

medigene

Medigene AG

Planegg/Martinsried

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Pursuant to Section 203 (2) Sentence 2 and Section 186 (4) Sentence 2 of the German Stock Corporation Act (AktG), the Executive Management Board hereby reports to the Annual General Meeting on Item 6 of the Agenda as follows:

1. Report on the use of Authorized Capital 2018/I

The Authorized Capital 2018/I in the amount of €8,920,000.00 resolved by the Annual General Meeting on 15 May 2018, under agenda item 6 b) has so far been neither fully nor partially used.

2. Proposal to revoke Authorized Capital 2018/I and to create a new Authorized Capital 2020/I

In order to be able to act with the greatest possible degree of flexibility in future, the intention is first to revoke the existing Authorized Capital 2018/I (Section 5 (4) of the Company's Articles of Association) – insofar as it has not yet been utilized by the date of the Annual General Meeting. Moreover, the authorized capital is to be restructured, creating the extensive scope for authorized capital through the creation of a new Authorized Capital 2020/I amounting to around 40% as well as through the existing Authorized Capital 2019/I of around 10% of the share capital registered in the Commercial Register (Section 5 (9) of the Company's Articles of Association) at the time of publication of this invitation to the Annual General Meeting.

3. New Authorized Capital 2020/I, advantages to the Company related thereto as well as exclusion of subscription rights

The Company has Authorized Capitals of just €11,375,713.00 at its disposal. This represents approximately 46.3% of the Company's share capital. However, the Company shall again be given the extensive leeway in terms of authorized capital up to a maximum of 50% (including Authorized Capital 2019/I) of the share capital registered in the Commercial Register at the time of publication of this invitation to the Annual General Meeting. The intention is that the Company shall continue to be able to raise new equity capital for the Company at any time and acquire companies, parts of companies, holdings in companies, new technologies and other products or product candidates in return for granting shares.

In principle, the Company's shareholders have subscription rights to any new shares to be issued: that is to say, each shareholder has a subscription right to subscribe to new shares in the Company's share capital on a pro rata basis to their existing stake.

The mandate stipulates that the new shares to be issued in the case of a capital increase for cash shall then be taken up by one or more domestic financial institutions or a foreign company trading under Section 53 (1) Sentence 1 or Section 53b (1) Sentence 1 or (7) of the German Banking Act (KWG), obliging them to offer the new shares for subscription to shareholders of the Company. This is not a restriction of subscription rights, as the existing shareholders are, indirectly, granted the same subscription rights as if they were direct subscription rights. For reasons of technical processing, one or more domestic financial institutions or a foreign company trading under Section 53 (1) Sentence 1 or Section 53b (1) Sentence 1 or (7) of the German Banking Act (KWG) must be interpolated, which receives the subscription requests from shareholders and which delivers the shares to the shareholders who are entitled to subscribe to them against payment of the purchase price once the capital increase has been completed.

The resolution as proposed provides the mandate to exclude the shareholders' subscription rights that exist in principle, when using Authorized Capital 2020/I for certain purposes, which the resolution as proposed lists individually, in accordance with the relevant legal provisions. The Executive Management Board and the Supervisory Board believe that this mandate authorizing the exclusion of shareholders' subscription rights is objectively justified and reasonable as far as the shareholders are concerned, weighing up and taking into account all the circumstances, for the reasons below.

- a) Excluding subscription rights in the case of capital increases for investment in kind is intended above all to make it possible to acquire companies, parts of companies, holdings in companies, new technologies and other products or product candidates in return for granting shares. It is often the case with such transactions that the vendors require consideration by way of shares in the Company. The Company's particular interests may also dictate that the vendors in each case be offered new Medigene shares as consideration for a company, part of a company, a holding in a company, a new technology, another product or product candidate to protect its liquidity. It is precisely at times when liquid funds are in short supply and when borrowing terms are generally unfavourable in the biotech industry that shares in authorized capital may represent an appropriate consideration.

Using the Authorized Capital will enable the Company to respond quickly and flexibly to acquire companies, parts of companies, holdings in companies, new technologies and other products or product candidates in suitable cases against issuing new shares. The authorization as proposed will enable the Company to make acquisitions by issuing Medigene shares while at the same time strengthening its equity base.

The Executive Management and Supervisory Boards will only use the option to carry out a capital increase for contributions in kind, excluding subscription rights, out of the Authorized Capital if the value of the new shares and the value of the consideration (e.g. companies, parts of companies or holdings in companies) are reasonably proportionate to one another. This avoids shareholders whose subscription rights are

excluded suffering financial losses. These shareholders can then maintain their relative holdings by buying up more shares on the stock market at essentially the same prices.

- b) The authorization to exclude subscription rights for utilization of share fractions is necessary to be able to present a practicable subscription ratio in the event of a capital increase in any case, and hence merely serves to use the Authorized Capital in round figures. Fractions arise if holding ratios or the value of capital increases mean that the new shares cannot all be distributed equally amongst the shareholders. Without this authorization, it would be technically more difficult to implement a capital increase for a round figure. The costs of trading subscription rights for fractional shares bear no proportion to the benefits to shareholders. The new subscription-right free shares created in lieu of fractional shares by excluding the subscription rights of existing shareholders will be realized either by selling them on the stock market (if possible) or otherwise as is best for the Company. Any potential dilution effects are minor, given that these are limited to share fractions.
- c) The mandate to exclude subscription rights in favor of holders of conversion or option rights is intended to avoid having to reduce the option premium or conversion price in accordance with the usual anti-dilution clauses in the option or conversion terms or to make cash top-up payments to those holding such rights. Anti-dilution clauses are required to help place shares on the capital market, and they protect the holders and/or creditors of bonds against being diluted by subsequent stock issues. Instead of compensating them by reducing the option premium or conversion price or making top-up payments in cash, it shall also be possible to grant subscription rights to holders and/or creditors of bonds with option or conversion rights to protect their holdings against dilution in the scope to which they would be entitled on exercising their option or conversion rights or after fulfillment of a conversion obligation.
- d) Finally, the proposal to authorize the exclusion of subscription rights is made for the event that the new shares are to be used to float shares in the Company on a foreign stock exchange where the shares were not previously admitted for trading. This also comprises the servicing of the additional allocation option granted to the consortium banks involved and shall also apply accordingly to the stock market listing of custody rights or certificates which represent shares. The Company endeavors to expand its shareholder base continually, including abroad. This is line with Medigene AG's global approach. The flotation of shares on a foreign stock exchange, i.e. the option of a dual listing, may support the aim of broadening the shareholder base. Many investors are more willing to invest if the shares are admitted for trading on a stock exchange in their country. Medigene AG therefore wants to reserve the option of introducing its shares for stock exchange trading on selected stock markets abroad. No concrete plans are currently in place to float the Company's shares on a foreign stock exchange. The start of stock exchange trading on a foreign stock exchange requires, as a rule, that the issuer make available shares to achieve admission of the shares (or custody rights or share certificates) or support trading following admission. This is only possible if Medigene AG is not under an obligation to offer the new shares to existing shareholders for buying. Based on the objective to be achieved, it shall be possible to issue the new shares so that they are broadly spread among a large number of investors. Taking into

account the resultant more international funding base, the Company may be better protected against capital market fluctuations and would be in the best possible position to neutralize local changes in the cost of capital. Such an international shareholder structure would generate higher market liquidity, reduce the Company's dependency on individual investors and make it more difficult for any hostile takeover bids to be made. In the international biotechnology environment, a stock exchange listing on a foreign stock exchange would additionally facilitate the acquisition of holdings in companies by means of a share swap. This is mainly true of the U.S. market, which is particularly important for the Company. The Company shall consider the market situation at the relevant foreign stock exchange when structuring the selling price. If the shares offered to ensure ordinary stock exchange trading can only be issued at a discount compared with the stock market price in Germany, the Executive Management Board shall make every effort to keep the discount to a minimum.

The total shares issued under the above mandates, excluding subscription rights in the case of capital increases for contributions in cash and/or kind, must not exceed 20% of the share capital – calculated on the date of these authorizations becoming effective or the exercise of these authorizations, depending on which amount is smaller. Shares that are sold or issued or are to be issued under other authorizations, which are explicitly mentioned, excluding subscription rights, count towards this 20% limit. The following count towards the above-mentioned 20% limit: (i) shares issued on the basis of other authorized existing capital items with excluding subscription rights, during the period of validity of these authorizations and (ii) shares that are to be issued during the period of validity of these authorizations to service convertible bonds and/or bonds with warrants, the authorization basis of which is in place on the date on which these authorizations become effective or are resolved at the same Annual General Meeting that resolved these authorizations, to the extent that the convertible bonds and/or bonds with warrants were issued under exclusion of shareholders' subscription rights.

This upper capital limit restricts the total volume of a share issue excluding subscription rights from authorized and contingent capital. Shareholders are therefore additionally protected against dilution of their stake. However, shares that are used to service entitlements of Executive Management Board members and/or employees under stock option programs and are issued ex rights, are not included in the above percentage, since the dilution effect is minor and shareholders would not have subscription rights in this context.

The maximum exclusion of subscription rights on the basis of Authorized Capital 2020/I comprises 20% of share capital of the Company.

The Executive Management Board shall report on the utilization of Authorized Capital 2020/I at the Annual General Meeting.

Planegg/Martinsried, November 2020

The Executive Management Board