MOLOGEN AG

THE POWER OF IMMUNOTHERAPIES

THE POWER OF IMMUNO-THERAPIES

ANNUAL REPORT 2017

HIGHLIGHTS

FURTHER IMPLEMENTATION OF THE NEXT LEVEL STRATEGY

Key milestones achieved in the implementation of our strategy:

- Stronger orientation on closer-to-market product candidates
- Focus on TLR9 product family with the lead product candidate lefitolimod and next generation molecules EnanDIM®
- Preparation for potential market entry and out-licensing of lefitolimod
- Intensification of activities related to outsourcing and upscaling production processes
- First licensing and cooperation agreement signed in February 2018

FIRST LICENSING AGREEMENT FOR LEAD PRODUCT CANDIDATE LEFITOLIMOD

- Significant progress in lefitolimod strategy for eastern Asian markets (China, Hong Kong, Macao, Taiwan and Singapore): Licensing agreement for these markets and a global development contract for lefitolimod both signed

STUDY PROGRESS – FURTHER KEY MILESTONES ACHIEVED

- Patient recruitment completed for phase III IMPALA pivotal study in the indication of colorectal cancer
- Exploratory phase II IMPULSE study findings (indication of small-cell lung cancer)
- Results of the extension phase of the phase Ib/IIa TEACH study in HIV-positive patients
- MOLOGEN's cooperation partner Aarhus University received a grant from the U.S. company Gilead for a combination study with lefitolimod in HIV
- Progress made in the phase I combination study with a checkpoint inhibitor in patients with solid tumors conducted by cooperation partner MD Anderson Cancer Center in the U.S.

FURTHER FUNDING SECURED FOR OUR PRODUCT DEVELOPMENT PROGRAM

- Capital measures carried out in 2017 and the first quarter of 2018 as well as additional framework agreements, together with first payments from the licensing and development agreement, have secured funding for the Company up to the end of 2018

WELL-COORDINATED TEAM: EXECUTIVE BOARD COMPLETE AGAIN

- Our new Chief Medical Officer (CMO) has sustainably driven forward the product development program

KEY DATA

IFRS

In million €

		2017	2016	Change %
Revenues		0	0	0
Profit (loss) from operations (EBIT)		–18.7	–21.0	–11
Expense structure				
Personnel expenses		5.1	5.5	–7
Research & Development expenses		14.0	17.0	–18
Earnings per share in € (basic)		–0.56	–0.85	–34
Cash flows from operating activities		–19.1	–19.3	–1
Cash and cash equivalents	(as of 31 December)	6.5	20.5	–68
Shareholders' equity	(as of 31 December)	–4.9	11.8	n. a.
Equity ratio	(as of 31 December)	–60%	55%	n. a.
Total assets	(as of 31 December)	8.1	21.4	–62
Number of employees	(as of 31 December)	52	59	–12

n. a.: not applicable

THE POWER OF IMMUNOTHERAPIES

THE POWER OF IMMUNOTHERAPIES

»AS A PIONEER IN THE FIELD OF IMMUNOTHERAPY, WE INTEND TO PROVIDE PATIENTS WITH NEW HOPE, OFFER EFFECTIVE TREATMENT METHODS TO DOCTORS, ATTRACT INVESTORS WHO RECOGNIZE THE POTENTIAL IN THE COMPANY AND ITS PRODUCTS, MAKE INNOVATIVE ACTIVE AGENTS AVAILABLE TO OUR PARTNERS AND INSPIRE PRIDE IN OUR EMPLOYEES FOR WHAT THEY HAVE ACHIEVED.«

MOLOGEN AG is a biopharmaceutical company and considered a pioneer in the field of immunotherapy on account of its unique active agents and technologies. Alongside a focus on immuno-oncology, MOLOGEN develops immunotherapies for the treatment of infectious diseases. With our product developments, we want to help combat some of the most threatening diseases. In addition to the focus on immuno-oncology, we also develop immunotherapies for the treatment of infectious diseases always with a focus on diseases for which there is a high medical need.

MOLOGEN is oriented toward the development of closer-to-market proprietary product candidates which have advanced beyond the basic research stage. Our foremost objective is the successful out-licensing and marketing of our products, particularly our lead product candidate lefitolimod.

Our approaches are based on the same active principle: they activate the human immune system to combat the disease itself. It is a highly promising approach which we are driving forward with great confidence and from which patients who are reliant on innovative treatment options stand to benefit. Without exception, our development candidates have demonstrated promising therapeutic effects and good tolerability, which is a particularly noteworthy characteristic for cancer therapies.

The focus of our development work is on MOLOGEN's proprietary platform technology: the product family of DNA-based TLR9 agonists. This includes our lead product, the immunotherapeutic agent lefitolimod, and its follow-up molecules EnanDIM®. Since the summer of 2014, lefitolimod has been subject to a phase III pivotal study IMPALA for colorectal cancer. The results of this are expected for release in 2019. This means that lefitolimod is one of the relatively few product candidates in the field of immuno-oncology to be close to market.

In addition to the advanced development in colorectal cancer, lefitolimod is also being tested in other indications: Key data of a phase II IMPULSE study in small cell lung cancer have been announced in April 2017, which were confirmed in the first quarter 2018 after detailed evaluations. In August 2017, the announcement of key data of an expansion phase Ib/IIa (TEACH) in HIV-patients followed. In addition, lefitolimod is being investigated with the checkpoint inhibitor Yervoy® (ipilimumab) in various solid tumors within the scope of a phase I combination study. To further characterize the potential of our development candidates, preclinical studies were conducted in 2017 with lefitolimod and EnanDIM®, both as monotherapy and in combination with checkpoint inhibitors.

Our product portfolio includes the proprietary cell-based therapeutic vaccine MGN1601 to treat advanced renal cancer. The further development of MGN1601 has been shelved for the time being with the opportunity to advance it at a later date, for example following the successful out-licensing of lefitolimod.

DEAR SHAREHOLDERS,

We have had an eventful, positive year. We are particularly delighted to once again have at our disposal a complete, well-coordinated team following the appointment of Dr Matthias Baumann as Member of the Executive Board and Chief Medical Officer with effect from 1 May 2017. Together, we have succeeded in promoting our Next Level strategy and have achieved some significant milestones. In particular, we have made substantial progress with regard to our primary aim of making lefitolimod market ready and sourcing suitable licensing partners to market it.

One huge success was the conclusion of the first license and cooperation agreement. In August 2017 MOLOGEN already signed a binding term sheet with the Chinese drug development company iPharma. Following further negotiations and a re-opened negotiation process also for additional parties, a contract with ONCOLOGIE Inc. has been signed in February 2018. The contract includes the commercialization of lefitolimod in China and other Asian countries and a global co-development program. With this agreement, we have the opportunity to exploit the potential of our lead development candidate, particularly for the attractive Asian market.

Long-term funding for our Company has been and continues to be the focus of our efforts: following the successful issuance of a convertible bond amounting to over €4.99 million at the start of 2017, we gained a relevant U.S. investor Global Corporate Finance (GCF) for the first time in October 2017. We have a share purchase agreement with GCF to take on up to approximately 3.4 million shares. This corresponds to around 10% of the outstanding shares in MOLOGEN AG. The subscription of shares by GCF is carried out in tranches – until February 2018 two tranches were already obtained, achieving gross proceeds of more than €1 million. Furthermore, we have received €1 million from the first convertible bonds within the framework of the contract with Luxembourg-based European High Growth Opportunities Securitization Fund, signed at the beginning of 2018. The contract includes the issuance of convertible bonds of up to €12 million over the period of two years. Within the framework of the additional capital increase carried out at the beginning of March 2018, we achieved gross proceeds of €5 million. We have received further €3 million with the signing of the contract with ONCOLOGIE as a first payment. In consideration of these measures and in accordance with the current plan, our financing is ensured up until end of 2018.

We have also recorded other important successes in further developing our main product, lefitolimod. Initial findings were presented for two of the four clinical studies with lefitolimod: In mid-September 2017, key data from the exploratory phase II study IMPULSE for the indication of small-cell lung cancer was presented at the ESMO Conference (European Society for Medical Oncology) in Madrid. The study showed remarkable results with regard to overall survival in two relevant patient subgroups. We are proud that the presentation we held at the ESMO Conference and the assessment of the experts invited by the ESMO have garnered a great deal of attention in professional circles. The final evaluation of the study results in the first quarter 2018 confirmed the findings already available.

The assessment of our HIV study TEACH, which was carried out in collaboration with the Aarhus University Hospital in Denmark, has yielded positive results with regard to the safety profile and effects of lefitolimod on immune system reactivation in HIV-positive patients.

Another clinical study in HIV-positive patients in collaboration with the Aarhus University Hospital is planned to start in 2018. The study will examine lefitolimod in combination with innovative virus-neutralizing antibodies. The American biopharmaceutical company Gilead Sciences has already provided the necessary funding to conduct the study.

We completed patient recruitment for the clinical phase III pivotal study IMPALA in the indication of colorectal cancer in May 2017. We expect to be able to start the study assessment in 2019.

The importance of drug combinations as a promising approach in the field of immunotherapy remains on the rise. As such, we are currently testing lefitolimod in a combination study with the checkpoint inhibitor Yervoy®, which MOLOGEN is conducting in collaboration with the MD Anderson Cancer Center Texas, U.S. Patient recruitment was continued in 2017. We have also successfully carried out preclinical combination studies with lefitolimod and follow-up molecules from the EnanDIM® family. Moreover, we are still considering the possibility of combination studies in negotiations with potential partners.

Within the framework of the Next Level strategy, we have continued with the planned spin-off or sale of our MIDGE® technology. We have received funding from the Japanese fund Global Health Innovative Technology (GHIT) amounting to around €2.2 million for activities to further develop a leishmaniasis vaccine based on our MIDGE® technology. In accordance with the conditions of the GHIT's program, we will continue development activities until the future of the MIDGE® project has been decided and then transfer the work to future partners.

Investments in our development projects, in further activities for market preparation such as upscaling and outsourcing production to contract manufacturers as well as our structured efforts with regard to license and partnering activities led to a net loss in 2017 that was below the prior-year level. This development is mainly due to lower study costs for the completed IMPULSE study and the fully recruited IMPALA trial.

»WE HAVE ALREADY IMPLEMENTED A GREAT DEAL THAT WE UNDERTOOK TO DO WITHIN THE FRAMEWORK OF THE **NEXT LEVEL STRATEGY.«**

This led to a correspondingly lower net loss for the year amounting to €19.3 million compared to €21.0 million in the fiscal year 2016. As at 31 December 2017, MOLOGEN AG's cash and cash equivalents amounted to €6.5 million and were therefore significantly below the previous year's value of €20.5 million.

We have already implemented a great deal that we undertook to do within the framework of the Next Level strategy. This has only been possible with the enormous commitment of our staff. We would like to expressly thank them for this.

We also would like to convey special thanks to our shareholders, who place their trust in us and have supported us at many times over the years.

Exciting and challenging tasks await us in 2018. We will implement our strategy in a sustainable way. As before, our focus will be on further developing our product pipeline and the international marketing of lefitolimod. Of course, we will also ensure the future financing of our Company. We look forward to tackling these challenges together with you.

Best wishes

Dr Mariola Soehngen
Chief Executive Officer (CEO)

Dr Matthias Baumann
Executive Board Member
Chief Medical Officer (CMO)

Walter Miller
Executive Board Member
Chief Financial Officer (CFO)

EIGHT QUESTIONS FOR NEW **CMO** DR MATTHIAS **BAUMANN**

»FOR ME, MOLOGEN RANKS AS ONE OF THE TOP BIOTECH COMPANIES IN EUROPE. NOW THAT I FIND MYSELF WORKING HERE, IT IS THE THRILLING MIX OF ENTHUSIASM AND EXPERTISE AROUND ME THAT I FIND SO FASCINATING.«

1 HOW DID YOU ORIGINALLY BECOME AWARE OF MOLOGEN FOR THE FIRST TIME – WAS THERE A PARTICULAR REASON?

MOLOGEN came onto my radar as an important name within the biotech industry a while back. In specific terms, I suppose this happened while I was working at a clinical research organization (CRO) and visited MOLOGEN in person. Back then, our focus was on supporting promising biotech companies in their development, from preclinical stages all the way to proof of concept. My role at this time involved supporting the phase I study with today's lead candidate lefitolimod in solid tumors, which was conducted with Prof Weihrauch and Prof Scheulen at two sites in Cologne and Essen. In this context, I was also working more intensively with the fascinating immuno-oncological mode-of-action of TLR9 agonists.

2 WHAT WAS BEHIND YOUR DECISION, AS AN EXPERT WITHIN THE BIOTECH INDUSTRY, TO JOIN MOLOGEN?

For me, MOLOGEN ranks as one of the top biotech companies in Europe. There are only a handful of companies conducting a phase III study with a representative of a new active ingredient class within the field of immuno-oncology. The potential offered by immunotherapies is enormous and MOLOGEN not only has lefitolimod as a "best in class" TLR9 agonist as a feather in its cap, but also, for example, boasts the follow-up molecules of the EnanDIM® product family as well as the allogeneic cancer vaccine MGN1601. This is exceptionally exciting and really very promising for the future.

3 IN YOUR VIEW, WHICH OF THE MANY EXPERIENCES YOU HAVE AMASSED OVER THE COURSE OF YOUR CAREER MAKES YOU PARTICULARLY WELL QUALIFIED TO TAKE A ROLE AS IMPORTANT AS CHIEF MEDICAL OFFICER AT MOLOGEN?

I believe that small biotechs, which by their very nature have more limited resources, need hugely experienced "generalists" to head up their R&D department. After completing my degree in Medicine and finishing my period of national service, I initially spent five years conducting fundamental immunological and oncological research in Germany and the U.S. This allowed me to gain a basic understanding of the inherent complexities of cancers. Thereafter, I learned all about the various facets of drug development – "from the ground up", so to speak! – and was able to gain a wealth of practical experience in big pharmaceutical, biotech and CRO companies. In total, this all adds up to more than 30 years during which I have investigated various indications, from basic research to preclinical evaluations all the way to pivotal clinical trials. I am now in a position in which I am able to apply all of this experience at MOLOGEN.

4 COULD YOU SUMMARIZE YOUR FIRST FEW MONTHS AT MOLOGEN? WHAT MAKES THE COMPANY AND ITS EMPLOYEES REALLY STAND OUT?

I have been particularly impressed by the enthusiasm, dedication, commitment and expertise of MOLOGEN employees. We have at our disposal a cutting-edge immuno-oncological portfolio rounded off by our crown jewel in the form of lefitolimod, a "best in class" TLR9 agonist which is now in the final clinical development phase. On account of its mode-of-action and impressive level of tolerability, this drug candidate is exceptionally well suited to being used as a combination partner for other immuno-oncological therapies in order to achieve an even more effective treatment with this fascinating new therapy option. And I am not alone in expressing this opinion. In fact, I am always delighted to receive incredibly constructive and positive feedback or pointers from highly regarded international experts and thought leaders.

In addition to conducting the phase III IMPALA study in metastatic colorectal cancer, we are above all also focusing on exploiting the full potential of our lead candidate, lefitolimod. At this juncture, I would like to refer to the findings from the IMPULSE study in patients with small-cell lung cancer which were recently presented at the ESMO conference in Madrid. We are currently in discussions with the relevant experts as to how we can leverage the positive signals identified in certain subgroups to be used for potential further developments with respect to this exceptionally malignant illness in which practically no progress has been made over the past 30 years. The findings from our TEACH study in HIV patients conducted in collaboration with the University of Aarhus in Denmark have confirmed that lefitolimod may well represent a very promising new approach to combating infectious diseases. A follow-up study is currently being planned and is likely to be launched in 2018. This study is being backed by Gilead Sciences, a pharmaceutical and biotech company based in California, U.S. Finally, we intend – as briefly outlined before – to undertake further exploratory studies with lefitolimod in combination with other immuno-oncological active ingredients to supplement and further develop both our ongoing study based at the MD Anderson Institute in Houston, Texas, U.S. and the recently published preclinical findings. Along with many others, we also believe that this exciting new development of combination therapies has the potential to bring about a crucial breakthrough in cancer therapies. We are of the opinion that lefitolimod can make a major contribution in this.

5 **WHAT GOALS HAVE YOU SET, BOTH ON A PERSONAL LEVEL AND FOR THE COMPANY? WHERE HAVE YOU IDENTIFIED PARTICULAR OPPORTUNITIES TO BE EXPLOITED AND CHALLENGES TO BE SURMOUNTED IN THE FIELD OF RESEARCH AND CLINICAL STRATEGY?**

My personal goals are largely consistent with our corporate goals. I want to gain authorization and find a partner for lefitolimod. A particular focus I have undertaken is centered on exploiting the full potential of lefitolimod and further developing the follow-up molecules of the EnanDIM® product family. This is a fairly obvious objective, as we have already obtained very promising preclinical data, meaning that a clinical trial can be brought forward and, ideally, take place in 2019. In terms of challenges and opportunities, I would say that our task is to now obtain the requisite funding for ongoing and planned studies and to convince potential partners to work with us. That is and will remain a core challenge. In turn, the opportunities presented are substantial. I am convinced that MOLOGEN has the chance to establish itself as one of the key players in a highly attractive market on account of the molecule-specific benefits presented by our drug candidates lefitolimod and the EnanDIM® product family.

6 **HOW DO YOU ASSESS THE CURRENT PRODUCT PIPELINE WITH ITS FOCUS ON DNA-BASED TLR9 AGONISTS? WHEN DO YOU EXPECT AN OUT-LICENSING AGREEMENT FOR THE IMMUNOTHERAPY LEFITOLIMOD TO BE FINALIZED?**

We have at our disposal the "best in class" TLR9 agonist. It is of monumental importance that our Company founder and colleague, Prof Burghardt Wittig, developed the molecules based on natural DNA, without following the same path as some competitors and using chemical modification. This natural DNA base, which is stable without any form of chemical modification, is perhaps our most important USP. Why? Because there have been no tolerability issues caused by chemical modification in our product candidates. Rather, our product candidates offer a favorable side effect profile and – now this is of particular importance – the chance to systemically administer the drugs instead of having to inject them directly into the tumor. Alongside our lead candidate, our product pipeline also contains a very promising next generation candidate in the form of the EnanDIM® molecule family. We recently presented the impressive findings obtained in preclinical tumor models at the ESMO IO (European Society for Medical Oncology – Immuno-oncology) conference. Naturally, we would be interested in teaming up with potential partners. In this regard, we have already agreed our first license and cooperation agreement with ONCOLOGIE. We assess the prospects for further regional and global deals as being positive.

7 **NEW DATA ON LEFITOLIMOD WAS PRESENTED TO EXPERTS AT THE ESMO 2017 (EUROPEAN SOCIETY FOR MEDICAL ONCOLOGY) CONFERENCE IN MADRID LAST SEPTEMBER. HOW WOULD YOU ASSESS THE INTEREST AMONG INDUSTRY EXPERTS IN MOLOGEN'S APPROACH?**

Interest among industry professionals is undoubtedly very high. In this regard, I would choose to draw particular attention to the presentation of key data from the IMPULSE study. The study's Principle Investigator presented the data in detail during a speech, a so-called Proffered Paper Session, together with the meeting's Co-Chair, Prof Sanjay Popat of the Royal Marsden Hospital in London. Prof Popat was invited to join the discussion on the study by the ESMO as an expert in the field. Moreover, a second poster also conveyed the very promising data on lefitolimod as a modulator of the tumor microenvironment (TME) both on its own and in combination with immune checkpoint inhibitors in preclinical tumor models. As part of the ESMO conference, I also had the opportunity to meet personally with the Steering Committee of the IMPALA study, our phase III study for patients suffering from colorectal cancer. It was most impressive that these renowned international experts took the view that in the event that the study proves a success, there is clear potential for a paradigm shift with regard to an effective and tolerable maintenance therapy with lefitolimod. Now that's a worthy announcement!

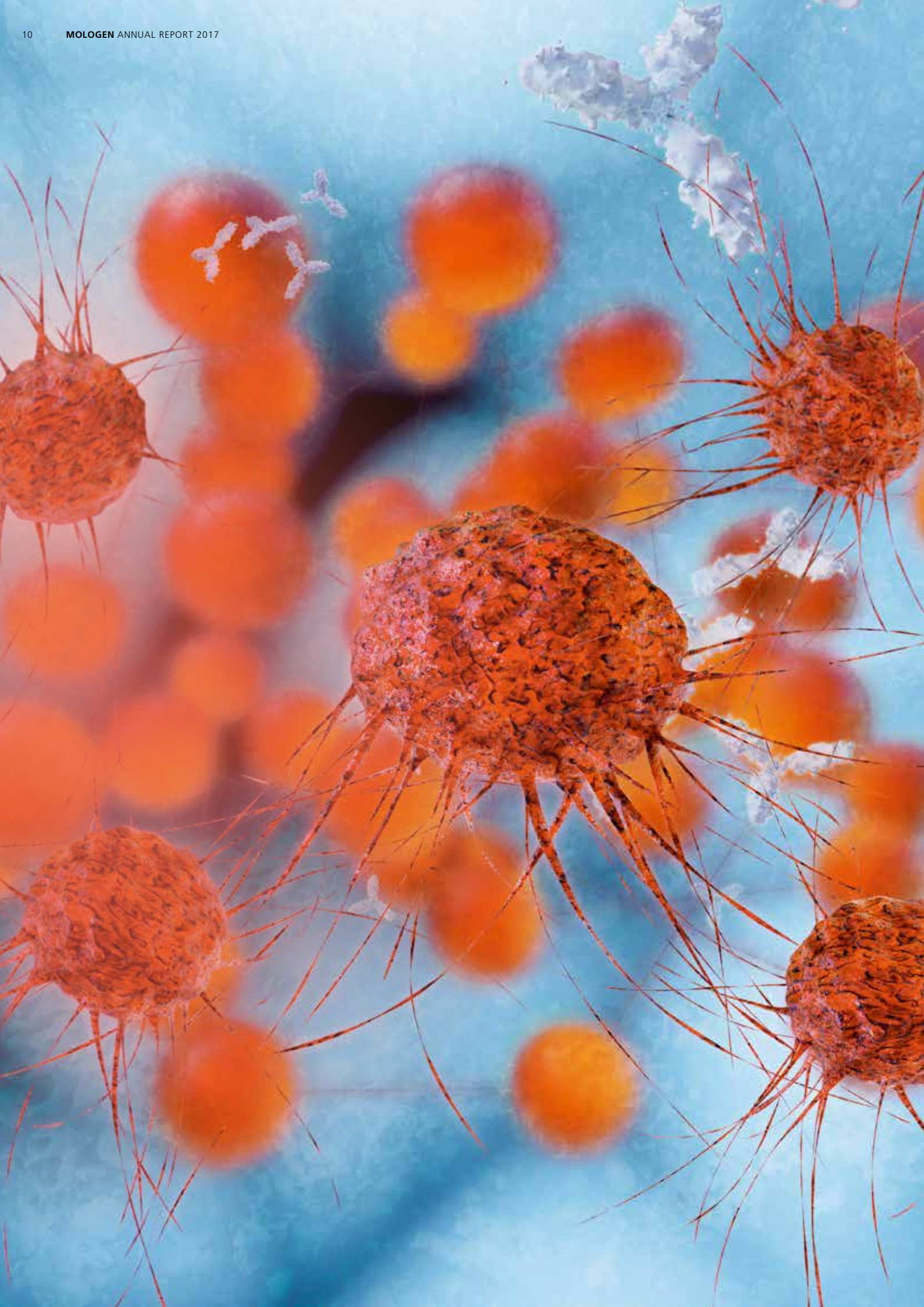
8 **TO CONCLUDE, A MORE PERSONAL QUESTION: BEING THE CMO OF AN AMBITIOUS BIOTECH COMPANY SURELY MAKES GREAT DEMANDS ON YOUR TIME, REQUIRES A GREAT AMOUNT OF FOCUS AND CALLS FOR UNDERSTANDING ON THE PART OF YOUR FAMILY. WHERE DO YOU FIND THE ENERGY FOR LIFE'S MAJOR TASKS? DO YOU HAVE ANY HOBBIES?**

I try to clear my head and recharge my batteries by getting out in the fresh air, walking and cycling for example, whenever the opportunity presents itself. I am also interested in photography and art history. I like to visit museums whenever my time allows. Ancient civilizations have always fascinated me since my childhood. So I like to travel all over the Mediterranean, for example to Italy, Greece and Egypt.

DR BAUMANN, THANK YOU FOR THIS INSPIRING INTERVIEW. WE WISH YOU THE BEST OF LUCK IN YOUR ROLE AS CMO.

DR MATTHIAS BAUMANN

»OUR LEAD CANDIDATE **LEFITOLIMOD** HAS THE POTENTIAL TO BRING ABOUT A **PARADIGM SHIFT** IN THE MAINTENANCE THERAPY OF COLORECTAL CANCER. A **BREAKTHROUGH** OF THIS KIND WOULD BE A BLESSING FOR THE PATIENTS CONCERNED AND A **HUGE REWARD** FOR ALL THE YEARS OF **INTENSIVE RESEARCH AND DEVELOPMENT WORK AT MOLOGEN.«**



THE POWER OF IMMUNOTHERAPIES

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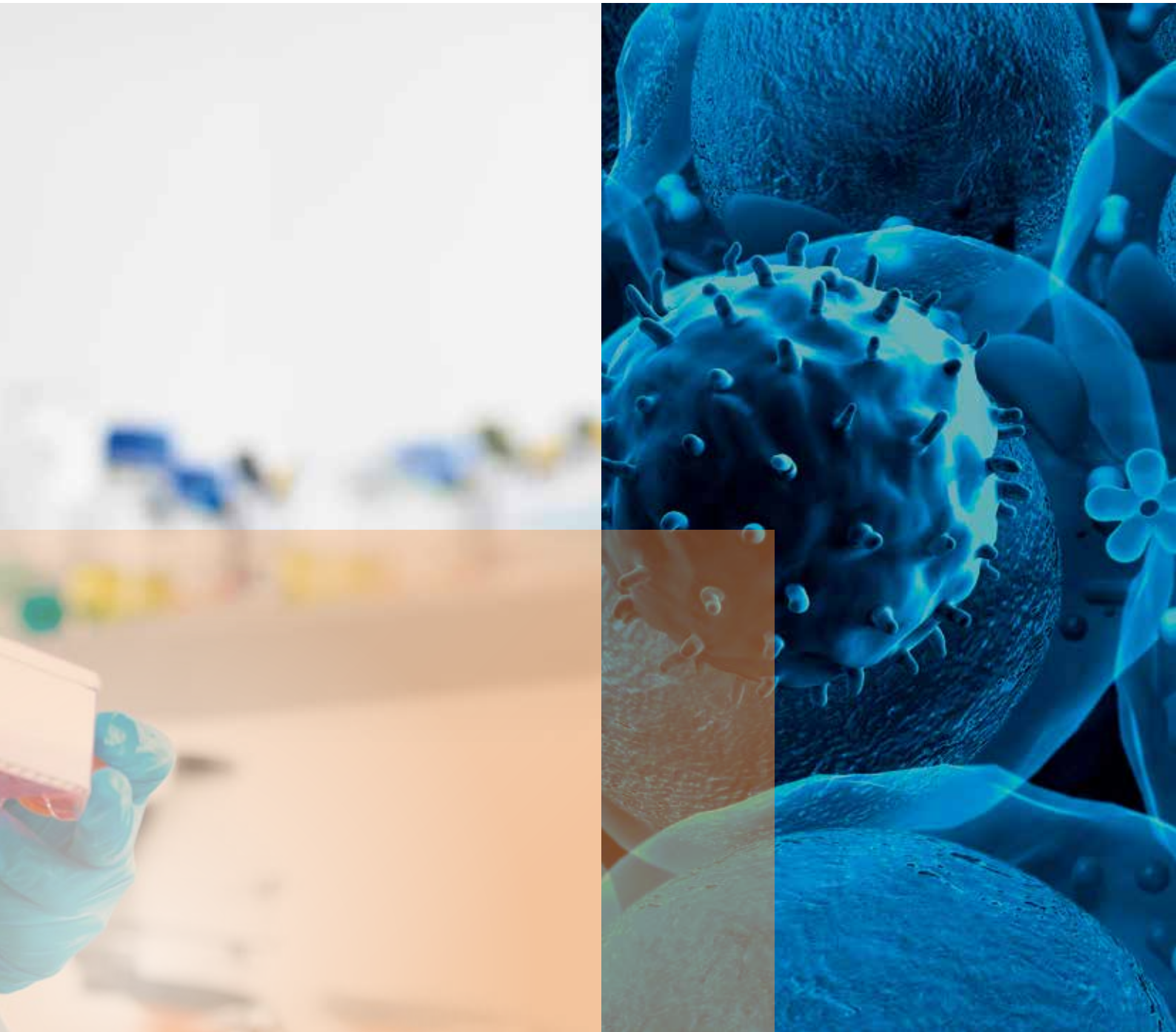
THE IMMUNE SYSTEM HAS EVOLVED OVER A VERY LONG PERIOD OF TIME INTO A COMPLEX WEAPON TO WARD OFF ATTACKS AGAINST THE BODY. IT IS PRIMARILY MICROORGANISMS SUCH AS BACTERIA AND VIRUSES WHICH POSE AN EVER-PRESENT THREAT. WITHOUT THE IMMUNE SYSTEM'S INTELLIGENT DEFENSE STRATEGIES, WE WOULD BE EXPOSED AND DEFENSELESS TO ANY MICROBIAL ATTACK.

DOUBLE POWER FOR THE IMMUNE SYSTEM: COMBINATION THERAPIES

In addition, the immune system protects the human body against the emergence of mutated, malignant cells which could later develop into cancer cells. Over 100 years ago, scientists therefore already came up with the logical idea of involving the body's own defense mechanism in the fight against this deadly disease. Initially, these "immunotherapies", as they are known, had little success. The tide only turned very recently. Meanwhile, treatment concepts which use the body's own defense mechanism to neutralize cancer cells are now regarded as the brightest lights in the fight against cancer. Immunotherapies help extend and improve the life of patients, many of whom have no other treatment options.



TRAINING THE IMMUNE SYSTEM IN THE FIGHT AGAINST CANCER

The human immune system is a highly complex network composed of various organs, tissues and cell types. Among other functions, it has the ability to detect abnormal cells, which may ultimately develop into cancer, and to destroy these, too.

Cancer cells represent a major problem for the immune system. They stem from the body's own cells and are therefore often not recognized by the immune system as "foreign". For this reason, cancer cells can evade the body's immune response. However, new scientific findings have uncovered strategies which can help immune cells to recognize and eliminate malignant cells.

In addition to strategies aimed at making themselves "invisible" to the immune system, certain cancer cells are able to produce special molecules in order to neutralize the immune system's attacking cells. Therapeutic agents have therefore been developed which block these "molecular switches" so that the immune system can recognize and destroy cancer cells just as it does in the case of microorganisms, for example. However, treatment with these molecules may cause immune-related side effects if the immune system also turns on the body's own healthy cells. It is therefore crucial to push forward with the development of innovative approaches, which, both alone and in combination, facilitate an immune system activation that as far as possible exclusively targets cancer cells.

WITH ITS UNIQUE PATENTED TECHNOLOGIES AND INNOVATIVE PRODUCTS, MOLOGEN IS AMONG THE PIONEERS IN THE FIELD OF IMMUNOTHERAPY, ESPECIALLY FOR THE TREATMENT OF CANCER, BUT ALSO FOR THE TREATMENT OF INFECTIOUS DISEASES.

The focus of development work is on one of MOLOGEN's proprietary platform technologies: the product family of DNA-based TLR9 agonists with the lead product lefitolimod and its next generation molecules EnanDIM®. MOLOGEN's products are all based on the mode-of-action: the activation of the human immune system so that it can fight the disease.

WHAT IS CANCER?

Cancer occurs when cells in the body undergo genetic changes, escaping the body's growth controls to become "malignant" cells. They divide to the detriment of healthy cells and grow into a tumor. Cancer cells become even more dangerous because of their ability to migrate to other parts of the body in the form of metastases. Fundamentally, any tissue or organ can develop cancer. Over 230 different types of cancer are known to medicine, among the most frequent of which are colorectal, prostate, breast and lung cancer.

CONVENTIONAL PILLARS OF ONCOLOGY

The treatment of cancer is based on the following pillars: surgery, radiotherapy and drugs. Conventional cancer drugs include chemotherapy drugs known as "cytostatics": compounds to target cells which divide rapidly in the body, including cancer cells. On account of progress made in genetics and molecular biology, new drugs are also available which target characteristic structures of tumor cells more precisely.

TARGETED AT CANCER

Over the past few years, two approaches have in particular been driven forward in terms of medicinal cancer treatments: First, what are known as targeted therapies, in which specific genetic mutilations serve as a point of attack; and immunotherapies, which enable the body's own defense mechanism to fight cancer. Treatments of this kind are directly targeted at the cancer cell's survival strategy and are intended to thwart this.

However, a single measure alone – whether it is surgery, radiotherapy, chemotherapy, targeted drugs or immunotherapy – is often not sufficient. Mostly, doctors try to combine all available treatment methods in the best possible way. This has helped them make considerable progress: Two thirds of patients now survive the first five years after diagnosis – in the 1980s, the figure was just under half.

Nevertheless, there is still a substantial need for further treatment options. Experts expect immunotherapy to represent a paradigm shift in oncology: Cancer cells are no longer to be attacked with surgery, radiotherapy and drugs; rather, the body's own defense mechanism will be empowered to effectively combat malignant cells.

TARGETED IMMUNOTHERAPIES

Immunologists and molecular biologists have discovered a wide range of targets and signals within the immune system, which provide the key to mobilizing the body's immune response in the battle against cancerous cells or pathogens.

The spectrum of immunotherapeutic active agents is particularly broad in the field of oncology. It ranges from checkpoint inhibitors, immunomodulators, therapeutic antibodies, T cell therapies and therapeutic cancer vaccines all the way to oncolytic viruses.

CHECKPOINT INHIBITORS are currently the most widespread immunotherapeutic approach. "Immune checkpoints" are protein molecules which sit on the surface of cells. The function of these checkpoints is to stop immune reactions before they become too strong and damage normal tissue. However, cancer cells can exploit this regulation mechanism by producing many of these checkpoint molecules, thereby escaping the attack from the immune system. Checkpoint inhibitors block this regulation mechanism and thus release the "brake" of the immune cells. A strong immune response directed at the tumor is therefore elicited in this manner. However, this approach can also give rise to undesired side effects, for example normal cells and organs can be attacked by the immune system as a result of the blockade.

CYTOKINES are molecules such as interferon, interleukin, and growth factors which are secreted by immune cells and influence other cells. They help cells to communicate with each other, for example to stimulate the movement of cells towards sites of inflammation, infection and cancer, or to amplify an immune reaction which has already been triggered.

IMMUNOMODULATORS are substances which influence the immune system. In cancer immunotherapy, they are used to activate the body's defense mechanism so that it can autonomously recognize and combat cancer cells. This type of immunomodulator includes toll-like receptors (TLRs). They serve to identify pathogens such as viruses, bacteria or fungi and initially lead to an activation of the innate immune system to fight off the pathogens.

THERAPEUTIC ANTIBODIES are molecules created within a laboratory environment aimed at destroying cancer cells. Antibody drug conjugates (ADCs) represent a specific class of therapeutic antibodies. These are created by chemically combining antibodies with a toxic substance. The antibody part of the ADC creates a connection with a target molecule on the surface of cancerous cells. As soon as an ADC docks onto a cancerous cell, it is absorbed and the toxic substance works to destroy the cell. Bispecific antibodies continue to be developed or, as the case may be, are already available on the market. They function like an adapter, with two different detection patterns for two different types of cells on one antibody. This helps, for example, T cells to dock onto cancerous cells and destroy them.

T CELL THERAPY It is not only biomolecules, but also complete cells that can be administered as immunotherapeutic compounds. Treatments of this kind are described as "adoptive cell transfer" (ACT). Such cellular immunotherapies have proven to be potent weapons in combatting cancer, although they can occasionally entail major side effects.

THERAPEUTIC CANCER VACCINES are also an important treatment approach in the field of cancer immunotherapy. They are designed to stimulate the patient's immune system to recognize existing cancer cells and subsequently to attack them. Patients are injected with their own cells or foreign cells (antigens) from which the immune system learns what cancer cells typically "look like". It can then "search" for its own tumor cells and fight them.

ONCOLYTIC VIRUSES This approach relates to viruses which attack and destroy very specific cancer cells. When these oncolytic viruses infect tumor cells, they reproduce quickly, eventually working to kill off the cancer cells. The antigens released from this process provide an additional boost to the adaptive immune response. The majority of oncolytic viruses are genetically modified in order to make them even more targeted and keep side effects as minimal as possible. Ideal candidates for this therapy include adenoviruses, vaccinia viruses, reoviruses and herpes simplex viruses. Most of these virus strategies are still under clinical development. However, a first compound based on the herpes simplex virus to treat skin cancer has received approval in the U.S. and Europe. Experts believe oncolytic viruses to be highly promising candidates for combination approaches with other immunotherapeutic compounds such as checkpoint inhibitors in order to leverage synergistic effects.

GROWING IMPORTANCE OF COMBINATION THERAPIES

Effective new treatment options have been created through immunotherapy, and especially through the use of checkpoint inhibitors. However, only a relatively small proportion of patients benefit from this approach over the long term. Cancer immunotherapies are therefore now increasingly being tested in combination with each other in order to increase the efficacy of the treatment by leveraging synergistic effects and to optimally activate the body's immune system to combat cancer. Experts expect to be able to achieve an improvement in the treatment of many cancers which are difficult to treat through immunotherapy combination options.

The market research company IMS Institute for Healthcare Informatics expects over 60 combination therapies to be launched on the market by 2020. Combination studies are mainly conducted in patients with solid tumors, especially lung cancer and melanomas.

MOLOGEN's lead product candidate, lefitolimod, is currently being investigated for the first time in a combination study with the checkpoint inhibitor Yervoy® (ipilimumab) in patients with advanced solid tumors. MOLOGEN is also planning to conduct further combination studies with other checkpoint inhibitors. The very successful immunotherapeutic Yervoy®, which was approved in 2011 and is used for the treatment of patients with advanced melanoma, represents a breakthrough in cancer immunotherapies. All this confirms that the aim of scientists to activate the body's own defenses in the fight against tumors can translate into highly effective drugs.

Moreover, to further demonstrate its therapeutic potential, lefitolimod and EnanDIM® have also both been tested as monotherapies and in combination studies in mouse models. Initial study findings have been promising, showing that both compounds alone display an anti-tumor effect, with their efficacy significantly improved in combination with checkpoint inhibitors.

BROAD APPLICATION POTENTIAL

In addition to fighting cancer, activating the body's own immune system can be used to treat other diseases. MOLOGEN is therefore also developing product candidates for the treatment of infectious diseases for which there is a high unmet medical need, such as HIV.

In August 2017, MOLOGEN presented the key findings obtained from the extension phase of an earlier study involving HIV-positive patients (TEACH). While the lead product lefitolimod combined with antiretroviral therapy (ART) did not quite have the desired reducing effect on the virus reservoir, this study did still deliver positive results with regard to the effect of lefitolimod on the reactivation of the immune system in HIV-positive patients as well. This data, together with the favorable safety profile of lefitolimod that has also been verified here, forms the basis for the future development strategy within the framework of combination therapies.

As is the case with cancer drugs, experts are also of the opinion here that a combination of various immunotherapies could hold the key to ensuring more effective treatment. And immunomodulators such as lefitolimod could play a major role in this.

An important element of the strategy to use lefitolimod as a part of therapeutic approach to treat HIV-positive patients is a combination study – currently in the planning stage – with monoclonal antibodies (TITAN), for which funding has already been secured.

BLOCKBUSTER POTENTIAL

Colorectal and lung cancer are two of the most common forms of cancer worldwide. The World Health Organization (WHO) estimates that there are some 1.4 million new cases of colorectal cancer every year. Experts suspect that 10% to 20% of patients already have the metastatic form of the cancer by the time they are diagnosed. In the case of lung cancer, estimates put the number of new cases at around 1.8 million per year. Small cell lung cancer accounts for around 15% to 20% of all cases of lung cancer.

Against the background of the WHO's projected rise in the number of cancer cases, the market potential for new cancer drugs is high. In the case of colorectal cancer alone, sales revenue is expected to rise from an estimated US $ 5 billion at present to over US $ 8 billion in 2023. According to the market research firm GBI Research, the market for cancer immunotherapeutics could grow to over US $ 70 billion by 2022.

We anticipate correspondingly high market potential for lefitolimod. Blockbuster sales should be possible in the colorectal and lung cancer indications alone.

THE POWER OF IMMUNOTHERAPIES

NEXT LEVEL STRATEGY

NEXT LEVEL: THIS SIGNIFIES OUR DEVELOPMENT FROM A RESEARCH AND DEVELOPMENT COMPANY TO ONE WITH A PRODUCT AND MARKET ORIENTATION AND FOCUS ON THE CLOSE-TO-MARKET LEAD PRODUCT CANDIDATE LEFITOLIMOD AND THE EnanDIM® FAMILY NEXT-GENERATION MOLECULES.

NEXT LEVEL STRATEGY

In the reporting year, sustained progress was made with the Next Level strategy, which was launched in June 2016, and key milestones were reached:

- First results from two of the four clinical trials with our lead product, the immunotherapy lefitolimod
- Advancing a strategy for lefitolimod in east Asian markets (China, Hong Kong, Macao, Taiwan and Singapore) with the signing of a binding term sheet for out-licensing in summer 2018 and conclusion of a licensing agreement for those markets as well as a global co-development agreement for lefitolimod with American ONCOLOGIE Inc. in February 2018
- Activities to outsource the production and upscaling to the market standard progressed

The primary aim of our strategy is to distinctly focus the Company on the prompt marketing of products: the evolution from a research and development company to a product and market-oriented company. MOLOGEN has already enhanced its focus on those product candidates that are closer to market and beyond the status of basic research. This new orientation required comprehensive organizational changes to be made to the corporate structure: Internal production and research was discontinued at the end of 2016 and production is currently being outsourced to external partners.

Prior to the implementation of the new strategy, our product pipeline consisted of three proprietary platform technologies:

1. The DNA-based TLR9 agonist product family with lefitolimod and EnanDIM® next generation molecules
2. The non-viral MIDGE® vector system with three drug candidates, including one for the treatment of leishmaniasis
3. The cell-based therapeutic vaccine MGN1601 against renal cancer

Since the introduction of the Next Level strategy, the focus has been on development activities related to the first platform technology, the TLR9 agonist product family. Most of the available funds therefore flowed into the further development and market preparation of lefitolimod and the EnanDIM® next-generation compounds.

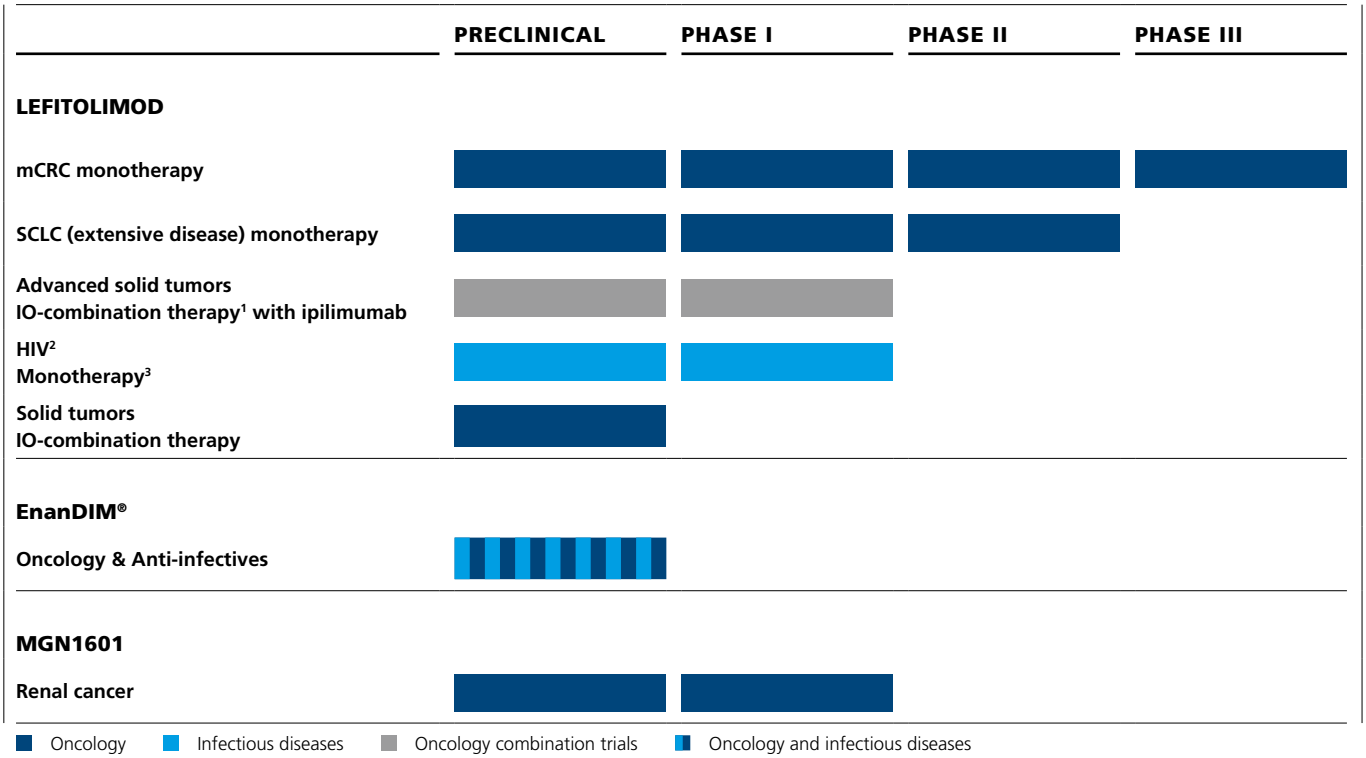
Within the scope of the Next Level strategy, the decision was made to sell or spin-off the second platform technology together with all the associated drug candidates. We carried out extensive discussions with several interested parties in the reporting year.

We received an important boost for these activities in autumn 2017: MOLOGEN received a grant of approximately €2.2 million from the Japanese Global Health Innovative Technology (GHIT) Fund for further development of the leishmaniasis vaccine based on the L-MIDGE® technology. In line with the GHIT program conditions, we are continuing development activities until a decision is made on the future of the MIDGE® project and the work can be handed over to future partners. Currently intensive discussions are underway.

Furthermore, in summer 2016, we decided in the framework of the Next Level strategy that we would for the time being postpone the further development of the third platform technology – the therapeutic vaccine MGN1601 – until a suitable cooperation partner can be identified or the lead development candidate lefitolimod is out-licensed.

Preparations for the potential approval of lefitolimod and finding further suitable partners for the licensing, and consequently for the marketing, of lefitolimod continue to be MOLOGEN's top priorities. One great success was the conclusion of a first licensing and cooperation contract with ONCOLOGIE Inc. shortly after the end of the reporting year for the marketing of lefitolimod in China and other Asian countries. In this context a binding term sheet has been signed already in summer 2017 with the Chinese drug development company iPharma. After a certain exclusivity period had expired, negotiations with further potential partners started, which resulted in the signing of a contract with ONCOLOGIE. In the course of partnering activities, we received substantial support from a consulting company specializing in the out-licensing of biotechnology products towards the end of the reporting year.

PRODUCT PIPELINE WITH FOCUS ON CANCER IMMUNOTHERAPIES AND WIDE RANGE OF APPLICATION POSSIBILITIES



1 Collaboration with MD Anderson-Cancer Center, Texas, U.S.
2 Collaboration with University Hospital Aarhus, Denmark
3 HIV patients under antiretroviral therapy (ART)
IO = Immuno-oncology

IMPLEMENTATION OF THE NEXT LEVEL STRATEGY – KEY MILESTONES REACHED

In the reporting year, we above all moved forward with the preparations for potential market entry, initially for lefitolimod. In particular, this involved the conclusion of a licensing contract shortly after the end of the reporting year as well as preparations to ensure sufficient production capacity as required for marketing authorization.

FIRST LICENSING CONTRACT FOR OUR LEAD PRODUCT CANDIDATE LEFITOLIMOD

In February 2018, MOLOGEN signed a contract with ONCOLOGIE Inc. to market lefitolimod. This consists of two parts:

1. A license agreement including sublicense rights under which MOLOGEN grants ONCOLOGIE an exclusive license for the development, manufacturing and commercialization of lead product candidate lefitolimod in the markets of China including Hong Kong and Macao, Taiwan and Singapore (license area).
2. An agreement on a global development cooperation.

Under the contract, MOLOGEN has received a first payment in the amount of €3 million. In addition, ONCOLOGIE will make a capital contribution of €2 million to MOLOGEN within 12 months of the license agreement being concluded. The other milestone payments are linked to development milestones, which are paid in relation to the development progress such as reaching certain study phases or gaining authorization, and to commercial milestones, which are dependent on achieving certain sales volumes in the context of commercialization. The total of these payments could amount to more than €100 million and will become due on achieving these milestones over the course of several years. In addition, MOLOGEN can also receive royalties amounting to a low double-digit percentage of total sales.

It will continue to be a top priority that we hold comprehensive discussions in order to gain further licensing partners.

ADAPTION OF ORGANIZATIONAL STRUCTURES: OUTSOURCING OF PRODUCTION AND RESEARCH

In the reporting year, we continued to adapt our organization structures to the Company's new stage of development, which we had started in 2016 during strategy implementation.

In particular, this involved making preparations for potential market entry, initially for the lead product lefitolimod. This above all required us to guarantee sufficient production capacities for market approval. Back in summer 2016, we had decided that these capacities would not be built up internally. The selection process of a suitable partner was intensified during the reporting period, the project steps were defined and the first modules of these activities were already implemented. The main activities are planned for 2018, so that we will be able to produce large quantities of lefitolimod in future – one of the essential conditions in the application for marketing authorization of lefitolimod.

In line with our strategy and the associated focus on the lead product lefitolimod and the subsequent reduction of the product portfolio, the Company's basic research activities were largely discontinued. Respective research activities were outsourced to contract research organizations.

»WITH THE **STRATEGIC REALIGNMENT,** WE HAVE SET THE COURSE FOR THE **DEVELOPMENT OF MOLOGEN. WE HAVE TAKEN A SIGNIFICANT STEP CLOSER** TO OUR FOREMOST OBJECTIVE OF **GAINING MARKETING AUTHORIZATION FOR LEFITOLIMOD.«**

At the end of 2016, these measures led to a staff reduction in basic research, which was concluded in 2017. The specialists that remained in the Company ensure the management of necessary external research and production activities. Dr Matthias Baumann took up his role as Executive Board member for research and development/Chief Medical Officer (CMO) on 1 May 2017. This is a necessary and expected development.

SUMMARY OF NEXT LEVEL STRATEGY
OVERVIEW OF MAIN ELEMENTS

STRONG PRODUCT AND MARKET-ORIENTED FOCUS ON KEY PROJECTS, ESPECIALLY LEFITOLIMOD

PORTFOLIO FOCUS

- TLR9 agonist product family with the lead product lefitolimod and next-generation molecules, EnanDIM® ✔
- MIDGE® technology planned to be sold or spun off
- Development of cell-based therapeutic vaccine MGN1601 to be shelved for time being; potential resumption if suitable cooperation partner is identified or lefitolimod is out-licensed

PREPARATION FOR POTENTIAL MARKET ENTRY AND OUT-LICENSING OF LEFITOLIMOD

- Production to be outsourced and upscaled ✔
- Stepping up activities related to out-licensing ✔

CORPORATE STRUCTURES TO BE ALIGNED WITH NEW STRATEGY

- In-house basic research to be discontinued; contract research and continuation of applied research, where necessary ✔
- Decrease in staffing levels in areas of production and research, but specialists remain with the Company ✔

THE FOCUS OF OUR DEVELOPMENT WORK IS ON THE PRODUCT FAMILY OF DNA-BASED TLR9 AGONISTS. THIS INCLUDES THE LEAD PRODUCT CANDIDATE LEFITOLIMOD, WHICH IS ALREADY IN PHASE III OF CLINICAL DEVELOPMENT, AND THE NEXT-GENERATION MOLECULE FAMILY, EnanDIM®.

»LEFITOLIMOD – KEY MILESTONES REACHED. **EnanDIM® – PROMISING PRECLINICAL RESULTS** FOR PROSPECTIVE NEXT-GENERATION **MOLECULES«**

PIPELINE: FOCUS ON TLR9 PRODUCT FAMILY

DEVELOPMENT OF CANCER IMMUNO-THERAPIES WITH WIDE RANGE OF POTENTIAL APPLICATIONS

LEAD DEVELOPMENT CANDIDATE LEFITOLIMOD – BEST-IN-CLASS TLR9 AGONIST

The TLR9 agonist lefitolimod is a DNA-based dumbbell-shaped molecule. During application in oncology, like other immunotherapy treatments lefitolimod does not directly target the cancer cells, but instead uses the body's own immune system as a weapon against the malignant tumor. Lefitolimod is recognized by particular sentry cells in the immune system called plasmacytoid dendritic cells (pDCs). These immune cells circulate in the body and are activated by lefitolimod. This "alert" triggers a broad immune response to effectively fight the cancer cells.

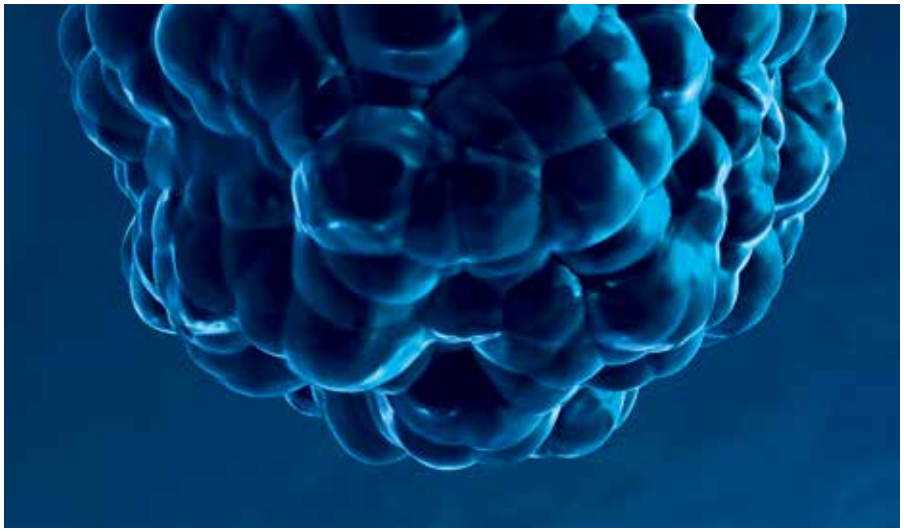
Comprehensive preclinical and clinical data has demonstrated the positive efficacy of lefitolimod in the treatment of cancer, coupled with a high degree of safety and tolerability. So far, 450 study participants treated with lefitolimod have confirmed the favorable safety profile. Given the mode-of-action of lefitolimod, application is also promising for certain serious infectious diseases and the results of a corresponding study in HIV (**H**uman **I**mmunodeficiency **V**irus) patients were presented in 2017.

CLOSE-TO-MARKET PRODUCT CANDIDATE WITH BLOCKBUSTER POTENTIAL

Within the scope of the Next Level strategy, our development activities are focusing on lefitolimod, which was evaluated in the reporting period and in a phase III pivotal study for the treatment of metastatic colorectal cancer (mCRC) as well as in an exploratory randomized phase II study for the indication of small-cell lung cancer (SCLC). In addition, lefitolimod was investigated in an extended phase Ib/IIa study in HIV patients. In order to identify the full potential of our lead development candidate in immuno-oncology, a first combination study with the checkpoint inhibitor (CPI) Yervoy® (ipilimumab) has been running in patients with solid tumors since mid-2016.

PATIENT RECRUITMENT FOR THE IMPALA PIVOTAL STUDY IN COLORECTAL CANCER CONCLUDED

After successful completion of phase I and phase II studies, our international phase III pivotal IMPALA study began to accept its first patients in September 2014. In May 2017, we completed recruitment with a total of 549 patients in eight European countries, including five of the most significant European pharma markets. The study recruited patients with mCRC who have responded to standard first-line treatment. Lefitolimod is subsequently administered as maintenance therapy. The primary study goal is the improvement of overall survival (OS) through treatment with lefitolimod. We are proud to have gained prominent international



»THERE IS **BLOCKBUSTER POTENTIAL** IN THE OUTLINED **BROAD APPLICATION POSSIBILITIES** OF **LEFITOLIMOD** AND ITS EXCEPTIONAL SUITABILITY FOR **VARIED COMBINATION APPROACHES.«**

experts and opinion leaders for the Steering Committee of this study, and to be collaborating with three renowned national study groups: the Arbeitsgemeinschaft Internistische Onkologie (AIO) in Germany, the Grupo Español de Tratamiento de Tumores Digestivos (TTD) in Spain and the Groupe Coopérateur Multidisciplinaire en Oncologie (GERCOR) in France.

The data on patient characteristics, which was presented at the ESMO IO Conference (European Society for Medical Oncology – Immuno-oncology) in December 2017, confirms the inclusion of a relevant and representative patient subgroup, an important prerequisite for potentially establishing future standard maintenance therapies. The IMPALA Steering Committee comprising prominent international experts also identifies clear potential for a possible paradigm shift with regard to a maintenance therapy with lefitolimod. This would put our lead product candidate in a strong position on the colorectal cancer market, even in the face of other innovative immuno-oncology approaches.

The primary evaluation of the study will take place once the statistically predetermined target amount of data on overall patient survival is reached. At present, we are assuming that this will be achieved in 2019, but the actual point in time still depends on the progress of the study.

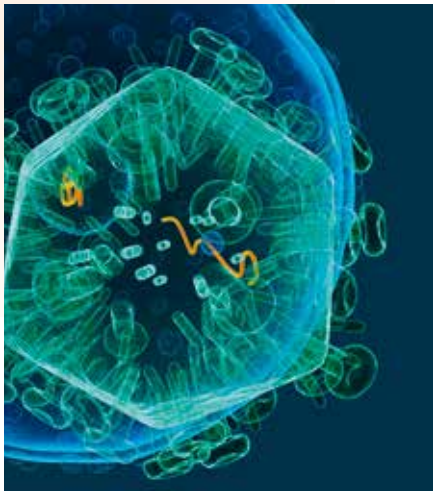
FIRST RESULTS PRESENTED FOR IMPULSE EXPLORATORY LUNG CANCER STUDY

As was the case for the IMPALA study, the exploratory phase II IMPULSE study investigates overall survival in patients, with maintenance therapy with lefitolimod being compared against the best possible standard therapy. The patient recruitment that started in 2014 was completed in October 2015 with the inclusion of 103 patients from four European countries. The analysis of the study commenced at the end of 2016 and topline results were presented in April 2017: IMPULSE showed positive data regarding overall survival in two patient subgroups in comparison with the control group (standard therapy). The results of this study provide significant guidance for defining patient populations that – even beyond this study – are most likely to benefit from lefitolimod, even though no benefit in terms of overall survival was determined in the total population for this highly challenging indication.

In particular, an overall survival benefit was shown in patients with a lower count of certain immune cells (activated B cells). Moreover, a benefit from treatment with lefitolimod was seen in patients with a history of chronic obstructive pulmonary disease (COPD), which is a common underlying illness.

At the ESMO Conference in September 2017, key data from the IMPULSE study was presented by the Principal Investigator, Prof Dr med. Michael Thomas (Senior Consultant of the Department of Oncology and Internal Medicine at the Thorax Clinic at Heidelberg University Hospital, Germany) in a proffered paper session and discussed in a session hosted by the Co-Chairman of the meeting, Prof Sanjay Popat (The Royal Marsden Hospital, London, UK).

The final evaluation of the study results in the first quarter 2018 revealed no relevant difference to the findings already available.



»WE KNOW THAT **CHECKPOINT INHIBITORS** NEED SUPPORT TO RELEASE THEIR **ENORMOUS POTENTIAL** IN FULL AND WE THINK THAT OUR **TLR9 AGONIST LEFITOLIMOD** CAN PLAY A **KEY ROLE** IN THIS REGARD AS WELL.«

BROAD APPLICATION – EVALUATION OF LEFITOLIMOD IN HIV PATIENTS IN THE TEACH STUDY

Alongside studies in the field of oncology, lefitolimod has also been tested in HIV patients in the course of the phase Ib/IIa TEACH study since 2015. The study investigated whether lefitolimod can activate the immune system of patients to improve the identification and killing of infected cells.

This study was carried out in collaboration with our partner, Aarhus University Hospital, in two hospital centers in Denmark and was funded by the American Foundation for AIDS Research (amfAR). MOLOGEN supplied lefitolimod as the study drug.

In the first part of the study, in which 15 patients who undergo antiretroviral therapy (ART) were treated with lefitolimod over a period of four weeks, broad activation of the immune system was observed. Consistent with the underlying hypothesis, treatment with lefitolimod led to the activation of various important immune cells, such as pDCs, natural killer (NK) cells and T cells, for example. Given these positive results, the study continued in an extension phase from mid-2016 onwards, for which 12 patients undergoing ART were treated for 24 weeks.

In August 2017, the main results of the TEACH extension phase were presented. Although lefitolimod combined with ART did not show the desired effect on the virus reservoir, the study nonetheless delivered important positive results with regard to the effects of lefitolimod on the reactivation of the immune system in HIV patients. This data, coupled with the confirmed favorable safety profile of lefitolimod, forms the basis for other development strategies in the context of combination therapies. The Company and Prof Dr Ole Schmeltz Søgaard (Aarhus University Hospital, Principal Investigator of the study) anticipate that immunological control of the illness can be achieved with lefitolimod in this way.

A key element of the strategy to use lefitolimod as part of treatment approaches to treat HIV patients is a combination study for which financing has already been secured. In January 2017, the Aarhus University Hospital in Denmark received a grant of US $2.75 million from the biopharmaceutical company Gilead Sciences, Inc., Foster City, U.S. The grant was to fund the planned TITAN clinical study in HIV patients on ART in which lefitolimod would be investigated in combination with innovative virus-neutralizing antibodies. The antibodies were developed by the Rockefeller University in New York, U.S. MOLOGEN will be providing lefitolimod for the study. Preparations are currently underway for the planned study start in 2018.

Detailed study results from the TEACH extension phase were presented at the Conference on Retroviruses and Opportunistic Infections (CROI) in Boston at the beginning of March 2018.

In February 2017, an important result for the indication of HIV was presented at the annual Conference on Retroviruses and Opportunistic Infections (CROI) in Seattle, U.S., and subsequently published in a leading journal (Krarup et. al., Mucosal Immunology, 2017). For the first time, it was revealed through sigmoid colon biopsies that lefitolimod administered subcutaneously can trigger a local immune response. These findings therefore not only support the reasoning for the continued development of lefitolimod in HIV, because the colon contains a reservoir of HIV infected cells, but also the mode-of-action in colorectal cancer.

IMMUNO-ONCOLOGICAL COMBINATIONS – EXPANSION OF APPLICATION SPECTRUM

LEFITOLIMOD WITH THE CHECKPOINT INHIBITOR YERVOY®

The study currently being carried out in the framework of a collaboration with the MD Anderson Cancer Center at the University of Texas is the first immuno-oncology combination study with lefitolimod. The cooperation comprises a phase I study with lefitolimod in combination with the immunotherapy Yervoy® (ipilimumab) in patients with advanced solid tumors. Yervoy®, manufactured by Bristol-Myers Squibb Co., is a recombinant human monoclonal antibody that acts as a checkpoint inhibitor and is already approved to treat patients with unresectable or metastatic melanoma. This study has been initiated based on the idea that the combination of these two immunotherapies could result in a broader activation of the immune system and generate synergy effects.

Initially, the aim of the study is to ascertain the tolerable dosage for administering lefitolimod in combination with Yervoy®, which will then be used for further development. Alongside examining the safety of the combination therapy, an extension phase will collect initial data on the efficacy of the combination treatment.

In the context of this collaboration, MOLOGEN is providing the immune surveillance reactivator (ISR) lefitolimod and contributing to the funding. The first part of the study to ascertain the tolerable dosage is expected to be completed in 2018.

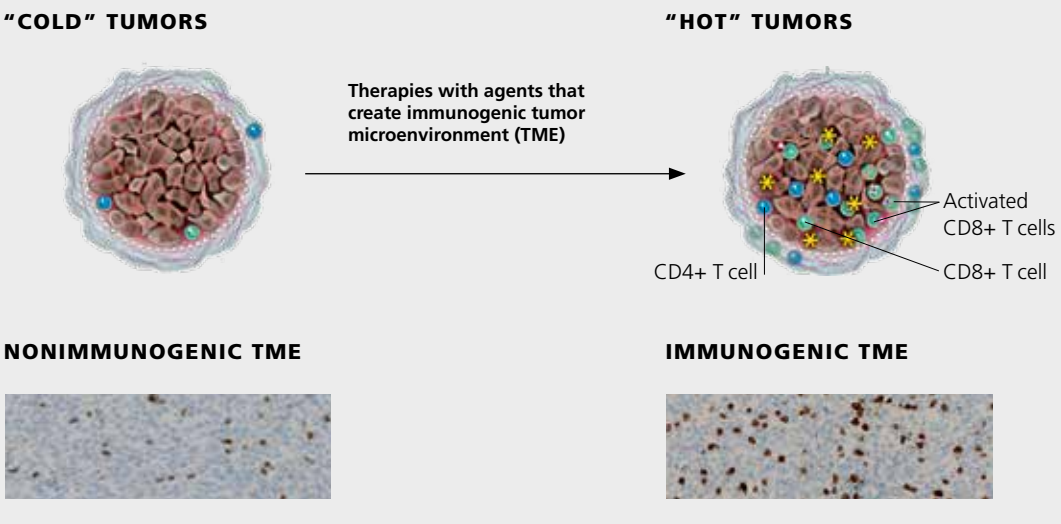
PROMISING PRECLINICAL DATA SUPPORTS COMBINATION APPROACH OF LEFITOLIMOD WITH CHECKPOINT INHIBITORS

The clinical combination approach is supported by current data from preclinical studies with lefitolimod, which was presented at notable international conferences in January and September 2017 as well as in January 2018. In the colorectal cancer model, monotherapy with lefitolimod creates advantageous modulation of the tumor microenvironment (TME), namely the conversion of "cold" immunologically inactive tumors to "hot" immunologically active tumors that exhibit infiltration of immune cells (e.g. T cells, M1 macrophages). As expected, this conversion of the TME is associated with a reduction in tumor growth.

These important results reveal the potential of lefitolimod as a cancer immunotherapy, as the response rates to treatments with checkpoint inhibitors are dependent on TME: "hot" tumors demonstrate better response. Consequently, the advantageous modulation of the TME is a crucial precondition for response to immunotherapeutic approaches.

In addition to having potential as a monotherapy, lefitolimod is therefore an ideal partner for combination approaches in immuno-oncology, for example with checkpoint inhibitors. Preclinical data presented in 2017 confirms the reasoning behind this combination: lefitolimod significantly improves the anti-tumor effect of the anti-PD-1 and anti-PD-L1 checkpoint inhibitors and consequently prolongs survival in a murine model.

IMPORTANCE OF TUMOR MICROENVIRONMENT



Source:
Above: Modified from Sharma and Allison, Science 2015
Below: MOLOGEN AG, staining of tumor, left control group, right after lefitolimod

»WITH THE PROMISING **PRECLINICAL RESULTS** ON THE **EFFICACY OF EnanDIM®**, WE HAVE A **STRONG BASIS** FOR FURTHER DEVELOPMENT WITH THE AIM TO **ENTER THE CLINICAL PHASE SOON.«**

EnanDIM® – A NEW GENERATION OF TLR9 AGONISTS: GREAT POTENTIAL AS A MONOTHERAPY AND COMBINATION THERAPY IN IMMUNO-ONCOLOGY

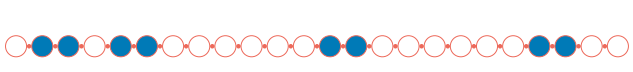
The EnanDIM® molecules are a new generation of immunomodulators. Like lefitolimod, they belong to the class of TLR9 agonists and trigger broad activation of the immune system.

EnanDIM® molecules consist entirely of DNA, as is also the case for lefitolimod. The main difference to lefitolimod is their respective structure. While lefitolimod has a closed dumbbell-shaped structure, EnanDIM® molecules are linear. Nevertheless, like with lefitolimod, no chemical modification is necessary to protect the molecules against degradation by enzymes. A good safety profile is therefore to be expected, as is the case with lefitolimod.

In December 2017, we presented the preclinical results on EnanDIM®, which demonstrated the positive impact on the TME as well as the associated anti-tumor effects when it is used on its own in a murine colorectal carcinoma model. Monotherapy with EnanDIM® led to increased infiltration of T cells into the tumor, especially of cytotoxic T cells, which was accompanied by reduced tumor growth. Like lefitolimod, the TLR9 signaling pathway induced by EnanDIM® provide a rational basis for the combination with checkpoint inhibitors. In fact, the presented data shows that EnanDIM® can significantly improve the anti-tumor effect of the checkpoint inhibitor anti-PD-1 and consequently prolong life for the animals. This data effectively supports the potential of EnanDIM® for immuno-oncological cancer treatment, both on its own and in combination with other immuno-oncological approaches.

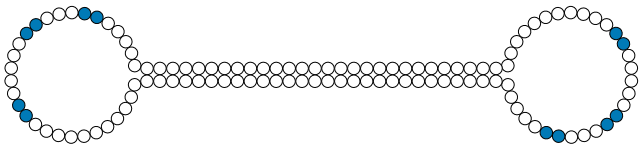
OVERVIEW TLR9 AGONISTS

LINEAR DNA-STRUCTURE



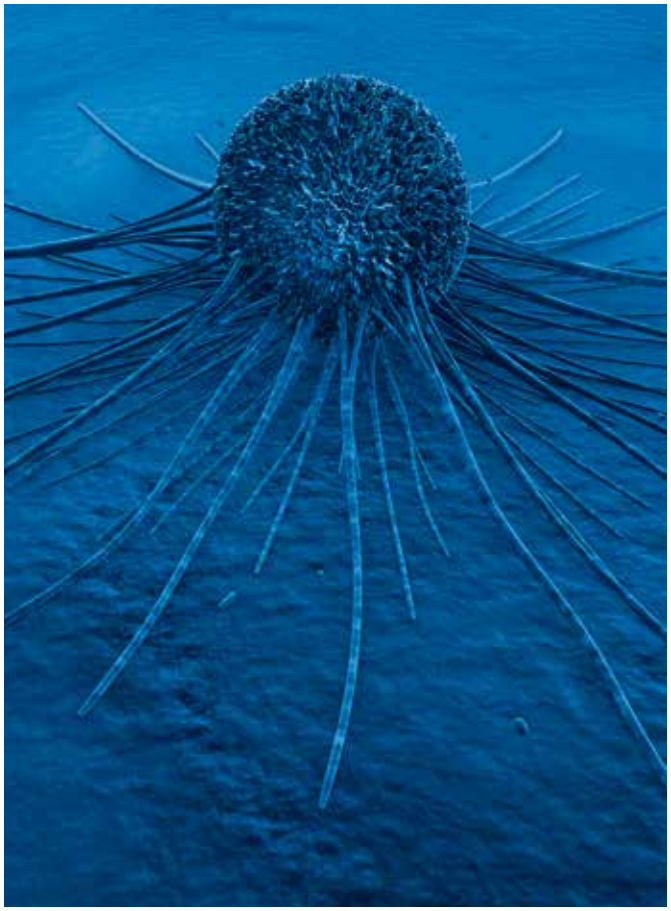
- Linear molecules
  - Simple, cost-effective production
- Stability through chemically modified structure
  - Usually unfavorable risk/benefit ratio

LEFITOLIMOD



- Stability through closed, dumbbell-shaped structure
  - Production complexity
- Only natural DNA components
  - Good safety and tolerability profile

Legend: EnanDIM® **Enan**diomeric **D**NA-based **I**mmuno**M**odulator ○○ phosphorothioate backbone (chemical modification)



TLR9 AGONIST

The mechanism which leads to broad activation of the immune system is based on the corresponding molecule binding to the TLR9 receptor and activation of the downstream signaling pathway. These biochemical signals lead to the activation and multiplication of certain immune cells, which can fight disease-causing pathogens, but also cancer cells.

TLR9 agonists are biochemical molecules that bind to suitable TLR9 receptors within specific immune cells, principally in pDCs. These immune cells are components of the innate immune system that serve in the non-specific recognition of pathogens. TLR9 receptors recognize the specific DNA pattern of these pathogens and cause signals to be emitted, which leads to broad activation of the innate immune system and ultimately also of the adaptive immune system. The TLR9 agonists lefitolimod and EnanDIM® use this phylogenetically ancient defense mechanism of the body to fight cancer and infectious diseases.

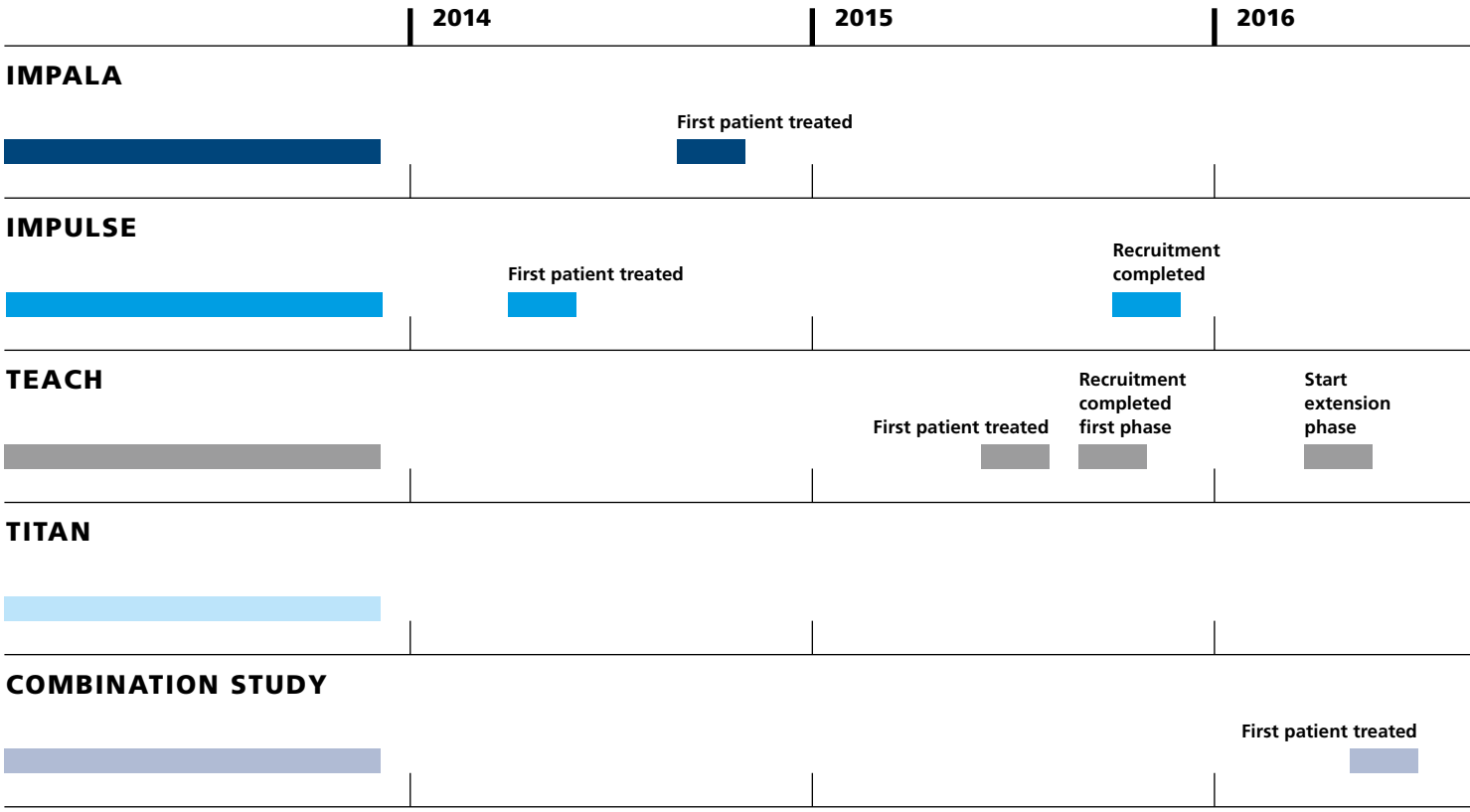
EnanDIM®

- Linear molecules; stability through specific features
  - Simple, cost-effective production
- No chemical modifications
  - Good safety and tolerability profile expected

- New family of linear TLR9 agonists
  - Allow drug differentiation on molecular level
- Broad immune activation and anti-tumor effect shown in preclinical models
- Potential application in cancer and in anti-infective therapies

DNA sequence essential for function (so-called "CG motifs") new structural feature in EnanDIM® providing protection against degradation

LEFITOLIMOD (MGN1703)
MILESTONES FOR VARIOUS CLINICAL TRIALS



* Dependent on the development of the overall survival in the study.

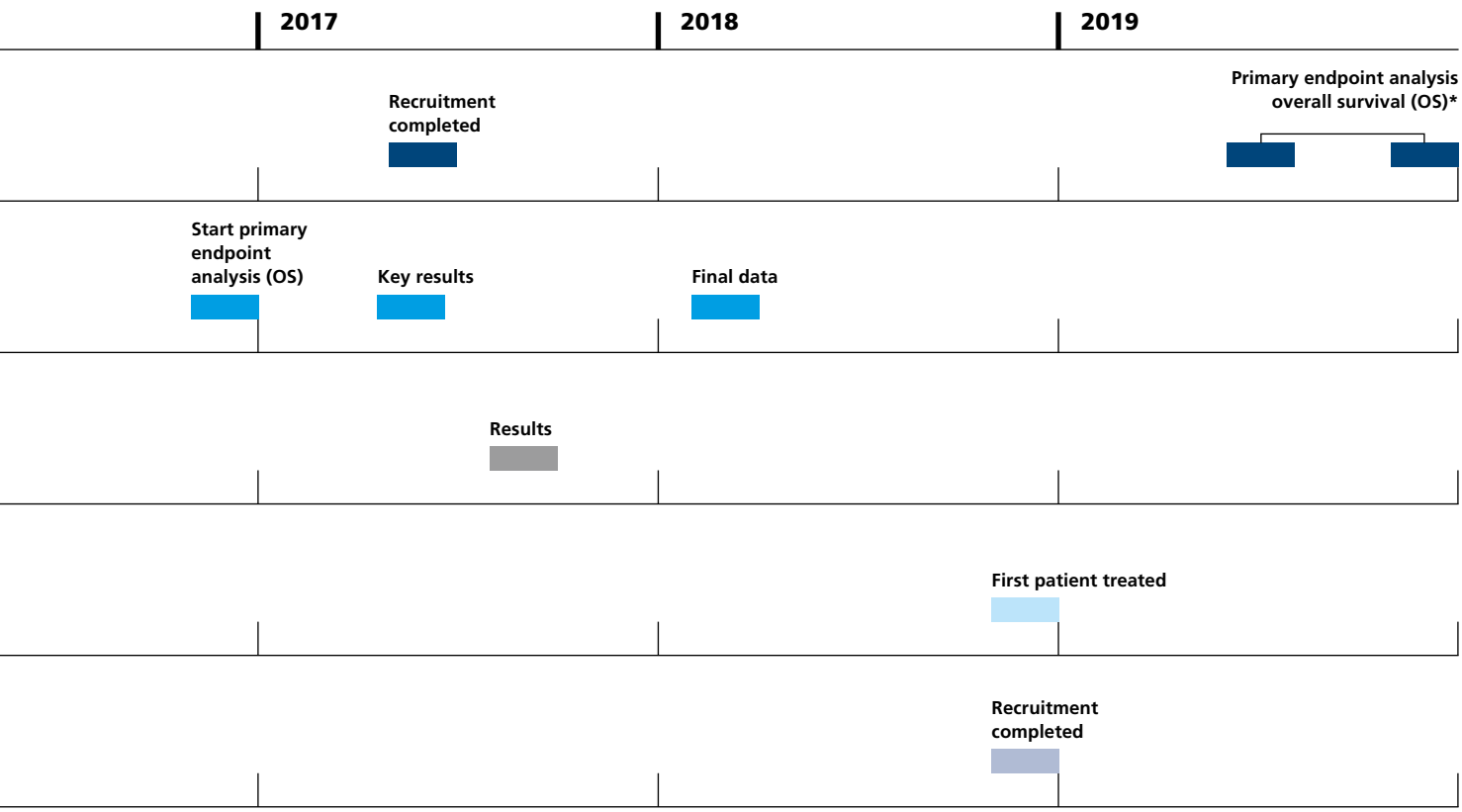
FURTHER POTENTIAL SUCCESSOR CANDIDATE: MGN1601 – MODIFIED TUMOR CELLS AGAINST RENAL CANCER

MGN1601 is a cell-based therapeutic vaccine and is being developed for the treatment of advanced renal cancer. This uses genetically modified human tumor cells which enable the patient's immune system to identify and fight cancer cells with what is virtually a "photofit" of these cells. The foundation for this is a cell bank which MOLOGEN has established using human renal cancer cells in accordance with pharmaceutical regulatory requirements. These cancer cells, which are foreign to the patient (allogeneic), are genetically modified with the help of MIDGE® vectors. The MIDGE® vectors take on the function of gene "ferries" and inject specific additional genetic information required for further activation of the immune system into the allogeneic cancer cells from our cell bank. To further trigger the body's immune system, they are combined with our TLR9 agonist lefitolimod to enhance efficacy (i.e. as an adjuvant). The use of several complementary mechanisms of action optimizes the signaling that is essential to induce the anti-tumor response.

To summarize, the active principle of MGN1601 initially involves triggering a strong immune reaction against the genetically modified allogeneic cancer cells. As the immune system has "learned" to recognize cancer cells from these cells, a cross reaction of the immune system is triggered, which enables it to identify and fight the body's own cancer cells. Consequently, MGN1601 is also referred to as a therapeutic vaccine.

SPECIAL MARKETING PROTECTION THROUGH ORPHAN DRUG STATUS

As renal cancer is one of the rarer forms of cancer, MGN1601 has been granted orphan drug status by the European Medicines Agency (EMA). This will give MOLOGEN a ten-year marketing exclusivity period for treatment within the European Union.



PROMISING RESULTS IN PHASE I/II ASET STUDY WITH MGN1601

The ASET study examined the safety and tolerability of MGN1601 in 19 heavily pretreated patients with advanced renal cancer, for whom no other treatment options were available. Monotherapy with MGN1601 proved safe and well tolerated. In addition, treatment with MGN1601 in a subgroup of patients led to highly promising overall survival data.

Through the analysis of patient characteristics before the beginning of the treatment, potential predictive biomarkers were identified for a longer overall survival period, which will enable a more precise selection of patients in future trials. The clinical phase I/II study was concluded in September 2013 and was subsequently presented at prominent international congresses.

For strategic reasons, further development of MGN1601 has initially been shelved until a suitable cooperation partner can be found or the lead development candidate lefitolimod is out-licensed.

MIDGE® TECHNOLOGY – CONTINUATION OF DISCUSSIONS ABOUT SPIN-OFF AND SALE

In the course of the Next Level strategy, we continued discussions relating to the planned spin-off or sale of our MIDGE® technology. We received a grant of approximately €2.2 million from the Japanese Global Health Innovative Technology (GHIT) Fund for the further development of the leishmaniasis vaccine based on the MIDGE® technology. In line with the GHIT program conditions, we are continuing the development activities until a decision is made on the future of the MIDGE® project and the work can be handed over to future partners.

THE MOLOGEN SHARE

- Germany's leading DAX index sharply up by 12.5% in 2017
- MOLOGEN's share price performance does not yet reflect the Company's positive business development
- Successful capital measure: U.S. investor signs share purchase agreement

DAX: BULLISH YEAR RESULTS IN IMPRESSIVE GAINS

In 2017, the German stock market barometer recorded its sixth successive year of gains. The German Stock Index (DAX) ended the first day's trading of the year at 11,598 points. Over the course of the year, the DAX rose further, settling a little below the 13,000 point mark. The DAX reached a record high of 13,479 points at the start of November, a considerable rise of almost 30% in comparison with the previous year's value. The main reason for the bullish share price development is, according to experts, the strong economic situation in Europe, where large numbers of jobs were created, which stimulated the economy. In the U.S., the tax reform announced by President Trump and adopted shortly before the end of the year boosted the stock market. As at the end of the year, the index slipped to just below the 13,000 point mark again, closing the year's final day of trading at 12,918 points. This represents an impressive year-on-year gain of 12.5%.

The relevant German pharmaceutical and biotechnology industry indices, DAXsubsector Biotechnology and DAXsector Pharma & Healthcare, recorded respective gains of 11% and slightly above 1% in the 2017 financial year.

STRATEGIC MILESTONES REACHED, BUT NOT REFLECTED IN SHARE PRICE

MOLOGEN shares kicked off the 2017 XETRA trading year with a closing price of €1.50. Thereafter, the share price fell initially over the next few days, hitting its lowest price for the year of €1.45 on 5 January 2017. Following this, the share price developed positively with the highest closing price for the year of €4.59 recorded on 18 May 2017. In the subsequent months, the share price was volatile with a declining trend overall. The closing price for the year on 29 December 2017 was €2.27. In comparison with the start of the year and previous year's value, this represents a significant recovery. The share price increase amounted to 34% in the course of the year, with the average trading volume of the shares well up on the previous year's level in XETRA trading during 2017. It rose by 73% from an average of 34,989 shares per day to 131,860 shares per day. However, the Company's positive business development in terms of achieving significant strategic milestones in 2017 did not filter down into the share performance of MOLOGEN shares.

Key share data (ISIN DE0006637200, Prime Standard)

XETRA (closing price)	**2017**	2016
Number of shares issued as at 31 December	34,295,343	33,947,251
Market capitalization as at 31 December (€ million)	77.85	51.93
First trading day (€)	1.50	4.83
Last trading day (€)	2.27	1.53
High (€)	4.59	4.95
Low (€)	1.45	1.20
Average daily trading volume	131,860	32,989

CAPITAL MEASURES

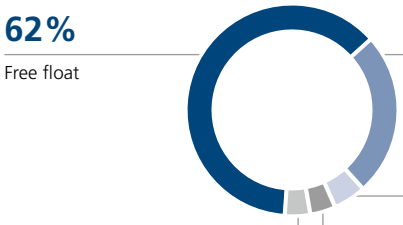
EXERCISING CONVERTIBLE BONDS 2017/2025

In January 2017, MOLOGEN issued convertible bonds in a total amount of €4.99 million. The bonds can be converted into a maximum of 3,124,994 company shares at a conversion price of €1.60 per share in the period from 1 April 2017 until maturity. Overall, 348,092 shares were converted over the course of 2017. This therefore means that 2,776,902 shares are outstanding, corresponding to a value of approximately €4.4 million.

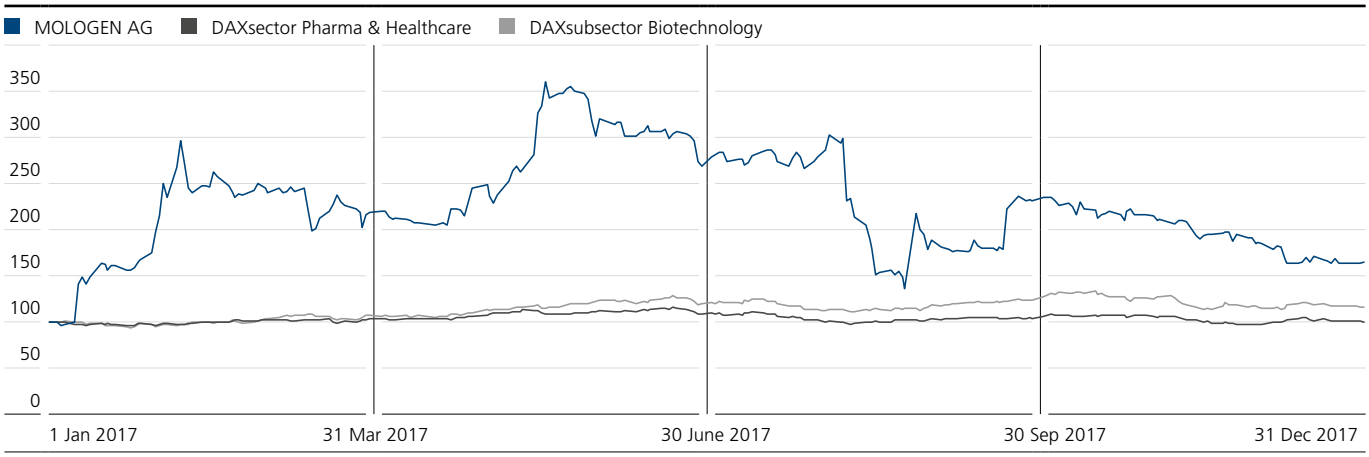
SHARE PURCHASE AGREEMENT WITH U.S. INVESTOR

On 24 October 2017, MOLOGEN announced that it had signed a share purchase agreement with U.S. investor Global Corporate Finance (GCF). Accordingly, GCF undertakes to purchase up to 3,394,725 MOLOGEN shares, which represents around 10% of the Company's equity capital. The shares will be issued in several tranches from MOLOGEN's authorized capital in accordance with the Articles of Association and under exclusion of subscription rights for existing shareholders. MOLOGEN should therefore be able to achieve total gross proceeds of €7–9 million, depending on the share price and providing that the tranches are all utilized in full.

Shareholder structure as at 31 December 2017 (estimates)



Performance of MOLOGEN shares in 2017



As of the end of February 2018, MOLOGEN had utilized two tranches, raising gross proceeds of over €1 million as a result of these capital increases.

FURTHER FINANCING MEASURES IN 2018

FINANCING CONTRACT WITH THE EUROPEAN HIGH GROWTH OPPORTUNITIES SECURITIZATION FUND

Furthermore, MOLOGEN came to an agreement with the Luxembourg-based European High Growth Opportunities Securitization Fund on a financing contract. Within the framework of this agreement, MOLOGEN is permitted to issue convertible bonds up to a value of €12 million via the investor from 1 March 2018 onwards for a period of two years; MOLOGEN exercised tranches on 1 and 20 March 2018 each amounting to €500 thousand. These have already been fully converted by EHGO.

PROSPECTUS-FREE CAPITAL INCREASE

In March 2018, MOLOGEN completed another capital increase using authorized capital. In total, 2,357,368 new shares were issued at a subscription price of €2.12 to national and international investors. MOLOGEN recorded gross proceeds of approximately €5 million as a result of this.

Capital measures carried out in 2017 and the first quarter of 2018 as well as additional framework agreements, together with first payments from the licensing and development agreement signed with ONCOLOGIE Inc. in February 2018, have secured funding for the Company up to the end of 2018. These funds will be used to continue operational activities and in particular for the implementation of the "Next Level" strategy, to finance ongoing studies as well as for measures related to outsourcing production processes.

INVESTOR RELATIONS

We pursue continual and transparent dialog with our investors and the capital market as part of our investor relations work. Extensive information about the Company's current business performance was again issued on a regular basis during 2017. This involved, among other measures, investor and analyst conference calls in addition to personal visits to investors, which we used to inform the market in detail of major corporate developments, such as the signing of a share purchase agreement with GCF, a U.S.-based private equity firm. We also reported on ongoing research and development work as well as the latest scientific data on our products and studies. The focus of these publications in 2017 was above all the IMPULSE and TEACH study results, both of which use our lead product lefitolimod in the indications of lung cancer and HIV respectively. In May 2017, we announced the completion of patient recruitment for our IMPALA pivotal study in the indication of colorectal cancer. Furthermore, we reported on promising preclinical data during 2017 for lefitolimod and the follow-up molecules EnanDIM® both in combination with checkpoint inhibitors.

Quarterly conference calls were held with analysts and institutional investors in order to explain the respective financial reports on the day of publication and answer any questions. In addition, the Executive Board and Investor Relations team conducted regular roadshows in major financial centers throughout Europe and the U.S., including New York, London and Frankfurt, enabling them to maintain dialog with potential and existing institutional investors. As a result of these activities, MOLOGEN announced that it had partnered with U.S. investor Global Corporate Finance (GCF) in October 2017. Moreover, further business development activities were conducted in China, among other countries.

REPORT OF THE SUPERVISORY BOARD

»MOLOGEN ACHIEVED KEY TARGETS IN **FISCAL YEAR 2017**: A **PARTNERSHIP AGREEMENT** INCLUDING PREPARATIONS FOR A **GLOBAL RESEARCH COOPERATION AGREEMENT** AS WELL AS COMPLETING **PATIENT RECRUITMENT** FOR THE IMPALA STUDY, THE EVALUATION OF TWO STUDIES AND CREATION OF THE **NECESSARY FINANCIAL FRAMEWORK CONDITIONS.«**

COLLABORATION BETWEEN EXECUTIVE BOARD AND SUPERVISORY BOARD

In fiscal year 2017, the Supervisory Board took great care to duly perform the duties incumbent upon it under the law, the company's Articles of Association and its internal rules of procedure. We have supported the Executive Board in the management of the company in an advisory capacity, closely evaluated and monitored its management activities and dealt extensively with the operational and strategic development of the company. In particular, the benchmarks for supervision were the legality, correctness, suitability and cost-effectiveness of management as well as the performance of risk management and the company's organizational structure. The Supervisory Board concerned itself at length with the situation and development of the company as well as material business transactions in the 2017 reporting year.

The Executive Board complied with its duty to provide information and regularly, promptly and comprehensively informed the Supervisory Board in written and verbal reports about all business transactions and events of material importance for the company, business developments, the business and financial situation, the strategic further development and corporate planning as well as the risk situation and risk management of the company. In the Supervisory Board meetings, we had the opportunity to discuss the reports and draft resolutions of the Executive Board in detail. Specifically, this related to measures that require the approval of the Supervisory Board and all transactions of significance with respect to profitability and liquidity. The Executive Board answered all our questions with the necessary detail and, in this context, also provided all relevant documents to the Supervisory Board in a timely manner. Any deviations from the corporate planning were explained in detail. Outside the Supervisory Board meetings, the Supervisory Board received verbal and written updates on ongoing business developments and important business transactions from the Executive Board regularly and on the occasion of specific events. We were consequently consulted directly and without delay on all decisions of material importance for the company.

Where specific measures are subject to Supervisory Board approval by law or under the company's Articles of Association and its internal rules of procedure, decisions were taken to this effect. On a regular basis, the Supervisory Board members diligently prepared for decisions on measures of the Executive Board requiring their approval, with the aid of documents that were provided promptly by the Executive Board in advance. The Supervisory Board discussed the pending intentions awaiting a decision with the Executive Board in a timely manner.

Between the Supervisory Board's plenary meetings, the Chairman of the Supervisory Board regularly exchanged information and ideas with the Executive Board, in particular in relation to strategic issues and those in connection with business development and risk management, the risk situation as well as planning and compliance.

Dipl.-Kfm. Oliver Krautscheid
Chairman and
member of the Supervisory Board

Dr med. Stefan M. Manth
Deputy Chairman and
member of the Supervisory Board

Susanne Klimek
Member of the Supervisory Board

MEETINGS OF THE SUPERVISORY BOARD AND WORK PRIORITIES

In fiscal year 2017, the Supervisory Board convened for a total of six face-to-face meetings and 15 video or telephone conference calls, with full attendance/participation of all Supervisory Board members. In addition, Supervisory Board members maintained regular dialog with the Chairman of the Supervisory Board.

	Face-to-face meetings	Video conferences	Total
1st quarter of 2017	1	2	3
2nd quarter of 2017	1	2	3
3rd quarter of 2017	2	3	5
4th quarter of 2017	2	8	10
Total	**6**	**15**	**21**

The more frequent meetings over the course of the year were above all necessary to provide advisory support to the Executive Board regarding partnering activities, the requisite corporate financing and key strategic matters, and also serves to explain the fact that no committees were formed in the Supervisory Board on account of its size.
The Supervisory Board specifically focused on the following key areas:

- Consultation on global and regional partnering activities including licensing and cooperation concepts and partnering agreements.
- Consultation on corporate strategy including with regard to the product portfolio – in particular, following the evaluation of the clinical IMPULSE and TEACH studies.
- Discussions pertaining to financing concepts and instruments as well as resolutions on capital measures, including the relevant amendment of the Articles of Association and negotiations regarding new financing instruments, especially:
  (a) January 2017: issuance of 499,999 convertible bonds worth €10 each with a maturity ranging from 2017 to 2025, a 6 % interest coupon and conversion rights for up to 3,124,994 shares at an exercise price of €1.60 each.
  (b) October 2017: discussion and approval of the share purchase agreement with U.S. investor Global Corporate Finance (GCF) for up to 3,394,725 shares, delivery of which can be called for in several tranches with a price clause on the call date. This financing instrument was first used in December 2017 when 275,000 shares were called at €2.198 each, which resulted in gross proceeds of €604,450.
  (c) December 2017: discussion of a framework agreement for the issuance of convertible bonds (one-year mandatory convertibles without interest coupon, subject to a variable exercise price and lower price limits) to the Luxembourg based European High Growth Opportunities Securitization Fund. The agreement provides for calling up to 24 tranches of convertible bonds worth €500,000 in total.
- Discussion of risk management, in particular with regard to liquidity management, project control, including supplementary management, major agreements and developments in the sector.

The Supervisory Board's deliberations and resolutions also focused on the following topics:

- Regular audits of the company's financial reports
- Auditing of the annual financial statements for 2016 and half-year financial statements for 2017, focus of the audit agreed in consultation with the auditor as well as the discussion of potential violations and early risk identification. Adoption of the 2016 annual financial statements in accordance with the German Commercial Code (Handelsgesetzbuch, HGB) and IFRS
- Appointment of Dr Matthias Baumann as member of the Executive Board with effect from 1 May 2017. Approval to award/revoke powers of attorney to managers below the Executive Board level and for the issuance of Executive Board stock options as part of the 2016 share option program
- Approval of the annual budget for 2017, the target agreements for 2017 and the level of target achievement by the Executive Board in 2016
- Discussion and approval of the joint declaration of compliance with the German Corporate Governance Code by the Executive Board and Supervisory Board:
  Gender equality, diversity, Supervisory Board membership, aims regarding the composition of the Supervisory Board, skills profile and age limit for Executive Board members. Amendment of the internal rules of procedure for the Executive Board and efficiency review.
- Adoption of resolutions in connection with preparations for the 2017 Annual General Meeting (Report of the Supervisory Board, agenda) and the target achievement of the Executive Board (bonus) as well as pending legal disputes
- Discussion on the selection of cooperation partners, financing and concepts for hiving off/selling the MIDGE business as part of the Next Level strategy
- Discussion with regard to the selection of a toll manufacturer to establish production processes for lefitolimod that will receive regulatory approval in line with an upscaling concept to satisfy demand in the event of market entry in addition to corresponding approval resolutions.
- Discussion as to prioritizing the development pipeline and approval of investment in preclinical development candidates
- Further resolutions requiring approval, including for a supplementary CRO framework agreement for the IMPALA study, the purchasing of raw materials, production contracts, consulting fees (in particular, financial and legal consultants as well as for production outsourcing), aspects of the patent portfolio (MIDGE, Foundation, negative licensing) and GHIT cooperation

INVESTOR MEETINGS

In the reporting year, the Supervisory Board held talks with individual investors, represented by the Chairman of the Supervisory Board. Specific areas of focus for the Supervisory Board included: The competence profile of the Executive Board and revision of the Supervisory Board remuneration (in particular, halving the remuneration to be received for participation in video conferences and conference calls). The Chairman of the Supervisory Board also attended meetings of the Executive Board with major shareholders, particularly in connection with finance-related discussions and discussion about the agenda for the Annual General Meeting.

CORPORATE GOVERNANCE AND DECLARATION OF COMPLIANCE

In the reporting year, no conflicts of interest on the part of members of the Executive Board and Supervisory Board arose which are to be brought to the attention of the Supervisory Board without delay and reported at the Annual General Meeting. There were no consulting or other business relationships for the provision of services between members of the Supervisory Board and the company in the year under review.

Compliance with the German Corporate Governance Code was continuously monitored by the Supervisory Board. In most respects, the company complied with the recommendations of the Government Commission on the German Corporate Governance Code.

The joint declaration of the Executive Board and Supervisory Board concerning the Code for fiscal year 2017 is accessible on the company's website.

The Supervisory Board critically examined the efficiency of its work at regular intervals, specifically, the availability of the Supervisory Board members, the frequency of meetings as well as meeting preparation, implementation and the taking of minutes. The Supervisory Board made a positive assessment of its efficiency.

MEMBERS OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

As of 1 May 2017, Dr Matthias Baumann was appointed as additional Executive Board member alongside Dr Mariola Söhngen and Walter Miller. In his capacity as Chief Medical Officer, he is responsible for clinical and preclinical studies. The Supervisory Board was unchanged in the reporting year and comprised Oliver Krautscheid (Chairman), Dr Stefan M. Manth (Deputy Chairman) and Susanne Klimek.

ANNUAL FINANCIAL STATEMENTS AND INDIVIDUAL FINANCIAL STATEMENTS, AUDIT

At the Annual General Meeting held on 28 April 2017, Baker Tilly Roelfs AG Wirtschaftsprüfungsgesellschaft, Leipzig, was re-elected as auditor for the fiscal year ending on 31 December 2017. Its legal successor is now known as Baker Tilly Roelfs GmbH & Co. KG, Düsseldorf ("Baker Tilly"). In advance of the Supervisory Board nominating it as auditor at the Annual General Meeting, Baker Tilly confirmed to the Chairman of the Supervisory Board that no circumstances are in existence which could compromise its independence or give rise to doubts about its ability to act independently. On behalf of the Supervisory Board, the annual financial statements as of 31 December 2017, prepared by the Executive Board in accordance with the provisions of the German Commercial Code (HGB), and the management report for fiscal year 2017, prepared by the Executive Board, were audited by Baker Tilly.

The Executive Board also prepared individual annual financial statements as of 31 December 2017 under IFRS, as applicable in the EU, in accordance with Section 325 Para. 2a of the HGB. The management report prepared by the Executive Board additionally makes reference to the individual financial statements under IFRS, as applicable in the EU. The Supervisory Board also awarded the contract for auditing the individual annual financial statements under IFRS, as applicable in the EU, to Baker Tilly.

The audit by Baker Tilly did not lead to any objections, with an unqualified auditor's opinion issued for both annual financial statements. The auditor therefore concluded that the annual financial statements and individual financial statements pursuant to IFRS in accordance with the relevant accounting standards, provide a true and fair picture of the assets and liabilities, the financial performance and financial position of MOLOGEN AG. Furthermore, the auditor stated that the management report, which is consistent with the annual financial statements and individual financial statements pursuant to IFRS, provide a true picture of the overall situation of MOLOGEN AG and accurately present the opportunities and risks of future development. Without qualification of this assessment, the auditor referred to the financial risks which are explained in the management report.

In the Supervisory meeting on 6 March 2018, the Executive Board discussed the financial reporting in accordance with HGB and IFRS. Moreover, any questions posed by the Supervisory Board members were answered by the Executive Board. The auditors present for the Supervisory Board meeting reported in detail on the auditing process, the findings and commented on the audit report. The auditors also stated that their audit uncovered no major weaknesses in terms of internal control and risk management systems with regard to the financial reporting process. The auditors answered detailed questions on the audit findings and on the type and scope of their audit activities. The Supervisory Board was satisfied that the audit was conducted in a fit and proper manner by Baker Tilly, and was especially pleased that the audit report – in addition to the audit process itself – complied with legal requirements. The Supervisory Board approved the findings of the audit of the financial statements.

The in-house audit and discussion resulted in no objections to the annual financial statements and the individual financial statements under IFRS. The following topics were the focus of the audit of the annual financial statements for 2017 by the Supervisory Board: the company's management report, target-actual deviations from the budget for the year, accounts payable balances, updating IT security and in-house checks for approving invoices in core business (clinical development).

At its accounts meeting on 20 April 2018, the Supervisory Board approved the audited annual financial statements as of 31 December 2017 without limitations or supplements and the individual financial statements under IFRS were also endorsed without limitations or supplements. In conclusion, the Supervisory Board approved the report presented at the Annual General Meeting.

The Supervisory Board would like to thank the Executive Board members, Dr Mariola Söhngen, Walter Miller and Dr Matthias Baumann, as well as all employees of MOLOGEN AG for their dedication and exceptional work over the past year. We would also like to thank our shareholders for their confidence in the company.

Berlin, April 2018

Oliver Krautscheid
Chairman of the Supervisory Board

»IN 2017 WE COMPLETED FURTHER CAPITAL MEASURES SUCCESSFULLY.«

02 | FINANCIAL INFORMATION

MANAGEMENT REPORT

MANAGEMENT REPORT

- Further implementation of the "Next Level" strategy
- Clinical trials with the lead product candidate, lefitolimod: significant milestones reached
- R&D expenses lower than in the same period of the previous year; accordingly, year-on-year improvement in EBIT
- Convertible bond in the amount of €4.99 million issued and Share Subscription Facility with U.S. investor concluded
- Start of 2018: issuance of convertible bond of up to €12 million in tranches as well as capital increase with gross proceeds totaling €4.99 million
- MOLOGEN and ONCOLOGIE signed a licensing and development cooperation contract for lefitolimod; MOLOGEN has received a first payment of €3 million

In fiscal year 2017, the focus of operational business was on the lead product, lefitolimod. Further progress was made in the preparatory activities for the potential approval of the immunotherapy, especially with measures for the planned outsourcing of production and upscaling production to the market standard. The four clinical trials with lefitolimod also moved forward and important milestones were reached: in the TEACH study in patients with the human immunodeficiency virus (HIV) and the IMPULSE lung cancer study, in particular. In August 2017, important results for the extension phase of the TEACH study (phase I b/IIa in HIV) were published. Key findings from the exploratory IMPULSE phase II study in the indication of small cell lung cancer (SCLC) were presented in April 2017. Recruitment for the IMPALA pivotal study in metastatic colorectal cancer (mCRC) was concluded in May 2017 with the enrollment of 540 patients. The phase I combination study with the checkpoint inhibitor Yervoy® in collaboration with MD Anderson Cancer Center at the University of Texas, U.S., continued to make progress. In August 2017, MOLOGEN signed a binding term sheet with iPharma Ltd., a China-based drug development company. After further negotiations and reopening the process of negotiation to include additional potential partners, a contract was ultimately signed with ONCOLOGIE Inc. in February 2018. This contract covers the development, manufacturing and commercialization of lefitolimod in the markets of China including Hong Kong, Macao, Taiwan and Singapore as well as a potential global development cooperation. To mark the conclusion of the contract, MOLOGEN received a first payment of €3 million. In addition, development and sales-related milestone payments as well as royalties and an equity investment were agreed. MOLOGEN has therefore achieved one of its most important strategic targets.

At €14 million, expenses for research and development (R&D) were down on the same period of the previous year (2016: €17 million). At €–18.7 million, EBIT was higher than the prior year's figure of €–21.0 million. As of 31 December 2017, cash and equivalents totaled €6.5 million (12/31/2016: €20.5 million).

COMPANY OVERVIEW

MOLOGEN AG (hereinafter: MOLOGEN) is an international bio-pharmaceutical company with oncology and the human immunodeficiency virus (HIV) as the main focus of research.

This is based on patented proprietary technology innovations, that enable or decisively facilitate using derivatives of deoxyribonucleic acid (DNA) to treat previously untreatable or only insufficiently treatable diseases. The technologies are patented and conducted under the dSLIM® (lefitolimod), EnanDIM® and MIDGE® brands. In addition, MOLOGEN has a unique tumor cell bank categorized according to pharmaceutical regulatory requirements which is used for cell-based cancer treatments. In connection with the "Next Level" strategy, therapeutic product developments are above all based on our dSLIM® and EnanDIM® technologies at present.

MOLOGEN investigates its proprietary product candidates and develops them within the framework of preclinical tests and clinical trials. The aim is to out-license product candidates to pharmaceutical companies after successful proof of clinical efficacy. Licensing revenue that may consist of upfront and milestone payments, as well as royalties, should help enable further growth and make MOLOGEN profitable.

MOLOGEN was founded in 1998 as a joint stock corporation under German law and the Company went public in the same year. The Company's shares have been traded on the Prime Standard on the Frankfurt Stock Exchange since June 2009.

The registered office of MOLOGEN is in Berlin; no other locations exist. The Company is registered in the Commercial Register of the Local Court at Berlin-Charlottenburg under the number HRB 65633 B.

ACCOUNTING

This management report refers to the annual financial statements drawn up in accordance with the German Commercial Code (HGB). In addition, it refers to the individual annual financial statements in accordance with Section 325 Para. 2a of the HGB in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). MOLOGEN will disclose these individual annual financial statements compliant with Section 325 Para. 2a of the HGB in accordance with IFRS (hereinafter also referred to as: IFRS individual annual financial statements), as adopted by the EU pursuant to the provisions of German commercial law.

The financial figures in this management report refer to the IFRS individual annual financial statements of MOLOGEN. Figures referring to the annual financial statements in accordance with the HGB are marked accordingly.

SEGMENT REPORTING

MOLOGEN does not prepare segment reporting as the technologies and product candidates are still in the preclinical research and clinical development stages. Cash flows and corresponding expenses cannot be clearly attributed to the individual product candidates or technologies because different combinations of proprietary and licensed technologies are used for different product candidates. Segment reporting would therefore not provide any additional information compared with the information contained in the other components of the financial statements or the management report.

GENERAL CONDITIONS

OVERALL ECONOMIC DEVELOPMENT

- Global economy maintains growth course in 2017 and outlook for the future is positive
- European economy achieved growth of 2.4% in 2017 and was therefore a driving force for the global upswing
- German economy continues to boom

The global economy sustained the slight upward trend of 2016 and gained further momentum in 2017. The International Monetary Fund (IMF) is predicting that global economic growth will be 3.7% for 2017 and has therefore raised its forecast by 0.5 percentage points since 2016. The IMF is expecting positive development for 2018 as well, with experts predicting a slight increase in the growth rate of the global economy to 3.9% in 2018. This forecast reflects the growth momentum prevailing worldwide as well as the anticipated impact of the recently adopted U.S. tax reforms. The IMF is predicting that the U.S. economy will experience an upswing in the short term, at least, which could in turn benefit the trading partners of the U.S., especially Canada and Mexico.

The global economic upturn in 2017 is above all attributable to stronger world trade, greater investment activity, particularly in industrial countries, as well as increased production output in Asia.

According to the IMF, Europe also made a significant contribution to the expansion in global economic performance. For 2017, market experts are predicting economic growth of 2.4% for the eurozone. It is expected to be similarly high in 2018, at 2.1%. However, there are still some risks that might have a negative impact on growth in the coming months. For example, it still cannot be predicted how trade relationships with the United Kingdom will develop after the country's planned exit from the EU (Brexit). The IMF maintains that economic growth could suffer as a result, and not just in the UK, but also in the whole of Europe.

The dynamic upturn in the German economy continued in 2017. According to the German Federal Statistical Office, the gross domestic product (GDP) was up 2.2% on the previous year in 2017 and consequently amounted to approximately €3.26 trillion. This is above all attributable to the rate of unemployment being at historically low levels, high consumer spending as well as an exceptional order situation in industry. For 2018, the Kiel Institute for the World Economy is forecasting a change in GDP of 0.3 percentage points to 2.5%.

DEVELOPMENT OF THE PHARMACEUTICAL AND BIOTECHNOLOGY INDUSTRIES

- Sales for drugs expected to increase to up to US $1.5 trillion worldwide in the next decade
- Global market volume for cancer therapies is forecast to rise to US $190 billion in 2022
- Cancer immunotherapies are revolutionizing the treatment of tumor diseases

Market research company Quintiles Institute for Healthcare Informatics (IMS) predicts that the drugs market will continue to record robust growth. Accordingly, global total expenditure on drugs will rise to around US $1.5 trillion by 2021. In its "World Preview 2017, Outlook to 2022" survey, EvaluatePharma assumes that sales from prescription drugs will be increasing by 6.5% per year up to 2022. According to the market experts, innovative cancer immunotherapies and drugs to treat Alzheimer's will be the key growth drivers.

PHARMACEUTICAL INDUSTRY: DEVELOPING COUNTRIES AND CANCER TREATMENTS BECOMING MORE IMPORTANT

According to data for 2017 from the German Pharmaceutical Industry Association, sales of pharmaceuticals amounted to around €1,025 billion worldwide in 2016 and were therefore approximately 3.6% up on the prior year's level. North America, Europe and Japan accounted for around three-quarters of the total sales, but emerging markets such as Brazil, China, India, and Turkey also play an important role in the pharmaceutical market. In particular, market experts at Quintiles IMS are predicting sales growth of up to 16% for Turkey and 13% for India, while the growth forecasts are a little more reserved for China, Russia and Mexico, at between 5% and 8%. However, given their high populations, there is major market potential for pharmaceutical manufacturers in these countries as well.

Consequently, products that are used in the treatment of cancer patients will generate by far the greatest sales. Quintiles IMS predicts that cancer treatments will generate between US $120 billion and US $135 billion by 2021. In the area of prescription pharmaceutical drugs, the share of biotechnologically produced drugs is expected to rise to 29% by 2022. In 2015, the share was 24%.

SHARP RISE IN THE INCIDENCE OF CANCER EXPECTED

A report by the Global Burden of Disease Cancer Collaboration published in the JAMA Oncology journal stated there were an estimated 17.5 million cancer cases around the globe in 2015. In the same year, 8.7 million deaths were attributed to the disease. The number of cancer incidences increased by 33% between 2005 and 2015. Despite various promising therapeutic approaches, such as immunotherapies, it is assumed that the number of people affected by cancer will continue to grow in the future. In its most recent World Cancer Report, the World Health Organization (WHO) predicts that incidences of cancer will increase by around 70% over the next two decades. According to estimates by the American Cancer Society, 22 million people worldwide could develop cancer each year by 2030. The growth rates in the oncology market are correspondingly high. EvaluatePharma predicts a global market volume of US $190 billion by 2022. Oncology is therefore the therapeutic area with the highest growth rates and, according to the market research company's projections, it will also remain the pharmaceutical market segment with the strongest sales worldwide in the long term, with projected annual sales growth of around 12.5% up to 2022.

Industrial investment in cancer research and the development of innovative new cancer treatments continues to be high. According to Quintiles IMS, it accounts for more than 30% of all product development. In its report "Global Oncology Trends 2017", Quintiles IMS ascertains that 68 new cancer drugs were approved for 22 indications in the period between 2011 and 2016. In particular, personalized oncology medicines, targeted agents and novel immunotherapeutic compounds played a very prominent role in these developments.

MARKET POTENTIAL OF CANCER IMMUNOTHERAPIES IS US $70 BILLION

The highly promising area of cancer immunotherapies in particular has the potential to revolutionize the treatment of tumors. The first studies in skin and lung cancers have already delivered positive results with regard to the efficacy of cancer immunotherapies: a significant prolongation of survival was observed in these patients when compared with conventional cancer therapies. According to estimates from the market research organization GBI Research, the market for cancer immunotherapies could rise to more than US $70 billion by 2022. A study conducted by Visiongain found that checkpoint inhibitors alone are expected to generate sales of approximately US $17 billion by 2020.

HIGH MARKET POTENTIAL IN AREA OF INFECTIOUS DISEASES

Alongside application in oncology, immunotherapy treatments are also used to combat infectious diseases such as HIV infections. As the number of patients living with HIV is continually growing – estimated by UNAIDS to total 30 million by 2020 – this is already a major market today, with constantly increasing sales potential worth billions for immunotherapies.

Although the overall trend is towards growth, the biotechnology industry continues to face significant challenges. It can take ten years or more before a drug is successfully launched on the market. This often necessitates several productive rounds of funding, with the follow-up funding after the foundation phase presenting an ongoing challenge for many biotechnology companies.

A further problem is also the broadening of market shares for generics, as well as stricter laws and approval regulations. Conditions for market approval and subsequent market penetration are also becoming complicated in many countries due to health care reforms, which almost always result in cost-cutting.

New trends can be observed as pharmaceutical companies react to expiring patents and shrinking product pipelines. They are developing new business segments, while also investing more heavily in the development of niche products and personalized medicine. There is also increased activity in the area of mergers and cooperations, including at international level.

It cannot yet be reliably predicted what impact current geopolitical developments, such as the UK leaving the EU (Brexit) and the health care reforms in the U.S. being implemented by U.S. President Donald Trump, will have on the global pharmaceutical and biotechnology industries in the medium term. Taking a long-term view, it is still the case that the biotechnology sector will continue to be offered attractive opportunities due to the sustained demand for innovative product candidates and treatment methods, above all in the area of oncology.

In light of this, the market prospects for MOLOGEN can also still be regarded as exceedingly positive.

LEGAL FRAMEWORK

The regulatory framework conditions for the research and development of new drugs are particularly relevant for MOLOGEN. This area is regularly subject to changes and further development. As a whole, the changes in the framework conditions have not excessively affected the business activities of MOLOGEN.

For the market potential of proprietary product candidates, the framework conditions in the health sector are especially relevant in the EU and U.S. and, in this context, the continuing cost pressure in health care systems, in particular.

With regard to the current geopolitical developments around the world, no reliable statements can yet be made about the short and medium-term impact on the biotechnology and pharmaceutical industries as a whole and what changes and risks will arise for MOLOGEN as a result.

BUSINESS PERFORMANCE 2017

- The ongoing implementation of the "Next Level" strategy: strong product and market orientation with a focus on TLR9 product family with lefitolimod and the next-generation technology EnanDIM®
- Activities concentrate on clinical trials with the lead product, lefitolimod
  - Completion of patient enrollment for the phase III IMPALA pivotal study in the indication of colorectal cancer
  - First results from the exploratory phase II IMPULSE study in the indication of small cell lung cancer (SCLC)
  - Findings of extension phase Ib/IIa TEACH study in HIV-infected patients
  - MOLOGEN's cooperation partner Aarhus University received a grant from Gilead for a combination study with lefitolimod in HIV
- Progress made by the cooperation partner, MD Anderson Cancer Center, in the phase I combination study with a checkpoint inhibitor in patients with refractory solid tumors
- Advancement of strategy for lefitolimod in East Asian markets (China, Hong Kong, Macao, Taiwan and Singapore) with the signing of a binding term sheet for the out-licensing in summer 2017 and conclusion of a licensing contract for these markets and a global development agreement for lefitolimod in combination with other immuno-oncological modalities with U.S. company ONCOLOGIE in February 2018
- Promising research and development results on further immunological profiling of lefitolimod and EnanDIM® presented at various scientific conferences
- New Chief Medical Officer (CMO) appointed to vacant Executive Board position for medicine
- Capital injection in 2017:
  - Successful issuance of a convertible bond in the amount of €4.99 million;
  - Conclusion of Share Subscription Facility with U.S. investor Global Corporate Finance (GCF), which is providing further capital and acquiring a stake of up to 10% in MOLOGEN
- Start of 2018: issuance of a convertible bond up to €12 million in up to 24 tranches over two years as well as capital increase with gross proceeds totaling €4.99 million to secure short and medium-term financing beyond the start of 2018.

The focus of business activities in fiscal year 2017 was on the implementation of the "Next Level" strategy and the lead product candidate, lefitolimod. In particular, this included discussions with potential collaboration and licensing partners, preparatory activities for the potential approval of lefitolimod as well as measures for the outsourcing of production and upscaling production to the market standard. The clinical trials with lefitolimod were further advanced and reached significant milestones.

NEXT LEVEL STRATEGY

The primary aim of the Next Level strategy, which was first introduced in June 2016, is to distinctly focus the Company on the prompt marketing of products: it represents MOLOGEN's evolution from a research company to a product and market-oriented company (cf. sub-section "Next Level strategy" in Chapter 1 of this Annual Report). MOLOGEN's product pipeline is focused on products which are already in preclinical and clinical development. In fiscal year 2017, further organizational changes were made in the corporate structure to reflect the development of the strategy.

SUMMARY OF NEXT LEVEL STRATEGY: OVERVIEW OF MAIN ELEMENTS

Strong product and market-oriented focus on key projects, especially lefitolimod.

Focused portfolio
- TLR9 agonist product family with the lead product, lefitolimod, and the follow-up molecules, EnanDIM® ✔
- Plans to sell or spin off MIDGE® technology
- Shelving the development of cell-based therapeutic vaccine MGN1601; potential to be resumed if a suitable development partner is found or once lefitolimod has been successfully out-licensed

Preparation for potential market entry and out-licensing of lefitolimod
- Outsourcing and upscaling of production ✔
- Stepping up activities for out-licensing ✔

Corporate structures to be aligned with new strategy
- In-house basic research to be discontinued; contract research and continuation of applied research, where necessary ✔
- Decrease in staffing levels in areas of production and research, but specialists remain with the Company ✔
- Strengthen preclinical and clinical development capacities

FIRST LICENSING CONTRACT FOR LEAD PRODUCT, LEFITOLIMOD

In August 2017, MOLOGEN concluded a term sheet with Chinese company iPharma Ltd. for the commercialization of lefitolimod in East Asian markets (cf. sub-section 'Next Level' strategy in Chapter 1 of this Annual Report). On expiration of the agreed exclusivity period, MOLOGEN reopened the licensing process to other interested parties. As a result, agreements and negotiations commenced with ONCOLOGIE Inc. and were successfully completed in February 2018 with the conclusion of a corresponding contract. The contract comprises two parts:

1. First, a license agreement including sublicense rights under which MOLOGEN grants ONCOLOGIE an exclusive license for the development, manufacturing and commercialization of lefitolimod in the markets of China including Hong Kong, Macao, Taiwan and Singapore (license area).
2. Second, an agreement on a global development cooperation.

MOLOGEN has received an initial payment of €3 million from ONCOLOGIE and has agreed that a further €2 million will be granted as an equity investment within the first 12 months of the contract being signed. Besides the initial payment and the equity investment, the parties agreed on further development and commercialization milestones. They are due upon reaching predefined development steps as well as market approval. In addition, further payments are due on reaching certain sales thresholds. Provided that these milestones are reached, the total of these payments could amount to more than €100 million over the course of several years. All costs relating to development, registration, marketing and commercialization of lefitolimod in the license area are to be covered by ONCOLOGIE.

Furthermore, MOLOGEN has agreed that it will be receiving low double-digit royalties on sales achieved with lefitolimod in the defined markets.

Future revenues from the global co-development agreement will be allocated to the partners according to their cost contributions and pursuant to the contract. The cooperation relates to the further global development of lefitolimod, which leverages the innovative biomarker plans from ONCOLOGIE.

NEW CHIEF MEDICAL OFFICER (CMO)

Dr Matthias Baumann has been an Executive Board member and Chief Medical Officer (CMO) of MOLOGEN AG since 1 May 2017. He is responsible for the areas of research, preclinical and clinical development, drug approval and clinical strategy.

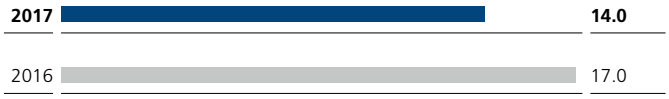
RESEARCH AND DEVELOPMENT (R&D)

In fiscal year 2017, the focus of R&D was above all on clinical trials with the lead product, lefitolimod: the phase III IMPALA pivotal study in the indication of colorectal cancer; the exploratory phase II IMPULSE pivotal study for lung cancer; the extension phase Ib/IIa TEACH study in the indication of HIV and the phase I combination study with a checkpoint inhibitor in solid tumors.

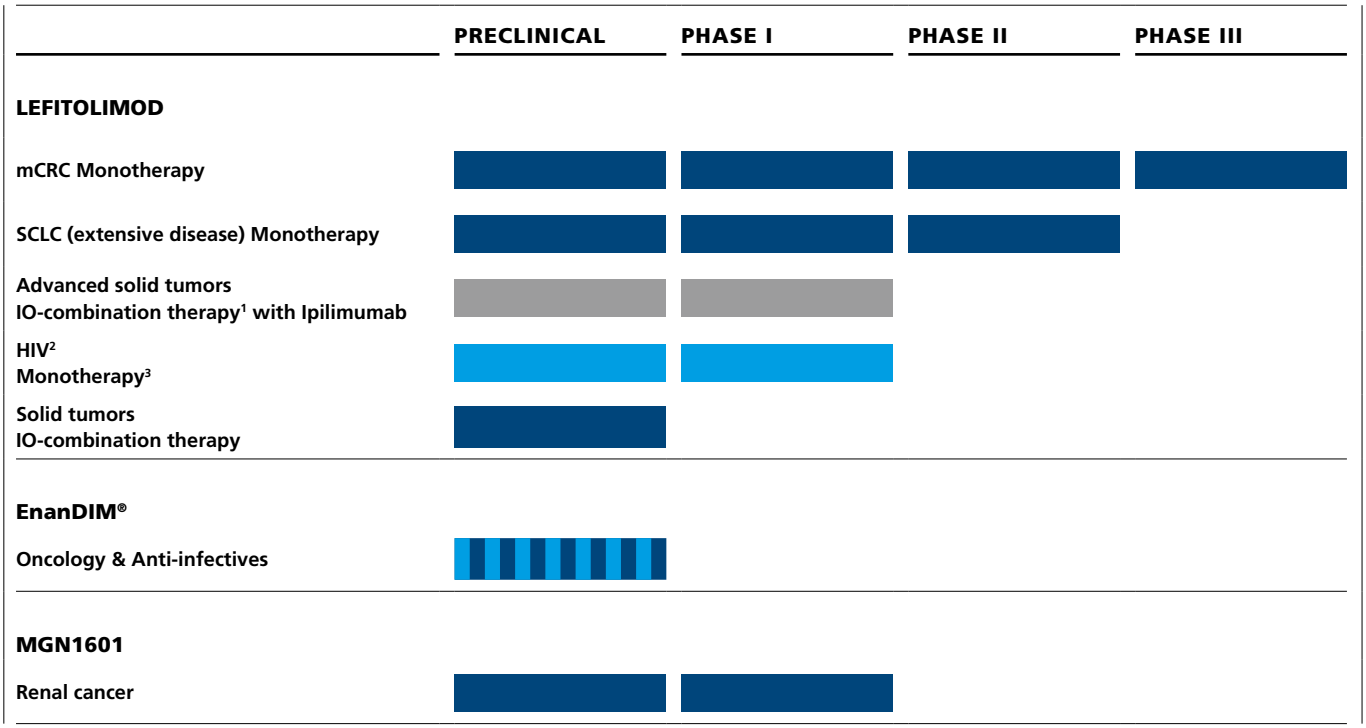
R&D EXPENSES

Expenses and investment in R&D amounted to €14.0 million in fiscal year 2017 (2016: €17.0 million) and are essentially attributable to the two IMPALA and IMPULSE clinical studies with lefitolimod, as in the previous year.

R&D expenses in € million



PRODUCT PIPELINE WITH FOCUS ON CANCER IMMUNOTHERAPIES AND WIDE RANGE OF APPLICATION POSSIBILITIES



1 Collaboration with MD Anderson-Cancer Center, Texas, U.S.
2 Collaboration with University Hospital Aarhus, Denmark
3 HIV patients under antiretroviral therapy (ART)
IO = Immuno-oncology

MOLOGEN's product pipeline is focused on the close-to-market lead product, lefitolimod, and the follow-up molecules in the EnanDIM® family. In addition, this pipeline contains a cell-based therapeutic vaccine (MGN1601). The further development has initially been shelved in the course of the "Next Level" strategy.

Based on study data available so far, all drug candidates have demonstrated good tolerability and safety. For lefitolimod and EnanDIM®, the expected effects of immune surveillance reactivation are increasingly being confirmed.

IMMUNOTHERAPEUTIC AGENT LEFITOLIMOD

Lefitolimod is an immunotherapeutic compound candidate and the most advanced TLR9 agonist in MOLOGEN's portfolio. In the reporting period, it was in the advanced clinical trial stages in the IMPALA, IMPULSE and TEACH studies as well as in a combination trial with the checkpoint inhibitor Yervoy® (ipilimumab). Furthermore, preclinical trials were carried out in the reporting period with lefitolimod alone and in combination with checkpoint inhibitors (cf. sub-section "Pipeline" in Chapter 1 of this Annual Report for further information about the studies).

PHASE III PIVOTAL STUDY IN COLORECTAL CANCER (IMPALA)

IMPALA is an open, two-arm, randomized, multicentric, international clinical phase III pivotal study.

The patient enrollment that started in September 2014 was concluded in May 2017. In total, 549 patients from more than 120 centers in eight European countries, including the five largest European pharmaceutical markets, are participating in the study.

Based on the findings of the sub-group analyses of the IMPACT phase II study, the IMPALA study only includes patients with metastatic colorectal cancer in whom a radiologically proven response to first-line chemotherapy treatment has been clearly documented in combination therapy with biological drugs (biologics) or without. In the context of a maintenance therapy, lefitolimod is subsequently administered after the first-line treatment to establish treatment success over as long a period as possible (progression-free survival; PFS) and prolong life through the reactivation of the patient's immune system (prolongation of overall survival; OS). OS is the primary endpoint of the study. The secondary endpoints include improvement in PFS, tolerability, safety and quality of life (QoL).

For the evaluation of the study, a particular number – as previously defined in the statistical analysis plan – of patients from the overall study group must be reported as deceased. The precise time of the evaluation is therefore dependent on the actual development of the death rate in the two study arms.

In December 2017, data on patient characteristics from the IMPALA study was presented at the ESMO-IO Conference (European Society for Medical Oncology – Immuno-oncology). This data confirmed the inclusion of a representative patient sub-group for the indication of colorectal cancer, an important prerequisite for potentially establishing lefitolimod as a future standard maintenance therapy.

EXPLORATORY PHASE II STUDY IN SMALL CELL LUNG CANCER (IMPULSE)

The study had included 103 patients suffering from an extensive disease stage of small-cell lung cancer (SCLC) and whose tumors have responded to the standard first-line therapy with chemotherapeutics.

The first findings of the study were presented in April 2017. The final evaluation in the first quarter 2018 did not deliver any notable differences to the initial evaluation.

Even though the primary endpoint of improving OS in the overall study population was not achieved in this very challenging indication, the results of this lung cancer study do provide significant guidance for defining patient populations that – even beyond this study – are most likely to benefit from lefitolimod. IMPULSE showed positive results regarding OS in two subsets of patient groups in comparison with the control group (standard therapy):

- Patients with a lower count of activated B cells, an important immune parameter: Hazard ratio 0.53, 95% confidence interval 0.26-1.08.
- Moreover, a benefit from treatment with lefitolimod was seen in patients with reported chronic obstructive pulmonary disease (COPD), a common accompanying illness to lung cancer: Hazard ratio 0.48, 95% confidence interval 0.20-1.17.

Lefitolimod displayed a favorable risk profile. Specifically, coughing, asthenia, headaches, nausea and back pain were the most commonly reported adverse side effects among all patients in the IMPULSE study. These adverse side effects could certainly also be attributed to the underlying disease and/or any concomitant treatments.

Key data from the study was presented and discussed in a proffered paper session at the ESMO Conference in September 2017 by the study's Principal Investigator, Prof Dr med. Michael Thomas (Senior Physician of the Department of Oncology and Internal Medicine at the Thorax Clinic at Heidelberg University Hospital, Germany) and the co-chairman of the meeting, Prof Sanjay Popat (The Royal Marsden Hospital, London, UK). Prof Popat was invited by ESMO as an independent expert to chair the discussion of the results being presented.

EXTENSION PHASE IB/IIA STUDY IN HIV (TEACH)

TEACH is an early exploratory phase Ib/IIa study with lefitolimod in HIV patients who undergo antiretroviral therapy (ART). The study is a cooperation with the Aarhus University Hospital in Denmark and was extended owing to the positive results delivered in the initial phase. MOLOGEN published the main results of the TEACH extension phase in August 2017.

Although the desired effect on the virus reservoir was not demonstrated, this study nonetheless delivered important positive results with regard to the efficacy of lefitolimod on reactivation of the immune system in HIV patients:

- Sustained increases in the activation of important immune cells (CD4 and CD8 T cells) were observed throughout the dosing period of 24 weeks.
- Lefitolimod triggered maturation of other important immune cells (B cells) towards antibody-producing cells.
- After interruption of ART, one of the nine patients who participated in this study part showed viral control for more than 20 weeks, whereas the interval until viral rebound is typically closer to two weeks.
- The treatment of HIV patients with lefitolimod in combination with ART over 24 weeks was safe and well tolerated, corroborating the favorable safety profile already seen in cancer patients.

The proven activation of B and T cell functions together with its excellent safety profile suggest that lefitolimod could be very well suited to being combined with other promising therapeutic approaches, such as monoclonal antibodies or HIV vaccines.

A significant component of the development strategy for lefitolimod in HIV infections is a combination trial that has already secured funding:

In January 2017, the Danish Aarhus University received a grant of US $ 2.75 million from the biopharmaceutical company Gilead Sciences, Inc., Foster City, U.S. This grant was to fund the planned TITAN clinical trial in HIV positive patients in which MOLOGEN's TLR9 agonist lefitolimod will be investigated in combination with innovative virus-neutralizing antibodies. The antibodies have been developed by the Rockefeller University in New York, U.S. MOLOGEN will be providing lefitolimod for the trial. Preparations are currently underway for the planned study start in 2018.

In February 2017, the Danish Aarhus University Hospital presented further new data on the TEACH study at the annual Conference on Retroviruses and Opportunistic Infections (CROI) in Seattle, U.S. For the first time, it was convincingly demonstrated in sigmoid colon biopsies taken from HIV patients that an effective local antiviral immune activation can be triggered far from the injection point of lefitolimod. As the colon is known to be a reservoir of HIV infected cells, these results support the reasoning for the continued development of lefitolimod in the indication of HIV. Furthermore, these findings also support the hypothesis for the immunoactivating efficacy of lefitolimod in colorectal cancer.

COMBINATION STUDY LEFITOLIMOD WITH CHECKPOINT INHIBITOR YERVOY® IN COLLABORATION WITH MD ANDERSON CANCER CENTER

The combination of various cancer immunotherapies has shown promising results in other studies. The collaboration agreement with the MD Anderson Cancer Center at the University of Texas (MD Anderson) relates to cooperation on a study entitled: a phase I Trial of Ipilimumab (Immunotherapy) and MGN1703 (TLR Agonist) in Patients with Advanced Solid Malignancies.

For the first time, this study tests lefitolimod in combination with the commercially available immunotherapy Yervoy® (ipilimumab) – a checkpoint inhibitor – in patients with advanced solid malignancies. If lefitolimod enhances the efficacy of immune checkpoint blockades without increasing the risk of adverse side effects, this could considerably expand the potential range of applications for the product. This study has been initiated based on the idea that the combination of these two immunotherapies could result in a broader activation of the immune system and generate synergy effects.

The study's aim is to initially find the highest tolerable dose of lefitolimod that can be given in combination with Yervoy® (ipilimumab) to patients with advanced tumors.

In addition to ascertaining the safety and tolerability of this drug combination, the study intends to investigate the efficacy of the combination of these two innovative immunotherapeutic agents in an extension phase. The combination of lefitolimod and a checkpoint inhibitor is of particular interest as lefitolimod is a TLR9 agonist and therefore triggers a broad activation of the immune system, which means it could substantially improve the efficacy of these innovative immunotherapeutic agents, which only benefit a relatively small proportion of cancer

patients so far. Yervoy® from Bristol-Myers Squibb Co. is a recombinant, human monoclonal antibody and immune checkpoint inhibitor, which is already approved to treat patients with unresectable or metastatic skin cancer.

MD Anderson is conducting the trial at its Cancer Center in Texas, U.S., and the first patients were enrolled in June 2016. MOLOGEN is providing lefitolimod and contributing to the financing of the study.

PRECLINICAL STUDIES

In January and September 2017 as well as in January 2018, preclinical data was presented which shows that lefitolimod creates a modulation of the tumor microenvironment (TME). It demonstrated that monotherapy with lefitolimod in the colorectal cancer model resulted in the conversion of "cold" immunologically inactive tumors into "hot" immunologically active tumors that exhibited immune cell infiltration (e.g. T cells). As expected, this conversion of the TME is associated with a reduction in tumor growth. Lefitolimod is the perfect partner for immuno-oncological combination therapies, as the response rates to treatments with checkpoint inhibitors are dependent on TME: "hot" tumors demonstrate better response. The lefitolimod-induced pathway that leads to this beneficial TME modulation therefore provides the rationale for combining lefitolimod with checkpoint inhibitors. The first combination data of lefitolimod with checkpoint inhibitors in murine tumor models was presented at the Annual 2017 Gastrointestinal Cancers Symposium (ASCO GI) in San Francisco, U.S. The data shows that lefitolimod significantly improves the anti-tumor effect of anti-PD-1 and anti-PDL-1 checkpoint inhibitors and can consequently prolong survival in a murine model.

EnanDIM®

EnanDIM® represents a new generation in immunoactivating TLR9 agonists and is therefore a follow-up compound for lefitolimod based on MOLOGEN's TLR9 technology with a longer period of patent protection. EnanDIM® is expected to trigger a broad immune activation while being well tolerated. According to the Company's estimations, the modes of action of EnanDIM® molecules should facilitate their application in a range of cancer indications, either as a monotherapy or in combination with targeted forms of treatment, checkpoint inhibitors, and other immunotherapeutic approaches. Moreover, compounds in the EnanDIM® family may also be used in the area of infectious diseases, such as HIV, for example.

In December 2017, MOLOGEN presented findings on EnanDIM® at the ESMO Immuno-oncology Congress in Geneva, Switzerland, which showed the impact of the TLR9 agonists on the TME in murine models and the anti-tumor effect in combination with immune checkpoint inhibitors. The presented data revealed that monotherapy with EnanDIM® resulted in beneficial therapeutic modulation of the TME in a murine colorectal carcinoma tumor model after intra-tumoral injection. An increased infiltration of T cells into the tumor was demonstrated, especially of cytotoxic T cells, which was associated with reduced tumor growth. In addition, EnanDIM® significantly improved the anti-tumor effect of a checkpoint inhibitor (anti-PD-1), and thereby prolonged survival in a murine colorectal carcinoma tumor model. This data effectively supports the potential of EnanDIM® in cancer immunotherapies, both as a monotherapy and in combination with other immuno-oncological approaches.

CANCER IMMUNOTHERAPY MGN1601

The active principle of cancer immunotherapy MGN1601 for the treatment of patients with renal cancer corresponds to a therapeutic vaccination and is based on a specific cell line as a vaccine. This cell line has been genetically modified using MIDGE® technology and combined with low-dose lefitolimod as an adjuvant.

The clinical phase I/II ASET study for the treatment of renal cancer patients with MGN1601 was successfully concluded in 2013. The treatment proved safe and was well tolerated as well as there being first indications of potential therapeutic effects. In view of the promising results from this study, it is now possible to advance the development of MGN1601 to the next phase.

However, the further development of MGN1601 has been shelved for the time being in line with MOLOGEN's "Next Level" strategy. There is the option of later resuming development if, for example, lefitolimod is successfully out-licensed or a suitable development partner is identified.

COMPOUND CANDIDATES IN MIDGE® PLATFORM TECHNOLOGY

As part of the "Next Level" strategy, the decision was made to sell the MIDGE® platform technology together with all associated compounds, though a spin-off is also conceivable as an alternative. The MIDGE® platform technology comprises the active ingredients of MGN1404 (malignant melanoma), MGN1331 (leishmaniasis) and MGN1333 (hepatitis B) – all are DNA vectors used to transfer specific information in the form of DNA.

In autumn 2017, MOLOGEN received a grant of approximately US $2.6 million from the Japanese Global Health Innovative Technology (GHIT) Fund for the further development of the leishmaniasis vaccine based on the MIDGE® technology. In line with the program conditions of the GHIT Fund, the Company is continuing the development activities until a decision is made on the future of the MIDGE® project and the work can be handed over to a future partner.

COLLABORATIONS AND PARTNERSHIPS

On account of the reorientation under the "Next Level" strategy, MOLOGEN stepped up efforts to find cooperation partners with development expertise.

As a result, the Company's basic research activities were discontinued and capacities built up in preclinical and clinical development. As intended, the cooperation with the Free University of Berlin (FU Berlin) and the MOLOGEN Foundation Institute for Molecular Biology and Bioinformatics was discontinued over the course of 2017.

For the out-licensing of the lead product candidate, lefitolimod, a binding term sheet was signed with the Chinese company iPharma in August 2017. The conditions of this deal are essentially comparable with those of the contract concluded with ONCOLOGIE at the start of 2018 (cf. previous section "Next Level strategy" for specific details).

ACHIEVEMENT OF OBJECTIVES IN 2017

In the main, MOLOGEN achieved the corporate objectives for 2017 outlined in the outlook. Alongside important commercialization and funding milestones, the Company also reached key clinical milestones. The first licensing and cooperation contract was prepared in 2017 and then ultimately signed with ONCOLOGIE Inc. in February 2018. In addition, a framework agreement for the placement of a convertible bond of up to €12 million was concluded with the European High Growth Opportunities Securitization Fund at the start of 2018.

Patient recruitment for the IMPALA pivotal study in the indication of colorectal cancer was successfully completed in May 2017. In April 2017, key findings from the IMPULSE trial were presented. In the first quarter 2018, the comprehensive evaluation of data was carried out as planned and the initial results confirmed. In August 2017, MOLOGEN published the key findings of the extension phase TEACH study, which was completed on schedule, and further progress was made in the first combination study of lefitolimod with Yervoy® in collaboration with the MD Anderson Cancer Center, U.S. In addition, further preclinical studies with lefitolimod as well as the follow-up molecules in the EnanDIM® family were carried out in murine models.

The activities defined in the "Next Level" strategy for the outsourcing of production to a contract manufacturer and the upscaling of production to the market standard were addressed and the first stages implemented. In this context, the future partners for external production were evaluated and the next project steps defined with them. The first modules of these activities have already been executed, though the core activities are planned for 2018.

The commercialization efforts for lefitolimod yielded a contract with ONCOLOGIE in February 2018. The first payment of €3 million has already been received. According to the terms of the contract, MOLOGEN will receive additional milestone payments, royalties and an equity investment. MOLOGEN has therefore achieved one of its most important strategic targets: the out-licensing of lefitolimod. In addition, discussions about licenses or partnerships in other regions were held with various potential additional partners.

Sufficient funding for the Company beyond the start of 2018 was secured in a first step in October 2017. Through the conclusion of a Share Subscription Facility for the placement of up to 3.4 million shares with the U.S. investor Global Corporate Finance (GCF), the Company could receive cash and cash equivalents amounting to a total of €7.7 million, based on the year-end share price. By February 2018, MOLOGEN had already received first payments of more than €1 million. In addition, the Executive Board regularly holds talks in the course of investor conferences, with the aim of further broadening the shareholder base and bringing about greater internationalization.

As expected, overall expenses for R&D were once again high on account of the scale and project progress of the Company's development programs. Expenditures in this area were down on the prior year and caused the loss for the year of €19.28 million. Overall, as predicted, the annual result was once more negative in comparison with the previous year. This was in line with predictions and reflects the progress being made in all major projects. The overall decline in the area of R&D essentially resulted from the conclusion of the IMPULSE study and the completion of patient recruitment for the IMPALA study, which led to lower costs. Changes to the agreed services with a key clinical service provider also contributed to a decline in expenses on the previous year.

The year-on-year increase in average monthly cash consumption planned for 2017 did not take effect, with consumption instead on a par with the prior year's level. This was essentially attributable to the decline in R&D expenses as well as activities relating to the outsourcing and upscaling of production, which were planned in the fourth quarter, but not yet carried out.

The necessary additional financial resources required for the scheduled implementation of R&D programs in 2017 were raised through the cash capital increase in October 2016 and the subsequent issuance of convertible bonds. In fiscal year 2017, the Company attracted GCF as an investor, which secures the additional inflow of liquidity for 2018.

In line with the planning, the number of employees was down slightly in fiscal year 2017 as well. This was due to the "Next Level" program in 2016, which involved measures to reduce staff in basic research that had then not been fully completed by the end of 2016. Dr Matthias Baumann took up his role as Executive Board member for research and development/Chief Medical Officer (CMO) on 1 May 2017.

FINANCIAL PERFORMANCE AND FINANCIAL POSITION

- R&D expenses of €14.0 million (2016: €17.0 million)
- EBIT of €–18.7 million (2016: €–21.0 million)
- Average cash utilized per month of €1.7 million (2016: €1.7 million per month)
- Cash and cash equivalents of €6.5 million (2016: €20.5 million)

Overall, the Company's financial performance and financial position developed according to plan. In conjunction with the capital increase due to the second exercising at the start of 2018 of the Share Subscription Facility, which had been negotiated with the U.S. investor GCF in October 2017, the cash and cash equivalents available on the reporting date cover the short-term financial needs of the Company up to the end of the first quarter of 2018. Further capital measures carried out at the start of 2018 secure the financing of the Company until the end of 2018. For information on additional financing needs, please refer to the section entitled "Financial risks".

RESULTS OF OPERATIONS

In fiscal year 2017, the revenues of MOLOGEN totaled €0.05 million and were therefore down on the prior year and remained at a low level overall (2016: €0.08 million). This revenue resulted from the sale of goods and services for research.

Other operating income was also at a low level of €0.07 million (2016: €0.04 million).

Cost of materials amounted to €9.8 million (2016: €11.8 million) and was primarily incurred in connection with carrying out clinical trials. In particular, this included costs for external services of €9.6 million (2016: €11.7 million).

Other operating expenses increased to €3.9 million (2016: €3.5 million). The rise in other operating expenses is attributable to higher expenses in relation to consulting costs for business development and employee benefit costs. Conversely, expenses for capital market communications and general administration costs declined.

At €5.1 million, personnel expenses were slightly down on the prior year's level (2016: €5.5 million). In contrast to the reporting period, one-off expenses were incurred in fiscal year 2016 relating to severance payments, which were due following the personnel reduction that took place in 2016 in the course of the strategic "Next Level" reorientation. The resultant decline in personnel expenses in fiscal year 2017 was in part offset by the addition to the Executive Board as well as the rise in non-cash personnel expenses relating to stock options granted.

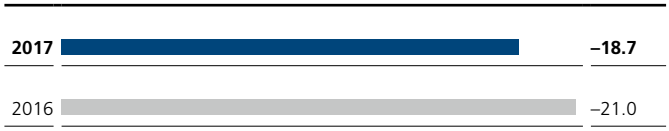
Scheduled depreciation and amortization of €0.05 million was applied to assets (2016: €0.1 million of scheduled and €0.3 million of unscheduled depreciation and amortization). On account of the change in strategy to "Next Level" that was announced in the first half of 2016 and the associated reorganization, no longer required property, plant and equipment as well as intangible assets were written off on an unscheduled basis in the previous year. In the reporting year, scheduled depreciation and amortization was down owing to a reduction in total property, plant and equipment.

On account of interest expenses accruing for a full year for the first time in relation to the issuance of convertible bonds, financial income was down on the prior year's level, as expected, and amounted to €–0.58 million (2016: €–0.02 million).

Of the total expenses, €14.0 million was used for R&D projects (2016: €17.0 million). These expenses were primarily incurred in connection with the carrying out of IMPALA and IMPULSE clinical studies.

EBIT amounted to €–18.7 million (2016: €–21.0 million).

EBIT in € million



NET ASSETS AND FINANCIAL POSITION

The financial management of MOLOGEN is designed to provide sufficient funding to enable the implementation of the business strategy. The necessary R&D work as well as other activities and investments are principally funded by shareholders' equity generated through the issue of new shares. Until the Company is able to generate sufficient revenues, the future financing of R&D programs as well as other activities and investments will continue to be predominantly carried out in this way. In parallel, the feasibility of raising outside capital is regularly examined as an alternative source of funding.

By resolution on 21 December 2016, the Executive Board decided, with the approval of the Supervisory Board, to issue another convertible bond pursuant to the resolution of the Annual General Meeting of MOLOGEN on 13 August 2014 (conditional capital 2014-1).

On 20 January 2017, 499,999 partial bonds of €10.00 each were issued under the convertible bond (WSV 2017/25), with a total nominal value of €4.99 million. The bond has a maturity of eight years. On the final maturity date, 20 January 2025, the convertible bond will be repaid at its nominal value plus any accrued but unpaid interest on the nominal value up to (but not including) the final repayment date, provided that the respective convertible bond has not been prematurely repaid, converted, redeemed or devalued.

A 6% interest rate per year will be paid on the nominal value of WSV 2017/25 from (and including) 20 January 2017. Interest is payable, retrospectively, on a quarterly basis on 31 March, 30 June, 30 September and 31 December of each year and for the first time on 31 March 2017 for the period from the issue date to 31 March 2017.

By resolution on 18 December 2017, the Executive Board decided, with the approval of the Supervisory Board, to increase the share capital against contributions in cash and under exclusion of subscription rights of shareholders from €34,295,343 to €34,570,343 through the issuance of 275,000 new ordinary bearer shares, on the basis of registered authorized capital. The new shares were placed privately at an issue price of €2,198 per new share on the basis of the Share Subscription Facility signed with the U.S. investor Global Corporate Finance (GCF), which was announced on 24 October 2017. The issue price corresponds to 95% of the volume-weighted average stock market price over the last five trading days. Gross proceeds amounted to €604,450.00.

The funds raised through the issuance of convertible bonds and the capital increase will finance the Company's R&D programs, especially in relation to the IMPALA and IMPULSE clinical studies and the ongoing business operations needed for this purpose.

Total assets decreased to €8.1 million (12/31/2016: €21.4 million).

As of 31 December 2017, cash and cash equivalents accounted for a share of assets amounting to €6.5 million (12/31/2016: €20.5 million). This includes around €2.2 million attributable to grants, which is therefore earmarked for use in specific research activities related to MIDGE® technologies.

In the past fiscal year, MOLOGEN was always in a position to comply with all its financial obligations.

The volume of investments made in fiscal year 2017 was less than the total of scheduled depreciation and amortization. At €0.04 million, non-current assets as of 31 December 2017 were below the level on the prior year's reporting date (12/31/2016: €0.06 million).

The development of equity and liabilities is strongly influenced by non-current liabilities, which were up year on year, at €5.5 million as of 31 December 2017 (12/31/2016: €2.1 million). This increase was essentially due to liabilities incurred in connection with the issuance of a further convertible bond in fiscal year 2017.

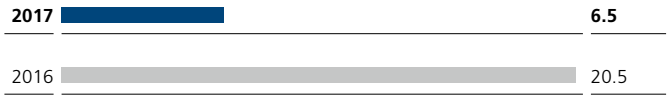
Shareholders' equity declined to €–4.87 million on account of an increased accumulated deficit (12/31/2016: €11.8 million). The equity ratio was consequently negative (12/31/2016: +55%). Owing to the conversion of convertible bonds as well as the issuance of new shares in the course of a capital increase, the share capital increased from €33.9 million to €34.3 million. The capital reserve was raised by €1.8 million through the issuance of a convertible bond, conversions and the capital increase. In addition, costs of equity procurement in the amount of €0.2 million were netted against the capital reserve (12/31/2016: €0.9 million) as well as personnel expenses due to the granted share options of €0.3 million being recognized (12/31/2016: €0.2 million).

At €5.5 million, non-current liabilities as of 31 December 2017 were above the figure on the prior year's reporting date (12/31/2016: €2.1 million). This increase was essentially due to liabilities associated with the issuance of convertible bond 2017/25 in fiscal year 2017.

At €7.5 million, current liabilities as of 31 December 2017 were on a par with the level at prior year's reporting date (12/31/2016: €7.4 million).

Other financial liabilities amounted to €11.8 million in total as of 31 December 2017 (12/31/2016: €17.4 million). These liabilities were essentially owing to the conclusion of short-term service contracts for the IMPALA and IMPULSE clinical studies that commenced in fiscal year 2014. The calculation of other financial liabilities was based on the assumed scheduled development of the Company's business activities.

Cash and cash equivalents as of 31 December in € million



LIQUIDITY DEVELOPMENT

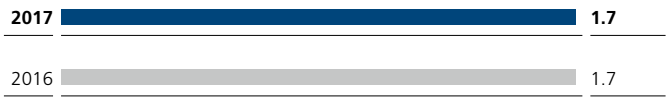
Cash and cash equivalents used for operating activities in 2017 in the amount of €19.1 million were on a similar level to the previous year (2016: €19.3 million) and were mostly committed to research and development.

In the context of investing activities, there were more asset sales than investment, which led to an excess of cash inflows amounting to €0.006 million (2016: €–0.05 million).

At €5.1 million, cash flows from financing activities were considerably lower than in the previous year and were influenced by the cash inflows from the convertible bond issued in January 2017 and the cash capital increase carried out in December 2017.

Monthly cash consumption (taking into account incoming payments from revenue and costs of equity procurement) amounted to an average of €1.7 million and was therefore at a similar level to the reference period (2016: €1.7 million).

Average monthly cash consumption in € million



ANNUAL FINANCIAL STATEMENTS OF MOLOGEN AG (HGB)

The annual financial statements of MOLOGEN are prepared according to the regulations of the German Commercial Code (HGB). Due to different regulations on accounting, differences arise in individual items for the annual financial statements as of 31 December 2017 in accordance with the HGB in comparison with the individual annual financial statements pursuant to Section 325 Para. 2a of the HGB as applicable under the terms of the International Financial Reporting Standards (IFRS) adopted by the EU.

The main reasons for this are:

- According to provisions of IFRS as adopted by the EU, the allocated fair value of granted employee stock options should be considered when ascertaining personnel expenses and capital reserves.
- In individual annual financial statements according to IFRS as adopted by the EU, deviating service life is to some extent used for fixed assets. This results in a different depreciation and amortization.
- Costs directly attributable to the issuance of new shares, the equity component of the convertible bond or employee stock options are recorded in shareholders' equity as a deduction from the issue proceeds.

The result of operating activities in accordance with the HGB therefore differs from the annual result in accordance with IFRS as adopted by the EU. The result of operating activities in accordance with the HGB amounts to €–19.2 million for fiscal year 2017 (2016: €–21.7 million). Deviations in the HGB annual financial statements in comparison with the IFRS individual annual financial statements mainly arise in personnel expenses, other operating expenses, depreciation and amortization as well as other operating income. Personnel expenses in accordance with the HGB do not include expenses from issuing share options to

the Executive Board and Company employees and are consequently €0.3 million lower (2016: €0.2 million).

However, in comparison with the IFRS individual annual financial statements, costs in connection with equity procurement of €0.2 million in total were recorded as expenditure in personnel expenses and other operating expenses (2016: €0.9 million).

In addition, other operating income in accordance with the HGB totals €0.03 million and therefore deviates from that in the IFRS individual annual financial statements of €0.07 million. This results from possible or necessary balancing with corresponding expenses in accordance with international accounting rules.

As in the prior year, in 2017 the different service life of fixed assets only resulted in minor differences in the respective depreciation and amortization of both sets of annual financial statements.

As in the IFRS individual annual financial statements, the expenses for R&D recorded in the annual financial statements were €14.0 million and therefore below the prior year's value (2016: €17.0 million).

The shareholders' equity of the annual financial statements in accordance with the HGB also matches the level of the IFRS individual annual financial statements. The discriminative handling of granted share options and different consideration of costs of equity procurement of the accounting guidelines in accordance with IFRS, as adopted by the EU, and in accordance with the HGB compensate one another in shareholders' equity. The balance sheet total of the annual financial statements essentially differs from that in the IFRS individual annual financial statements because of a discrepancy in the disclosure of liabilities related to convertible bonds. In the annual financial statements, the convertible bond liability is recognized at the repayment amount of €7.0 million, while the interest rate advantage of €1.5 million is posted in capitalized prepaid expenses. In the IFRS individual annual financial statements, the corresponding sum is netted on the liabilities side.

With regard to the further analysis of the annual financial statements, reference is made to the explanations under paragraph "Financial performance and financial position" (analysis of IFRS individual annual financial statements) of this management report, which also essentially apply to the annual financial statements.

FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

FINANCIAL PERFORMANCE INDICATORS

The focus of activities is the further research and development of proprietary product candidates with a focus on lefitolimod and the follow-up molecules EnanDIM® with the aim of licensing these to partners from the pharmaceutical industry. The preparatory activities for potential market authorization are becoming ever more important. It is therefore essential to ensure sufficient liquidity in order to carry out the R&D programs to the planned scope and timeframes as well as being able to support the licensing activities with the generated data.

Given that MOLOGEN does not yet dispose of significant regular revenues from license agreements, the volume of cash and cash equivalents is the key financial performance indicator. Cash and cash equivalents amounted to €6.5 million as of 31 December 2017 (12/31/2016: €20.5 million). Of this, around €2.2 million stems from grants and is therefore earmarked for use in specific research activities related to MIDGE® technologies.

NON-FINANCIAL PERFORMANCE INDICATORS

In addition to the financial performance indicators, the non-financial performance indicators are relevant in the success of MOLOGEN.

One of the key non-financial performance indicators is the composition and the development status of the MOLOGEN product pipeline. The four clinical trials with lefitolimod reached important milestones in 2017, in particular, in the TEACH human immunodeficiency virus (HIV) study and the IMPULSE lung cancer study. In August 2017, important results for the extension phase of the TEACH study (phase Ib/IIa in HIV) were published. Key findings from the exploratory IMPULSE phase II study in the indication of small cell lung cancer (SCLC) were presented in April 2017. The IMPALA pivotal study in metastatic colorectal cancer (mCRC) continued to proceed according to plan, with patient recruitment concluded in May 2017. The phase I combination study with the checkpoint inhibitor Yervoy® in collaboration with MD Anderson Cancer Center at the University of Texas, U.S., continued to make progress.

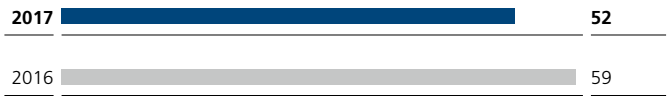
In addition, promising preclinical data was presented for this study. It demonstrated that monotherapy with lefitolimod in the colorectal cancer model resulted in the conversion of "cold" immunologically inactive tumors into "hot" immunologically active tumors that exhibited an immune cell infiltration (e.g. T cells). As expected, this conversion of the TME is associated with a reduction in tumor growth. This boosts the

potential of lefitolimod as the perfect partner for immuno-oncological combination therapies, as the response rates to treatments with checkpoint inhibitors, for example, are dependent on TME: "hot" tumors demonstrate a better response. The lefitolimod-induced pathway that leads to this beneficial TME modulation therefore provides the rationale for combining lefitolimod with checkpoint inhibitors. Through this, important insights were gained from TLR9 agonists for the future development of the product pipeline, strengthening its competitive profile and expanding the commercialization potential.

Furthermore, MOLOGEN's employees are also decisive non-financial performance indicators. Qualified employees are essential for the targeted and successful further development of innovative product candidates.

The number of employees in the area of clinical development has declined further year on year owing to the implementation of the "Next Level" strategy: an average of 33 employees worked in the development department (2016: 45 employees). As of 31 December 2017, MOLOGEN had a total of 52 employees (12/31/2016: 59 employees) including the Executive Board, temporary staff and staff on parental leave. The decline in staff as of the reporting date is still related to the implementation of the "Next Level" strategy in 2016, as some employees only effectively left the Company at the start of 2017. At 11.29%, staff turnover (excluding the "Next Level" strategy) remained at an extremely low level, as in the previous year (10.14%). Calculations were generated using the Schlueter method.

Number of employees as of 31 December

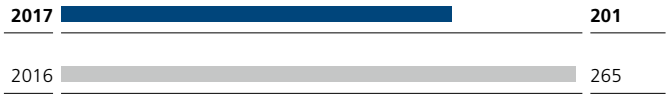


The patent portfolio of MOLOGEN is also a key non-financial performance indicator. The protection of proprietary platform technologies and drug candidates as well as of proprietary expertise is extremely important for the ongoing product and market strategy of MOLOGEN. The successful commercialization of proprietary drug candidates will essentially depend on the quality of underlying patent and market protection. MOLOGEN is therefore making efforts to safeguard new technologies, products and processes internationally and to further expand its patent portfolio.

The patent portfolio as of 31 December 2017 is divided into 17 patent families and includes 201 individual patents issued and intended for issue as well as more than 50 patent applications.

The MGN1601 project was additionally granted orphan drug status, which includes further market exclusivity independently of patent protection.

Number of patents issued/intended for issue as of 31 December



OVERALL STATEMENT ON BUSINESS PERFORMANCE AND THE POSITION OF MOLOGEN

MOLOGEN made further significant progress in fiscal year 2017. The strategic reorientation and focus on lefitolimod and the EnanDIM® family which had been decided in 2016 continued to be implemented. This is reflected in the clinical milestones reached in the IMPALA, IMPULSE and TEACH studies as well as the further pipeline, which includes other promising product candidates with the EnanDIM® family, the follow-up molecules to lefitolimod. In 2017, these were pharmacologically characterized in detail, with the preclinical further development as a prerequisite for clinical first-time application planned for 2018. Important steps are currently being taken to realize the upscaling of lefitolimod production to the market standard, with the core activities scheduled for 2018 and 2019. Specifically, the production of new clinical drugs for own studies and for the development partner ONCOLOGIE is planned for 2018. Building on this, the production of close-to-market drugs, known as validation batches, will commence in 2019 as a component of approval documentation.

A further step in broadening the shareholder base and attracting further international investors was achieved with GCF. In addition, the issuance of a convertible bond with the Luxembourg-based financing provider European High Growth Opportunities Securitization Fund (EHGO) increased the share of international investors.

In 2017, the key objectives in the area of R&D as well as in the ongoing implementation of the "Next Level" strategy were achieved. The funding of the Company was secure at all times in the past fiscal year owing to available cash and cash equivalents at the start of 2017 in combination with the capital measures that were carried out. A positive view can therefore be taken of the business performance and development of the Company in fiscal year 2017.

FORECAST, OPPORTUNITIES AND RISK REPORT

FORECAST REPORT

The Company's strategy is generally aligned to generate attractive returns in the medium and long term through the development and market preparation of its innovative product pipeline. MOLOGEN will therefore continue to pursue the near-to-market projects in fiscal year 2018 and commit a significant proportion of the available resources to this objective. Activities to implement the contract manufacturing of lefitolimod which have already commenced will require substantial financial resources in the region of €4 million to €5 million in 2018.

Commercialization, specifically the conclusion of further license agreements for additional regions, will therefore continue to be a central task for 2018. Consequently, ensuring the Company is funded will remain one of the main challenges for the foreseeable future.

Owing to the moratorium imposed by the Federal Financial Supervisory Authority (BaFin) on the commercial bank that had been handling our financing transactions, the Company was forced to transfer the associated business to another institution at the start of 2018. The respective activities have been concluded as of the reporting date. This did not bring about any financial disadvantage nor did it prevent a transaction from being implemented at any point.

RESEARCH AND DEVELOPMENT (R&D)

In its R&D activities, MOLOGEN plans to continue the clinical trials for product candidate lefitolimod. The IMPALA colorectal cancer study, which has recruited all patients required, is continuing and the enrolled patients are being treated according to the study protocol. In the indication of small cell lung cancer, the results of the IMPULSE study will be analyzed with the corresponding international experts and lead to a follow-on development strategy. Whether a follow-up study is an option will greatly depend on the additional financial resources that are available as well as potential cooperation partners. In the indication of HIV, a follow-up study entitled TITAN is currently in the preparatory phase. It will be carried out in collaboration with the Aarhus University Hospital in Denmark. In the trial, lefitolimod will be administered together with innovative antibodies that have been developed by the Rockefeller University in New York, U.S. At the start of 2017, a grant was awarded for this study by the biopharmaceutical company Gilead Sciences, Inc., Foster City, U.S. Further patients are being enrolled in the immunotherapy combination study of lefitolimod with ipilimumab and the first clinical data has been collected. The preclinical development of the EnanDIM® molecules is presumably completed, which means that the first lefitolimod successor candidate is on track to be ready for clinical testing to commence at the end of 2018.

The product candidate MGN1601 continues to be available for advanced clinical trials in the indication of renal cancer. Clinical product development could be resumed again after the potential out-licensing or other commercialization of lefitolimod and provided there is adequate funding or corresponding development cooperations have been agreed.

R&D COLLABORATIONS AND PARTNERSHIPS

Cooperations, especially in the area of development, are of particular interest to MOLOGEN. Partnerships for proprietary product candidates can be with partners in the pharmaceutical and biotechnology industries or from an academic background. One example is the planned TITAN study, which is to be carried out in collaboration with the Aarhus University Hospital in Denmark (cf. sub-section "Immunotherapeutic agent lefitolimod"). Furthermore, various ongoing activities will be continued in fiscal year 2018 as well, including the combination study in cooperation with the MD Anderson Cancer Center in Texas, U.S., for example (cf. sub-section "Immunotherapeutic agent lefitolimod"). Also of particular note is the contract signed in February 2018 with the oncology-focused drug development company ONCOLOGIE Inc. for the development, manufacturing and commercialization of lefitolimod in the markets of China and other regions in Asia as well as a global development cooperation.

PREPARATION FOR MARKET AND COMMERCIALIZATION

At MOLOGEN, commercialization is about out-licensing or finding a partner for activities in relation to the lead product, lefitolimod, and its clinical trials. This includes all activities for market preparation, such as regulatory work, upscaling production according to market benchmarks and also outsourcing production to a contract manufacturer. In fiscal year 2017, the Company signed a binding term sheet with the Chinese company iPharma for the marketing of lefitolimod in China as well as a potential development cooperation. In 2018 – after the exclusivity period with iPharma had expired – a licensing contract and global development cooperation was eventually concluded with ONCOLOGIE Inc. The ongoing activities and discussions with market players are expected to result in further licensing and partnership agreements. The unchanged objective is to exploit the market potential of lefitolimod through additional licensing and cooperation contracts.

DEVELOPMENT OF RESULT AND LIQUIDITY

The development of the financial performance and financial position of MOLOGEN in fiscal year 2018 essentially depends on the continued success of commercialization activities for the product candidate lefitolimod as well as (pre)clinical progress and the successful execution of market preparation. The required additional expenditure in the area of clinical development is expected to remain at a high level, but down on the costs of the fiscal year under review. Market preparation activities, especially the further realization of production capacities with a contract manufacturer and regulatory activities, are expected to in part offset the decline in clinical expenses. In addition, expenses will be incurred in relation to further activities in the area of licensing and partnerships. According to our forecast, average monthly cash consumption will increase further year on year in 2018.

If the present licensing and partnership discussions lead to further contracts in 2018, this could have a notable positive impact on the financial performance and financial position.

In view of this, the Company also assumes two possible scenarios for 2018. Either, if license and partnership discussions are not successful, the financial result and EBIT would again be negative and would consequently lead to an increase in the accumulated deficit; or, if the current talks result in one or several contracts with potential partners, there is the possibility that a positive or only slightly negative annual result will be achieved for the year owing to prepayments and/or milestone payments. This would also be directly reflected in a significant improvement of available liquidity in the balance sheet. Financial risks are dealt with in the corresponding sections later in this report.

Despite the successful conclusion of a Share Subscription Facility with GCF in October 2017 for up to 3.4 million shares and the holdings of cash and cash equivalents as of 31 December 2017, it is clear that the cash and cash equivalents available as of the reporting date will not be sufficient to achieve the targets for 2018 as planned and that additional funds will need to be raised. Accordingly, the Executive Board assumes that any additional funds required for the planned realization of ongoing business activities in fiscal year 2018 will be secured through the prospectus-free cash capital increase of €4.99 million in March 2018 and the further utilization of the Share Subscription Facility with GCF as well as by placing convertible bonds in the course of an agreement with the European High Growth Opportunities Securitization Fund. In addition, in the context of the licensing and development contract concluded with ONCOLOGIE Inc., U.S., in February 2018, MOLOGEN has received an initial payment of €3 million, and a further €2 million will be granted as an equity investment within the next 12 months (cf. "The Company" in Chapter 1). Furthermore, additional cash inflows from the conclusion of new strategic partnerships are planned, as are further capital measures.

The risk report provides further details on financial risks and other risks.

A dividend distribution to shareholders is currently not possible due to the balance sheet loss and negative balance sheet equity as of 31 December 2017. The Company also does not expect to pay a dividend for the foreseeable future. According to standard practice in the biotechnology industry, future profits from business activities should be reinvested mainly in the development of the Company, so that the value of the product portfolio and consequently the Company as a whole continues to increase.

PERSONNEL

To achieve the above objectives and to advance the scheduled development of the Company, the number of employees is expected to rise again slightly, especially in the area of clinical development and for preparatory market approval activities. For 2018, staff turnover is expected to be similar at a level to 2017.

The Chief Executive Officer of MOLOGEN AG, Dr Mariola Söhngen has informed the Supervisory Board that she does not intend to extend her appointment as member and chairman of MOLOGEN AG, which expires on October 31, 2018.

OVERALL STATEMENT ON FUTURE DEVELOPMENT

The successful development of the product pipeline so far, the first steps in the implementation of the "Next Level" corporate strategy and the commencement of commercialization activities provide the foundation for the continued positive development of MOLOGEN. The progress planned in all areas of the Company in 2018, especially in the clinical development programs as well as in commercialization, are expected to further increase the value of the Company.

The continued ability to secure the financing of the Company is extremely important. The Share Subscription Facility with GCF concluded in October 2017 laid the initial financial foundations for the systematic further development of the Company in 2018, but these are not sufficient to cover the capital requirements for 2018 as a whole. As a result, the Company implemented a prospectus-free cash capital increase of €4.99 million in March 2018. In February 2018, a framework agreement was signed with the European High Growth Opportunities Securitization Fund for the placement of convertible bonds up to a maximum amount of €12 million over two years. In line with the framework conditions, the Company is planning to utilize this option in conjunction with other funding options. MOLOGEN has also received an initial payment of €3 million from the contract with ONCOLOGIE Inc. and a further €2 million will be granted as an equity investment within the next 12 months (cf. "The Company" in Chapter 1). In addition, further licensing agreements as well as capital measures from authorized and/or conditional capital, which are as yet to be decided and implemented, will be required in fiscal year 2018.

RISK REPORT

RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM

MOLOGEN is a company that conducts research and development into innovative product candidates using mostly self-developed technologies.

Every corporate action is based on finding the right balance between opportunities and risks.

The Company's success and the achievement of corporate objectives are considerably influenced by management and by the spread of risk.

A risk management system and an internal control system (ICS) have been established at MOLOGEN for this purpose. The Executive Board takes responsibility for defining the scope and direction of the established systems based on company-specific requirements.

The rapidly changing conditions in the pharmaceutical markets due to the development of technological and health-related policies, the use of new technologies as well as the complexity of business processes and the business model lead to complex control systems. This requires risk management to be a continuous process as part of strategic management. The basis for this risk management process is defining what risks should be determined and managed in due time.

In fiscal year 2017, supplementary to the previous risk management system, a gross net analysis of the respective risks was also carried out in all areas of the Company. In the first step, this involved categorizing the individual risks into risk categories, such as might jeopardize the continuing existence of the Company, high risk and low risk, for example. Subsequently, the probability of occurrence was ascertained. In the second stage, measures and responsibilities are defined, which should have the effect that the risk drops into a lower risk category and/or its probability of occurrence is reduced. This analysis will in future be carried out once per year and, if necessary, updated due to certain events as well as new risks being added and no longer relevant risks removed.

As a portion of the risks lies beyond the Executive Board's sphere of influence, adequate and functional systems cannot provide absolute guarantees for the identification and management of risks.

This means that it is possible that actual developments will deviate from that which has been anticipated.

The MOLOGEN risk management system is continuously adapted to new requirements. Through this system, the effects of adverse developments caused by a lack or failure of processes, people, systems or hazards caused by external events can be identified at an early stage.

A detailed scientific and financial controlling system, organizational security measures and clearly regulated work processes can ensure planning, control and coordination even of complex project activities commensurate with the risk situation. In addition, the progress of projects is monitored and documented periodically, if necessary with the respective cooperation partners.

The risk management system is inspected by the MOLOGEN ICS. Inspections within the scope of the ICS are also carried out directly by the Executive Board.

The primary focus of the risk management system has always been and remains the monitoring of the Company's liquidity situation and its equity. Future revenues are difficult to predict because revenues have so far mainly been attributable to one-off effects. The exact monitoring of the risks relating to the development of liquidity and equity is therefore of great importance for the continued existence of the Company.

RISKS OF THE COMPANY

The extraordinary revenue prospects of the MOLOGEN business model are set against a number of risks, including technological, financial, regulatory, patent-law risk as well as risks connected with the Company's business activities. The individual risks are partly related and could have either a positive or a negative influence on each other.

Drug development and regulatory risks

As a bio-pharmaceutical company, MOLOGEN is above all exposed to common industry risks. The research and development of new drugs involves the risk that a new drug development lacks the desired product characteristics, especially in the areas of efficacy and tolerability, or that these characteristics cannot be adequately proven or that published clinical data is incorrectly interpreted. At MOLOGEN, unpredictable problems may particularly occur during the current preclinical and clinical development of a drug candidate.

In the area of clinical trials, there continues to be a general risk of not being able to enroll a sufficient number of suitable patients and/or test subjects within the planned timeframe.

If preclinical tests or clinical trials fail to show the expected results or unacceptable toxicity, this could delay the further development of the relevant drug candidates, increase costs or even result in the discontinuation of further development. This could have negative effects on the financial performance and financial position of the Company.

The regulatory environment for drug development also involves industry-specific risks. MOLOGEN is dependent on official authorizations to conduct clinical trials, for the use of genetic engineering techniques, the manufacture of investigational medicinal products and to operate special facilities for performing research or manufacturing active substances and investigational medicinal products.

Delay, loss, expiration or refusal to grant such approvals and negative evaluation results could extend the development of drug candidates, increase costs or lead to their discontinuation. This could have negative effects on the Company's situation.

Even after the successful completion of clinical trial phases, it is possible that regulatory market approvals for current or future drug candidates will not be granted, potentially at all or with considerable restrictions or only with a time lag and also that approval may be revoked.

COMPETITION AND BUSINESS MODEL RISKS

In order to be able to fully develop revenue potential, MOLOGEN is not only dependent on the successful research and development of proprietary technologies and product candidates, but also on the development of the market for these product candidates. In relation to this, it cannot be excluded that historical R&D expenses will not be matched by future revenue.

MOLOGEN has focused on the research and development of new cancer therapies, for which there is a very high demand. The number of cancer incidences increases further each year, as does the number of cancer-related deaths. The market for efficacious cancer drugs is therefore steadily growing. However, the future development of the market depends on various factors, including the cost pressure of health care systems, potential new regulations in the health market and the pharmaceutical law. Certain developments could therefore have negative consequences for the market potential of MOLOGEN's drug candidates and negative effects on the financial performance and financial position of the Company.

The impact that the announced and – based on the present status – planned exit of the UK from the EU in 2019 (Brexit) will have on the European authorization process for pharmaceuticals and on the market entry conditions for one of the five biggest European pharmaceutical markets is as yet still unclear. As the current planning assumes that the application for lefitolimod in Europe will be submitted after Brexit, negative consequences cannot be ruled out given the importance of the UK markets for product revenue development (e.g. delays in authorization or increased cost for special authorization process). The Company is carefully monitoring developments in this context and taking this into account in the planning, where applicable.

The business model of MOLOGEN essentially provides for proprietary product candidate development up to a certain stage, with the subsequent selling of licenses for the drug candidates to one or several partners from the pharmaceutical industry. Owing to the broad range of indications, a small bio-pharmaceutical company with limited financial and other resources is also not able to establish its own commercialization with the corresponding sales structures. Accordingly, the conclusion of partnerships is the key to corporate success in the medium term. The number of such potential licensees is limited and relatively manageable in the field of major pharmaceutical companies.

A further consolidation in the industry, as has been observed in recent years, could in turn lead to a further reduction in the number of potential licensees.

Successful out-licensing of drug candidates depends on a variety of different factors. Above all, the potential of drug candidates in comparison with the competition is crucial. Should competitors develop clearly superior drugs and/or market authorization be gained more quickly, this could have a negative effect on the prospects of success for the lucrative out-licensing of MOLOGEN product candidates.

In general, the sale of licenses for MOLOGEN technologies and drug candidates cannot be reliably predicted either in terms of time or value. Due to the complexity of licensing and the number of issues to be clarified in this regard, the timing of a contractual agreement cannot be reliably predicted either.

For example, this is contingent on the volume of resources used for such contract negotiations on the part of the potential contracting party, on the scope of the issues to be clarified with regard to patents, clinical data, preclinical data or other details, as well as other factors over which MOLOGEN has no or only limited influence.

In addition, successful out-licensing cannot be guaranteed, even if the clinical development of the respective drug candidate proceeds positively, the desired product characteristics can be proven, patents and market protection rights are classified as reliable and sales potential exists.

MOLOGEN has no influence on the positive decision of the potential contracting party required for the licensing.

Patent risks and other risks associated with the protection of intellectual property

The effective protection of the underlying (patented or not patentable) expertise of the product candidates is an essential factor for a successful out-licensing. Patent and licensing issues could prevent or delay appropriate business transactions or reduce the commercial appeal of MOLOGEN's product candidates.

Even if patents by law demonstrate a presumption for their effectiveness, it does not necessarily follow from their granting that they are effective or that any patent claims are asserted to the required or desired extent. No guarantee can be given that patents will not be challenged, invalidated or circumvented. In November 2017, an objection was raised

against MOLOGEN's European patent EP 2 655 623 ("Non-coding immuno-modulatory construct"), which relates to EnanDIM® technology. The Company cannot completely rule out that this patent will be fully revoked, but on advice of the patent lawyers is currently assuming that a scope of protection sufficient for business purposes will be sustained. Infringement of MOLOGEN patents by third parties can also not be precluded. At the same time, it cannot be ruled out that MOLOGEN itself infringes patents or other industrial property rights, as its competitors also register patents for inventions and receive patent protection on a significant scale.

Should this be the case, MOLOGEN would be prevented from using the affected technologies in the relevant countries where such rights have been granted. There is also no guarantee that MOLOGEN will receive the licenses necessary for the success of its business to the required extent and on reasonable terms in future. All of this could have negative effects on the financial performance and financial position of the Company.

Some of our product candidates are dependent on intellectual property which has resulted from cooperation projects with third parties.

Risks connected with business activities

In preclinical and clinical development, MOLOGEN cooperates with contract research organizations or clinical research organizations (CROs), which specialize in the planning, coordination, implementation and evaluation of clinical trials. The risks of such cooperations lie in the timely identification of suitable CROs at presentable terms for MOLOGEN and in the rendering of contractually agreed services by the CROs, especially with regard to quality and adherence to schedules.

These considerations could lead to substantial additional costs for the clinical development programs of MOLOGEN.

The Company depends on external research facilities for planning and carrying out parts of our clinical development work. If we fail to find suitable external research facilities or if the external research facilities that we cooperate with do not deliver their services on time, according to the contract or provide a substandard quality, this can have a negative impact on the development of our drug candidates and delay or prevent their market launch.

In connection with the manufacture of drug candidates, there is a risk of not receiving the required volume or quality for clinical development. MOLOGEN is reliant on suppliers in this regard. The total stock of lefitolimod intended for clinical trials is currently stored with one service provider. There is a risk that any accidental or total loss would delay and increase the cost of the current clinical trials.

The present outsourcing of lefitolimod production, which was previously in-house, and the commenced upscaling to the market standard harbor particular risks with regard to the identification of the contract manufacturer, the successful conclusion of the contract, the technology transfer and the final external production of sufficient product amounts of an acceptable quality. With regard to risk aspects, if financial resources are not secured in good time, this might lead to a delay in the upscaling and consequently perhaps also to sub-optimal exploitation of the market for lefitolimod.

The Company is dependent on contract manufacturing organizations (CMOs) for the manufacture, formulation, filling, labeling and packaging of drug candidates that are used in clinical trials as well as for the future market launch and marketing.

If we do not find any suitable CMOs or the contracted CMOs do not deliver their services on time, according to the contract or provide a substandard quality and quantity, this can have a negative impact on the development of our drug candidates and delay or prevent their market launch.

MOLOGEN uses a unique cell bank for manufacturing its cell-based cancer therapy MGN1601. To minimize the risk of loss of this cell bank, MOLOGEN has deposited a sample with the German Collection of Microorganisms and Cell Cultures GmbH (Deutsche Sammlung von Mikroorganismen und Zellkulturen GmbH; DSMZ) and stored the cell bank in two different locations in Germany. Nevertheless, a total or partial loss cannot be ruled out.

Depending on the scope, a partial loss could be associated with significant costs. In the event of a total loss, the drug candidate MGN1601 could no longer be manufactured and further development would have to be discontinued, whereby any previous investments would be lost. In this case, MOLOGEN would have no choice but to identify other drug candidates, be that within the EnanDIM® family of follow-up molecules or by obtaining a license for a new molecule or project. This would be associated with additional financial outflows in future.

The activities of MOLOGEN in non-European countries involve country-specific risks. As far as possible, MOLOGEN will try to take appropriate measures to protect itself against these risks. These risks could have negative effects on the financial performance and financial position of the Company.

Financial risks

The low level of sales achieved so far are essentially irrelevant in relation to the medium or long-term funding and profitability of MOLOGEN. In future, the Company will therefore be especially dependent on the conclusion of contracts with pharmaceutical partners to secure ongoing funding. Where licensing and marketing contracts do not provide sufficient revenue to cover the Company's expenses, it will remain dependent on other funding sources, such as the capital market, for example. If the desired business transactions are delayed or financing from other sources is not possible or not sufficiently possible, this would have negative effects on the financial performance and financial position of MOLOGEN. In the complete absence of any further licensing contracts and partnerships or other capital measures, the continued existence of the Company would be at risk.

Based on the current planning and Executive Board estimates, the cash and cash equivalents available to the Company as of the reporting date of 31 December 2017 plus the expected inflows from the Share Subscription Facility concluded in October 2017 and measures initiated at the start of 2018 are not sufficient to cover the anticipated expenditure and investment in connection with the further development of the product pipeline and, in particular, for carrying out ongoing clinical trials, realizing external manufacturing of further clinical drugs and initial activities for market preparation beyond the end of 2018. The resources required for 2019 can be generated through capital measures with existing and new investors, for which the necessary financial instruments are available to a sufficient extent (conditional authorized capital). These funding measures are associated with considerable uncertainty, such as the unpredictability of the capital market environment, for example. In addition, the intention is to raise further funds in the course of partnerships and licensing agreements with companies from the pharmaceutical and biotechnology sectors.

The Company has been able to raise the necessary funding on a regular basis in recent years, even in difficult conditions. The agreement with the European High Growth Opportunities Securitization Fund concluded in February 2018 as well as the successfully implemented capital measure of €4.99 million underlines the ability of the Company to continue funding itself in the current market environment and in line with the Company's current prospects. At the current time, the Executive Board is therefore confident that the additional funding can be raised in good time and for the amount necessary.

If the Company does not successfully raise funding at favorable conditions or to an adequate level, it may be forced to reduce expenditure on current business activities by postponing, limiting or discontinuing activities of one or more product candidates on more than just a temporary basis. In the medium term, this could significantly impact the development of the Company and, in the event of sustained funding difficulties in the future, it could also pose a potential threat for the continued existence of the Company.

Given that MOLOGEN incurred losses in previous fiscal years due to extensive R&D expenses, these losses have meanwhile added up to a relatively high accumulated deficit, which are to be offset against future profits. In addition, there is a risk that the current tax loss carryforwards could be partially or fully derecognized due to changes in the ownership structure of MOLOGEN in accordance with Section 8c of the German Corporate Income Tax Act (Körperschaftsteuergesetz; KStG).

Without additional out-licensing in 2018, further losses due to the business model of MOLOGEN may result in a further increase in the negative balance sheet equity. This could negatively affect the share price of MOLOGEN.

MOLOGEN receives or has received grants in the context of various support programs for individual development projects. Due to the complex rules and regulations, as well as billing and detection methods, it could be that the grants must be repaid wholly or partially as a result of incorrect billing or other breaches of the underlying conditions. This would have a direct impact on the financial performance and financial position of the Company.

On account of current interest rate levels, MOLOGEN continues to be exposed to the risk of negative interest rates.

The loss of the services of Executive Board members, other executives or employees in key functions can have a negative impact on the financial performance and financial position of MOLOGEN. This can be caused by loss of expertise, by costs for recruitment of new employees or higher salary demands of qualified candidates.

In addition, financial risks can be encountered in connection with legal proceedings. Depending on the outcome of such disputes, negative effects on the financial performance and financial position of MOLOGEN may arise. In the past, the Company has suffered as a result of legal challenges from shareholders to Annual General Meeting resolutions. In this context, legal defense costs could significantly exceed the recoverable costs. Furthermore, it might bring about considerable time delays to structural measures. The legal challenges to Annual General Meeting resolutions in 2014 and 2015 were dismissed in full in the first and second instance, but future claims of this nature cannot be entirely ruled out. Financial risks could also still arise from a lawsuit which the Company initiated before a Saudi Arabian court in September 2009 against a former business partner in connection with a joint venture terminated in 2006. MOLOGEN demanded the repayment of deposits that had been made in the joint venture and the reimbursement of expenses. Overall, the claim of MOLOGEN against its former business partner amounted to €1.5 million. In the course of the proceedings, the defendant had asserted claims in the amount of €0.5 million, reimbursement of costs in the amount of €3 million and damages in the amount of at least €20 million.

As this document was not delivered to the counsel of MOLOGEN and the Company's claim proceedings ended in 2010 at first instance due to the lack of jurisdiction of the court, MOLOGEN is still unable to estimate whether this alleged counterclaim is valid and whether the former business partner will make a claim based on these potentially existing claims before another court in the future. A risk to the claim of MOLOGEN remains unclear at this time.

Overall assessment of risk position

From a current perspective, the described non-financial risks are manageable on the whole. The liquidity of MOLOGEN is secured up to the time of report publication. In particular, the first payment of €3 million from the partnership with ONCOLOGIE and the funding measures, which were also initiated and to some extent implemented at the start of 2018, have accordingly extended the financial reach beyond the reporting period up to the end of 2018. The required funds for 2019 are to be raised both through the planned, but not yet initiated, measures on the capital market and due to further out-licensing. These measures are associated with significant risks which could pose a threat to the continued existence of the Company. However, the Company has so far been able to secure the required resources and is therefore confident that the planned measures will also be successful.

OPPORTUNITIES FOR THE COMPANY

In particular, the drug candidates in clinical development will reach further important milestones in the short and medium-term. According to the assessment of MOLOGEN, the start of clinical trials for some product candidates, the conclusion of individual study phases and positive study results should not only result in an increase in value of the respective product candidate but also of the entire Company.

In addition, MOLOGEN plans to enter into partnerships with companies in the pharmaceutical industry for its product candidates and to grant licenses for the commercial exploitation of product candidates. Should MOLOGEN be successful in this venture, depending on market potential and development status of the respective drug candidate, it could result in significant licensing payments for MOLOGEN.

Such a contract should also result in an increase in value of the Company, according to the assessment of MOLOGEN.

Furthermore, major pharmaceutical or biotechnology companies are not only interested in acquiring licenses for promising drug candidates, but there are also regularly cases where companies with attractive technologies or product candidates have been acquired. Amounts are frequently offered which are much higher than the market price of the relevant Company. MOLOGEN's shareholders could also benefit from such a scenario.

REMUNERATION REPORT

The remuneration of members of the Executive Board – Dr Mariola Soehngen, Walter Miller, Dr Matthias Baumann (Executive Board member since 1 May 2017) – consists of fixed (non-performance-related) and variable (performance-related and long-term share-based) components.

FIXED (NON-PERFORMANCE-RELATED) REMUNERATION COMPONENTS

BASIC COMPENSATION

Each Executive Board member receives fixed basic compensation, which is paid in 12 equal installments net of the statutory deductions at the end of each calendar month.

FRINGE BENEFITS

The fringe benefits comprise the costs for the financial benefits of compensation in kind and other fringe benefits such as flat rate compensation for official use of a personal car (Dr Mariola Soehngen) or the official use of a personal car, use of a company apartment and travel expenses between place of residence and place of work (Walter Miller), subsidies towards or payment in full of (medical, care, life and accident) insurance and removal costs and monthly contributions to health care (Dr Mariola Soehngen) and a personal pension plan (Walter Miller), respectively, as well as the reimbursement of expenses which Executive Board members incur in connection with their work. The Company makes an upper mid-range Company car for official and private use available to Executive Board member Dr Matthias Baumann for which the monthly leasing costs may amount to no more than €1,200 or the gross listing price in the region of €80,000.

The Company also takes out a criminal law protection insurance policy for Executive Board members.

In addition, as a policyholder, the Company has taken out directors and officers liability insurance (D&O) for the members of the Executive Board, which covers the liability arising from Executive Board activities in the legal framework. The legally required minimum deductible rate is taken into account.

VARIABLE REMUNERATION COMPONENTS

BONUSES (PERFORMANCE-BASED REMUNERATION)

The Executive Board members receive annual profit and performance-related remuneration (management bonus 1), the amount and payment of which is dependent on achieving individually agreed performance criteria. Performance criteria include meeting research and development-oriented targets, achieving objectives for the implementation of the Company's commercialization strategy and ensuring sufficient liquidity to finance the Company. The performance targets for the management bonus of Executive Board members are defined by means of a target agreement between the Executive Board members and the Supervisory Board – no later than at the beginning of the relevant fiscal year. Only if the targets cannot be agreed will the Supervisory Board set the performance targets unilaterally.

The Executive Board members also receive variable performance-related remuneration which they can strive to attain over a three-year period (management bonus 2), the amount of which is dependent on the Company's strategic development and securing sufficient liquidity to finance R&D activities.

These variable compensation components (management bonuses 1 and 2) are each capped.

In addition, it is at the Supervisory Board's discretion to reward the Executive Board members with a "recognition bonus", not for special but extraordinary achievements on behalf of the Company with a future benefit for the Company.

LONG-TERM SHARE-BASED REMUNERATION

Following resolutions of the Annual General Meeting, in the past MOLOGEN has initiated various employee participation programs and issued relevant stock options to members of the Executive Board. The statutory waiting periods have been agreed for the share options.

OPTION OF REDUCING REMUNERATION

If the Company's situation deteriorates after the definition of total remuneration of the Executive Board members to such an extent that the continuation of the remuneration would be unreasonable for the Company, then the Supervisory Board is entitled to unilaterally reduce the remuneration to the appropriate level in accordance with the legal regulations.

The entitlement to variable compensation may be cancelled in whole or in part by the Supervisory Board according to its reasonably exercised discretion on the grounds of relevant absences from work, for example due to sickness.

EFFECTS OF DEATH OR INCAPACITY FOR WORK

Regulations have also been determined for the event of temporary or permanent incapacity for work or in case of the death of the Executive Board member. The service contracts of the Executive Board members stipulate that in case of temporary incapacity for work, remuneration shall continue to be paid, taking into account the sickness benefit paid by the health insurance, during the period of incapacity for work for a period of up to 12 months (Dr Mariola Soehngen, Walter Miller) and for a period of up to six months (Dr Matthias Baumann) but no longer than until the end of the agreed term of the service contract of the respective Executive Board member (period in which remuneration continues to be paid). At the end of the period in which remuneration continues to be paid, the contract will lapse, unless it has already ended at this date.

In the event of permanent incapacity for work, the service contract shall expire three months after the end of the month in which the permanent incapacity for work is declared. In the event of death of the respective Executive Board member, the remuneration for the month of death as well as for the next six months is to be paid, but no longer than until the end of the agreed term of the respective service contract. In addition, the variable remuneration components for the relevant year or period due and/or achieved up to the death of the Executive Board member concerned are payable.

COMMITMENTS IN CONNECTION WITH THE TERMINATION OF MEMBERSHIP OF THE EXECUTIVE BOARD

In the event of the contract of employment being terminated for a reason that is not at the same time an important reason as defined in Section 626 of the German Civil Code (Bürgerliches Gesetzbuch; BGB), Executive Board members shall receive a severance payment which equates to the amount of the fixed compensation due in the period between the premature termination and the end of the term of the contract of employment, but subject to a maximum of twice the fixed annual remuneration.

Should the appointment be terminated for an important reason as defined in Section 626 of the BGB, all rights to severance payments and management bonuses shall lapse entirely. If the appointment is terminated for any other reason, the annual bonus granted is reduced pro rata temporis for the relevant calendar year while bonus 2 is granted in full if the relevant targets are achieved.

In the event of a change-of-control (acquisition of at least 51% of the voting rights by a third party or several third parties acting together), the Company and the Executive Board members shall have the right to terminate contracts extraordinarily. Should this right be exercised, the Executive Board members' service contracts provide for a severance payment, the amount of which depends on the date on which the appointment ends. Should the Executive Board members respectively resign before 1 November 2017 (Dr Mariola Soehngen), 1 April 2017 (Walter Miller) and 1 May 2018 (Dr Matthias Baumann), the Executive Board member shall receive a severance payment which equates to two years' worth of compensation (all compensation components including management bonuses). In the event of a respective resignation on or after 1 November 2017 (Dr Mariola Soehngen), on or after 1 April 2017 (Walter Miller) and on or after 1 May 2018 (Dr Matthias Baumann), the severance payment will equate to 1.5 years' worth of compensation (all compensation components including management bonuses). In addition to these severance payments, all share options already granted will be vested immediately.

REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD

The remuneration of Supervisory Board members is decided by the Annual General Meeting. Supervisory Board members receive fixed annual remuneration amounting to €20 thousand, as well as an attendance fee of €1 thousand for each meeting they attend in person and an attendance fee of €0.5 thousand for each Supervisory Board meeting they attend by video or teleconference. In addition, they receive reimbursement for expenses incurred in connection with their activities. Furthermore, members of the Supervisory Board receive performance-based variable remuneration for each full €0.01 by which the earnings per share (EPS) of the Company reported for the fiscal year for which the remuneration is reported exceeds the minimum EPS in the individual financial statements, prepared in accordance with the provisions of Section 325 Para. 2a of the HGB. The minimum EPS for fiscal year 2010 amounted to €0.05 and increased by €0.01 for each subsequent fiscal year. The performance-based variable remuneration totals €1 thousand per full €0.01 EPS and is limited to a maximum value of €20 thousand. In each case, the chairman receives twice this amount and the deputy chairman receives one and a half times this amount.

FURTHER INFORMATION ON THE REMUNERATION OF MEMBERS OF EXECUTIVE BODIES

Further information on remuneration (including the share option program) can be found in the Notes to the annual financial statements.

INFORMATION ACCORDING TO SECTION 289A PARA. 1 OF THE HGB

As of 31 December 2017, the subscribed capital of the Company amounts to €34,295,343, split into 34,295,343 ordinary bearer shares with no-par value (no-par value shares). The shares are fully paid and admitted to trading on the regulated market (Prime Standard) on the Frankfurt Stock Exchange. Each share shall grant one vote. There are no different classes of shares.

To the knowledge of the Executive Board, there are no restrictions affecting voting rights or the transfer of shares, even if they may result from agreements between shareholders.

The following direct or indirect investments in its share capital exceeding 10% of the voting rights have been reported to the Company in accordance with Section 33 of the German Securities Trading Act (Wertpapierhandelsgesetz; WpHG):

Thorsten Wagner, Germany: 24.94% (according to the notification of 9 June 2017). The voting rights are to be fully attributable to Thorsten Wagner in accordance with Section 34 Para. 1 Sentence 1 No. 1 of the WpHG. The name of the company controlled by Thorsten Wagner, of which 3% or more of the voting rights of MOLOGEN are attributed: Global Derivative Trading GmbH, Lehrte, Germany. According to the notification of 9 June 2017, Global Derivative Trading GmbH, Lehrte, Germany, reported an investment of 24.94% of the voting rights in MOLOGEN.

Beyond this, no further direct or indirect investments in its share capital exceeding 10% of the voting rights have been reported to the Company in accordance with Section 33 of the WpHG.

There are no shareholders with special rights or other voting rights control.

The appointment and dismissal of the members of the Executive Board occurs in accordance with Sections 84 ff. of the AktG. Amendments to the Articles of Association are made in accordance with the provisions of Sections 179 ff. of the AktG in conjunction with Article 20 of MOLOGEN's Articles of Association. Furthermore, in accordance with Article 15 of MOLOGEN's Articles of Association, the Supervisory Board is authorized to adopt amendments affecting the wording of the Articles of Association only.

The shareholders have given the Executive Board the following powers to issue new shares or conversion rights or to buy back shares:

(1) On the basis of the conditional capital 2014-1 existing in accordance with Article 4 Paragraph 8 of the Articles of Association, the Executive Board may issue up to 4,470,235 ordinary bearer shares with no-par value (no-par value shares) to the holders or creditors of convertible bonds and/or option bonds, profit-sharing certificates and/or profit-sharing bonds (or a combination of these instruments) which are issued by the Company or group companies under the management of the Company as authorized pursuant to the resolution of the Annual General Meeting on 13 August 2014 under agenda item 7b), and which give option or conversion rights to new ordinary bearer shares of the Company and/or determine a conversion obligation or preemptive tender right.

The authorization in 2014 was utilized by the Company through the issuance, under exclusion of subscription rights of shareholders, of (i) a convertible bond with a total nominal value of €2,540,000.00 (convertible bond 2016/2024) and (ii) a convertible bond with a total

nominal value of €4,999,990.00 (convertible bond 2017/2025). Convertible bond 2016/2024 features the right of convertible bond holders to convert convertible bond 2016/2024 into a maximum of 1,693,333 shares in the Company, which can be issued on the basis of conditional capital 2014-1. Convertible bond 2017/2025 features the right of convertible bond holders to convert convertible bond 2017/2025 into a maximum of 3,124,994 shares in the Company, which can be issued on the basis of conditional capital 2014-1.

On the basis of the conditional capital 2017-1 existing in accordance with Article 4 Paragraph 11 of the Articles of Association, the Executive Board may issue up to 9,192,148 ordinary bearer shares with no-par value (no-par value shares) to the holders or creditors of convertible bonds and/or options bonds (or a combination of these instruments) which are issued by the Company or group companies under the management of the Company as authorized pursuant to the resolution of the Annual General Meeting on 28 April 2017 under agenda item 8b), and which grant conversion or option rights to new ordinary bearer shares of the Company and/or determine a conversion or option obligation or preemptive tender right.

So far, no bonds with conversion and/or option rights or obligations have been issued on the basis of the authorization granted by the Annual General Meeting on 28 April 2017 under agenda item 8b), which will remain in force until 27 April 2022. According to the authorization, in the event of such bonds being issued, shareholders will in principle be entitled to subscribe to them, albeit under certain preconditions described in more detail in the authorization. However, the Executive Board may, subject to the consent of the Supervisory Board, also exclude shareholders' subscription rights to bonds, which are to be issued with conversion and/or option rights or conversion obligations.

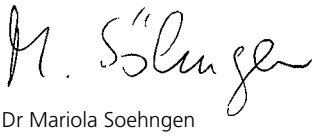
(2) In addition, there is conditional capital 2010 of up to €610,151 in accordance with Article 4 Para. 4 of the Articles of Association, conditional capital 2011 of up to €238,393 in accordance with Article 4 Para. 5 of the Articles of a Association, conditional capital 2012 of up to €209,234 in accordance with Article 4 Para. 6 of the Articles of Association, conditional capital 2013-1 of up to €328,672 in accordance with Article 4 Para. 7 of the Articles of Association, conditional capital 2014-2 of up to €176,051 in accordance with Article 4 Para. 9 of the Articles of Association, conditional capital 2015 of up to €700,649.00 in accordance with Article 4 Para. 10 of the Articles of Association and conditional capital 2017-2 of up to €700,000.00 in accordance with Article 4 Para. 12 of the Articles of Association. In each case, conditional capital is used to issue option and conversion rights to members of the Executive Board and to employees of the Company on the basis of the authorizations granted by the Annual General Meeting in 2010, 2011, 2012, 2013, 2014, 2015 and 2017 respectively.

CORPORATE GOVERNANCE REPORT AND DECLARATION ON CORPORATE MANAGEMENT PURSUANT TO SECTION 289F OF THE HGB

The Corporate Governance Report (Declaration of Compliance) and the Declaration on Corporate Management pursuant to Section 289f of the HGB is available on the Company website at: http://www.mologen.com/en/investor-relations/corporate-governance.

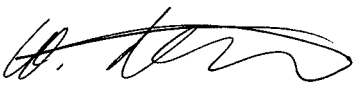
As a listed company, which is not, however, subject to co-determination legislation, the Company has implemented the Law on the Equal Participation of Men and Women in Management Positions in Private Industry and in Public Service and has agreed a regulation in line with the statutory requirements. The target figures for the proportion of women have been set at 30% in the Supervisory Board and 30% in the Executive Board. The Executive Board has set the proportion of women in the two management levels below the Executive Board at 30%. The deadline for meeting these targets was 30 June 2017. The proportion of women in the two management levels below the Executive Board was 25% as of 30 June 2017. The target figure was therefore not achieved before the deadline. For an explanation, please refer to the declaration on corporate management. A new deadline for achieving this target of 30 June 2022 has been set.

Berlin, 20 April 2018
Executive Board of MOLOGEN AG



Dr Mariola Soehngen
Chief Executive Officer

Dr Matthias Baumann
Chief Medical Officer



Walter Miller
Chief Financial Officer

»OUR **FINANCIALS ARE** SIGNIFICANTLY **DETERMINED BY THE STUDY PROGRESS**.«

02 | FINANCIAL INFORMATION

INDIVIDUAL ANNUAL FINANCIAL STATEMENTS ACCORDING TO IFRS

STATEMENT OF COMPREHENSIVE INCOME

According to IFRS for the period from 1 January to 31 December 2017

€ '000

	Notes	**2017**	2016
Revenues	1	47	74
Other operating income	2	73	36
Cost of material	3	–9,752	–11,780
Personnel expenses	4	–5,093	–5,453
Depreciation and amortization	5	–49	–408
Other operating expenses	6	–3,933	–3,454
Profit (loss) from operations		**–18,707**	**–20,985**
Finance costs	7	–578	–18
Finance income	7	4	0
Profit (loss) before taxes		**–19,281**	**–21,003**
Tax result	8	0	0
Profit (loss) for the year/Comprehensive income		**–19,281**	**–21,003**
Loss carried forward		–125,774	–104,771
Accumulated deficit		**–145,055**	**–125,774**
Basic earnings per share (in €)	9	–0.56	–0.85
Dilutes earnings per share (in €)	9	–0.49	—

STATEMENT OF FINANCIAL POSITION

According to IFRS as of 31 December 2017

€ '000

	Notes	**31 Dec 2017**	31 Dec 2016
ASSETS			
Non-current assets		**44**	**62**
Property, plant and equipment	11	27	25
Intangible assets	12	17	37
Current assets		**8,061**	**21,300**
Cash and cash equivalents	13	6,523	20,520
Trade receivables	14	13	33
Inventories	15	16	13
Other current assets	16	1,508	733
Income tax receivables	16	1	1
Total		**8,105**	**21,362**
EQUITIES AND LIABILITIES			
Non-current liabilities	17	**5,474**	**2,121**
Deferred income		55	2
Other non-current liabilities		5,419	2,119
Current liabilities	18	**7,502**	**7,404**
Trade payables		4,400	6,530
Other current liabilities and deferred income		3,093	871
Liabilities to banks		9	3
Shareholders' equity		**–4,871**	**11,837**
Issued capital	19	34,295	33,947
Contributions made for implementing the resolved capital increase*		275	0
Capital reserves	20	105,614	103,664
Accumulated deficit	20	–145,055	–125,774
Total		**8,105**	**21,362**

* Entry into the Commercial Register on 11 January 2018.

STATEMENT OF CASH FLOWS

According to IFRS for the period from 1 January to 31 December 2017

€ '000

	Notes 10	**2017**	2016
Cash flows from operating activities			
Loss for the period before taxes		–19,281	–21,003
Depreciation and amortization of intangible assets and property, plant and equipment		49	408
Profit from disposal of intangible assets and property, plant and equipment		–34	–12
Other non-cash expenses and income		275	210
Change in trade receivables, inventories and other assets		–758	609
Change in trade payables and other liabilities		53	518
Interest expenses/interest income		574	18
Income tax expenses/-income		0	0
Income tax payments		0	0
Net cash used in operating activities		**–19,122**	**–19,252**
Cash flows from investing activities			
Proceeds from the disposal of property, plant and equipment		35	13
Cash payments to acquire property, plant and equipment		–30	–23
Cash payments to acquire intangible assets		–3	–34
Interest received		4	0
Net cash used in investing activities		**6**	**–44**
Cash flows from financing activities			
Cash proceeds from issuing shares (authorized capital)		477	12,706
Cash proceeds (after deduction of expenses for the equity component) from the issuance of a convertible bond		4,976	2,535
Interest paid		–326	–18
Net cash used in financing activities		**5,127**	**15,223**
Effect of exchange rate changes on cash		–8	1
Total changes in cash and cash equivalents		**–13,997**	**–4,072**
Cash and cash equivalents at the beginning of the period		**20,520**	**24,592**
Deposits with a term of more than three months at the beginning of the period		0	0
Cash and cash equivalents at the end of the period		**6,523**	**20,520**
Deposits with a term of more than three months at the end of the period		0	0
Liquid funds at the end of the reporting period		**6,523**	**20,520**

STATEMENT OF CHANGES IN EQUITY

According to IFRS for the period from 1 January to 31 December 2017

€ '000 except share data

		Issued Capital	Contributions made for implementing the resolved capital increase	Capital Reserves	Accumulated Deficit	Shareholder's Equity
	Number of ordinary shares	Share Capital				
As of 31 Dec 2015	**22,631,501**	**22,632**	**0**	**101,642**	**–104,771**	**19,503**
Capital increase in exchange for cash contributions	11,315,750	11,315		1,390		12,705
Equity component of a convertible bond				417		417
Share options excercised						0
Value of services rendered by employees (according to IFRS 2)				215		215
Loss for the year					–21,003	–21,003
As of 31 Dec 2016	**33,947,251**	**33,947**	**0**	**103,664**	**–125,774**	**11,837**
Contributions made for implementing the resolved capital increase*			275	201		476
Equity component of convertible bonds				1,428		1,428
Exercised conversion right of convertible bond (with proportionate consideration of the equity component booked at the time of issue)	348,092	348		46		394
Share options excercised						0
Value of services rendered by employees (according to IFRS 2)				275		275
Loss for the year					–19,281	–19,281
As of 31 Dec 2017	**34,295,343**	**34,295**	**275**	**105,614**	**–145,055**	**–4,871**

* Entry into the Commercial Register on 11 January 2018.

STATEMENT OF CHANGES IN FIXED ASSETS

According to IFRS for the period from 1 January to 31 December 2017

€ '000

	I. Property, plant and equipment			II. Intangible assets		Fixed assets
	Technical equipment	Office and operating equipment	Total	Purchased software, technologies, patents and licenses as well as other rights	Total	Total
Acquisition/Manufacturing costs						
As of 1 Jan 2016	893	353	1,246	4,141	4,141	5,387
Additions	1	22	23	34	34	57
Disposals	58	24	82	175	175	257
As of 31 Dec 2016	836	351	1,187	4,000	4,000	5,187
Additions	0	30	30	3	3	33
Disposals	370	51	421	24	24	445
As of 31 Dec 2017	**466**	**330**	**796**	**3,979**	**3,979**	**4,775**
Depreciation and amortization						
As of 1 Jan 2016	691	316	1,007	3,966	3,966	4,973
Additions	203	33	236	172	172	408
Disposals	58	23	81	175	175	256
As of 31 Dec 2016	836	326	1,162	3,963	3,963	5,125
Additions	0	26	26	23	23	49
Disposals	370	49	419	24	24	443
As of 31 Dec 2017	**466**	**303**	**769**	**3,962**	**3,962**	**4,731**
Book value						
As of 1 Jan 2016	202	37	239	175	175	414
As of 31 Dec 2016	0	25	25	37	37	62
As of 31 Dec 2017	**0**	**27**	**27**	**17**	**17**	**44**

NOTES IN ACCORDANCE WITH IFRS FOR FISCAL YEAR 2017

A. GENERAL INFORMATION ON THE COMPANY

MOLOGEN AG (hereinafter: MOLOGEN) is a stock corporation as defined under the law of the Federal Republic of Germany with its headquarters in Berlin (Fabeckstraße 30, 14195 Berlin, Germany). It was founded on 14 January 1998 and is registered in the Commercial Register of the Local Court at Berlin-Charlottenburg under the number HRB 65633 B. The shares of the Company are listed on the Regulated Market (Prime Standard) at the Frankfurt Stock Exchange under ISIN DE0006637200.

The objective of the Company is the research, development and marketing of products in the area of molecular medicine. In particular, this encompasses application-related clinical research and development for biomolecular tumor therapy (immune surveillance reactivators). The main focus of research are the dSLIM® technologies patented by MOLOGEN. These facilitate the use of DNA as a drug for diseases that were previously untreatable or for which treatment is insufficient. As a currently inactive project, the Company also has a cell-based therapeutic tumor vaccine.

B. GENERAL INFORMATION ON THE FINANCIAL STATEMENTS

PRINCIPLES

The present individual annual financial statements of MOLOGEN (hereinafter: financial statements) have been prepared in accordance with the provisions of Section 325 Para. 2a of the German Commercial Code (Handelsgesetzbuch; HGB) for the disclosure of individual annual financial statements, in accordance with the international accounting standards referred to in Section 315e Para. 1 of the HGB and the supplementary requirements of German law pursuant to Section 325 Para. 2a of the HGB.

The present MOLOGEN financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as adopted by the European Union (EU). The International Accounting Standards (IAS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly Standard Interpretation Committee (SIC), as adopted by the EU, have also been applied for the present financial statements.

The reporting period of these financial statements is the period from 1 January 2017 to 31 December 2017. The reference period for the present financial statements is the period from 1 January 2016 to 31 December 2016.

The going concern principle is applied in the valuation of assets and liabilities. However, there continue to be considerable uncertainties with regard to the Company's ability to continue as a going concern (risk to the continued existence). In this context, please refer to the "Risk report" section, sub-heading "Financial risks" of the Management Report.

The functional and presentation currency in the financial statements is the euro (€). To improve readability, numbers are rounded and stated in thousands of euro (€'000), unless otherwise specified.

The statement of comprehensive income has been prepared using the total cost method.

A decision was taken to not apply IFRS 8 (Operating Segments) as the technologies and product candidates of MOLOGEN are still at research or development stage. Cash flows and corresponding expenses cannot be clearly attributed to the individual product candidates or technologies because different combinations of proprietary technologies are used for different product candidates. No information benefit would be gained from the expense and earnings information available from segment reporting as compared with the other components of the financial statements.

APPLICATION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS

The following new and revised standards and interpretations are to be applied to financial years beginning on or after 1 January 2017. They have been applied for the first time by MOLOGEN. The application has resulted in no significant impact on the financial performance and the financial position of MOLOGEN.

Applicable to financial years starting on or after 1 January 2017:

IAS 7	Statement of Cash Flows	Entities to provide disclosures that enable changes in liabilities arising from financing activities to be evaluated.

The following new and revised standards and interpretations are to be applied to financial years beginning on or after 1 January 2017. Application of them would have been mandatory for MOLOGEN, if they had been of relevance for the Company.

IAS 12	Income Taxes	Clarification on the recognition of deferred tax assets for unrealized losses related to financial assets recognized at fair value.
AIP 2014 - 2016	Annual Improvements	Improvements to IFRS 12.

The following new and amended standards and interpretations were adopted, but have not yet come into effect, and in some cases adoption by the EU is still pending. MOLOGEN has not applied them prematurely.

Applicable to financial years starting on or after 1 January 2018:

IFRS 9	Recognition, Classification and Measurement of Financial Instruments	This standard replaces IAS 39 and includes changes to the classification requirements and new guidance for the measurement of impairments. MOLOGEN is currently assessing what impact the application of IFRS 9 would have on the individual annual financial statements of the Company. On the basis of initial analyses, application is not expected to have any material effect on the financial performance and financial position – on account of the main financial instruments used by MOLOGEN.
IFRS 15	Revenue from Contracts with Customers	The new standard sets out when to recognize revenue and how much revenue to recognize. It replaces the previous IAS 18 (Revenue) and IAS 11 (Construction Contracts) as well as the related Interpretations on revenue recognition. It applies to almost all contracts with customers, with the notable exceptions of leases, insurance contracts and financial instruments. MOLOGEN is currently assessing what impact the application of IFRS 15 would have on the individual annual financial statements of the Company. On the basis of initial analyses, application is not expected to have any material effect on the financial performance and financial position on account of the fact that no significant revenues are generated by MOLOGEN at present. Furthermore, any current sales are owing to purchase agreements which have been structured in a straightforward way.
IFRS 2	Share-based Payment	Amendments to recognition of cash-settled share-based payment transactions. MOLOGEN is currently assessing what impact the changes of IFRS 2 would have on the individual annual financial statements of the Company. On the basis of initial analyses, application is not expected to have any material effect on the financial performance and financial position as the share-based payments granted by MOLOGEN are settled with equity instruments.
IFRS 4	Insurance Contracts	Amendments aimed at reducing consequences on account of the different effective dates of IFRS 9 and IFRS 4, above all for companies with comprehensive insurance activities.
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Clarification on the accounting for business transactions that include the receipt or payment of advance consideration in a foreign currency.
IAS 40	Investment Property	Clarification on the guidance in relation to transfers into or out of the investment property portfolio.
AIP 2014 - 2016	Annual Improvements	Improvements to IFRS 1, IFRS 12 and IAS 28

Applicable to financial years starting on or after 1 January 2019:

IFRS 16	Leases	This standard replaces the previously applicable standard IAS 17 as well as three leasing-related interpretations. MOLOGEN is currently assessing what impact the application of IFRS 16 would have on the individual annual financial statements of the Company. On the basis of initial analyses, application is not expected to have any material effect on the financial performance and financial position on account of the fact that all major lease arrangements can be terminated within one year.
IFRIC 23	Uncertainty over Income Tax Treatments	Clarifies the accounting for uncertainties in income taxes.
IAS 28	Investments in Associates and Joint Ventures	This amendment provides clarification that an entity shall apply IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
IFRS 9	Recognition, Classification and Measurement of Financial Instruments	Minor changes to IFRS 9. The standard sets out how an entity should classify certain financial instruments with prepayment features under IFRS 9 Financial Instruments. In addition, the standard governs accounting for financial liabilities.
IAS 19	Employee Benefits	Owing to the amendment of IAS 19, if an amendment, curtailment or settlement is carried out for a performance-based plan, it will in future be absolutely mandatory that the current service cost and the net interest for the remainder of the fiscal year are recalculated on the basis of the previous actuarial estimates, which were used for the necessary revaluation of net debt (asset).
AIP 2015 - 2017	Annual Improvements	Improvements to IFRS 3, IFRS 11, IAS 12 and IAS 23.

Applicable to financial years beginning on or after 1 January 2021:

IFRS 17	Insurance Contracts	The standard replaces IFRS 4 and governs the accounting of insurance contracts. Insurance contracts, reinsurance contracts and investment contracts with discretionary participation features fall within the scope of this standard.

C. ACCOUNTING AND VALUATION METHODS

The significant accounting and valuation methods that have been applied in the preparation of the present financial statements are presented below. They have been substantially retained in the financial year under review.

The financial statements were compiled according to the cost principle. Assets and liabilities are recorded in the financial position at amortized cost.

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is valued at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount using the effective interest method and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility (IAS 39).

The preparation of financial statements in accordance with IFRS requires assumptions or estimates to be made regarding some items that affect the amounts reported in the Company's statement of financial position or statement of comprehensive income. All estimates are reevaluated on an ongoing basis and are based on an empirical basis and other factors, including expectations concerning future events that appear reasonable under the given circumstances.

Estimation uncertainties may arise from determining service life and the intrinsic values of intangible assets and property, plant and equipment as well as from the estimation of the extent to which future tax benefits can be realized when recording deferred tax assets.

The Company reviews the book value of assets and liabilities as of the reporting date for any indication that an impairment has arisen. In this case, the recoverable amount of a particular asset or repayment amount of a liability is determined to ascertain the scope of the allowances that may need to be recorded.

Property, plant and equipment and **intangible assets** are reported at their acquisition cost less scheduled depreciation and amortization based on use according to the cost model (IAS 16.30). Depreciation and amortization are recorded on a straight-line, pro rata temporaris basis and start in the month in which the asset was acquired or placed into service. The average service life is between 3 and 14 years (software, technologies, patents and licenses as well as other rights: 3 to 10 years; technical equipment: 3 to 10 years; machinery and office equipment: 3 to 14 years). Depreciation and amortization of property, plant and equipment and intangible assets are reported in the statement of comprehensive income under depreciation and amortization.

The expected service life as well as the depreciation and amortization methods are reviewed at the end of each financial year. Should estimates require revision, these will be taken into account prospectively. The book values of property, plant and equipment and intangible assets are also reviewed as of the reporting date. If the review identifies any evidence of impairment, this is reported under expenses. In both the financial year under review and the reference period, there were no changes in the estimated service life or depreciation and amortization methods. However, no unscheduled impairments were recorded for either property, plant and equipment or intangible assets in the financial year under review.

Government grants are recorded if it can be reasonably assumed that the grant will be paid out and that the Company fulfills the necessary conditions for receiving the grant.

Government grants for costs are posted as income over the period in which the costs to be compensated by the respective grants are incurred.

Government grants for investments are reported as deferred income within non-current liabilities. They are depreciated through the income statement on a straight-line basis over the expected service life of the relevant asset.

Research costs are expenses for original and scheduled investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding (IAS 38.8). This should be recorded as an expense in the period in which it is incurred (IAS 38.54). Research costs are expenses which are necessary for conducting research activities. This includes personnel expenses, direct costs and directly attributable variable and fixed overhead costs. These expenses are recognized as a cost at the time they arise in accordance with their cause.

Development costs include expenses that serve to put theoretical knowledge into technical and commercial use. They are capitalized if, among other aspects, they can be identified as such and if future cash flows can be allocated to them clearly and with a high probability factor (IAS 38.57). In view of the fact that not all criteria specified by IFRS can be met at the same time and due to the risks existing before commercialization, development costs have not been capitalized.

Acquisition and manufacturing costs as well as accumulated depreciation and amortization are recognized as asset disposals. Results from asset disposals (disposal proceeds minus net book value) are reported in the statement of comprehensive income under other operating income or other operating expenses.

Liquid funds include cash reserves and bank balances reported at nominal value. The conversion of a bank deposit existing in foreign currency is carried out according to the daily exchange rate in the case of an incoming or outgoing payment. The evaluation takes place at the current exchange rate as of the reporting date. The differences arising from the valuation are recognized in the statement of comprehensive income. In principle, liquid funds are divided into cash and cash equivalents and fixed term deposits with a term of more than three months on both the statement of financial position and the statement of cash flows.

Trade receivables are reported at their amortized cost.

MOLOGEN's assets recognized as **inventories** are goods that are reported at amortized cost and calculated according to the first in, first out (FIFO) method. There are no stocks of raw materials, supplies and goods raw materials, work in progress, finished goods or services.

Other non-current and current assets are reported at amortized cost.

A **financial instrument** is a contract that simultaneously creates a financial asset at one Company and a financial liability or an equity instrument at another.

In principle, these include both original and derivative financial instruments. In fiscal year 2017 and the reference period, MOLOGEN held no derivative financial instruments, either with or without an accounting hedging relationship.

The original financial instruments are reported under other non-current financial assets, trade receivables, other current assets/liabilities, liquid funds, as well as non-current and current liabilities, and explained accordingly. Further comprehensive explanations of the financial instruments can be found in Section H. "Notes on the type and management of financial risks".

Financial instruments are measured at fair value when first reported. This takes into account the transaction costs attributable to the acquisition of all financial assets and liabilities that are not recorded at fair value through the income statement in subsequent periods.

The financial assets held by MOLOGEN in fiscal year 2017 and the reference period consist of liquid funds, trade receivables and other receivables with fixed or definable payments which are not listed in an active market.

The financial assets are reviewed on each reporting date for indications of impairment. Financial assets are impaired if, as a result of one or more events that occurred after the initial recognition of assets, there is a substantive indication that the expected future cash flows of the assets have negatively changed.

Financial assets are derecognized if the contractual rights to payment have expired or have been transferred.

No reclassifications were carried out between the valuation categories in fiscal year 2017 or the reference period.

Financial liabilities are categorized either as financial liabilities measured at fair value through the income statement or as other financial liabilities.

The financial liabilities held by MOLOGEN in fiscal year 2017 and in the reference period consist of liabilities to banks, trade payables, liabilities from the issuance of the convertible bond and other liabilities and are assigned to the category of other financial liabilities.

Compound financial instruments that constitute a financial liability for the Company and grant a guaranteed option to the holder for conversion into an equity instrument of the Company are reported separately in the balance sheet under equity and liability components. The equity and liability components are measured at fair value.

For the subsequent valuation, other financial liabilities are valued at amortized cost in accordance with the effective interest rate method, whereby interest expense is recorded at the effective interest rate, if applicable.

No reclassifications were carried out between the valuation categories in fiscal year 2017 or the reference period.

Financial liabilities are derecognized if they are liquidated, i.e. if the obligations have been settled, revoked or have expired.

In principle, foreign currency liabilities are converted at the prevailing exchange rate as of the reporting date and any differences posted under income.

TAXES

CURRENT TAX ASSETS AND TAX LIABILITIES

Current tax assets and liabilities for fiscal year 2017 and the reference period are assessed on the basis of the amount that is expected to be reimbursed by or paid to the tax authority. The amount is calculated on the basis of the applicable tax rates and the tax laws in force at the time of the legal accrual.

DEFERRED TAXES

Deferred taxes are recorded for the temporary differences between the commercial and tax balance sheets as of the reporting date. They are recognized in the amount of expected tax burden or relief in subsequent financial years. Tax credits are only reported if it is most probable that they will be realized (IAS 12.27). The calculation is based on the anticipated tax rates at the time of realization that are valid or legally adopted as of the reporting date. Tax assets and liabilities are only offset if the taxes can be netted in relation to a tax authority (IAS 12.74).

Current and deferred taxes are recognized as expense or income unless they are related to items that are recognized directly in shareholders' equity, in which case, the tax is recorded directly under shareholders' equity. In fiscal year 2017 and the reference period no income taxes were recognized as expense, income or directly in shareholders' equity. Deferred tax assets were not recognized in view of significant uncertainties with respect to their realizability.

Ordinary shares are classified as **shareholders' equity**. Costs that are directly attributable to the issue of new shares, options or the equity component of convertible bonds are recorded in shareholders' equity (net of taxes) as a deduction from issue proceeds.

As remuneration for work performed, employees of the Company (including management) receive **share-based payments** in the form of equity instruments (transaction with compensation through equity instruments). In contrast to prior years, the share option programs established in fiscal year 2013 include a settlement option for MOLOGEN. To satisfy employee stock options, the Company can choose to grant either its own shares or a cash payment instead of new shares from conditional capital.

In accordance with IFRS 2.42, a current obligation to cash compensation does not exist and is not yet in sight. The share options granted under share option programs after 2013 must therefore also be reported, in accordance with the regulations for share-based payments with settlement through equity instruments (IFRS 2.43).

Expenses resulting from the granting of equity instruments and the corresponding increase in shareholders' equity are recorded over the period during which the vesting or service conditions must be fulfilled (vesting period).

This period ends on the day of the first opportunity to exercise the option, meaning the date on which the relevant employee has an irrevocable subscription right. The accumulated cost of granting the equity instruments reported on each reporting date up to the time of the first exercise opportunity reflect the part of the vesting period which has already expired and the number of equity instruments that are actually eligible to be exercised according to the best-possible estimate of the Company on expiry of the vesting period. The amount that is recorded in the statement of comprehensive income reflects the development of the accumulated costs recorded at the beginning and end of the financial year.

Expenses and income for the financial year are recognized, regardless of the time of payment, if they are realized. Proceeds from the sale of goods and services, technologies, licensing and distribution rights as well as consulting services are realized if the due delivery or service is provided, the risk is transferred, the amount of the expected consideration can be reliably estimated and it is probable that the economic benefit from the transaction will accrue to the Company. When services for which fees have been paid or received in advance are only performed in subsequent periods, the payments are recorded as deferred or accrued income that is accreted over the period in which the services are performed.

Gains and losses resulting from foreign currency conversion are netted in accordance with IAS 1.35, because, as such, they are immaterial.

D. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2017

(1) REVENUES

Revenues from goods and services in the amount of €47 thousand (previous year: €74 thousand) resulting from domestic business. These are in part due to one-off effects and are therefore subject to fluctuations.

(2) OTHER OPERATING INCOME

€ '000

	2017	2016
Income from grants	15	0
Income from other accounting periods	0	3
Remaining other operating income	58	33
	73	**36**

In fiscal year 2017, an international consortium to which MOLOGEN belongs was awarded a grant from the Global Health Innovative Technology (GHIT) Fund, Tokyo, Japan. Of this grant, MOLOGEN is to receive the equivalent of around €2.2 million. The amount was initially recognized in equity in fiscal year 2017. Subsequently – and owing to corresponding expenses – €15 thousand was additionally recognized in income. This expenditure grant is reported under non-current and current deferred income according to the estimated costs involved. The grant is subject to a series of conditions. Based on the current state of knowledge, these conditions will be fulfilled. There are no apparent repayment risks.

(3) COST OF MATERIALS

€ '000

	2017	2016
Expenses for raw materials and consumables used	113	123
Expenses for services from third parties	9,639	11,657
	9,752	**11,780**

Expenses for raw materials and consumables used remained almost unchanged in fiscal year 2017 when compared with the prior financial year. The cost of purchased services recorded a year-on-year decrease in fiscal year 2017. This decline is above all attributable to the advancement of clinical trials. Changes in inventory amounting to €3 thousand (previous year: €15 thousand) are included under expenses for raw materials and consumables used.

(4) PERSONNEL EXPENSES

€ '000

	2017	2016
Wages and salaries	4,186	4,284
Social insurance contributions	541	583
Payments owing to termination of the employment relationship	91	371
Share options granted (according to IFRS 2)	275	215
	5,093	**5,453**

The reduction in wages and salaries on the previous year is essentially due to minimal one-off effects in the shape of payments owing to termination of the employment relationship as well as a lower number of employees. This decrease is offset by a rise in the expenditure relating to the granting of employee stock options.

The social insurance contributions include expenses for defined contributions plans amounting to €58 thousand (previous year: €58 thousand). Expenses of €31 thousand are attributable to three members of the Executive Board (previous year: €24 thousand and two Executive Board members).

The average number of staff employed at MOLOGEN over the year was 47 (excluding the Executive Board and employees on parental leave) (previous year: 57). Broken down, 33 of these employees worked in research and development and the remaining 14 in administration.

Employee structure on the reporting date (including temporary staff and employees on parental leave):

	31 Dec 2017	31 Dec 2016
Executive Board	3	2
Research and development (R&D) department	34	44
Administration	15	13
	52	**59**

(5) DEPRECIATION AND AMORTIZATION

Scheduled depreciation and amortization in the amount of €49 thousand are reported under depreciation and amortization of intangible assets and property, plant and equipment (previous year: €104 thousand). No unscheduled depreciation and amortization was carried out (previous year: €304 thousand).

€ '000

	2017	2016
Intangible assets	23	172
Property, plant and equipment	26	236
	49	**408**

(6) OTHER OPERATING EXPENSES

€ '000

	2017	2016
Consulting costs for business development	944	453
Legal and consulting costs	732	822
Marketing/investor relations	451	514
Administration costs	419	451
Patent costs	390	368
Travel costs	347	332
Occupancy costs	237	216
Non-wage personnel costs	212	100
Maintenance	70	61
Remaining other operating expenses	131	137
	3,933	**3,454**

Other operating expenses increased by €479 on the previous year.

The rise in other operating expenses is attributable to higher expenses in relation to consulting costs for business development, patent costs and employee benefit costs. However, expenses were down for legal and consulting costs, cost of marketing/investor relations and administration costs.

Auditors' fees

€ '000

	2017	2016
Audit of financial statements (of which relating to 2017: €14 thousand; 2016: €19 thousand).	53	58
Other auditing services	0	88
Tax consulting services	0	1
Other services	5	15
	58	**162**

Only services that are consistent with the task as the auditor of the annual financial statements were provided. The fee for the audit relates to the examination of the annual financial statements and examination of the individual annual financial statements pursuant to Section 325 Para. 2a of the HGB. Any additional services rendered by the auditor are attributable to consulting services in connection with the Annual General Meeting 2017.

(7) COST OF FINANCING AND FINANCE INCOME

Cost of financing

€ '000	2017	2016
Other interest expense – cash	327	18
Other interest expense – non-cash	251	0
	578	**18**

Other cash interest expense includes interest expenses in the amount of €310 thousand (previous year: €16 thousand), which are connected to the issuance of a convertible bond. There was no negative interest on credit balances (previous year: €2 thousand).

Other non-cash interest expense includes a) expenses for interest not yet paid (for the fourth quarter of 2017) in the amount of €107 thousand (previous year: €0 thousand) relating to the convertible bonds and b) interest expense of €144 thousand due to application of the effective interest method in connection with the convertible bonds.

Financial income

€ '000	2017	2016
Interest on financial assets	4	0

(8) TAX INCOME

Current tax assets and tax liabilities

No income tax was reported in fiscal year 2017 or the reference period.

Deferred taxes

Under German law, MOLOGEN can offset its corporate tax loss carry-forwards of €153.6 million (previous year: €134.5 million) and trade tax loss carryforwards of €151.8 million (previous year: €132.7 million) against future taxable income. However, there is uncertainty about future offsetting possibilities because the future earnings capacity is difficult to predict. As a result, deferred tax liabilities have not been reported.

Structure of deferred taxes and their allowances:

€ '000 Balance sheet item/ loss carried forward	Difference	Deferred tax before allowances	Allowances	Deferred tax after allowances
31 Dec 2016				
Temporary difference	0	0	0	0
Total deferred tax liabilities		**0**	**0**	**0**
Temporary difference	0	0	0	0
Tax loss carryforwards		40,332	–40,332	0
Total deferred tax assets		**40,332**	**–40,332**	**0**
Deferred taxes offset as of 31 Dec 2016		**40,332**	**–40,332**	**0**
31 Dec 2017				
Temporary difference	0	0	0	0
Total deferred tax liabilities		**0**	**0**	**0**
Temporary difference	0	0	0	0
Tax loss carryforwards		46,128	–46,128	0
Total deferred tax assets		**46,128**	**–46,128**	**0**
Deferred taxes offset as of 31 Dec 2017		**46,128**	**–46,128**	**0**

The calculations are based on a combined income tax rate of 30.2%. This takes into account corporate tax, the solidarity surcharge and trade tax.

Reconciliation of expected to effective tax result:

€ '000	2017	2016
Profit (loss) before tax	–19,281	–21,003
Expected tax expense (+)/income (–)	–5,823	–6,343
Tax effects on not tax-deductible expenses or expenses recognized in equity and on not tax-effective income	27	–168
Change of deferred tax allowances	5,796	6,511
Actual tax expense (+)/income (–)	**0**	**0**

The reconciliation is based on a combined income tax rate of 30.2%. This takes into account corporate tax, the solidarity surcharge and trade tax.

(9) EARNINGS PER SHARE (EPS)

Basic earnings per share (EPS) is calculated by dividing the total comprehensive income attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the financial year.

Diluted EPS is calculated by dividing the total modified income attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would arise from the conversion of all dilutive potential ordinary shares into ordinary shares.

	2017	2016
Total comprehensive income attributable to ordinary shareholders (€'000)	–19,281	–21,003
Weighted average number of ordinary shares for calculating basic EPS (thousands)	34,171	24,703
Effect of dilution from issue of share options and convertible bonds (thousands)	4,470	0
Weighted average number of ordinary shares including dilution effect (thousands)	38,641	24,703
Basic EPS in €	–0.56	–0.85
Diluted EPS in €	–0.49	—

The if-converted method is applied to the calculation of diluted EPS.

There was no dilution effect for issued share options and convertible bonds in prior years.

(10) NOTES TO THE STATEMENT OF CASH FLOWS

The statement of cash flows shows how MOLOGEN's liquid funds changed as a result of cash inflows and outflows over the course of the financial year. In accordance with IAS 7, a distinction is made between cash flows from operating, investing and financing activities. MOLOGEN reports cash payment for interest and income tax separately in the cash flow statement, in line with reporting in the financial statements under commercial law. Separate reporting is consistent with IAS 7.

Please refer to comments in Sections C. "liquid funds" and E. "cash and cash equivalents" of the present Notes for details on the division of liquid funds into cash and cash equivalents and funds with a term of more than three months.

Income tax amounting to €0 thousand was paid in fiscal year 2017 (previous year: €0.03 thousand). MOLOGEN received an income tax refund of €0 thousand in fiscal year 2017 (previous year: €0 thousand).

In fiscal year 2017, interest income totaling €4 thousand (previous year: €0.1 thousand) was recorded. Interest in the amount of €326 thousand was paid (previous year: €18 thousand).

Cash and cash equivalents comprises cash in hand, credit balances on current accounts and deposits as well as call money which is invested for a maximum of three months.

Information on financial liabilities arising from financing activities in accordance with IAS 7

			Non-cash items					
Development of liabilities from financing (€ '000)	31 Dec 2016	Cash item	Acquisitions	Changes in exchange rate	Change in fair value	Interest	Conversion into equity	31 Dec 2017
Other non-current liabilities	2,119	3,549	—	—	—	144	–393	5,419
Current financial liabilities (reported under "Other current liabilities and deferred income")	0	0	—	—	—	107	—	107

E. NOTES TO THE STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2017

ASSETS

NON-CURRENT ASSETS

(11) PROPERTY, PLANT AND EQUIPMENT

In the past financial year, net value of property, plant and equipment increased by €2 thousand from €25 thousand in the prior year to €27 thousand.

In fiscal year 2017, no unscheduled depreciation and amortization was carried out (previous year: €153 thousand).

Ordinary depreciation and amortization was counterbalanced by investments amounting to €30 thousand (previous year: €23 thousand).

The development of property, plant and equipment is part of the statement of changes in fixed assets presented in Appendix 1 to these Notes.

(12) INTANGIBLE ASSETS

In the financial year, the value of intangible assets in the statement of financial position decreased by €20 thousand to €17 thousand (previous year: €37 thousand). Intangible assets includes software (book value: €17 thousand; previous year: €37 thousand).

In fiscal year 2017, there was no unscheduled depreciation and amortization of intangible assets (previous year: €151 thousand).

Ordinary depreciation and amortization was counterbalanced by investments amounting to €3 thousand (previous year: €34 thousand).

The development of intangible assets is part of the statement of changes in fixed assets presented in Appendix 1 to these Notes.

Research and development

The resources available to the Company are primarily used directly on research and development projects. In fiscal year 2017, expenses for this area amounted to €14.0 million (previous year: €17.0 million). As in the prior year, no development costs subject to mandatory capitalization as defined in IAS 38 were incurred.

CURRENT ASSETS

(13) CASH AND CASH EQUIVALENTS

In principle, liquid funds consist of cash reserves and bank balances with a remaining term of less than three months. Current bank balances yield variable rates of interest. As of 31 December 2017, there were no fixed term deposits with a term of more than three months (previous year: €0 thousand). As of the reporting date, liquid funds amounted to €6,523 thousand (previous year: €20,520 thousand). This is calculated on the nominal value of the reserves in Euro as well as the value of a foreign currency account converted based on the average spot exchange rate on 31 December 2017. This includes around €2.2 million attributable to grants, which is therefore earmarked for use in specific research activities related to MIDGE® technologies.

(14) TRADE RECEIVABLES

Trade receivables are not interest-bearing and always have a term to maturity of less than one year as of the reporting date. They are usually due within 14 days and are reported at amortized cost.

As of 31 December 2017, trade receivables amounted to €13 thousand (previous year: €33 thousand).

€ '000			Overdue, but not impaired (portions of) receivables			
	Total	Neither overdue nor impaired	< 30 days	30–90 days	90–365 days	> 365 days
31 Dec 2017	13	13	0	0	0	0
31 Dec 2016	33	33	0	0	0	0

As of 31 December 2017, no allowances were recognized for trade receivables (previous year: €0 thousand).

In fiscal year 2017, no allowances were recognized for trade receivables (previous year: €0 thousand).

The development of impairments on trade receivables is part of the table under Section H. entitled "Development of impairments on financial instruments".

(15) INVENTORIES

Inventories consist of goods totaling €16 thousand (previous year: €13 thousand). Inventories are not subject to any disposition or pledging restrictions.

(16) OTHER CURRENT ASSETS AND INCOME TAX RECEIVABLES

€ '000	**31 Dec 2017**	31 Dec 2016
Income tax receivables	1	1
Reimbursements from VAT	288	258
Other receivables and assets	1,220	475
	1,509	**734**

Income tax receivables include corporation tax reimbursements (including solidarity surcharge) for fiscal years 2016 and 2017.

The amounts referred to under the tax reimbursements from VAT comprise receivables and liabilities to the same authority and may be offset in accordance with IAS 12.71.

Fixed-term deposits amounting to €13 thousand (previous year: €13 thousand) are pledged and serve as a security for a lease guarantee.

Other receivables comprise advance payments of €922 thousand in connection with the conducting of clinical trials (previous year: €316 thousand).

No allowances were recognized under other current assets (previous year: €0 thousand).

No other receivables were derecognized (previous year: €0 thousand).

The development of impairments on other current assets is shown under Section H.

EQUITY AND LIABILITIES

LIABILITIES

(17) NON-CURRENT LIABILITIES

Non-current liabilities include liabilities to third parties from the issuance of a convertible bond in the amount of €5,419 thousand (previous year: €2,119 thousand) and deferred income in the amount of €55 thousand (previous year: €0 thousand).

Convertible bond

Having issued its first convertible bond in the previous year (WSV 2016/24), the Company placed a further convertible bond in fiscal year 2017 (WSV 2017/25), which was divided into a financial liability and an equity component on account of the hybrid structure of the financial instrument.

By resolution on 21 December 2016, the Executive Board of MOLOGEN AG decided, with the approval of the Supervisory Board, to issue a convertible bond (WSV 2017/25) pursuant to the resolution of the Annual General Meeting of MOLOGEN on 13 August 2014 (conditional capital 2014 1).

In January 2017, 499,999 partial bonds of €10.00 each were issued under convertible bond (WSV 2017/25), with a total nominal value of €4.99 million.

The convertible bond (WSV 2017/25) was issued on 20 January 2017. It has a maturity of eight years. On the final maturity date, 20 January 2025, the convertible bond will be repaid at its nominal value plus any accrued but unpaid interest on the nominal value up to (but not including) the final repayment date, provided that the respective convertible bond has not been prematurely repaid, converted, redeemed or devalued.

A 6% interest rate per year will be paid on the nominal value of the convertible bond from (and including) 20 January 2017. Interest is payable, retrospectively, on a quarterly basis on 31 March, 30 June, 30 September and 31 December of each year and for the first time on 31 March 2017 for the period from the issue date to 31 March 2017.

MOLOGEN (bond debtor) grants each bond holder the right, at any time during the exercise period (starting on and including 1 April 2017), to convert any partial bond in its entirety, not part thereof, into a number of underlying shares per convertible bond that corresponds to the conversion ratio. The conversion ratio is calculated by dividing the nominal value of the convertible bond by the respective applicable conversion price. The initial conversion price was set at €1.60 and the initial conversion ratio is 6.25. Accordingly, a maximum of up to 3,124,994 shares can result from conversion.

Conversion rights may not be exercised during any non-exercise period.

Each of the following periods are non-exercise periods:

- On the occasion of the Annual General Meeting of the bond debtor, during a period which begins on the eighth day before (and including) the last day of registration for the Annual General Meeting and ends on the first working day after the Annual General Meeting (each excluded);

- During a period of seven days before the end of the financial year;
- During a period that starts with (and includes) the earlier of the two days on which the bond debtor publishes a rights offering in the Federal Gazette for its shareholders to buy shares, option rights for own shares, bonds with option or conversion rights or obligations, profit-sharing bonds, profit-sharing certificates or a similar offer (including, but not limited to, offers in relation to spin-offs (Section 123 Para. 2 of the German Transformation Act; UmwG)) or publishes an ad hoc or similar release with specific details of the upcoming subscription offer (including subscription ratio and the expected start of the subscription period) and ends on (and including) the last day of the period set for exercising subscription rights.

Under certain conditions, the bond holder has the right to call due all claims on any partial bonds they hold by providing notice of termination and to demand the repayment of the nominal value plus any accrued interest due up to (but excluding) the effective date of repayment. The termination conditions include late payment by bond debtors of the convertible bond, the initiation of insolvency proceedings and other violations of obligations by the bond debtor in relation to the bond.

€ '000	
Gross proceeds from the issuance of convertible bonds in fiscal year 2016	**2,540**
Gross proceeds from the issuance of convertible bonds in fiscal year 2017	**4,999**
Gross proceeds from the issuance of convertible bonds (total)	**7,539**
of which liability component of the convertible bond at date of issue	5,668
of which equity component of the convertible bond at date of issue	1,871
Expenses for the liability component in connection with the issuance of convertible bonds (total)	–72
of which in fiscal year 2017	–48
Expenses for the equity component in connection with the issuance of convertible bonds (total)	–28
of which in fiscal year 2017	–23
Interest expense (total)	–577
of which in fiscal year 2017	–561
of which effective interest in 2017 (increases liability)	–144
Conversion of bonds in fiscal year 2016	0
Conversion of bonds in fiscal year 2017	–393
Liability component of convertible bonds as of 31 Dec 2017	**5,419**

For further information on ascertaining the fair value of the equity component, please refer to Section (21) of these Notes.

Deferred income

The amount reported as deferred income of €55 thousand relates to an expenditure grant MOLOGEN received in the course of a funded project in fiscal year 2017 amounting to €54 thousand and government grants for assets of €1 thousand (previous year: €2 thousand, government grants for assets). This expenditure grant is reported under non-current deferred income according to the estimated costs involved.

(18) CURRENT LIABILITIES

Trade payables are not interest-bearing and usually have a maturity of 30 days. Other current liabilities are not interest-bearing and have a maturity of up to 12 months.

Composition of current liabilities:

€ '000	**31 Dec 2017**	31 Dec 2016
Trade payables	4,400	6,530
Deferred income	2,084	0
Liabilities from income and church tax	92	144
Liabilities to banks	9	3
Financial liabilities from interest	107	0
Other liabilities	810	727
	7,502	**7,404**

Trade payables mainly resulted from services in connection with clinical trials. The measurement of the amount of these accruals is based on estimates. This is primarily due to the downstream/deferred billing systems of clinical centers and service providers. The procedure used for these estimates takes into account the average treatment and pass-through costs, the number of patients included and the average duration of treatment anticipated as well as the ratio of services already received after actual completion of the duration of treatment in relation to the duration of treatment forecast per patient.

Deferred income in the amount of €2,084 thousand relates to an expenditure grant MOLOGEN received in the course of a funded project in fiscal year 2017. This expenditure grant is reported under non-current and current deferred income according to the estimated costs involved.

Liabilities to banks are composed of liabilities from credit card statements, which have not yet been settled in the business account.

SHAREHOLDERS' EQUITY

The composition of shareholders' equity and the development of its components are presented in the statement of changes in equity.

(19) ISSUED CAPITAL

MOLOGEN's share capital of €34,295,343, which is divided into 34,295,343 ordinary bearer shares with no-par value (no-par value shares), each with a notional share of €1.00 in the share capital, is reported as issued capital.

MOLOGEN implemented the following share capital-related measures in fiscal year 2017:

As of 1 April 2017, partial bonds acquired under convertible bond 2017/25 can be converted into shares in MOLOGEN AG (cf. explanations under paragraph "convertible bonds" of these Notes). Up to and including 31 December 2017, 348,092 no-par value shares had been issued owing to the conversion of partial bonds. In total, this generated new share capital of €34,295,343. On 11 January 2018, the capital increase due to the exercise of conversion rights under convertible bond 2017/25 in fiscal year 2017 was entered in the Commercial Register relevant to the Company.

By resolution on 18 December 2017, the Executive Board of MOLOGEN decided, with the approval of the Supervisory Board, to increase the share capital against contributions in cash and under exclusion of subscription rights of shareholders from €34,295,343 to €34,570,343 by issuing 275,000 new ordinary bearer shares, on the basis of registered authorized capital (authorized capital 2017). The new shares were placed privately at an issue price of €2,198 per new share on the basis of the Share Subscription Facility (framework agreement) signed with the U.S. investor Global Corporate Finance (GCF), New York, U.S., which was announced on 24 October 2017. The issue price corresponds to 95% of the volume-weighted average stock market price over the last five trading days. Gross proceeds amounted to €604,450.00. The deposit was made in full on 27 December 2017. The capital increase was recorded in the Commercial Register relevant to the Company on 11 January 2018. On 31 December 2017, the deposit intended for the increase in share capital was posted within equity under the item "Deposits made to implement the agreed capital increase".

Authorized and conditional capital

The resolutions adopted by the Annual General Meeting on 28 April 2017 were entered in the Commercial Register relevant to the Company on 24 July 2017. This resulted in subsequent changes to the authorized and conditional capital.

The Annual General Meeting of 28 April 2017 authorized the Executive Board to create new authorized capital 2017. The Executive Board was authorized, until 27 April 2022 and with the approval of the Supervisory Board, to increase the share capital of the Company one or more times by issuing new ordinary bearer shares with no-par value against contributions in cash and/or in kind by a total of no more than €16,973,625 (authorized capital 2017) and, in doing so, to define an earnings participation start date that differs from law in accordance with Section 23 Para. 2 of the Articles of Association. On 18 December 2017, the Executive Board decided to increase the share capital by issuing 275,000 new no-par value shares, on the basis of authorized capital 2017.

By resolution of the Annual General Meeting on 28 April 2017, conditional capital 2017-1 in the amount of €9,192,148 divided into 9,192,148 no-par value shares was also created. Conditional capital 2017-1 is to be used for granting shares to the holders or creditors of convertible bonds and/or option bonds (or a combination of these instruments) which are issued by the Company or group companies under the management of the Company up to 27 April 2022 as authorized pursuant to the resolution of the Annual General Meeting on 28 April 2017 under agenda item 8b) and which grant conversion or option rights to new ordinary bearer shares of the Company and/or determine a conversion or option obligation or preemptive tender right.

Furthermore, capital was increased by €700,000 through the issuance of up to 700,000 ordinary bearer shares with no-par value (no-par value shares), each with a notional share of €1.00 in the share capital (conditional capital 2017-2). Conditional capitals are used exclusively to grant rights to the holders of share options based on the resolutions by the Annual General Meetings of 28 April 2017 under agenda item 9a).

Conditional capital 2014-1 was changed. The share capital was conditionally increased by up to €4,818,327.00 through the issue of up to 4,818,327 new ordinary bearer shares with no-par value (no-par value shares), each with a notional share of €1.00 in the share capital (conditional capital 2014-1). The conditional capital increase is to be used for granting ordinary bearer shares to the holders or creditors of convertible bonds and/or option bonds, profit-sharing certificates and/or profit-sharing bonds (or a combination of these instruments) which are issued by the Company or group companies under the management of the Company as authorized pursuant to the resolution of the Annual General Meeting on 13 August 2014 under agenda item 7b), and which give option or conversion rights to new ordinary bearer shares of the Company and/or determine a conversion obligation or preemptive tender right and to the extent that the issuance of shares is against contributions in cash. As of 31 December 2017, 348,092 no-par value shares had been issued through conversions of conditional capital 2014-1.

The Company has the following **authorized and conditional capital** as of the reporting date of 31 December 2017:

In €

	31 Dec 2017	31 Dec 2016	Change
Authorized capital	16,698,625	0	16,698,625
Conditional capital 2010	610,151	610,151	0
Conditional capital 2011	238,393	238,393	0
Conditional capital 2012	209,234	209,234	0
Conditional capital 2013-1	328,672	328,672	0
Conditional capital 2014-1	4,470,235	6,789,451	–2,319,216
Conditional capital 2014-2	176,051	176,051	0
Conditional capital 2015	700,649	700,649	0
Conditional capital 2017-1	9,192,148	0	9,192,148
Conditional capital 2017-2	700,000	0	700,000

Conditional capitals 2010, 2011 and 2012 are used to grant convertible bonds and/or subscription rights without issue of bonds to Executive Board members and Company employees based on the resolutions by the Annual General Meetings of 7 June 2010, 7 June 2011 and 19 July 2012. The conditional capital increase will only be carried out insofar as the holders of the convertible bonds and/or options issued by the Company exercise their conversion or subscription rights. If issued through the exercise of conversion or subscription rights before the start of the Company's Annual General Meeting, the new shares participate in the profits of the Company from the start of the prior financial year, or otherwise from the start of the financial year in which they were issued through the exercise of conversion or subscription rights.

The **conditional capital 2014-1** is to be used for granting ordinary bearer shares to the holders or creditors of convertible bonds and/or option bonds, profit-sharing certificates and/or profit-sharing bonds (or a combination of these instruments) which are issued by the Company or group companies under the management of the Company as authorized pursuant to the resolution of the Annual General Meeting on 13 August 2014 under agenda item 7b) and which grant conversion or option rights to new ordinary bearer shares of the Company and/or determine a conversion obligation or preemptive tender right and to the extent that the issuance of shares is against contributions in cash. The conditional capital increase shall only be carried out to the extent that holders or creditors exercise their option or conversion rights, or holders or creditors with a conversion obligation meet their conversion obligations, or servicing of shares occurs due to substitution rights of a company and insofar as no own shares or new shares issued under authorized capital are used for this purpose. If issued through the exercise of conversion or subscription rights before the start of the Company's Annual General Meeting, the new shares participate in the profits from the start of the prior financial year, or otherwise from the start of the financial year in which they were issued through the exercise of conversion or subscription rights. With the Supervisory Board's consent, the Executive Board is thereby authorized to determine the further details of the conditional capital increase.

Conditional capitals 2013-1, 2014-2, 2015 and 2017-2 are used exclusively to grant rights to the holders of share options (Executive Board members and Company employees) based on the resolutions by the Annual General Meetings of 16 July 2013, 13 August 2014, 29 July 2015 and 28 April 2017. The conditional capital increase will only be carried out insofar as the holders of the share rights issued by the Company exercise their subscription rights and the Company does not fulfill the share options by supplying proprietary shares or by making a cash payment. If issued through the exercise of subscription rights before the start of the Company's Annual General Meeting, the new shares participate in the profits of the Company from the start of the prior financial year, or otherwise from the start of the financial year in which they were issued through the exercise of conversion or subscription rights.

Conditional capital 2017-1 is to be used for granting shares to the holders or creditors of convertible bonds and/or option bonds (or a combination of these instruments) which are issued by the Company or group companies under the management of the Company up to 27 April 2022 as authorized pursuant to the resolution of the Annual General Meeting on 28 April 2017 under agenda item 8b) and which grant conversion or option rights to new ordinary bearer shares of the Company and/or determine a conversion or option obligation or preemptive tender right. New ordinary bearer shares from conditional capital 2017-1 shall only be issued at a conversion or option price pursuant to the specifications as authorized by the resolution of the Annual General Meeting on 28 April 2017 under agenda item 8b). The conditional capital increase shall only be carried out to the extent that option or conversion rights are exercised, or that a conversion or option obligation

is fulfilled, or servicing of shares occurs and insofar as no other forms of fulfillment are used for this purpose. If issued through the exercise of conversion or subscription rights before the start of the Company's Annual General Meeting, the new shares participate in the profits from the start of the prior financial year, or otherwise from the start of the financial year in which they were issued through the exercise of conversion or subscription rights. With the Supervisory Board's consent, the Executive Board is thereby authorized to determine the further details of the conditional capital increase. The Supervisory Board is authorized to amend Article 4 of the Articles of Association to correspond to the respective utilization of the authorized capital 2017-1 as well as any other related amendments affecting the wording of the Articles of Association only. The same shall apply in the event that the authorization for the issuance of option or convertible bonds has not been utilized after the expiration of the authorization period as well as if no use is made of the conditional capital 2017-1 after the expiration of terms for the exercise of option or conversion rights, or for the fulfillment of conversion or option obligations.

(20) CAPITAL RESERVE

In the capital reserve, equity components are reported that are received from external sources via the subscribed capital or result from the issuance of convertible bonds and the exercise of conversion rights, as well as a withdrawal in the amount of €6,668 thousand carried out in fiscal year 2002, which was offset with the accumulated deficit. The application of IFRS 2 Share-based Payment resulted in a transfer to the capital reserve.

Owing to the conversion of the partial bonds under convertible bond 2017/25 into 348,092 no-par value shares in fiscal year 2017, the capital reserve increased – with proportionate consideration of the equity component booked at the time of issue – of €46 thousand. In accordance with IAS 32.37, the costs accruing for equity procurement (relates to the Share Subscription Facility with GCF) in the amount of €127 thousand (previous year: €873 thousand) were reported in the capital reserve, which thereby increased by €201 thousand overall.

The convertible bond (WSV 2017/25) described in Section E (18) of these Notes was divided into a financial liability and an equity component on account of the hybrid structure of the financial instrument. The equity component (only WSV 2017/25) in the amount of €1,451 thousand, arising from the difference between the issue amount of the bond with conversion rights and the estimated issue amount/market price of the same bond without conversion rights – was transferred to the capital reserve. The same procedure was followed in the financial statements under commercial law in accordance with Section 272 Para. 2 No. 2 of the HGB. Pursuant to IFRS, the proportional cost incurred for the equity component of the convertible bond in the amount of €23 thousand (previous year: €5 thousand) was taken into account in the capital reserve, which consequently increased by a total of €1,428 thousand. The conversion premium was calculated using the Black-Scholes model and tested for plausibility on the basis of market observations.

The Black-Scholes model was based on the following parameters:

Expected volatility (%)	34.50
Risk-free interest rate (%)	1.00
Anticipated life time of the option (years)	3.80
Predicted share price on date of issuance (€)	**1.64**

The application of IFRS 2 (Share-based Payment) resulted in the transfer of €275 thousand to the capital reserve (previous year: €215 thousand). Please refer to Section (4) of the present Notes.

€ '000	**31 Dec 2017**	31 Dec 2016
Capital reserve	105,601	105,273
Capital reserve from the issuance of bonds with conversion and/or option rights	1,873	422
Exercise of conversion rights	46	0
Employee compensation in equity instruments	7,397	7,122
Costs of equity procurement	–9,303	–9,153
	105,614	**103,664**

(21) ACCUMULATED DEFICIT

The accumulated deficit includes a loss carried forward of €125,774 thousand (previous year: €104,771 thousand).

F. NOTES ON THE EMPLOYEE PARTICIPATION PROGRAMS

The Company has set up several share-based employee participation programs. Employees have received share options, which entitle them to buy MOLOGEN shares at a predetermined price subject to certain conditions. MOLOGEN will issue the required shares by means of capital increases and has various conditional capital items available for this purpose.

CONTRACTUAL TERMS AND CONDITIONS OF THE SHARE OPTION PROGRAMS (SOPS)

The following provides a summary of the contractual terms and conditions on the basis of which beneficiaries may exercise the share options granted.

SHARE OPTION

Each share option grants the beneficiary the right to subscribe to a bearer share with the nominal par value of €1.00 each.

BENEFICIARIES

Members of the Executive Board and employees of the Company.

DURATION

Seven years (SOP 2010, SOP 2011, SOP 2012, SOP 2013, SOP 2014, SOP 2015 and SOP 2017) from the date of allocation.

VESTING PERIOD

Four years from the time of issue or granting to the beneficiary (SOP 2010, SOP 2011, SOP 2012, SOP 2013, SOP 2014, SOP 2015 and SOP 2017).

EXERCISE PERIODS

On expiry of the vesting periods, share options may only be exercised within a period of four weeks after publication of the latest quarterly, half-year or respective interim report of the Company; otherwise, within a period of four weeks after publication of the annual financial statements and also within a period of four weeks after the Annual General Meeting of the Company.

Furthermore, for share options that were issued under SOP 2015, the Company can in individual cases define special exercise periods. The Company will inform beneficiaries of the start and end of the exercise periods in a suitable manner (for example, by memo, written notification or data transmission). However, there is no legal right to such a notification; no claims can made whatsoever if such a notification is not given or is inaccurate.

STRIKE PRICE

Corresponds to the average stock market price for shares (arithmetic mean of the closing prices (i) in the regulated market (SOP 2010), or (ii) XETRA trading or a comparable successor system (SOP 2011, SOP 2012, SOP 2013, SOP 2014, SOP 2015 and SOP 2017) on the Frankfurt Stock Exchange, or after reconfiguration of the market segments in the trading segment of the stock exchange in which the Company's shares are traded) in the 60 trading days (SOP 2012, SOP 2013, SOP 2014 and SOP 2015) and 30 trading days (SOP 2017) prior to the resolution of the Executive Board (in the case of share options issued to the Executive Board: the Supervisory Board) concerning the respective allocation. For SOP 2017, the minimum strike price was set at €3 per share.

EXERCISE PRICE

Corresponds to the strike price.

PERFORMANCE TARGET (SOP 2010)

The exercise of share options is only possible if the average share price (arithmetic mean of the closing prices in the regulated market of the Frankfurt Stock Exchange or, in the case of reconfiguration of the market segments in the trading segment of the stock exchange in which the Company's shares are traded) in the last ten trading days before the date of the exercise has increased compared with the strike price as follows:

Exercise in the fifth year after issue/allocation is only possible if the share price (arithmetic mean of the closing prices in the regulated market of the Frankfurt Stock Exchange or, in the case of reconfiguration of the market segments in the trading segment of the stock exchange in which the Company's shares are traded) in the last ten trading days before the date of exercise has increased by at least 16% compared with the strike price (performance target). The performance target is 19% above the strike price for the sixth year and 22% for the seventh year.

PERFORMANCE TARGET (SOP 2011)

The exercise of share options is only possible if the average share price (arithmetic mean of the closing prices in XETRA trading or a comparable successor system of the Frankfurt Stock Exchange or, in the case of reconfiguration of the market segments in the trading segment of the stock exchange in which the Company's shares are traded) in the last ten trading days before the date of exercise has increased by at least 5% for each full year that has passed since issue/allocation.

PERFORMANCE TARGET (SOP 2012)

The exercise of share options is only possible if the average share price (arithmetic mean of the closing prices in XETRA trading or a comparable successor system of the Frankfurt Stock Exchange or, in the case of reconfiguration of the market segments in the trading segment of the stock exchange in which the Company's shares are traded) in the last ten trading days before the date of exercise has increased compared with the strike price as follows: by at least 30% above the strike price in the fifth year after issue/allocation, by at least 35% in the sixth year and by at least 40% in the seventh year.

PERFORMANCE TARGET (SOP 2013, SOP 2014, SOP 2015 AND SOP 2017)

The share options may only be exercised if and insofar as the following performance targets have been achieved:

The first performance target (absolute price threshold) is deemed to have been achieved if, within the exercise of employee stock options, the average stock exchange price of the Company's shares (arithmetic mean of the closing prices in XETRA trading or a comparable successor system of the Frankfurt Stock Exchange or, in the case of reconfiguration of the market segments in the trading segment of the stock exchange in which the Company's shares are traded) in the last ten trading days before the date of exercise of the employee stock options exceeds the exercise price.

The second performance target (relative price threshold) is deemed to have been achieved if the share price of the Company has outperformed the DAXsubsector Biotechnology (Performance) of the Frankfurt Stock Exchange.

For the required comparative calculation, the following respective reference values (100%) are defined for (i) the relevant share price and (ii) the arithmetic mean of the daily closing prices of the DAXsubsector Biotechnology (Performance) of the Frankfurt Stock Exchange on the last 30 trading days before the resolution of the Executive Board (in the case of issue of employee options to the Executive Board: the Supervisory Board) concerning the respective allocation of the employee stock options. On this basis, the market price of the Company's shares (arithmetic mean of the closing prices in XETRA trading or a comparable successor system of the Frankfurt Stock Exchange or, in the case of reconfiguration of the market segments in the trading segment of the stock exchange in which the Company's shares are traded) between the date of allocation of employee stock options and the date of the respective exercise based on the relevant reference values must have outperformed the DAXsubsector Biotechnology (Performance) in percentage terms. The preceding comparative calculation is to be performed for each issue of share options with reference values adjusted accordingly.

If the DAXsubsector Biotechnology (Performance) of the Frankfurt Stock Exchange is terminated or significantly altered in terms of its composition during the term of the employee option program or the employee options which have been issued under it, it shall be replaced by another index, the composition of which comes closest to the DAXsubsector Biotechnology (Performance) of the Frankfurt Stock Exchange in is previous composition; if no such index exists, a new benchmark index is calculated by a bank commissioned by the Company with as many individual prices as possible in the previous composition, so that it comes as close as possible to the DAXsubsector Biotechnology (Performance) of the Frankfurt Stock Exchange.

ACCOUNTING

The fair value of the share options granted is determined as of the date of granting. The conditions under which the options were granted are taken into account. The fair values of SOPs 2010b, 2011, 2012a and 2012b were identified using a Monte Carlo simulation model. The fair values of SOPs 2013, 2014, 2015 and 2017 were determined using binomial distribution. Within a SOP, the total available share options may be distributed in several tranches and granted at different times. In this case, the individual tranches are referred to as "a", "b" and "c".

In the reporting period, options under SOP 2015 were issued to employees and members of the Executive Board.

In contrast to share options issued in the past, the discount for staff turnover of 11% since issue was taken into account in the calculation of personnel expenses resulting from the share options issued under the SOP 2014 in fiscal year 2015 and from the SOP 2015 in fiscal years 2016 and 2017.

This was the result of past staff turnover discovered in connection with a review of service conditions for employees.

The reported cumulative personnel expenses resulting from share options issued in the past were reviewed accordingly (SOP 2011, SOP 2012, SOP 2013). No adjustments were required, as actual turnover was taken into account accordingly up to the reporting date.

To date, no stock options have yet been issued to employees or the Executive Board from SOP 2017.

The following table shows the underlying parameters of the valuation:

				SOPs
Parameter	**2010a**	**2010b**	**2011**	**2012a**
Dividend yield (%)	0.00	0.00	0.00	0.00
Expected volatility (%)	51.07	47.67	44.00	41.41
Risk-free interest rate (%)	1.70	2.48	1.44	0.74
Anticipated life time of the option (years)	5.50	5.50	5.50	5.50
Share price on date of issuance (€)	8.55	8.49	7.13	12.95

				SOPs
Parameter	**2012b**	**2013a**	**2013b**	**2013c**
Dividend yield (%)	0.00	0.00	0.00	0.00
Expected volatility (%)	40.70	39.91	40.75	42.09
Risk-free interest rate (%)	0.53	0.86	0.82	0.82
Anticipated life time of the option (years)	5.50	5.50	5.50	5.50
Share price on date of issuance (€)	14.15	12.57	10.80	7.75
Expected volatility of the DAXsubsector Biotechnology index (%)	—	20.07	18.58	18.45

				SOPs
Parameter	**2014**	**2015a**	**2015b**	**2015c**
Dividend yield (%)	0.00	0.00	0.00	0.00
Expected volatility (%)	43.98	48.25	60.59	61.46
Risk-free interest rate (%)	0.20	0.47	0.23	0.07
Anticipated life time of the option (years)	5.50	5.50	5.50	5.50
Share price on date of issuance (€)	4.95	3.32	2.88	3.90
Expected volatility of the DAXsubsector Biotechnology index (%)	19.84	21.70	21.73	21.41

The respective expected term of the share options was set based on past experience. These assumptions do not necessarily correspond to the actual exercise behavior of the beneficiaries.

The volatility taken into account is based on the assumption that historical volatilities can be used to predict future trends. This is based on the historic volatility of a period corresponding to the anticipated term of the share options. The volatility that actually occurs may therefore differ from the assumptions.

Risk-free interest rates are based on estimates of the interest rate structure in the bond market published by the German Federal Bank (Deutsche Bundesbank). The interest rate chosen is the one that has an identical remaining term or the closest maturity date.

The Company does not pay out dividends to its shareholders at present. No change in this dividend policy has been assumed during the term of the share options. This does not necessarily correspond to later actual dividend payments.

DEVELOPMENTS DURING THE FINANCIAL YEAR

Share options are issued to MOLOGEN employees by the Executive Board of MOLOGEN. The Supervisory Board issues share options to members of the Executive Board of MOLOGEN. In fiscal year 2017, 389,475 share options were issued to beneficiaries (previous year: 295,350). The share options were issued under SOP 2015b and 2015c. As of 31 December 2017, a total of 15,824 share options from SOP 2015 had not yet been allocated (previous year: 405,299). These stock options may no longer be allocated. From SOP 2017 (conditional capital 2017-2), 700,000 stock options had not yet been allocated by 31 December 2017. There were no more stock options to be allocated from other SOPs as of 31 December 2017.

The following table shows the number and weighted average exercise price (WAEP) as well as the development of the share options during the financial year.

	2017		2016	
	WAEP per share option €	Share options Units	WAEP per share option €	Share options Units
As of 1 Jan	7.91	1,400,308	9.04	1,202,196
Granted[(a)]	3.20	394,725	3.52	295,350
Forfeited	3.55	41,442	8.56	97,238
Exercised[(b)]	0	0	0	0
Expired	8.93	498,994	0	0
As of 31 Dec	6.17	1,254,597	7.91	1,400,308
Exercisable as of 31 Dec[(c)]	9.57	534,737	8.86	897,958

(a) The weighted average fair value of share options granted in the financial year per option amounted to €1.41 (SOP 2015b) and €2.04 (SOP 2015c) (previous year: €1.07).
(b) It was not possible to determine the weighted average share price at the time of exercising share options in the financial year under review.
(c) This only takes into account whether the vesting period of the share options has already expired. All other contractual conditions, such as fulfillment of the performance targets, are disregarded.

The weighted average remaining contractual duration of the stock options outstanding as of 31 December 2017 was 3.94 years (12/31/2016: 2.86 years). The exercise prices for the options outstanding at the end of the reporting period ranged between €3.14 and €13.91 (previous year: €3.52 and €13.91).

G. OTHER FINANCIAL LIABILITIES AND CONTINGENT LIABILITIES

Other financial liabilities resulting from lease agreements total €189 thousand for fiscal year 2018 and €171 thousand beyond 2018. MOLOGEN has other financial liabilities requiring disclosure in the amount of €7,425 thousand for 2018 and of €4,033 thousand beyond 2018.

There were no contingent liabilities as defined in IAS 37 as of 31 December 2017.

H. NOTES ON THE TYPE AND MANAGEMENT OF FINANCIAL RISKS

1. FINANCIAL RISK MANAGEMENT

MOLOGEN has a risk management system for the identification, measurement and control of risks which may arise as a result of the existing financial instruments. The risk positions arise from the completed and scheduled cash inflows and outflows, whereby these risks may occur in the form of default, liquidity and foreign exchange rate risks. Interest rate risks (excluding in connection with the investment of liquid funds) and other price risks do not exist, because the main financial instruments used by the Company include trade receivables, trade payables, liabilities from a fixed interest convertible bond and cash.

The primary objective of capital management is to maintain the solvency of the Company. For details, please refer to the Management Report ("Risk report" section). The secondary objective is the use of investment opportunities to achieve interest income and to avoid negative interest rates, with the exclusive use of conservative short-term products.

Key indicators for setting the primary objective are the debt ratio and the ratio of subscribed capital to total shareholders' equity.

2. RISKS ARISING FROM FINANCIAL INSTRUMENTS

MOLOGEN may be subject to the following risks with regard to assets, liabilities and planned transactions:

DEFAULT RISKS

MOLOGEN is exposed to default risk arising from its operating activities. Accounts receivable are monitored on an ongoing basis. Default risks are generally taken into account by setting up specific provisions (cf. Section E. (14)). No general charges were made.

The Company has not taken up any loans or issued any financial guarantees.

LIQUIDITY RISKS

The Company monitors the risk of a possible liquidity bottleneck on an ongoing basis. It monitors the maturities of financial assets (e.g. receivables) and liabilities as well as expected cash flow from operating activity. Should it become necessary, certain cost-intensive activities and projects can be temporarily discontinued in order to reduce the outflow of funds. In particular, this is ensured by concluding service contracts that can be canceled at short notice for the IMPALA and IMPULSE clinical trials which started in fiscal year 2014.

MARKET RISKS

MOLOGEN is not exposed or only has limited exposure to the following market risks:

Interest rate risks

The risk of fluctuations in market interest rates does not generally exist as the Company has no current or non-current financial assets and liabilities which are subject to variable interest rates. The convertible bonds which were issued in fiscal years 2016 and 2017 each offer a fixed interest rate of 6.0% per annum over the whole term of eight years.

In principle, cash and cash equivalents which are not required are invested as fixed-term deposits for a period of three months at the current market interest rate in each case. Changes in interest rate levels therefore affect the amount of interest income.

MOLOGEN was able to minimize its exposure to the risk of earning negative interest on credit balances by investing liquid funds in short-term investments.

Exchange rate risks

MOLOGEN currently only employs financial instruments held in foreign currencies to a very limited extent. The exchange rate risk is therefore classified as very low.

Other price risks

There are no other price risks.

3. CATEGORIES OF FINANCIAL INSTRUMENTS

€ '000	31 Dec 2017	31 Dec 2016
Financial assets		
Loans and receivables valued at amortized cost		
Trade receivables	13	33
Cash and cash equivalents	6,523	20,520
Other financial assets	1,509	734
Financial liabilities		
Valued at amortized cost		
Liabilities to banks	9	3
Trade payables	4,400	6,530
Convertible bond (liability component)	5,419	2,119
Other financial liabilities	3,093	871

The book values of the financial assets and financial liabilities correspond to the fair values.

The valuation of MOLOGEN's financial assets and financial liabilities is explained in Section C. "Accounting and valuation methods".

No new classifications or reclassifications were carried out in the financial year under review or the reference period.

New classifications were carried out in the reference period, but not in the financial year under review.

The convertible bonds are compound financial instruments, which comprised financial liabilities in the amount of €5,419 thousand and an equity component totaling €1,710 thousand (before deduction of costs of equity procurement) as of the reporting date. Further details on the convertible bond can be found under Section E. "Notes to the statement of financial position as of 31 December 2017", liabilities, convertible bonds.

In fiscal year 2017, losses of €44 thousand were reported resulting from foreign currency conversion (previous year: €1 thousand).

Developments of impairments of financial instruments

€ '000	Impairment of			
	Financial assets	Trade receivables	Other financial assets	Total
As of 1 Jan 2016	**0**	**0**	**0**	**0**
Increase/decrease of impairments recognized in the income statement	0	0	0	0
Use of reported impairments	0	0	0	0
As of 31 Dec 2016	**0**	**0**	**0**	**0**
Increase/decrease of impairments recognized in the income statement	0	0	0	0
Use of reported impairments	0	0	0	0
As of 31 Dec 2017	**0**	**0**	**0**	**0**

I. INFORMATION ON AFFILIATED PERSONS AND COMPANIES

EXECUTIVE BOARD

1. EXECUTIVE BOARD MEMBERS OF MOLOGEN IN FISCAL YEAR 2017:

Dr Mariola Soehngen, Chief Executive Officer, Berlin, Germany (since 1 November 2015; appointed until 31 October 2018).
Member of the following other statutorily mandated supervisory boards and comparable domestic and foreign supervisory committees of business enterprises: Vita 34 AG, Leipzig (Supervisory Board member).

Dr Matthias Baumann, Chief Medical Officer, Berlin, Germany (since 1 May 2017, appointed until 30 April 2020).
Not a member of any other statutorily mandated supervisory boards and comparable domestic and foreign supervisory committees of business enterprises.

Walter Miller, Chief Financial Officer, Berlin, Germany (since 1 April 2016, appointed until 31 March 2019).
Not a member of any other statutorily mandated supervisory boards and comparable domestic and foreign supervisory committees of business enterprises.

2. EMUNERATION STRUCTURE FOR THE EXECUTIVE BOARD

Fixed and performance-based remuneration components

Executive Board members receive a fixed remuneration component, which is paid out in monthly installments, and a performance-based remuneration component, which is only paid out when defined performance targets are met.

The following fixed and performance-based remuneration has been granted to members of the Executive Board:

Dr Mariola Soehngen, CEO
1 November 2015 – 30 October 2018

Benefits granted (in € '000)

	2017	2017 min.	2017 max.	2016
Fixed remuneration	250	250	250	250
Fringe benefits	34	34	34	32
Total	**284**	**284**	**284**	**282**
One-year variable remuneration	171	0	300	300
Multi-year variable remuneration				
Bonus 2 term of 3 years	60	0	60	64
Total	**515**	**284**	**644**	**646**
Pension-related expense	0	0	0	0
Total	**515**	**284**	**644**	**646**

Dr Matthias Baumann, CMO
1 May 2017 – 30 April 2020

Benefits granted (in € '000)

	2017	2017 min.	2017 max.	2016
Fixed remuneration	153	153	153	—
Fringe benefits	14	14	14	—
Total	**167**	**167**	**167**	**—**
One-year variable remuneration	48	0	67	—
Multi-year variable remuneration				
Bonus 2 term of 3 years	13	0	13	—
Total	**228**	**167**	**247**	**—**
Pension-related expense	0	0	0	—
Total	**228**	**167**	**247**	**—**

Walter Miller, CFO
1 April 2016 – 31 March 2019

Benefits granted (in € '000)

	2017	2017 min.	2017 max.	2016
Fixed remuneration	200	200	200	150
Fringe benefits	43	43	43	30
Total	**243**	**243**	**243**	**180**
One-year variable remuneration	70	0	100	75
Multi-year variable remuneration				
Bonus 2 term of 3 years	10	0	20	7
Total	**323**	**243**	**363**	**262**
Pension-related expense	0	0	0	0
Total	**323**	**243**	**363**	**262**

Dr Mariola Soehngen, CEO
1 November 2015 – 30 October 2018

Inflow in the financial year (€ '000)

	2017	2016
Fixed remuneration	250	250
Fringe benefits	34	32
Total	**284**	**282**
One-year variable remuneration	300	50
Multi-year variable remuneration		
Bonus 2 term of 3 years	0	0
Total	**584**	**332**
Pension-related expense	0	0
Total	**584**	**332**

Dr Matthias Baumann, CMO
1 May 2017 – 30 April 2020

Inflow in the financial year (€ '000)

	2017	2016
Fixed remuneration	153	—
Fringe benefits	14	—
Total	**167**	**—**
One-year variable remuneration	0	—
Multi-year variable remuneration		
Bonus 2 term of 3 years	0	—
Total	**167**	**—**
Pension-related expense	0	—
Total	**167**	**—**

Walter Miller, CFO
1 April 2016 – 31 March 2019

Inflow in the financial year (€ '000)

	2017	2016
Fixed remuneration	200	150
Fringe benefits	43	30
Total	**243**	**180**
One-year variable remuneration	75	0
Multi-year variable remuneration		
Bonus 2 term of 3 years	0	0
Total	**318**	**180**
Pension-related expense	0	0
Total	**318**	**180**

Remuneration components with a long-term incentive effect

In previous years, members of the Executive Board were allocated share options as remuneration components with a long-term incentive effect. The share options issued were valued at fair value on the date of issue.

The following table shows the pro rata amounts of the fair values of remuneration components with a long-term incentive effect.

		Dr M. Soehngen	Dr M. Baumann	W. Miller	Gesamt
Subscription rights issued (units)	**2017**	**50,000**	**30,000**	**40,000**	**120,000**
	2016	50,000	—	30,000	80,000
Fair value of subscription rights issued upon issuance (€ '000)	**2017**	**71**	**61**	**56**	**188**
	2016	54	—	32	86
Total personnel expenses from share options in each financial year (€ '000)	**2017**	**27**	**7**	**19**	**53**
	2016	8	—	5	13

No share options were exercised by members of the Executive Board in fiscal year 2017 or the previous year.

Payments in the event of early termination of the employment relationship

In the event of the contract of employment being terminated for a reason that is not at the same time an important reason as defined in Section 626 of the German Civil Code (Bürgerliches Gesetzbuch; BGB), Executive Board members shall receive a severance payment which equates to the amount of the fixed remuneration due in the period between the premature termination and the end of the term of the contract of employment, but subject to a maximum of twice the fixed annual remuneration (Dr Mariola Soehngen: €250 thousand, Dr Matthias Baumann: €230 thousand, Walter Miller: €200 thousand).

Should the appointment be terminated for an important reason as defined in Section 626 of the BGB, all rights to severance payments and management bonuses shall lapse entirely. If the appointment is terminated for any other reason, the annual bonus granted (Dr Mariola Soehngen: €300 thousand, Dr Matthias Baumann: €100 thousand, Walter Miller: €100 thousand) is reduced pro rata temporis for the relevant calendar year while bonus 2 (Dr Mariola Soehngen: maximum of €180 thousand; Dr Matthias Baumann: max. €60 thousand, Walter Miller: max. €60 thousand) is granted in full if the relevant targets are achieved.

In the event of a change-of-control (acquisition of at least 51% of the voting rights by a third party or several third parties acting together), the Company and the Executive Board members shall have the right to terminate contracts extraordinarily. Should this right be exercised, the Executive Board members' service contracts provide for a severance payment, the amount of which depends on the date on which the appointment ends. Should the Executive Board members respectively resign before 1 November 2017 (Dr Mariola Soehngen), 1 April 2017 (Walter Miller) and 1 May 2018 (Dr Matthias Baumann), the Executive Board member shall receive a severance payment which equates to two years' worth of remuneration (all remuneration components including management bonuses). In the event of a respective resignation on or after 1 November 2017 (Dr Mariola Soehngen), on or after 1 April 2017 (Walter Miller) and on or after 1 May 2018 (Dr Matthias Baumann), the severance payment will equate to 1.5 years' worth of remuneration (all remuneration components including management bonuses). In addition to these severance payments, all share options already granted will be vested immediately.

Impact of incapacity to work and death

Regulations have also been determined for the event of temporary or permanent incapacity for work or in case of the death of the Executive Board member. The service contracts of the Executive Board members stipulate that in case of temporary incapacity for work, remuneration shall continue to be paid, taking into account the sickness benefit paid by the health insurance, during the period of incapacity for work for a period of up to 12 months (Dr Mariola Soehngen, Walter Miller) and for a period of up to six months (Dr Matthias Baumann) but no longer than until the end of the agreed term of the service contract of the respective Executive Board member (period in which remuneration continues to be paid). At the end of the period in which remuneration continues to be paid, the contract will lapse, unless it has already ended at this date.

In the event of permanent incapacity for work, the service contract shall expire three months after the end of the month in which the permanent incapacity for work is declared. In the event of death of the respective Executive Board member, the remuneration for the month of death as well as for the next six months is to be paid, but no longer than until the end of the agreed term of the respective service contract. In addition, the variable remuneration components for the relevant year or period due and/or achieved up to the death of the Executive Board member concerned are payable.

Other information

No Executive Board member was promised or granted payments by third parties in relation to their Executive Board activities in the past financial year.

3. SHARES AND SHARE OPTIONS OF EXECUTIVE BOARD MEMBERS

The following tables provide an overview of shares and share options held by Executive Board members.

In units

	Shares		Share options	
	31 Dec 2017	31 Dec 2016	**31 Dec 2017**	31 Dec 2016
Dr Mariola Soehngen	36,000	36,000	100,000	50,000
Dr Matthias Baumann	0	—	30,000	—
Walter Miller	—	0	70,000	30,000

INFORMATION ON THE SUPERVISORY BOARD

1. SUPERVISORY BOARD MEMBERS OF MOLOGEN IN FISCAL YEAR 2017:

Oliver Krautscheid, Dipl.-Kfm., independent corporate consultant, Frankfurt/Main, Germany (Chairman and member of the Supervisory Board)
Member of the following other statutorily mandated supervisory boards and comparable domestic and foreign supervisory committees of business enterprises: CD Deutsche Eigenheim AG, Berlin, Germany (Chairman of the Supervisory Board)
EASY SOFTWARE AG, Mülheim an der Ruhr, Germany (Chairman of the Supervisory Board)
EPG (Engineered nanoProducts Germany) AG, Griesheim, Germany (Chairman of the Supervisory Board)

Dr med. Stefan M. Manth, independent expert and consultant for pharmaceutical and biotechnology companies, Basel, Switzerland (Deputy Chairman and member of the Supervisory Board)
Not a member of any other statutorily mandated supervisory boards and comparable domestic and foreign supervisory committees of business enterprises

Susanne Klimek, Kauffrau, businesswoman, Managing Director of SALVATOR Vermögensverwaltungs GmbH, Munich, Germany
Not a member of any other statutorily mandated supervisory boards and comparable domestic and foreign supervisory committees of business enterprises

2. REMUNERATION OF THE SUPERVISORY BOARD:

The remuneration of Supervisory Board members is defined in Article 14 of MOLOGEN AG's Articles of Association. Supervisory Board members receive fixed remuneration amounting to €20 thousand, as well as an attendance fee of €1 thousand for each Supervisory Board meeting they attend in person and an attendance fee of €500 for each meeting they attend by video or teleconference. According to the Articles of Association valid up to 27 April 2017, Supervisory Board members received fixed remuneration amounting to €20 thousand, as well as an attendance fee of €1 thousand for each Supervisory Board meeting they attended.

Each member of the Supervisory Board receives performance-based variable remuneration for each full €0.01 by which the earnings per share (EPS) of the Company reported for the financial year for which the remuneration is reported exceeds the minimum EPS in the individual financial statements, prepared in accordance with the provisions of Section 325 Para. 2a of the HGB. The minimum EPS for fiscal year 2010 amounted to €0.05 and increased by €0.01 for each subsequent financial year. The performance-based variable remuneration totals €1,000.00 per full €0.01 EPS and is limited to a maximum value of €20,000.00.

As the conditions for performance-based variable remuneration had not been fulfilled as of 31 December 2017, no performance-based remuneration is paid for fiscal year 2017.

In each case, the chairman receives twice this amount. The deputy chairman receives one and a half times this amount. According to the Articles of Association valid up to 27 April 2017, the deputy chairman receives only this amount. Supervisory Board members who did not complete a full financial year in this capacity receive fixed and performance-based variable remuneration on a pro rata temporis basis in accordance with their length of service on the Supervisory Board.

In addition, Supervisory Board members are reimbursed for all expenses as well as for any potential value added tax payable on their remuneration and expenses.

In fiscal year 2017, Supervisory Board remuneration amounted to €87 thousand (previous year: €80 thousand). Furthermore, attendance fees totaled €65 thousand (previous year: €116 thousand).

The following remuneration was granted to each member of the Supervisory Board in fiscal year 2017:

€ '000	Remuneration	Attendance fees	Total
Oliver Krautscheid	40	30	70
Dr med. Stefan M. Manth	27	21	48
Susanne Klimek	20	14	34
Total	**87**	**65**	**152**

3. SHAREHOLDINGS OF SUPERVISORY BOARD MEMBERS:

The following table provides an overview of the shares held by Supervisory Board members as of 31 December 2016. The Supervisory Board does not hold any share options.

In units	Shares	
	31 Dec 2017	31 Dec 2016
Oliver Krautscheid	9,510	9,510
Dr med. Stefan M. Manth	4,860	4,860
Susanne Klimek	3,000	3,000

J. INFORMATION ON SIGNIFICANT EVENTS AFTER THE REPORTING DATE OF 31 DECEMBER 2017

Second capital increase in the course of exercising rights under the Share Subscription Facility concluded in October 2017

In February 2018, the Executive Board resolved, with the approval of the Supervisory Board, an increase of the share capital against contribution in cash without subscription rights for shareholders on the basis of the authorized capital, in line with the Share Subscription Facility with the U.S. investor Global Corporate Finance (GCF) concluded on 24 October 2017. Through the issue of 200,000 new ordinary bearer shares, the share capital of the Company was raised from €34,570,755 to €34,770,755. The new shares were privately placed with the U.S. investor GCF, as before in the course of the first exercise in December 2017. The issue price was set at €2.225 per new share. Through this second exercise, MOLOGEN raised gross proceeds of EUR 445,500.

Licensing agreement with ONCOLOGIE Inc.

In February 2018, MOLOGEN AG signed a license agreement for China and a global co-development agreement for the lead product candidate lefitolimod with ONCOLOGIE Inc. The signed agreement is conditional upon an initial payment of €3 million being received by MOLOGEN. ONCOLOGIE is an oncology-focused drug development company with headquarters in Boston and operational offices in Shanghai. The contract comprises two parts: first, a license agreement including sublicense rights under which MOLOGEN grants ONCOLOGIE an exclusive license for the development, manufacturing and commercialization of lefitolimod in the markets of China including Hong Kong and Macao, Taiwan and Singapore (license area). Second, a commitment for global co-development leveraging novel biomarker plans from ONCOLOGIE. MOLOGEN received an initial payment of €3 million. ONCOLOGIE also agreed to make an equity investment of €2 million within the next 12 months. In addition to the initial payment and equity investment, the parties agreed on further development and commercialization milestones. They are due upon reaching predefined development steps as well as market approval. In addition, commercial milestones are defined which are due upon reaching certain sales thresholds. The total payments could amount to more than €100 million and will be paid over several years.

Additionally, MOLOGEN has negotiated low double-digit royalties on sales. MOLOGEN and ONCOLOGIE will share the economic returns from global joint development pursuant to both parties' contributions. All costs relating to development, registration, marketing and commercialization of lefitolimod in the contractually defined territory are to be covered by ONCOLOGIE.

Capital increase from authorized capital

In February 2018, the Executive Board resolved, with the approval of the Supervisory Board, a capital increase against contributions in cash with indirect subscription rights for shareholders under utilization of the existing authorized capital (authorized capital 2017) in accordance with Section 4 Para. 3 of the Articles of Association. The share capital of the Company will be increased through the issuance of up to 2,357,368 new ordinary bearer shares each with a notional share of €1.00 in the share capital (the "new shares"). The new shares carry full dividend rights from 1 January 2017.

Financing agreement with Alpha Blue Ocean's European High Growth Opportunities Securitization Fund

In February 2018, MOLOGEN AG entered into an agreement with Luxembourg-based financing provider European High Growth Opportunities Securitization Fund (EHGO), (hereinafter: the "investor"), a fund advised by Alpha Blue Ocean Advisors (ABO). Pursuant to this agreement, MOLOGEN can, over the period of two years from 20 February 2018, require the investor to subscribe for its convertible bonds in an aggregate amount of up to €12 million. The bonds will be issued in up to 24 tranches of €500,000 each at the Company's request, whereby the Company will have to observe a waiting period of at least 10 trading days after the issuance of each tranche before requesting the issuance of a new tranche. The right to request the issuance of a tranche is subject to the satisfaction of certain conditions, such as the absence of a material adverse change or a change of control. The issuance of tranches also requires the prerequisite authorizations under stock corporation law to be in place.

The investor can convert the bonds at its discretion, the conversion being mandatory upon the lapse of 12 months from the issuance of the relevant tranche. The conversion price is 90% of the Volume Weighted Average Price (VWAP) of the Company's share price during the three trading days preceding the conversion (but at least 80% of the VWAP of the Company's share during the 10 trading days preceding the issuance of the bonds). The bonds shall accrue no interest.

Changes to the Supervisory Board

At present, the Supervisory Board consists of three persons in accordance with Section 8 (1) of the Company's Articles of Association. Effective 30 April 2018, the term of office of Supervisory Board member Ms. Susanne Klimek ends. Ms. Klimek has declared to the company the resignation of her office on this date. Against this background, the Company will apply for a court appointment of a new Supervisory Board member until a new election can take place within the framework of the 2018 Annual General Meeting. This means that a member of the Supervisory Board has to be re-elected. Ms Klimek is not available for re-election.

Non-extension of the Executive Board mandate

The Chief Executive Officer of MOLOGEN AG, Dr Mariola Söhngen has informed the Supervisory Board that she does not intend to extend her appointment as member and chairman of MOLOGEN AG, which expires on October 31, 2018.

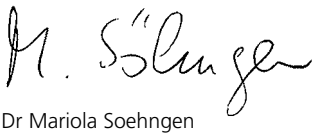
K. EXECUTIVE BOARD DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Corporate Governance Report (Declaration of Compliance in accordance with Section 161 of the German Stock Corporation Act (deutsche Aktiengesetz; AktG)) and the Declaration on Corporate Management pursuant to Section 289f of the HGB are available on the Company website at http://www.mologen.com/de/investoren-presse/corporate-governance.

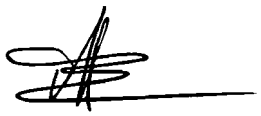
L. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Executive Board and released for publication on 16 March 2018.

Berlin, 20 April 2018
Executive Board of MOLOGEN AG



Dr Mariola Soehngen
Chief Executive Officer



Dr Matthias Baumann
Chief Medical Officer

Walter Miller
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the MOLOGEN AG, Berlin

BRIEF STATEMENT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH SECTION 325 PARA. 2A HGB AND THE MANAGEMENT REPORT

AUDIT OPINION

We have audited the annual financial statements of MOLOGEN AG prepared in accordance with Section 325 Para. 2a HGB – comprising the balance sheet as of 31 December 2017 and the statement of comprehensive income, cash flow statement and statement of changes in equity for the fiscal year from 1 January 2017 to 31 December 2017 as well as the notes to the financial statements, including the presentation of accounting and valuation methods. In addition, we have audited the management report of Mologen AG for the fiscal year from 1 January 2017 to 31 December 2017.

IN OUR OPINION, BASED ON THE FINDINGS OF OUR AUDIT,

- the attached annual financial statements prepared in accordance with Section 325 Para. 2a HGB comply, in all material aspects, with the IFRS, as applicable in the EU, the additional requirements of German commercial law pursuant to Section 325 Para. 2a HGB and give a true and fair view of the net assets and financial position of the Company in accordance with these regulations as of 31 December 2017 as well as the Company's results of operations for the fiscal year from 1 January 2017 to 31 December 2017 and
- the attached management report overall provides an accurate view of the Company's situation. In all material aspects, this management report is consistent with the annual financial statements prepared in accordance with Section 325 Para. 2a HGB, complies with legal requirements in Germany and accurately presents the opportunities and risks of future development.

Pursuant to Section 322 Para. 3 Clause 1 HGB, we declare that our audit has not led to any objections regarding the regularity of the annual financial statements prepared in accordance with Section 325 Para. 2a HGB and the management report.

BASIS OF OUR AUDIT OPINION

We conducted our audit of the annual financial statements prepared in accordance with Section 325 Para. 2a HGB and the management report in conformity with Section 317 HGB and the EU Audit Regulation (Regulation (EU) No. 537/2014; hereinafter referred to as "EU AR"), taking into account the German generally accepted standards for the audit of financial statements as adopted by the Institute of Public Auditors in Germany (IDW). Our responsibility under these regulations and principles is described in more detail in the section on the "Responsibility of the auditor to audit the annual financial statements prepared in accordance with Section 325 Para. 2a HGB and the management report" of our audit certificate. We are independent of the Company in accordance with European legislation and German commercial law and the professional code of practice and fulfilled our other professional duties applicable in Germany in accordance with these requirements. Furthermore, we declare pursuant to Article 10 Para. 2f) EU AR that we have not provided any prohibited non-audit services under Article 5 Para. 1 EU AR. We believe that our audit provides a reasonable basis for our audit opinion on the annual financial statements prepared in accordance with Section 325 Para. 2a HGB and the management report.

MATERIAL UNCERTAINTY IN CONNECTION WITH THE CONTINUATION OF BUSINESS ACTIVITIES

We refer to the statement in section B of the notes to the financial statements, General information on the financial statements, and the disclosures in the section Risk report, sub-section "financial risks" of the management report, in which the legal representatives explain that the Company's liquidity position is strained. As described in section B of the notes to the financial statements, General information on the financial statements, and the section Risk report, sub-section "financial risks" of the management report, this indicates material uncertainty that may raise significant doubt of the Company's ability to continue its business activities and represents a risk which threatens the Company's existence pursuant to Section 322 Para. 2 Clause 3 HGB.

Our audit opinion is not modified with regard to this matter.

KEY AUDIT MATTER IN THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH SECTION 325 PARA. 2A HGB

A key audit matter is a matter that according to our best judgement was the most important aspect of our audit of the annual financial statements prepared in accordance with Section 325 Para. 2a HGB for the fiscal year from 1 January 2017 to 31 December 2017. This matter was considered in connection with our audit of the annual financial statements prepared in accordance with Section 325 Para. 2a HGB as a whole and when forming our audit opinion on these; we do not provide a separate audit opinion on this matter.

In our view, accruals for clinical service providers and other financial obligations for clinical service providers were the most important aspect of our audit.

We have structured our presentation of this key audit matter as follows:

1. Matter and description of the problem
2. Audit procedure and findings
3. Reference to further information

In the following, we describe the key audit matter:

ACCRUALS FOR CLINICAL SERVICE PROVIDERS AND OTHER FINANCIAL OBLIGATIONS FOR CLINICAL SERVICE PROVIDERS

1. Matter and description of the problem

In the annual financial statements of Mologen AG prepared in accordance with Section 325 Para. 2a HGB as of 31 December 2017, trade payables amounting to €4.4 million are entered on the liabilities side of the balance sheet. Of these, accruals for clinical service providers account for €3.3 million. Furthermore, other financial obligations of €11.8 million are reported in the notes to the financial statements, with €10.7 million of these attributable to obligations towards clinical service providers. To determine the amount of accruals, the services provided by clinical service providers are valued as of the reporting date of 31 December 2017 and offset against the items already settled. When determining services rendered, the Company must rely on estimates. These estimates comprise discretionary decisions and uncertainties in the valuation of services already delivered. Services not yet delivered but already ordered from clinical service providers under framework agreements must be stated in the notes to the financial statements under other financial obligations. When determining the total amount of services ordered, complex agreements and, in some cases, a large number of supplements need to be taken into account.

There is a risk in respect of the annual financial statements prepared in accordance with Section 325 Para. 2a HGB that the estimated amount of services provided by clinical service providers was too low and as a result, the amount of accruals set up in the annual financial statements prepared in accordance with Section 325 Para. 2a HGB was too low. In addition, there is a risk that the total amount determined of services already ordered is too low and that the other financial obligations reported in the notes to the financial statements thus are too low.

2. Audit procedure and findings

As part of our audit, we assessed the procedure set up by the Company to ensure that services provided by clinical service providers are estimated and services ordered determined.

We had conversations with the Executive Board, employees in accounting and the employees responsible for clinical trials in order to understand the method used to determine accruals as well as other financial obligations.

With regard to services ordered, we carried out a random analysis of agreements with clinical service providers and evaluated them in terms of the Company's payment undertaking. With regard to the services provided by clinical service providers, we carefully followed up the Company's calculation formulas and carried out a plausibility check of the parameters used to determine services, on the basis of audit evidence from third parties.

The accruals reported by the Company for clinical service providers were appropriately determined overall and are within a justifiable range, taking into account materiality aspects. The information regarding other financial obligations provided in the notes to the financial statements is adequate and complete.

3. Reference to further information

The information provided by the Company on the principles regarding the reporting of trade payables on the liabilities side of the balance sheet is presented in section C of the notes to the financial statements, Accounting and valuation methods.

OTHER INFORMATION

The legal representatives are responsible for other information. Other information comprises:

- the declaration on the continuation of business activities in the management report pursuant to Section 289f HGB and
- all sections of the annual report 2017 for which the content is not audited.

Our audit opinion on the annual financial statements prepared in accordance with Section 325 Para. 2a HGB and the management report does not encompass other information. Accordingly, we neither provide an audit opinion nor any other form of audit conclusion on such information.

In connection with our audit, it is our responsibility to read the other information and acknowledge whether the other information

- contains material discrepancies with the annual financial statements prepared in accordance with Section 325 Para. 2a HGB, the management report and the knowledge we obtained from our audit, or
- in any other way seem to be materially misrepresented.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE ANNUAL FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH SECTION 325 PARA. 2A HGB AND THE MANAGEMENT REPORT

The legal representatives are responsible for preparing the annual financial statements, which comply in all material aspects with the IFRS, as applicable in the EU, and the additional requirements of German commercial law pursuant to Section 325 Para. 2a HGB and for ensuring that the annual financial statements prepared in accordance with Section 325 Para. 2a HGB, taking into account the above regulations, overall give a true and fair view of the Company's net assets, financial position and results of operations. Furthermore, the legal representatives are responsible for in-house checks to facilitate the preparing of annual financial statements in accordance with Section 325 Para. 2a HGB which are free from material – intended or unintended – misrepresentations.

When preparing the annual financial statements in accordance with Section 325 Para. 2a HGB, the legal representatives are responsible for assessing the Company's ability to continue its business activities. In addition, they are responsible for disclosing any circumstances that are relevant to the continuation of business activities.

Moreover, they are responsible for preparing the balance sheet on the basis of the accounting principle regarding the continuation of business operations, unless factual or legal circumstances impede this.

Additionally, the legal representatives are responsible for preparing the management report, which overall conveys an accurate view of the Company's situation and, in all material aspects, is consistent with the annual financial statements prepared in accordance with Section 325 Para. 2a HGB, complies with the German legal requirements and accurately presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for making the arrangements and taking the measures (systems) they deem necessary to facilitate the preparation of a management report in accordance with the applicable German legal provisions and which make it possible to provide appropriate evidence for the statements made in the management report.

The Supervisory Board is responsible for monitoring the Company's accounting procedure for preparing the annual financial statements in accordance with Section 325 Para. 2a HGB and the management report.

RESPONSIBILITY OF THE AUDITOR TO AUDIT THE ANNUAL FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH SECTION 325 PARA. 2A HGB AND THE MANAGEMENT REPORT

Our aim is to have sufficient certainty as to whether the annual financial statements prepared in accordance with Section 325 Para. 2a HGB as a whole are free from material – intended or unintended – misrepresentations and whether the management report overall gives an accurate view of the Company's situation and, in all material aspects, is consistent with the annual financial statements prepared in accordance with Section 325 Para. 2a HGB and the knowledge obtained from the audit, complies with the German legal provisions and accurately presents the opportunities and risks of future development, as well as to issue an audit certificate which contains our audit opinion on the annual financial statements prepared in accordance with Section 325 Para. 2a HGB and the management report.

Sufficient certainty is a high level of certainty but no guarantee that an audit carried out in accordance with Section 317 HGB and the EU AR, taking into account the German generally accepted standards for the audit of financial statements adopted by the Institute of Public Auditors in Germany (IDW) will always uncover material misrepresentation.

Misrepresentations may result from violations or inaccuracies and are deemed to be material if it could reasonably be expected that separately or together they influence the commercial decisions of recipients made on the basis of the present annual financial statements prepared in accordance with Section 325 Para. 2a HGB and the management report.

In the course of our audit, we exercise due discretion and maintain a critical approach. In addition,

- we identify and assess the risks of material – intended or unintended – misrepresentations in the annual financial statements prepared in accordance with Section 325 Para. 2a HGB and the management report, plan and perform the audit in response to these risks and obtain audit evidence that is sufficient and suitable as a basis for our audit opinion. The risk of material misrepresentations not being uncovered is higher in respect of violations than of inaccuracies, since violations may be linked to fraudulent conspiracy, forgery, intended incompleteness, misleading presentation and overruling in-house checks.
- we gain an understanding of the internal control system that is relevant to the audit of the annual financial statements prepared in accordance with Section 325 Para. 2a HGB and the arrangements and measures relevant to the audit of the management report in order to plan the audit, which are appropriate under the circumstances, but not with the aim of providing an audit opinion on the effectiveness of these systems of the Company.
- we assess the adequacy of accounting methods applied by the legal representatives and the justification of the figures estimated by the legal representatives and the associated statements.
- we draw conclusions about the adequacy of the accounting principle on the continuation of business activities, applied by the legal representatives, and, on the basis of the audit evidence obtained, whether there is material uncertainty in connection with events or circumstances that may raise significant doubt of the Company's ability to continue its business activities. If we come to the conclusion that there is material uncertainty, we are required to highlight in our audit certificate the relevant disclosures made in the annual financial statements prepared in accordance with Section 325 Para. 2a HGB and the management report or, if such disclosures are inadequate, modify our audit opinion on the respective aspect. We draw our conclusions on the basis of the audit evidence obtained by the date of our audit certificate. However, future events or circumstances may result in the Company no longer being able to continue its business activities.
- we assess the overall presentation, structure and content of the annual financial statements prepared in accordance with Section 325 Para. 2a HGB including disclosures, as well as whether the annual financial statements prepared in accordance with Section 325 Para. 2a HGB present the underlying business transactions and events so as to give a true and fair view of the Company's net assets, financial position and results of operations.
- we assess whether the management report is consistent with the annual financial statements prepared in accordance with Section 325 Para. 2a HGB, complies with legal requirements and the view it conveys of the Company's situation.
- we carry out audit procedures regarding the future-oriented statements made in the management report by the legal representatives. On the basis of sufficient audit evidence, we follow, in particular, the significant assumptions on which the legal representatives based future-oriented statements and assess whether the future-oriented statements were appropriately derived from these assumptions. We do not provide an independent audit opinion on the future-oriented statements and the underlying assumptions. There is a significant, unavoidable risk that future events may materially deviate from the future-oriented statements.

We discuss the planned scope and schedule of the audit with those responsible for supervision, along with important audit findings, including any shortcomings of the internal control system of which we became aware during our audit.

We provide the Supervisory Board with a declaration, indicating that we complied with the relevant impartiality requirements, and discuss all relationships and other matters with it, which can reasonably be assumed to impact on our independence, as well as the preventative measures taken.

We establish which of the matters that we discussed with those responsible for supervision were the most significant circumstances in the audit of the annual financial statements prepared in accordance with Section 325 Para. 2a HGB during the current reporting period and are therefore key audit matters. We describe these matters in the audit certificate, unless laws or other legal provisions preclude the public disclosure of the matter.

OTHER STATUTORY AND LEGAL REQUIREMENTS

OTHER INFORMATION PURSUANT TO ARTICLE 10 EU AR

We were appointed as auditors at the Annual General Meeting held on 28 April 2017. We were instructed by the Supervisory Board on 19 October 2017. We have continuously been the auditors of Mologen AG since fiscal year 2002.

We declare that the audit opinion included in this audit certificate is consistent with the additional report provided to the Supervisory Board pursuant to Article 11 EU AR (Audit report).

AUDITOR RESPONSIBLE

The auditor responsible for this audit is Robin Schwarzer.

Leipzig, 20 April 2018

Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft
(formerly Baker Tilly Roelfs AG Wirtschaftsprüfungsgesellschaft)

Werner Remme
Auditor

Robin Schwarzer
Auditor

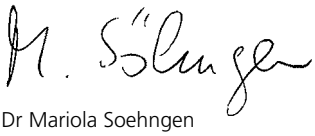
MOLOGEN AG, Berlin

Annual financial statements prepared in accordance with Section 325 Para. 2a HGB as of 31 December 2017 under IFRS – as applicable in the EU – and management report for fiscal year 2017.

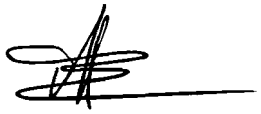
RESPONSIBILITY STATEMENT BY THE MANAGEMENT BOARD

To the best of our knowledge, and in accordance with the applicable accounting principles, the annual financial statements prepared in accordance with Section 325 Para. 2a HGB under IFRS, as applicable in the EU, give a true and fair view of the net assets, financial position and results of operations of the company and the management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Berlin, 20 April 2018
Executive Board of MOLOGEN AG



Dr Mariola Soehngen
Chief Executive Officer



Dr Matthias Baumann
Chief Medical Officer

Walter Miller
Chief Financial Officer

»KNOWLEDGE IS
TO KNOW,
WHERE IT IS
WRITTEN.« **ALBERT EINSTEIN**

03 | FURTHER INFORMATION

GLOSSARY

ADJUVANT
A substance that enhances antigen-specific immune responses when injected with antigens.

AGONISTS
Compounds that bind to receptors, thereby activating signal transduction in the associated cell (in contrast to antagonists, which inhibit signal transduction).

ANALYSIS, EXPLORATIVE
Evaluation of data for the purposes of defining a hypothesis.

ANTIBODIES
Proteins which are produced by the immune system to identify foreign substances and pathogens so that they can destroy them.

ANTIGENS
Specific structures to which antibodies bind or which are being recognized by cells; the binding/recognition leads to an activation of the immune system.

ART (ANTIRETROVIRAL THERAPY)
ART is a treatment strategy for patients with HIV which combines several drugs. This can slow the rate at which the virus replicates within the body and can considerably delay the onset of the disease (by decades), but ultimately is not a complete cure.

ASET
(Clinical trial to Assess Safety and Efficacy of a Tumor Vaccine) is a clinical phase I/II study with therapeutic vaccine MGN1601, open, single-arm and multicentric. The study examines the safety and tolerability of the substance tested in patients with advanced renal cancer who have previously undergone intense treatment and where no other treatment options are available.

BIOMARKERS
Measurable cellular, molecular or genetic patient characteristics (e.g. blood values).

CANCER
A disease that occurs when cells in the body undergo a series of genetic mutations that inactivate the organism's growth controls. This causes the original cells to change into malignant cells that divide unhindered to the detriment of healthy cells and grow into a tumor. Cancer cells also become dangerous in view of their ability to leave the site in which they first occurred and to establish themselves (metastasize) in other areas of the body.

CHEMOTHERAPY
Inhibition of the growth of tumor cells in organisms through the use of chemical substances. The term usually refers to cytotoxic chemotherapy, which means the combating of tumor cells through the use of drugs that kill rapidly proliferating cells.

CLINICAL STUDY
Systematic, ethically regulated study of humans with the objective of gaining knowledge about diagnostic procedures, treatment methods and/or drugs.

COMBINATION THERAPY
Treatment of a disease with a specific drug in combination with other drugs.

CONFIDENCE INTERVAL (CI)
The confidence interval indicates the range in which the true value of a parameter (e.g. the average) should lie with a certain probability.

COPD
Chronic obstructive pulmonary disease (COPD) is characterized by a persistent, usually progressive obstruction of the airways. COPD is associated with an increased inflammatory reaction in the airways triggered by years of inhaling certain particles and gases. Exacerbating factors and comorbidities can affect the severity of the disease.

Obstruction of the airways has two main causes: inflammation of the smallest airways (obstructive bronchiolitis) and destruction of lung tissue (emphysema). These pathophysiologic processes contribute to the clinical picture to varying extents. Obstructive bronchiolitis and emphysema can cause the airways to collapse on expiration, which in turn can lead to hyperinflation under stress.

Many (but certainly not all) patients with COPD also experience symptoms of chronic bronchitis. The World Health Organization (WHO) defines chronic bronchitis as the presence of a cough and expectoration for at least three months over two consecutive years. Chronic bronchitis can precede an obstruction of the airways or succeed it.

CYTOKINES
Signal generating molecules that influence other cells during inflammation or infections.

CYTOTOXIC
Cytotoxicity describes the ability of a chemical substance (e.g. a drug), a virus or a specific immune cell (cytotoxic T cell) to damage or destroy living cells. Within an immune reaction, modified somatic cells (tumor cells or virus-infected cells) are identified as foreign objects and are destroyed using the immune system's specific cytotoxic cells.

EMA
Abbreviation for European Medicines Agency.

EnanDIM® TECHNOLOGIE
EnanDIM® (Enantiomeric, DNA-based, ImmunoModulator) is an innovative DNA-based TLR9 agonist developed by MOLOGEN that powerfully and comprehensively activates the immune system.

EXPLORATORY STUDY
A study which aims to gain information on hypotheses. This information must then be verified via confirmatory studies. When a hypothesis is tested, a particular question must be unequivocally answered. For instance, an exploratory study can prove that the drug being tested statistically and significantly meets the predefined primary endpoint.

FIRST-LINE TREATMENT
Initial treatment commenced on diagnosis (generally for tumor indications). If this is not effective or loses its efficacy, a second-line treatment will be initiated whenever possible or appropriate.

HAZARD RATIO
Hazard describes the current mortality rate for a patient group. The hazard ratio is a ratio of the mortality rates from two groups. It indicates how much higher the mortality rate in one group is compared with the mortality rate of the other group. The hazard ratio is a descriptive way of comparing the survival times between two different patient groups. It is to be interpreted as a relative risk. If the hazard ratio is 2.3 for patients with metastases versus patients without metastases, this means that the mortality rate for patients with metastases is 2.3 times as high as it is for patients without metastases.

HEPATITIS B
Hepatitis B is a potentially life-threatening liver infection caused by the hepatitis B virus. The disease can be chronic or acute and can cause liver cirrhosis or cancer of the liver.

HIV
HIV (Human Immunodeficiency Virus) infects the immune system and destroys or affects the proper function of immune cells. Without antiretroviral treatment this eventually leads to immune deficiency and the immune system can no longer fight off a wide range of infections and diseases.

IMMUNOMODULATOR
Substance that affects the immune system.

IMMUNE SYSTEM, ADAPTIVE
Specific (or 'induced') immune reaction specifically directed at certain pathogens or structures (antigens).

IMMUNE SYSTEM, INNATE
Unspecific or inherent immune reaction to combat foreign matter or pathogens.

IMMUNOTHERAPY
Treatment approach aimed at stimulating the immune system.

IMPACT
IMPACT (Immunomodulatory MGN1703 in Patients with Advanced Colorectal Carcinoma with Disease Control after Initial First-line Therapy) was a phase II, randomized, placebo- controlled, double-blind, multicenter clinical study aiming to determine the efficacy of lefitolimod (MGN1703) as switch maintenance therapy following first-line chemotherapy with or without bevacizumab in patients with metastatic colorectal cancer.

IMPALA
IMPALA (Immunomodulatory MGN1703 in Patients with Advanced Colorectal Carcinoma with tumor reduction during induction treatment) is a randomized, international, multicenter, open-label phase III trial. The study aims to prove that a switch maintenance therapy with an active immunotherapy leads to an increased overall survival of patients who have achieved a response during their first line treatment with chemotherapy with or without biologics. The primary endpoint is overall survival.

IMPULSE
The trial titled "Randomized Clinical Study of Maintenance Therapy with Immunomodulator MGN1703 in patients with Extensive Disease Small Cell Lung Cancer after Platinum-Based First-Line Therapy" (IMPULSE study) has overall survival as the primary endpoint and compares lefitolimod (MGN1703) versus best standard of care.

INFECTIOUS DISEASES
Diseases triggered by pathogen penetration or contact with micro-organisms.

INJECTION, SUBCUTANEOUS
Administering of drugs or vaccine into the fatty tissue under the skin.

INTERFERONS
Proteins that have an immunostimulating effect which is mainly antiviral and antitumor. They are endogenous tissue hormones which form in human and animal cells, mainly by leukocytes (white blood cells, e.g. T-lymphocytes or monocytes) and fibroblasts.

INTERLEUKINS
Interleukins (IL) are a group of messenger substances (cytokines) secreted by the body's own defense cells (leukocytes and macrophages). They serve to regulate the immune system.

LEFITOLIMOD
The international nonproprietary name (INN) of MGN1703 since January 2016. INNs are names for active ingredients as recommended by the World Health Organization (WHO). In contrast to brand names, which are registered trademarks (identified with ®) that belong exclusively to a particular manufacturer, these are generally available and not protected.

LEISHMANIASIS
The term leishmaniasis includes various diseases caused by various types of leishmania parasites. The diseases are often difficult to treat and can even prove fatal.

LUNG CANCER, SMALL CELL
Lung cancer is one of the most common cancer diseases. The two main types are small cell lung cancer (SCLC) and non-small cell lung cancer (NSCLC). SCLC is a fast-growing type of lung cancer that usually spreads more quickly than NSCLC.

MALIGNANT MELANOMA
One of the most pernicious forms of skin cancer.

MOLECULAR MEDICINE
Interface between medicine and biochemistry relating to cellular and genetic research.

MONOTHERAPY
Treatment of a disease with one therapy concept.

ONCOLOGY
The branch of science that deals with cancer.

ORPHAN DRUG
This describes a drug for the treatment of rare diseases. The development of such a drug is usually uneconomical and is therefore supported by the pharmaceutical authorities through means such as simplified approval processes and exclusive marketing rights for the developing company for a limited period of time.

OVERALL SURVIVAL (OS)
The length of time that patients participating in clinical studies stay alive.

PATHOGENS
Pathogenic means "disease-causing". Moreover, all influences that could cause a disease to occur, such as germs, toxins or ionizing radiation, come under the term "pathogen".

PHASE I
Study investigating the safety and tolerability of a drug on healthy subjects and/or patients (also known as "first-in-man") and ascertation of the appropriate dose ("dose finding").

PHASE II
Study investigating the safety, tolerability and efficacy of a drug in patients: verification of the treatment concept ("proof of concept").

PHASE III
Study validating the efficacy and safety ("confirmation of clinical efficacy and safety") in a larger number of patients; Following positive study results, an application for drug approval can be submitted.

PLASMACYTOID DENDRITIC CELLS (PDCS)
Innate immune cells that circulate in the blood and are found in peripheral lymphoid organs. As components of the innate immune system, these cells express intracellular Toll-like receptors 7 and 9. Upon stimulation and subsequent activation, these cells produce large amounts of type I interferon (mainly IFN-α (alpha) and IFN-β (beta)), which are critical compounds that mediate a wide range of effects.

PROFFERED PAPER SESSION
Proffered paper sessions are composed of oral presentations of selected abstracts containing data of superior quality. During a proffered paper session, presenters are invited to present their abstract in form of a short talk. Following each presentation, the chairpersons will discuss the contributions and then facilitate a Q&A period to encourage interaction between the presenter and the audience.

PROOF OF CONCEPT STUDY (POC) (FEASIBILITY STUDIES)
In proof of concept studies (PoC studies), the drug candidate is administered to a small patient group in order to determine its "mechanism of action" and gain initial insights into what effect the drug candidate may have on the disease.

RADIATION THERAPY
Also called radio therapy, radiation therapy represents one of the traditional cancer treatments, whereby high-energy electromagnetic rays are directed at the tumor.

SWITCH MAINTENANCE THERAPY
A treatment that involves a switch of drugs or concept of treatment. In the context of MOLOGEN's studies IMPALA and IMPULSE, the switch takes place as part of the first-line treatment.

TEACH
TEACH (Toll-like Receptor 9 Enhancement of Antiviral Immunity in Chronic HIV Infection) is a non-randomized interventional phase I/IIa trial of lefitolimod (MGN1703) in HIV-infected patients.

THERAPEUTIC VACCINATION
Vaccination to treat an already existing infection or an already present tumor.

TITAN
TITAN is a planned clinical combination study in HIV-positive patients receiving antiretroviral therapy (ART), in which lefitolimod is to be tested in combination with innovative, virus-neutralizing antibodies. The antibodies were developed by the Rockefeller University (New York, U.S.). The study is being financed by the biopharmaceuticals company Gilead Sciences Inc., U.S., and MOLOGEN will provide lefitolimod for the study. Preparations are currently being made for a planned study start in 2018.

TLR (TOLL-LIKE RECEPTOR)
TLRs consist of a protein that can identify a series of components in fungi, viruses and bacteria, thereby triggering a biochemical chain reaction in the cells to activate the immune system and inhibit such pathogens.

TLR9 AGONIST
TLR9 agonists are biochemical substances that bind themselves to appropriate TLR9 receptors on the interior of certain immune cells and activate them.

TUMOR MICROENVIRONMENT (TME)
The cancer microenvironment, or tumor microenvironment, describes the non-cancerous cells present in the tumor. These include fibroblasts, immune cells and cells that comprise the blood vessels. It also includes the proteins produced by all of the cells present in the tumor that support the growth of the cancer cells. The tumor and the surrounding microenvironment are closely related and interact constantly. Tumors can influence the microenvironment by releasing extracellular signals, promoting tumor angiogenesis and inducing peripheral immune tolerance, while the immune cells in the microenvironment can affect the growth and evolution of cancerous cells.

VACCINATION
Vaccination, from the Latin vaccinus (originating in cows), originally described the procedure developed by Edward Jenner in 1796 to use cowpox viruses to vaccinate against smallpox. The term is generally used today to describe the activation of the immune system against certain cell structures (antigens). In the classic sense, this involves administering vaccines (e.g. a weaker form of pathogen) in order to immunize the organism against disease-causing pathogens.

VECTOR
A cellular transport or delivery vehicle that can transport, for example, DNA into cells.

FINANCIAL CALENDAR 2018

25 APRIL 2018
ANNUAL FINANCIAL STATEMENT
AND ANNUAL REPORT 2017

15 MAY 2018
QUARTERLY STATEMENT
AS OF 31 MARCH 2018

8 NOVEMBER 2018
QUARTERLY STATEMENT
AS OF 30 SEPTEMBER 2018

8 JUNE 2018
ANNUAL GENERAL MEETING

9 AUGUST 2018
HALF-YEARLY FINANCIAL REPORT
AS OF 30 JUNE 2018

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