Condensed interim financial information for the period ending June 30, 2018

Probiodrug AG
Halle (Saale)

Probiodrug AG, Halle (Saale)

Statement of Comprehensive Loss
for the Period from January 1, 2018 to June 30, 2018

	Notes	1/1–6/30/2018	1/1–6/30/2017
		kEUR	kEUR
Research and development expenses		-2,572	-4,937
General and administrative expenses	2.1.	-1,578	-1,329
Other operating income	2.2.	17	4
Operating loss		**-4,133**	**-6,262**
Finance income		24	856
Finance expense		-11	0
Finance income, net		**13**	**856**
Income taxes		0	1,100
Net loss for the period/Comprehensive loss		**-4,120**	**-4,306**

Loss per share in EUR (basic and diluted)	2.3.	-0.51	-0.53

Probiodrug AG, Halle (Saale)

Statement of Financial Position as of June 30, 2018

ASSETS

	Notes	6/30/2018 kEUR	12/31/2017 kEUR
A. Noncurrent assets			
I. Intangible assets	3.1	9	11
II. Plant and equipment	3.1	50	55
III. Financial assets		3	3
		62	**69**
B. Current assets			
I. Other assets	3.2.1	421	402
II. Cash and cash equivalents	3.2.2	6,686	10,291
		7,107	**10,693**
		7,169	**10,762**

EQUITY AND LIABILITIES

	Notes		6/30/2018		12/31/2017
		kEUR	kEUR	kEUR	kEUR
A. Equity					
I. Share capital	3.5		8,208		8,208
II. Additional paid-in capital			48,723		48,678
III. Accumulated other comprehensive loss			-387		-387
IV. Accumulated deficit			-51,696		-47,576
			4,848		**8,923**
B. Liabilities					
I. Noncurrent liabilities					
Pension liabilities			1,634		1,171
II. Current liabilities					
1. Provisions		12		12	
2. Trade payables		456		344	
3. Other current liabilities	3.3	219	687	312	668
			2,321		**1,839**
			7,169		**10,762**

Probiodrug AG, Halle (Saale)

Cash Flow Statement for the period January 1 to June 30, 2018

	1/1–6/30/2018	1/1–6/30/2017
	kEUR	**kEUR**
Net loss for the period	-4,120	-4,306
Net finance income/expense	-13	-856
Depreciation and amortisation	12	71
Income taxes paid	0	-766
Gain from income taxes	0	-1.102
Share based payments	45	141
Unrealised foreign currency gain	-16	0
Changing in working capital		
Changes in other assets	-19	-184
Changes in pension liabilities	1	-9
Changes in provisions	0	-40
Changes in trade payables	111	-238
Changes in other liabilities	-93	-219
Cash flows used in operating activities	**-4,092**	**-7,508**
Purchase of plant and equipment	-4	-4
Purchase of intangible assets	0	0
Proceeds from termination of pension liabilities insurance	475	0
Cash flows used in investing activities	**471**	**-4**
Cash flows provided by financing activities	**0**	**0**
Net decrease in cash and cash equivalents	**-3,621**	**-7,512**
Cash and cash equivalents at the beginning of period	**10,291**	**21,897**
Effect of exchange rate fluctuation on cash held	**16**	**0**
Cash and cash equivalents at the end of period	**6,686**	**14,385**

Probiodrug AG, Halle (Saale)

Statement of Changes in Equity as of June 30, 2018

	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total equity
	kEUR	kEUR	kEUR	kEUR	kEUR
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**
January 1, 2018	**8,208**	**48,678**	**-387**	**-47,576**	**8,923**
Net loss for the period/ Comprehensive loss	0	0	0	-4,120	-4,120
Share-based payments	0	45	0	0	45
	0	**45**	**0**	**-4,120**	**-4,075**
June 30, 2018	**8,208**	**48,723**	**-387**	**-51,696**	**4,848**

Probiodrug AG, Halle (Saale)

Notes to the condensed interim financial statements

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, 2018 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 shall be read in conjunction with the financial statements as of December 31, 2017.

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). Differences 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, 2017.

1.3 Accounting policies

Given that the condensed interim financial statements are based on the financial statements as of December 31, 2017, reference is made to the detailed description of the accounting policies contained in the notes to the financial statements as of December 31, 2017. The accounting policies applied are essentially commensurate with those applied in the previous year.

The estimates and assumptions, unchanged from December 31, 2017, 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 4,120k for the six month ended June 30, 2018. As of June 30, 2018, the company had generated an accumulated deficit of EUR 51,696k. 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 realization 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 Q3 2019. These projection do not include investments for the execution of a phase 2b clinical trial of PQ 912 in Alzheimer Disease patients. The future financing is dependent on the continuing success of the clinical program, the Company is currently pursuing. Management experts to raise funds in the form of equity or debt and/or execute a license agreement for the further development of the pipeline in the second half year 2018.

The following applies in addition to the accounting policies described in the notes to the financial statements as of December 31, 2017:

Effective January 1, 2018 the following revised Standards and Interpretations were applied for the Company:

- Amendments to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”
- IFRS 9 “Financial Instruments”
- IFRS 15 “Revenue from Contracts with Customers”
- Amendment to IFRS 15 “Effective Date of IFRS 15”
- IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”
- IFRIC 22 “Foreign Currency Transactions and Advance Consideration”
- Amendments to IAS 40 “Transfers of Investment Property”
- Improvements to IFRSs 2014 – 2016: Cycle: Improvements to IFRS 1 and IAS 28

- The Company adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018. IFRS 15, Revenue from Contracts with Customers, replaces all current standards and interpretations dealing with revenue recognition and introduces a five-step model to account for revenue. As the Company is currently not generating revenues, the Company may only be affected by IFRS 15 in the future when entering into collaborative arrangements or similar deals.

- The Company adopted IFRS 9 on 1 January 2018 retrospectively. In addition, management has elected to not restate comparative information as permitted by IFRS 9. The impact of the adoption of IFRS 9 on the Company's equity as at 1 January 2018 is nil. Accordingly, at the date of initial application, the Company did not record any difference between previous carrying amounts and those determined under IFRS 9 in opening accumulated deficit.

- IFRS 9 Financial Instruments – Classification – Financial assets, financial liabilities

- IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The new classification for the Company's financial assets is as follows. Other assets, financial assets and cash and cash equivalents, previously classified as “loans and receivables” under IAS 39 are now classified as “at amortised cost” under IFRS 9. Trade payables and other current are classified “at amortised cost”.

The other revised Standards and Interpretations did also 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 1,578k (6 M period 2017 EUR 1,329k) 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 17k in the 6 M period 2018, following EUR 4k in the 6 M period 2017.

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 at June 30, 2018 8,208,009 no-par shares outstanding, all of them had 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, 2018 amounted to EUR -4,120k (6 M period 2017 EUR -4,306k). The result per share (basic and diluted) from continuing operations amounted to EUR -0.51 (6 M period 2017 EUR -0.53).

3. Notes to the individual line items in the balance sheet

3.1 Noncurrent assets

The carrying amount of noncurrent assets decreased to EUR 62k (December 31, 2017 EUR 69k) taking into account depreciation (EUR 12k) 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, 2018	Dec. 31, 2017
	EUR k	EUR k
Deferred items	290	346
Receivables from value added taxes	118	45
Other	13	11
Total	**421**	**402**

3.2.2 Cash and cash equivalents

Cash and cash equivalents amount to EUR 6,686k at June 30, 2018 (December 31, 2017 EUR 10,291k). They are not restricted to use.

3.3 Current liabilities

Other current liabilities

Other current liabilities include liabilities from obligations to members of the management in the amount of EUR 57k, liabilities from obligations to members of the supervisory board in the amount of EUR 55k, payroll and church taxes from obligations to employees in the amount of EUR 73k and others (EUR 34k).

3.4 Stock options

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 2018 amounted to EUR 45k and were added to the additional paid-in capital.

3.5 Conditional Capital

As at June 30, 2018, the total conditional capital amounted to EUR 4,002,527.00 (December 31, 2017 EUR 2,602,527.00). Of this amount, EUR 481,748.00 (December 31, 2017 EUR 481,748.00) are reserved as a result of the issuance of options.

Conditional Capital 2018

By resolution of June 21, 2018, the Annual General Meeting created the Conditional Capital 2018 while cancelling of the Conditional Capital 2015.

The Company's share capital is conditionally increased (Conditional Capital 2018) by a nominal value of up to 3,400,000.00 new no par value bearer shares. The conditional capital increase serves to grant no par value registered shares upon exercising conversion and/or option rights (or the satisfaction of corresponding conversion or option obligations) or, to the extent that the Company exercises its right to grant no par value Company shares, in lieu of payment of the amount due in cash (or parts thereof) to the holders or creditors of bonds that have been issued by the Company or a group company in accordance with the authorisation of the Annual Shareholders' Meeting of the shareholders dated June 21, 2018 until June 20, 2023 as per Section 18 AktG. The issuance of the new shares shall be effected at the conversion or option price to be determined, in each case, in accordance with the aforementioned authorization resolution.

The subscription rights of the shareholders on the occasion of the issue of bonds based on this authorization are excluded.

Convertible Bonds

By resolution of the Ordinary General Meeting on June 21, 2018, the management board is authorized, with the cancelling of the authorization of June 10, 2015 - subject to the consent of the supervisory board - until June 20, 2023 to issue once or in several transactions, in the latter case also simultaneously in several tranches, option bonds and/or convertible bonds in bearer and/or registered form (the “Bonds”) with a total nominal amount counted as of the date of the initial adoption of the resolution on June 10, 2015 of up to EUR 60,000,000.00, each with or without a maturity restriction. The bonds, subject to the respective terms and conditions of the option bonds (the “Option Conditions”) grant option rights or impose option obligations. The bonds may also, subject to the respective terms and conditions of the convertible bonds (the “Convertible Bond Conditions”) grant conversion rights or impose conversion obligations. The bonds may grant rights or impose obligations to subscribe for up to 3,400,000.00 no par value bearer shares of the Company with a total prorated amount of the Company’s share capital of up to EUR 3,400,000.00. The bonds may be issued in Euro or - limited to the respective value in Euro - in any other statutory currency of an OECD member state. The bonds may also be issued against non-cash consideration, in particular to acquire enterprises, interests in enterprises, business units, receivables, patents and licenses or other assets, provided however, that their value is at least equivalent to the issue price of the bonds.

The bonds may also be issued by domestic or foreign companies affiliated with the Company within the meaning of sec. 15 et. seq. AktG (the “Group Company”). In the event an issue by a Group Company, the management board - subject to the consent of the supervisory board - is authorized to guarantee the bonds on behalf of the Company and to grant conversion rights to the holders of convertible bonds or grant option rights/impose option obligations to the holders of option bonds relating to the shares in the Company.

The management board - subject to the supervisory board’s consent- is authorized to determine the further details of the issue and the terms of the bonds, in particular interest rate, type of interest accrual, issue price, term and division as well as option period and/or conversion period and a potential variability of the conversion ratio and, if applicable, to do so in consultation with the corporate bodies of the subsidiary issuing the option bond or the convertible bond.

The subscription right of the shareholders on the occasion of the issue of bonds based on this authorization is excluded.

4. Other disclosures

4.1 Contingencies and other financial commitments

The total of the other financial commitments as at June 30, 2018 was EUR 763k (December 31, 2017 EUR 661k) and consist of services by research and development service providers as well as of service, leasing and rental commitments. Of these commitments EUR 665k are due in 2018.

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

The following director dealings in shares of Probiodrug have been reported to the Company in the first half year 2018:

- Dr. Erich Platzer (chairperson of the supervisory board) – purchase of 5,000 shares on May 18, 2018
- Dr. Dinnies von der Osten (vice chairperson of the supervisory board) - purchase of 5,000 shares on May,18, 2018
- Dr. Ulrich Dauer (CEO, appointed on May 1, 2018) - purchase of 4,800 shares on July 11, 2018
- Dr. Inge Lues (CDO) - purchase of 4,900 shares on July 13,2018

On April 24, 2018, the CEO Dr. Konrad Glund and the CFO Dr. Hendrik Liebers resigned from the management board, effective April 30, 2018.

Dr. Konrad Glund received payment of the variable accrued bonus resulting from 2017 of EUR 71k as well as a severance payment of EUR 76k. All stock options held were fully vested. In addition, Dr. Konrad Glund continued to work as a consultant for the Company until August 31, 2018 for a monthly fixed fee of EUR 12k. Dr. Hendrik Liebers received payment of the variable accrued bonus resulting from 2017 of EUR 116k as well as a severance payment of EUR 112k. All stock options held were fully vested. In addition, Dr. Hendrik Liebers continued to work as a consultant for the Company until August 31, 2018 for a monthly fixed fee of EUR 12k.

For further information reference is made to the explanations of related party disclosures in the notes to the financial statements as of December 31, 2017.

4.4 Approval and release

On August 29, 2018, Probiodrug AG’s management board approved these condensed interim financial statements.

Halle (Saale), August 29, 2018

Dr. Ulrich Dauer | Dr. Inge Lues