

exceptions mentioned. The recommendations of the Code which Medigene AG does not implement are explained and justified in the declaration of conformity. This declaration is available in English and German on the Medigene AG website at <http://www.medigene.com/investors-media/corporate-governance/declaration-on-corporate-governance/>.

The declarations of conformity of Medigene AG are available on the website of the Company for at least five years.

(48) Audit fees

The auditors of the Company and the Group received the following fees for the past fiscal year:

AUDIT FEES		
IN € K	2017	2016
Audit services	144	142
Other assurance services	40	90
Other services	16	26
Total	200	258

For the purpose of this presentation, the audit services are defined in accordance with Article 2 of Directive 2006/43/EC of the European Parliament and Council of May 17, 2006 in conjunction with Directive (EU) No. 537/2014 of the European Parliament and of the Council of April 16, 2014 (EU Audit Regulation). Other assurance services and other services comprise the non-audit services permitted as defined by the EU Audit Regulation and related in fiscal year 2017 to the limited review of interim financial reports, services in connection with enforcement proceedings and discount rate estimates, the German-English translation and other cost allocations. In accordance with Secs. 285 No. 17, 314 (1) No. 9 HGB, other assurance services rendered in fiscal year 2017 are to be allocated to the audit services.

F) EXECUTIVE MANAGEMENT BOARD AND SUPERVISORY BOARD

(49) Executive Management Board

Total remuneration comprises fixed and variable components as well as other benefits, as described below:

a) Fixed remuneration

Each member of the Executive Management Board receives fixed remuneration, which is not performance-related and is paid in monthly installments. The amount of the fixed remuneration is determined on the basis of the principles described above.

b) Variable remuneration

1) Annual performance-related remuneration

In addition to fixed remuneration, Executive Management Board members are entitled to variable remuneration, which is dependent on the achievement of several performance targets specified by the Supervisory Board in advance. The annual performance-related remuneration currently amounts to 50% of fixed remuneration in the event of 100% target achievement and may be a maximum of 75% of fixed remuneration.

(1) Setting of performance targets

The Supervisory Board sets annual performance targets, both comprehensively for all Executive Management Board members and, in addition, separately for each member of the Executive Management Board where

necessary. The targets are weighted by the Supervisory Board.

(2) Establishing the amount of annual performance-related remuneration

The individual targets set by the Supervisory Board are allocated to one of three possible target achievement scenarios: low case, base case and best case.

- The low case scenario corresponds to 50% target achievement, the base case to 100% and the best case to 150%.
- In the event that target achievement is below the low case threshold, no variable remuneration is paid. If target achievement is in the range between the low case and base case and the base case and best case, variable remuneration increases on a straight-line basis according to target achievement. Target achievement which surpasses the best case is not reflected in terms of higher remuneration. To this extent, variable remuneration is capped.
- The amount of the annual performance-related remuneration is calculated on the basis of target achievement in relation to the specific targets, taking into account the weighting of the relevant target.

(3) Short-term and long-term components of annual performance-related remuneration

- 65% of the annual performance-related payment granted is paid after the Company's financial statements for the relevant fiscal year have been adopted. Payment of the remaining 35% of the annual performance-related remuneration granted in a specific fiscal year is deferred for a period of three years beginning from the moment of notice of targets' achievement which is made until March 31 of the following year.
- At the end of this three-year period, the Supervisory Board decides whether and to what extent sustained corporate growth can be affirmed. Based on this decision, the Supervisory Board resolves whether and to what extent the remaining 35% of the relevant annual performance-based remuneration will be paid to the respective Executive Management Board member with appropriate interest.
- The Supervisory Board's decision regarding sustained corporate growth is primarily based on the long-term trend in business value and, therefore, also the share price of the Company's shares, among other things. The members of the Executive Management Board thus participate in the Company's long-term growth on the basis of this remuneration component, and they also share any negative developments.

2) Stock options

- In addition, stock options are granted to Executive Management Board members on the basis of the respective Company's stock option program in force on the date of issue. Stock options represent another long-term remuneration component. They are aimed at providing a performance incentive which is geared to sustainable long-term corporate growth based on the positive development of the share price of the Company's shares.
- Stock options are issued to each Executive Management Board member in accordance with the contractually agreed number per year (currently a maximum of 20,000 stock options) either in one tranche or in several tranches. Furthermore, the Supervisory Board of the Company can issue individual members of the Executive Management Board up to 20,000 extra stock options per annum as a special reward for personal performance.
- The exercise price corresponds to the average closing price of the last 30 trading days prior to the issue of the stock options (date of allotment).
- Executive Management Board members may exercise their stock options at the earliest after a vesting period of four years, starting from the date of allotment of the relevant subscription right. Moreover, they may only be exercised if the average share price over the 30 trading days prior to the respective exercise date is at least 120% of the exercise price (performance target). The options have a contractual term of ten years commencing on the date of allotment.

c) Fringe benefits

In addition to the above-mentioned remuneration components, members of the Executive Management Board are granted additional fringe benefits, in particular

- Payment of a fixed amount to be contributed to a pension fund
- A company car
- Reimbursement of costs in connection with dual households
- Copayment of existing health insurance, not exceeding the employer's share of statutory health insurance contributions
- Reimbursement of business travel expenses
- Accident insurance coverage and payment of the relevant insurance premiums
- Inclusion in the D&O insurance in place with a deductible according to the statutory minimum amount

The proportional structure of annual performance-related remuneration with a cumulative three-year sustainability component and the terms of stock options with a four-year vesting period prior to exercising the stock options create a significant incentive to achieve sustained corporate growth, ensuring a balanced mix of short-term and long-term remuneration components.

d) Severance payments upon termination due to a change of control

In the event of a change in control, the service agreements made with the members of the Executive Management Board contain certain criteria for special termination by either the Company or the respective member (see (e) below). A change of control in the sense of the service agreements is when at least 30% of the shares in the Company equipped with voting rights are acquired directly or indirectly by a third party. If a service agreement with a member of the Executive Management Board is terminated due to a change of control and exercise of the right to special termination, the respective member has a right to a severance payment. This severance payment may neither exceed the sum of three times the total annual remuneration plus the average annual bonus agreed at the time of the termination of the service agreement, nor 1.5 times the remuneration for the remaining term of the service agreement. Moreover the severance payment is subject to an individually agreed cap.

e) Special termination rights in the event of a change in control

The service agreements for Executive Management Board members Prof. Dolores Schendel and Dr. Thomas Taapken and for David Lemus, who left the Company effective April 30, 2017, include special termination rights for both the Company and the Executive Management Board members in the event of a change in control.

Details on the separate service agreement made with David Lemus are not presented below as he left the Executive Management Board on April 30, 2017 and no change of control took place during his appointment.

In the event of a change in control, the Company has a special termination right due to a triggering event for a period of one year following the date of the change in control in each case.

The Executive Management Board members each have a special termination right based on a triggering event for a period of one year after the date of the change in control if this change results in an unacceptable change in the previous duties and responsibilities of the relevant Executive Management Board member (budget, number of employees supervised and their role on the Board), or if the Company informs him/her that his/her appointment as Executive Management Board member will not be renewed and denial of such renewal is not for a cause for which he/she bears responsibility justifying extraordinary termination of the relevant Executive Management Board member's service agreement.

- If a service agreement with a member of the Executive Management Board is terminated due to the exercise of the right to special termination presented above, the respective member is entitled to:
- Payment of a severance payment equal to the gross remuneration (fixed component) until the regular end of the service agreement
 - a pro rata temporis share of the gross bonus (excluding stock options) until the regular end of the service agreement based on the average annual bonus over a maximum period of the last three years prior to the end of the service agreement and
 - a severance payment of 2.5 times the annual remuneration (fixed component and annual average bonus, excluding stock options).

Severance cap: In this context, the severance payment may exceed neither:

- three times the sum of the annual remuneration and average annual bonus agreed at the time of the termination of the service agreement, nor
- one and a half times the remuneration agreed on in the service agreement for the residual term of the agreement, nor
- a cap of €450,000 in the case of Prof. Dolores Schendel
- a cap of €396,000 in the case of Dr. Thomas Taapken.

In the event that a member of the Executive Management Board exercises the special right to termination, they are entitled to:

- a severance payment equivalent to three times the gross monthly sum for every completed year of membership on the Company's Executive Management Board. The gross monthly amount comprises one twelfth of the current gross remuneration at the time of termination and one twelfth of the average annual bonus,
- at least six gross monthly amounts (lower limit).

Severance cap: The severance payment may exceed neither:

- the sum of 36 gross monthly salaries nor
- 1.5 times the remuneration agreed on in the service agreement for the residual term of the agreement.

f) Summary of severance payments for members of the Executive Management Board due to the exercise of a special right of termination (change of control)

SUMMARY OF SEVERANCE PAYMENTS DUE TO THE EXERCISE OF A SPECIAL RIGHT OF TERMINATION

EXECUTIVE MANAGEMENT BOARD	TERMINATED BY:	RIGHT TO A SEVERANCE PAYMENT OF	CAPS (SMALLEST CAP APPLIES)
Prof. Dolores Schendel, Chief Executive Officer	Company	1. Gross remuneration (fixed component) until the regular end of the agreement 2. Pro rata share of bonus (excluding stock options) until the regular end of the agreement, and 3. 2.5 times the annual remuneration (excluding stock options)	3.0 times the annual remuneration (fixed remuneration plus bonus) or 1.5 times the remuneration over the remaining term of the agreement, not to exceed €450,000 (cap)
	Executive Management Board	1. 3.0 times the annual remuneration (fixed remuneration plus bonus) for each full year of service, but 2. at least 6 gross monthly amounts (lower limit)	36 gross monthly salaries (fixed remuneration and bonus) or 1.5 times the remuneration over the remaining term of the agreement
Dr. Thomas Taapken Chief Financial Officer	Company	1. Gross remuneration (fixed component) until the regular end of the agreement 2. Pro rata share of bonus (excluding stock options) until the regular end of the agreement, and 3. 2.5 times the annual remuneration (excluding stock options)	3.0 times the annual remuneration (fixed remuneration plus bonus) or 1.5 times the remuneration over the remaining term of the agreement, not to exceed €396,000 (cap)
	Executive Management Board	1. 3.0 times the annual remuneration (fixed remuneration plus bonus) for each full year of service, but 2. at least 6 gross monthly amounts (lower limit)	36 gross monthly salaries (fixed remuneration and bonus) or 1.5 times the remuneration over the remaining term of the agreement

The following table presents the benefits contained in the remuneration of the members of the Executive Management Board, which amounted to €1,767 k in the 2017 fiscal year (2016: €1,743 k).

REMUNERATION OF THE MEMBERS OF THE EXECUTIVE MANAGEMENT BOARD – BENEFITS GRANTED

IN T€	PROF. DOLORES J. SCHENDEL CHIEF EXECUTIVE OFFICER		DR. THOMAS TAAPKEN MEMBER OF THE EXECUTIVE MANAGEMENT BOARD		DAVE LEMUS MEMBER OF THE EXECUTIVE MANAGEMENT BOARD		FORMER MEMBERS OF THE EXECUTIVE MANAGEMENT BOARD	
	2017	2016	2017	2016	2017	2016	2017	2016
Fixed remuneration	334	331	264	0	404 ¹⁾	318	0	315
Fringe benefit ²⁾	0	0	64	0	0	20	0	39
Total	334	331	328	0	404	338	0	354
Variable performance-based components ³⁾	141	160	124	0	149	158	0	106
Total	475	491	452	0	553	496	0	460
Variable components in the form of stock options								
Number of stock options in the year	20,000	20,000	20,000	0	0	40,000	0	0
Fair value	144	108	144	0	0	188	0	0
Total	619	599	596	0	553¹⁾	684	0	460

¹⁾ Due to the exit effective 4/30/2017 the salary components payable until the original appointment to the Executive Management Board on 12/31/2017 were already considered in the fixed remuneration on 4/30/2017. In addition, a consulting agreement has been concluded following the termination of his Executive Management Board contract. This resulted in additional expenses of €145 k.

²⁾ Fringe benefits include dual household expenses amounting to €36 k (2016: €0 k), pension fund contributions of €24 k (2016: €44 k) and vehicle leasing amounting to €4 k (2016: €15 k) for the members of the Executive Management Board.

³⁾ Including an annual bonus on the basis of the accruals for 2016/2017 (without discounting) and a 100% payout based upon an estimated target achievement of 93.75% in 2017 and 108% in 2016.

The following table presents the remuneration paid to the members of the Executive Management Board, which amounted to €1,446 k in the 2017 fiscal year (2016: €1,460 k).

REMUNERATION OF THE MEMBERS OF THE EXECUTIVE MANAGEMENT BOARD – PAYMENTS MADE

IN € K	PROF. DOLORES J. SCHENDEL CHIEF EXECUTIVE OFFICER SINCE 5/1/2014		DR. THOMAS TAAPKEN MEMBER OF THE EXECUTIVE MANAGEMENT BOARD SINCE 1/1/2017		DAVE LEMUS MEMBER OF THE EXECUTIVE MANAGEMENT BOARD UNTIL 4/30/2017		FORMER MEMBERS OF THE EXECUTIVE MANAGEMENT BOARD	
	2017	2016	2017	2016	2017	2016	2017	2016
Fixed remuneration	334	331	264	0	404	318	0	315
Fringe benefit ⁴⁾	0	0	64	0	0	20	0	39
Total	334	331	328	0	404	338	0	354
Variable performance-based components								
thereof for 2016 ⁵⁾	113	0	0	0	113	0	33	23
thereof for 2015 ⁵⁾	0	94	0	0	0	0	0	220
thereof for 2013 ⁶⁾	0	0	0	0	0	0	121	0
thereof for 2012 ⁶⁾	0	0	0	0	0	0	0	100
Total	113	94	0	0	113	0	154	343
Total remuneration paid out	447	425	328	0	517⁷⁾	338	154	697

⁴⁾ Fringe benefits include dual household expenses, pension expenses and vehicle leasing for the members of the Executive Management Board.

⁵⁾ Corresponds to 65% of the variable components of the respective previous year

⁶⁾ Corresponds to 35% of the variable components in 2013/2012 plus interest

⁷⁾ Due to the exit effective 4/30/2017 the salary components payable until the original appointment to the Executive Management Board on 12/31/2017 were already considered in the fixed remuneration on 4/30/2017. In addition, a consulting agreement has been concluded following the termination of his Executive Management Board contract. This resulted in an additional payment of €106 k.

In November 2016, the Supervisory Board appointed Dr. Thomas Taapken to the position of Chief Financial Officer effective January 1, 2017. Mr. Dave Lemus stepped down as an Executive Management Board member as at 4/30/2017.

The members of the Executive Management Board additionally hold positions on the following supervisory boards and/or similar bodies:

Dr. Thomas Taapken (Member of the Executive Management Board since 1/1/2017)

External positions

Positions on other supervisory boards/advisory boards in Germany:

→ Immunic AG, Planegg/Martinsried (since 1/1/2017)

Positions outside Germany:

→ SciBase AB, 10367 Stockholm, Sweden (since 5/17/2017)

Dave Lemus (Member of the Executive Management Board until 4/30/2017)

External positions

Positions on other supervisory boards/advisory boards in Germany:

→ Proteros BioStructures GmbH, Planegg/Martinsried (Chairman)

Positions outside Germany:

→ BioHealth Innovation Inc., Rockville, Maryland, USA

(50) Supervisory Board

Supervisory Board remuneration

Supervisory Board remuneration amounted to €165 k in 2017 (2016: €111 k). The total remuneration paid to the members of the Supervisory Board comprised fixed remuneration as well as attendance fees. In addition, expenses were reimbursed. The greater scope of activities of the Chairman of the Supervisory Board and his deputy are taken into account and accordingly reflected by higher remuneration. Details regarding the subscription rights of members of the Supervisory Board and Executive Management Board are provided in → *note (51)*. No advances were paid to members of the Supervisory Board and Executive Management Board.

SUPERVISORY BOARD REMUNERATION 2017

SUPERVISORY BOARD MEMBERS	FIXED REMUNERATION IN € K	MEETING FEES IN € K
Prof. Horst Domdey, Chairman, co-founder	32	14
Antoinette Hiebeler-Hasner	24	14
Dr. Yita Lee, Member	16	13
Dr. Gerd Zettlmeissl (since May 24, 2017)	10	8
Ronald Scott (since May 24, 2017)	10	9
Dr. Keith Manchester (since May 24, 2017)	10	5
	102	63

Supervisory Board members of Medigene AG:

The Supervisory Board of the Company had six members as at December 31, 2017. On May 24, 2017, the Annual General Meeting elected in addition to Prof. Horst Domdey (Chairman of the Supervisory Board), Ms. Antoinette Hiebeler-Hasner (Deputy Chair) and Dr. Yita Lee three further members until the end of the term of the entire Board in 2019; namely Dr. Keith Manchester, Dr. Gerd Zettlmeissl and Mr. Ronald Scott.

Prof. Horst Domdey

Managing director of BioM Biotech Cluster Management GmbH

Liquidator of BioM AG Munich Biotech Development i.L., Munich

External positions: None

Antoinette Hiebeler-Hasner

Managing director of Vistra GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Cologne

Managing director of Wilden Kaiser GmbH Steuerberatungsgesellschaft, Cologne

External positions

Positions on other supervisory boards/advisory boards in Germany:

- Grob Aircraft SE, Tussenhausen-Mattsies, Supervisory Board Chairwoman
- Ventuz Technology AG, Grünwald

Dr. Yita Lee

Chief Scientific Officer of the Sinphar group, Taiwan

External positions

Positions outside Germany:

- Sinphar Pharmaceutical Co., Ltd., Yilan, Taiwan
- SynCore Biotechnology Co., Ltd., Yilan, Taiwan
- ZuniMed Biotech Co., Ltd., Yilan, Taiwan
- CanCap Pharmaceutical Ltd., Richmond, Canada

Dr. Gerd Zettlmeissl (Member of the Supervisory Board since May 24, 2017)**Self-employed consultant immunoprophylaxis and immunotherapies***External positions**Positions outside Germany:*

- ASIT biotech, Brussels, Belgium (listed), Supervisory Board Chairman
- MSD Wellcome Trust Hilleman Laboratories, New Delhi, India (non-profit), Supervisory Board Chairman
- Themis Bioscience GmbH, Vienna, Austria, Supervisory Board Chairman
- Aeras, Rockville, MD, USA (non-profit)

Ronald Scott (Member of the Supervisory Board since May 24, 2017)**Chief executive officer of Basilea Pharmaceutical International Ltd., Basel, Switzerland***External positions: None***Dr. Keith Manchester (Member of the Supervisory Board since May 24, 2017)****Managing director and Head of Life Sciences of QVT Financial LP, New York, NY, USA***External positions**Positions outside Germany:*

- Arbutus Biopharma Corporation, Canada (listed)
- Myovant Sciences Ltd., Bermuda (listed)
- Roivant Sciences, Inc., Delaware, USA
- Roivant Sciences Ltd., Bermuda

(51) Directors' holdings and notes on subscription rights**DIRECTORS' HOLDINGS AND NOTES ON SUBSCRIPTION RIGHTS**

NUMBER OF SHARES/OPTIONS	SHARES		OPTIONS	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Prof. Horst Domdey	39,125	39,125	0	0
Yita Lee, Ph.D.	0	0	0	0
Antoinette Hiebeler-Hasner	0	0	0	0
Dr. Gerd Zettlmeissl (since 5/24/2017)	0	n.a.	0	n.a.
Dr. Keith Manchester (since 5/24/2017) ¹⁾	0	n.a.	0	n.a.
Ronald Scott (since 5/24/2017)	0	n.a.	0	n.a.
Prof. Dr. Ernst -Ludwig Winnacker (until 8/11/2016)	0	55,919	0	0
Total Supervisory Board	39,125	95,044	0	0
Prof. Dolores J. Schendel, Chief Executive Officer and Chief Scientific Officer ²⁾	929,268	843,262	52,500	32,500
Dr. Thomas Taapken, Chief Financial Officer (since 1/1/2017)	6,000	n.a.	20,000	n.a.
Dave Lemus, Chief Operating Officer (until 4/30/2017)	0	0	40,000	40,000
Total Executive Management Board	935,268	843,262	112,500	72,500

1) Dr. Manchester is Managing Director and Head of Life Sciences QVT Financial LP. According to the latest voting rights announcement dated 12/18/2017, the funds managed by QVT hold 2,195,111 shares in Medigene AG.

2) Prof. Schendel indirectly holds 929,268 Medigene shares in her capacity as Managing Director of DJSMontana Holding GmbH. Of this total, 846,296 Medigene shares can be allocated to Prof. Schendel directly.