

(57) German Corporate Governance Code

Medigene AG's Executive Board and Supervisory Board confirmed in their declaration of compliance of 16 December 2013 that Medigene AG complies with the recommendations of the German Corporate Governance Code in the versions dated 15 May 2012 and 13 May 2013, with the exceptions mentioned in the declaration of compliance. The recommendations of the Code which Medigene AG does not implement are explained in detail and justified in the declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG). This statement is permanently made available in English and German on the Medigene AG website at <http://www.medigene.com/media-investors/corporate-governance>.

(58) Auditing fees

The auditors and Group auditors received the following fees for the fiscal year ended:

AUDITING FEES		
IN € K	2013	2012
Audit services	128	143
Audit related services (review of quarterly reports)	7	-
Tax services	6	-
Other services (transaction support services)	145	28
Total	286	171

I) EXECUTIVE BOARD AND SUPERVISORY BOARD**(59) Executive Board****Remuneration of the Executive Board**

Remuneration of the members of the Executive Board totaled €1,030 k in the fiscal year ended (2012: €1,035 k), including pension expenses of €48 k (2012: €52 k) and vehicle leasing costs for company cars of €29 k (2012: €31 k). In addition, stock options with a fair value of €31 k (2012: €34 k) were issued to the Executive Board.

In fiscal year 2013, Medigene made a payment of €6 k (2012: €6 k) to the benevolent fund in connection with a pension commitment to a former member of the Executive Board.

Pursuant to point 2.2.1 (II) of the German Corporate Governance Code, the Annual General Meeting may pass a resolution to approve the remuneration system for Executive Board members. The resolution approving the current remuneration system was passed at the Annual General Meeting on 11 May 2010. A majority of 96% of the share capital represented adopted the remuneration system for Executive Board members.

Report on the remuneration system for members of the Executive Board of Medigene AG

The full Supervisory Board is responsible for setting the remuneration of Medigene AG's Executive Board members. It is regularly reviewed, taking into account the provisions relating to the Supervisory Board as per section 87 (I) and (II) of the German Stock Corporation Act (AktG) and the recommendations of the German Corporate Governance Code.

The Supervisory Board resolved adjustments in light of the German act on appropriate management board remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung, VorstAG), which came into force on 5 August 2009. At the Annual General Meeting 2010, the Executive and Supervisory Boards presented the current remuneration system for Executive Board members. It was adopted by a majority of 96% of the share capital represented. The remuneration system has been implemented in all current employment contracts for Executive Board members. It is described as follows:

The amount and structure of the remuneration of Executive Board members depend on the respective responsibilities of each Executive Board member, the Company's economic and financial position and the sustained growth of the Company as well as common practice regarding remuneration, taking into account the amount and structure of the remuneration which is paid to others by the Company and that is paid in similar companies.

In addition, remuneration is based on the individual performance of Executive Board members as well as the achievements of the Executive Board as a whole. Remuneration is designed as an incentive for achieving sustainable corporate growth and a sustained increase in the Company value.

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

a) Fixed remuneration

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

(1) Setting of objectives

The Supervisory Board sets annual objectives, both comprehensively for all Executive Board members and, in addition, separately for each member of the Executive Board. The objectives are weighted by the Supervisory Board.

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

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

- The low case scenario corresponds to a 50% achievement of objectives, the base case to 100% and the best case to 150%.
- In the event that achievement of objectives is below the low case threshold, no variable remuneration is paid. If the achievement of objectives is in the range between the low case and base case, variable remuneration increases on a straight-line basis according to the objective percentage achieved. If the target achievement is in the range between base case and best case, there is no straight-line increase and only the fulfillment of the best case scenario corresponds to a objective achievement of 150%. Objective 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 the objective achievement percentage in relation to the specific targets, taking into account the weighting of the relevant objective.

(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.
- 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 Board member with appropriate interest.
- The Supervisory Board's decision regarding sustained corporate growth is primarily based on the long-term trend in the Company value and, therefore, also the share price of the Company's shares. The members of the Executive Board thus participate in the Company's long-term growth on the basis of this remuneration component, and they also share in any negative developments.

2) Stock options

- In addition, Executive Board members are granted stock options on the basis of the Company's stock option program. 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.
- Stock options are initially granted to each Executive Board member within the first year of their joining the Company. Subsequently, Executive Board members receive further stock options every year. The exercise price corresponds to the average closing price of the last 30 trading days prior to the issue of the stock option plus a 20% premium.
- Executive Board members may exercise their stock options at the earliest after a waiting period of four years, starting from the date of allotment of the relevant subscription right. The stock options have a contractual term of ten years.
- Based on the principles stated in this paragraph relating to the remuneration system, each Executive Board member receives a specific number of stock options, which is separately set for each member every year.

c) Other benefits

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

- a company car,
- reimbursement of business travel expenses,
- accident insurance coverage and payment of the relevant insurance premiums,
- D&O insurance with excess according to the statutory minimum amount and
- payment of an amount of €2 k per month as a pension contribution.

The proportional structure of annual performance-related remuneration with a three-year sustainability component and the terms of stock options with a four-year waiting 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) Special termination rights in the event of a change in control

The contracts of employment for Executive Board members Dr. Frank Mathias and Peter Llewellyn-Davies include special termination rights for both the Company and the Executive Board members in the event of a change in control.

A change in control within the meaning of the contractual agreement valid for Dr. Frank Mathias exists in the event of direct or indirect purchase of Company shares by a third party, which results in the third party directly or indirectly holding at least 30% of the Company's voting rights within the meaning of Section 30 of the German Securities Acquisition and Takeover Act (WpÜG), or more than 50 % of the voting rights present on average at the Company's Annual General Meetings during the past three calendar years.

A change in control within the meaning of the contractual agreement valid for Peter Llewellyn-Davies exists in the event of direct or indirect purchase of Company shares by a third party, which results in the third party directly or indirectly holding at least 30% of the Company's voting rights within the meaning of Section 30 of the German Securities Acquisition and Takeover Act (WpÜG).

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

The above-mentioned Executive Board members each have a special termination right for a period of one year after the date of the change in control if this change results in an unacceptable shift in the previous duties and responsibilities of the relevant Executive Board member (budget, number of employees supervised and his role on the Board), or if the Company informs him that his appointment as Executive Board member will not be renewed and denial of such extension is not based on significant cause justifying extraordinary termination of the relevant Executive Board member's contract for which he bears responsibility.

If the term of office of Executive Board member Dr. Frank Mathias comes to an end as a result of the Company exercising its special termination right referred to above, he will be entitled to receive a severance payment in the amount of the gross remuneration up to the regular end of his contract, a pro rata temporis gross bonus (without stock options) up to the regular end of the term of the Executive Board member's contract on the basis of the average annual bonus of the past three full years prior to termination of that contract and a severance payment amounting to 2.5 times the annual remuneration owed to him (without stock options). This severance payment may exceed neither the sum of three times the total annual remuneration plus the average annual bonus agreed at the time of the termination of employment, nor 1.5 times the remuneration anticipated for the remaining term of the employment contract, nor the sum of €750 k (caps). However, the Company's Supervisory Board may at its discretion waive the last mentioned cap in recognition of Dr. Mathias' outstanding achievements and extraordinary commitment in the situation leading to this special termination.

In the event that Executive Board member Dr. Frank Mathias resigns under the special termination conditions listed above, he will be entitled to receive a severance payment in the amount of three times the gross monthly sum for every completed year of his membership of the Company's Executive Board. The gross monthly amount is comprised of one twelfth of the actual gross remuneration at the time of resignation and one twelfth of the average annual bonus. The severance payment may exceed neither the total of 36 gross monthly salary payments, nor 1.5 times the remuneration anticipated for the remaining term of the employment contract, nor the sum of €750 k (caps). However, the Company's Supervisory Board may at its discretion waive the last mentioned cap in recognition of Dr. Mathias' outstanding achievements and extraordinary commitment in the situation leading to this special termination. The minimum severance payment amounts to six gross monthly salary payments (lower limit).

If the term of office of Executive Board member Peter Llewellyn-Davies comes to an end as a result of the Company exercising its special termination right referred to above, he will be entitled to receive a severance payment in the amount of the gross remuneration up to the regular end of his contract, a pro rata temporis gross bonus (without stock options) up to the regular end of the term of the Executive Board member's contract on the basis of the average annual bonus of the past three full years prior to termination of that contract and a severance payment amounting to 2.5 times the annual remuneration owed to him (without stock options). This severance payment may exceed neither the sum of three times the total annual remuneration plus the average annual bonus agreed at the time of the termina-

tion of employment, nor 1.5 times the remuneration anticipated for the remaining term of the employment contract, nor the sum of €390 k (caps).

In the event that Executive Board member Peter Llewellyn-Davies resigns under the special termination conditions listed above, he will be entitled to receive a severance payment in the amount of three times the gross monthly sum for every completed year of his membership of the Company's Executive Board. The gross monthly amount is comprised of one twelfth of the actual gross remuneration at the time of resignation and one twelfth of the average annual bonus. The severance payment may exceed neither the total of 36 gross monthly salary payments, nor 1.5 times the remuneration anticipated for the remaining term of the employment contract (caps). The minimum severance payment amounts to six gross monthly salary payments (lower limit).

EXECUTIVE BOARD COMPENSATION 2013

EXECUTIVE BOARD MEMBER	FIXED COMPENSATION	VARIABLE AND PER- FORMANCE BASED COMPONENTS ¹⁾	FRINGE BENEFIT ²⁾	VARIABLE COMPONENTS IN THE FORM OF STOCK OPTIONS	
				NUMBER OF STOCK OPTIONS	FAIR VALUE OF OPTIONS IN € K
	IN € K	IN € K	IN € K		
Dr. Frank Mathias Chief Executive Officer	375	188	40	8,750	17
Peter Llewellyn-Davies Chief Financial Officer	260	130	37	7,500	14
Total	635	318	77	16,250	31

¹⁾ On the basis of the accruals for 2013 (without discounting) in the event of 100 % payment.

²⁾ Fringe benefits include pension expenses amounting to €48 k, and vehicle leasing amounting to €29 k for the members of the Executive Board.

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

Dr. Frank Mathias

External positions

German supervisory board positions:

- Faller KG, Waldkirchen
- Mediatum AG, Heidelberg
- Rentschler Biotechnologie GmbH, Laupheim

Positions outside Germany:

- Catherex, Inc., USA

Peter Llewellyn-Davies

External positions

Positions outside Germany:

- Immunocore Ltd., UK
- Catherex, Inc., USA

(60) Supervisory Board**Supervisory Board remuneration**

Supervisory Board remuneration amounted to €224 k in 2013 (2012: €255 k). The total remuneration paid to the members of the Supervisory Board comprises a fixed portion as well as meeting attendance fees. In addition, expenses are reimbursed. The greater scope of activities of the Supervisory Board Chairman and his Deputy are taken into account and reflected accordingly by higher remuneration. Details regarding the subscription rights of members of the Supervisory Board and Executive Board are provided in *→ note (61)*. No advances were paid to members of the Supervisory Board and Executive Board.

SUPERVISORY BOARD REMUNERATION 2013

SUPERVISORY BOARD MEMBER	FIXED COMPENSATION IN € K	FEES FOR ATTEN- DING MEETINGS IN € K
Prof. Dr. Ernst-Ludwig Winnacker Chairman (until 20 August 2013)	27	22
Prof. Dr. Norbert Riedel Deputy Chairman (until 16 July 2013)	20	15
Dr. Pol Bamelis Member (until 16 July 2013)	13	8
Dr. Mathias Albert Boehringer Member (until 16 July 2013)	13	8
Dr. Thomas Werner Member (until 20 August 2013)	14	13
Klaus Kühn Member (until 20 August 2013)	14	10
Prof. Dr. Horst Domdey Chairman (since 16 July 2013)	12	7
Dave Lemus Deputy Chairman (since 16 July 2013)	9	7
Dr. Yita Lee Member (since 16 July 2013)	6	6
Total	128	96

Supervisory Board members of Medigene AG:**Prof. Dr. Ernst-Ludwig Winnacker (until 20 August 2013)**

since 26 November 1996

Chairman of the Supervisory Board

Secretary General of Human Frontier Science Program (HFSP), Strasbourg, France

External positions

German supervisory board positions:

→ Bayer AG, Leverkusen, Germany

→ Wacker Chemie AG, Munich, Germany

Prof. Dr. Norbert Riedel (until 16 July 2013)

since 27 October 2003

Deputy Chairman of the Supervisory Board

President and Chief Executive Officer, Naurex, Inc., Illinois, USA

External positions

Positions outside Germany:

→ ARIAD Pharmaceuticals, Inc., Cambridge, MA, USA

Dr. Pol Bamelis (until 16 July 2013)

since 23 May 2001

Privateer, Knokke, Belgium

External positions

German supervisory board positions:

→ Hemacon GmbH, Düsseldorf

Positions outside Germany:

→ Actogenix N.V., Belgium

→ PolyTechnos Ltd., Guernsey, United Kingdom

Dr. Mathias Albert Boehringer (until 16 July 2013)

since 16 July 2008

Businessman, Ingelheim, Germany

External positions

German supervisory board positions:

→ Boehringer Ingelheim Gesellschafterausschuss, Ingelheim

→ Phenex Pharmaceutical AG, Ludwigshafen

→ Phorms Management AG, Berlin

Dr. Thomas Werner (until 20 August 2013)

since 2 February 2010

Management Consultant, Utting am Ammersee, Germany

External positions

German supervisory board positions:

- 4SC AG, Planegg/Martinsried
- SuppreMol GmbH, Planegg/Martinsried
- BSN Medical GmbH, Hamburg
- Blackfield AG, Cologne

Positions outside Germany:

- SkyePharma plc., London, United Kingdom
- Basilea Pharmaceutical Ltd., Basel, Switzerland

Klaus Kühn (until 20 August 2013)

Since 4 August 2011

Privateer, Cologne, Germany

External positions

German supervisory board positions:

- Flossbach von Storch AG, Cologne
- Hella KGaA Hueck & Co., Lippstadt
- 4SC AG, Planegg/Martinsried

Prof. Dr. Horst Domdey

since 16 July 2013

Managing Director of Bio^M Biotech Cluster Management GmbH and Member of the Executive Board of Bio^M AG
Munich Biotech Development, Munich

External positions

Positions outside Germany:

- Oasmia Pharmaceutical AB, Uppsala, Sweden

Dave Lemus

since 16 July 2013

Chief Executive Officer, Sigma-Tau Pharmaceuticals, Inc., Gaithersburg, USA

External positions

German supervisory board positions

→ Proteros BioStructures GmbH, Planegg/Martinsried

Positions outside Germany:

→ Axela Inc., Toronto, Canada

→ PhRMA (Pharmaceutical Manufacturers Association of America), Washington, D.C., USA

Dr. Yita Lee

since 16 July 2013

Chief Scientific Officer of Sinphar Group, Taiwan

External positions

Positions outside Germany:

→ Sinphar Pharmaceutical Co., Ltd., Taiwan

→ SynCore Biotechnology Co., Ltd, Taiwan

→ ZuniMed Biotech Co., Ltd., Yilan, Taiwan

→ CanCap Pharmaceutical Ltd., Richmond, Canada