

Condensed interim
financial information for
the period ending
June 30, 2017

Probiodrug AG
Halle (Saale)

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Probiodrug AG, Halle (Saale)

Statement of Comprehensive Loss

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

	Notes	1/1-6/30/2017	1/1-6/30/2016
		kEUR	kEUR
Research and development expenses		-4,937	-4,711
General and administrative expenses	2.1.	-1,329	-1,325
Other operating income	2.2.	4	48
Operating loss		-6,262	-5,987
Interest expense		856	-57
Finance expenses, net		856	-57
Income taxes	3.3.1.	1,100	0
Net loss for the period/Comprehensive loss		-4,306	-6,044
Loss per share in EUR (basic and diluted)	2.3.	-0.53	-0.81

Probiodrug AG, Halle (Saale)

Statement of Financial Position as of June 30, 2017

ASSETS

	Notes	6/30/2017	12/31/2016
		kEUR	kEUR
A. Noncurrent assets			
I. Intangible assets	3.1	35	96
II. Plant and equipment	3.1	62	68
III. Financial assets		3	3
		100	167
B. Current assets			
I. Other assets	3.2.1	486	302
II. Cash and cash equivalents	3.2.2	14,385	21,897
		14,871	22,199
		14,971	22,366

EQUITY AND LIABILITIES

	Notes	6/30/2017		12/31/2016	
		kEUR	kEUR	kEUR	kEUR
A. Equity					
I. Share capital	3.6		8,187		8,187
II. Additional paid-in capital			48,427		48,286
III. Accumulated other comprehensive loss			-530		-530
IV. Accumulated deficit			-43,873		-39,567
			12,211		16,376
B. Liabilities					
I. Noncurrent liabilities					
1. Pension liabilities		847		850	
2. Provisions		12	859	0	850
II. Current liabilities					
1. Tax liabilities	3.3.1	9		2,739	
2. Provisions		1		53	
3. Trade payables		1,655		1,893	
4. Other current liabilities	3.3.2	236	1,901	455	5,140
			2,760		5,990
			14,971		22,366

Probiodrug AG, Halle (Saale)

Cash Flow Statement

	1/1– 6/30/2017	1/1– 6/30/2016
	kEUR	kEUR
Net loss for the period	-4,306	-6,044
Net finance income/expense	-856	57
Depreciation and amortisation	71	26
Income taxes received	0	1
Income taxes paid	-766	0
Gain from income taxes	-1,102	0
Share based payments	141	377
Changing in working capital		
Changes in inventories	0	-422
Changes in other assets	-184	-479
Changes in pension liabilities	-9	-9
Changes in provisions	-40	11
Changes in trade payables	-238	-243
Changes in other liabilities	-219	-275
Cash flows used in operating activities	-7,508	-7,000
Purchase of plant and equipment	-4	-2
Purchase of intangible assets	0	-114
Cash flows used in investing activities	-4	-116
Cash flows provided by financing activities	0	0
Net decrease in cash and cash equivalents	-7,512	-7,116
Cash and cash equivalents at the beginning of period	21,897	21,361
Cash and cash equivalents at the end of period	14,385	14,245

Probiodrug AG, Halle (Saale)

Statement of Changes in Equity

	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total equity
	kEUR	kEUR	kEUR	kEUR	kEUR
January 1, 2016	7,442	34,866	-499	-25,676	16,133
Net loss for the period/ Comprehensive loss	0	0	0	-6,044	-6,044
Share based payments	0	376	0	0	376
	0	376	0	-6,044	-5,668
June 30, 2016	7,442	35,242	-499	-31,720	10,465
January 1, 2017	8,187	48,286	-530	-39,567	16,376
Net loss for the period/ Comprehensive loss	0	0	0	-4,306	-4,306
Share-based payments	0	141	0	0	141
	0	141	0	-4,306	-4,165
June 30, 2017	8,187	48,427	-530	-43,873	12,211

Probiodrug AG, Halle (Saale)

1 Condensed interim financial statements

1.1 Basis for preparation of the financial statements

The condensed interim financial statements of Probiodrug AG ("the Company") as of June 30, 2017 and for the six months then ended, were prepared in accordance with the requirements of the International Accounting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted by the EU. The rules contained in IAS 34 "Interim Financial Reporting" were applied accordingly.

These condensed interim financial statements do not include all information relevant for the financial statements and are therefore to be read in conjunction with the financial statements as of December 31, 2016.

The condensed interim financial statements are presented in Euro (EUR). To the extent not otherwise stated, all amounts are given in thousands of Euro (EUR k). Discrepancies may occur in the presentation of the figures as a result of rounding.

The condensed interim financial statements have been prepared under the assumption of a going concern. We refer to section 1.3.

1.2 Foreign currency translation

The principles for foreign currency translation remain unchanged to those applied for the financial statements as of December 31, 2016.

1.3 Accounting policies

Given that the interim financial reports are based on the financial statements as of December 31, 2016, reference is made to the detailed description of the accounting policies contained in the notes to the financial statements as of December 31, 2016. The accounting policies applied are essentially commensurate with those applied in the previous year.

The estimates and assumptions, unchanged from December 31, 2016, primarily relate to estimates and assumptions in connection with the management's assessment of the entity's ability to continue as a going concern and the determination of accruals for research and development services in progress. As a clinical stage biopharmaceutical company, Probiodrug has incurred a net loss of EUR 4,306k for the six months ended June 30, 2017. As of June 30, 2017 the company had generated an accumulated deficit of EUR 43,873k. The Company anticipates operating losses to continue for the foreseeable future due to, among other things,

costs related to research funding, development of its product candidates and its preclinical programs and the development of its administrative organization. The accompanying interim financial statements have been prepared on the basis that the Company will continue as a going concern, which contemplates the realisation of assets and the settlement of liabilities and commitments in the normal course of business. The company's ability to continue as a going concern is dependent on its ability to raise additional funds to continue its research and development programs and meet its obligations.

In accordance with the present liquidity projections, the Company is funded until Q1 2019. These projections do not include investments for a long-term clinical trial in Alzheimer Disease patients. The future financing is dependent on the continuing success of the clinical program, the Company is currently pursuing. Management expects to raise funds in the form of equity or debt and/or execute a partnership agreement for the further development of the pipeline until Q2 2018.

The following applies in addition to the accounting policies described in the notes to the financial statements as of December 31, 2016:

Effective January 1, 2017, the following revised standards and interpretations were applied by the company:

- Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"
- Amendments to IAS 7: "Disclosure Initiative"
- Improvements to IFRS 2014-2016 Cycle: Amendments to IFRS 12 Disclosure of Interests in other entities

The changes listed did not have a significant impact on the condensed interim financial statements of Probiodrug.

2 Notes to individual line items of the statement of comprehensive income

2.1 General and administrative expenses

General and administrative expenses of EUR 1,329k (6 M period 2016 EUR 1,325k) include the administrative expenses of Probiodrug AG. They relate mainly to management costs, consulting expenses, external services and general administrative expenses.

2.2 Other operating income

Other operating income amounted to EUR 4k in the 6 M period 2017, following EUR 48k in the 6 M period 2016.

2.3 Earnings per share

Earnings per share were calculated in accordance with IAS 33. For the calculation per share the earnings for the period were divided by the weighted average number of shares outstanding. There is no dilutive effect.

Probiodrug AG has as of June 30, 2017, 8,186,735 no-par shares outstanding, which have in average been in circulation during the reporting period. The calculated nominal amount per share is EUR 1.00. The net loss for the period January 1 to June 30, 2017 amounted to EUR 4,306k (6 M period 2016 EUR 6,044k). The result per share (basic and diluted) from continuing operations amounted to EUR -0.53 (6 M period 2016 EUR -0.81).

3 Notes to the individual line items in the balance sheet

3.1 Noncurrent assets

The value of noncurrent assets decreased to EUR 100k (12/31/2016 EUR 167k) taking into account depreciation (EUR 71k) and investments in fixed assets of EUR 4k.

3.2 Current assets

3.2.1 Other current assets

Other current assets comprise the following:

	June 30, 2017	Dec. 31, 2016
	EUR k	EUR k
Deferred items	324	126
Receivables from value added taxes	109	121
Other	53	55
Total	486	302

3.2.2 Cash and cash equivalents

Cash and cash equivalents amounted to EUR 14,385k at June 30, 2017 (12/31/2016 EUR 21,897k). They are not restricted to use.

3.3 Current liabilities

3.3.1 Tax liabilities

Regarding the tax liabilities recognized at December 31, 2016 of EUR 2,739k, a settlement with the respective fiscal authorities about the corporate income and trade tax was reached in the reporting period. According to the settlement agreement the fiscal authorities claimed an amount of EUR 775k including additional interest, of which EUR 766k were paid until June 30, 2017 and EUR 9k were paid in July 2017.

3.3.2 Other current liabilities

Other current liabilities include liabilities from obligations to the management in the amount of EUR 95k, liabilities from obligations to the supervisory board in the amount of EUR 68k, payroll and church taxes to be paid in the amount of EUR 39k and others (EUR 34k).

3.4 Stock option

No new stock options were issued in the reporting period.

The expenses associated with the (previously issued) stock options allocated to the period from January 1 to June 30, 2017 amounted to EUR 141k and were added to the additional paid-in capital.

3.5 Authorised Capital 2014

On June 13, 2017 the Annual General Meeting resolved to cancel the Authorised Capital 2014, which was effectively replaced by with Authorized Capital 2017.

3.6 Authorised Capital 2017

On June 13, 2017 the Annual General Meeting resolved to create the Authorised Capital 2017. The management board is given the authorization to increase the company's share capital subject to the consent of the supervisory board until June 12, 2022 in one or several steps for cash contributions or contributions in kind by up to Euro 4,093,367.00 by issuing a total of 4,093,367 new no-par value common bearer shares (Authorized Capital 2017). The subscription right is excluded. Moreover, the management board is given the authorization subject to the consent of the supervisory board to define the further details of the capital increase, its implementation and the terms and conditions for the issue of the shares out of the Authorized Capital 2017.

4 Other disclosures

4.1 Contingencies and other financial commitments

The total of the other financial commitments as at June 30, 2017 was EUR 1,560k (12/31/2016 EUR 3,683k) and consist of services by research and development service providers as well as of service, leasing and rental commitments. Of these commitments, EUR 1,327k are due in 2017.

4.2 Significant events subsequent to the end of the reporting period

There were no significant events subsequent to the reporting period.

4.3 Related party disclosures

For further information reference is made to the explanations of related party disclosures in the notes to the financial statements as of December 31, 2016. Significant changes have not occurred.

4.4 Authorisation for issue

On August 4, 2017, Probiodrug AG's management board authorised these condensed interim financial statements.

Halle (Saale), August 4, 2017

Dr. Konrad Glund

Dr. Hendrik Liebers

Dr. Inge Lues