities	17	119,518	-	920	835
Total non-current liabilities		**446,451**	**4,406**	**5,901**	**5,342**
Current liabilities					
Provisions		-	-	-	25
Current lease obligations	27	925	877	984	830
Other current liabilities	24	38,315	1,935	1,536	1,200
Trade payables	26	11,318	7,606	5,261	2,402
Current income tax liabilities	17	108	-	-	520
Total current liabilities		**50,666**	**10,418**	**7,781**	**4,977**
Total liabilities		**497,117**	**14,824**	**13,682**	**10,319**
Total equity and liabillities		**853,697**	**70,715**	**80,577**	**57,408**

Consolidated Statement of Profit or Loss and OCI

In € K	explanatory note	Jan. 1 - Dec. 31, 2022	Jan. 1 - Dec. 31, 2021	Period Jan. 1 - Dec. 31, 2020
Revenue	10	42,497	36,613	34,296
Cost of sales	11	-30,425	-26,503	-26,365
Research and development expenses	12	-16,912	-16,805	-8,511
Selling expenses	13	-1,442	-600	-702
Administrative expenses	13	-11,446	-6,533	-5,247
Other expenses	13	-347	-247	-286
Other income	13	347	75	274
Operating profit/loss (EBIT)		-17,728	-14,000	-6,541
Income from investment participations at equity	14	76,844	1	1
Finance income	14	432	39	69
Finance costs	14	-22,952	-247	-173
Net finance income		54,324	-207	-103
Profit before tax		**36,596**	**-14,207**	**-6,644**
Income tax expense	17	-604	917	-85
Profit (loss) for the period		**35,992**	**-13,290**	**-6,729**
Other comprehensive income (OCI)			-	-
Comprehensive income (loss) for the period		**35,992**	**-13,290**	**-6,729**
Basic (undiluted) earnings per share (in €)	15	€ 2,62	- € 1,20	- € 0,66
"Average number of shares outstanding (without dilution)"		13,715,221	11,042,639	10,191,781
Diluted earnings per share (in €)		€ 2,59	- € 1,20	- € 0,66
"Average number of shares outstanding (with dilution)"		13,883,874	11,170,000	10,233,274

Consolidated Statement of Changes in Equity

In € K	explanatory note	Subscribed capital	Capital reserve	Accumulated loss carryforward	Period income (loss)	Total equity capital
as of Jan. 1, 2020		**10,000**	**55,029**	**-17,940**		**47,089**
Proceeds from issuance of new shares		1,000	24,750			25,750
Effect of stock options granted	16		785			785
Period income (loss)					-6,729	-6,729
as of Dec. 31, 2020/Jan. 1, 2021		**11,000**	**80,564**	**-17,940**	**-6,729**	**66,895**
Appropriation of prior-year income (loss)				-6,729	6,729	-
Common shares issued upon subscription (exercise of stock options)	16	65	1,447			1,512
Effect of stock options granted	16		774			774
Period income (loss)					-13,290	-13,290
as of Dec. 31, 2021/Jan. 1, 2022		**11,065**	**82,785**	**-24,669**	**-13,290**	**55,891**
Appropriation of prior-year income (loss)				-13,290	13,290	-
New shares issued as consideration for business combination	8	4,000	258,400			262,400
Effect of stock options granted	16		535			535
Shares issued through exercise of stock options	16	64	1,699			1,763
Period income (loss)					35,992	35,992
as of Dec. 31, 2022		**15,129**	**343,419**	**-37,960**	**35,992**	**356,580**

Consolidated Statement of Cash Flows

In € K	explanatory note	Jan. 1 - Dec. 31, 2022	Jan. 1 - Dec. 31, 2021	Period Jan. 1 - Dec. 31, 2020
Comprehensive income (loss) for the period		35,992	-13,290	-6,729
Adjustments for non-cash items:				
Depreciation and amortization	19, 20	1,862	1,612	1,506
Net finance income	14	-54,324	207	103
Effect of stock options	16	535	774	785
Net loss (gain) arising from disposals of non-current assets	19, 20	36	8	79
Other non-cash transactions		-	-	-25
Income tax expense	17	604	-920	85
Changes in operating assets and liabilities:				-
Decrease (increase) in inventories		-363	-119	-40
Decrease (increase) in trade and other receivables	26	3,217	-4,191	-1,827
Decrease (increase) in contract assets	10	-137	-269	-584
Decrease (increase) in other financial assets		150	88	-
Decrease (increase) in prepayments and other assets	26	-4,008	-	-223
Increase (decrease) in other liabilities	26	655	399	336
Increase (decrease) in trade payables	26	-2,766	2,347	2,858
Income taxes paid	17	-331	-	-520
Net cash from operating activities		**-18,878**	**-13,354**	**-4,196**
Investments in intangible assets	20	-26,208	-547	-92
Investments in property, plant and equipment	19	-551	-394	-511
Investments in financial assets	21	-11,419	-2,988	-
Acquisition of subsidiaries net of cash acquired	8	1,108		69
Interest received	14	2	39	
Net cash from investing activities		-37,068	-3,890	-534
Proceeds from issuance of shares	22	1,763	1,512	25,750
Inflows (outflows) relating to financial liabilities	24, 25	40,000	-	-
Payment of lease liabilities	27	-908	-1,021	-954
Interest paid	14	-118	-226	-173
Net cash from financing activities		**40,737**	**265**	**24,623**
Net increase (decrease) in cash and cash equivalents		**-15,209**	**-16,979**	**19,893**
Cash and cash equivalents as of Jan. 1, 2022		**25,029**	**42,009**	**22,116**
Cash and cash equivalents as of Dec. 31, 2022		**9,820**	**25,029**	**42,009**

1. Reporting entity

Formycon AG (hereinafter also the “Company”), together with the subsidiary companies within its scope of consolidation (hereinafter “Formycon Group”, “Formycon” or the “Group”), is a leading independent developer of high-quality biosimilar drugs, meaning follow-on products to biopharmaceuticals already on the market. Formycon has long specialized in the development of biosimilars and 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. In addition to its decades of experience in protein chemistry, analysis and immunology, Formycon also has extensive expertise in the successful transfer of antibodies and antibody-based therapies into the clinical development stage.

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

2. Basis of accounting

These Consolidated Financial Statements (hereinafter also the “Financial Statements”), presented here in translation from the German original, have been prepared in accordance with International Financial Reporting Standards (IFRS). They are the consolidated financial statements for Formycon Group prepared in accordance with IFRS, and the provisions of IFRS 1 (“First-time Adoption of International Financial Reporting Standards”) have been applied accordingly. The provisions of sec. 315e of the German Commercial Code (Handelsgesetzbuch, HGB) were taken into account as applicable. These Financial Statements were released for publication by the Company’s Executive Board (Vorstand) on April 25, 2023.

An explanation of how the transition to IFRS has affected the presentation herein of the Consolidated Statement of Financial Position (balance sheet) and Consolidated Statement of Profit or Loss and OCI (income statement) may be found under Note 6, including reconciliation calculations for equity capital and comprehensive income for the comparable prior-year periods and for equity capital at the date of transition to IFRS (January 1, 2020) based upon the previously published accounts in accordance with German statutory accounting (HGB).

The following IFRS standards have been issued but were not yet mandatory for fiscal year 2022:

— “Classification of Liabilities as Current or Non-Current”, mandatory application from January 1, 2023: The Group does not expect any significant effects on the consolidated financial statements.

— IFRS 17 (“Insurance Contracts”), mandatory application from January 1, 2023: The Group does not expect any significant effects on the consolidated financial statements.

— “Disclosure of Accounting Policies”, mandatory application from January 1, 2023: The Group does not expect any significant effects on the consolidated financial statements.

— “Definition of Accounting Estimates” (amendments to IAS 8), mandatory application from January 1, 2023: The Group does not expect any significant effects on the consolidated financial state-ments.

— “Deferred Taxes related to Assets and Liabilities from a Single Transaction” (amendments to IAS 12), mandatory application from January 1, 2023: The Group does not expect any significant ef-fects on the consolidated financial statements.

— “Lease Liability in a Sale and Leaseback” (amendments to IFRS 16 published on September 22, 2022), first-time application required from January 1, 2024: The Group does not expect any signifi-cant effects on the consolidated financial statements.

— “Non-Current Liabilities with Covenants” (amendments to IAS 1 published on October 31, 2022), first-time application required from January 1, 2024: The Group does not expect any significant ef-fects on the consolidated financial statements.

3. Functional currency and presentation currency

These Financial Statements are presented in euros, the Company’s functional currency. Unless otherwise stated, all amounts in euros presented herein have been rounded to the nearest thousand euros (€ K).

4. Use of judgements and estimates

In preparing these Financial Statements, the Executive Board has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Judgements

Judgements exercised by the Executive Board have an impact on the following specific issues presented herein:

— Business combinations: Fulfillment of definition as a “business”; identification of assets and liabilities; valuation of acquired assets and liabilities, in particular acquired intangible assets (see Note 8 “Acquisition of subsidiaries”)

— Lease term: Determination of whether the exercise of lease extension options is reasonably certain (see Note 27 “Leases”)

— Internally generated intangible assets: Point in time at which the criteria of IAS 38 (“Intangible Assets”) are met, thereby resulting in an obligation to capitalize the asset (see Note 20 “Goodwill and other intangible assets”)

— Valuations under IFRS 2 (“Shared-based payment”): The determination of the fair value of share-based payment arrangements is based, among other factors, upon future share price volatility and future staff turnover, both of which may have a significant influence on the valuation of the options at the time of issuance. The correctness of these estimates depends upon actual

future stock market performance and actual future staff turnover, both of which may deviate from the original estimates used in preparing these Financial Statements and may thus lead to significant corrections in future periods (see Note 16 “Share-based compensation arrangements”)

— Identification of multiple performance obligations under the development partnership for purposes of revenue recognition (see Note 10 “Revenue”) and separation thereof between provision of development services and granting of license

Assumptions and estimate uncertainties

Significant assumptions and estimates which could result in the risk of necessary adjustments in subsequent periods to the amounts recognized herein have been made in the following specific cases:

— Recognition of deferred tax assets: Availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilized (see Note 17 “Income tax expense”)

— Acquisition of subsidiaries: Fair value of the consideration transferred (including contingent consideration) and fair value of the assets acquired and liabilities assumed, measured on a provisional basis (see Note 8 “Acquisition of subsidiaries”) and determination of the fair value of the contingent consideration at the end of the year

— Impairment test of intangible assets and goodwill: Key assumptions underlying the calculation of the recvoerable amounts (see Note 20 “Goodwill and other intangible assets”)

Measurement of fair values

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

— Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

— Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

— Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability are categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Assumptions have been made in measuring fair values in the following cases:

— Valuation of acquired intangible assets in determining and allocating the purchase price (see Note 8 “Acquisition of subsidiaries”), and

— Valuation of conditional purchase price payments in determining and allocating the purchase price (see Note 8).

5. Group structure

In addition to the Formycon AG parent entity, Formycon Group also includes, as of December 31, 2022, the following 100% owned and fully consolidated subsidiaries:

— Formycon Project 201 GmbH (Martinsried/Planegg, Germany)

— Formycon Project 203 GmbH (Martinsried/Planegg, Germany)

— FYB202 Project GmbH (Martinsried/Planegg, Germany) with effect from May 1, 2022

— Bioeq GmbH (Holzkirchen, Germany) with effect from May 1, 2022

Furthermore, the following associates, over which Formycon wields significant influence or which are under joint control by Formycon, are included in these Financial Statements using the equity method:

— FYB 202 GmbH & Co. KG (Berlin, Germany) until and ending April 30, 2022, based upon a 24.9% ownership share (significant influence)

— Bioeq AG (Zug, Switzerland) with effect from May 1, 2022, based upon a 50% ownership share (joint control)

6. Accounting and valuation methods

Basis of valuations

These Financial Statements have been prepared based on the principle of historical cost. An exception to this is the measurement of the contingent consideration component of the ATHOS transaction (see Note 8 “Acquisition of subsidiaries”), which is carried out at fair value. Equity-settled share-based payment arrangements granted to employees are likewise measured at fair value as of the grant date.

In their preparation, and for all periods therein, the Group has, unless otherwise stated, consistently applied the following accounting policies.

Principles of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method provided that the set of activities and assets acquired meets the definition of a “business” and that the Group has acquired control thereof. In determining whether a particular set of activities and assets is a “business”, the Group assesses whether the set of activities and assets acquired includes at least one “input”, meaning “an economic resource (e.g. non-current assets, intellectual property) that creates outputs when one or more processes are applied to it” (per IFRS 3 “Business Combinations”), and one substantive process and whether the presumed “business” is able to provide goods or services to customers.

The consideration transferred for the acquisition and the identifiable assets and liabilities acquired thereby are generally measured at fair value. Any goodwill arising from the transaction is tested annually for impairment. Any gains on acquisitions below market value are recognized immediately as profit. Unless relating to the issuance of debt or equity securities, transaction costs are expensed as incurred.

In determining the amount of consideration transferred for the acquisition, any amounts paid for the fulfillment of pre-existing obligations are excluded. Any profit or loss arising therefrom is recognized as such.

Any consideration transferred for the acquisition in the form of a contingent future obligation is measured at fair value at the time of the business combination. Finally, all other contingent consideration is measured at fair value at each reporting date, with any subsequent changes in the fair value of the contingent consideration recognized as profit or loss.

Subsidiaries

Subsidiaries are companies under the Group's control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are consolidated into these Financial Statements from the date control begins until the date such control ends.

Loss of control

If the Group loses control of a subsidiary, it derecognizes the assets and liabilities of the subsidiary from its consolidated statement of financial position (balance sheet), along with any related non-controlling interests or other equity components. Any resulting gain or loss is recognized in profit or loss. If an interest in the former subsidiary is retained, it is measured at fair value as of the date control over the subsidiary is lost.

Financial assets accounted for using the equity method

The Group's financial assets (investments) accounted for using the equity method include a shareholding in an associate until April 2022 and a shareholding in a joint venture starting from May 2022.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Shares in associates and joint ventures, which are accounted for using the equity method, are initially recognized at acquisition cost, including transaction costs. Subsequent to this initial recognition, these Financial Statements include the Group's share of the comprehensive income of the financial assets accounted for using the equity method until the date upon which such significant influence or joint control ends.

Consolidation of intragroup transactions

In preparing these Financial Statements, balances and transactions between the Company and consolidated subsidiaries thereof, as well as any unrealized intercompany income and expenses (other than income and expenses arising from foreign currency transactions), have been eliminated. In the case of companies accounted for using the equity method (associates and joint ventures), any unrealized gains on transactions have been offset against the investment asset, but not by more than the Group's investment in the respective company. Unrealized losses have been analogously offset (i.e. added to the investment asset), but only where there is no indication of impairment.

Foreign currency

Transactions in foreign currencies

Business transactions in foreign currencies are converted into the functional currency of the respective Group company at the spot rate on the date of the transaction.

Monetary assets and liabilities denominated in a foreign currency as of the reporting date are translated into the functional currency at the closing rate for the period. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated at the exchange rate in effect at the time the fair value was measured. Non-monetary items measured at historical cost in a foreign currency are translated at the exchange rate prevailing on the transaction date. Currency translation differences are recognized in period profit and loss and included within finance costs.

Revenue from contracts with customers

The amount of revenue from customer contracts is determined based on the amount and terms of payment specified in each respective contract. The Group recognizes revenue when it transfers control of the contracted good or service to the customer.

The Group generates revenue by providing development services during the agreed development phase to the sponsor of the respective project. Revenue is recognized at the time the development services are provided by Formycon AG. Services rendered but yet been invoiced are reported as contract assets. Revenue is recorded over the course of completion using the cost-to-cost method. Associated costs are recognized in profit or loss as they are incurred.

The Group also generates revenue by granting licenses. In the case of drug from the FYB201 development project which received regulatory approval during fiscal year 2022 for sale in the United Kingdom, the European Union and the United States, exclusive worldwide marketing rights are licensed to and held by Bioeq AG. In return, the Group receives license revenues based upon the Bioeq AG's product income, which is in turn based upon product sales. If the amount can be reliably determined, the Group recognizes the revenue at the time the license is granted. As a rule, however, such license revenues depend upon actual product sales and thus the amount generated thereby can only be reliably determined with the passage of time. Once product sales are generated, license revenues become due and payable to the Group with relatively short payment terms.

Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are expensed as the employee performs the related work services. In cases where the Group has an obligation to pay a future amount as a result of service rendered by the employee, whether legally binding or constructive, and where the obligation can be reliably estimated, a liability is recognized for the amount expected to be paid.

Equity-settled share-based compensation

Share-based compensation payments to employees settled by the physical delivery of shares are recognized as an expense in the amount of their fair value upon the grant date, with a corresponding increase in equity capital, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of granted shares for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of granted shares that meet the related

service and non-market performance conditions at the vesting date. In the case of share-based payments with non-vesting conditions, the fair value of the share-based payment as of the grant date is measured to reflect such conditions, but with no subsequent true-up for differences between expected and actual outcomes. Further explanation may be found under Note 16 (“Share-based compensation arrangements”).

Defined contribution plans

Obligations to make contributions to defined contribution plans are expensed as the employee performs the related work services. Prepaid contributions are recognized as an asset to the extent that there is a right to a refund of, or reduction in, future payments.

Termination benefits

Benefits arising from the termination of employment are expensed as of the date on which the Group can no longer withdraw the offer of such benefits, or the date on which the Group recognizes costs for a restructuring, whichever is earlier. If these benefits are not expected to be settled in full within 12 months of the reporting date, they are discounted appropriately.

Government grants

Government grants to fund the future purchase of assets are initially established in the statement of financial position (balance sheet) as deferred income at fair value provided that there is reasonable assurance that they will be granted and that the Group will meet the conditions attached to the grant. Once such government grant is actually used to fund the purchase of the asset, the deferred income is then amortized over the period of the asset's useful life and recognized in the profit and loss account as other income.

Grants which compensate the Group for expenses incurred are recognized as a reduction in expense in the period(s) in which the relevant expenses are recognized, unless the grant conditions are not met until after the related expenses have been recognized. In this case, the grant is recognized in the period during which the entitlement arises.

The Group is currently receiving grants to cover research and development expenditures incurred in connection with the FYB207 project. Accordingly, the grants are recorded as an offset to research and development expenses, thereby reducing the amount of the expenses (see Note 12 “Research and development expenses”) and are reflected in the Consolidated Statement of Cash Flows under cash flows from operating activities.

Finance income and finance costs

The Group’s finance income and finance costs include:

— interest income,

— interest expense,

— gains and losses arising from valuation at equity of financial assets,

— foreign currency gains and losses on financial assets and financial liabilities, and

— gains and losses arising from the measurement of fair value of contingent consideration classified as a financial liability.

Interest income and expenses are recognized in profit or loss using the effective interest method. The effective interest rate is the interest rate that exactly discounts the estimated future payments or receipts over the expected life of the financial instrument to the net book value of the financial asset, or in the case of a financial liability to the remaining amount thereof.

In calculating interest income and expense, the effective interest rate is applied to the gross book value of the asset, provided that the asset is not credit impaired, or in the case of a financial liability to the remaining amount thereof. In the case of financial assets which have become credit-impaired subsequent to initial recognition, interest income is, however, instead calculated by applying the effective interest rate to the amortized cost of the financial asset. Should the asset no longer be credit-impaired, the calculation of interest income reverts to the gross basis.

Income tax expense

Income tax expense consist of current tax expense and deferred tax expense. Both are recognized in profit or loss, except to the extent that they relate to a business combination or to an item recognized directly in equity or other comprehensive income (OCI). The Group has determined that interest and penalties on income taxes, as well as uncertain tax items, do not meet the definition of income tax expense, and therefore accounts for these in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”.

Current taxes

Current tax expense is the expected tax liability or tax receivable on taxable income or tax loss for the year, based on tax rates enacted or substantially enacted as of the reporting date, along with any adjustments to tax liability for prior years. The amount of the expected tax liability or tax receivable is the best estimate of the tax amount expected to be paid or received, but also reflecting any tax uncertainties. Current tax receivables and liabilities are only offset (netted) under certain specific conditions.

Deferred taxes

Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for:

— temporary differences upon initial recognition of assets or liabilities in a transaction which is not a business combination and which affects neither accounting nor taxable profit or loss;

— temporary differences related to investments in subsidiaries, associates and joint ventures where the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

— taxable temporary differences arising upon initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities resulting from the application of IFRS 16 “Leases” are offset (netted). All other deferred tax assets and deferred tax liabilities are only offset under certain specific conditions.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in, first-out (FIFO) method of allocation. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost, including any capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses. Should significant components thereof have different useful lives, these are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

Subsequent costs of acquisition or production

Subsequent expenditures are only capitalized if it is probable that the Group will derive additional future economic benefits resulting from the expenditure.

Depreciation

Depreciation is calculated to fully depreciate the cost of an item of property, plant and equipment less its estimated residual value on a straight-line basis over its estimated useful life. Depreciation is generally recognized in profit or loss.

The estimated useful lives of significant items of property, plant and equipment, for both the current period and prior-year period, are:

- Leasehold improvements: based on the term of the underlying lease at the time of the leasehold improvement
- Laboratory furnishings and equipment: 7-15 years
- Office furnishings and equipment: 5-10 years

Depreciation methods, useful lives and residual values are reviews on each reporting date and adjusted as necessary.

Goodwill and other intangible assets

Recognition and measurement

Goodwill
Goodwill arising from business combinations is measured at cost less any accumulated impairment losses.

Research and development
Research expenditures are recognized in profit or loss as incurred.

Development expenditures are only capitalized provided that the expenditure can be measured reliably, that the product or process is technically and commercially feasible, that future economic benefits are probable, and that the Group both intends and has sufficient resources to complete development and to utilize or sell the asset. Any development expenditures not meeting these criteria are recognized in profit or loss as incurred. Capitalized development expenses are valued at acquisition or production cost less accumulated amortization and any accumulated impairment losses.

Formycon develops biopharmaceuticals, in particular biosimilars, with the aim of converting biosimilar candidates into development and marketing partnerships upon attainment of certain defined milestones. Formycon currently has five projects under active development. For each individual development project, an assessment is made as to whether the criteria for recognition of an internally generated intangible asset have been met.

While innovative drug development projects in phase III clinical trials often suffer failures or significant setbacks, the probability of success of a biosimilar candidate in phase III clinical comparability trials is significantly higher. Because the efficacy of the originator (reference) biopharmaceutical has already been scientifically proven and recognized by the authorities, and because biosimilar development focuses on various tests and studies to demonstrate biological similarity to the reference drug already prior to phase III clinical testing, one may reasonably conclude, predicated on this already demonstrated similarity, that the likelihood of successfully completing the remaining development of a biosimilar that will bring future economic benefits is very high. It should be noted that more than 95% of biosimilar candidates entering phase III clinical trials are, upon completion thereof, proved similar to the reference drug. It is also notable that 78% of biosimilars entering phase I clinical trials are ultimately licensed upon completion of development work.

The many activities which Formycon undertakes to develop a biosimilar candidate may be broadly divided into the following six development steps:

- Market research: assessment of market situation, identification of possible drug targets, project planning
- Initial analysis: development of the analytical method panel, characterization of reference molecule, definition of quality target, commencement of cell line development
- Development phase: cell line development, biosimilar manufacturing process development
- Preclinical testing: in vivo studies generally not necessary, but comprehensive physiochemical and bioanalytical testing leading to technical proof of similarity (TPOS)
- Phase I clinical trials: testing on healthy volunteers to demonstrate biological similarity to the reference product
- Phase III clinical trials: study to demonstrate the similarity of the biosimilar to the reference product in patients (similar efficacy, safety and immunogenicity)

TPOS is generally the point following completion of pre-clinical testing at which Formycon is able to demonstrate, based on the results thereof, that the asset resulting from the development fulfills the criteria of IAS 38.57 and thus that all subsequent development expenditures may be deemed part of the cost of generating the asset and capitalized accordingly. Each project is, however, individually assessed as to whether the criteria have been met.

The capitalization of development expenditures is terminated upon regulatory approval, except for subsequent development expenditures which generate an additional economic benefit with respect to the related asset.

Other intangible assets
Other intangible assets acquired by the Group that have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditures

Subsequent expenditures relating to goodwill and intangible assets are capitalized only to the extent that they generate an additional economic benefit with respect to the related asset. All other expenditures, including expenses for internally generated goodwill and brand names, are recognized in profit or loss as incurred.

Amortization

Intangible assets are amortized on a straight-line basis over the respective estimated useful life. The amortization begins from the day the respective assets are first used, or in the case of development projects, from the day of initial regulatory approval of the drug in question. The amortization is generally recognized in profit or loss. Other than through impairment, goodwill is not amortized.

The estimated useful lives are:

— Patents and trademarks: based on the term of the corresponding legal protection

— Capitalized development costs (both acquired and internally developed): up to 18 years

— Amortization methods, useful lives and residual values are reviewed on each reporting date and adjusted as necessary.

Financial instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized from the date they arise or are issued. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual terms of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL (i.e. fair value with changes in value through profit or loss), transaction costs directly attributable to its acquisition or issue. Trade receivables without a significant financing component are initially recognized at the transaction price.

Classification and subsequent measurement

Financial assets
Upon initial recognition, a financial asset is classified and measured as:

— an instrument at amortized cost,

— an FVOCI debt instrument (i.e. an investment in a debt instrument measured at fair value with changes through other comprehensive income),

— an FVOCI equity investment (i.e. an equity investment measured at fair value with changes through other comprehensive income), or

— an FVTPL instrument.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as an FVTPL instrument:

— It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.

— The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is classified as an FVOCI instrument if it meets both of the following conditions and is not designated as an FVTPL instrument:

— It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

— Its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the fair value of the investment in OCI. This election is made individually for each investment.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. Upon initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as an FVTPL instrument if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment
The Group makes its assessment of the objective of the business model in which a financial asset is held on an individual basis. The information considered includes:

— the stated objectives for the investment, including whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows, or realizing cash flows through the sale of the assets;

— how performance results are evaluated and reported to the Group's management;

— the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

— how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

— the frequency, volume and timing of sales of financial assets in prior periods and expectations about future sales activity.

Financial liabilities: Classification, subsequent measurement, and gains and losses
Financial liabilities are classified and measured at amortized cost or FVTPL. A financial liability is classified at FVTPL if it is classified as held for trading, is a derivative, or is designated as such upon initial recognition.

Financial liabilities at FVTPL are measured at fair value, with net gains and/or losses, including interest expense, recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign currency translation differences are recognized in profit or loss. Any gain or loss upon derecognition is also recognized in profit or loss.

With the exception of the obligation to pay contingent consideration under the ATHOS transaction, all of the Group's financial liabilities are measured at amortized cost.

Derecognition

Financial assets
The Group derecognizes a financial asset when its contractual right to receive cash flows from the financial asset expires, or when it transfers its right to receive contractual cash flows in a transaction in which either the Group transfers substantially all of the risks and rewards associated with ownership of the financial asset are transferred, or when the Group, although neither transferring nor retaining substantially all the risks and rewards of ownership, does not retain control of the financial asset.

Financial liabilities
The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its contractual terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Upon derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Interest rate benchmark reform
Should the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost change as a result of interest rate benchmark reform, the Group updates the effective interest rate of the financial asset or financial liability to reflect the change required by the reform. A change in the basis for determining the contractual cash flows is required due to the interest rate benchmark reform if both of the following conditions are met:

— The change is necessary as a direct consequence of the reform.

— The new basis for determining the contractual cash flows is economically equivalent to the previous basis, i.e. the basis immediately before the change.

If changes have been made to a financial asset or financial liability that exceed requirement of the interest rate benchmark reform to reasses the contractual cash flows, the Group initially adjusts the effective interest rate of the financial asset or financial liability to reflect the change required by the reform. Only thereafter the Group applies the accounting policies for accounting for changes to the additional changes.

Subscribed capital

Costs directly attributable to the issuance of common shares are recorded as a deduction from equity capital. Income tax effects relating to the transaction costs of an equity capital measure are accounted for in accordance with IAS 12 “Income Taxes”.

Asset impairment

Financial assets (excluding derivatives)

Financial instruments and contract assets
The Group recognizes loss allowances for expected credit losses (ECLs) on:

— financial assets measured at amortized cost, and

— contract assets.

The Group also recognizes loss allowances for ECLs on other receivables.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

— debt securities that are determined to have low credit risk at the reporting date, and

— other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

In the case of trade receivables and contract assets, valuation allowances reflect the amount of the expected credit loss over the term.

In determining whether the credit risk of a financial asset has increased significantly since initial recognition and in estimating expected credit losses, the Group considers reasonable and reliable information which is both relevant and available, including quantitative as well as qualitative information. In addition to well-founded estimates based on analysis, including forward-looking assessments, the Group also considers its own past experience. Should a financial asset be 30 days overdue, the Group assumes that its credit risk has likewise increased significantly.

Due to the small number of contract counterparties, the Group individually assesses each of these with whom there is significant contract exposure. In each existing case, the Group has assessed the risk of default as extremely low. Thus, subject to materiality considerations, no value adjustments are currently recognized.

The Group considers a financial asset to be in default when:

— the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or

— the financial asset is more than 180 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of “investment grade”. The Group considers this to be an S&P rating of BBB or higher. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Non-financial assets

The book value of the Group’s non-financial assets, other than inventories and deferred tax assets, is reviewed at each reporting date to determine whether there is any indication of impairment. Should this be the case, an estimate is made of the asset’s recoverable amount. Goodwill and intangible assets with an indefinite useful life are tested annually for impairment. In testing for impairment, assets are grouped into the smallest groupings of assets that generate cash inflows from continued use that are as independent as possible of cash inflows from other assets or cash-generating units (CGUs). Goodwill acquired in a business combination is allocated to the CGU(s), or group(s) of CGUs, expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the higher of its value in use and its fair value less disposal costs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and of the risks specific to the asset or CGU.

Should the book value of an asset or CGU exceed this recoverable amount, an impairment loss is recognized.

Impairment losses are included in profit or loss. Impairment losses recognized in respect of CGUs are first allocated to any goodwill allocated to the CGU, then allocated to the book values of the other assets of the CGU (or group of CGUs) on a pro rata basis.

Any impairment of goodwill, once recognized, is not reversed. In the case of other (non-goodwill) assets, an impairment loss may only be reversed to the extent that the book of the asset does not exceed the book value, net of depreciation and amortization, which would exist had no impairment loss been recognized.

Leases

The Group enters into lease contracts solely as a lessee. Upon entry into a contract, the Group first assesses whether the contract constitutes a lease or contains a lease component. This is deemed to be the case when the contract entitles the holder to control the use of an identified asset for a period of time in exchange for payment of a fee. Upon commencement of a lease (or contract containing a lease component), or when a lease (or contract containing a lease component) is modified, the Group allocates the contractual consideration pro rata based on the stand-alone selling prices of the leased assets.

Upon commencement of the lease, the Group recognizes a right-of-use (ROU) asset and a lease liability. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group at the end of the lease term, or unless the cost of the right-of-use asset suggests that the Group will exercise a purchase option. In either of these cases, the right-of-use asset is instead depreciated over the useful life of the underlying asset, which is determined on the same basis as in the case of comparable owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. If the lease includes extension options and it is likely that these will be used, these are assumed in the lease term.

The lease liability is initially measured at the present value of the lease payments that are not already paid as of the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate (which is, in fact, the relevant discount rate usually used by the Group).

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes adjustments as necessary to reflect the individual lease term and type of asset leased.

Lease payments included in the measurement of the lease liability may include:

— fixed payments, including de facto fixed payments;

— variable lease payments that depend upon a benchmark index or rate, initially set according to the index or rate on the commencement date;

— amounts expected to be payable under a residual value guarantee; and/or

— the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional lease extension period if the Group is reasonably certain to exercise the lease extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized book value using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate; if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; if the Group changes its assessment of whether it will exercise a purchase, extension or termination option; or if there is a change in the amount of a de facto fixed lease payment.

Should the lease liability be remeasured in this way, a corresponding adjustment is made to the book value of the right-of-use asset, or if the book value of the right-of-use asset has been reduced to zero, it is recognized in profit or loss.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and corresponding lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Operating profit/loss (EBIT)

Operating profit/loss is net income generated from the Group's continuing sales-generating primary activities plus other income and expenses from operating activities, but excluding finance income and finance costs, participations in the profits and losses of companies accounted for using the equity method, and income taxes.

Measurement of fair value

"Fair value" is the price at which an asset would, as of the measurement date, be sold, or a liability transferred, in an orderly transaction on the relevant principal market or, if none exists, in the most advantageous market to which the Group has access at that time. The fair value of a liability reflects the risk of non-performance (credit risk).

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Where a quoted price in an active market is available, the Group determines the fair value of a financial instrument on the basis thereof. A market is considered "active" when transactions for the relevant asset or liability occur and are reported with sufficient frequency and volume to provide market price information on an ongoing basis.

If there is no quoted price in an active market, the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all factors which market participants would normally consider when pricing the asset or liability.

Where fair value is to be measured for an asset or liability for which the relevant market price is quoted as a bid/ask price pair, the Group values assets or long positions at the bid price and liabilities or short positions at the ask price.

7. First-time adoption of IFRS

These Financial Statements represent the Group's first annual financial statements applying IFRS. The accounting and valuation methods described in Note 6 were fully taken into account in preparing these financial statements, comparative prior-period information, and the opening balance sheet at the date of transition to IFRS on January 1, 2020. In the course of preparing the opening balance sheet, the Group adjusted the values reported using the previously applied accounting standards (German statutory accounting, or "HGB") accordingly. These adjustments are explained in the following tables and related explanations.

The income statement in accordance with HGB was prepared using the nature of expense method format (Gesamtkostenverfahren), while in applying IFRS the cost of sales method has been chosen. As a basis for the reconciliation statement, an income statement was first prepared in accordance with HGB using the cost of sales format.

Reconciliation of book value of equity

In € K	Explanatory footnotes	Jan. 1, 2020	Dec. 31, 2021
Equity capital per HGB		**48,211**	**56,071**
Goodwill	i)	-433	-118
Depreciation periods per useful economic life	a)	568	323
Valuation of investment participations at equity	c)	-48	-46
Application of IFRS 16 "Leases"	b)	-4	-29
Deferred taxes	d)	-1,205	-310
Equity capital per IFRS		**47,089**	**55,891**
Total amount of differences		-1,122	-180

Reconciliation of balance sheet

in € K	Explanatory footnotes	HGB Jan. 1, 2020	Change	IFRS Jan. 1, 2020	HGB Dec. 31, 2021	Change	IFRS Dec. 31, 2021
Assets							
Non-current assets							
Goodwill	i)	433	-433	-	118	-118	-
Other intangible assets	a)	198	42	240	670	57	727
Right-of-use (ROU) assets	b)	-	5,526	5,526	-	5,737	5,737
Property, plant and equipment	a) e)	3,701	-547	3,154	3,344	-650	2,694
Financial assets	c)	20,673	-48	20,625	23,661	-46	23,615
Deferred tax assets	d)	370	-370	-	310	-310	-
Total non-current assets		**25,375**	**4,170**	**29,545**	**28,103**	**4,670**	**32,773**
Current assets							
Inventories	e) f)	372	-322	50	1,477	-1,268	209
Trade and other receivables		5,133	-	5,133	10,820	94	10,914
Contract assets	f)	-	171	171	-	1,024	1,024
Other financial assets		238	-	238	150	-	150
Prepayments and other assets		156	-	156	616	-	616
Cash and cash equivalents		22,116	-	22,116	25,029	-	25,029
Total current assets		**28,015**	**-151**	**27,864**	**38,092**	**-150**	**37,942**
Total assets		**53,390**	**4,019**	**57,409**	**66,195**	**4,520**	**70,715**
Equity and liabilities							
Equity capital							
Subscribed capital		10,000	-	10,000	11,065	-	11,065
Capital reserve	g)	52,239	2,790	55,029	78,436	4,349	82,785
Accumulated loss carryforward		-14,028	-3,912	-17,940	-19,954	-4,715	-24,669
Period income (loss)		-	-	-	-13,476	186	-13,290
Total equity capital		**48,211**	**-1,122**	**47,089**	**56,071**	**-180**	**55,891**
Non-current liabilities							
Non-current lease obligations	b)	1,030	3,476	4,506	592	3,814	4,406
Other non-current liabilities		-	-	-	-	-	-
Deferred tax liabilities	d)	-	835	835	-	-	-
Total non-current liabilities		**1,030**	**4,311**	**5,341**	**592**	**3,814**	**4,406**
Current liabilities							
Provisions		25	-	25	-	-	-
Current lease obligations	b)	-	830	830	-	877	877
Obligations under customer contracts		-	-	-	-	-	-
Other current liabilities		1,200	-	1,200	1,935	-	1,935
Trade payables		2,404	-	2,404	7,597	9	7,606
Current income tax liabilities		520	-	520	-	-	-
Total current liabilities		**4,149**	**830**	**4,979**	**9,532**	**886**	**10,418**
Total liabilities		**5,179**	**5,141**	**10,320**	**10,124**	**4,700**	**14,824**
Total equity and liabillities		**53,390**	**4,019**	**57,409**	**66,195**	**4,520**	**70,715**

Reconciliation of income statement

in € K	Explanatory footnotes	Jan. 1 - Dec. 31, 2021 HGB	Change	Jan. 1 - Dec. 31, 2021 IFRS
		Period		
Revenue	h)	36,868	-255	36,613
Cost of sales	a) h)	-26,426	-77	-26,503
Research and development expenses	a)	-16,450	-356	-16,806
Selling expenses		-600	-	-600
Administrative expenses	a) b) g) i)	-5,512	-1,021	-6,533
Other expenses	a)	-1,247	1,000	-247
Other income		75	-	75
Operating profit/loss (EBIT)		**-13,292**	**-709**	**-14,001**
Finance income	b) c)	39	-	39
Finance costs		-250	4	-246
Net finance income		**-211**	**4**	**-207**
Profit before tax		**-13,503**	**-705**	**-14,208**
Income tax expense	d)	27	890	917
Profit (loss) for the period		**-13,476**	**185**	**-13,291**
Other comprehensive income (OCI)		**-**	**-**	**-**
Comprehensive income (loss) for the period		**-13,476**	**185**	**-13,291**

Significant change in cash flow statement (Consolidated Statement of Cash Flows)

With the application of IFRS 16 (“Leases”) and the resulting recognition of lease payment obligations as lease liabilities, these payments are now reported under IFRS as repayment of liabilities and thus as cash flows from financing activities. Under German statutory accounting (HGB), these lease payments were included in cash flows from operating activities. For the period from January 1, 2021 to December 31, 2021, lease payments in the amount of € 1,012K are thus reported differently in the respective cash flow statements. No other significant changes have been made to the cash flow statement.

Explanatory footnotes

a. Depreciation periods for property, plant and equipment have been adjusted on the basis of useful economic life. Under HGB, depreciation is based upon statutory tax depreciation tables.

b. Leases have been accounted for as right-of-use (ROU) assets and lease obligations in accordance with IFRS 16 (see also Note 6 “Accounting and valuation methods”) and are reported separately.

c. The Group’s 24.9% interest in associate FYB 202 GmbH & Co. KG was valued at equity using the IFRS equity method based upon the company’s equity in accordance with IFRS.

d. Deferred tax assets arising from tax loss carryforwards have been limited under IFRS to the amount of deferred tax liabilities assuming the minimum applicable German tax rate because it is not possible for the Group to prove that tax loss carryforwards in excess of this amount can be used.

e. Certain asset items (in particular, laboratory material) recorded under HGB as inventory have been reclassified as property, plant and equipment because these asset items may be used for more than 12 months.

f. Services to customers performed but not yet invoiced are now reported as contract assets rather than as part of inventory.

g. The Group maintains an employee participation program in the form of stock options. In the case of option exercise by the respective employee, settlement is made through the issuance of common shares.

h. Through the application of IFRS 15 (“Revenue from Contracts with Customers”), there are minor timing differences in the recognition of revenue from the provision of development services and of the associated cost of sales.

i. The goodwill recognized in the financial statements in accordance with HGB does not meet the recognition criteria under IFRS and has therefore not been taken into account. Amortization thereof in accordance with HGB has been eliminated accordingly.

Simplifications

IFRS 1 ("First-time Adoption of International Financial Reporting Standards") offers first-time adopters a number of permitted simplifications that may be used in preparing the opening balance sheet. The Group has decided to make use of the following simplifications:

— IFRS 3 ("Business Combinations") has not been applied retrospectively but rather starting only from the date of the opening IFRS balance sheet.

— IFRS 16 ("Leases") has not been retrospectively applied in full. Both right of use assets arising from lease agreements and associated liabilities were remeasured as of the date of the opening IFRS balance sheet based on discounted future cash flows. Only in the case of lease agreements that had already led to the recognition of an asset under HGB (lease purchases) the original (HGB) acquisition costs of the respective assets were assumed into the IFRS balance sheet, with depreciation adjusted according to economic useful life.

— IFRIC 1 ("Changes in Existing Decommissioning, Restoration and Similar Liabilities") has not been applied retrospectively.

— IFRS 15 ("Revenue from Contracts with Customers") has not been applied retrospectively to customer contracts already fulfilled.

8. Acquisition of subsidiaries

On May 1, 2022, Formycon acquired a 100% ownership share of FYB 202 Project GmbH (Berlin, Germany) from FYB 202 GmbH & Co. KG, which upon completion of the transaction was renamed "FYB202 Project GmbH" (without space) and its location of official registration changed to Martinsried/Planegg, Germany; a 100% ownership share of Bioeq GmbH (Holzkirchen, Germany); and 50% of the shares of Bioeq AG (Zug, Switzerland).

Through the transaction, Formycon acquired full rights to FYB202, a candidate biosimilar to Stelara® (ustekinumab), as well as a 50% interest in Bioq AG, which owns the rights to FYB201, a candidate biosimilar to Lucentis® (ranibizumab). Stelara® is used to treat various serious inflammatory diseases such as moderate to severe psoriasis (psoriasis) and inflammatory bowel diseases such as Crohn's disease and ulcerative colitis. Lucentis® is used to treat neovascular ("wet") age-related macular degeneration and other serious eye diseases.

In addition, through the acquisition and organizational integration of long-term partner Bioeq GmbH ("Bioeq"), Formycon has been able to expand its expertise and in house resources in a number of areas important for the development, regulatory approval and commercialization of biosimilars.

Formycon contributed its FYB201 project into the partnership with Bioeq AG in 2013, then in 2017 contributed its FYB202 project into the partnership with Aristo Pharma GmbH, an ATHOS Group company, with the respective partnerships assuming onward development, approval and commercialization. By reacquiring these two biosimilar candidates, Formycon gains a significantly higher share of future sales revenue upon their respective market introduction. Formycon intends to invest a large part of the anticipated cash inflows into the accelerated expansion of its product development pipeline, thereby enabling it to develop future biosimilar candidates independently and with its own resources. The aim is thus to make a sustainable, ongoing contribution to value creation and to Formycon's continued future growth.

Through the transaction, important prerequisites have been put into place to enable Formycon's further expansion and to establish Formycon as a global biopharmaceutical player within the rapidly growing biosimilars market. Assuming that regulatory approvals are received as expected and that market launches and out-licensing of its biosimilar candidates take place as planned, Formycon is aiming for a significantly positive EBITDA by the year 2025.

In the case of FYB202 Project GmbH and Bioeq GmbH, the identifiable assets and liabilities acquired at the time of acquisition include "inputs" (within the meaning of IFRS 3 "Business Combinations") in the form of the FYB202 biosimilar originally created by the Group and an organized workforce. All of the companies' necessary marketing and organizational processes are performed by the companies themselves or have been outsourced to external service providers. The Group has concluded that the inputs and processes acquired together contribute significantly to the ability to generate earnings. The Group thus has come to the conclusion that the acquisition of the respective companies meets the IFRS 3 definition of a business combination.

In the case of Bioeq AG, the identifiable assets and liabilities acquired through the transaction include inputs, development processes and an organized workforce. The Group has likewise concluded that the inputs and processes acquired together likewise contribute significantly to the ability to generate earnings and that the acquired company is a "business" within the meaning of IFRS 3. The remaining 50% of the shares of Bioq AG are held by Polpharma Biologics B.V. (Utrecht, Netherlands). Bioq AG is a joint venture over which Formycon Group has joint control and in which it has a 50% shareholding. The shares in the company are thus valued at equity in accordance with IAS 28 "Investments in Associates" and reported under financial assets. In determining the fair value at the time of acquisition, the provisions of IFRS 3 have been applied by analogy, even though outside the mandatory scope thereof.

Consideration transferred

The consideration transferred by Formycon for the transactions, valued in accordance with IFRS 3, consisted of 4,000,000 common shares newly issued from the Company's approved capital, a cash component, and an earn-out component dependent upon future net cash inflows from the FYB201 and FYB202 projects. The earn-out component is measured over the next 15 years as a percentage of the net cash inflows after taxes from the respective projects to Formycon AG. This conditional payment obligation is capped at € 677,082K (on an undiscounted basis, of which € 194,052K for FYB202 and € 483,030 for FYB201). The actual amounts are discounted back to the acquisition date of May 1, 2022 until the agreed target amount or the agreed undiscounted maximum is reached. Depending upon actual future net cash inflows, the present values of these future payment outflows could be in line with the estimates in the table below, or they could be as low as zero, while the nominal amount of the payment could be anywhere between zero and the agreed maximum. The common shares issued have been valued at the market price on the acquisition date of € 65.60 per share. In the case of Bioeq AG, a loan receivable in the nominal amount of € 82,000K was acquired by Formycon along with the 50% shareholding in the company. Thus, the acquisition costs for the respective transaction components are as follows:

Consideration transferred

in € K

	FYB202 Project GmbH Bioeq GmbH	Bioeq AG	**Total**
Newly issued common shares (number of shares)	3,330,000	670,000	**4,000,000**
Newly issued common shares	218,448	43,952	**262,400**
Beizulegender Zeitwert der vor dem Unternehmenserwerb vom Konzern mittelbar gehaltenen Beteiligung an FYB202 Project GmbH	114,811		
Eingegangene Schuld	8,153		
Cash component	18,763		**18,763**
Earn-out component	54,115	237,387	**291,502**
less: Acquisition of loan receivable		-82,000	**-82,000**
Purchase price allocated to the investment / Consideration Transferred incl. the Fair Value of the previously held investment	**414,290**	**199,339**	**613,629**

The acquisition of the shares in FYB202 Project GmbH is presented as a step acquisition within the meaning of IFRS 3.41 et seq. The share in FYB 202 GmbH & Co. KG is shown at fair value at the time of acquisition and the resulting profit included in finance income. As part of Formycon's exit as a limited partner of FYB 202 GmbH & Co. KG and the resulting division of assets, Formycon acquired the receivable held by FYB 202 GmbH & CO. KG against Formycon in the amount of € 114,811K, so that this debt was then extinguished as a claim of Formycon against itself ("confusion of debts").

Acquisition-related costs

The Group incurred costs of € 717K for legal advice and due diligence in connection with the business combination. These costs are included in administrative expenses.

Identifiable assets acquired and liabilities assumed

The recognized amounts of assets acquired and liabilities assumed as of the acquisition date are summarized below.

Identifiable assets acquired and liabilities assumed

in € K

	FYB202 Project GmbH & Bioeq GmbH	Bioeq AG (at 50% equity)
Intangible assets	460,883	276,054
Property, plant & equipment	50	157
Deferred tax assets	0	3,209
Inventories	0	2,070
Trade and other receivables	14,781	2,173
Cash and cash equivalents	19,871	942
Total assets	**495,586**	**284,605**
Equity capital	369,756	170,226
Non-current liabilities	0	82,156
Current liabilities	6,714	398
Deferred tax liabilities	119,116	31,825
Total equity and liabilities	**495,586**	**284,605**

Determination of fair values

The valuation methods used to determine the fair value of significant assets acquired under the transaction were as follows:

- Intangible assets: Relief-from-royalty method and residual value method.
- In the case of patent rights, the relief-from-royalty method measures the present value of estimated future royalty payments that will be spared through the ownership thereof. The residual value method, on the other hand, values these as the present value of the expected future net cash flows generated from the acquired patents and rights.
- Inventories: Market comparison method.
- The fair value of inventories is measured on the basis of their estimated sales price in the ordinary course of business less the estimated costs of completion and sale along with a reasonable profit margin commensurate to the effort required for completion and sale of the inventories.

Goodwill

Goodwill resulting from the acquisition of the subsidiaries and associate has been measured and recognized as follows, whereby the goodwill of jointly controlled Bioeq AG is already implicitly included in the valuation thereof and thus not reported separately. The recorded goodwill represents, in particular, the know-how in clinical study management and supply chain management which has now been integrated into Formycon AG through the assumption of staff. This goodwill is not tax deductible.

Goodwill
in € K

	FYB202 Project GmbH Bioeq GmbH	Bioeq AG
Consideration transferred inkl dem Zeitwert der zuvor gehaltenen Anteile	414,290	199,339
Fair value of identifiable net assets	369,756	170,226
Difference (goodwill)	44,534	29,113

Financial performance since acquisition

In the case of the acquired subsidiaries FYB202 Project GmbH and Bioeq GmbH, revenue of € 11,092K and a contribution to earnings of negative € 1,018K have been recorded since the acquisition date. Continuation of the valuation at equity of Bioeq AG has led to a pro rata loss of € 12,932K. This financial performance is in line with expectations at the time of acquisition

Pro forma information

If the business combination had taken place on January 1, 2022, consolidated revenue for fiscal year 2022 would have been € 3,025K higher, while profit for the period would have been € 823K higher.

9. Operating segments

Basis for segmentation

The Group's segments are defined on the basis of the so-called "management approach" as required by IFRS 8 ("Operating Segments"). Accordingly, the segments are determined, and the disclosures for each segment made, based on the criteria that the key decision makers use internally for allocating resources and assessing the profitability of the Group's components. At Formycon, the key decision maker is the Executive Board, which allocates resources and evaluates segment performance on the basis of the management reports submitted to it. The following segment reporting was prepared in accordance with this definition. In evaluating the performance of the Group's business segments, the Executive Board relies upon operating profit/loss as the primary measure of profitability.

The Executive Board monitors and directs activities at the level of the Group's individual development projects. Project progress, operational performance and financial performance are reported on a monthly basis along with a deviation analysis from the approved plan for each project. The Group's development projects thus also represent the Group's reportable segments.

The business activity of all segments is biopharmaceutical development. With the exception of FYB207, all of these are biosimilars, and thus the operating activities do not differ significantly between segments. For the purposes of internal reporting, almost all of the Group's costs are allocated to the individual projects.

The Group's business activities take place exclusively within Germany. All Group revenues before May 1, 2022 were generated from ATHOS Group companies. Starting from May 1, 2022, revenues were generated not only from ATHOS Group companies but also from Bioeq AG, which is under joint control (€ 7,211K, see Note 28 "Transactions with related persons and companies") and which is entirely in the FYB201 operating segment. During the fiscal year, revenue of € 35,286K was thus generated from a single major customer.

Operating segments

in € K

	FYB201	FYB202	FYB203	FYB206	FYB207	FYB208	FYB209	Total for reportable operating segments	Rest	Formycon Group
2022										
External revenue	12,125	2,576	27,795					42,497		42,497
Segment revenue	**12,125**	**2,576**	**27,795**	**-**	**-**	**-**	**-**	**42,497**	**-**	**42,497**
Segment profit (loss)	-12,870	89,157	637	-6,334	-6,921	-1,034	-1,293	61,342	-25,350	35,992
Finance income								-	-	-
Finance costs								-	-22,953	-22,953
At Equity result	-12,932	89,776						76,844	-	76,844
Allocated costs (cost of sales, research and development expenses, administrative expenses)	-11,676	-3,092	-26,287	-6,130	-6,699	-1,001	-1,251	-56,136	-785	-56,921
Other expenses (selling expenses, miscellaneous)								-	-1,442	-1,442
Depreciation and amortization	-387	-103	-872	-203	-222	-33	-42	-1,862	-	-1,862
Income taxes								-	-604	-604
Assets										
Investments participations at equity	186,406							186,406	-0	186,406
Other additions to non-current assets	291,639	615,424		5,733				912,796	-19,305	893,491
2021										
External revenue	11,591	10,360	14,162		500			36,613	-	36,613
Segment revenue	**11,591**	**10,360**	**14,162**	**-**	**500**			**36,613**	**-**	**36,613**
Segment profit (loss)	**12**	**48**	**3**	**-5,361**	**-8,162**			**-13,460**	**170**	**-13,290**
Finance income								-	39	39
Finance costs								-	-247	-247
At Equity result		1						1	-	1
Allocated costs (cost of sales, research and development expenses, administrative expenses)	-11,248	-10,017	-13,754	-5,208	-8,414			-48,641	232	-48,409
Other expenses (selling expenses, miscellaneous)								-	-772	-772
Depreciation and amortization	-331	-295	-405	-153	-248			-1,432	-	-1,432
Income taxes								-	917	917
Assets										
Investments participations at equity		23,615						23,615	-	23,615
Other additions to non-current assets		2,989						2,989	1,368	4,357
2020										
External revenue	14,782	7,151	12,363					34,296	0	34,296
Segment revenue	**14,782**	**7,151**	**12,363**	**-**	**-**			**34,296**	**0**	**34,296**
Segment profit (loss)	**-144**	**32**	**43**	**-4,553**	**-1,067**			**-5,688**	**-1,041**	**-6,729**
Finance income								-	69	69
Finance costs								-	-173	-173
At Equity result		1						1	-	1
Allocated costs (cost of sales, research and development expenses, administrative expenses)	-14,410	-6,873	-11,895	-4,395	-1,030			-38,603	-139	-38,743
Other expenses (selling expenses, miscellaneous)								-	-714	-714
Depreciation and amortization	-515	-246	-425	-157	-37			-1,380	-	-1,380
Income taxes								-	-85	-85
Assets										
Investments participations at equity		20,626						20,626	-	20,626
Other additions to non-current assets		1						1	2,188	2,189

10. Revenue

Revenue streams

During the period, Formycon generated revenue by providing development services for its partnered development projects FYB201 and FYB203, as well as from FYB202 up until and including April 30, 2022, to the respective development partners. These costs include not only product development costs but also costs incurred for the management of clinical studies. In addition, with the market launch during fiscal year 2022 of FYB201 in the UK and shortly thereafter in the EU and the USA, Formycon began generating revenue through license income from the granting of exclusive marketing rights to Bioeq AG. Such license revenues are recognized only from the point at which they can be reliably determined. During the fiscal year, a total of € 329K was recognized as license revenue.

Geographical breakdown of revenue

During the period, the Group's revenues were generated entirely in Germany and Switzerland as follows:

Revenue (in € K)	Jan. 1 - Dec. 31, 2022	Jan. 1 - Dec. 31, 2021	Jan. 1 - Dec. 31, 2020
DE	32,045	24,524	19,599
CH	10,452	12,089	14,697
Total	**42,497**	**36,613**	**34,296**

Contract receivables and contract assets

Assets arising from contracts with customers are included as both trade receivables and contract assets. As of the reporting date, such receivables from customers were € 7,766K (Dec. 31, 2021: € 7,747K, Dec. 31, 2020: € 6,894K, Jan. 1, 2020: € 4,920K), while receivables from services not yet invoiced and separately reported as contract assets were € 1,161K (Dec. 31, 2021: € 1,024K, Dec. 31, 2020: € 755K, Jan. 1, 2020: € 171K).

11. Cost of sales

Cost of sales includes all costs directly related to the sales generated and thus all costs that can be allocated to the Group's partnered projects. Cost of sales during the fiscal year consisted primarily of the following:

12. Research and development expenses

Research and development expenses include all such costs attributable to the Group's non-partnered projects. Research and development expenses during the fiscal year consisted primarily of the following:

The Group has, in support of its FYB207 project for development of an innovative COVID-19 drug, been awarded government grants from the Bavarian Research Foundation (Bayerische Forschungsstiftung), an agency of the Bavarian state government, as well as under the Bavarian state government's special "BayTherapie 2020" grant program. Grant awards in the amount of € 5,407K (2021: € 4,589K, 2020: € 38K) were offset against the corresponding research and development expenses and thus recognized in profit or loss for the reporting period. During the same period, disbursements from the project sponsors were € 6,453K (2021: € 1,637K, 2020: € 38K).

13. Other income and expenses

Other income consists mainly of income from insurance reimbursements, income from damage claims, and income from other periods.

Selling expenses, administrative expenses and other expenses are mainly comprised of the following:

Cost of sales
in € K

	Jan. 1 – Dec. 31, 2022	Jan. 1 – Dec. 31, 2021	Jan. 1 – Dec. 31, 2020
Cost of materials	-2,778	-1,800	-2,774
Contract research expenses	-24,224	-19,179	-18,177
Staff expenses	-3,469	-4,776	-4,166
Depreciation, amortization and write-downs	-343	-322	-386
Other expenses	388	-426	-862
Total	**-30,425**	**-26,503**	**-26,365**

Research and development expenses
in € K

	Jan. 1 – Dec. 31, 2020	Jan. 1 – Dec. 31, 2021	Jan. 1 – Dec. 31, 2020
Cost of materials	-483	-238	-301
Contract research expenses	-16,081	-14,618	-4,008
Staff expenses	5,103	-5,275	-3,342
Depreciation, amortization and write-downs	-304	-356	-310
Grants received	5,792	4,589	37
Other expenses	-733	-907	-587
Total	**-16,912**	**-16,805**	**-8,511**

Other income and expenses
in € K

	Jan. 1 – Dec. 31, 2022	Jan. 1 – Dec. 31, 2021	Jan. 1 – Dec. 31, 2020
Staff expenses	-5,950	-4,106	-3,828
Marketing expenses	-329	-265	-278
Legal and advisory expenses	-4,401	-890	-838
IT expenses	-526	-502	-132
Depreciation, amortization and write-downs	-1,392	-1,125	-993
Other expenses	-638	-492	-166
Total	**-13,235**	**-7,380**	**-6,235**

14. Finance income/costs

The Group's finance income and finance costs during the reporting period were as follows:

Finance income/costs

in € K

	Jan. 1 - Dec. 31, 2022	Jan. 1 - Dec. 31, 2021	Jan. 1 - Dec. 31, 2020
Realized and unrealized gains from foreign currency translation	131	37	67
Accrued interest income	302	2	2
Investment gain from FYB 202 GmbH & Co. KG	89,776	1	1
Finance Income	**90,209**	**40**	**70**
Bank fees	-18	-134	-90
Realized and unrealized losses from foreign currency translation	-38	-74	-53
Interest expense from lease liabilities	-68	-22	-27
Interest paid	-57	-17	-3
Share of loss from associate Bioeq AG	-12,932	-	-
Change in conditional purchase price based on fair value	-22,772		
Finance costs	**-35,885**	**-247**	**-173**
Net finance income	**54,324**	**-207**	**-103**

Der Erwerb der Anteile an der FYB202 Project GmbH wurde als sukzessiver Unternehmenserwerb i.S.v. IFRS 3.41 ff. dargestellt. Der Anteil an der FYB 202 GmbH & Co. KG wurde deshalb zum Erwerbszeitpunkt mit dem beizulegenden Zeitwert und der daraus resultierende Gewinn in Höhe von TEUR 89.776 im Finanzergebnis gezeigt (für weitere Details wird an dieser Stelle auf Anhangangabe 8 verwiesen).

15. Earnings per share

Basic earnings per share are calculated by dividing after-tax earnings attributable to the shares by the number of Formycon common shares outstanding and therefore participating in earnings. Diluted earnings per share are calculated by adding shares which could in the future be issued through the exercise of stock options, the release of restricted stock units, or the conversion of convertible bonds. The addition of these exercisable but not yet unexercised options results in a dilution in the number of common shares outstanding as shown below:

Earnings per share

		Outstanding common shares	Exercisable stock options	Diluted number of common shares
	Jan. 1, 2020	10,000,000	11,000	10,011,000
	Oct. 22, 2020	11,000,000	170,000	11,170,000
Year average	**Dec. 31, 2020**	**10,191,781**		**10,233,274**
	Jan. 1, 2021	11,000,000	170,000	11,170,000
	Feb. 12, 2021	11,046,500	123,500	11,170,000
	Dec. 1, 2021	11,064,750	105,250	11,170,000
Year average	**Dec. 31, 2021**	**11,042,639**		**11,170,000**
	Jan. 1, 2022	11,064,750	192,750	11,257,500
	May. 6, 2022	15,064,750	192,750	15,257,500
	Aug. 16, 2022	15,128,775	128,725	15,257,500
Year average	**Dec. 31, 2022**	**13,715,221**		**13,883,874**

16. Share-based compensation arrangements

Description of share-based compensation arrangements

On July 1, 2015, the Group introduced, and subsequently amended on April 27, 2017, and introduced again on December 10, 2020, stock option plans which enable eligible staff (including members of the Executive Board) to purchase shares in the Company. Under these two stock option plans, the holders of options granted thereunder have the right, once the options are exercisable, to purchase shares at a subscription price set on the option grant date. Currently, these programs are limited to Executive Board members and other eligible employees. The key contractual terms of the stock option plans are as follows: All options are to be settled through subscription and physical delivery of newly issued shares. Under both of the plans, the conditions for exercise of the options are that the relevant beneficiary must have remained in the Group for a period of four years following the grant date and that the stock market price must be at least 10% above the subscription price set at the time of the grant. The subscription price is determined as the average of closing prices of Formycon AG shares in Xetra trading during the 60 days before the option grant. In both plans, the options have a term of ten years.

Conditional capital for the issuance of up to 715,260 options (Stock Option Plan 2015) and up to 724,000 options (Stock Option Plan 2020) was established by resolutions of the Annual General Meeting. The number of options issued and outstanding during the reporting period and during the comparable prior-year period was as follows:

In measuring the fair values as of the grant date for reporting these share-based compensation arrangements (stock options with subscription and physical delivery of new shares upon exercise), the following valuation parameters were used: For both plans, a share price volatility of between 0.35 and 0.43 was assumed based on historical data, along with beneficiary reduction (staff turnover) of approx. 3% and zero dividends.

During fiscal year 2022, the total current expense for share-based compensation payments under these stock option plans was € 536K (2021: € 774K, 2020: € 786K). As of December 31, 2022, the impact of these share-based payments on the capital reserve account was € 4,885K (Dec. 31, 2021: € 4,350K, Dec. 31, 2020: € 3,576K, Jan. 1, 2020: € 2,791K).

Stock options issued and outstanding

	Stock Option Plan 2015	Stock Option Plan 2020
as of Jan. 1, 2020	**376,000**	**-**
Stock options granted - Dec. 2020		49,000
as of Dec. 31, 2020/Jan. 1, 2021	**376,000**	**49,000**
Shares subscribed - March 2021 (options exercised)	-46,500	
Shares subscribed - October 2021	-18,250	
Stock options granted - Oct. / Dec. 2021		52,500
as of Dec. 31, 2021/Jan. 1, 2022	**311,250**	**101,500**
Stock options expired - July 2022	-30,000	-30,000
Shares subscribed - July 2022	-64,025	
Stock options granted - July 2022		132,500
as of December 31, 2022	**217,225**	**204,000**

Valuation parameters

Stock Option Plan	Tranche	Grant date	Vesting date	Remaining until vesting	Expiry date	Expected exercise date	Expected term	Interest rate	Market price at grant date	Subscription price	Minimum price	Market value of options
2015	1	July 16, 2015	July 16, 2019	0,00	July 15, 2025	Nov. 15, 2020	5,63	0,07%	27,10	30,98	29,36	8,406
2015	2	June 28, 2016	June 28, 2020	0,00	June 27, 2026	Oct. 29, 2021	5,63	-0,17%	17,51	22,77	22,70	4,705
2015	3	Oct. 4, 2016	Oct. 4, 2020	0,00	Oct. 3, 2026	Feb. 4, 2022	5,63	-0,56%	19,90	19,46	21,42	7,083
2015*	4	July 3, 2017	July 3, 2021	0,00	July 2, 2027	Nov. 3, 2022	5,63	-0,42%	34,32	36,62	36,16	11,118
2015*	5	Feb. 28, 2018	Feb. 28, 2022	0,00	Feb. 27, 2028	July 1, 2023	5,63	-0,11%	33,10	31,73	34,95	11,155
2015*	6	Apr. 1, 2018	Apr. 1, 2022	0,00	Mar. 31, 2028	Aug. 2, 2023	5,63	-0,04%	32,20	31,74	35,04	10,651
2015*	7	July 1, 2018	July 1, 2022	0,00	June 30, 2028	Nov. 1, 2023	5,63	-0,11%	35,00	36,07	39,33	10,372
2015*	8	July 10, 2019	July 10, 2023	0,52	July 9, 2029	Nov. 9, 2024	5,63	-0,33%	30,40	32,83	36,04	8,076
2020	1	Dec. 16, 2020	Dec. 16, 2024	1,96	Dec. 15, 2030	Apr. 18, 2026	5,38	-0,78%	58,40	47,57	38,32	22,283
2020	2	Oct. 19, 2021	Oct. 19, 2025	2,80	Oct. 18, 2031	Feb. 19, 2027	5,34	-0,68%	53,30	51,72	57,71	18,145
2020	3	Dec. 9, 2021	Dec. 9, 2025	2,94	Dec. 8, 2031	Apr. 11, 2027	5,34	-0,58%	53,60	49,78	55,00	18,972
2020	4	Aug. 1, 2022	Aug. 1, 2026	3,59	July 31, 2032	Feb. 11, 2028	5,53	0,93%	83,00	75,12	82,06	32,662

*amended

17. Income tax expense

Components of income tax expense

Current, deferred and total income tax expenses (income) during the reporting period were as follows:

Current, deferred and total income tax expenses

in € K	Jan. 1 - Dec. 31, 2022	Jan. 1 - Dec. 31, 2021	Jan. 1 - Dec. 31, 2020
Current tax expense	202	3	-
Deferred tax expense			
from valuation at equity	-3,601	-2,571	228
from differing asset valuations	40	20	-1
from capitalization of certain leases as right-of-use (ROU) assets and corresponding liabilities from lease obligations	-33	1	-5
from capitalization of certain internally generated intangible assets	7,137	-	-
from deferred taxes on tax loss carryforwards	-3,142	1,630	-137
Total tax expense	**604**	**-917**	**85**

During the fiscal year from January 1, 2021 to December 31, 2021, the valuation of deferred tax liabilities was adjusted to reflect the valuation at equity of Formycon's holding in FYB 202 GmbH & Co. KG. Until that point, the resulting deferred tax liability had been determined on the basis of the minimum tax rate applicable in Germany and under the assumption that the difference would be subsequently reversed by future pro rata profit allocations from FYB 202 GmbH & Co. KG and thus fully taxable at the level of Formycon AG. As of December 31, 2021, it was already foreseeable that the temporal difference between the tax basis and at-equity book valuation would be negated by Formycon's exit from the company and that only 5% of the resulting income would be taxable. Further taking into account the resulting change in usability of tax loss carryforwards, this resulted in deferred tax income of € 920K, which was recognized in the profit or loss for fiscal year 2021.

As of the reporting date, deferred tax assets and deferred tax liabilities consisted of the following items:

		Dec. 31, 2022		Dec. 31, 2021		Dec. 31, 2020		Jan. 1, 2020
in € K	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Valuation of participation in affiliate	172			151		2,722		2,494
Valuation of non-current assets		95		55		35		36
Right-of-use (ROU) assets and corresponding leasing obligations	38		5		6		1	
Arising from purchase price allocation to capitalized assets		119,116						
Capitalization of internally generated intangible assets		7,137						
Tax loss carryforward corporate tax	11,659		7,742		3,226		2,343	
Tax loss carryforwards - Formycon AG trade tax (Gewerbesteuer)	5,580		3,655		3,018		1,606	
Tax loss carryforwards - FYB202 Project GmbH	5,203							
Offset (netting) of deferred tax assets and liabilities	-6,830	-6,830	-206	-206	-1,837	-1,837	-1,695	-1,695
Valuation adjustment to deferred tax assets	-15.822		-11,197		-4,412		-2,255	
Total	**-**	**119,518**	**-**	**-**	**-**	**920**	**-**	**835**

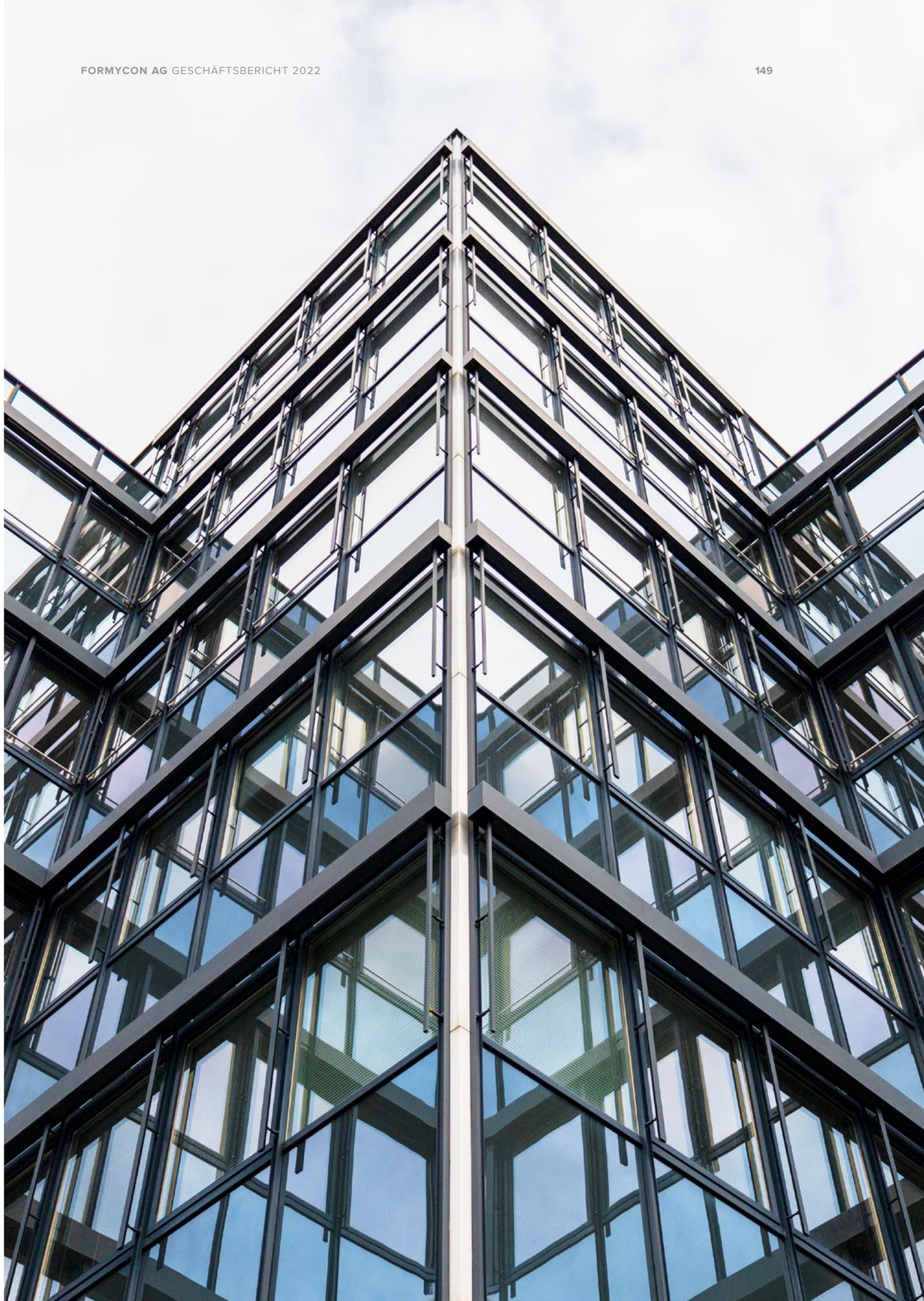
Deferred tax assets on tax loss carryforwards are written down to the extent that the Group cannot demonstrate that future taxable profits will be sufficient to utilize the loss carryforwards.

18. Earnings before finance income/expenses, tax, depreciation and amortization (EBITDA)

EBITDA for the reporting period is derived and calculated as follows:

in € K	Jan. 1 - Dec. 31, 2022	Jan. 1 - Dec. 31, 2021	Jan. 1 - Dec. 31, 2020
EBIT	-17,728	-14,000	-6,541
Depreciation of property, plant and equipment	664	645	633
Depreciation of right-of-use (ROU) assets	1,033	877	811
Amortization of intangible assets	165	-90	-64
EBITDA	**-15,866**	**-12,568**	**-5,161**

The Executive Board additionally presents earnings before finance income/expenses, taxes, depreciation and amortization (EBITDA) in this section of the Financial Statements because it relies upon consolidated EBITDA as a key performance measure in managing the Group and believes that this measure is relevant to an understanding of the Group's financial performance. EBITDA is derived and calculated from reported operating profit (EBIT). While EBITDA is not a defined performance measure under the IFRS cost of sales method, the Group's definition of EBITDA is consistent with usual definitions.



19. Property, plant and equipment (PP&E) and right-of-use (ROU) assets

Reconciliation of book value

in € K	**Right-of-use (ROU) assets**	Leaseholds	Leased technical equipment and machinery	Leased other equipment and furnishings	**Property, plant and equipment**	Leasehold improvements	Technical equipment and machinery	Other equipment and furnishings
Cost of acquisition as of Jan. 1, 2020	**6,043**	4,211	1,740	92	**6,152**	503	4,262	1,387
Additions	**1,582**	1,497	17	68	**511**	109	85	317
Disposals	**-**	-	-	-	**-329**	-	-324	-5
Cost of acquisition as of Dec. 31, 2020	**7,625**	5,708	1,757	160	**6,334**	612	4,023	1,699
Accumulated depreciation as of Jan. 1, 2020	**-517**	-	-517	-	**-3,000**	-263	-2,015	-722
Additions	**-811**	-578	-183	-50	**-633**	-51	-390	-192
Disposals	**-**	-	-	-	**252**	-	247	5
Accumulated depreciation as of Dec. 31, 2020	**-1,328**	-578	-700	-50	**-3,381**	-314	-2,158	-909
Net book value as of Jan. 1, 2020	**5,526**	4,211	1,223	92	**3,152**	240	2,247	665
Net book value as of Dec. 31, 2020	**6,297**	5,130	1,057	110	**2,953**	298	1,865	790
Cost of acquisition as of Jan. 1, 2021	**7,625**	5,709	1,757	159	**6,334**	613	4,023	1,698
Additions	**428**	62	310	56	**394**	-	102	292
Disposals	**-401**	-	-389	-12	**-71**	-	-44	-27
Cost of acquisition as of Dec. 31, 2021	**7,652**	5,771	1,678	203	**6,657**	613	4,081	1,963
Accumulated depreciation as of Jan. 1, 2021	**-1,330**	-580	-700	-50	**-3,381**	-313	-2,159	-909
Additions	**-876**	-623	-190	-63	**-645**	-54	-372	-219
Disposals	**291**	-	279	12	**63**	-	39	24
Accumulated depreciation as of Dec. 31, 2021	**-1,915**	-1,203	-611	-101	**-3,963**	-367	-2,492	-1,104
Net book value as of Jan. 1, 2021	**6,295**	5,129	1,057	109	**2,953**	300	1,864	789
Net book value as of Dec. 31, 2021	**5,737**	4,568	1,067	102	**2,694**	246	1,589	859
Cost of acquisition as of Jan. 1, 2022	**7,652**	5,771	1,678	203	**6,657**	613	4,081	1,963
Additions due to business combinations	**-**				**50**	-	50	-
Additions	**4,213**	3,948	178	86	**551**	31	117	403
Disposals	**-43**	-	-	-43	**-735**	-	-526	-209
Cost of acquisition as of Dec. 31, 2022	**11,821**	9,719	1,856	246	**6,523**	644	3,723	2,157
Accumulated depreciation as of Jan. 1, 2022	**-1,915**	-1,203	-611	-101	**-3,963**	-367	-2,492	-1,104
Additions	**-1,033**	-763	-185	-85	**-664**	-57	-364	-243
Disposals	**43**	-	-	43	**704**	-	510	194
Accumulated depreciation as of Dec. 31, 2022	**-2,905**	-1,966	-796	-143	**-3,923**	-424	-2,345	-1,154
Net book value as of Jan. 1, 2022	**5,737**	4,568	1,067	102	**2,694**	246	1,589	859
Net book value as of Dec. 31, 2022	**8,916**	7,753	1,060	103	**2,600**	220	1,377	1,003

Right-of-use (ROU) assets

Capitalized right-of-use (ROU) assets include rights to use leased space for the Company's headquarters, technical equipment and machinery, and vehicles leased for employee use. During the reporting period, the Company's leased headquarters space was expanded and the lease term (for all leased space) extended until 2032 (five years fixed plus five years optional). An exercise of the lease extension option is assumed in the lease term because the Company believes it likely that the option will be exercised.

20. Goodwill and other intangible assets

Reconciliation of book value

in € K

	Goodwill	**Total intangible assets**	Licenses and similar rights	Software	Prepayments for intangible assets
Cost of acquisition as of Jan. 1, 2020	**-**	**579**	77	502	-
Additions	**-**	**95**	-	95	-
Reclassification		**-**			
Disposals	**-**	**-**	-	-	-
Cost of acquisition as of Dec. 31, 2020	**-**	**674**	77	597	-
Accumulated amortization as of Jan. 1, 2020	**-**	**-339**	-19	-320	-
Additions	**-**	**-64**	-9	-55	-
Disposals	**-**	**-**	-	-	-
Accumulated amortization as of Dec. 31, 2020	**-**	**-403**	-28	-375	-
Net book value as of Jan. 1, 2020	**-**	**240**	58	182	-
Net book value as of Dec. 31, 2020	**-**	**271**	49	222	-
Cost of acquisition as of Jan. 1, 2021	**-**	**671**	74	597	-
Additions	**-**	**546**	249	216	81
Reclassification		**-**			
Disposals	**-**	**-**	-	-	-
Cost of acquisition as of Dec. 31, 2021	**-**	**1,217**	323	813	81
Accumulated amortization as of Jan. 1, 2021	**-**	**-400**	-26	-374	-
Additions	**-**	**-90**	-21	-69	-
Disposals	**-**	**-**	-	-	-
Accumulated amortization as of Dec. 31, 2021	**-**	**-490**	-47	-443	-
Net book value as of Jan. 1, 2021	**-**	**271**	48	223	-
Net book value as of Dec. 31, 2021	**-**	**727**	276	370	81
Cost of acquisition as of Jan. 1, 2022	**-**	**1,217**	323	813	81
Additions due to business combinations	**-**	**460,883**	460,882	1	-
Additions	**44,534**	**26,998**	26,820	148	30
Reclassification	**-**	**-**			-
Disposals	**-**	**-19**	-8	-11	-
Cost of acquisition as of Dec. 31, 2022	**44,534**	**489,080**	488,017	951	111
Accumulated amortization as of Jan. 1, 2022	**-**	**-490**	-47	-443	-
Additions	**-**	**-165**	-42	-123	-
Disposals	**-**	**15**	5	9	-
Accumulated amortization as of Dec. 31, 2022	**-**	**-641**	-84	-557	-
Net book value as of Jan. 1, 2022	**-**	**727**	276	370	81
Net book value as of Dec. 31, 2022	**44,534**	**488,439**	487,933	395	111

For more detailed information on the relevant acquisitions, see Note 8 (“Acquisition of Subsidiaries”).

Capitalized development expenditures

As part of the business combination, all rights to the FYB202 project, which is still under development, were reacquired by Formycon and recognized accordingly. Starting from May 1, 2022, all costs for the further development of the project, both external and internal, were also capitalized as eligible development expenditures. As of December 31, 2022, the capitalized book value of this pending development project was € 481,895K.

In the case of the FYB206 development project, the technical proof of similarity (TPOS) milestone was reached in the middle of the year. Upon attainment of TPOS, the Group’s policy (see Note 6 “Accounting and valuation methods”) is to capitalize all subsequent internal and external development costs. As of December 31, 2022, the amount of capitalized development expenditures for this project was € 5,742K.

During the fiscal year, borrowing costs of € 790K under the shareholder loans were allocated to these two qualifying assets, FYB202 and FYB206, and capitalized as part of their acquisition costs.

Advance payments in the amount of € 4,636K (Dec. 31, 2021: € 616K, Dec. 31, 2020: € 379K, Jan. 1, 2020: € 156K) are mainly advance payments for development services.

Impairment testing

As the part of the business combination involving FYB202 Project GmbH, goodwill of € 44,534K was recognized for the first time. The entire amount of this goodwill was assigned to the FYB202 cash-generating unit (CGU), which corresponds to the FYB202 operating segment and which consists of the FYB202 project still under development. Consistent with these consolidated financial statements, the book value of the CGU was established at € 333,200K, with assets including € 44,534K in goodwill and € 481,895K in internally generated intangible assets (capitalized development costs). The recoverable amount of the CGU for impairment testing was determined using the fair value less cost of disposal (FVLCOD) method, with fair value determined on the basis of current planning for the FYB202 project using discounted cash flows. The Group's planning is based upon analyses of the market for the original product, internal information regarding potential competitors, market analyses of biosimilar products in general, and internal empirical values developed together with a possible contractual partner under consideration for marketing the product. Assumptions were made with regard to the overall future market size, the market share for all biosimilars, the market share specifically for FYB202, and price reductions. For the years 2024 to 2030, annual market sales of the product were thereby estimated at between € 56 and 678 million and subsequently reduced by 3% per year, with these estimates then used as a basis for the further calculations. The planning period ends in 2040, with no further extrapolations beyond this point. In discounting the future estimated cashflows from the CGU, the Group has applied after-tax discount rates of between 11.35% and 11.53% (depending on term), based upon the weighted average cost of capital (WACC) using historical industry weightings, with a possible leverage of 9.9% and a market risk premium of 7%. The recoverable amount determined in this way was higher than the book value of the CGU, and thus it was not necessary to recognize any impairment.

Management has determined two changes in key assumptions which could result in a net book value in excess of the recoverable amount: Should the expected cash flows from the project decrease by 17.25%, or should the applicable WACC increase by 3.1%, the recoverable amount would be just equal to the CGU's book value.

The FYB206 project under development was assigned to the FYB206 CGU with a book value for the CGU of € 5,733K. Likewise for this CGU, the recoverable amount was determined using fair value on the basis of current planning for the FYB206 project using discounted cash flows. In the case of FYB206, Formycon's planning is based in large part upon its experience with previous biosimilar development projects. Assumptions were likewise made with regard to the overall future market size, the market share for all biosimilars, the market share specifically for FYB206, and price reductions. Initial CGU revenues in the form of milestone payments from a potential marketing partner are expected from 2028, with commercial market launch anticipated following originator patent expiry in 2029. The planning period ends in 2040, with no further extrapolations beyond this point. For this CGU, Group has applied an after-tax discount rate of 10.0%, likewise based upon the WACC using historical industry weightings, with a possible leverage of 9.9% and a market risk premium of 7%.

21. Financial assets

Reconciliation of book value

in € K	Investment participation FYB202 GmbH & Co. KG	Investment participation Bioeq AG	Loan to Bioeq AG	**Total**
Book value as of Jan. 1, 2020	**20,625**	**-**	**-**	**20,625**
Additions	1			**1**
Disposals	-			**-**
Book value as of Dec. 31, 2020	**20,626**	**-**	**-**	**20,626**
Book value as of Jan. 1, 2021	**20,626**	**-**	**-**	**20,626**
Additions	2,989			**2,989**
Disposals	-			**-**
Book value as of Dec. 31, 2021	**23,615**	**-**	**-**	**23,615**
Book value as of Jan. 1, 2022	**23,615**	**-**	**-**	**23,615**
Additions from acquisitions		199,339	82,000	**281,339**
Additions	91,149	-	10,300	**101,449**
Disposals	-114,765	-12,932	-	**-127,697**
Book value as of Dec. 31, 2022	**-0**	**186,406**	**92,300**	**278,706**

Shareholdings in associated companies

During the reporting period, the Group ceased to be a limited partner and shareholder in FYB 202 GmbH & Co. KG, which was a Formycon associate until April 30, 2022. Before exiting the partnership, € 1,419K was added to limited partner contributions and included in additions to the carried asset. The gain from the ensuing distribution of assets is recognized in period finance income. Reference is further made to the other relevant explanatory notes. Details of these past financial assets arising from FYB 202 GmbH & Co. KG are as follows:

Shareholdings in associated companies
in € K

	2022	2021	2020
Formycon share at year end	**0%**	**24,90%**	**24,90%**
Non-current assets	0	97,063	71,025
Current assets	0	2,018	6,452
Non-current liabilities	0	-	-
Current liabilities		-4,241	-7,192
Equity capital (100%)		**94,840**	**70,285**
Formycon share of equity (24.9%)		**23,615**	**17,501**
Period net income (100% from Jan. 1 until Apr. 30, 2022)	1	6	3
Formycon share of period net income (Jan. 1 - Apr. 30, 2022)	**0**	**1**	**1**

Shareholdings in jointly controlled companies

As a component of the transaction described in the above Note 8 (“Acquisition of Subsidiaries”), the Group became a 50% shareholder and co-owner of Bioeq AG (Zug, Switzerland), which is jointly controlled by Formycon. For details of the valuation at the time of acquisition, reference is made to the explanation in Note 8. The relevant financial details for Bioeq AG subsequent to the transaction may be found in the following table; in this presentation, adjustments to fair value at the time of acquisition as described in Note 8 have already been taken into account.

Loans to jointly controlled companies

Together with the acquisition of the shares in Bioeq AG, the Group acquired a loan receivable from Bioeq AG in the amount of € 82,000K. By the end of the period on December 31, 2022, the loan had been increased by a further € 10,000K to € 92,000K within the contractual loan framework amount of € 99,000K through a further loan drawdown. An addition, € 300K attributable to the loan was recorded as interest income. The interest rate of the loan is based upon the official circulars published by the Swiss tax authorities for permissible interest rates on cross-border loans with affiliated companies and was approx. 1% during the fiscal year. The loan bears interest at the interest rate published by the Swiss Federal Tax Administration (SFTA) in its annually renewed circular on tax-recognized interest rates for advances or loans in foreign currency.

Shareholdings in jointly controlled companies
in € K

	2022
Formycon share at year end	**50%**
Non-current assets	151,794
Current assets	39,376
Non-current liabilities	-185,475
Current liabilities	-23,135
Equity capital (100%)	**-17,440**
Formycon share of equity (50%)	**-8,720**
"Hidden reserves revealed during initial recognition less accumulated depreciation"	195,318
Tax effect thereof	-29,304
Implicit goodwill	29,113
Book value as of Dec. 31, 2022	**186,406**
Revenue	15,412
Operating income (EBIT)	-24,670
Period net income (100% from May 1 until Dec. 31, 2022)	-25,864
Formycon share of period net income (May 1 - Dec. 31, 2022)	**-12,932**

22. Equity capital

Changes to equity capital during the reporting period are presented in the Consolidated Statement of Changes in Equity.

Number of shares outstanding

Das Grundkapital der Gesellschaft beträgt 15.128.775,00 € und ist eingeteilt in 15.128.775 Stückaktien (Inhaberaktien).

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 € 4,000,000, through the issuance of up to 4,000,000 new no-par-value common 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 the exclusion of fractional shares from subscription rights.

— 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 December 10, 2020 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 December 10, 2020, likewise in accordance with sec. 186 para. 3 sentence 4 of the Stock Corporation Act.

— In the case of capital increases against non-cash contributions for the granting of shares for the purchase 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.

The Executive Board is authorized, subject to approval of the Supervisory Board, to determine further details regarding the specific implementation of any such capital increase from Approved Capital 2019. The Supervisory Board is further authorized to amend the Company’s articles of incorporation (Satzung) to reflect the increase in registered capital and corresponding decrease in Approved Capital 2019 in the event of any such full or partial utilization of the Approved Capital 2019, or in the event of its expiry.

This action was entered into the Company’s commercial register on October 22, 2020.

With increase in the Company’s registered capital increased by € 4,000,000.00 through the issue of 4,000,000 new shares during fiscal year 2022, the Approved Capital 2019 has now been fully utilized.

Approved Capital 2022

By resolution of the Annual General Meeting of June 30, 2022, the Executive Board is authorized, subject to the approval of the Supervisory Board, to increase the Company's registered capital one or more times at any time until June 29, 2027, and by no more than a total of € 7,532,375.00, through the issuance of up to 7,532,375 new no-par-value common bearer shares, against contributions in cash and/or in kind (the "Approved Capital 2022"). The Company's shareholders shall, in general, be granted subscription rights (which may also be by way of indirect subscription rights pursuant to sec. 186 para. 5 sentence 1 of the Stock Corporation Act). Notwithstanding the foregoing, the Executive Board shall be authorized, subject to the approval of the Supervisory Board, to fully or partly exclude the general statutory subscription rights of shareholders in the following specific cases:

— For the exclusion of fractional shares from subscription rights.

— In the case of capital increases against non-cash contributions for the issuance and granting of shares as consideration for the purchase of companies, parts of companies, equity interests in companies, or other assets or rights.

— In the case of capital increases made against cash contributions, provided that the issuance price of the new shares is not significantly lower than the stock exchange price at the time that the issuance price is determined and that the new shares issued under exclusion of subscription rights pursuant to sec. 186 para. 3 sentence 4 of the Stock Corporation Act do not exceed 10% of the Company's share capital, either at the time of entry into effect or at the time of exercise. The calculation of this 10% limit shall include (a) any shares which are issued or sold during the term of this authorization under an exclusion of subscription rights through the direct application of, and in accordance with, sec. 186 para. 3 sentence 4 of the Stock Corporation Act, and/or (b) any shares issued, or which may be issued, to fulfill the Company's obligations arising from the exercise of warrants and/or conversion rights, or other stock option rights or obligations, arising from bonds or profit participation rights, provided that these financial instruments have been issued subsequent to the entry into force of this authorization and under exclusion of subscription rights pursuant to sec. 186 para. 3 sentence 4 of the Stock Corporation Act.

— In the case of capital increases made against cash contributions, insofar as necessary to grant sufficient shares to holders of bonds or profit participation rights with warrants and/or conversion rights, or involving other stock option rights or obligations, and issued by the Company or by a direct or indirect subsidiary thereof, to the extent that they would be entitled as shareholders upon exercise of the relevant option or conversion right or fulfillment of option or conversion obligation, or following any right to substitute which the Company may have.

— For the granting of shares issued in lieu of cash dividends (scrip dividends), whereby shareholders are offered the option of contributing their dividend entitlement (in whole or in part) to the Company as a contribution in kind against the granting of new shares from approved capital.

The Executive Board is authorized, subject to the approval of the Supervisory Board, to determine further details regarding the specific implementation of any such capital increase and issuance of new shares, including the issuance price, as well as regarding the rights of shareholders thereunder. The Supervisory Board is further authorized to amend the Company's Articles of Incorporation to reflect any such increase in registered capital and corresponding decrease in Approved Capital 2022 in the event of any such full or partial utilization of the Approved Capital 2022 or in the event of its expiry.

Conditional Capital 2019

By resolution of the Annual General Meeting of June 30, 2022, the Conditional Capital 2019 was revoked.

Conditional Capital 2022

By resolution of the Annual General Meeting of June 30, 2022, the Company's registered capital has been conditionally increased by a maximum of € 6,497,125.00 (the "Conditional Capital 2022").

This conditional capital increase shall serve for the granting of shares to holders of convertible bonds and/or bonds with attached warrants issued by the Company, or by a group company within the meaning of sec. 18 of the Stock Corporation Act, on the basis of the corresponding authorization resolved by the Annual General Meeting on June 30, 2022 and at any time until June 29, 2027, which become due upon the exercise of bondholder conversion and/or option rights, or upon fulfillment of conversion or subscription obligations, or upon the exercise by the Company of its optional rights to redeem bonds, in whole or in part, through the granting of Company shares in lieu of cash. The conversion or option exercise price at which the new shares are issued shall be determined in accordance with the authorizing shareholder resolution. Capital increases under the Conditional Capital 2022 shall be carried out only to the extent necessary for the exercise of conversion or option rights, or for the fulfillment by creditors or bondholders of conversion or subscription obligations, or for the exercise by the Company of its optional rights to redeem bonds, in whole or in part, through the granting of new Company shares to holders of convertible bonds and/or bonds with attached warrants as consideration due and only insofar as such consideration due is not granted in the form of cash or existing treasury shares, or as shares of another listed company as substitute consideration. Although newly issued shares should, in principle, participate in profits from the beginning of the fiscal year during which they are issued, any shares newly issued on the basis of a bond conversion or warrant exercise declared prior to the annual general meeting of the Company in which a resolution is passed regarding the application of retained profits from the prior fiscal year shall also be entitled to participate in any dividends declared for the prior fiscal year. To the extent legally permissible, the Board of Management may, with the approval of the Supervisory Board, determine the profit participation of such newly issued shares in deviation from sec. 60 para. 2 of the Stock Corporation Act. The Executive Board is authorized, subject to the approval of the Supervisory Board, to determine further details regarding the specific implementation of any capital increases hereunder.

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

Conditional Capital 2015

The Company's registered capital has been conditionally increased by a maximum of € 376,000 for the issu-ance of a maximum of 376,000 new no-par-value bearer shares (the "Conditional Capital 2015"). The Con-ditional 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 subsidiar-ies and associated companies, 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 issu-ance, 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 deter-mine fur-ther 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 in-corporation to reflect such utilization of conditional capital.

As of the period closing date, a total of 217,225 stock options remained issued under the Conditional Capital 2015 and not either expired or exercised.

Conditional Capital 2020

The Company's registered capital has been conditionally increased by a maximum of € 724,000 for the issuance of a maximum of 724,000 new no-par-value bearer shares (the "Conditional Capital 2020"). The Conditional Capital 2020 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 associated compa-nies, under the authority granted by resolution of the Annual General Meeting of December 10, 2020 to issue such stock options at any time up to and including December 9, 2025 (the "Stock Option Plan 2020"). 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 authori-zed, 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 conditio-nal capital.

As of the period closing date, a total of 204,000 stock options were issued thereunder and not either expired or exercised.

23. Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future develop-ment of the business. Management regularly monitors liquidity and the equity capital ratio in order to ensure their adequacy. During the fiscal year, a significant long-term debt position was created for the first time arising from the business combination transaction described in Note 8 ("Acquisition of subsidiaries") and the associated financing by key shareholders. This financing arrangement serves to facilitate the Group's medium-term to long-term strategy and to enable Formycon to continue its development projects independently without necessarily having to rely on the support of external partners. At the same time, the equity ratio has fallen significantly as a result of the new long-term debt, although it should be recognized here that this long-term debt is provided exclusively by Formycon shareholders.

Equity ratio
in € K

	2022	2021	2020
Equity capital	356,580	55,891	66,895
Non-current liabilities	446,451	4,406	5,901
Current liabilities	50,666	10,418	7,781
Liabilities and equity	**853,697**	**70,715**	**80,577**
Equity ratio	**41.8%**	**79.0%**	**83.0%**

24. Other current liabilities

As of the reporting date, other current liabilities consisted of the following items:

The shareholder loan account includes loan repayments along with accrued interest. The loan was granted to the Group by key shareholders (or affiliates thereof) to facilitate the strategic transaction. The loan is a revolving credit line in the amount of € 68,000K with a term of 24 months from the first drawdown. Interest is charged on drawdowns at a rate of 6%, which can be repaid at any time. Interest due is payable at the end of each calendar quarter. As of the reporting date, € 40,000K of this credit line was drawn by the Group and outstanding.

Other current liabilities
in € K

	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020	Jan. 1, 2020
Shareholder loan	20,790			
Current portion of conditional purchase price	14,935			
Staff-related liabilities	1,293	1,194	1,167	950
Taxes	465	265	100	-4
Miscellaneous	833	476	269	254
Total	**38,315**	**1,935**	**1,536**	**1,200**

25. Other non-current liabilities

Other non-current liabilities include the conditional purchase price payments relating to the acquisition of subsidiaries, as described in the above Note 8 (“Acquisition of subsidiaries”), in the amount of € 299,339K (prior year: € 0K) along with the non-current portion of shareholder loans in the amount of € 20,000K.

26. Financial instruments

Valuation

The Group generally classifies all financial assets and liabilities as financial instruments measured at amortized cost. The sole exception to this is the conditional portion of the purchase price under the ATHOS transaction during the fiscal year as partial consideration for the acquisition of the shareholdings in FYB202 Project GmbH and Bioeq AG (see preceding Notes 24 and 25), which are measured at fair value. For all other financial assets and liabilities, book value is an adequate approximation of fair value, and thus there is no there is no separate estimate of fair value.

These contingent purchase price payments are measured at fair value based on level 3 input factors under the fair value hierarchy (see Note 4 “Use of judgements and estimates” as well as Note 6 “Accounting and valuation methods”). At the time of the business combination transaction, the contingent purchase price payments were originally valued at € 291,502K but at a fair value of € 314,274K as of the reporting date. The difference of € 22,772K has been included in finance income/costs.

The valuation model is based upon the expected cash flows discounted at risk-adjusted rates depending upon the respective future payment dates. As of the reporting date, the discount rates ranged from 11.35% to 11.53% in the case of the conditional purchase price payments for FYB202 Project GmbH and from 11.14% to 11.27% in the case of the conditional purchase price payments for Bioeq AG. In both cases, the estimated fair value would increase if the expected cash flows occurred earlier or if the risk-adjusted discount rates were lower. A 1% decrease (increase) in the discount rate would result in an increase (decrease) in the fair value of € 16,660K for FYB202 Project GmbH and € 15,272K for Bioeq AG, which would have to be recognized as profit or loss.

Risk management

The Group has exposure to the following risks arising from financial instruments:

— Credit risk

— Liquidity risk

— Foreign currency risk

Risk management framework

The Executive Board of Formycon AG has overall responsibility for the establishment and oversight of the Group’s risk management framework. Toward this end, the Executive Board has appointed staff members responsible for managing and further developing the Group’s risk management policies. These staff members report regularly to the Executive Board on their activities. The risk management policies and systems are regularly reviewed to reflect changes in market conditions and in the Group’s activities.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. In the case of Formycon, credit risk arises principally from receivables as well as from the Group’s holdings in cash and cash equivalents. The carrying amounts of financial assets and contract assets represent the maximum potential credit exposure.

In determining whether the credit risk of a financial asset has increased significantly since its initial recognition and in estimating expected credit losses, the Group considers information that is available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group’s historical experience as well as published external credit ratings, which also incorporate forward-looking information.

During the fiscal year as in the prior year, no impairment losses on financial assets were recognized because the total calculated ECL amount was immaterial (see also Note 6 “Accounting and valuation methods”).

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group’s objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation.

The remaining contractual maturities of financial liabilities as of the reporting date are shown below. The amounts are gross and undiscounted and include contractual interest payments but not the impact of netting agreements.

Contractual remaining terms of financial liabilities
in € K

as of Dec. 31, 2022	due within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	**Total**	**Book value**
Lease obligations	989	1,010	943	895	829	4,136	**8,802**	**8,519**
Shareholder loan	20,790	20,000	-	-	-	-	**40,790**	**40,790**
Conditional purchase price payments	15,749	53,692	60,125	61,891	46,972	404,930	**643,359**	**299,339**
as of Dec. 31, 2021								
Lease obligations	891	840	752	696	657	1,474	**5,311**	**5,283**
as of Dec. 31, 2020								
Lease obligations	1,001	840	789	695	630	2,094	**6,050**	**5,965**
as of Jan. 1, 2020								
Lease obligations	857	818	658	621	534	1,908	**5,396**	**5,337**

The following overview presents the expected cash flows from the contingent purchase price payment.

Foreign currency risk

To the extent that there is a mismatch between the currencies in which purchase and credit transactions are denominated and the functional currency of the relevant consolidated company, the Group is exposed to transactional foreign currency risk. The functional currency of consolidated companies is, in all cases, the euro (€). The transactions from which such foreign currency risk may arise are primarily denominated in U.S. dollars (USD), British pounds (GBP) and Swiss francs (CHF), as well as to a small extent Japanese yen (JPY). In addition, the Group holds bank accounts denominated in USD. As of the reporting date, the net foreign currency risk reflected in Group's balance sheet (for each of the currencies, in thousands) was as follows: A possible strengthening (weakening) of the euro, U.S. dollar, British pound, Swiss franc or Japanese yen relative to the other currencies would, as of December 31, have influenced the valuation of financial instruments denominated in foreign currencies and would have affected equity account and profit or loss account according. The analysis assumes that all other influencing factors, especially interest rates, remain unchanged. A 10% change in the USD/EUR exchange rate would result in a gain/loss of € 37K (2021: € 79K, 2020: € 99K), while a 10% change in the CHF/EUR exchange rate would result in a gain/loss of € 20K (2021: € 92K, 2020: € 127K).

Foreign currency risk
in K

as of Dec. 31, 2022	USD	GBP	CHF	JPY
Bank accounts	365	-	-	-
Trade payables	761	51	194	254
Net risk exposure	396	51	194	254
as of Dec. 31, 2021				
Bank accounts	396	-	-	-
Trade payables	1,284	244	951	-
Net risk exposure	888	244	951	-
as of Dec. 31, 2020				
Bank accounts	10	-	-	-
Trade payables	1,227	45	1,373	-
Net risk exposure	1,217	45	1,373	-
as of Jan. 1, 2020				
Bank accounts	-	-	-	-
Trade payables	385	4	784	-
Net risk exposure	385	4	784	-

27. Leases

The Group enters into lease contracts solely as a lessee. These contracts include the Group's leased head offices in Martinsried/Planegg on the outskirts Munich, leased property, plant and equipment primarily for laboratory purposes, and leased vehicles for certain staff members. For information about the capitalization of right-of-use assets, see Note 19 "Property, plant and equipment (PP&E) and right-of-use (ROU) assets".

Interest expenses of € 69K (2021: € 22K, 2020: € 27K) were incurred during the fiscal year and recognized in the income statement (Consolidated Statement of Profit or Loss and OCI). In addition, administrative expenses during the fiscal year included lease payments for low-value assets not recognized as right-of-use assets with corresponding lease liabilities in the amount of € 66K (2021: € 46K, 2020: € 17K).

The following table provides an overview of the maturities of the Group's lease liabilities:

Maturities of the Group's lease liabilities
in € K

as of Dec. 31, 2022	due within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Current lease obligations	925						**925**
Non-current lease obligations		1,050	986	935	864	3,759	**7,594**
as of Dec. 31, 2021							
Current lease obligations	877						**877**
Non-current lease obligations		832	748	694	657	1,475	**4,406**
as of Dec. 31, 2020							
Current lease obligations	984						**984**
Non-current lease obligations		830	785	694	630	2,042	**4,981**
as of Jan. 1, 2020							
Current lease obligations	830						**830**
Non-current lease obligations		800	648	617	533	1,908	**4,507**

28. Transactions with related parties

Key management personnel and members of Supervisory Board

The Group's key management personnel are the members of the Executive Board of Formycon AG.

Remuneration to Executive Board members
in € K

	Jan. 1 - Dec. 31, 2022	Jan. 1 - Dec. 31, 2021	Jan. 1 - Dec. 31, 2020
Short-term employee benefits	1,363	1,342	1,427
Post-employment benefits	625		
Stock options granted	604	36	257
Total	**2,592**	**1,378**	**1,684**

Administrative expenses
in € K

	Jan. 1 - Dec. 31, 2022	Jan. 1 - Dec. 31, 2021	Jan. 1 - Dec. 31, 2020
Short-term employee benefits	1,363	1,342	1,427
Post-employment benefits	625	-	-
Stock option expense	89	380	487
Total	**2,077**	**1,378**	**1,914=**

During the fiscal year, remuneration to members of the Supervisory Board was € 96K (2021: € 83K, 2020: € 127K).

Beyond regular remuneration, there were no transactions with any member of the Executive Board or Supervisory Board during the reporting period or prior-year period.

Related companies

Prior to the completion of the transaction explained under Note 8 "Acquisition of subsidiaries", the Group was already working together with FYB202 Project GmbH, a 100% subsidiary of Formycon associate FYB202 GmbH & Co. KG. During the first part of the fiscal year until April 30, 2022, the Group generated revenue of € 2,576K (2021: € 10,348K, 2020: € 4,236K) through the offsetting sale of its development services.

Following the acquisition of 26.44% of the shares of Formycon AG on May 1, 2022, ATHOS Group companies became recognized as related companies. Klinge Biopharma GmbH, as the development partner of the FYB203 project, likewise became a related company with effect from May 1, 2022.

Also with effect from May 1, 2022, the Formycon became a shareholder in Bioeq AG, the development partner for the FYB201 project, which from this date became a jointly controlled company. For the remainder of the reporting period starting from May 1, 2022, sales revenue of € 30,497K with related companies was recognized, of which € 7,211K was with jointly controlled Bioeq AG. In terms of the closing balance sheet, € 7,808K is recognized under trade receivables. There is also a loan receivable from Bioeq AG in the amount of € 92,300K including accrued interest.
In addition to the sales revenue and trade receivables resulting from these development partnerships, the Group has also received loans from key shareholders (see Notes 24 and 25). Formycon also has liabilities relating to conditional purchase price payments to ATHOS Group companies resulting from the business combination transaction. As of the reporting date, the amount of this recorded liability was € 311,181K, while expenses during the fiscal year included € 19,679K arising from the fair value measurement of these obligations.

There were no other transactions with related persons or companies during the reporting period.

29. Other information

Number of employee

	2022	2021	2020
Research & development	137	117	89
Business operations	8	4	0
General & administrative	16	16	12
Total	**161**	**137**	**101**

Personnel expenses according to the Total cost method

in € K	Jan. 1 - Dec. 31, 2022	Jan. 1 - Dec. 31, 2021	Jan. 1 - Dec. 31, 2020
Wages and salaries	9,599	11,748	9,341
Social security costs	1,653	1,879	1,341
Pension costs	140	144	136
Total	**11,393**	**13,770**	**10,817**

Renumeration

During the fiscal year, the members of the Supervisory Board received total remuneration of € 96K (2021: € 83K, 2020: € 127K), while total remuneration to members of the Executive Board, within the meaning of sec. 285 no. 9 of the Commercial Code, was € 2,592K (2021: € 1,378K, 2020: € 1,684K), of which € 846K (2021: € 461K, 2020: € 638K) was success-based, and including 95,000 stock options with a current fair value of € 604K (2021: € 36K, 2020: € 257K).

Consolidated financial statement auditor fees per sec. 314 para. 1 no. 9 of the Commercial Code

in € K	Jan. 1 - Dec. 31, 2022	Jan. 1 - Dec. 31, 2021	Jan. 1 - Dec. 31, 2020
Audit services	389	95	82
Tax advisory and other services	0	8	4
Total	**389**	**103**	**86**

30. Events subsequent to end of reporting period

By official entry into the Company's commercial register on February 3, 2023, the Company's registered capital was increased by € 910,000.00 through a partial utilization of the Approved Capital 2022. The shares were issued under an accelerated book buildingprocess permitting the exclusion of subscription rights for existing shareholders. The capital increase took place at an issue price of € 77.00 per share. Following this capital increase, the Company's registered capital was € 16,038,775.00.

Martinsried/Planegg, Germany
April 25, 2023

Dr. Stefan Glombitza

Dr. Andreas Seidl

Nicola Mikulcik

Enno Spillner

Independent Auditors' Report

To Formycon AG, Planegg-Martinsried, Germany

Auditor's Opinion

We have audited the consolidated financial statements of Formycon AG, Planegg-Martinsried, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2022, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. We have also audited the combined management report of the Company and the Group (the "combined management report") of Formycon AG for the business year from January 1 to December 31, 2022.
In our opinion, based on the findings of our audit, the accompanying consolidated financial statements

— the accompanying consolidated financial statements comply in all material respects with IFRSs as adopted by the EU and the additional requirements of German law pursuant to § 315e Abs. 1 HGB and give a true and fair view of the financial position of the Group as of December 31, 2022 and of its financial performance for the fiscal year from January 1 to December 31, 2022 in accordance with these requirements and

— the accompanying combined management report as a whole provides a suitable view of the Group's position. In all material respects this combined management report is consistent with the consolidated financial statements, complies with German legal requirements, and accurately presents the opportunities and risks of future development.

In accordance with § 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations concerning the propriety of the consolidated financial statements and the combined management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the combined management report in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under these rules and principles is further described in the section "Responsibility of the auditor for the audit of the consolidated financial statements and the combined management report" of our auditor's report. We are independent of the Group companies in accordance with German commercial law and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements and the combined management report.

Other information

The Board of Management is responsible for the other information.

The other information comprises the annual report. The other information does not include the consolidated financial statements, the audited content of the combined management report and our audit opinion thereon.

Our audit opinions on the consolidated financial statements and the combined management report do not cover the other information and, accordingly, we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information referred to above and, in doing so, consider whether the other information is

— materially inconsistent with the consolidated financial statements, the content of the audited information in the combined management report or our knowledge obtained in the audit, or

— otherwise appears to be materially misstated.

Responsibility of the Board of Management and the Supervisory Board for the consolidated financial statements and the combined management report

The Board of Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the EU and the additional requirements of German law pursuant to § 315e (1) HGB and for such internal control as the Board of Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Management is further responsible for such internal control as the Board of Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error (i.e. manipulation of the accounting system or misstatement of assets).

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern. It is also responsible for disclosing, as applicable, matters related to the Group's ability to continue as a going concern. In addition, the Board of Directors is responsible for preparing the financial statements on a going concern basis unless the Board of Directors intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

In addition, the Board of Management is responsible for the preparation of the combined management report, which as a whole provides a suitable view of the Group's position, is consistent in all material respects with the consolidated financial statements, complies with German statutory requirements, and suitably presents the opportunities and risks of future development. Furthermore, the Board of Management is responsible for the arrangements and measures (systems) it determines are necessary to enable the preparation of the combined management report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the statements made in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the combined management report.

Auditor's responsibility for the audit of the consolidated financial statements and the combined management report

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides a suitable view of the Group's position and is consistent, in all material respects, with the consolidated financial statements and the audit findings, comply with German legal requirements and suitably present the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinions on the consolidated financial statements and the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they

could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and the combined management report.

During the audit, we exercise professional judgment and maintain a critical attitude. In addition

- identify and assess the risks of material misstatement of the consolidated financial statements and the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and the arrangements and actions relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the going concern basis of accounting used by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the combined management report or, if those disclosures are inadequate, to modify our opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or conditions may cause the Group not to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRSs as adopted by the EU and the additional requirements of German law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the accounting information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the combined management report. We are responsible for directing, supervising and performing the audit of the consolidated financial statements. We are solely responsible for our audit opinions.

- We assess the consistency of the combined management report with the consolidated financial statements, their compliance with the law, and the understanding of the Group's position given by them.

- perform audit procedures on the forward-looking statements made by the Executive Board in the combined management report. Based on sufficient appropriate audit evidence, we in particular verify the significant assumptions underlying the forward-looking statements made by the Board of Management and evaluate the appropriateness of the information derived from these assumptions. We do not express an independent opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events could differ materially from the forward-looking statements.

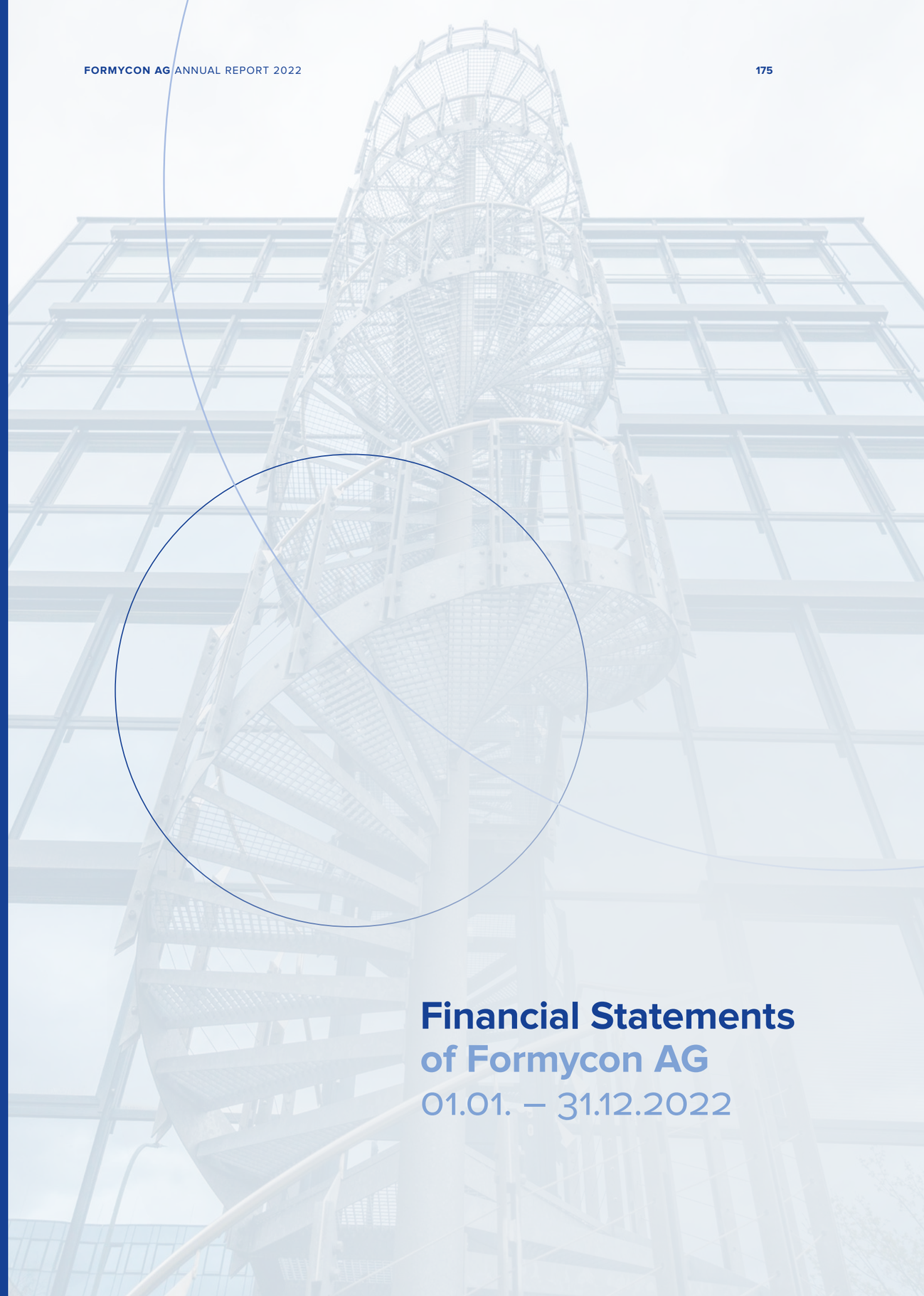
We discuss with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Munich, April 26, 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft

signed Hutzler
Certified Public Accountant

signed Ratkovic
Certified Public Accountant



Financial Statements of Formycon AG

01.01. – 31.12.2022

Balance Sheet *Assets*

In € K	Dec. 31, 2022	Dec. 31, 2021
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	628	590
2. Goodwill	0	118
3. Advance payments	111	81
	739	**788**
II. Property, plant and equipment		
1. Land and buildings, including property-like rights and buildings on third-party land	89	107
2. Technical equipment and machinery	2,289	2,589
3. Other plant, production equipment and office equipment	608	587
4. Advance payments	201	60
	3,186	**3,344**
III. Financial assets		
1. Shares in affiliated companies	419,532	50
2. Loans to affiliated companies	44,485	2,000
3. Investment participations	23,700	23,661
	487,717	**25,711**
B. Current assets		
I. Inventories		
1. Raw materials, consumables and supplies	497	359
2. Unfinished products and services	192	334
3. Advance payments	3,656	378
	4,345	**1,071**
II. Receivables and other assets		
1. Trade accounts receivable	4	3,186
2. Receivables from affiliated companies	7,218	7,235
3. Other assets	6,000	3,211
	13,223	**13,632**
III. Securities		
1. Other securities	0	150
	0	**150**
IV. Cash and cash equivalents	**4,040**	**22,098**
C. Prepaid expenses and deferred items	**237**	**238**
D. Deferred tax asset	**0**	**310**
	513,487	**67,342**

Liabilities and Equity

	Dec. 31, 2022	Dec. 31, 2021
A. Equity		
I. Subscribed capital[1]	15,129	11,065
II. Capital Reserve	409,774	78,436
III. Retained Earnings	34,671	-31,084
	459,574	**58,416**
B. Provisions		
1. Other provisions	6,414	3,485
	6,414	**3,485**
C. Liabilities		
1. Trade accounts payable — of which due within one year: 2,638 € K (prior year: 4,211 € K)	2,638	4,211
2. Liabilities toward affiliated companies	3,182	0
3. Other liabilities — of which due within one year: 41,367 € K (Vorjahr: 858 € K) — of which due in more than one year: 312 € K (Vorjahr: 372 € K) — of which from taxes: 291 € K (Vorjahr: 404 € K) — of which relating to social security: 60 € K (Vorjahr: 42 € K)	41,679	1,230
	47.499	**5.441**
	513.487	**67.342**

[1] Conditional Capital 2020: 0,00 €
Conditional Capital 2019: 3.763.404,00 €
Conditional Capital 2015: 0,00 €

Income Statement

In € K		Fiscal year 2022	Prior year
1.	Sales	28,257	26,546
2.	Increase or decrease in inventories of finished and unfinished products	-142	282
3.	Other operating income	6,231	4,696
	— of which income attributable to foreign currency translation: € 70 K (prior year: € 12 K)		
4.	Cost of materials		
	a) Cost of raw materials, consumables and supplies and of purchased goods	2,947	2,689
	b) Cost of purchased services	27,334	23,088
		30,281	**25,777**
5.	Staff expenses	14,571	10,974
	a) Wages and salaries		
	b) Social contributions and costs for retirement benefits and for support benefits		
	— of which for retirement benefits: € 64 K (prior year: € 82 K)	2,504	2,023
		17,076	**12,997**
6.	Depreciation, amortization and writedowns of intangible assets and on property plant and equipment	1,143	943
	— of which for writedowns: € 96 K (prior year: € 0 K)		
7.	Other operating expenses	9,194	5,047
	— of which expense arising from foreign currency translation: € 55 K (prior year: € 26 K)		
8.	Income from investment participations	89,995	0
	— of which from affiliated companies: € 0 K (prior year: € 0 K)		
9.	Other interest and similar income	366	84
	— of which from affiliated companies € 64 K (prior year: € 82 K)		
10.	Writedowns of financial assets and of securities held in current assets	0	3
11.	Interest and similar expense	944	149
12.	Taxes on income	310	-27
13.	**Income after tax**	**65,757**	**-13,280**
14.	Other taxes	2	3
15.	**Annual net income (loss)**	**65,755**	**-13,283**
16.	Loss carryforward from prior year	31,084	17,801
17.	**Accumulated net income (loss) to balance sheet**	**34,671**	**-31,084**

Notes to the Financial Statements of Formycon AG for the period from January 1, 2022 to December 31, 2022

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 Martinsried/Planegg, 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).

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 euros (€) 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).
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 nature of expense method in accordance with sec. 275 para. 2 of the Commercial Code.

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.

The Balance Sheet was structured in accordance with the provisions of sec. 266 of the German Commercial Code and sec. 152 of the German Stock Corporation Act, organized into fixed assets, current assets, equity, liabilities, and deferred and prepaid items.

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

Foreign currency translation

Assets and liabilities denominated in foreign currency are translated into euros at the average spot exchange rate on the day of their original recognition. 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, 2022.

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 and licenses) are capitalized at cost 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 cost, 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.

With effect from May 1, 2022, Formycon AG announced the acquisition of the biosimilar assets FYB201 and FYB202 as well as of Bioeq GmbH. This transaction specifically encompasses:

— the complete assumption of the biosimilar candidate FYB202 (ustekinumab) through the acquisition of 100% of the shares of FYB202 Project GmbH, a Berlin-based company, and the acquisition of 50% of rights to biosimilar candidate FYB201 (ranibizumab) through the acquisition of 50% of the shares in Bioeq AG, based in Zug, Switzerland;

— the acquisition of 100% of the shares in Bioeq GmbH, the operational development unit based in the town of Holzkirchen on the southern outskirts of Munich; and

— a non-cash capital increase against contributions in kind to Formycon AG, making ATHOS KG the largest shareholder of Formycon AG with a total indirect shareholding of 26.6%.

At the time of closing, the valuation of the assets acquired under the transaction was approx. € 650 million, consisting of the following two components:

As a result of the related non-cash capital increase, the Company’s registered capital (Grundkapital) increased from € 11,064,750.00 to € 15,064,750.00, thereby fully utilizing the Company’s existing approved capital in the amount of € 4,000,000.00, through the issuance of 4,000,000 new bearer shares without par value but with an imputed nominal value of € 1.00 per share to the respective selling entities against contributions in kind. Based on a valuation of € 83.41 per Formycon share, jointly determined and confirmed by independent experts, the total value

of this non-cash capital increase is approx. € 334 million. With the completion of the transaction, ATHOS is now the largest shareholder in Formycon AG with a total indirect shareholding of around 26.6% of Formycon's share capital. Of the total new shares issued, 55,000 shares are attributable to Bioeq GmbH, 670,000 to the 50% shareholding in Bioeq AG along with assumption of a shareholder loan in the nominal amount of € 82 million, which was also acquired by Formycon under the transaction, and the remaining 3,275,000 shares to FYB202 Project GmbH. The Company's registered capital thus increased by a total of € 4,000,000.00. Based on a valuation of € 83.41 per share, € 329,640,000.00 was accordingly allocated to the capital reserve account.

In addition, ATHOS received a revenue share (earn-out component) in Formycon's future sales of FYB201 and FYB202, through which ATHOS is expected to earn a total participation estimated in the mid three-digit million range over an estimated period of 15 years. Under the terms of the transaction, Formycon has the option to satisfy the earn-out component at any time in advance, in full or in part. At the time of the capital contribution, the contributed loan receivable from Bioeq AG less the share of the earn-out component attributable thereto was valued at € 32.2 million. However, the loan receivable with a nominal value of € 82 million and related earn-out component in the amount of € 49.8 million were formed together into a "valuation unit" (offsetting positions per German statutory accounting), since each cash inflow from the loan receivable automatically results in a proportionate outflow for the repayment of the conditional purchase price. The two components were netted accordingly and are not shown separately in the balance sheet. The fair value of the netted position is zero.

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 as of December 31, 2022, 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 is recognized. The income tax rate used to calculate deferred taxes is 26.68%. With the exit of Formycon AG during 2022 as a shareholder of FYB202 GmbH & Co. KG, deferred tax assets now consist solely of tax loss carryforwards. For fiscal year 2022, the Company exercised its elective right under sec. 274 of the Commercial Code to recognize deferred tax assets, contrary to the prior year, in accordance with a change in accounting principles for Formycon Group, and thus deferred tax assets are no longer recognized for fiscal year 2022. The deferred tax assets from the prior fiscal year have been released to income accordingly.

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 measrued at their settlement amount.

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 € 15,128,775.00, which is divided into 15,128,775 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 € 4,000,000, through the issuance of up to 4,000,000 new no-par-value common 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 December 10, 2020 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 December 10, 2020, 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 shares for the purchase 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.

— The Executive Board is authorized, subject to approval of the Supervisory Board, to determine further details regarding the specific implementation of any such capital increase

The Executive Board is authorized, subject to approval of the Supervisory Board, to determine further details regarding the specific implementation of any such capital increase from Approved Capital 2019. The Supervisory Board is further authorized to amend the Company's articles of incorporation (Satzung) to reflect the increase in registered capital and corresponding decrease in Approved Capital 2019 in the event of any such full or partial utilization of the Approved Capital 2019, or in the event of its expiry.

This action was entered into the Company's commercial register on October 22, 2020.

With increase in the Company's registered capital increased by € 4,000,000.00 through the issue of 4,000,000 new shares during the fiscal year, the Approved Capital 2019 has now been fully utilized.

Approved Capital 2022

By resolution of the Annual General Meeting of June 30, 2022, the Executive Board is authorized, subject to the approval of the Supervisory Board, to increase the Company's registered capital one or more times at any time until June 29, 2027, and by no more than a total of € 7,532,375.00, through the issuance of up to 7,532,375 new no-par-value common bearer shares, against contributions in cash and/or in kind (the "Approved Capital 2022"). The Company's shareholders shall, in general, be granted subscription rights (which may also be by way of indirect subscription rights pursuant to sec. 186 para. 5 sentence 1 of the Stock Corporation Act). Notwithstanding the foregoing, the Executive Board shall be authorized, subject to the approval of the Supervisory Board, to fully or partly exclude the general statutory subscription rights of shareholders in the following specific cases:

— For the exclusion of fractional shares from subscription rights.

— In the case of capital increases against non-cash contributions for the issuance and granting of shares as consideration for the purchase of companies, parts of companies, equity interests in companies, or other assets or rights.

— In the case of capital increases made against cash contributions, provided that the issuance price of the new shares is not significantly lower than the stock exchange price at the time that the issuance price is determined and that the new shares issued under exclusion of subscription rights pursuant to sec. 186 para. 3 sentence 4 of the Stock Corporation Act do not exceed 10% of the Company's share capital, either at the time of entry into effect or at the time of exercise. The calculation of this 10% limit shall include (a) any shares which are issued or sold during the term of this authorization under an exclusion of subscription rights through the direct application of, and in accordance with,

sec. 186 para. 3 sentence 4 of the Stock Corporation Act, and/or (b) any shares issued, or which may be issued, to fulfill the Company's obligations arising from the exercise of warrants and/or conversion rights, or other stock option rights or obligations, arising from bonds or profit participation rights, provided that these financial instruments have been issued subsequent to the entry into force of this authorization and under exclusion of subscription rights pursuant to sec. 186 para. 3 sentence 4 of the Stock Corporation Act.

— In the case of capital increases made against cash contributions, insofar as necessary to grant sufficient shares to holders of bonds or profit participation rights with warrants and/or conversion rights, or involving other stock option rights or obligations, and issued by the Company or by a direct or indirect subsidiary thereof, to the extent that they would be entitled as shareholders upon exercise of the relevant option or conversion right or fulfillment of option or conversion obligation, or following any right to substitute which the Company may have.

— For the granting of shares issued in lieu of cash dividends (scrip dividends), whereby shareholders are offered the option of contributing their dividend entitlement (in whole or in part) to the Company as a contribution in kind against the granting of new shares from approved capital.

The Executive Board is authorized, subject to the approval of the Supervisory Board, to determine further details regarding the specific implementation of any such capital increase and issuance of new shares, including the issuance price, as well as regarding the rights of shareholders thereunder. The Supervisory Board is further authorized to amend the Company's Articles of Incorporation to reflect any such increase in registered capital and corresponding decrease in Approved Capital 2022 in the event of any such full or partial utilization of the Approved Capital 2022 or in the event of its expiry.

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

Conditional Capital 2019

By resolution of the Annual General Meeting of June 30, 2022, the Conditional Capital 2019 has been revoked.

Conditional Capital 2022

By resolution of the Annual General Meeting of June 30, 2022, the Company's registered capital has been conditionally increased by a maximum of € 6,497,125.00 (the "Conditional Capital 2022").

This conditional capital increase shall serve for the granting of shares to holders of convertible bonds and/or bonds with attached warrants issued by the Company, or by a group company within the meaning of sec. 18 of the Stock Corporation Act, on the basis of the corresponding authorization resolved by the Annual General Meeting on June 30, 2022 and at any time until June 29, 2027, which become due upon the exercise of bondholder conversion and/or option rights, or upon fulfillment of conversion or subscription obligations, or upon the exercise by the Company of its optional rights to redeem bonds, in whole or in part, through the granting of Company shares in lieu of cash. The conversion or option exercise price at which the new shares are issued shall be determined in accordance with the authorizing shareholder resolution. Capital increases under the Conditional Capital 2022 shall be carried out only to the extent necessary for the exercise of conversion or option rights, or for the fulfillment by creditors or bondholders of conversion or subscription obligations, or for the exercise by the Company of its optional rights to redeem bonds, in whole or in part, through the granting of new Company shares to holders of convertible bonds and/or bonds with attached warrants as consideration due and only insofar as such consideration due is not granted in the form of cash or existing treasury shares, or as shares of another listed company as substitute consideration. Although newly issued shares should, in principle, participate in profits from the beginning of the fiscal year during which they are issued, any shares newly issued on the basis of a bond conversion or warrant exercise declared prior to the annual general meeting of the Company in which a resolution is passed regarding the application of retained profits from the prior financial year shall also be entitled to participate in any dividends declared for the prior fiscal year. To the extent legally permissible, the Board of Management may, with the approval of the Supervisory Board, determine the profit participation of such newly issued shares in deviation from sec. 60 para. 2 of the Stock Corporation Act. The Executive Board is authorized, subject to the approval of the Supervisory Board, to determine further details regarding the specific implementation of any capital increases hereunder.

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

Conditional Capital 2015

By resolution of the Annual General Meeting of June 30, 2015, the Company's registered capital was conditionally increased by a maximum of € 376,000 for the issuance of a maximum of 376,000 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 conditional capital.

During the period, a total of 64,025 shares were subscribed under the Conditional Capital 2015, while a further 30,000 options expired unexercised.

Thus, as of the period closing date, a total of 217,225 stock options remained issued under the Conditional Capital 2015 and neither expired nor exercised.

Conditional Capital 2020

The Company's registered capital has been conditionally increased by a maximum of € 724,000 for the issuance of a maximum of 724,000 new no-par-value bearer shares (the "Conditional Capital 2020"). The Conditional Capital 2020 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 December 10, 2020 to issue such stock options at any time up to and including December 9, 2025 (the "Stock Option Plan 2020"). 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 conditional capital.

During the period, 30,000 options expired unexercised, and thus as of the period closing date, a total of 204,000 stock options remained issued under the Conditional Capital 2020 and neither expired nor exercised.

Provisions

Other provisions are substantially comprised of the following:

Provisions

in € K	Dec. 31, 2022	Dec. 31, 2021
Bonuses	**901**	908
Accrued vacation	**308**	217
Storage obligations	**198**	146
Accrued invoices	**4.493**	2.078
Audit and advisory costs	**425**	54
Workers compensation board and other social expenses	**83**	54
Miscellaneous staff provisions	**4**	28

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.

Other liabilities include a loan from key shareholders of Formycon AG in the amount of € 40,000K .

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 € 1,017K, for obligations between one and five years € 3,416K, and for obligations beyond five years, € 0K.

Additional notes to the Income Statement

Total research and development costs during the reporting period were € 57,694K.

As part of the transaction under which shareholdings in FYB202 Project GmbH, Bioeq GmbH and Bioeq AG were acquired, FYB 202 GmbH & Co. KG realized a gain on the sale of its shares. At the level of Formycon AG with its investment participation as limited partner in FYB 202 GmbH & Co KG, Formycon's share of the gain was first allocated, resulting in investment income of € 89,730K. The remaining book value of Formycon's investment in FYB 202 GmbH & Co. KG was € 114,811K. Subsequently, Formycon AG exited as a limited partner. Under the asset allocation, Formycon AG was allocated assets in the amount of € 114,811K, so that the exit did not generate any further gain or loss.

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 reporting period:

Average number of staff

	Fiscal year 2022	Fiscal year 2021
Administration	**30**	20
Research & development	**160**	140
Total company staff	**190**	160

Information on the Executive Board and Supervisory Board

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

— Dr. Carsten Brockmeyer, residing in Marzling, Chief Executive Officer (until June 30, 2022)

— Dr. Nicolas Combé, residing in Munich, Chief Financial Officer (until June 30, 2022)

— Dr. Stefan Glombitza, residing in Holzkirchen, Chief Operating Officer (until June 30, 2022)

— Dr. Stefan Glombitza, residing in Holzkirchen, Chief Executive Officer (since July 1, 2022)

— Nicola Mikulcik, residing in Munich, Chief Business Officer (since June 1, 2022)

— Dr. Andreas Seidl, residing in Oberhaching, Chief Scientific Officer (since July 1, 2022)

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

— Dr. Olaf Stiller, residing in Marburg (Chair)
Member of the executive board of Paedi Protect AG
Member of the executive board of Deutsche Kosmetikwerke AG

— Peter Wendeln, residing in Oldenburg (Deputy Chair)
Managing partner, Wendeln & Cie. Asset Management GmbH

— Klaus Röhrig, residing in Vienna (member)
Founding partner and managing director, Active Ownership Capital S.à r.l., Grevenmacher, Luxembourg

— Dr. Thomas Strüngmann, residing in Pinneberg (member since July 1, 2022)
Principal, ATHOS Group

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
Member of supervisory board, Deutsche Reinigungswerke AG

— Klaus Röhrig
Member of board of directors, Agfa-Gevaert NV
Member of supervisory board, Francotyp-Postalia Holding AG

— Dr. Thomas Strüngmann
Member of international oversight committee, SiO2 Medical Products, Inc., Auburn, Alabama, USA

Remuneration

During the fiscal year, the members of the Supervisory Board received total remuneration of € 96K (prior year: € 83K), while total remuneration to members of the Executive Board, within the meaning of sec. 285 no. 9 of the Commercial Code, was € 2,592K (prior year: € 1,378K), of which € 846K (prior year: € 461K) was success-based, and including 95,000 stock options with a current fair value of € 604K.

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 Planegg/Martinsried/Germany	100	-196	0
Formycon Project 203 GmbH Planegg/Martinsried/Germany	100	-1,844	255
FYB202 Project GmbH Planegg/Martinsried/Germany	100	16,990	-19,506
Bioeq GmbH Planegg/Martinsried/Germany	100	4,360	-121
Bioeq AG Zug/Switzerland	50	-17,441*	-34,054

* in accordance with IFRS

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

	Fiscal year 2022	Fiscal year 2021
Audit services	**848**	78
Tax advisory and other services	**37**	2
Total	**885**	80

Significant events subsequent to balance sheet closing date

There have been no events of material significance which occurred following the end of the fiscal year and are not reflected in these Interim 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 proposes to carry forward the annual net income to the next fiscal year.

Subsequent report

By official entry into the Company's commercial register on February 3, 2023, the Company's registered capital was increased by € 910,000.00 through a partial utilization of the Approved Capital 2022. The shares were issued under an accelerated process permitting the exclusion of subscription rights for existing shareholders. The capital increase took place at an issue price of € 77.00 per share. Following this capital increase, the Company's registered capital was € 16,038,775.00.

Martinsried/Planegg, Germany,
April 25, 2023

Dr. Stefan Glombitza

Dr. Andreas Seidl

Nicola Mikulcik

Enno Spillner

Schedule of Fixed Assets

Attachment 1

In € K

	Changes in historical cost of acquisition					Changes in accumulated depreciation & amortization				Changes in net book value		
	Cost at Dec. 31, 2021	Additions	Reclassification	Historical cost of disposals	Cost at Dec. 31, 2022	Accumulated depreciation & amortization at Dec. 31, 2021	Current-year depreciation & amortization	Depreciation & write-downs on disposals	Accumulated depreciation & amortization at Dec. 31, 2022	Net book value at Dec. 31, 2021	Net book value of disposals	Net book value at Dec. 31, 2022
Intangible assets												
Concessions, commercial property rights, and similar rights and assets, as well as licenses for such rights and assets	1,137	239	-24	19	1,333	547	177	19	705	590	0	628
Goodwill	1,576	0	0	0	1,576	1,458	118	0	1,576	118	0	0
Advance payments	81	6	24	0	111	0	0	0	0	81	0	111
Property, plant and equipment												
Land and buildings, including property-like property-like rights and buildings on third-party land	613	55	-24	0	644	506	50	0	555	107	0	89
Technical equipment and machinery	5,764	414	-120	531	5,527	3,176	561	498	3,239	2,589	32	2,289
Other plant, production equipment and office equipment	1,748	257	4	190	1,818	1,161	238	188	1,210	587	2	608
Advanced payments and construction in progress	60	0	141	0	201	0	0	0	0	60	0	201
Financial assets												
Shares in affiliated companies	50	419,482	0	0	419,532	0	0	0	0	50	0	419,532
Loans to affiliated companies	2,000	0	0	0	2,000	0	0	0	0	2,000	0	2,000
Loans to companies in which an investment participation is held	0	42,485	0	0	42,485	0	0	0	0	0	0	42,485
Investment participations in partnerships	23,661	0	0	23,661	0	0	0	0	0	23,661	23,661	0
Investment participations in corporations	0	23,700	0	0	23,700	0	0	0	0	0	0	23,700
Total	**36,691**	**486,638**	**0**	**24,401**	**498,928**	**6,848**	**1,143**	**705**	**7,286**	**29,843**	**23,696**	**491,642**

Attachment 2

Schedule of Receivables

In € K

	Dec. 31, 2022	of which due in more than 1 year	of which due within 1 year
Trade accounts receivable	4	0 (prior year: 0)	4 (prior year: 3,186)
Receivables from affiliated companies	7,218	0 (prior year: 0)	7,218 (prior year: 7,235)
Receivables from companies in which an investment participation is held"	0	0 (prior year: 0)	0 (prior yearr: 0)
Other assets	6,000	0 (prior year: 0)	6,000 (prior year: 3,211)
Total	**13,223**	**0 (prior year: 0)**	**13,223 (prior year: 13,632)**

Attachment 3

Schedule of Liabilities

In € K	Total	of which due within 1 year	of which due in 1-5 years	of which due in more than 5 years	of which pledged as security	Type and form of security
Trade accounts payable	2,638	2,638 (prior year: 4,211)	0 (prior year: 0)	0 (prior year: 0)	0	—
Liabilities toward affiliated companies	3,182	3,182 (prior year: 0)	0 (prior year: 0)	0 (prior year: 0)	0	—
Other liabilities	41,679	41,367 (prior year: 858)	312 (prior year: 372)	0 (prior year: 0)	312	Industry-customary conditional retention
Summe	47,499	47,187 (prior year: 5,069)	312 (prior year: 372)	0 (prior year: 0)	0	—

Attachment 4

Schedule of Changes in Equity

In € K	Subscribed capital	Capital reserves	Profit reserves	Loss carryforward	Annual net income (loss)	Equity
as of Dec. 31, 2021	**11,065**	**78,436**	**0**	**-17,801**	**-13,283**	**58,416**
Capital increases	4,064	0	0	0	0	4,064
Additions to capital reserves	0	331,339	0	0	0	331,339
Appropriation of prior-year profit	0	0	0	-13,283	13,283	0
Annual net income (loss)	0	0	0	0	65,755	65,755
as of Dec. 31, 2022	**15,129**	**409,774**	**0**	**-31,084**	**65,755**	**459,574**

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, 2022, and the income statement, schedule of changes in equity and statement of cash flows for the fiscal year from January 1 to December 31, 2022, 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, 2022.

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, 2022, and of its financial performance for the fiscal year from January 1, to December 31, 2022, 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 and management report 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.

Other information

The Company's legal representatives [members of the Executive Board, per sec. 78 of the German Stock Corporation Act] are responsible for other information, including also statements and explanations provided to us prior to the date of this auditor's report pertaining to such other information in sections of the annual report other than the components of the annual financial statements and management report specifically audited by us, as well as this auditor's report and certain remaining final portions of this annual report expected to be made available to us after this date. In addition to this, the information in the management report also includes:

- the "Summary statement of Executive Board on business performance and economic environment" insofar as this information concerns Formycon Group,

- information about financial performance and financial position insofar as this information concerns Formycon Group,

- information about staffing and other non-financial aspects insofar as this information concerns Formycon Group,

- information about research and development activities insofar as this information concerns Formycon Group,

- the "Report on risks and opportunities" insofar as this information concerns Formycon Group, and

- the "Report on outlook" insofar as this information concerns Formycon Group.

Our audit opinions on the annual financial statements and management report do not extend to such other information, nor do we provide any other audit opinion or any other form of audit conclusion in respect thereof.

In connection with our audit, it is our responsibility to read the other information described above and, in doing so, to assess whether the other information

- contains material inconsistencies with the annual financial statements, with the information in the management report which we examined as to content, or with our knowledge obtained during the audit, or

- appears to contain other materially incorrect representations.

If, on the basis of the work we have carried out, we come to the conclusion that there has been a material misrepresentation of such other information, we are obliged to report this fact. In the present instance, we have nothing to report.

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

The Company's legal representatives 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 and management report.

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 and management report.

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.

München, 25. April 2023

PanTaxAudit GmbH
Wirtschaftsprüfungsgesellschaft

Christian Stüben
Wirtschaftsprüfer
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