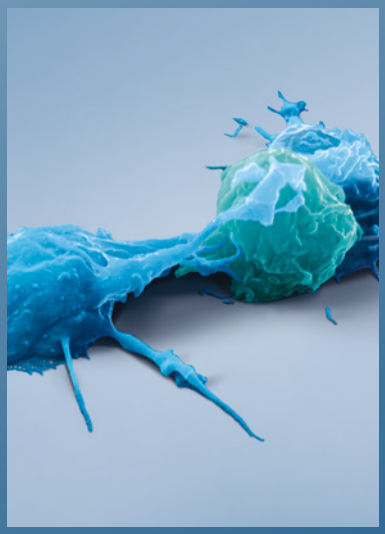
MOLOGEN AG
THE POWER OF IMMUNOTHERAPIES

THE POWER OF IMMUNO-THERAPIES



ANNUAL REPORT
2018

HIGHLIGHTS

FURTHER IMPLEMENTATION OF THE STRATEGY – FIRST LICENSING CONTRACT FOR LEAD PRODUCT CANDIDATE LEFITOLIMOD

- Focus on TLR9 agonist product family with the lead product lefitolimod and next generation molecules EnanDIM®
- Preparation for potential market entry and further out-licensing of lefitolimod
- Licensing agreement concluded for lefitolimod in east Asian markets (China, Hong Kong, Macao, Taiwan and Singapore) as well as a global development contract

STUDY PROGRESS – FURTHER KEY MILESTONES ACHIEVED

- Top line data for phase III IMPALA pivotal study in patients with colorectal cancer expected in summer 2019
- Final study assessment of the exploratory phase II IMPULSE study in the indication of small cell lung cancer and presentation of the findings in renowned scientific publications – findings support further development
- Detailed results of the extension phase of the phase Ib/IIa TEACH study in patients with HIV – support further development
- Preparations for the start of the TITAN study in HIV-positive patients: lefitolimod to be used in combination with monoclonal antibodies, funding provided by the US company Gilead, with the study scheduled to be initiated in spring 2019
- Successful conclusion of the first phase of the phase I combination study with lefitolimod in conjunction with a checkpoint inhibitor in patients with solid tumors in cooperation with the MD Anderson Cancer Center, USA
- Preclinical development of EnanDIM® family candidates proceeded according to plan: Clinical phase scheduled to begin at the end of 2019

FURTHER FUNDING SECURED FOR OUR PRODUCT DEVELOPMENT PROGRAM

- The capital measures successfully conducted over the course of 2018 and up to and including April 2019 have secured the Company's financing presumably until the end of 2019

WELL-COORDINATED MANAGEMENT TEAM: NEW CHIEF EXECUTIVE OFFICER

- Dr Stefan Manth will shortly take over as CEO. He possesses long-standing experience in the pharma and biotech sectors and, having previously been Vice Chairman of the Supervisory Board at MOLOGEN, is already very familiar with the Company

KEY DATA

IFRS

In million €		**2018**	2017	Change %*
Revenues		3.0	0	n.a.
Profit (loss) from operations (EBIT)		–11.3	–18.7	39 %
Expense structure				
Personnel expenses		5.1	5.1	1 %
Research & Development expenses		10.3	14.0	26 %
Earnings per share in € (basic)		–1.52	–0.56	n.a.[1]
Earnings per share in € (diluted)		–1.20	–0.49	n.a.[1]
Cash flows from operating activities		–13.7	–19.1	28 %
Cash and cash equivalents	(as of 31 December)	8.0	6.5	23 %
Shareholders' equity	(as of 31 December)	–0.9	–4.9	n.a.[1]
Equity ratio	(as of 31 December)	–10 %	–60 %	n.a.[1]
Total assets	(as of 31 December)	9.4	8.1	16 %
Number of employees	(as of 31 December)	50	52	–4 %

n. a.: not applicable
* economic view/minus = neg. impact on business, plus = pos. Impact
[1] Reverse Stock split

THE POWER OF IMMUNO-THERAPIES

THE POWER OF IMMUNO-THERAPIES

»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. With our product developments, we want to help fight 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 conditions for which there is a high medical need.

MOLOGEN is oriented toward the development of closer-to-market proprietary product candidates. Our foremost objective is the successful out-licensing and marketing of our products via partnerships with established pharmaceutical companies, particularly our lead product candidate lefitolimod.

Our scientific approach is always based on the same premises: activation of 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 compound, the immunotherapeutic agent lefitolimod, and its follow-up molecules EnanDIM®. Lefitolimod is considered "best-in-class" TLR9 agonist and, given its mode-of-action, could potentially be used in a variety of indications. Since the summer of 2014, lefitolimod has been subject to a phase III pivotal study IMPALA for colorectal cancer. The results of this study are expected to be available in summer 2019. This means that lefitolimod is one of the relatively few product candidates in the field of immuno-oncology which are close to market.

In addition to the advanced development in colorectal cancer, lefitolimod has also been tested in other indications: Key data of the phase II IMPULSE study in small cell lung cancer were announced in April 2017 and were confirmed in 2018 after final evaluations. On the basis of these results the further development strategy of lefitolimod in this indication was elaborated. In August 2017, the announcement of key data of the expansion phase of the Ib/IIa (TEACH) in HIV-patients followed, which led to further evaluations of lefitolimod in HIV. The TITAN study which will test our lead compound in combination with monoclonal antibodies in HIV patients is expected to start in spring 2019. In addition, lefitolimod is being investigated in combination with the checkpoint inhibitor Yervoy® (ipilimumab) in various solid tumors. To further characterize the potential of our development candidates, a series of preclinical studies was conducted in addition to the clinical studies. The results presented on various international scientific conferences in 2018 impressively support the great potential of lefitolimod and EnanDIM® in malignant diseases, both as monotherapy and in combination with check-point inhibitors.

Our product portfolio includes the proprietary cell-based therapeutic vaccine MGN1601 to treat advanced renal cancer. For the time being, we have shelved this candidate, but – depending on available funds or partnering opportunities – development could be resumed.

We are based in Berlin and are listed on the stock exchange. Our share (ISIN DE000A2LQ900/WKN: A2L Q90) is listed in the Prime Standard of Deutsche Börse.

DEAR SHAREHOLDERS,

Fiscal year 2018 and the first few months of 2019 have brought many positive developments for MOLOGEN AG as well as challenges and changes. In addition to the successful further development of our ongoing clinical study with our lead product candidate lefitolimod, there were also significant personnel changes at Executive Board level. Following the departure of Dr Faus, Dr Stefan M. Manth will shortly take over the role of CEO, having previously fulfilled the role of Deputy Chairman of the Supervisory Board. Dr Manth is a highly experienced and qualified pharma manager, with whom I have already enjoyed a very positive and trusting working relationship during his previous role, and I am delighted that he is now to take up a position at the very top of the Company. On behalf of the whole Company, we would like to express our gratitude to Dr Manth's predecessor, Dr Ignacio Faus, who prematurely departed effective from 31 March 2019, as well as to his predecessor, Dr Mariola Soehngen, who left the Company as of 31 October, 2018. During her time as CEO, Dr Soehngen oversaw a period of outstanding and successful work that secured vital progress for the Company in addition to laying crucial foundations for future success. For example, she played a key role in concluding the first licensing agreement for the lead product candidate lefitolimod. We also owe a particular debt of gratitude to Walter Miller, who resigned from the Company as of 31 March 2019 and who significantly advanced the further financing of the Company. The functions of the CFO will be assumed by Dr Manth.

A particular highlight of the fiscal year was the conclusion of the first licensing and development agreement with the US drug developer ONCOLOGIE in February 2018 for the marketing of lefitolimod in China and other countries in Asia.

Moreover, 2018 was a year in which additional important corporate targets were successfully implemented. Our clinical studies with our lead product candidate lefitolimod and our preclinical studies with the lefitolimod follow-up molecules from the EnanDIM® family went according to plan. To summarize, the data collected support the development of lefitolimod as a mono- or combination therapy as well as the additional preclinical and clinical studies of the EnanDIM® molecules. Our most advanced phase III pivotal study IMPALA in the indication of metastatic colorectal cancer is particularly noteworthy. According to the current schedule, we anticipate that the top line data from this study will be available sooner than planned, potentially even as early as summer 2019. We are delighted that we will be reaching this important milestone in the Company's history so soon and are eagerly anticipating the respective operative steps and evaluation of the study data. Furthermore, final preparations are underway for the planned TITAN study in the indication of HIV, which is financed by the US drug company Gilead Sciences and which is set to start in spring 2019.

The further financing of the Company was again a focus of our efforts last year. By systematically implementing an array of measures, we have already received payments of around €20 million, including cash inflows of around €5 million already recorded within the framework of the licensing agreement concluded with ONCOLOGIE.

In the second half of 2018, we carried out a reverse stock split at a ratio of 5:1 on account of the declining share price trend. The aim here was to secure the Company's technical financing capability and to continue implementing planned funding measures.

The most recent of these measures was successfully implemented in April 2019. It involved a capital increase from authorized capital 2018 and was significantly oversubscribed. Gross proceeds of around €4.2 million were raised as a result.

In addition, the convertible bond 2019/2027, with an issuance volume of €2.7 million, was successfully placed in full in January 2019. We were delighted that all of our major shareholders chose to fully exercise their subscription rights and that the order book was also subject to significant demand overhang.

These two recently implemented capital measures demonstrate the enormous trust that you as our shareholders continue to have in MOLOGEN. As a result, the Company's financing has now been secured presumably until the end of 2019.

Regarding the Company's financing, we faced a further challenge in the second half of 2018 – the potential early termination of convertible bonds by their main bondholders. At the end of October 2018, we were able to reach an agreement, thus successfully prevent the immediate maturity of the convertible bonds and the resulting immediate repayment obligation of around €6.4 million. The result of the negotiations and the associated measures were presented for approval to all bondholders of the convertible bond 2017/2025 at a creditors' meeting on 28 February, 2019 and accepted by the majority of bondholders.

In 2018, we were able to significantly reduce our research and development costs by 26% year on year to €10.3 million, mainly due to the completion of two clinical studies. Once again, EBIT developed positively. Including the initial payment in the context of the ONCOLOGIE licensing agreement, EBIT amounted to €–11.3 million compared with €–18.7 million the previous year. As of 31 December, 2018, the Company held cash and cash equivalents in the amount of €8.0 million.

»WE HAVE **ACHIEVED A LOT** SO FAR **AND THE TOP LINE RESULTS** OF OUR IMPALA **PIVOTAL STUDY THAT ARE EXPECTED THIS SUMMER** WILL **PAVE THE WAY** FOR **MOLOGEN'S FURTHER DEVELOPMENT.«**

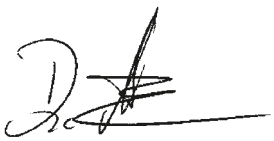
As previously stated, 2019 will be a decisive year in the Company history of MOLOGEN AG. In the summer, we are likely to receive the top line results of a phase III pivotal study for our lead product candidate lefitolimod. We have been, and remain, involved in discussions with potential partners in order to optimize the Company's further course in light of the possible scenarios in play.

We will continue to consistently pursue our strategy in 2019. Our primary goal is to bring our innovative products to market as quickly as possible and to enter into further partnerships with pharmaceutical and biotechnology companies.

We would like to convey special thanks to you, our shareholders, who place their trust in us and in many cases have supported us for plenty of years. Our thanks also go to all our employees for their tireless commitment and high-quality work. Lastly, we would like to thank the Supervisory Board for the friendly and constructive cooperation.

There are even more exciting and challenging tasks awaiting us in 2019. We are optimistic that we will be able to successfully implement our goals and planned measures and are looking forward to continuing on this journey with you in the future!

Best regards



Dr Matthias Baumann
Chief Medical Officer (CMO)

»I BELIEVE THAT **OPEN, TRUSTING AND CONSTRUCTIVE COLLABORATION** BETWEEN **THE EXECUTIVE BOARD AND SUPERVISORY BOARD** IS ANOTHER **IMPORTANT KEY SUCCESS FACTOR.«**

SIX QUESTIONS FOR THE INCOMING CEO DR STEFAN M. MANTH

1

WHAT MADE YOU DECIDE TO LEAVE THE SUPERVISORY BOARD OF MOLOGEN AND JOIN THE EXECUTIVE BOARD?

With the unexpected departure of Dr Faus from the Executive Board at MOLOGEN, we suddenly found ourselves in a situation in which I felt obliged to offer my experience and expertise to the Company even more directly and assume operational responsibility. That might sound rather like some form of "Prussianism", but let me assure you I am confronting this challenge with real zest, joy and excitement.

Of course, my years as a member of the Supervisory Board make me keenly aware of what I'm getting myself into. But even before I was voted onto the Supervisory Board in 2014, I had a connection to the Company over many years. In fact, I had kept an eye on MOLOGEN ever since it was founded more than 20 years ago. I met Professor Burghardt Wittig, founder of the Company, during my first semesters as a medical student in Berlin. I have always admired him for his versatility, entrepreneurial courage and profound intellect.

2

ARE THERE ANY SPECIFIC EXPERIENCES OR CERTAIN QUALIFICATIONS WHICH YOU SEE AS PREREQUISITES FOR THE POSITION OF CEO AT MOLOGEN?

Quite frankly, at the moment the Company is not sailing towards its goals plowing through calm waters under clear skies. On the contrary: MOLOGEN has experienced several changes at board level in a short period of time. The operational business, in particular our Phase III IMPALA study, requires continuous funding, and in recent years it has become noticeably more difficult to secure it. If I may be so blunt, over time, MOLOGEN has tested the patience of many of our investors and against the background of prevailing uncertainty and reoccurring management changes, this also goes for our highly qualified staff, upon whom we are so dependent in order to successfully master our complex and demanding activities. The current situation therefore requires seasoned and tested management acumen in addition to strong leadership. With Dr Baumann at my side, we shall now lead MOLOGEN as an experienced and qualified team. Since he joined the Company, while I was still acting as member of the Supervisory Board, Dr Baumann and I have developed a respectful personal relationship with each other based on mutual trust. The Company now, of course, stands to benefit even more from this.

Furthermore, I believe that a profound understanding of, and long-standing experience in, the fields of oncology and drug development are indispensable qualities for this role.

Also, I am deeply convinced that you can achieve great things in small companies, even when financial restraints force the organization to be stingy day in, day out. And when you successfully create a corporate culture in which creativity, flexibility, courage and a willingness to take calculated risks is encouraged, we can operate with greater nimbleness and efficiency than many slack heavyweights. A significant amount of robustness is also required when you need to keep a steady hand at the steering wheel in stormy conditions.

Last not least, I believe that open, trustworthy and constructive collaboration between the Executive and Supervisory Boards is an important additional key success factor of a company.

3

WHAT GOALS HAVE YOU SET, BOTH ON A PERSONAL LEVEL AND FOR THE COMPANY? WHAT HAVE YOU IDENTIFIED AS PARTICULAR CHALLENGES OR MAJOR OPPORTUNITIES?

MOLOGEN is currently approaching a crossroad: Either we are successful with our pivotal IMPALA study and are subsequently able to land the big deal that we have all been hoping for over such a long time. Or, in the event that the primary endpoint of the IMPALA study – "prolongation of median overall survival" – is not achieved it will also take just a few months to see whether we can secure a future for MOLOGEN and identify those prepared to join us in shaping this future. Even in this case, we see a number of options.

I also want to play my part in avoiding any further loud, yet purposeless interjections or unnecessary disputes, which do not help the Company achieve its shared, mutual objectives. All of us stakeholders of MOLOGEN – employees, executives, directors and managers, shareholders and even clinical trial investigators – share a powerful, intrinsic motivation arising from the significance of our work: To prolong the lives of severely ill patients and to alleviate their suffering. We should continually remind ourselves of this fundamental ethical drive, for which many other industries can only envy us.

4

THIS YEAR, 2019, WILL THEREFORE BE A DECISIVE YEAR FOR MOLOGEN, WITH THE LONG-AWAITED RESULTS OF THE PHASE III IMPALA PIVOTAL STUDY. WHAT ARE YOUR HOPES AND EXPECTATIONS IN THIS CONTEXT?

Naturally, we are all hoping that lefitolimod produced a statistically significant prolongation of overall survival for the patients participating in IMPALA. That is the dream outcome. However, we run clinical trials with innovative drugs because we have important questions, to which we do not know the answers at the start of such experiments. When the study plan for the IMPALA study was originally drafted, the decision-makers at MOLOGEN were only able to implement a maximum degree of "de-risking" possible at the time: The treatment strategy and the selection criteria for patients to participate in the IMPALA study reflected our own previous experiences with lefitolimod and findings from studies run by others involving colorectal cancer patients, all to maximize the chances of success, in other words a positive study result, as much as conceivably possible at the time.

However, I would like to also emphasize something which I believe to be particularly important: To assess the primary endpoint of "prolongation of median overall survival", a certain number of patients had to be recorded as deceased during the follow-up period. A total of 365 deaths were needed in order to conduct the biostatistical assessment. According to the study protocol, however, 540 patients were to be included in the study. All in all, 549 took part. The study will therefore continue beyond the assessment of the primary study endpoint, due this summer, until its final assessment of all study endpoints. The study protocol stipulates the IMPALA study to end 36 months after the last patient has been enrolled. This takes us up to May 2020. At this point, a number of highly meaningful insights into the clinical efficacy of lefitolimod could be in store for us. The clinical efficacy of cancer immunotherapies can at times

»OUR **NEXT GENERATION** OF **›HOMEBREW‹ TLR9 AGONISTS** GIVES US THE OPPORTUNITY TO **LAUNCH A CLINICAL DEVELOPMENT PROGRAM** DIRECTLY TARGETED AT BOTH **THE CHANGED COMPETITIVE AND THERAPEUTIC ENVIRONMENT.** THE KEY WORD HERE IS **›COMBINATION THERAPY‹.«**

only be detected after an extended follow-up period, for example when you look at how many patients from the comparator arm of the study are still alive after three or four years in comparison to the number of patients alive treated with lefitolimod. These results will only be obtained when IMPALA ends in the summer of 2020. And I attach significant hopes to these final outcome analyses.

5

WHAT IS YOUR VISION FOR THE FUTURE IN TERMS OF THE FOLLOW-UP MOLECULES TO LEFITOLIMOD FROM THE ENANDIM® FAMILY?

TLR9 activators have been enjoying a kind of a renaissance over the past few years and rightly so, after previously languishing for a period of time on the dark side of the moon. Our next generation of "homebrew" TLR9 agonists gives us the opportunity to launch a clinical development program directly targeted at both the changed competitive and therapeutic environment. The key word here is "combination therapy". A development strategy which also takes into account lessons learned from our lefitolimod program. First and foremost, however, we must achieve Phase I readiness. This should be achieved in the course of 2019. Key preclinical trials are being conducted at this very moment in order to get us there. Thereafter, our goal is to set up a "fast to clinical proof of concept" development program for oncology indications with a limited number of trials and limited expenditure of resources with which once achieved we will attempt to attract interest on the part of strategic partner companies.

6

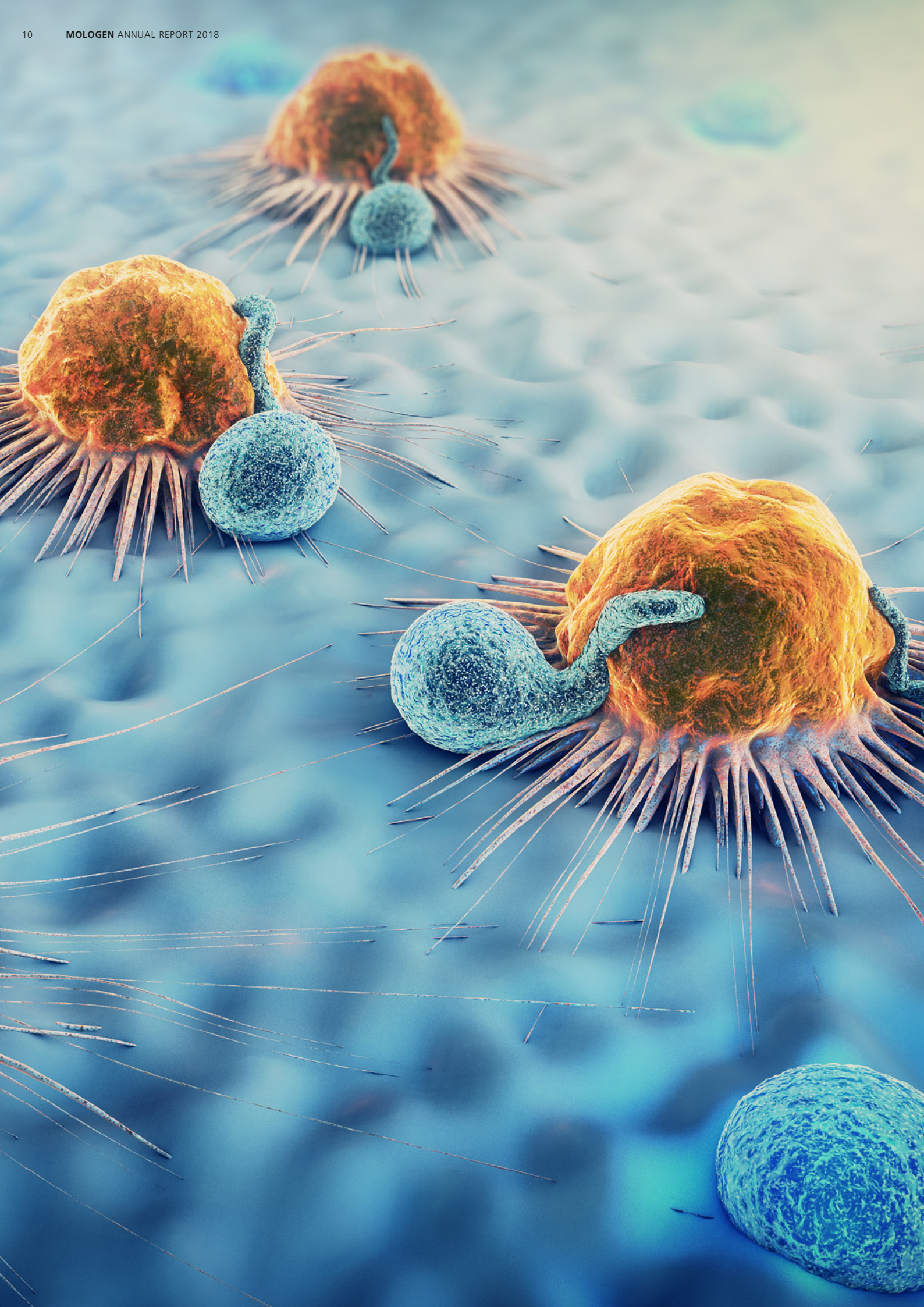
NOW, TO END ON A MORE PERSONAL NOTE: BEING CEO OF AN AMBITIOUS BIOTECH COMPANY IS NOT ONLY A HUGE PERSONAL CHALLENGE, BUT ALSO VERY TIME-INTENSIVE. HOW DO YOU RELAX AFTER A TOUGH DAY AT WORK? DO YOU HAVE ANY HOBBIES?

I enjoy cooking, both for my wife and when we have guests over, always keen to try out new things, too. My wife and I collect modern and contemporary art and we love to read. My favorite living authors in recent years are Michel Houellebecq and Julian Barnes.

Moreover, three years ago, I resumed playing music – after pausing for over 40 years! I have actually been taking lessons again for a year now. Through a lucky coincidence last fall, I was able to lay my hands on a beautiful fine viola from the estate of a member of the Berlin Philharmonic. Playing such an instrument is a huge source of inspiration.

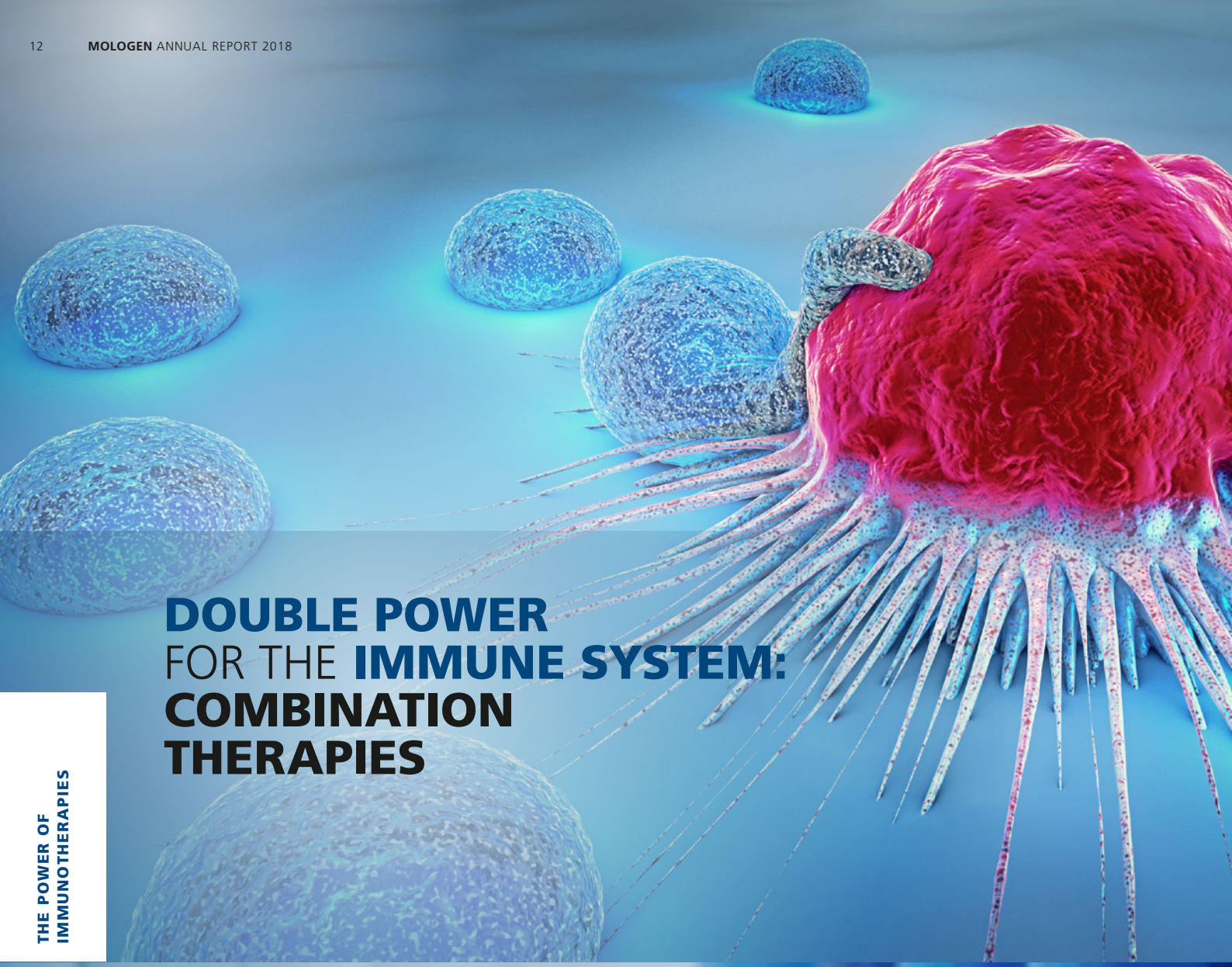
I can also relax simply by listening to music: Bach, Beethoven, Berg, Boulez, the Beatles, Chet Baker, B.B. King – I should point out perhaps, though, that when I say Berg, I mean Alban and not Andrea! (laughs).

DR MANTH, MANY THANKS FOR YOUR TIME.



THE POWER OF IMMUNO-THERAPIES

THE POWER OF IMMUNOTHERAPIES



DOUBLE POWER FOR THE IMMUNE SYSTEM: COMBINATION THERAPIES

THE IMMUNE SYSTEM HAS EVOLVED OVER MILLIONS OF YEARS AS 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.

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 these 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 CANCER THERAPY

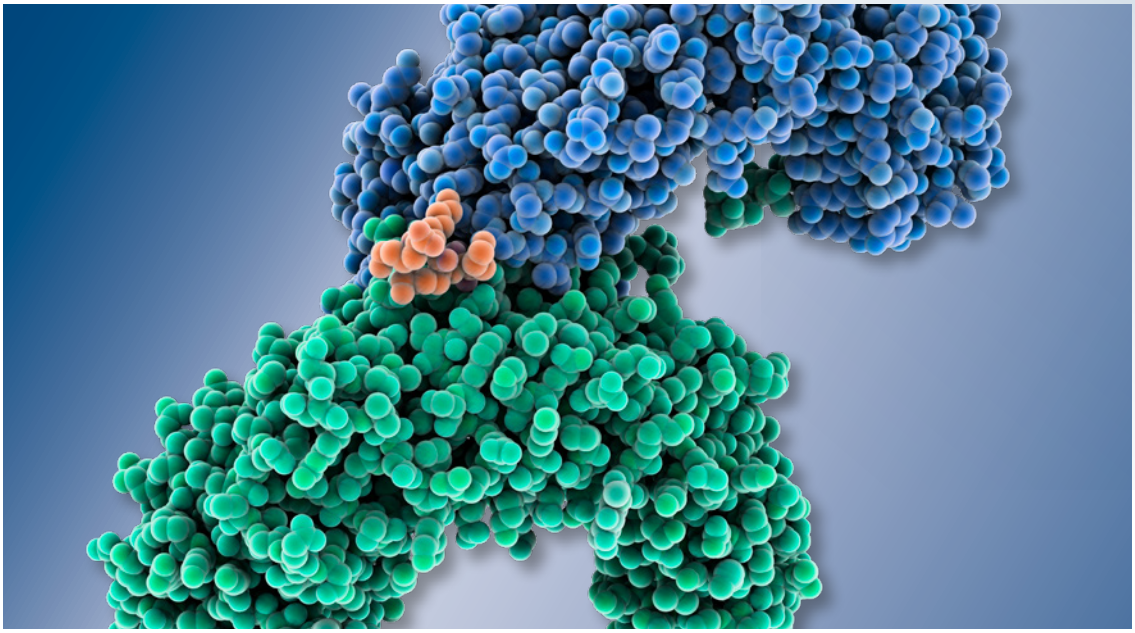
The treatment of cancer is based on the following pillars: surgery, radiotherapy and drugs. Conventional cancer drugs include chemotherapy drugs known as "cytostatics": compounds to target cells which divide rapidly in the body, including cancer cells. On account of progress made in genetics and molecular 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 USA 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 using immunotherapy combination options.

At the moment, a total of five biotech companies – including MOLOGEN – are conducting studies with checkpoint inhibitors in combination with TLR9 agonists, mainly in patients with solid tumors. Initial findings have been highly promising and support this combination therapy approach.

MOLOGEN's lead product candidate, lefitolimod, is currently being investigated in a combination study with the checkpoint inhibitor Yervoy® (ipilimumab) in patients with advanced solid tumors. The immunotherapy, which received market authorization to treat patients with advanced malignant melanoma in 2011, represents a huge breakthrough for the cancer immunotherapy approach and numerous other checkpoint inhibitors have since been used to successfully combat a variety of tumor-based diseases.

The successful completion of the first study phase in 2018 has now also confirmed the favorable safety profile of lefitolimod in combination with Yervoy® (ipilimumab), while an increase in cytotoxic T-cells in tumor biopsies was also proven, revealing that the mechanism of action of lefitolimod, already established in preclinical models, produces an advantageous modulation of the tumor microenvironment in humans now, too. Further combination studies with checkpoint inhibitors and other immunomodulatory approaches are now in planning.

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

BROAD ACTIVATION POTENTIAL

In addition to fighting cancer, activating the body's own immune system can also 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 early study involving HIV-positive patients (TEACH). While the lead compound 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.

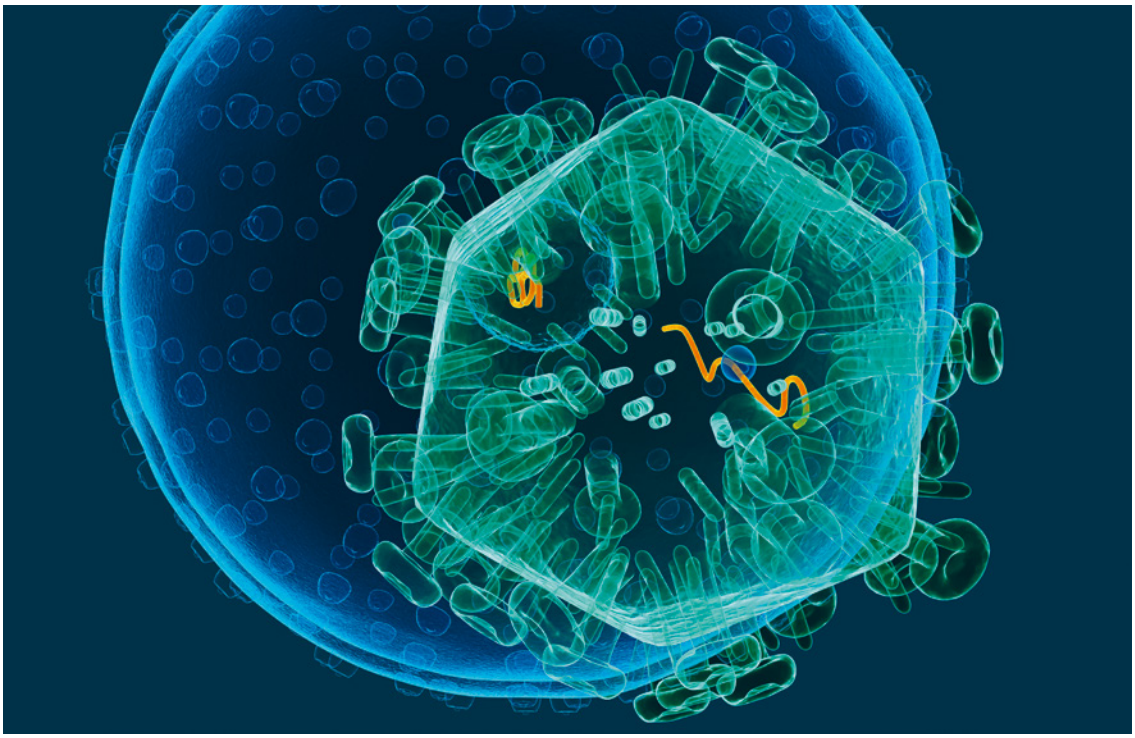
An important element of the strategy to use lefitolimod as part of a therapeutic approach to treat HIV-positive patients is a combination study with monoclonal antibodies (TITAN), for which funding has already been secured and which is likely to be initiated in spring 2019.

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 1.8 million new cases of colorectal cancer ever year. In the case of lung cancer, estimates put the number of new cases at around 2.1 million per year. Small cell lung cancer accounts for around 15 per cent of all lung cancer cases.

Against the backdrop of the WHO's projected increases in cases of cancer, the market potential for new cancer drugs is high. According to estimates from the market research company EvaluatePharma, oncology will, in the long term, remain the therapy segment in which the pharmaceutical market records the highest sales levels around the world, with sales of approximately US$ 230 billion forecasted for 2024. The market research institute GBI Research has suggested that the market for cancer immunotherapeutics could grow to more than US$ 100 billion by 2024.

We anticipate correspondingly high market potential for lefitolimod. Blockbuster sales should be possible in the colorectal and lung cancer indications alone, provided of course that the corresponding study data support market approval.



STRATEGY

THE POWER OF IMMUNOTHERAPIES

OUR STRATEGY: FOCUS ON THE CLOSE-TO-MARKET LEAD PRODUCT CANDIDATE LEFITOLIMOD AND THE NEXT-GENERATION MOLECULES OF THE ENANDIM® FAMILY.

STRATEGY

The goal of our strategy is to create value based on our TLR9 core expertise, thus the focus on the development of TLR9 agonists with our lead compound lefitolimod and the next generation molecules of the EnanDIM® family. Here we focus on different immunotherapeutic approaches in several important indications.

In the reporting year, sustained progress was made with our strategy and key milestones were reached:

- Making use of of the potential of the lead compound lefitolimod in different indications:
  - Phase III pivotal study IMPALA: Availability of top-line data expected for summer 2019
  - Phase II exploratory study IMPULSE completed: Final data were presented at the 2018 ESMO conference in Munich und published in *Annals of Oncology*. They form the basis of the potential further development in this indication
- Encouraging results from the first part of the phase I combination study with a checkpoint inhibitor presented at the SITC Meeting 2018 in Washington, D.C.
- The development of innovative therapeutic options for infectious diseases such as HIV:
  - Phase Ib/IIa TEACH study confirmed the potential to activate important immune cells also in HIV patients
  - New studies in various indications in preparation, e.g. TITAN, combination study with monoclonal antibodies in HIV
- Advancing our business development strategy for lefitolimod in East Asia with the conclusion of a licensing agreement for China, including Hongkong, Macao, Taiwan and Singapore as well as a global co-development agreement for lefitolimod with ONCOLOGIE Inc. in February 2018

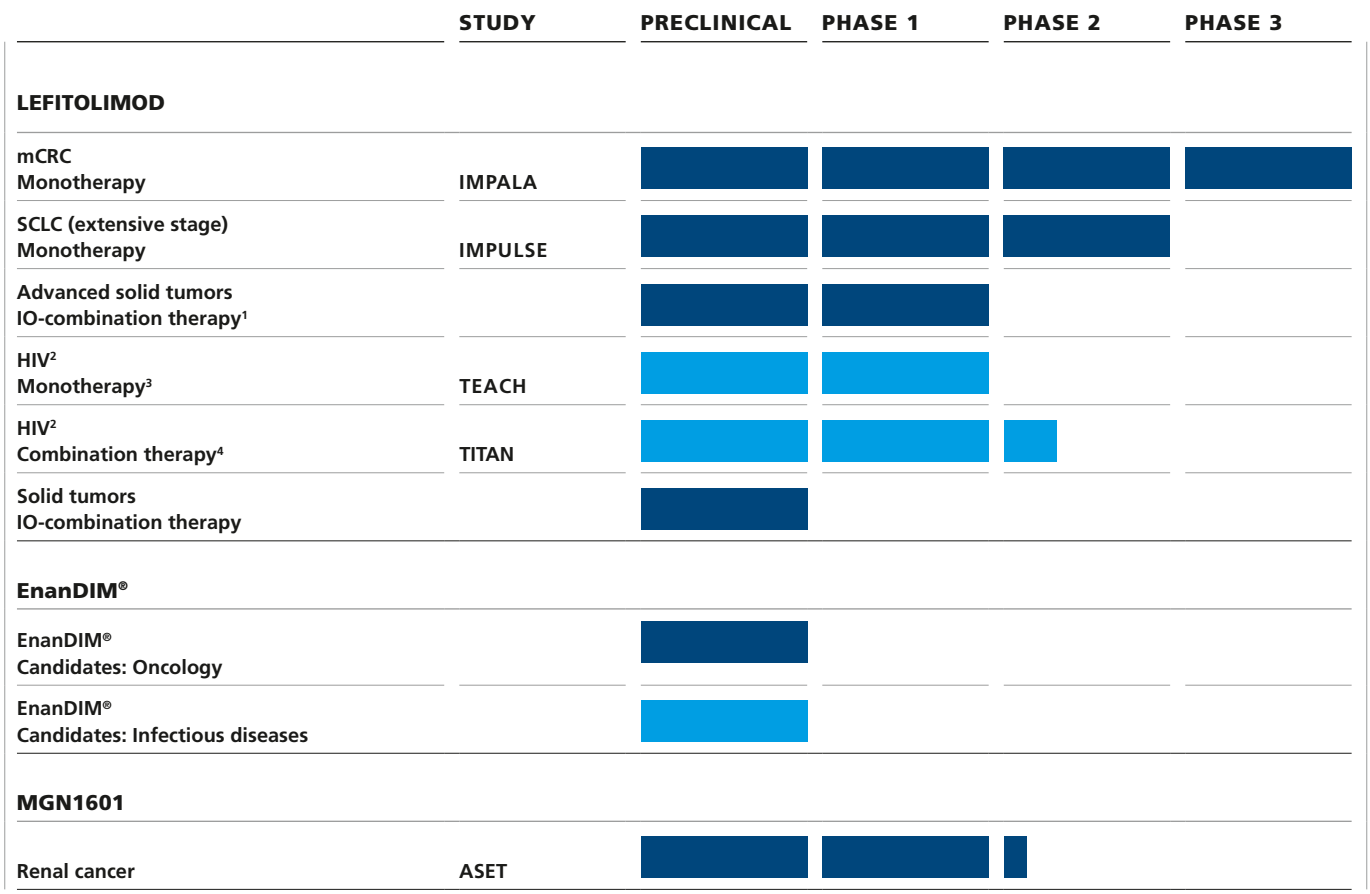
In accordance with our strategy, the focus has been on development activities related to the DNA-based TLR9 agonist product family with lefitolimod and the next generation molecules EnanDIM®. Therefore, most of the available funds went into the further development and market preparation of these product candidates.

Within the scope of the Next Level strategy, the decision was made to spin-off the non-viral MIDGE® vector-system together with all associated drug candidates, inter alia for the treatment of leishmaniasis. We carried out further discussions with interested parties in the reporting year. In autumn 2017, MOLOGEN already 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. For the moment, the development activities are being continued by us. The goal is to hand over the work to a potential future partner.

Already 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 therapeutic vaccine MGN1601 – until a suitable cooperation partner can be identified or financial resources are available for the continuation of the activities.

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. for the marketing of lefitolimod in China and other Asian countries in February 2018.

PRODUCT PIPELINE – FOCUS ON CANCER IMMUNOTHERAPIES WITH WIDE RANGE OF POTENTIAL INDICATIONS



1 Collaboration with MD Anderson Cancer Center, Texas, U.S.
2 Collaboration with University Hospital Aarhus, Denmark
3 HIV patients under antiretroviral therapy (ART)
4 With broadly neutralizing antibodies
IO = Immuno-oncology / mCRC metastatic Colorectal Cancer / SCLC Small Cell Lung Cancer

»IN THE REPORTING YEAR, WE ABOVE ALL **MOVED FORWARD** WITH THE **PREPARATIONS** FOR **POTENTIAL MARKET ENTRY FOR LEFITOLIMOD.«**

IMPLEMENTATION OF THE STRATEGY – KEY MILESTONES REACHED

In the reporting year, we above all moved forward with the preparations for a potential market entry for lefitolimod. In particular, this includes the conclusion of a licensing contract.

FIRST LICENSING CONTRACT FOR OUR LEAD PRODUCT CANDIDATE LEFITOLIMOD

In February 2018, MOLOGEN signed a contract with ONCOLOGIE Inc. to market lefitolimod (see page 48 in the Management report). 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.

So far, under the contract, MOLOGEN received payments in the amount of €5 million. 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 would 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 in the license area. In the course of this partnership, we hold further discussion with ONCOLOGIE with regards to the organization of a global development cooperation and the associated study program.

Furthermore, it will continue to be a top priority that we carry on the comprehensive activities we started in the reporting period in order to gain further licensing partners.

SUMMARY OF THE STRATEGY: OVERVIEW OF MAIN ELEMENTS

STRONG PRODUCT AND MARKET-ORIENTED FOCUS ON KEY PROJECTS, ESPECIALLY LEFITOLIMOD AND THE NEXT GENERATION MOLECULES OF THE ENANDIM® FAMILY

PORTFOLIO FOCUS

- TLR9 agonist product family with the lead product lefitolimod and next-generation molecules, EnanDIM®
- Harness the potential of TLR9 agonist lefitolimod as mono- and combination therapy across multiple cancer indications
- Development of innovative therapeutic approaches in infectious diseases, such as HIV
- 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

- Intensive operational and scientific preparation to analyze the top line data of the pivotal phase III IMPALA study in metastatic colorectal cancer
- Stepping up activities related to out-licensing

»THE VERY **PROMISING PRECLINICAL RESULTS ON THE EFFICACY OF ENANDIM®** HAVE CREATED A **SOLID FOUNDATION FOR FURTHER DEVELOPMENT STAGES** WITH THE AIM OF **SOON TESTING ON PATIENTS.«**

THE POWER OF IMMUNOTHERAPIES

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 AN ADVANCED STAGE OF THE PHASE III OF CLINICAL DEVELOPMENT, AND THE NEXT-GENERATION MOLECULE FAMILY, ENANDIM® WITH THE START OF THE CLINICAL DEVELOPMENT EXPECTED AT THE END OF 2019.

PIPELINE: FOCUS ON TLR9 PRODUCT FAMILY

DEVELOPMENT OF CANCER IMMUNOTHERAPIES 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 effects of lefitolimod in the treatment of cancer, coupled with a high degree of safety and tolerability. So far, 460 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 (Human Immunodeficiency Virus) patients were presented in 2017 and 2018.

CLOSE-TO-MARKET PRODUCT CANDIDATE WITH BLOCKBUSTER POTENTIAL

Within the scope of our strategy, our development activities are focusing on lefitolimod, which was evaluated in the reporting period in a phase III pivotal study for the treatment of metastatic colorectal cancer (mCRC). The final readout of the exploratory randomized phase II study for the indication of small-cell lung cancer (SCLC) took place in the reporting period, essentially confirming the data presented in 2017.

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 conducted in patients with solid tumors. This study's first phase was successfully completed in 2018.

AVAILABILITY OF TOP-LINE DATA FOR THE IMPALA PIVOTAL STUDY EXPECTED IN SUMMER 2019

After successful completion of phase I and phase II studies, our international phase III pivotal IMPALA study began to enroll 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 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 already 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 group, 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 these top-line data will be available in summer 2019.

FINAL RESULTS PRESENTED FOR EXPLORATORY LUNG CANCER STUDY IMPULSE

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 101 patients from four European countries.

In February 2018 the final readout essentially confirmed the first results, 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 of lung cancer.

The final data were presented at the congress EUROPEAN SOCIETY FOR MEDICAL ONCOLOGY (ESMO) 2018 in Munich and furthermore, published in *Annals of Oncology*, the ESMO's high-ranking, peer-reviewed journal:

On the basis of the IMPULSE study's findings, the strategy for a potential further development of lefitolimod was worked out with the collaboration of leading international experts. The strategy comprises, depending on adequate financial resources, the conduct of preclinical studies in order to further evaluate the B-cell biomarkers, combination studies with different immuno-oncological approaches and inclusion of a comprehensive panel of biomarkers.

BROAD APPLICATION SPECTRUM – 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 also 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) are hopeful that in this way immunological control of the illness can be achieved with lefitolimod in combination with monoclonal antibodies.

»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.«

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, USA). 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, USA. MOLOGEN will be providing lefitolimod for the study. Preparations are currently underway for the planned study start expected in spring 2019.

Thanks to the distinct activation of both B- and T-cells, hence the humoral as well as cellular immune function, combined with the favorable safety profile, lefitolimod is an excellently suitable partner for promising combination approaches, for example with monoclonal antibodies or vaccines. These encouraging results, that support the further development of lefitolimod in HIV, were presented at the international conference – Conference on Retroviruses and Opportunistic Infections (CROI) in Boston in 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, US, 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. MOLOGEN is thereby providing lefitolimod and contributing to the financing. 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.

The first phase of the study, which is to ascertain the tolerable dosage for administering lefitolimod in combination with Yervoy®, was successfully concluded in 2018. The data, presented at the congress of a prestigious scientific association – The Society for Immunotherapy of Cancer (SITC) in Washington, USA – in November 2018, confirm lefitolimod's favorable safety profile, also in combination with Yervoy® (ipilimumab). Indications of the positive, tumor microenvironment-modulating effects are particularly notable.

In the future, an extension phase shall collect initial data on the efficacy of the combination treatment.

FURTHER CLINICAL STUDIES PLANNED

The aim of an exploratory study in colorectal cancer, planned for 2019, is to investigate lefitolimod's impact on the tumor microenvironment (TME) of those patients. Furthermore, two combination studies with different immuno-oncological approaches in solid tumors are in an advanced planning stage and could be started in 2019, subject to the financing.

PROMISING PRECLINICAL DATA SUPPORTS COMBINATION APPROACH OF LEFITOLIMOD WITH CHECKPOINT INHIBITORS

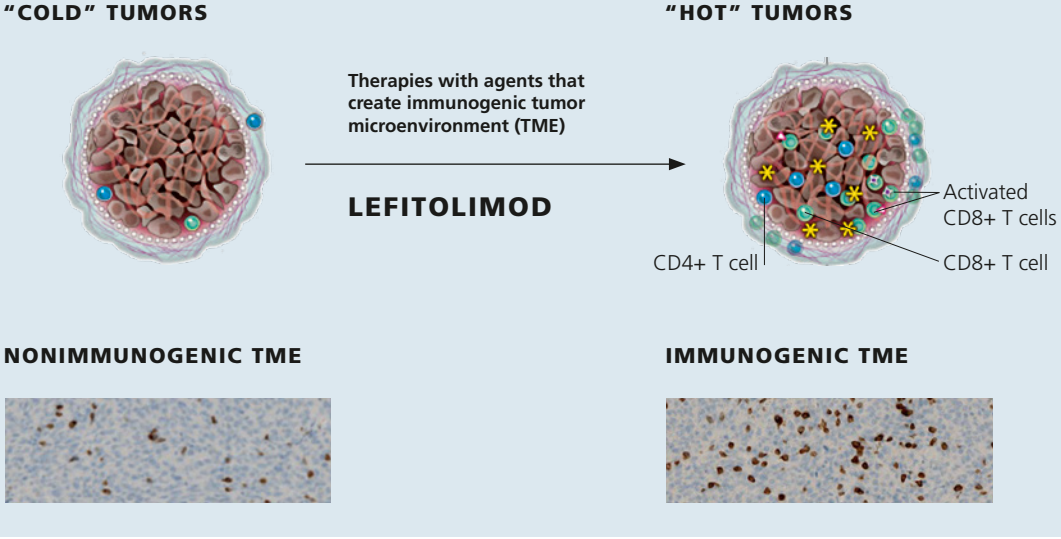
The clinical combination approach is supported by further data from preclinical studies with lefitolimod, which was presented at notable international conferences in 2017 as well as in 2018. In the colorectal cancer model, monotherapy with lefitolimod creates advantageous modulation of the tumor microenvironment (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 findings and data on lefitolimode-induced changes in TME and the induction of permanent immunological anti-tumor memory were presented at the renowned SITC 2018 congress (The Society for Immunotherapy of Cancer) in Washington, USA in November 2018. In a murine colorectal cancer model, monotherapy with lefitolimod resulted in a pronounced beneficial modulation of the TME combined with reduced tumor growth. Remarkable effects with a complete tumor decrease in the majority of mice were also observed in a breast cancer model. Particularly noteworthy was the fact that in a subsequent re-challenge study, all surviving mice showed rejection not only of the originally used tumor cells, but also of another tumor cell line, indicating the induction of a broad systemic immune response against different tumor types. In summary, the presented data impressively support the assumption that lefitolimod modulates the TME advantageously and can therefore be an ideal partner for immuno-oncological combination approaches such as checkpoint inhibitors.

These important results reveal the potential of lefitolimod as a cancer immunotherapy, as the response rates to treatments with checkpoint inhibitors are dependent on the 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 confirm 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 (TME)



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

ENANDIM – A NEW GENERATION OF TLR9 AGONISTS: GREAT POTENTIAL AS MONO- 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 already 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® provides 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 survival of 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.

In March and April 2018, we presented further impressing preclinical data at the ITOC-5 Immunotherapy of Cancer Conference in Berlin as well as at the yearly congress of AACR 2018 (American Association for Cancer Research) in Chicago, Illinois, USA. The monotherapy with EnanDIM® led to a beneficial modulation of the TME in murine tumor models which is mirrored by remarkable anti-tumor effects with highly increased survival rates. In two cancer models, complete tumor regression in the majority of mice was observed. Importantly, in a subsequent re-challenge study all surviving mice rejected tumor cells, which indicates a sustained anti-tumor memory of the immune system. Hence, the data provide an excellent basis for further development of EnanDIM® in cancer. Beginning of 2019, a summarizing presentation of the EnanDIM® family, including molecular design, mode-of-action and preclinical data, was published in the renowned *Journal for ImmunoTherapy of Cancer*.

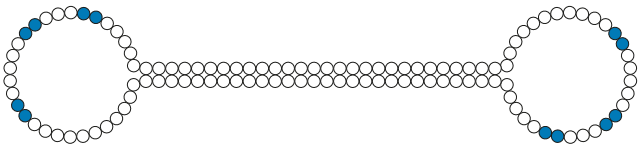
The preclinical development of a first candidate from the EnanDIM® family went as planned and the initiation of the clinical phase is expected at the end of 2019.

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.

FURTHER POTENTIAL DEVELOPMENT 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.

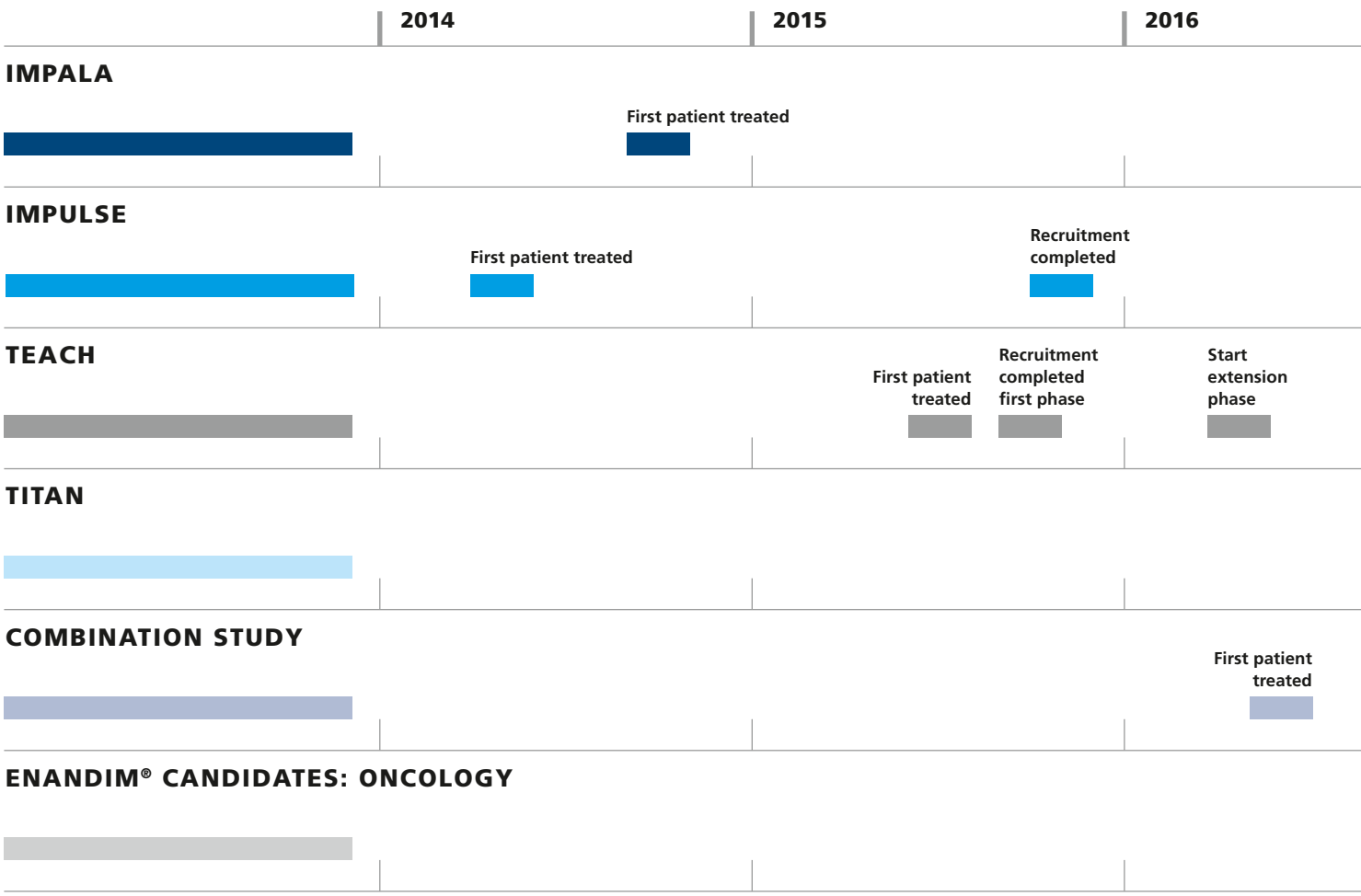
EnanDIM®

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

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

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

LEFITOLIMOD AND ENANDIM®
MILESTONES FOR VARIOUS CLINICAL TRIALS



SPECIAL MARKETING PROTECTION THROUGH ORPHAN DRUG STATUS

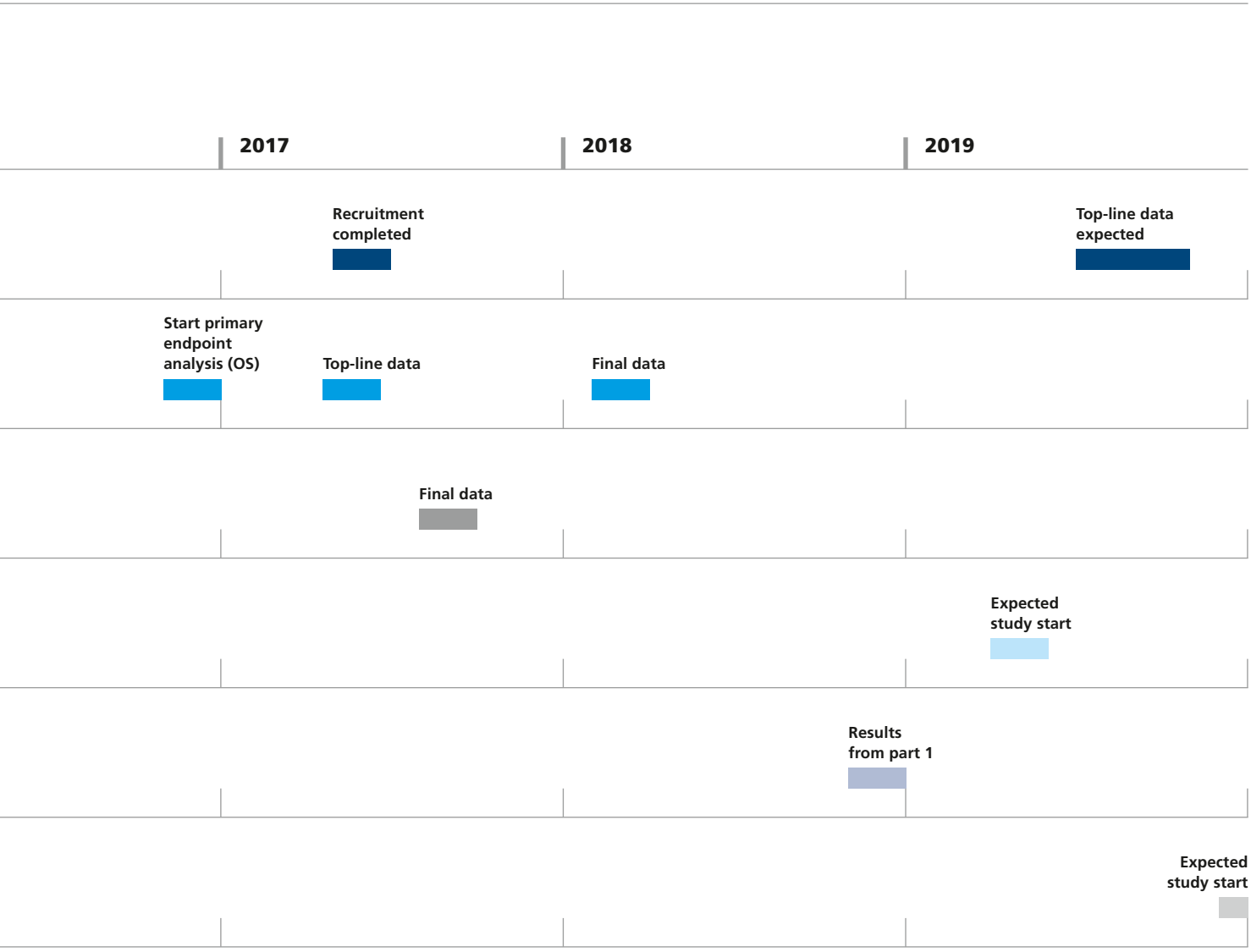
As renal cancer is one of the rarer forms of cancer, MGN1601 has been granted orphan drug status by the European Medicines Agency (EMA).

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 is found or appropriate financial resources are available.



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

In the course of the Next Level strategy, the discussions relating to the planned spin-off or sale of our MIDGE® technology were continued. We received a grant of approximately US$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. Until the decision on the future of the MIDGE® project and hand over to a future partner is made, we are continuing the development activities in line with the GHIT program conditions.

MOLOGEN SHARES

- Germany's leading stock index – the DAX – closes 2018 down by around 18%
- MOLOGEN's share price performance again fails to reflect the company's positive operational development
- Several successful capital measures secure financing presumably until end of 2019

DAX COLLAPSES BY AROUND 18%

In 2018, the DAX closed with a year-end minus for the first time since 2011. The leading German stock index closed the first day's trading of the year at 12,871 points. While this value fluctuated between 12,000 and 13,000 points throughout the first half of the year, the performance in the second half of the year – and particularly in the fourth quarter of 2018 – trended consistently downwards. This can primarily be attributed to concerns related to a global economic slowdown, the trade dispute between the USA and China, central bank interest rate policies and the UK's imminent withdrawal from the European Union (Brexit). Accordingly, the DAX closed the final trading day of the year at 10,559 points – reflecting a significant reduction of around 18% over the course of the year.

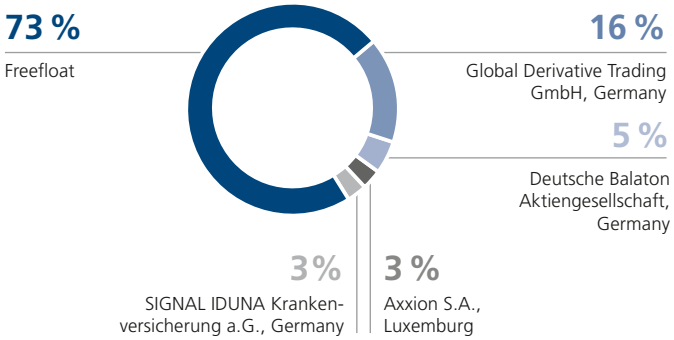
The relevant German pharmaceutical and biotechnology industry indices experienced contrasting fortunes in terms of their development across financial year 2018. While the DAXsubsector Biotechnology posted gains of 13.9%, the DAXsector Pharma & Healthcare recorded losses totaling 26.4%.

SHARE PRICE INDIFFERENT TO OPERATIONAL SUCCESSES

MOLOGEN's share price in 2018 performed disappointingly and ultimately failed to reflect positive developments recorded both at study and Group level in any way. At the start of the year, the MOLOGEN share price stood at €2.62 (equates to €13.10 pro forma after taking share split into account). On the final trading day of the year, the share price had fallen to €1.60 as compared with €11.35 on the final trading day of 2017.

The average trading volume of MOLOGEN shares in XETRA trading was significantly below the previous year's level. When converted to take into account the situation following the stock split, it fell from 131,860 units (equates to 26,372 pro forma after taking stock split into account) in 2017 to 46,724 shares per day in 2018.

Shareholder Structure as of December 2018 (estimates)



CAPITAL MEASURES

CAPITAL INCREASES AND CONVERTIBLE BONDS 2018

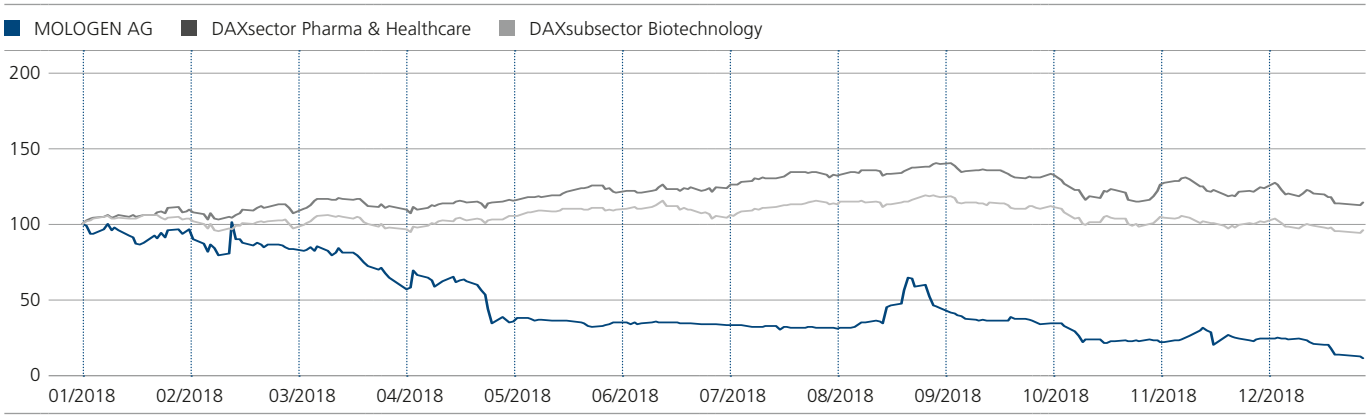
The successful implementation of a series of funding measures has allowed MOLOGEN to secure total gross proceeds of approximately €17 million in financial year 2018: The capital increase carried out by exercising the share purchase agreement with the US investor Global

Key share data (ISIN DE000A2LQ900, Prime Standard)

XETRA (closing price)	**2018***	Pro forma* 2017	2017
Number of shares issued as at December 31	9,271,632	6,859,069	34,295,343
Market capitalization as at December 31 (€ million)	14.83	77.85	77.85
First trading day (€)	13.10	7.50	1.50
Last trading day (€)	1.60	11.35	2.27
High (€)	13.25	22.95	4.59
Low (€)	1.60	7.25	1.45
Average daily trading volume	46,724	26,372	131,860

* Converted to improve comparability in accordance with the stock split at a ratio of 5:1 in July 2018

Performance of MOLOGEN shares in 2018



Corporate Finance (GCF), concluded in October 2017, raised €0.45 million for MOLOGEN. Furthermore, the Company signed a contract in February 2018 with the European High Growth Opportunities Securitization Fund, a Luxembourg-based financing provider, which provides MOLOGEN with the opportunity to call €12 million in tranches of €500,000 each. So far, a total of €1.0 million has been called. In April 2018, MOLOGEN raised approximately €5 million via a capital increase with subscription rights from authorized capital.

A further capital increase from authorized capital with gross proceeds of around €8.2 million was successfully implemented in October 2018. Moreover, the first non-interest-bearing mandatory convertible bond without shareholder subscription rights was issued to ONCOLOGIE in the third quarter of 2018, featuring a total nominal volume of €2 million.

In July 2018, a reverse stock split at a ratio of 5:1 was carried out. As a result of this measure, the Company was financially viable again and additional financing measures were then able to be implemented.

ADDITIONAL FINANCING MEASURES 2019

The convertible bond 2019/2027 issued in January 2019 was subject to significant excess demand. It was placed in full with an issuance volume of €2.7 million, with the conversion price set at €2.0805.

In addition, a capital increase from authorized capital 2018 was successfully completed in April 2019 with significant oversubscription and gross proceeds of around €4.2 million.

INVESTOR RELATIONS

We pursue continual and transparent dialogue 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 2018. 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 signing the Company's first licensing agreement with the US drug manufacturer ONCOLOGIE to develop and market our lead compound lefitolimod in China and other Asian countries, for example. We also reported on ongoing research and development work as well as the latest scientific data and findings on our products and studies. In this context, the focus of our publications in 2018 were above all be on the final data obtained from the phase II IMPULSE study in the indication of advanced small-cell lung cancer. TOP-line data from our phase III pivotal IMPALA study in the indication of metastatic colorectal cancer is expected in summer 2019. Moreover, highly promising preclinical data on lefitolimod and its successor molecules EnanDIM® in the field of immuno-oncology and tumor microenvironments was presented at renowned scientific conferences.

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 roadshows in major financial centers throughout Europe and the USA, enabling them to maintain dialogue with potential and existing institutional investors.

REPORT OF THE SUPERVISORY BOARD

»THE CONCLUSION OF A **REGIONAL LICENSING AGREEMENT** FOR THE **IMPORTANT FUTURE GROWTH MARKET OF CHINA** WAS A **SIGNIFICANT MILESTONE** AND LED TO AN **INFLOW OF FUNDS TOTALING €5 MILLION DURING THE REPORTING YEAR.«**

DEAR SHAREHOLDERS,

The following report describes and explains the work conducted by the Supervisory Board of the Company in fiscal year 2018.

COLLABORATION BETWEEN THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

In fiscal year 2018, 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 2018 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.

DR MED. STEFAN M. MANTH
Deputy Chairman and member of the Supervisory Board

DIPL. KFM. OLIVER KRAUTSCHEID
Chairman and member of the Supervisory Board

DR RER. NAT. MICHAEL SCHULTZ
Member of the Supervisory Board

MEETINGS OF THE SUPERVISORY BOARD AND WORK PRIORITIES

In fiscal year 2018, the Supervisory Board convened for a total of 12 face-to-face meetings and 17 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
Q1 2018	1	5	6
Q2 2018	7	0	7
Q3 2018	1	8	9
Q4 2018	3	4	7
Total	**12**	**17**	**29**

The higher frequency of meetings in comparison with the previous year was due in particular to consultancy support for the Executive Board with regard to partnering activities, the implementation of several capital measures in order to secure the Company's financing, changes at the level of both Executive Board and Supervisory Board as well as consultancy on key strategic matters. This increase can be explained by the fact that, due to the size of the Supervisory Board, no committees have been formed.

The Supervisory Board specifically focused on the following key areas:

1. Consultancy services with regard to global and regional partnering activities which require approval including licensing and cooperation concepts in addition to partnering contracts.
2. Consultancy services with regard to funding concepts and funding instruments in addition to resolutions on capital measures including any corresponding amendments to the Articles of Association:
   (a) February 2018: Use of the framework agreement with the US investor Global Corporate Finance for a share placement with gross proceeds of an additional €0.5 million.
   (b) March 2018: Use of the framework agreement with the European High Growth Opportunities Securitization Fund for the issuance of a mandatory convertible bond with gross proceeds of €1 million.
   (c) March 2018: Implementation of a prospectus-exempt cash capital increase with subscription rights involving gross proceeds of around €5 million.
   (d) September 2018: Implementation of a mandatory convertible bond issuance in the amount of €2 million within the framework of the contractual arrangement with the strategic partner ONCOLOGIE Inc.
   (e) September 2018: Implementation of a cash capital increase featuring securities prospectus, securing gross proceeds of €8.2 million.
   (f) December 2018: Preparations for a convertible bond issuance which secured gross proceeds of €2.7 million in January 2019.
3. Consultancy services with regard to corporate strategy, including the preclinical and clinical production portfolio as well as holistic commercial valuation of the lead development candidate lefitolimod and contractual conditions for a potential sale to a global partner which require approval.
4. Consultancy services with regard to risk management, particularly in respect of liquidity management, the lead development candidate lefitolimod and the market and competitive positioning of the Company.

The Supervisory Board's remit for consultancy services and resolutions was also focused on the following additional issues:

- Regular inspections of the Company's financial reports and Supervisory Board report on clinical development.
- Reviewing the annual financial statements 2017 and half-year financial statements 2018, coordination of audit focus with the auditors in addition to commenting upon any potential breaches and early risk recognition. Approval of annual financial statements in accordance with HGB and IFRS.
- Ongoing consultancy services for various clinical and preclinical projects, their progress, findings, and publication.
- Consultancy services with regard to ongoing management of the Company's intellectual property estate (including patents, patent applications and renunciations).
- Monitoring the premise of the going concern principle on a sustained basis.
- Search and support to find court-appointed replacement for Supervisory Board member Susanne Klimek. Submission of proposed nomination of Dr Michael Schultz for the Annual General Meeting held on 8 June 2018.
- Search for a new Chief Executive Officer (CEO), contractual negotiations and appointment of Dr Ignacio Faus to the Executive Board effective 1 August 2018.
- Approval of annual budget for 2018, agreement of targets for 2018 and target achievement for fiscal year 2017 on the part of the Executive Board.
- Resolutions in the context of preparations for the Annual General Meeting 2018 (including Report of the Supervisory Board, auditor proposal, agenda, reverse stock split, among other issues) and pending legal disputes.
- Consultancy and resolution on joint compliance statement of the Executive Board and Supervisory Board in respect of the German Corporate Governance Code.
- Consultancy on adjusting the bond conditions for convertible bonds 2016/24 and 2017/25 in the wake of the resolution of the Annual General Meeting of 8 June 2018 with regard to the reverse stock split carried out in the ratio of 5:1 and preparatory consultancy for the creditor meeting necessary for this measure.
- Consultancy services with regard to a request to convene an Extraordinary General Meeting, including preparing position statement in response and agenda items.

- Consultancy on potential spin-off/sale of the MIDGE® business within the framework of the Next Level strategy.
- Additional approval resolutions including for consultancy agreements, among others.

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: a qualification profile for Executive Board and Supervisory Board members in addition to the structure of committees. 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

No conflicts of interest, which are to be brought to the attention of the Supervisory Board without delay and reported at the Annual General Meeting, arose on the part of members of the Executive Board and Supervisory Board during the reporting year. 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.

COMPOSITION OF EXECUTIVE BOARD AND SUPERVISORY BOARD

As of 1 August 2018, Dr Ignacio Faus was appointed to the Executive Board and assumed the role of Chief Executive Officer (CEO). Dr med. Mariola Soehngen resigned her position on the Executive Board effective 31 October 2018 as planned at the end of her contract and term in office. Dr med. Matthias Baumann and Walter Miller remained members of the Executive Board during the reporting year.

At her own request, Supervisory Board member Susanne Klimek vacated her seat on the Supervisory Board prematurely in May 2018 on account of personal reasons and was replaced by the court-appointed Dr rer. nat. Michael Schultz at the start of June 2018. His appointment was subsequently approved by a large majority at the Annual General Meeting of 8 June 2018. Oliver Krautscheid (Chairman) and Dr med. Stefan M. Manth (Deputy Chairman) remained members of the Supervisory Board during the reporting year.

POST-REPORTING DATE PERSONNEL CHANGES AT BOARD LEVEL

In March 2019, Dr Ignacio Faus (CEO) and the Supervisory Board reached an agreement for the premature termination of his Executive Board service contract. Dr Faus subsequently vacated his seat on the Executive Board as of 31 March 2019. The Supervisory Board appointed Dr med. Stefan Manth as his successor in the role of CEO. This created a gap in the Supervisory Board which is to be filled by a court-appointed independent industry expert.

Walter Miller's Executive Board contract and term in office expired as of 31 March 2019. The Chief Financial Officer (CFO) decided not to extend his contract and therefore left the Executive Board as of this date.

ANNUAL FINANCIAL STATEMENTS AND INDIVIDUAL FINANCIAL STATEMENTS, AUDIT

At the Annual General Meeting held on 8 June 2018, Baker Tilly Roelfs AG Wirtschaftsprüfungsgesellschaft, Leipzig, was re-elected as auditor for the fiscal year ending on 31 December 2018. 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 2018, prepared by the Executive Board in accordance with the provisions of the German Commercial Code (HGB), and the management report for fiscal year 2018, prepared by the Executive Board, were audited by Baker Tilly. The Executive Board also prepared individual annual financial statements as of 31 December 2018 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 focus of the audit was: Provisions for outstanding invoices of clinical service providers as well as information on other financial obligations, the accounting-related internal control system, the review of the going concern assumption, the accounting treatment of the convertible bonds, the completeness of the notes and the completeness and correctness of the presentation in the Management Report.

The audit focused on the following issues: Provisions for outstanding invoices from clinical service providers as well as information on other financial obligations, the accounting-related internal control system, monitoring the premise of the going concern principle, accountancy approach for convertible bonds, the completeness of information contained in the Notes to the annual financial statements in addition to the completeness and accuracy of the portrayal of the Company in the Management Report.

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 Board meeting on 25 April 2019, 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 2018 by the Supervisory Board: the Company's Management Report, target-actual deviations from the budget for the year, accounts payable balances and going concern.

At its accounts meeting on 30 April 2019, the Supervisory Board approved the audited annual financial statements as of 31 December 2018 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 med. Matthias Baumann, Walter Miller, Dr med. Mariola Soehngen and Dr Ignacio Faus, as well as all MOLOGEN AG employees, for their commitment and exceptional service during the reporting year. We would also like to express our gratitude to our shareholders for their continued trust in the Company.

Berlin, April 2019

Oliver Krautscheid
Chairman of the Supervisory Board

»IN 2018 WE COMPLETED FURTHER **CAPITAL MEASURES SUCCESSFULLY.«**

02 | FINANCIAL INFORMATION

MANAGEMENT REPORT

MANAGEMENT REPORT

1. FUNDAMENTALS

1.1 BUSINESS MODEL

Mologen AG (hereinafter: MOLOGEN) is an international biopharmaceutical company with a primary research focus on oncology and HIV. This is based on 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 investigations and clinical studies. 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.

1.2 TARGETS AND STRATEGIES

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: the evolution from a research company to a product and market-oriented company (cf. sub-section "Strategy" in Chapter 1 of the Annual Report). MOLOGEN's pipeline is focused on products which are already in preclinical and clinical development.

SUMMARY OF STRATEGY: OVERVIEW OF MAIN ELEMENTS

Value generation based on our TLR9 expertise – portfolio focus on TLR9 agonist product family with the lead product, lefitolimod, and the next-generation molecules, EnanDIM®; focus on immunotherapies with numerous possible indications:

- Clinical development of own projects
- Partnering for suitable, individual stage targets
  - Preparation for potential market launch of products
- Exploiting potential of TLR9 agonist lefitolimod in various cancer indications:
  - Phase III pivotal study in metastatic colorectal cancer; top line data expected in summer 2019
  - Recently concluded phase II study in extensive-stage small cell lung cancer as basis for the further development of an indication that is extremely difficult to treat for which there is a high unmet medical need
  - Encouraging results from ongoing phase I study in a combination therapy with a checkpoint inhibitor and strong preclinical data support the planning and possibly carrying out further innovative monotherapy and combination studies in various solid tumor indications

Developing innovative treatment options for infectious diseases such as HIV

- Phase I TEACH study effectively confirmed lefitolimod's immune stimulation potential in HIV patients as well
- Start of a combination study with monoclonal antibodies in 2019 with the aim of maintaining immunological control over HIV:
  - Investigator initiated trial (IIT), placebo-controlled, double blind phase IIa study with lefitolimod in combination with two monoclonal antibodies
- In addition, at advanced planning stage for a further combination study with a leading U.S. center

- 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 financial resources become available

1.3 CONTROL SYSTEM

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 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.

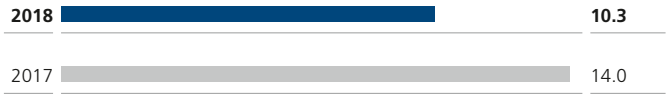
1.4 RESEARCH AND DEVELOPMENT (R&D)

In fiscal year 2018, the main activities of R&D were above all on clinical studies with the lead product, lefitolimod: the phase III IMPALA pivotal study in the indication of colorectal cancer; the exploratory phase II IMPULSE clinical 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. In the indication HIV, a further clinical study entitled TITAN was launched and is planned to start in spring 2019.

R&D EXPENSES

Expenses and investment in R&D amounted to €10.3 million in fiscal year 2018 (2017: €14.0 million) and are essentially attributable to the advanced stage resp. conclusion of the two IMPALA and IMPULSE clinical studies with lefitolimod.

R&D expenditure in € million



PRODUCT PIPELINE – FOCUS ON CANCER IMMUNOTHERAPIES WITH WIDE RANGE OF POTENTIAL INDICATIONS

	STUDY	PRECLINICAL	PHASE 1	PHASE 2	PHASE 3
LEFITOLIMOD					
mCRC Monotherapy	**IMPALA**	■	■	■	■
SCLC (extensive stage) Monotherapy	**IMPULSE**	■	■	■	
Advanced solid tumors IO-combination therapy[1]		■	■		
HIV[2] Monotherapy[3]	**TEACH**	■	■		
HIV[2] combination therapy[4]	**TITAN**	■	■	■	
Solid tumors IO-combination therapy		■			
EnanDIM®					
EnanDIM® candidates: Oncology		■			
EnanDIM® candidates: Infectious diseases		■			
MGN1601					
Renal cancer	**ASET**	■	■	■	

■ Oncology ■ Infectious diseases

1 Collaboration with MD Anderson Cancer Center, Texas, U.S.
2 Collaboration with University Hospital Aarhus, Denmark
3 HIV patients under antiretroviral therapy (ART)
4 With broadly neutralizing antibodies

IO = Immuno-oncology / mCRC metastatic Colorectal Cancer / SCLC Small Cell Lung Cancer

MOLOGEN's product pipeline is focused on the close-to-market lead product, lefitolimod, and the next-generation molecules in the EnanDIM® family with two lead product candidates for the treatment of cancer and HIV. In addition, this pipeline contains a cell-based therapeutic vaccine (MGN1601). The further development of this has initially been shelved but could be resumed if financial resources become available or in the context of a partnership.

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.

IMMUNOTHERAPY LEFITOLIMOD

Lefitolimod is an immunotherapeutic drug 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 study with the checkpoint inhibitor Yervoy® (ipilimumab). Furthermore, preclinical studies 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 phase II IMPACT study, the IMPALA study only includes patients with metastatic colorectal cancer in whom a response to the first-line chemotherapy treatment has been clearly radiologically documented, with or without biological drugs (biologics). 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). Overall survival is the primary endpoint of the study. The secondary endpoints include progression-free survival, 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 point of the evaluation is therefore dependent on the actual development of the death rate in the two study arms.

In November 2018, a data-based forecast was most recently published for the expected date for the primary analysis of the IMPALA pivotal study. Based on patient data collected until October 2018 and using adequate statistical methodology, the results on the primary endpoint of the study are expected to be available at some point between this summer and the end of 2019. Looking at the data collected by the start of 2019, the Company provisionally anticipates that the top line data can be presented in summer 2019.

Exploratory phase II study in small cell lung cancer (IMPULSE)

The study had included 101 patients suffering from an extensive disease stage of small-cell lung cancer (SCLC) and whose tumors responded to the standard first-line therapy with chemotherapeutics.

The first findings of the study were presented in April 2017. The final evaluation of the study in February 2018 essentially confirmed the initial evaluation. The final data on the study was presented at the 2018 Conference of the European Society for Medical Oncology (ESMO) in Munich and published in the *Annals of Oncology*, ESMO's flagship scientific journal.

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.

The findings from IMPULSE provide additional key insights into the role of TLR9 agonists in the treatment of cancer and confirm there is significant opportunity to improve treatment outcomes for patients in this therapeutic area.

Based on the insights gained through the IMPULSE study, a strategy for the potential further development of lefitolimod in this indication was developed in collaboration with leading international experts. Subject to the availability of corresponding financial resources, in addition to preclinical studies for the further evaluation of B-cell biomarkers, this involves carrying out clinical combination studies with other immuno-oncological approaches.

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 reduction effect on the virus reservoir was not demonstrated, this study nonetheless delivered important positive results with regard to the effects of lefitolimod on the 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 that study phase 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. These encouraging results, which clearly support the further development of lefitolimod in HIV, were presented at the international Conference on Retroviruses and Opportunistic Infections (CROI) in March 2018.

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

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, USA. This grant was to fund a planned phase IIa TITAN clinical study 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, USA. MOLOGEN will be providing lefitolimod for the trial, which is scheduled to start in the first quarter of 2019. In addition, plans for another combination study with a renowned U.S. center are at an advanced stage.

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 University of Texas MD Anderson Cancer Center (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 will test 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.

Its aim was to initially find the highest tolerable dose of lefitolimod that can be given in combination with Yervoy® (ipilimumab) to patients with advanced tumors. This first phase was successfully completed in 2018. 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 immunotherapies 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 immunotherapies, 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 has already been approved to treat patients with unresectable or metastatic melanoma.

MD Anderson will conduct the trial at its Cancer Center in Texas, USA, and the first patients were enrolled in June 2016. MOLOGEN is providing lefitolimod and contributes to the financing of the study.

The results presented at the congress of renowned expert association *The Society for Immunotherapy of Cancer (SITC)* in Washington, USA, in November 2018 confirm the favorable safety profile of lefitolimod, also in combination with Yervoy® (ipilimumab). Importantly, the detected increase of cytotoxic T cells in tumor biopsies now supports the mechanism of action of lefitolimod regarding the beneficial modulation of the tumor microenvironment (TME) already established in preclinical models in humans as well.

Further clinical studies being planned

Carrying out an exploratory study in colorectal cancer is planned for 2019. The objective is to investigate the effect of lefitolimod on the TME of these patients. Two combination studies with other immuno-oncological approaches in solid tumors are also in an advanced stage of planning and could begin in 2019, provided the necessary funding is attained.

PRECLINICAL STUDIES

In 2018, other preclinical data was presented, showing that lefitolimod results in a positive modulation of the TME. In the colorectal cancer model, a monotherapy with lefitolimod resulted in the conversion of "cold" immunologically inactive tumors into "hot" immunologically active tumors that exhibited an infiltration of tumor cells (e.g. T cells). As expected, this conversion of the TME is associated with a reduction in tumor growth. This is also reflected in notable anti-tumor effects in a murine breast cancer model: in this model, a complete tumor regression was observed in the majority of animals. Of particular note is that in a subsequent re-challenge study, all surviving mice rejected not only the initially used tumor cells but also a different tumor cell line without other treatment, indicating the induction of a broad systemic immune response against various tumor types. Lefitolimod is therefore potentially the perfect partner for immuno-oncological combination therapies, as the response rates to treatments with checkpoint inhibitors are dependent on the TME, for example: "hot" tumors demonstrated the better response. The lefitolimod-induced pathway that leads to this beneficial TME modulation therefore provides the rationale for combining lefitolimod with checkpoint inhibitors.

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 mechanism 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, such as 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.

Strong preclinical data was presented in April 2018 at the Annual Meeting of the American Association for Cancer Research (AACR) in Chicago, Illinois, USA. The monotherapy with EnanDIM® in murine tumor models resulted in beneficial modulation of the TME translating into remarkable anti-tumor effects with highly increased survival rates. In two cancer models, complete tumor regression was observed in the majority of mice. Importantly, in a subsequent re-challenge study all surviving mice rejected tumor cells without other treatment, which indicates a sustained anti-tumor memory of the immune system. The data therefore provides an excellent basis for the further development of EnanDIM® in cancer. A summary presentation of the EnanDIM® family, including the molecular design, mechanism of action and preclinical data, was published in the renowned *Journal for ImmunoTherapy of Cancer* at the start of 2019. The preclinical development of a first candidate from the EnanDIM® family progressed as planned and the start of the clinical phase is expected for the end of 2019.

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 very 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.

The further development of this has currently been shelved but could be resumed if financial resources become available or in the context of a partnership.

COMPOUND CANDIDATES IN MIDGE® PLATFORM TECHNOLOGY

For strategic reasons, the decision was made to sell or spin-off the MIDGE® platform technology together with all associated compound candidates. This technology forms the basis for the active substance MGN1331 (leishmaniasis vaccine).

In fall 2017, a grant of approximately €2.2 million converted was made available to MOLOGEN by 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 MIDGE® project and the work can be handed over to a future partner.

COOPERATIONS AND PARTNERSHIPS

For the out-licensing of the lead product candidate, lefitolimod, a first licensing contract was signed with U.S. biotech company ONCOLOGIE in February 2018.

2. ECONOMIC REPORT

2.1 MACROECONOMIC AND INDUSTRY-RELATED CONDITIONS

Macroeconomic development

- Global economy almost unchanged in 2018 when compared with the previous year, but expectations are lower for 2019
- At 1.8% growth in 2018, European economy significantly weaker than in 2017
- Development of German economy continues to be positive, but moderated by the problems in the automotive industry, among other factors

In 2018, the global economy remained almost on a par with the previous year. The International Monetary Fund (IMF) is predicting that global economic growth will be 3.7% for 2018 and has therefore lowered its forecast by 0.2 percentage points since January 2018. The IMF is expecting a further downward trend for 2019 as well, with experts predicting a slight decline in the growth rate of the global economy to 3.5% in 2019. This projection reflects the challenges that must be confronted in advanced economies as well as emerging markets and developing economies.

These include the trade dispute between the USA and China, currency turbulence in emerging markets such as Argentina and political conflict in Turkey.

Uncertainty also prevails in Europe. For 2018, market experts are predicting economic growth of 1.8% for the eurozone, which is 0.6 percentage points less than in 2017. In 2019, economic growth is projected to be an even lower 1.6%. One of the main risks that could negatively impact growth in the coming months continues to be the imminent departure of the UK from the European Union (Brexit) and the impact that this might have on the entire eurozone, especially if a "no deal" Brexit is the outcome of the withdrawal process.

The German economy remained on a growth trajectory into the third quarter of 2018. According to the German Federal Statistical Office, the gross domestic product (GDP) was up 1.5% on the previous year in 2018 and consequently amounted to approximately €3.39 trillion. However, in the third quarter the economy began to experience a slight slowdown. While the construction industry is booming, crisis is looming in the automotive industry, which is in turn having a significant impact on the economy of Germany as a whole and also of Europe. At present, the IMF is predicting economic growth in Germany of 1.3% for 2019.

DEVELOPMENT OF THE PHARMACEUTICAL AND BIOTECHNOLOGY INDUSTRIES

- Total global expenditure is set to increase to US$1.5 trillion by 2021
- Global market volume for cancer therapies is forecast to rise to US$223 billion in 2024
- Cancer immunotherapies are revolutionizing the treatment of tumor diseases

The market research company IQVIA™ (formerly Quintiles and IMS Health, Inc.) continues to project robust growth for the pharmaceuticals market. Accordingly, total global expenditure on drugs will rise to around US$1.5 trillion by 2021. 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 2018 from the German Pharmaceutical Industry Association, sales of pharmaceuticals amounted to around US$1,143 billion worldwide in 2017 and were therefore approximately 2.5% 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. According to pharmaceutical data for 2018, China has even become established as the world's second largest individual market, immediately following the USA. Sales in China amount to almost €104 billion now.

Drugs for the treatment of cancer make up the largest share of drug sales, and this is an upward trend. According to IQVIA™, US$133 billion was spent on cancer medication worldwide in 2017. By 2022, cancer treatments will have generated global sales of up to US$200 billion. In the area of prescription pharmaceutical drugs, the share of biotechnologically produced drugs is expected to rise to 31% by 2024. In 2017, the share was 25%.

Sharp rise in incidence of cancer expected

According to a report from the International Agency for Research on Cancer (IARC), there were 18.1 million new incidences of cancer in 2018. In the same year, 9.6 million deaths were attributed to the disease. 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. 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 more than US$200 billion in this segment for 2024. 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 12.2% up to 2024.

Industrial investment in cancer research and the development of innovative new cancer treatments continues to be high. According to IQVIA™, it accounts for more than 30% of all product development. The IQVIA™ report "Global Oncology Trends 2018" states that 63 cancer drugs have been launched in the last five years, each approved in one or more tumors, impacting the treatment of 24 different cancer types.

Market potential of cancer immunotherapies is over US$100 billion

The highly promising area of cancer immunotherapies has the potential to revolutionize the treatment of tumors. The rise of immuno-oncology since the first launches in 2014 has been largely centered on the PD-1 and PD-L1 mechanisms, known as checkpoint inhibitors, which have broad efficacy across solid tumors and are used across 23 different tumor types. Estimates from the market research organization Research and Markets project that the market for cancer immunotherapies could rise to more than US$100 billion by 2024. According to Research and Markets, there are currently 3,863 cancer immunotherapy products in the pipeline. A study conducted by Research and Markets found that checkpoint inhibitors alone are expected to generate sales of approximately US$25 billion by 2022. Taking into account the market success of checkpoint inhibitors to have already been approved, we anticipate that this figure could also be significantly higher.

High market potential in area of infectious diseases

Alongside application in oncology, immunotherapy treatments are also being investigated in the fight against infectious diseases such as HIV. 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.

Pharma and biotechnology sector: Major challenges and attractive opportunities

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 healthcare 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 Brexit and the healthcare reforms in the USA being implemented by U.S. President Donald Trump, will have on the global pharmaceutical and biotechnology industries in the short and 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 in the future 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 USA and, in this context, the continuing cost pressure in healthcare 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.

2.2 BUSINESS PERFORMANCE

- Ongoing implementation of the strategy: strong product and market orientation with a focus on TLR9 product family with lefitolimod and the next-generation technology EnanDIM®
- Clinical studies with lead product candidate, lefitolimod:
  - Phase III IMPALA study in metastatic colorectal cancer: top line data expected in summer 2019
  - IMPULSE study in extensive-stage small cell lung cancer (ES-SCLC): final evaluation of results was completed in the first quarter of 2018, then presented at the ESMO Congress and published in renowned scientific journal *Annals of Oncology*
  - In the indication of HIV, detailed study results were presented on an extension phase of the phase Ib/IIa TEACH study in March 2018 in the context of the international scientific conference. The further development strategy in this indication plans to use lefitolimod in the context of combination therapies. As was the case with the preceding TEACH study, the TITAN study will be carried out in collaboration with Aarhus University Hospital in Denmark and lefitolimod in combination with monoclonal antibodies. A further combination study in partnership with a leading U.S. center is currently being planned.
  - The phase I combination study with the checkpoint inhibitor Yervoy® in cooperation with the University of Texas MD Anderson Cancer Center reached an important milestone: the first phase of the study to evaluate the safety of the combination therapy and ascertain the highest tolerable dosage of lefitolimod was successfully completed in 2018. For the first time, the positive effect on the tumor microenvironment (TME) identified from preclinical investigations was also shown in patients. This highly encouraging data was presented at the conference of the Society for Immunotherapy of Cancer (SITC) in November 2018.
- Advancement of strategy for lefitolimod in East Asian markets (China, Hong Kong, Macao, Taiwan and Singapore) with the 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 international conferences and published in distinguished scientific journals. The fact that the available data supports the assumption that lefitolimod and EnanDIM® successfully create a modulation of the tumor microenvironment (TME) and could potentially be a perfect partner for immuno-oncological combination approaches with its favorable safety profile is particularly noteworthy.
- From 1 August 2018 to 31 March 2019, Dr Ignacio Faus was Chief Executive Officer (CEO) of the Executive Board of MOLOGEN AG. On 27 March 2019, Dr Stefan M. Manth was appointed as a member of the Company's Executive Board and Chief Executive Officer, with effect from the completion of the capital measure being implemented at the time of his appointment.
- Capital inflow of just under €20 million through capital measures and revenue from a licensing and development cooperation contract with ONCOLOGIE

The focus of the business activities in fiscal year 2018 was on the implementation of the Next Level strategy and the lead product candidate, lefitolimod. This includes talks with potential cooperation and licensing partners as well as preparatory activities on possible approval of lefitolimod. The clinical studies with lefitolimod progressed further and reached significant milestones. In addition, the continuation of the preclinical EnandDIM® development program was a focus with the goal of initiating clinical development by the end of 2019.

FIRST LICENSING CONTRACT FOR LEAD PRODUCT, LEFITOLIMOD

An important milestone was reached with the conclusion of a licensing and co-development contract with U.S. company ONCOLOGIE in February 2018. On conclusion of the contract, MOLOGEN received a first payment of €3 million. Headquartered in Boston, Massachusetts, USA, with operations also in Shanghai, China, the company specializes in cancer treatments and intends to develop innovative personalized drugs in the area of immuno-oncology. The contract with ONCOLOGIE covers the development, manufacturing and commercialization of lefitolimod in China including Hong Kong, Macao, Taiwan and Singapore as well as a potential global development cooperation.

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.

In addition to the initial payment and the investment, the parties agreed on further development and commercialization milestones. They will be 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 receive 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.

Additionally, a non-binding term sheet regarding a global assignment of all intellectual property and other rights in MOLOGEN's lead compound lefitolimod to ONCOLOGIE was signed between the two companies on 15 August 2018, which also outlined an expansion of the existing global co-development agreement between MOLOGEN and ONCOLOGIE. However, the negotiations with ONCOLOGIE did not result in a mutually satisfying conclusion within the set time frame and were therefore terminated. Particularly with regard to the fact that the top line data from the phase III IMPALA pivotal study were now expected to be available earlier than initially predicted – this could be as early as summer 2019 – MOLOGEN has decided not to prolong the exclusivity period for the negotiations with ONCOLOGIE and to review all potential strategic options. These include the re-opening of discussions with other parties that in the past have shown interest in lefitolimod as well as continuing the development of lefitolimod without the support of third parties.

During the exclusivity period, ONCOLOGIE had presented new conditions resp. terms for the transaction that were much inferior to those previously negotiated. After extensive discussions between the management teams of the two companies, and an internal assessment of the new proposed terms. Therefore, MOLOGEN had decided to not pursue this potential transaction. In the three months of the exclusivity period, MOLOGEN also learned that the read-out from IMPALA may come much earlier than expected. As a consequence, the Company decided to not execute a corporate transaction with ONCOLOGIE at this point and to retain the rights to the asset and thus potential upside of the product for the Company. On availability of top line data from IMPALA, MOLOGEN will launch a campaign to out-license or sell lefitolimod.

MOLOGEN had issued to ONCOLOGIE a mandatory convertible bond without subscription rights in the amount of €2 million.

Consequently, MOLOGEN has so far received overall payments of €5 million as part of the cooperation with ONCOLOGIE.

At present, MOLOGEN and ONCOLOGIE are in discussions about the possible further study program in context of the global development cooperation.

NEW CHIEF EXECUTIVE OFFICER (CEO)

From 1 August 2018 to 31 March 2019, Dr Ignacio Faus was Chief Executive Officer (CEO) and member of the Executive Board of MOLOGEN AG. He was responsible for the areas of Business Development, Investor Relations & Corporate Communications, Partnering, Production and Strategy. On 27 March 2019, Dr Stefan M. Manth was appointed as a member of the Company's Executive Board and Chief Executive Officer, with effect from the completion of the capital measure being implemented at the time of his appointment. Dr Manth will transfer directly from the Supervisory Board to take up this role.

NEW MEMBER OF SUPERVISORY BOARD

Dr Michael Schultz has been a new member of the Supervisory Board since 4 June 2018.

ACHIEVEMENT OF OBJECTIVES IN 2018

In the main, MOLOGEN achieved the corporate objectives for 2018 outlined in the outlook. The clinical studies progressed according to plan and a licensing and development cooperation contract for lefitolimod was signed in February 2018. In the context of commercialization activities, further negotiations took place on the regional and global licensing of lefitolimod. Preclinical activities on the further development of the product pipeline continued in a targeted way. To fund its business operations, the Company raised financial resources, besides the revenues (from the initial payment of ONCOLOGIE Inc.) in the amount of about €16.7 million in 2018.

After successful completion of patient recruitment for the IMPALA pivotal study in the indication colorectal cancer in 2017, the treatment of the enrolled patients continued in 2018. In addition, preparations for the evaluation of the study moved forward. Top line data on this study is expected to be available in summer 2019. In the first quarter of 2018, the comprehensive evaluation of data from the IMPULSE study was carried out as planned and the initial results confirmed. Further progress was made in the first combination study of lefitolimod with Yervoy® in collaboration with the MD Anderson Cancer Center, USA, and the first study phase for ascertaining the dosage was concluded. Beyond this, the focus was on the planning of further combination studies with lefitolimod and the preclinical development of the next-generation molecules in the EnanDIM® family.

Conceptually, activities for the outsourcing of lefitolimod production to a contract manufacturer and the upscaling of production to the market standard continued. But the implementation, i.e. the cost-intensive technology transfer and corresponding production runs, was deferred because of limited financial resources, and they are to be resumed with partners in conjunction with licensing agreements or other partnerships being concluded.

In February 2018, a licensing and cooperation contract for the key markets in Asia, including China, was signed with ONCOLOGIE Inc. and first payments of €5 million received, of which €3 million was an initial payment and €2 million in the form of a mandatory convertible bond. With this agreement, the Company has reached an important strategic target: the first successful out-licensing of lefitolimod.

Through the conclusion in 2017 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 received funds of around €0.5 million in 2018. At the start of 2018, a framework agreement for the placement of a convertible bond with a volume of up to €12 million was concluded with the European High Growth Opportunities Securitization Fund. Through this, MOLOGEN received €1.0 million in 2018. There was also a capital increase with subscription rights amounting to around €5 million from authorized capital, which was successfully completed and fully placed in March 2018, and a capital increase on the basis of an issuing prospectus, which was completed in September 2018. The latter capital increase from authorized capital was not fully subscribed and resulted in gross issue proceeds of €8.2 million. Taking into account the mandatory convertible bond subscribed by ONCOLOGIE in the amount of €2.0 million, the Company received a total of around €16.7 million through capital measures in 2018. At the end of 2018, preparations were made for the issuance of a further convertible bond, which was fully placed in January 2019. The oversubscribed bond generated inflows of €2.7 million in total.

The acquired funds are essentially required for the scheduled implementation of research and development programs.

As planned, expenditure in the area of research and development was reduced significantly. This decline reflects the focus on close-to-market projects of the Company. The TEACH and IMPULSE studies were also concluded. In addition, the running costs for the IMPALA study decreased after the end of patient recruitment. The overall level of expenditure in the area of research and development was in turn responsible for the net loss for the year of €11.9 million. However, owing to the decreasing expenditure in this area and the initial payment by ONCOLOGIE, the annual result has improved in line with expectations.

Average monthly cash consumption has further declined in comparison with the previous year. This was essentially attributable to the fall in R&D expenses as well as the shelved activities relating to the outsourcing and upscaling of production.

In line with planning, the number of employees once again fell slightly in fiscal year 2018. From 1 August 2018 to 31 March 2019, Dr Ignacio Faus was Chief Executive Officer (CEO) of MOLOGEN. Following the completion of the capital measure being implemented at the time of his appointment, Dr Stefan M. Manth took up the role of CEO on 27 March 2019. The former Chief Financial Officer, Walter Miller, informed the Company in October 2018 that he would not be seeking to extend his contract when it expires on 31 March 2019.

2.3 SITUATION

- R&D expenditure of €10.3 million (2017: €14.0 million)
- EBIT of €–11.3 million (2017: €–18.7 million)
- Average cash utilized per month of €1.1 million (2017: €1.7 million per month)
- Cash and cash equivalents of €8.0 million at the end of the financial year (2017: €6.5 million)

Overall, the Company's financial performance and financial position have developed according to plan. With the cash inflows from the convertible bond issued in January 2019 and the capital increase carried out in April 2019, the cash and cash equivalents available on the reporting date cover the short-term financial needs of the Company up to the end of 2019. Further capital measures are planned for fiscal year 2019. For information on additional financing needs, please refer to the section entitled "Financial risks".

2.3.1 RESULTS OF OPERATIONS

IFRS:

In fiscal year 2018, MOLOGEN generated revenues totaling €3.05 million, up considerably on the prior year (2017: €0.05 million). They essentially resulted from an initial payment in conjunction with a licensing agreement. As in the prior period, low sales were achieved through the sale of goods and services for research in 2018.

Other operating income was also at a significantly higher level of €1.1 million (2017: €0.07 million) and above all related to the receipt of project-specific grants.

The cost of materials amounted to €6.5 million (2017: €9.8 million), and incurred in connection with carrying out clinical studies. In particular, this included charges for external services of €6.4 million (2017: €9.6 million). The decrease in expenditure mainly resulted from the conclusion and/or advanced stage of clinical studies.

Other operating expenses decreased slightly to €3.8 million (2017: €3.9 million); this essentially includes expenses for business development, patents, legal and consulting costs as well as general administration costs.

At €5.1 million, personnel expenses were unchanged on the prior year (2017: €5.1 million), despite staff changes at Executive Board level and a change in the number of employees.

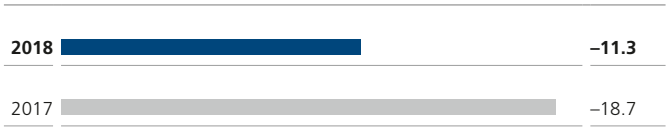
Scheduled depreciation and amortization of €0.04 million was applied to assets (2017: €0.05 million). In the reporting year, scheduled depreciation and amortization decreased further owing to a reduction in tangible assets.

On account of interest expenses in relation to the issuance of convertible bonds, financial result was negative at €–0.58 million and more or less on a par with the previous year (2017: €–0.58 million).

Of the total expenses, €10.3 million was used for R&D projects (2017: €14.0 million). These expenses were primarily incurred in connection with conducting the IMPALA clinical study.

EBIT amounted to €–11.3 million (2017: €–18.7 million).

EBIT in € million



HGB:

In fiscal year 2018, revenues at MOLOGEN significantly exceeded the prior year's figure at €3.05 million (2017: €0.05 million). This essentially resulted from an initial payment in connection with a licensing agreement.

At €1.3 million, other operating income was also at a considerably higher level (2017: €0.3 million). The increase was mainly attributable to project-specific grants received.

The cost of materials amounted to €6.6 million (2017: €9.9 million) and was primarily incurred in connection with the implementation of clinical studies. This included, in particular, charges for external services amounting to €6.5 million (2017: €9.8 million).

Other operating expenses increased slightly to €4.8 million (2017: €4.1 million); this essentially includes expenses for business development, patents, legal and consulting costs as well as general administration costs.

At €4.9 million, personnel expenses were at the prior year's level (2017: €4.9 million).

Scheduled depreciation and amortization of €0.04 million was applied to assets (2017: €0.05 million). In the reporting year, scheduled depreciation decreased further owing to a reduction in tangible assets.

As expected, on account of interest expenses in relation to the issuance of convertible bonds, the financial result was negative at €–0.61 million and more or less on a par with the prior year (2017: €–0.58 million). The net loss for the year was €–12.7 million in 2018 (2017: €–19.2 million).

2.3.2 & 2.3.3 NET ASSETS AND FINANCIAL POSITION

The financial management of MOLOGEN is designed to provide sufficient funding to enable the implementation of the business strategy. R&D 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. At the same time, debt capital is used as an alternative source of funding.

By resolution on 20 February 2018, the Executive Board, with the approval of the Supervisory Board, entered into a framework agreement with the European High Growth Opportunities Securitization Fund (EHGO), Luxembourg, for the issuance and subscription of convertible bonds with a volume of up to €12 million, pursuant to the resolution of the Annual General Meeting of MOLOGEN on 18 April 2017 (conditional capital 2017-1).

On both 1 March 2018 and 20 March 2018, ten partial bonds of €50,000.00 each were issued without subscription rights for shareholders and fully subscribed by the European High Growth Opportunities Securitization Fund. Cumulatively, the two tranches allowed MOLOGEN to raise €1.0 million. The zero-coupon convertible bonds (mandatory convertible notes) had a term of 12 months and were converted into 557,293 shares in the Company by the European High Growth Opportunities Securitization Fund by April 2018. The conversion price corresponded to 90% of the Volume Weighted Average Price (VWAP) of the Company's shares 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).

By resolution on 1 September 2018, 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 8 June 2018 (conditional capital 2018).

On 1 September 2018, four partial bonds of €500,000.00 each were issued without subscription rights for shareholders under the mandatory convertible bond (WSV 2018/2023), with a nominal volume of €2.0 million, and completely subscribed by ONCOLOGIE Inc. The convertible bond features a maturity of five years and will be converted at its nominal value on the final maturity date.

The convertible bond is a zero-coupon mandatory convertible note. ONCOLOGIE is entitled to convert the first convertible notes into MOLOGEN shares starting from (and including) 2 January 2019 up to the 40th day prior to the final maturity date on 3 September 2023. The convertible bond can be converted into a maximum of 206,143 shares of the Company. The initial conversion price of €9.702 corresponds to the ten-day volume-weighted average stock price (XETRA) plus a 30% premium.

By resolution on 19 December 2018, the Executive Board decided, with the approval of the Supervisory Board, to issue another convertible bond (convertible bond 2019/2027) under partial utilization of the authorization granted by the Annual General Meeting of the Company on 8 June 2018. By resolution on 27 December 2018, the Executive Board decided, with the approval of the Supervisory Board, to change the subscription conditions of the convertible bond. The convertible bond 2019/2027 with a total nominal value of up to €2,707,050.00, divided into up to 270,705 partial bonds of €10.00 each and a maturity of 8 years up to 20 January 2027, offers fixed annual interest of 6.00% and the right of the bond holders to convert the convertible bonds into a maximum of 1,301,153 shares in the Company at an initial conversion price of €2.0805.

On 21 January 2019, 270,705 partial bonds of €10.00 each were issued under convertible bond 2019/2027 with a total nominal value of €2.7 million. On the final maturity date, 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.

Interest will be paid on convertible bond 2019/27 from (and including) 20 January 2019. 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 2019 for the period from the issue date up to 31 March 2019.

By resolution on 23 January 2018, 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 €34,571,098 to €34,771,098 through the issuance of 200,000 new no-par bearer shares, on the basis of registered authorized capital. The new shares were placed privately at an issue price of €2.225 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 issue proceeds amounted to €445,000.00.

By resolution on 15 February 2018, the Executive Board decided, with the approval of the Supervisory Board, to increase the share capital against contributions in cash of shareholders from €34,797,158 to €37,154,526 through the issuance of 2,357,368 new no-par bearer shares, on the basis of registered authorized capital. The new shares were offered to existing shareholders at a price of €2.12 each, with 1,479,295 no-par value shares allocated to shareholders. The shares

not subscribed during the subscription period were allocated at the subscription price in an oversubscription and in the context of international private placement in select countries. Gross proceeds from the issue totaled approx. €5.0 million.

By resolution on 1 September 2018, the Executive Board decided, with the approval of the Supervisory Board, to increase the share capital against contributions in cash from €7,537,287 to up to €11,305,930 through the issuance of up to 3,768,643 new no-par bearer shares, on the basis of registered authorized capital. The new shares were placed in the context of a public offer in Germany and Luxembourg. Existing shareholders were granted a subscription right at a ratio of 2:1. The new shares were offered at a price of €4.70 each. A total of 1,734,345.00 new shares were placed. Gross proceeds from the issue totaled €8.2 million.

The funds raised through the issuance of convertible bonds and the capital increase will finance the Company's R&D programs, especially in conjunction with the IMPALA clinical study, other smaller clinical studies with partners and preclinical projects and the ongoing business operations needed for this purpose.

On 26 October 2018, the Company reached an agreement with the sole respectively majority creditor of convertible bond 2016/2024 and convertible bond 2017/2025 respectively with regard to waiving exceptional rights of termination and adjusting the bond conditions for both convertible bonds. The adjustment of the bond conditions for convertible bond 2017/2025 was subject to approval by a vote at a meeting of creditors. This took place after the balance sheet date. In turn, the adjustments aimed at waiving an existing exceptional rights termination became necessary on account of the Company carrying out a capital reduction in summer 2018. With regard to convertible bond 2016/2024, the conversion price was reduced from €7.50 to €2.7425, while the interest rate was raised from 6 % to 8 %. In the event of a change on control, the bond creditors will have the right to demand premature repayment of individual or all bonds at 103 % of the nominal value plus accrued interest. With regard to convertible bond 2017/2025, a reduction in the conversion price from €7.61 to €2.46 was agreed.

IFRS:
The balance sheet total has risen to €9.4 million (12/31/2017: €8.1 million).

As of 31 December 2018, cash and cash equivalents accounted for a share of assets amounting to €8.0 million (12/31/2017: €6.5 million). This includes around €1.1 million attributable to grants, which is therefore earmarked for use in specific research activities related to MIDGE® technologies.

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

The volume of capital expenditure made in fiscal year 2018 was less than the total of scheduled depreciation and amortization. At €0.02 million, non-current assets as of 31 December 2018 were below the level on the prior year's reporting date (12/31/2017: €0.04 million).

The development of equity and liabilities is strongly influenced by non-current liabilities, which were up year on year, at €7.1 million as of 31 December 2018 (12/31/2017: €5.5 million). This increase was essentially due to liabilities incurred in connection with the issuance of a further convertible bond (mandatory convertible bond) in fiscal year 2018, which was subscribed by ONCOLOGIE.

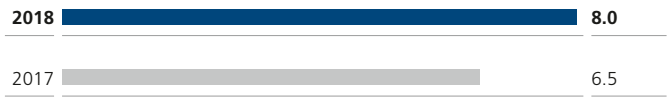
Long-current debt as at 31 December 2018 amounted to €5.6 million (31 December 2017: €5.5 million).

The level of equity amounted to €–0.9 million as at 31 December 2018 (31 December 2017: €–4.9 million). The equity ratio is negative (31 December 2017: negative equity ratio). Due to capital increases, the conversion of convertible bonds, redemption of equities and a capital reduction, the capital stock changed from €34.3 million to €9.3 million. Capital reserves changed due to the issuance of a mandatory convertible bond, by conversions, capital increases as well as capital reserves being written back. In addition, the costs of equity capital procurement, amounting to €0.9 million (31 December 2017: €0.2 million) were netted in the capital reserve and personnel expenditure was recognized, amounting to €0.2 million (31 December 2017: €0.3 million). Accordingly, capital reserves declined by a total of €99.1 million.

At €4.7 million, current liabilities as of 31 December 2018 were down on the level recorded as of the prior year's reporting date (12/31/2017: €7.5 million). This essentially resulted from a decrease in liabilities and provisions in connection with clinical studies.

Other financial liabilities amounted to €5.8 million overall as of 31 December 2018 (12/31/2017: €11.8 million). These liabilities were essentially due to the conclusion of short-term service contracts for clinical studies, especially for the IMPALA clinical study that was started 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



HGB:
The balance sheet total decreased to €13.7 million (12/31/2017: €14.5 million).

The share of liquid funds in relation to assets as of 31 December 2018 was €8.0 million (12/31/2017: €6.5 million). This included around €1.1 million attributable to grants, which is therefore earmarked for use in specific activities related to MIDGE® technology.

The volume of investments made in fiscal year 2018 was less than the total of scheduled depreciation and amortization. As of 31 December 2018, non-current assets amounted to €0.02 million (12/31/2017: €0.04 million).

The trend in equity and liabilities was significantly impacted by convertible bonds. At €9.0 million as of 31 December 2018, they exceeded the level as of the prior year's reporting date (12/31/2017: €7.0 million). This increase essentially resulted in connection with the issue of further convertible bonds in fiscal year 2018, which were subscribed by ONCOLOGIE.

Other provisions amounted to €2.9 million as of 31 December 2018 (12/31/2017: €4.4 million). These essentially related to provisions for clinical studies of €1.7 million (12/31/2017: €3.4 million).

The deficit not covered by shareholders' equity amounted to €2.5 million as of 31 December 2018 (12/31/2017: €4.9 million).

Prepaid income relates to deferred revenues from a development project. As of 31 December 2018, prepaid income amounted to €1.1 million (12/31/2017: €2.1 million).

LIQUIDITY DEVELOPMENT

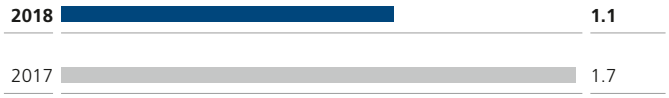
Cash and cash equivalents used for operating activities in 2018 in the amount of €13.7 million were below the previous year's level (2017: €19.1 million) and were mostly committed to research and development.

Cash flows from investing activities totaled €–0.009 million in 2018 (2017: €0.006 million).

At €15.2 million, cash flow from financing activity was significantly higher than the previous year's figure (2017: €5.1 million) and influenced by the cash inflows from the convertible bonds and the cash capital increases.

Monthly cash consumption (taking into account incoming payments from revenue and costs of equity procurement) amounted to an average of €1.1 million and was therefore lower than in the reference period (2017: €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 against the annual financial statements as of 31 December 2018 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.
- Costs directly attributable to the issuance of new shares, the equity component of convertible bonds or employee stock options are recorded in shareholders' equity as a deduction from the issue proceeds.

Earnings after taxes 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 €–12.7 million for fiscal year 2018 (2017: €–19.2 million). Deviations in the HGB annual financial statements in comparison with the IFRS individual annual financial statements mainly arose in personnel expenses, other operating expenses and 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 €0.2 million lower (2017: €0.3 million).

However, in comparison with the IFRS individual annual financial statements, costs in connection with equity procurement of €0.9 million in total were recorded as expenditure in personnel expenses and other operating expenses (2017: €0.2 million).

In addition, other operating income in accordance with the HGB totals €1.3 million and therefore deviates from that in the IFRS individual annual financial statements of €1.1 million. This results from possible or necessary balancing with corresponding expenses in accordance with international accounting rules.

As in the IFRS individual annual financial statements, the expenses for R&D recorded in the annual financial statements were €10.3 million and therefore down on the prior year's value (2017: €14.0 million).

The shareholders' equity of the annual financial statements in accordance with the HGB differs from the level of the IFRS individual annual financial statements. The difference results from the different reporting of the mandatory convertible bond 2018/2023. In the IFRS individual financial statements, the mandatory convertible bond is recognized in equity. In the HGB annual financial statements, they are reported under liabilities. 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 equal one another out in shareholders' equity. The balance sheet total of the annual financial statements 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 €9.0 million, while the interest rate advantage of €1.9 million is posted in prepaid expenses and deferred charges. 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.

2.4 FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

FINANCIAL PERFORMANCE INDICATORS

Main activity of the company is the further research and development of proprietary product candidates with a focus on lefitolimod and the next-generation molecules from the EnanDIM® family, with the aim of licensing these to partners from the biotech and pharmaceutical industries. Preparatory activities for the potential market approval of lefitolimod and for the start of clinical studies of a select EnanDIM® candidate are becoming ever more important. Ensuring sufficient liquidity in order to carry out the R&D programs within the planned scope and timeframes as well as being able to support the licensing activities with the generated data therefore continues to be essential.

Given that MOLOGEN does not yet have significant regular revenues from license agreements at its disposal, earnings before tax (EBT) and the volume of cash and cash equivalents are the key financial performance indicators. In fiscal year 2018, EBT was €–11.9 million (2017: €–19.3 million). EBT of €–15.6 million is projected for fiscal year 2019. Cash and cash equivalents amounted to €8.0 million as of 31 December 2018 (12/31/2017: €6.5 million). Of this, around €1.1 million stems from grants and is therefore earmarked for use only in specific research activities related to MIDGE® technologies. Cash and cash equivalents as of the end of fiscal year 2019 will essentially depend on further capital measures to be carried out in the second half of the year.

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. For the four clinical studies with lefitolimod, important milestones were reached in 2018. Especially worth noting in this respect is the phase III IMPALA study in metastatic colorectal cancer. Based on the data collected at the start of 2019, MOLOGEN anticipates that the top line data can already be presented in summer 2019. For the exploratory phase II IMPULSE study in extensive-stage small cell lung cancer (ES-SCLC), the final evaluation was completed in the first quarter of 2018; the results were then presented at the ESMO Congress in October 2018 and published in the renowned scientific journal *Annals of Oncology*. In the indication of HIV (Human Immunodeficiency Virus), detailed study results were presented on an extension phase of the phase Ib/IIa TEACH study in March 2018 in the context of the international scientific conference. The further development strategy in this indication plans to use lefitolimod in the context of combination therapies: like the preceding TEACH study, the TITAN study will be carried out in collaboration with Aarhus University Hospital and lefitolimod in combination with monoclonal antibodies. A further combination study in partnership with a leading U.S. center is currently being planned.

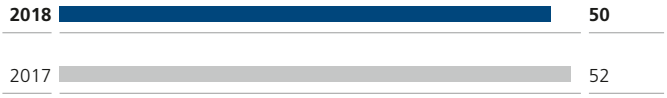
For the phase I combination study with the checkpoint inhibitor Yervoy® in cooperation with the MD Anderson Cancer Center Texas, the first phase of the study to evaluate the safety of the combination therapy and ascertain the highest tolerable dosage of lefitolimod was successfully completed in 2018. For the first time, the positive effect on the tumor microenvironment (TME) identified from preclinical investigations was also shown in patients.

In addition, promising research and development results on the further immunological profiling of lefitolimod and EnanDIM® were presented at distinguished international conferences and published in relevant scientific journals. It is especially noteworthy that the available data supports the assumption that lefitolimod and EnanDIM® successfully lead to a beneficial modulation of the tumor microenvironment (TME) and could potentially be perfect partners for immuno-oncological combination approaches with their favorable safety profile.

Furthermore, MOLOGEN's employees are also key 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 remained on a par with the previous year: an average of 33 employees worked in the development department (2017: 33 employees). As of 31 December 2018, MOLOGEN had a total of 50 employees (12/31/2017: 52 employees; including the Executive Board, temporary staff and staff on parental leave). Staff turnover stood at 15.3% (2017: 11.29 %). Calculations were generated using the Schlüter method.

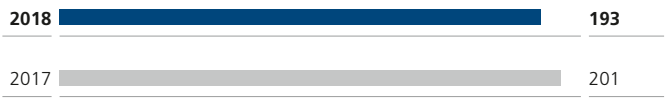
Number of patents issued or intended for issue as of 31 December



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 active patent portfolio as of 31 December 2018 is divided into 15 patent families and includes 193 individual patents issued and intended for issue as well as more than 70 patent applications.

Number of patents issued or 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 2018. The licensing and cooperation contract concluded with ONCOLOGIE for key markets in Asia, including China, and the continuation of the clinical studies with lefitolimod as planned are important for the successful implementation of the business model. Advancements were also made in the preclinical development of the pipeline, which offers further promising product candidates with the EnanDIM® family, comprising the next-generation molecules of lefitolimod. The aim is to reach the stage of clinical first-time application in the foreseeable future. Conceptually, preparations to upscale production of lefitolimod to the market standard continued, but the costly main activities in this respect (technology transfer and production runs) have been shelved for the time being. Its implementation is to be resumed in conjunction with the conclusion of licensing agreements and other partnerships.

Through various funding measures, sufficient funds could be raised for the realization of business activities. Inflows exceeded the funds used.

In 2018, the key targets were consequently reached in the area of research and development. A major milestone was also reached in business development. The funding of the Company was secure at all times in the past financial year owing to available cash and cash equivalents at the start of 2018 in combination with the capital measures that were carried out. A positive view can be taken of the business performance and development of the Company in fiscal year 2018.

3. SUPPLEMENTARY REPORT

After the reporting date, MOLOGEN raised funds of €6.9 million through the placement of a convertible bond and a capital increase from the authorized capital. This extended the cash reach until at least the end of 2019.

In the context of the creditors' meeting in February 2019, a proposed amendment to the bond terms and conditions of convertible bond 2017/2025 was adopted. The conversion price was adjusted from €7.61 to €2.46 and the conversion ratio increased from 1.314 to 4.065. Furthermore, an amendment of the provisions on termination rights was resolved.

As of 31 March 2019, the former Chief Financial Officer Walter Miller left the Company as planned.

With effect from 31 March 2019, Dr Ignacio Faus departed from his post as CEO and member of the Executive Board of MOLOGEN prematurely by mutual agreement with the Supervisory Board.

On 27 March 2019, Dr Stefan M. Manth was appointed as a member of the Company's Executive Board and Chief Executive Officer, with effect from the completion of the capital measure being implemented at the time of his appointment. Dr Manth will transfer directly from the Supervisory Board to take up this role. Between 2011 and September 2013, he was active on the Company's Scientific Advisory Board. In August 2014, Dr Manth was elected onto the Supervisory Board, serving as Deputy Chairman.

The successor to Dr Manth as a member of the Company's Supervisory Board had not yet been appointed at the time of preparing the report.

4. FORECAST, OPPORTUNITIES AND RISK REPORT

4.1 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 development and commercialization of lefitolimod in fiscal year 2019 and commit a significant proportion of the available resources to this objective. The activities for the outsourcing of production to a contract manufacturer and the upscaling of production to the market standard remain shelved and will be resumed in the event that agreements are concluded with licensing partners. Commercialization, specifically the conclusion of further license agreements for additional regions and the conclusion of a largely global license, will therefore continue to be a central task for 2019. Furthermore, the funding of the Company will remain one of the main challenges for the foreseeable future.

RESEARCH AND DEVELOPMENT (R&D)

In its R&D activities, MOLOGEN plans to continue the clinical development of its 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. The so-called top line data in relation to attaining the primary endpoint of overall survival is expected in summer 2019. In the indication small cell lung cancer, the results of the IMPULSE study led to a more extensive development strategy. The next possible steps will be coordinated with potential future partners and greatly depend on the availability of additional financial resources. 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, USA. The biopharmaceutical company Gilead Sciences, Inc, Foster City, USA, awarded funding for this study at the start of 2017. Further patients are being enrolled and clinical data collected in the immunotherapy combination study of lefitolimod with ipilimumab, which is being carried out by the MD Anderson Cancer Center in Texas, USA. The preclinical development for one of the EnanDIM® molecules is expected to be completed this year, which means that the first lefitolimod successor candidate is on track to be ready for clinical testing to commence at the end of 2019.

The Company will put the focus on further research and development activities for the EnanDIM® molecules and lefitolimod combination studies.

For 2019, we expect the active patent portfolio to be at a comparable level to 2018 (12/31/2018: 15 patent families with 193 individual patents issued and intended for issue as well as more than 70 patent applications).

R&D COOPERATIONS 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 TITAN study, which is currently being prepared and will be carried out in conjunction with the Aarhus University Hospital in Denmark (cf. earlier sub-section "Immunotherapy lefitolimod"). Furthermore, various ongoing activities will be continued in fiscal year 2019 as well, including the combination study in cooperation with the MD Anderson Cancer Center in Texas, USA, for example (cf. earlier sub-section "Immunotherapy lefitolimod"). Also of great importance is the contract concluded 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 studies. This also includes all activities for market preparation, such as regulatory work, upscaling production according to the market standard and also outsourcing production to a contract manufacturer. A licensing contract for China including Hong Kong, Macao, Taiwan and Singapore as well as a global development cooperation was concluded with U.S. company ONCOLOGIE Inc. in 2018. Beyond the agreed contract, negotiations with ONCOLOGIE for a global license continued in the second half of 2018. However, as the terms to be met fell short of the Company's own value estimates, MOLOGEN terminated these negotiations. 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 2019 essentially depends on the continued success of development and commercialization activities for the product candidate lefitolimod as well as (pre)clinical progress and the successful execution of market preparation. The success of commercialization activities for lefitolimod is closely linked to the top line results of the IMPALA study, which the Company expects to have by summer of this financial

year. Further expenditure in the area of clinical development is expected to remain at a high level, but down on the costs recorded here during the financial year under review. 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 further decline year on year in 2019.

If the present licensing and partnership discussions lead to further contracts in 2019, this could have a notable positive impact on the financial performance and financial position.

In view of this, the Company again assumes two possible scenarios for 2019. Either, if licensing and partnership discussions are not successful, the financial result 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 less 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 in available liquidity and in the balance sheet's equity. Financial risks are dealt with in the corresponding sections later in this report.

EBT amounted to €–11.9 million in fiscal year 2018 (2017: €–19.3 million). For fiscal year 2019, EBT of €–15.6 million is projected. Cash and cash equivalents amounted to €8.0 million as of 31 December 2018 (12/31/2017: €6.5 million). Of this, around €1.1 million stems from grants and is therefore earmarked for use only in specific research activities related to MIDGE® technology. Cash and cash equivalents as of the end of fiscal year 2019 will essentially depend on further capital measures to be carried out in the second half of the year.

In fiscal year 2018, funding measures with a total volume of €16.7 million were successfully realized. Despite the capital increase not being fully subscribed in September 2018, the Company raised more liquid funds than it expended. The Company successfully placed another convertible bond with subscription rights in January 2019 and received a further €2.7 million as a result. The bond was significantly oversubscribed. For the Company, the very high subscription through major shareholders is an indicator of their support. In April 2019, the Company carried out a capital increase from authorized capital, generating gross issue proceeds of around €4.2 million. Funding reach is consequently secured until the end of 2019 at present. The Executive Board expects to implement further funding measures over the course of fiscal year 2019. In the past, securing liquidity was always possible, even in a difficult market environment. At present and in the foreseeable future, the average monthly cash flow requirement is considerably lower than in the past, because major clinical studies have been concluded or are in a late stage with low funding requirements. The licensing agreement signed with ONCOLOGIE in 2018 demonstrates the validity of the business model and the prospect of raising funds from marketing partners. The risk report provides further details on financial risks and other risks.

A dividend payment to shareholders is not possible due to the balance sheet loss and negative balance sheet equity as of 31 December 2018. 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 if the development of the Company advances as scheduled, the number of employees is expected to remain steady (12/31/2018: 50). For 2019, staff turnover is expected to be similar to the level of 2018.

On 27 March 2019, the Company's Supervisory Board appointed Dr Stefan M. Manth as Chief Executive Officer (CEO) and member of the MOLOGEN AG's Executive Board, with effect from the completion of the capital measure being implemented at the time of his appointment. With effect from 31 March 2019, Dr Ignacio Faus departed from his post as CEO and member of the Executive Board of MOLOGEN AG prematurely. He had been a member of the Executive Board and CEO of MOLOGEN AG since 1 August 2018 and was responsible for the areas of Business Development, Investor Relations & Corporate Communications, Partnering, Production and Strategy. The Chief Finance Officer (CFO) of the Company, Walter Miller, informed the Supervisory Board at the end of 2018 that he would not be seeking to extend his contract as member of the Executive Board once it expires on 31 March 2019.

OVERALL STATEMENT ON FUTURE DEVELOPMENT

The successful development of the product pipeline so far 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 2019, 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. With the financing realized in 2018, the issuance of convertible bond 2019/2027 in January 2019 and the successful capital increase from authorized capital in April 2019, the financial foundations have been laid for the systematic further development of the Company in 2019 as well. These available funds should be sufficient to cover the scheduled capital requirements for 2019 as a whole. The Company plans to exploit further financing possibilities in line with the framework conditions over the course of the current fiscal year 2019. Additionally, further licensing agreements are possible in fiscal year 2019, resulting in a respective inflow of funds.

4.2 RISK REPORT INCLUDING INFORMATION ON RISK MANAGEMENT

4.2.1 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 control 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 instruments. 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.

The gross net analysis of the respective risks that was carried out in all areas of the Company in 2017 supplementary to the risk management system was updated in fiscal year 2018. 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 either drops into a lower risk category and/or that its probability of occurrence is reduced. This analysis will also be carried out once per year in future and, if necessary, updated due to certain events as well as new risks being added and no longer relevant risks being 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 those to have been anticipated.

The MOLOGEN risk management system is continually 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 through MOLOGEN's internal control system (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.

4.2.2 RISKS OF THE COMPANY

The extraordinary revenue prospects of the MOLOGEN business model are set against a number of risks, including technological, financial, regulatory and 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 biopharmaceutical 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. The top line data of the pivotal IMPALA study, which are expected to be available in summer 2019, will be decisive for the assessment of the efficacy and safety of the product candidate lefitolimod as monotherapy in the indication colorectal carcinoma (colorectal cancer).

In the area of clinical studies, 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 investigations or clinical studies fail to show the expected results or if there is an occurence of 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 studies, 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 study 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 ruled out that historical R&D expenditure will not be covered by future revenue.

MOLOGEN has focused on the research and development of innovative 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 therefore continues to grow. However, the future development of the market depends on various factors, including the cost pressure of healthcare systems, potential new regulations in the health market and pharmaceutical law. Certain developments could therefore have negative consequences for the market potential of MOLOGEN 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 approval 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 approval or increased cost for special approval 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 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 approval be gained more quickly, this could have a negative effect on the prospects of success for the lucrative out-licensing of MOLOGEN product candidates. Direct competition exists in particular with other companies that develop TLR9 agonists.

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 (patentable 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 extent of protection, being originally of broad scope, was maintained by the Opposition Division of the European Patent Office with a restricted scope, fully sufficient for the Company's purposes. The decision is not yet final and may be subject to appeal. 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 implicated 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 these factors 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 studies. 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 having the required volume and quality for clinical development. MOLOGEN is reliant on suppliers in this regard. The total stock of lefitolimod intended for clinical studies is currently stored with one service provider in various storage locations. There is a risk that any accidental partial or total loss would delay and increase the cost of the clinical studies currently being conducted.

Outsourcing the production of lefitolimod that was formerly handled in-house and upscaling to the market standard, which harbor particular risks with regard to the identification of contract manufacturers, the successful conclusion of contracts, the technology transfer and the ultimately external production of sufficient product amounts at an acceptable quality, is still planned. With regard to risk aspects, if financial resources are not secured in good time and to a sufficient extent, this might lead to a further delay in the upscaling and consequently perhaps also to a later market entry for lefitolimod.

The Company is dependent on contract manufacturing organizations (CMOs) for the manufacturing, formulation, filling, labeling and packaging of drug candidates that are used in clinical studies 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 next-generation 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 harbor country-specific risks. As far as possible, MOLOGEN will try to take appropriate measures to protect itself against these risks. However, these risks could have negative effects on the financial performance and financial position of the Company.

Financial risks

With the exception of an initial payment of €3 million in 2018, the low revenues achieved so far are negligible for the medium or long-term funding and profitability of MOLOGEN. Therefore, the Company will be especially dependent on the conclusion of further contracts with pharmaceutical partners to secure funding in future. As long as 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 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 liquid funds available to the Company as of the reporting date of 31 December 2018 as well as further inflows from the convertible bond placed in January 2019 and the capital increase carried out in April 2019 are sufficient to cover the anticipated operative expenditures and capital expenditures in connection with the further development of the product pipeline, in particular, for carrying out ongoing preclinical and clinical studies and activities for market preparation, until the end of 2019. Any funds required beyond this can be raised by means of capital measures with new and existing investors. This is subject to the necessary capital measures (capital increase, authorized and conditional capitals) with a sufficient margin being passed by the Annual General Meeting. The 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 always been able to raise the necessary funding on a regular basis in recent years, even in difficult conditions. The capital measures in fall 2018, convertible bond placed in January 2019 and fully placed capital increase in April 2019 underline the ability of the Company to continue funding itself in the current market environment and in the context of the given prospects of Company. 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 financial years due to extensive R&D expenses, these losses have meanwhile added up to a relatively high accumulated deficit, which is to be offset against future profits. 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 2019, 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 earning negative interest.

The loss of the services of members of the Executive Board, other executives or employees in key functions may have a negative impact on the financial performance and financial position of MOLOGEN. This can be caused by loss of expertise, 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 was burdened with 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. Claims of this nature cannot be entirely ruled out in the future either. High non-scheduled burdens may also arise on account of shareholder demands addressed to the Company. For instance, during the 2018 fiscal year and at the beginning of 2019, the need to deal with two requests to convene Extraordinary General Meetings led to significant capacity strains and costs. 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 the 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 convertible bond of €2.7 million at the start of 2018 and capital increase completed in April 2019, raising €4.2 million for the Company, have extended the financial reach until the end of 2019. The further funds required beyond 2019 are to be raised both through the planned but not yet initiated measures on the capital market and 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 always been able to secure the required resources and is therefore confident that the planned measures will also be successful.

4.3 OPPORTUNITY REPORT

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 studies 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 lead to significant licensing payments for MOLOGEN.

Such a contract should also result in an increase in the Company's value, according to the assessment of MOLOGEN, especially since MOLOGEN addresses very large markets with its development programm.

Positive clinical results from the Company's competitors in immuno-oncology in the sense of validating the TLR9 agonist mode of action can also have positive impact
on the value of MOLOGEN's product candidates and pipeline. There is also great potential in the use of lefitolimod as a combination partner in other promising therapeutic approaches.

Major pharmaceutical or biotechnology companies are not only interested in acquiring licenses for promising drug candidates. There are many examples of companies with attractive technologies or product candidates being taken over as well. 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.

5. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS WITH REGARD TO THE FINANCIAL REPORTING PROCESS

The aim of the internal control system (ICS) for the financial reporting process of MOLOGEN is to ensure that the financial statements prepared comply with the regulations. MOLOGEN has internal control and risk management systems, which define the structure and processes in relation to the financial reporting process and on the basis of which are implemented in the organization. This ensures that financial reporting is proper and reliable, that business transactions are recorded in full and promptly in accordance with legal provisions and the bylaws as well as compliance with legal standards and internal accounting guidelines. Amendments to acts and accounting standards are continually analyzed to establish their relevance to the Company and any resultant changes are included in internal processes and systems. The Executive Board is responsible for compliance with the guidelines and procedures applicable in the Company as well as the due and timely procedure for accounting-related processes and systems. With regard to specific technical issues and complex matters external experts are also consulted.

6. RISK REPORTING ON THE USE OF FINANCIAL INSTRUMENTS

Primary financial instruments on the assets side of the balance sheet essentially comprise bank balances and cash balances. The primary financial instruments stated on the liabilities side of the balance sheet are mainly in the form of liabilities (predominantly trade payables), convertible bonds and equity instruments. No derivative and speculative financial instruments are used.

A conservative risk policy is pursued in the management of financial positions. Where default and credit risks are discernible for financial assets, the relevant allowances are recognized. Liabilities are settled within the payment periods agreed. As part of our risk management system, trends in the financial markets are very carefully observed, in order to identify risks as early as possible and respond to these in a timely manner.

7. INFORMATION RELEVANT TO ACQUISITIONS

As of 31 December 2018, the subscribed capital of the Company exists in the amount of €9,271,632.00, split into 9,271,632 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 best 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.

As at the reporting date, the following direct or indirect investments in its share capital exceeding 10% of the voting rights were reported to the Company in accordance with Section 33 of the German Securities Trading Act (Wertpapierhandelsgesetz; WpHG):

Thorsten Wagner, Germany: 16.42% (according to the notification of 4 October 2018) 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 4 October 2018, Global Derivative Trading GmbH, Lehrte, Germany, reported an investment of 16.42% of the voting rights in MOLOGEN.

Beyond this, no further direct or indirect investments in its share capital exceeding 10% of the voting rights were 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 et seq. of the AktG. Amendments to the Articles of Association are made in accordance with the provisions of Sections 179 et seq. 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.

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 authorized capital 2018 existing in accordance with Article 4 Para. 3 of the Articles of Association, the Executive Board is authorized to increase the share capital of the Company by issuing 2,034,298 new ordinary bearer shares with no par value (no-par value shares) against contributions in cash and/or in kind one or several times and consequently raise the share capital by up to €2,034,298.00. The Executive Board is thereby authorized, with the approval of the Supervisory Board, to exclude the subscription right of existing shareholders one or several times pursuant specifically to Article 4 Para. 3 of the Articles of Association.

(2) On the basis of conditional capital 2014-1 existing in accordance with Article 4 Para. 8 of the Articles of Association, the Executive Board may issue up to 4,468,800 new ordinary bearer shares with no par value (no-par value shares) to the holders or creditors of convertible bonds and/or options 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 (resolution 2014-1) of the Annual General Meeting on 13 August 2014 under agenda item 7b), and which give conversion or option rights to new no-par bearer shares of the Company and/or determine a conversion obligation or preemptive tender right.

Authorization 2014-1 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).

After adjustment of the conversion price following a capital reduction through a reverse stock split (entered in the Commercial Register on 9 July 2018) and following an amendment to the bond conditions by means of a contractual agreement with the sole creditor of convertible bond 2016/2024 pursuant to Article 4 Para 1, 1st case of the German Bond Act (SchVG), convertible bond 2016/2024 now provides for the right of convertible bond holders to convert convertible bond 2016/2024 into a maximum of 926,162 shares in the Company, which can be issued on the basis of conditional capital 2014-1.

In the event of a change of control (as defined in detail in the bond conditions), convertible bond 2016/2024 provides for the right of the bond holder to demand the early repayment of one or all of their bonds at 103% of the nominal value plus any accrued interest.

After adjustment of the conversion price following a capital reduction through a reverse stock split (entered in the Commercial Register on 9 July 2018) and after adjustment of the conversion price following a capital increase (entered in the Commercial Register on 1 October 2018), convertible bond 2017/2025 now provides for the right of convertible bond holders to convert the outstanding bonds of the convertible bond 2017/2025 into a maximum of 583,540 shares in the Company, which can be issued on the basis of conditional capital 2014-1. Following the adoption of the amendment to the bond terms resolved on 28 February 2019, convertible bond 2017/2025 provides for the right of bond holders to convert their outstanding bonds of the convertible bond into up to 1,805,182 shares in the Company, which may be issued on the basis of conditional capital 2014-1.

In the event of a change of control (as defined in detail in the bond conditions), convertible bond 2017/2025 provides for the right of the bond holder to demand the early repayment of one or all of their bonds at 103% of the nominal value plus any accrued interest. With regard to the bond that was not repaid early, the conversion price would be adjusted to the benefit of the bond holders pursuant specifically to the bond conditions.

On the basis of conditional capital 2018 existing in accordance with Article 4 Para. 11 of the Articles of Association, the Executive Board may issue up to 1,507,457 new 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 (resolution 2018) of the Annual General Meeting on 8 June 2018 under agenda item 11b), and which grant conversion or option rights to new no-par bearer shares of the Company and/or determine a conversion or option obligation or preemptive tender right.

The authorization in 2018 was utilized by the Company through the issuance, under exclusion of subscription rights of shareholders, of a mandatory convertible bond with a total nominal value of €2,000,000.00 (convertible bond 2018/2023). Convertible bond 2018/2023 provides for the right – and at the end of the term, the obligation – of convertible bond holders to convert convertible bond 2018/2023 into 206,143 shares in the Company, which can be issued on the basis of conditional capital 2018.

In the event of a change of control (as defined in detail in the bond conditions), the mandatory convertible bond 2018/2023 provides for the right of the issuer to demand early mandatory conversion of bonds pursuant specifically to the bond conditions.

In addition, there is a conditional capital 2011 of up to €238,393.00 in accordance with Section 4 Para. 5 of the Articles of Association, a conditional capital 2012 of up to €209,234.00 in accordance with Section 4 Para. 6 of the Articles of Association, a conditional capital 2013-1 of up to €328,672.00 in accordance with Section 4 Para. 7 of the Articles of Association, a conditional capital 2014-2 of up to €176,051.00 according to Section 4 Para. 9 of the Articles of Association and a conditional capital 2015 of up to €700,649.00 in accordance with Section 4 Para. 10 of the Articles of Association. These conditional capitals are used in each case 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 2011, 2012, 2013, 2014 and 2015, respectively.

8. REMUNERATION REPORT

The remuneration of members of the Executive Board – Dr Mariola Soehngen (member of the Executive Board up to 31 October 2018), Dr Ignacio Faus (member of the Executive Board from 1 August 2018 to 31 March 2019), Walter Miller and Dr Matthias Baumann – 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

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 Ignacio Faus), use of a company apartment (Walter Miller), travel expenses between place of residence and place of work (Walter Miller, Dr Ignacio Faus), subsidies towards or payment in full of (medical, care, life and accident) insurance, removal costs and a personal pension plan (Walter Miller, Dr Ignacio Faus) as well as the reimbursement of expenses which Executive Board members incurred in connection with their work. The Company makes an upper mid-range company car available to Executive Board member Dr Matthias Baumann for official and private use, for which the monthly leasing costs may amount to no more than €1,200 or the gross listing price in the region of approx. €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 financial year. If the targets cannot be agreed, the Supervisory Board will only set the performance targets unilaterally.

The Executive Board members also receive variable performance-related remuneration to be aspired to 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 both 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 the resolution of the Annual General Meeting, in the past MOLOGEN has initiated various employee participation programs and issued relevant share 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 canceled 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 (Walter Miller) and for a period of up to six months (Dr Matthias Baumann) or for a period of three months (Dr Ignacio Faus), 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 a permanent incapacity for work, the service contract ends three months (Walter Miller and Dr Matthias Baumann) or six months (Dr Ignacio Faus) after the end of the month in which the permanent incapacity for work was 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 (Walter Miller and Dr Matthias Baumann) or three (Dr Ignacio Faus) months would 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 pro rata temporis in the relevant year or period of time up to the death of the Executive Board member concerned are to be paid.

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 a 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 management 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 (Walter Miller and Dr Matthias Baumann). 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. In the event of a respective resignation 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 times the respective annual remuneration (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 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 increases by €0.01 for each subsequent financial 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.

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

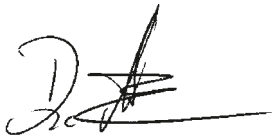
The Corporate Governance Report (Declaration of Compliance) and the Declaration on Corporate Management pursuant to Section 289f of the HGB is available on the company website at: https://www.mologen.com/en/investors/corporate-governance/compliance-statement.

As a listed company, but one which is not subject to co-determination legislation, MOLOGEN 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% for the Supervisory Board and 30% for the Executive Board. The deadline for meeting these targets is 28 February 2022. The Executive Board has set a target of 30% for the proportion of women in the two management levels below the Executive Board. However, the proportion of women was only 25% as of 30 June 2017 owing to the fact that the Company primarily fills the positions that become vacant on the basis of competence.

10. RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable accountig 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, 26 April 2019
Executive Board of MOLOGEN AG



Dr Matthias Baumann
Chief Medical Officer

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

02 | FINANCIAL INFORMATION

STATEMENT OF COMPREHENSIVE INCOME

According to IFRS for the period from 1 January to 31 December 2018

€ '000

	Notes	**2018**	2017
Revenues	1	3,047	47
Other operating income	2	1,081	73
Cost of materials	3	–6,529	–9,752
Personnel expenses	4	–5,053	–5,093
Depreciation and amortization	5	–38	–49
Other operating expenses	6	–3,808	–3,933
Profit (loss) from operations		**–11,300**	**–18,707**
Finance costs	7	–584	–578
Finance income	7	1	4
Profit (loss) before taxes		**–11,883**	**–19,281**
Tax result	8	0	0
Profit (loss) for the year/Comprehensive income		**–11,883**	**–19,281**
Loss carried forward		–4,811	–125,774
Accumulated deficit		**–16,694**	**–145,055**
Basic earnings per share	9	–1.52	–0.56
Diluted earnings per share	9	–1.20	–0.49

STATEMENT OF FINANCIAL POSITION

According to IFRS for the period from 1 January to 31 December 2018

€ '000

	Notes	**31 Dec 2018**	31 Dec 2017
ASSETS			
Non-current assets		**18**	**44**
Property, plant and equipment	11	16	27
Intangible assets	12	2	17
Current assets		**9,339**	**8,061**
Cash and cash equivalents	13	8,021	6,523
Trade receivables	14	0	13
Inventories	15	701	16
Other current assets	16	616	1,508
Income tax receivables		1	1
Total		**9,357**	**8,105**
EQUITIES AND LIABILITIES			
Non-current liabilities	17	**5,553**	**5,474**
Deferred income		0	55
Other non-current liabilities		5,553	5,419
Current liabilities	18	**4,749**	**7,502**
Trade payables		2,640	4,400
Other current liabilities and deferred income		2,098	3,093
Liabilities to banks		11	9
Shareholders' equity		**–945**	**–4,871**
Issued capital	19	9,272	34,295
Deposits made to implement the agreed capital increases		0	275
Capital reserve	20	6,477	105,614
Accumulated deficit	21	–16,694	–145,055
Total		**9,357**	**8,105**

STATEMENT OF CASH FLOWS

According to IFRS for the period from 1 January to 31 Dezember 2018

€ '000

	Notes 10	**2018**	2017
Cash flows from operating activities			
Loss for the period before taxes		–11,883	–19,281
Depreciation and amortization of intangible assets and property, plant and equipment		38	49
Profit (loss) from the disposal of intangible assets and property, plant and equipment		0	–34
Other non-cash expenses and income		173	275
Change in trade receivables, inventories and other assets		236	–758
Change in trade payables and other liabilities		–2,833	53
Interest expenses/-income		583	574
Income tax expenses/-income		0	0
Income tax payments		0	0
Net cash used in operating activities		**–13,686**	**–19,122**
Cash flows from investing activities			
Proceeds from the disposal of property, plant and equipment		0	35
Cash payments to acquire property, plant and equipment		–9	–30
Cash payments to acquire intangible assets		–1	–3
Interest received		1	4
Net cash used in investing activities		**–9**	**6**
Cash flow from financing activities			
Cash proceeds from issuing shares (authorized capital)		12,787	477
Cash proceeds (after the deduction of expenses for the equity component) from issuance of convertible bonds		2,854	4,976
Interest paid		–448	–326
Net cash used in financing activities		**15,193**	**5,127**
Effect of exchange rate changes on cash		0	–8
Total changes in cash and cash equivalents		**1,498**	**–13,997**
Cash and cash equivalents at the beginning of the period		6,523	20,520
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		**8,021**	**6,523**
Deposits with a term of more than three months at the end of the period		0	0
Liquid funds at the end of the period		**8,021**	**6,523**

STATEMENT OF CHANGES IN EQUITY

According to IFRS for the period from 1 January to 31 December 2018

€ '000, except share data

	Issued capital		Deposits made to implement the agreed capital increases*	Capital reserve	Statement of financial position	Shareholders' equity
	Number of ordinary shares	Share capital				
As of 31 December 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 bonds (with proportionate consideration of the equity component posted at the time of issue)	348,092	348		46		394
Share options exercised						0
Value of services rendered by employees (according to IFRS 2)				**275**		**275**
Loss for the year					–19,281	–19,281
As of 31 December 2017	**34,295,343**	**34,295**	**275**	**105,614**	**–145,055**	**–4,871**
Contributions made for implementing the resolved capital increase			–275			–275
Deposits made to implement the agreed capital increase*				–954		–954
Exercised conversion right of cb (with proportionate consideration of the equity component posted at the time of issue)				2,000		2,000
Equity component of cb	558,728	559		444		1,003
Cancellation of shares	–4	0		0		0
Release of capital reserve				–110,095	110,095	0
Capital reduction	–30,149,148	–30,149			30,149	0
Capital increase in exchange for cash contributions	4,566,713	4,567		9,302		13,869
Value of services rendered by employees (according to IFRS 2)				166		166
Loss for the year					–11,883	–11,883
As of 31 December 2018	**9,271,632**	**9,272**	**0**	**6,477**	**–16,694**	**–945**

* 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 2018

€ '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 2017	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
Additions	0	9	9	1	1	10
Disposals	0	9	9	0	0	9
As of 31 Dec 2018	**466**	**330**	**796**	**3,980**	**3,980**	**4,776**
Depreciation and amortization						
As of 1 Jan 2017	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
Additions	0	21	21	17	17	38
Disposals	0	9	9	0	0	9
As of 31 Dec 2018	**466**	**315**	**781**	**3,979**	**3,979**	**4,760**
Book value						
As of 1 Jan 2017	0	25	25	37	37	62
As of 31 Dec 2017	0	27	27	17	17	44
As of 31 Dec 2018	**0**	**16**	**16**	**2**	**2**	**18**

NOTES IN ACCORDANCE WITH IFRS FOR FISCAL YEAR 2018

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 DE000A2LQ900.

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 is 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 2018 to 31 December 2018. The reference period for the present financial statements is the period from 1 January 2017 to 31 December 2017.

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.

FIRST TIME MANDATORY APPLICATION

The following standards amended or newly issued by the IASB must be applied to the financial statements for the period ended 31 December 2018 and affect the financial statements of MOLOGEN as follows:

Standard/ Interpretation*	Title	Mandatory application for financial years beginning on	Adopted by EU	Effects on Mologen
IFRS 9	Financial Instruments	1 Jan 2018	yes	Low
IFRS 15	Revenue from Contracts with Customers	1 Jan 2018	yes	Low
IFRS 2 (A)	Share-based Payment	1 Jan 2018	yes	none
IFRS 4 (A)	Application of IFRS 9 Financial Instruments in conjunction with IFRS 4 Insurance Contracts	1 Jan 2018	yes	none
IFRS 15 (A)	Clarifications on IFRS 15	1 Jan 2018	yes	none
IAS 40 (A)	Transfers of Investment Property	1 Jan 2018	yes	none
Annual Improvements to IFRS cycle 2014-2016	Amendments to IFRS 1 and IAS 28	1 Jan 2018	yes	none
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 Jan 2018	yes	none

* (A) Amendment to standard.
** Standards marked "yes" have an effect on the annual financial statements of the company. Those that have no or no material impact on the annual financial statements are marked "none".

IFRS 9 – Financial Instruments covers the classification and measurement of financial assets and liabilities that were previously accounted for under IAS 39. A financial instrument is any contract that gives rise to a financial asset at one entity and a financial liability or equity instrument at another entity (IAS 32.11). In accordance with IFRS 9.5.1.1, financial assets and liabilities are initially measured at fair value and financial assets and financial liabilities that are not measured at fair value through profit or loss are measured at fair value plus or minus transaction costs. Trade receivables are initially recognized at their transaction price according to IFRS 15, unless they contain a significant financing component (IFRS 9.5.1.3).

Financial assets are subsequently measured depending on their classification into the categories "measurement at amortized cost", "Fair value through profit or loss (FVTPL)" or "Fair value through other comprehensive income (FVOCI)". The classification is based on two criteria: the company's business model for managing the assets and whether the instruments' contractual cash flows represent solely payments of principal and interest (SPPI).

With regards to financial liabilities, the basic accounting model under IAS 39 was not changed. The two measurement categories of "Fair value through profit or loss (FVTPL)" and "Amortized cost" continue to exist under IFRS 9. Initially, financial liabilities are recognized at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs. The subsequent evaluation depends on their classification. Financial liabilities held for trading purposes are measured at fair value through profit or loss. Financial liabilities not held for trading are measured at amortized cost.

Transition of financial assets from IAS 39 to IFRS 9

€ '000	Valuation category pursuant to IAS 39[1]	Book value pursuant to IAS 39 as of 31 Dec 2017	Revaluations owing to application of the impairment model	Book value pursuant to IFRS 9 as of 1 Jan 2018	Valuation category pursuant to IFRS 9[2]
Trade receivables	LaR	13	–	13	AC
Other financial assets	LaR	1,508	–	1,508	AC
Cash and cash equivalents	LaR	6,523	–	6,523	AC

[1] LaR: Loans and Receivables
[2] AC: at amortized cost

The transition from IAS 39 to IFRS 9 as at 31 December 2017/1 January 2018 has no effect with regard to the book values.

IFRS 15 – Revenue from Contracts with Customers. The core principle of IFRS 15 is that an entity will recognize revenue at the time that promised goods or services were transferred to customers in an amount to which the entity deems itself to be entitled in exchange for those goods or services (IFRS 15.2). The transfer of goods and services is based on the concept of transfer of control to the customer. This may occur at a specific point in time or over a certain time frame. According to this principle, IFRS 15 sets out a five-step model framework: identifying the contract(s) with a customer IFRS 15.9-16, identifying performance obligations in the contract IFRS 15.22-30, determining the transaction price IFRS 15.47-59, allocating the transaction price to the performance obligations in the contract IFRS 15.73-86 and recognizing revenue when (or as) the entity satisfies a performance obligation IFRS 15.31-45.

In the course of initial application of IFRS 15, a modified retrospective application was chosen (IFRS 15.C3b). In comparison to the former evaluation according to IAS 11/IAS 18, no adjustment requirements arose.

ACCOUNTING STANDARDS ISSUED, BUT NOT YET APPLIED

The IASB recently issued the following new or amended standards. However, since these standards are not required to be applied and some have not yet been adopted by the EU, they were not applied to the financial statements for the period ended 31 December 2018. The new standards or amendments to existing standards must be applied in annual periods beginning on or after their effective date. They are not usually applied earlier, even though this is permitted for some standards.

Standard/ Interpretation*	Title	Mandatory application for financial years beginning on**	Adopted by the EU	Effects on Mologen
IFRS 16	Leases	1 Jan 2019	yes	yes
IFRS 17	Insurance Contracts	1 Jan 2022	no	none
IFRS 9 (A)	Prepayment Features with Negative Compensation	1 Jan 2019	yes	none
IFRS 10 und IAS 28 (A)	Sales or Contributions of Assets between an Investor and its Associate or Joint Venture	Delayed indefinitely	no	none
Annual Improvements to IFRS cycle 2015–2017	Amendments to IFRS 3, IFRS 10, IAS 12 and IAS 23	1 Jan 2019	no	none
IAS 19 (A)	Employee Benefits – Plan Amendment, Curtailment or Settlement	1 Jan 2019	no	none
IAS 28 (A)	Investments in Associates and Joint Ventures	1 Jan 2019	no	none
IFRIC 23	Uncertainty over Income Tax Treatments	1 Jan 2019	yes	none

* (A) Amendment to standard.
** Applicable to financial years beginning on or after this date.
*** The effects of standards marked "yes" on the annual financial statements are regarded as probable and are currently being examined by the company. No material effects on the financial statements are expected from those marked "none".

The new IFRS 16 introduces a comprehensive model for identifying lease arrangements and their treatment in the financial statements by the lessee and lessor. It replaces the current guidelines on leases, including IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease. IFRS 16 introduces significant amendments to the accounting model for lessees It no longer makes a distinction between operating and finance leases within the meaning of IAS 17, but instead requires recognition as a right of use asset as well as requiring that all leases be recognized as lease liabilities at the inception of the lease – with the exception of short-term leases or leases where the underlying asset is of low value. Lessees can apply IFRS 16 either with full retrospective effect or alternatively, they can use a modified retrospective approach to adoption. Should a company opt for the second option, it need not restate comparative information and should instead recognize the cumulative effect as an adjustment to the book value at the date of initial application (or potentially to another equity component).

The application of IFRS 16 will impact the financial statements of the company as of fiscal year 2019. The company has opted for first-time application of the modified retrospective model and makes use of the transitional provisions available for short-term leases and low-value assets. On account of this new standard for leases, lease contracts of the company for offices in Berlin no longer require treatment as off balance sheet liabilities and are instead carried as liabilities in the balance sheet.

Correspondingly, based on the current contractual situation and parameters, two lease contracts were posted as a long-term asset in the amount of approximately €127 thousand as of 1 January 2019. This value essentially takes into account the existing contractual extension option for the company in the contract term. From fiscal year 2019, this will result in a balance sheet extension and a reduction in the equity ratio. In the statement of comprehensive income, depreciation and interest expenses will in future be recognized for the impacted leases rather than the rental expense to be recognized, which would lead to a slight improvement of the figures for EBIT, EBITDA and EBITDA before share-based payments. The annual depreciation charge as of 1 January 2019 is currently estimated at €117 thousand per annum and the initial interest expense at €9 thousand per annum (in 2019). At present, the company has no other leases that will be affected by IFRS 16.

C. ACCOUNTING AND VALUATION METHODS

For the preparation of the annual financial statements, the following significant accounting and valuation methods were applied. Mologen has applied the accounting and valuation methods consistently for similar transactions, other events and conditions.

FOREIGN CURRENCY POSITIONS

On initial recognition, all foreign currency transaction items are converted using the spot exchange rate applicable at the respective transaction date (IAS 21.21). On each reporting date, monetary items in a foreign currency are translated at the closing rate in accordance with IAS 21.23. In contrast, non-monetary items that were measured at historical acquisition or manufacturing cost in a foreign currency are translated using the exchange rate prevailing on the date of the transaction or as a loss in the period in which they arise in accordance with IAS 21.28. They are shown under finance income.

ESTIMATES AND JUDGMENTS

The preparation of annual financial statements in conformity with IFRS requires the management to make judgments, estimates and assumptions that affect the application of accounting and valuation methods and the reported amounts of assets, liabilities, income and expenses. The actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The assumptions and estimates principally relate to the assessment of the recoverability of the book value of intangible assets, the determination of service lives of material assets, the recognition of liabilities as well as the measurement and recognition of provisions. Assumptions and estimates are based on premises derived from knowledge at the time.

The applied economic service lives of non-current assets are based on estimates of the management. The company reviews the estimated economic service lives of property, plant and equipment and intangible assets at the end of every financial year.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recognized at acquisition cost less cumulative scheduled depreciation using the straight-line method. The book values of property, plant and equipment are tested for impairment whenever there are indications that an asset's book value may exceed its recoverable amount. IAS 36.6 defines the recoverable amount as the higher of an asset's fair value less costs to sell and its value in use. The service lives and depreciation methods for property, plant and equipment are reviewed and adjusted as necessary at the end of each financial year.

Maintenance and repairs are expensed as incurred while replacements and improvements are recognized, if the item qualifies for recognition as an asset. Gains resulting from asset disposals are recognized in other operating income, while losses from asset disposals are recognized under the respective area of activity.

In accordance with IAS 16.73, the development of property, plant and equipment is shown in the statement of changes in fixed assets under Section I. "Property, plant and equipment".

INTANGIBLE ASSETS

Acquired intangible assets are recognized in accordance with IAS 38. They are initially valued at acquisition cost, provided the recognition criteria of IAS 38.18 are met. Intangible assets are subsequently recognized at acquisition cost less accumulated amortization using the straight-line method or less impairment losses.

Research costs are expensed in the period incurred in accordance with IAS 38.54. Development costs are recognized if the criteria stipulated by IAS 38.57 are met. Given the risks existing until commercialization, MOLOGEN does not fully meet the requirements of IAS 38.57 for recognizing internally generated intangible assets. Development costs are therefore also expensed in the period in which they are incurred. The service lives and depreciation methods for intangible assets are reviewed

and adjusted as necessary at the end of each financial year. The development of the intangible assets is shown in the statement of changes in fixed assets under Section II. "Intangible assets".

Property, plant and equipment and intangible assets are stated at their acquisition cost less scheduled use-related depreciation according to the purchase cost model (IAS 16.30). Depreciation and amortization are recorded on a straight-line, pro rata temporis 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. No unscheduled impairments were recorded for either property, plant and equipment or intangible assets in the financial year under review.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of cash on hand, bank balances and short-term time deposits. Cash equivalents comprise other short-term and highly liquid financial investments with a term of no more than three months, calculated from the date of acquisition, which are subject only to insignificant fluctuations in value. They are recognized at their nominal value.

TRADE RECEIVABLES

Trade receivables are recognized at the original invoiced amount less value adjustment for bad debts. These valuation allowances for bad debts are based on the management's assessment of the recoverability of specific customer accounts receivable and are made insofar as there are objective indications that the amounts due will not be paid in full in accordance with the invoice terms originally agreed.

INVENTORIES

MOLOGEN assets recognized as inventories relate to raw materials, supplies and goods. The goods are reported at amortized cost and valued according to the first in, first out (FIFO) method. Raw materials, supplies and goods were recognized at amortized cost. There are no stocks of work in progress or finished goods and services.

OTHER FINANCIAL ASSETS

Other financial assets are financial instruments as defined by IFRS 9. Depending on the individual case, they are classified as follows:

- Financial assets at fair value through profit or loss
- Financial assets at fair value through other comprehensive income
- Financial assets at amortized cost

The classification of financial assets into measurement categories takes place on initial recognition.

The business model as well as the SPPI conditions were assessed at 1 January 2018. Debt instruments such as trade receivables and other assets (rental deposit) are held to collect contractual cash flows and give rise to cash flows solely representing redemption and interest. According to IFRS 9, they are now classified at amortized cost (previously as loans and receivables). Financial assets at amortized cost are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The new impairment model is a forward-looking expected credit loss model (ECL). Currently, there is no indication for any impairment of debt instruments categorized into amortized cost.

With regard to equity instruments, a significant or long-term reduction of fair value is an objective indication of impairment. Such an impairment loss is expensed immediately.

In accordance with IAS 1.60, financial instruments are classified as non-current or current assets, depending on their remaining life as of the reporting date. Financial instruments with a remaining life of more than one year as of the reporting date are shown as other investments among non-current assets. Financial instruments with a remaining life on the reporting date of less than one year are shown as other financial assets among current assets, insofar as they do not meet the recognition criteria as defined by IFRS 7.7. Analogous to the financial instruments as defined by IFRS 9, fixed deposits that have a term of more than three months calculated from the date of acquisition are shown as other financial assets. If the other financial assets meet the recognition criteria as defined by IFRS 7.7, they are shown as cash and cash equivalents.

OTHER ASSETS

Other assets comprise all receivables that are not shown as separate items in the statement of financial position. They are measured at an amount equivalent to the anticipated level of reimbursement.

OTHER NON-CURRENT LIABILITIES

Other non-current liabilities include liabilities to third parties from the issuance of convertible bonds. A convertible bond is a compound financial instrument that constitutes a financial liability for the company and grants a guaranteed option to the holder for conversion into an equity instrument of the company. They 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.

TRADE PAYABLES

Trade payables are current liabilities in accordance with IAS 1.60 and are accordingly carried at their settlement amount. They are derecognized when the underlying obligation has been discharged or expires.

In addition to accrued liabilities, other current liabilities also comprise all payment obligations of the company that are not shown as separate items in the balance sheet. They are carried at their nominal value, estimate amount and settlement amount.

PROVISIONS AND ACCRUALS

Provisions and accruals are recognized in accordance with IAS 37.14 whenever current legal or factual obligations exist arising from a historical event, an outflow of resources is probable, a reliable estimate of the obligation is possible and the measures in question are not expected to result in future inflows of economic benefits.

According to IAS 37.11, provisions can be distinguished from accruals because there is uncertainty about the timing or amount of the future expenditure required in settlement. Accruals are therefore recognized as part of other liabilities, whereas provisions are reported separately.

Where a provision entails a range of possible outcomes, and each point in that range is as likely as any other, the midpoint of the range is used in accordance with IAS 37.39.

SHAREHOLDERS' EQUITY

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.

REVENUE RECOGNITION

The business model of MOLOGEN is aimed at generating revenue from a combination of licensing agreements (depending on the nature of the given contract, this could include upfront payments, milestone payments, cost reimbursements under a separate development cooperation and royalties), the rendering of services and the sale of products.

According to IFRS 15, licensing agreements are assessed applying the five-step framework model. All license agreements are evaluated to ascertain whether the criteria of identification as a contract according to IFRS 15.9. are met. This includes the assessment of the contractual period in which the parties to the contract have enforceable rights and obligations. It is generally concluded that MOLOGEN acts as the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. At contract inception, the promised goods or services in the contracts to customers are assessed in order to identify performance obligations. A performance obligation is a pledge to transfer to the customer a good or service that is distinct or a series of distinct goods or services (IFRS 15.22). If the granting of a license is bundled together with the rendering of services, it is evaluated whether these agreements comprise of more than one performance obligation.

For each pledge to grant a license which is a separate performance obligation, it is necessary to determine whether control is transferred to the customer at a specific point in time or over a certain time frame. Within existing license agreements, the granting of the license is classified as a separate performance obligation (IFRS 15.26i) that establishes a right to the intellectual property of MOLOGEN.

If a contract with a customer contains more than one performance obligation, the transaction price is allocated to each performance obligation based on a stand-alone selling price basis. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer (IFRS 15.47) and comprises fixed amounts, variable amounts or both. If an agreement includes a variable component, the amount of consideration to which MOLOGEN is entitled in exchange for transferring goods or services to the customer is only included in the transaction price insofar as this is highly probable.

Milestone payments are contingent upon the achievement of targets that have been contractually defined in advance. The attainment of these milestones depends largely on meeting specific requirements, so that the resulting revenue is only posted as such once contractual milestones have been fully reached and, if previously agreed, confirmed by the business partner. Such variable considerations are estimated at the start of the contract based on the most likely amount of consideration expected from the transaction. Specifically, they are only included in the transaction price until it is highly probable that their inclusion will not lead to a significant revenue reversal in the amount of cumulative revenue when the uncertainty has been subsequently resolved (IFRS 15.56/57).

Once a milestone has been achieved, payment should then be made within 30 days. The estimated transaction price is updated at each reporting date to reflect the current facts and circumstances.

Royalties are income from the sale of products and product candidates resulting from development work in the context of cooperation agreements. Royalties are recognized as revenue as of the date upon which the cooperation generates subsequent external sales that result in royalties to MOLOGEN (IFRS 15.B63).

GOVERNMENT GRANTS

In accordance with IAS 20.12, government grants are recognized in profit or loss on a systematic basis in the period in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. As this funding represents the reimbursement of development expenditures, such amounts offset research and development costs for the relevant period; specific explanations are provided in the Notes.

OTHER INCOME

Other income includes all income from operating activities which is not shown as finance income or does not represent the reimbursement of development expenditures. For the most part, MOLOGEN generates income from the reimbursement of expenses. Depending on the particular circumstances, such reimbursements are made either in the amount of the actual costs incurred or plus a previously agreed administration fee.

RESEARCH COSTS

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 expenses 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

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.

TAX ASSETS AND TAX LIABILITIES

The actual tax liabilities arising from income taxes for the current and previous periods are to be recognized as liabilities pursuant to IAS 12.12 for the amounts as yet unpaid. In the event that the amount incurred and already paid for the current or previous period exceeds that owed for the period concerned, the difference is to be recognized as an asset. The refund claims or liabilities are measured at the amount corresponding to the expected level of refund from the tax authorities or payment to the tax authorities. The given amount is calculated on the basis of the tax rates and laws applicable as of the reporting date.

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 highly likely 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 2018 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.

SHARE-BASED PAYMENTS

The accounting for share options granted to employees and the Executive Board is handled according to the guidelines of IFRS 2 Share-based Payment. IFRS 2 obligates the company to record the estimated fair value for share options and other reductions as at the valuation date as a remuneration expense over the period in which the employees render the services associated with the award.

Company employees (including management) receive share-based payments in the form of equity instruments (transaction with compensation through equity instruments) as remuneration for work performed. 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, in other words, 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 reflects 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 upon expiration of the vesting period. The amount that is recorded in the statement of comprehensive income reflects the development of the accumulated cost recorded at the beginning and end of the financial year.

GAINS AND LOSSES RESULTING FROM FOREIGN CURRENCY CONVERSION

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 2018

(1) REVENUES

€ '000

	2018	2017
Goods and services	47	47
Licensing and distribution rights	3,000	0
	3,047	**47**

The sharp rise in revenue is attributable to a licensing and development cooperation contract with ONCOLOGIE.

Revenue from goods and services in the reporting year were on a par with the prior year's level.

(2) OTHER OPERATING INCOME

€ '000

	2018	2017
Income from grants	1,036	15
Remaining other operating income	45	58
	1,081	**73**

In fiscal year 2017, an international consortium to which MOLOGEN belongs was awarded a grant from Global Health Innovative Technology (GHIT) Fund, Tokyo, Japan. Of this grant, MOLOGEN is to receive approximately €2.2 million converted. The amount was initially recognized in fiscal year 2017 in a way that did not affect income. Subsequently – and owing to corresponding expenses – income in the amount of €1,036 thousand was realized (previous year: €15 thousand). This expenditure grant is reported under 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

	2018	2017
Expenses for raw materials and consumables used	168	113
Expenses for services from third parties	6,361	9,639
	6,529	**9,752**

Expenses for raw materials and consumables used increased slightly in fiscal year 2018 when compared with the prior financial year. The cost

of purchased services recorded a significant year-on-year decrease in fiscal year 2018. This decline is above all attributable to the advancement of clinical trials. Changes in inventory amounting to €3 thousand are included under expenses for raw materials and consumables used (previous year: €3 thousand).

(4) PERSONNEL EXPENSES

€ '000	**2018**	2017
Wages and salaries	4,321	4,186
Social insurance contributions	566	541
Payments owing to termination of the employment relationship	0	91
Share options granted (according to IFRS 2)	166	275
	5,053	**5,093**

The increase in wages and salaries on the previous year is essentially due to only two Executive Board members receiving remuneration in fiscal year 2017, while there were up to four Executive Board members for some of the reporting year. This rise is offset by a reduction in the expense resulting from the granting of employee stock options. There were no one-off effects related to payments owing to the termination of employment relationships in the reporting year (previous year: €91 thousand).

The social insurance contributions include expenses for defined contribution plans amounting to €68 thousand (previous year: €58 thousand). Expenses of €40 thousand are attributable to three (sometimes four) members of the Executive Board (previous year: €31 thousand; three Executive Board members).

The average number of staff employed at MOLOGEN over the year was 48 (previous year: 47) (excluding Employees and employees on parental leave). Broken down, 33 of these employees worked in research and development and the remaining 15 in administration.

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

	31 Dec 2018	31 Dec 2017
Executive Board	3	3
Research and development (R&D) department	32	34
Administration	15	15
	50	**52**

(5) DEPRECIATION AND AMORTIZATION

Scheduled depreciation and amortization in the amount of €38 thousand is reported under depreciation and amortization of intangible assets and property, plant and equipment (previous year: €49 thousand). No unscheduled depreciation and amortization was carried out (previous year: €0 thousand).

€ '000	**2018**	2017
Intangible assets	17	23
Property, plant and equipment	21	26
	38	**49**

(6) OTHER OPERATING EXPENSES

€ '000	**2018**	2017
Legal and consulting costs	1,051	732
Administration costs	494	419
Marketing/investor relations	466	451
Non-wage personnel costs	414	212
Consulting costs for business development	371	944
Patent costs	346	390
Travel costs	263	347
Occupancy costs	218	237
Maintenance	39	70
Remaining other operating expenses	146	131
	3,808	**3,933**

Other operating expenses decreased by €125 on the previous year's figure.

The decline in other operating expenses is due to the considerably lower consulting costs for business development. Conversely, expenses in relation to legal and consulting costs as well as employee benefit costs were up.

Auditors' fees

€ '000	**2018**	2017
Audit of financial statements (of which in 2018 for the previous year: €32 thousand; 2017: €14 thousand).	77	53
Other auditing services	93	5
Tax consulting services	0	0
	170	**58**

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. Auditing services includes the examination for the 2018 interim report and the securities prospectus.

(7) COST OF FINANCING AND FINANCE INCOME

Cost of financing

€ '000

	2018	2017
Other interest expense – cash	448	327
Other interest expense – non-cash	136	251
	584	**578**

Other cash interest expense includes interest expenses in the amount of €430 thousand (previous year: €310 thousand), which are connected to the issuance of convertible bonds. There was no negative interest on credit balances in fiscal year 2018 or the reference period.

Other cash interest expense relates to expenses in the amount of €136 (previous year: €251 thousand) thousand owing to the effective interest rate in connection with the convertible bonds.

Financial income

€ '000

	2018	2017
Interest on financial assets	1	4

(8) TAX INCOME

Current tax assets and tax liabilities

No income tax was reported in fiscal year 2018 or the reference period.

Deferred taxes

Under German law, MOLOGEN can offset its corporate tax loss carryforwards of €166.2 million (previous year: €153.6 million) and trade tax loss carryforwards of €164.6 million (previous year: €151.8 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 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**
31 Dec 2018				
Temporary difference	0	0	0	0
Total deferred tax liabilities		**0**	**0**	**0**
Temporary difference	0	0	0	0
Tax loss carryforwards		49,917	–49,917	0
Total deferred tax assets		**49,917**	**–49,917**	**0**
Deferred taxes offset as of 31 Dec 2018		**49,917**	**–49,917**	**0**

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

Reconciliation of expected to effective tax result:

€ '000

	2018	2017
Profit (loss) before tax	–11,883	–19,281
Expected tax expense (+)/income (–)	–3,589	–5,823
Tax effects on not tax-deductible expenses or expenses recognized in equity and on not tax-effective income	–200	27
Change of deferred tax allowances	3,789	5,796
Actual tax expense (+)/income (-)	**0**	**0**

The reconciliation is based on a combined income tax rate of 30.2%. This takes into account corporation tax, incl. 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 modified total comprehensive 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.

	2018	2017
Total comprehensive income attributable to ordinary shareholders (€ '000)	–11,883	–19,281
Weighted average number of ordinary shares for calculating basic EPS (thousands)	7,830	34,171
Weighted average number of ordinary shares for calculating basic EPS (thousands)	1,716	4,470
Dilution effect from the issuance of share options and convertible bonds (thousands)	9,546	38,641
Basic EPS in €	–1.52	–0.56
Diluted EPS in €[(a)]	–1.20	–0.49

(a) The if-converted method is applied to the calculation of diluted EPS, which means it includes fictitious interest saving and was taken into account in the earnings attributable. The share options granted and convertible bonds issued in the previous year also resulted in dilution effects. In the calculations for 2018, the number of ordinary shares was adjusted at a ratio of 5:1 retroactively as of 1 January 2018 (IAS 33.64). This was required on account of the reverse stock split.

(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.

In fiscal year 2018, no income taxes were paid (previous year: €0 thousand). MOLOGEN did not receive any income tax refunds in fiscal year 2018 (previous year: €0 thousand).

In fiscal year 2018, interest income totaled €1 thousand (previous year: €4 thousand). Interest in the amount of €447 thousand was paid (previous year: €326 thousand).

Cash and cash equivalents comprises cash on hand, current account balances 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

			nicht zahlungswirksam					
Development of liabilities from financing (€ '000)	31 Dec 2017	Cash item	Acquisitions	Changes in exchange rate	Change in fair value	Interest	Conversion into equity	31 Dec 2018
Other non-current liabilities	5,419	1,000	—	—	—	136	–1,002	5,553
Current financial liabilities (reported under "Other current liabilities and deferred income")	107	–107	—	—	—	—	—	—

E. NOTES TO THE STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2018

ASSETS

NON-CURRENT ASSETS

(11) PROPERTY, PLANT AND EQUIPMENT

In the past financial year, the net value of property, plant and equipment declined by €11 thousand, from €27 thousand in the prior year to €16 thousand.

In fiscal year 2018, no unscheduled depreciation and amortization was carried out (previous year: €0 thousand).

Ordinary depreciation and amortization was counterbalanced by investments amounting to €9 thousand (previous year: €30 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 €15 thousand to €2 thousand (previous year: €17 thousand). Intangible assets includes software (book value: €2 thousand; previous year: €17 thousand).

In fiscal year 2018, there was no unscheduled depreciation and amortization of intangible assets (previous year: €0 thousand).

Ordinary depreciation and amortization was counterbalanced by investments amounting to €1 thousand (previous year: €3 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 2018, expenses for this area amounted to €10.3 million (previous year: €14.0 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 2018, 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 €8,021 thousand (previous year: €6,523 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 2018.

(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 2018, there are no trade receivables (previous year: €13 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 2018	0	0	0	0	0	0
31 Dec 2017	13	0	0	0	0	0

As of 31 December 2018, no allowances were recognized for trade receivables (previous year: €0 thousand).

In fiscal year 2018, 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

€ '000	**31 Dec 2018**	31 Dec 2017
Raw materials, supplies and goods	682	0
Goods	19	16
	701	**16**

In anticipation of activities for market preparation, raw materials in the amount of €682 thousand were procured in production. In fiscal year 2018, inventories of €6 thousand were recorded.

(16) OTHER CURRENT ASSETS AND INCOME TAX RECEIVABLES

€ '000	**31 Dec 2018**	31 Dec 2017
Income tax receivables	1	1
Reimbursements from VAT	369	288
Other receivables and assets	246	1,219
	616	**1,508**

Income tax receivables comprise claims for reimbursement of capital gains tax (including solidarity surcharge) for fiscal year 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 include advance payments of €113 thousand in connection with the conducting of clinical trials (previous year: €922 thousand).

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

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

EQUITY AND LIABILITIES

LIABILITIES

(17) NON-CURRENT LIABILITIES

Non-current liabilities include liabilities to third parties from the issuance of convertible bonds in the amount of €5,553 thousand (previous year: €5,419 thousand) and deferred income of €0 thousand (previous year: €55 thousand).

Convertible bonds

In fiscal year 2018, the company realized the following funding measures in conjunction with convertible bonds:

A first financing measure was carried out in February 2018 with the Luxembourg-based financing provider the European High Growth Opportunities Securitization Fund (EHGO). Since March 2018, MOLOGEN has been able to place convertible bonds worth up to €12 million with the investor over a period of two years within the framework of this agreement and to call up the corresponding funds. In the 2018 reporting period, MOLOGEN exercised tranches on 1 and 20 March 2018, each amounting to €500 thousand. These convertible bonds issued for this purpose have already been fully converted by EHGO.

In the third quarter of the year, the non-interest bearing mandatory convertible bond 2018/2023 in the amount of €2.0 million was issued and fully subscribed by ONCOLOGIE Inc. No conversion followed. The convertible bond is outstanding in full. The mandatory convertible bond is reported under capital reserves (see Note 20).

€ '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 in fiscal year 2018	**3,000**
Gross proceeds from the issuance of convertible bonds (total)	**10,539**
of which liability component of the convertible bond at date of issue	6,668
of which equity component of the convertible bond at date of issue	3,871
Expenses for the liability component in connection with the issuance of convertible bonds (total)	–127
of which in fiscal year 2018	–55
Expenses for the equity component in connection with the issuance of convertible bonds (total)	–175
of which in fiscal year 2018	–147
Interest expense (total)	–1,143
of which in fiscal year 2018	–565
of which effective interest rate in 2018 (increases liability)	–136
Conversion of bonds in fiscal year 2016	0
Conversion of bonds in fiscal year 2017	–393
Conversion of bonds in fiscal year 2018	–1,002
Liability component of convertible bonds as of 31 Dec 2018	**5,553**

For further information on ascertaining the fair value of the equity component, please refer to Section (20) of these Notes.

Deferred income

In the past fiscal year, no deferred income was reported (previous year: €55 thousand).

The non-current component of the expenditure grant (previous year: €54 thousand), which MOLOGEN received in the course of a funded project in fiscal year 2017, was reclassified under non-current deferred income in the financial year according to the estimated costs involved.

The government grants for assets (previous year: €1 thousand) were discharged due to insignificance in the financial year.

(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 2018	31 Dec 2017
Trade payables	2,640	4,400
Deferred income	1,102	2,084
Liabilities from income and church tax	102	92
Liabilities to banks	11	9
Financial liabilities from interest (WSV)	0	107
Other liabilities	894	810
	4,749	**7,502**

Trade payables principally result from services in relation to clinical trials. The calculation of these deferred liabilities is based on estimates, which mainly result from the downstream/delayed accounting method of the clinical centers and service providers. The estimation technique takes into account the average treatment and pass-through costs, the number of patients enrolled, the average predicted duration of treatment as well as the ratio of services already received based on the actual duration of treatment to predicted duration of treatment per patient.

The amount reported as deferred income of €1,102 thousand (previous year: €2,084 thousand) relates to an expenditure grant MOLOGEN received in the course of a funded project in fiscal year 2017.

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 €9,271,632, which is divided into 9,271,632 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 2018:

Capital increase from authorized capital

By resolution on 23 January 2018, 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 €34,571,098 to €34,771,098 through the issuance of 200,000 new no-par bearer shares, on the basis of registered authorized capital. The new shares were placed privately at an issue price of €2.225 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 €445,000.00.

In February 2018, a capital increase from authorized capital against contributions in cash with indirect subscription rights for shareholders was carried out. In March 2018, this was placed in full and successfully concluded. Gross proceeds from the issue totaled approximately €5 million.

By resolution on 1 September 2018, the Executive Board decided, with the approval of the Supervisory Board, to increase the share capital against contributions in cash from €7,537,287 to up to €11,305,930 through the issuance of up to 3,768,643 new no-par bearer shares, on the basis of registered authorized capital. The new shares were placed in the context of a public offer in Germany and Luxembourg. Existing shareholders were granted a subscription right at a ratio of 2:1. The new shares were offered at a price of €4.70 each. A total of 1,734,345.00 new shares were placed. Gross proceeds from the issue totaled €8.2 million.

Reverse stock split concluded at a ratio of 5:1

The reverse stock split at a ratio of 5:1 which was resolved at the company's Annual General Meeting on 8 June 2018 was recorded in the Commercial Register relevant to the company on 9 July 2018.

AUTHORIZED AND CONDITIONAL CAPITAL

The resolutions adopted by the Annual General Meeting on 8 June 2018 were entered in the Commercial Register relevant to the company on 9 July 2018.

This resulted in the following changes to the authorized and conditional capital:

The Annual General Meeting of 8 June 2018 authorized the Executive Board to create a new authorized capital 2018. The Executive Board was authorized, until 7 June 2023 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 €3,768,643.00 (authorized capital 2018) and, in doing so, to define an earnings participation start date that differs from law in accordance with Article 23 Para. 2 of the Articles of Association.

By resolution of the Annual General Meeting of 8 June 2018, authorization 2017 that existed up to that point was replaced by a new authorization 2018 and the existing conditional capital 2017-1 replaced by new conditional capital 2018, which amounted to €1,507,457 and was divided into 1,507,457 no-par value shares. Conditional capital 2018 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 7 June 2023 as authorized pursuant to the resolution adopted by the Annual General Meeting on 8 June 2018 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, the conditional capital totaling up to €700,000 was revoked through the issuance of up to 700,000 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 2017-2).

Lastly, conditional capital totaling up to €610,151.00 (conditional capital 2010) was revoked.

In fiscal year 2018, 1,435 no-par value shares were issued through conversions of conditional capital 2014-1.

The complete wording of the resolutions has been included in the Articles of Association dated 9 July 2018 and published on the company website.

The company has the following **authorized** and **conditional capital** as of the reporting date of 31 December 2018:

In €

	31 Dec 2018	31 Dec 2017	Change
Authorized capital	2,034,298	16,698,625	–14,664,327
Conditional capital 2010	0	610,151	–610,151
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	4,468,800	4,470,235	–1,435
Conditional capital 2014-2	176,051	176,051	0
Conditional capital 2015	700,649	700,649	0
Conditional capital 2017-1	0	9,192,148	–9,192,148
Conditional capital 2017-2	0	700,000	–700,000
Conditional capital 2018	1,507,457	0	1,507,457

Conditional capitals 2011 and 2012 are used to grant convertible bonds and/or subscription rights without the issue of bonds to Executive Board members and company employees based on the resolutions adopted by the Annual General Meetings of 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.

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 adopted by 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 and 2015 are used exclusively to grant rights to the holders of share options (Executive Board members and company employees) based on the resolutions adopted by the Annual General Meetings of 16 July 2013, 13 August 2014 and 29 July 2015. 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 2018 is to be used for granting no-par 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 up to 7 June 2023 as authorized on account of the resolution adopted by the Annual General Meeting on 8 June 2018 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.

(20) CAPITAL RESERVE

In the capital reserve, equity components are reported that are received from external sources via the issued capital or result from the issuance of convertible bonds and the exercise of conversion rights. It also includes a withdrawal in the amount of €6,668 thousand carried out in fiscal year 2002, which was offset with the accumulated deficit.

Furthermore, the application of IFRS 2 Share-based Payment results in transfers to the capital reserve.

Owing to the conversion of the partial bonds under convertible bond 2017/25 and the two tranches of convertible bonds by EHGO into 558,728 no-par value shares in the first half of 2018, the capital reserve increased by €443 thousand – with proportionate consideration of the equity component posted at the time of issue.

In the third quarter of the year, the non-interest bearing convertible bond 2018/2023 was issued, amounting to €2.0 million and fully subscribed to by ONCOLOGIE Inc. In this connection, capital reserves increased by €2,000 thousand.

Changes to the capital reserve in reporting year 2018:

€ '000	
Capital reserve 31 Dec 2017	**105,614**
Reversal of the capital reserve pursuant to Section 229 Para. 2 of the AktG	–110,095
Capital increase from authorized capital	9,302
IFRS 2 – personnel expenses SOP	166
Costs of equity procurement	–954
Addition from issuance of convertible bond	2,000
Addition from conversion of convertible bond	444
Capital reserve 31 Dec 2018	**6,477**

The application of IFRS 2 Share-based Payment resulted in the transfer of €166 thousand to the capital reserve (previous year: €275 thousand). Please refer to Section (4) of the present Notes.

€ '000	**31 Dec 2018**	31 Dec 2017
Capital reserve	4,810	105,601
Capital reserve from the issuance of bonds with conversion and/or option rights	3,873	1,873
Exercise of conversion rights	488	46
Employee compensation in equity instruments	7,563	7,397
Costs of equity procurement	–10,257	–9,303
	6,477	**105,614**

(21) ACCUMULATED DEFICIT

The accumulated deficit includes a loss carried forward of €4,811 thousand (previous year: €125,774 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 issues 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 2011, SOP 2012, SOP 2013, SOP 2014 and SOP 2015) from the date of allocation.

VESTING PERIOD

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

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

The strike price corresponds to the average stock market price for shares (arithmetic mean of the closing prices in XETRA trading or a comparable successor system (SOP 2011, SOP 2012, SOP 2013, SOP 2014 and SOP 2015) 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) prior to 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.

EXERCISE PRICE

Corresponds to the strike price

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 AND SOP 2015)

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 with respect to 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 its 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 2011, 2012a and 2012b were identified using a Monte Carlo simulation model. The fair values of SOPs 2013, 2014 and 2015 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, no share options from SOPs were issued to employees and members of the Executive Board.

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 and SOP 2013). No adjustments were required, as actual turnover was taken into account accordingly up to the reporting date.

The following table shows the underlying parameters of the valuation:

				SOPs
Parameter	**2011**	**2012a**	**2012b**	**2013a**
Dividend yield (%)	0.00	0.00	0.00	0.00
Expected volatility (%)	44.00	41.41	40.70	39.91
Risk-free interest rate (%)	1.44	0.74	0.53	0.86
Anticipated life time of the option (years)	5.50	5.50	5.50	5.50
Share price on date of issuance (€)	7.13	12.95	14.15	12.57
Expected volatility of the DAXsubsector Biotechnology index (%)	–	–	–	20.07

				SOPs
Parameter	**2013b**	**2013c**	**2014**	**2015a**
Dividend yield (%)	0.00	0.00	0.00	0.00
Expected volatility (%)	40.75	42.09	43.98	48.25
Risk-free interest rate (%)	0.82	0.82	0.20	0.47
Anticipated life time of the option (years)	5.50	5.50	5.50	5.50
Share price on date of issuance (€)	10.80	7.75	4.95	3.32
Expected volatility of the DAXsubsector Biotechnology index (%)	18.58	18.45	19.84	21.70

				SOPs
Parameter	**2015b**	**2015c**		
Dividend yield (%)	0.00	0.00		
Expected volatility (%)	60.59	61.46		
Risk-free interest rate (%)	0.23	0.07		
Anticipated life time of the option (years)	5.50	5.50		
Share price on date of issuance (€)	2.88	3.90		
Expected volatility of the DAXsubsector Biotechnology index (%)	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 during the term of the share options has been assumed. This will not necessarily correspond to actual dividend payments in future.

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 2018, no share options were issued to beneficiaries (previous year: 389,475). As of 31 December 2018, share options may no longer be allocated.

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.

	2018		2017	
	WAEP per share option €	Share options Units	WAEP per share option €	Share options Units
As of 1 Jan	6.17	1,254,597	7.91	1,400,308
Adjustment to capital reduction[a]	9.03	675,498	0	0
Granted	0	0	3.20	394,725
Forfeited	5.35	26,967	3.55	41,442
Exercised	0	0	0	0
Expired	8.32	198,632	8.93	498,994
As of 31 Dec	9.43	353,500	6.17	1,254,597
Exercisable as of 31 Dec[b]	13.24	173,833	9.57	534,737

(a) The calculation includes the adjustment on account of the reverse stock split at a ratio of 5:1 retroactively as of 1 January 2018.
(b) 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 share options outstanding as of 31 December 2018 was 3.03 years (12/31/2017: 3.94 years).

The exercise prices for the options outstanding at the end of the reporting period ranged between €3.14 and €13.91 (previous year: €3.14 and €13.91).

G. OTHER FINANCIAL LIABILITIES AND CONTINGENT LIABILITIES

Other financial liabilities resulting from rental and lease agreements total €195 thousand for fiscal year 2019 and €20 thousand beyond 2019. MOLOGEN has other financial liabilities requiring disclosure in the amount of €4,365 thousand for 2019 (previous year: €7,425 thousand) and of €1,228 thousand beyond 2019 (previous year: €4,033 thousand).

There were no contingent liabilities as defined in IAS 37 as of 31 December 2018.

For the years following the reporting date, there are financial liabilities from three lease agreements for operating and business premises of Mologen AG. These agreements have been concluded for a period of several years and can be terminated at short notice. No purchase options exist, but it is possible to extend the lease agreement by one year in each case. On expiry of the fixed lease term or option period, the tenancy will potentially extend by another year unless it is terminated within the required period. Some of the lease agreements contain price adjustment clauses which are tied to the consumer price index for Germany ascertained by the Federal Statistical Office.

None of the agreements are defined as finance leases.

Future payments resulting from these agreements are made up as follows:

€ '000	
2019	195
2020	20
Total	**215**

The expense for leased facilities included in the statement of comprehensive income for the reporting year amounts to €196 thousand (2017: €195 thousand). In 2018 and the prior year, Mologen AG did not incur any other expense in relation to lease agreements.

In addition to liabilities from rental and lease agreements, there are financial liabilities essentially resulting from scientific service contacts, including external services in connection with the carrying out of clinical and preclinical studies. These liabilities range up to €5,593 thousand (2017: up to €11,458).

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 result from the completed and planned 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 are trade receivables, trade payables, liabilities from convertible bonds 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 essentially taken into account by setting up specific valuation allowances (cf. Section E. (14)). No collective valuation allowances 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 (within three-to-six months) for the IMPALA 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 2017 and 2018 each offer a fixed interest rate of 6.0% per annum over the whole term of eight years. In contrast, the per annum interest rate paid on convertible bond 2017/2024 issued in 2016 has been 8% since 29 November 2018, having previously also been set at 6% per annum.

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 2018**	31 Dec 2017
Financial assets		
Valued at Amortized Costs		
Trade receivables	0	13
Cash and cash equivalents	8,021	6,523
Other assets	616	1,508
Financial liabilities		
Valued at Amortized Costs		
Liabilities to banks	11	9
Trade payables	2,640	4,400
Convertible bond (liability component)	5,553	5,419
Other liabilities	2,098	3,093

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, made up of financial liabilities in the amount of €5,553 thousand and an equity component totaling €1,709 thousand (following 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 2018", liabilities, convertible bonds.

In fiscal year 2018, losses of €0 thousand were reported resulting from foreign currency conversion (previous year: €44 thousand).

Development of impairments of financial instruments

€ '000

	Impairment of			
	Financial assets	Trade receivables	Other financial assets	Total
As at 1 Jan 2017	**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**
Increase/decrease of impairments recognized in the income statement	0	0	0	0
Use of reported impairments	0	0	0	0
As at 31 Dec 2018	**0**	**0**	**0**	**0**

I. INFORMATION ON AFFILIATED PERSONS AND COMPANIES

EXECUTIVE BOARD

1. EXECUTIVE BOARD MEMBERS OF MOLOGEN IN FISCAL YEAR 2018:

Dr Ignacio Faus, Chief Executive Officer as of 1 August 2018, Berlin (since 1 August 2018, appointed until 31 July 2021).
Member of the following other statutorily mandated supervisory boards and comparable domestic and foreign supervisory committees of business enterprises: DRI Capital, Toronto (member of the Board of Directors); ABOLOGIX, Sàrl (President)

Dr Mariola Söhngen, Chief Executive Officer up to 31 July 2018, Berlin (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, Germany (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 or foreign supervisory committees of business enterprises.

Non-renewal of CEO mandate

The Chief Financial Officer (CFO) of MOLOGEN AG, Walter Miller, informed the Supervisory Board at the end of 2018 that he would not be seeking to extend his contract as member of the Executive Board when it expires on 31 March 2019.

2. REMUNERATION STRUCTURE FOR THE EXECUTIVE BOARD

Fixed and performance-based remuneration components

The Supervisory Board members each receive a fixed annual base salary (base salary), which is paid in monthly installments, as well as profit and performance-related remuneration components that are contingent on achieving predefined targets.

The Executive Board members received the following base salaries as well as profit and performance-related remuneration (variable remuneration):

Dr Ignacio Faus, CEO
1 August 2018 – 31 July 2021

Benefits granted (in € '000)

	2018	2018 min.	2018 max.	2017
Base salary	104	104	104	0
Fringe benefits	12	12	12	0
Total	**116**	**116**	**116**	**0**
One-year variable remuneration	90	0	100	0
Multi-year variable remuneration				
Management bonus 2, term of 3 years	46	0	46	0
Total	**252**	**116**	**262**	**0**
Pension-related expense	0	0	0	0
Total	**252**	**116**	**262**	**0**

Walter Miller, CFO
1 April 2016 – 31 March 2019

Benefits granted (in € '000)

	2018	2018 min.	2018 max.	2017
Base salary	200	200	200	200
Fringe benefits	43	43	43	43
Total	**243**	**243**	**243**	**243**
One-year variable remuneration	50	0	100	70
Multi-year variable remuneration				
Management bonus 2, term of 3 years	10	0	10	10
Total	**303**	**243**	**353**	**323**
Pension-related expense	0	0	0	0
Total	**303**	**243**	**353**	**323**

Dr Mariola Soehngen, CEO
1 November 2015 – 31 October 2018

Benefits granted (in € '000)

	2018	2018 min.	2018 max.	2017
Base salary	208	208	208	250
Fringe benefits	28	28	28	34
Total	**236**	**236**	**236**	**284**
One-year variable remuneration	125	0	250	171
Multi-year variable remuneration				
Management bonus 2, term of 3 years	0	0	50	60
Total	**361**	**236**	**536**	**515**
Pension-related expense	0	0	0	0
Total	**361**	**236**	**536**	**515**

Dr Ignacio Faus, CEO
1 August 2018 – 31 July 2021

Inflow in the financial year (in € '000)

	2018	2017
Base salary	104	0
Fringe benefits	12	0
Total	**116**	**0**
One-year variable remuneration	0	0
Multi-year variable remuneration		
Management bonus 2, term of 3 years	0	0
Total	**116**	**0**
Pension-related expense	0	0
Total	**116**	**0**

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

Benefits granted (in € '000)

	2018	2018 min.	2018 max.	2017
Base salary	230	230	230	153
Fringe benefits	21	21	21	14
Total	**251**	**251**	**251**	**167**
One-year variable remuneration	75	0	100	48
Multi-year variable remuneration				
Management bonus 2, term of 3 years	20	0	20	13
Total	**346**	**251**	**371**	**228**
Pension-related expense	0	0	0	0
Total	**346**	**251**	**371**	**228**

Dr Mariola Soehngen, CEO
1 November 2015 – 31 October 2018

Inflow in the financial year (in € '000)

	2018	2017
Base salary	208	250
Fringe benefits	28	34
Total	**236**	**284**
One-year variable remuneration	150	300
Multi-year variable remuneration		
Management bonus 2, term of 3 years	0	0
Total	**386**	**584**
Pension-related expense	0	0
Total	**386**	**584**

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

Inflow in the financial year (in € '000)

	2018	2017
Base salary	230	153
Fringe benefits	21	14
Total	**251**	**167**
One-year variable remuneration	48	0
Multi-year variable remuneration		
Management bonus 2, term of 3 years	0	0
Total	**299**	**167**
Pension-related expense	0	0
Total	**299**	**167**

Walter Miller, CFO
1 April 2016 – 31 March 2019

Inflow in the financial year (in € '000)

	2018	2017
Base salary	200	200
Fringe benefits	43	43
Total	**243**	**243**
One-year variable remuneration	60	75
Multi-year variable remuneration		
Management bonus 2, term of 3 years	0	0
Total	**303**	**318**
Pension-related expense	0	0
Total	**303**	**318**

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 I. Faus	Dr M. Söhngen	Dr M. Baumann	W. Miller	Total
Subscription rights issued (units)	**2018**	**—**	**—**	**—**	**—**	**—**
	2017	—	50,000	30,000	40,000	120,000
Fair value of subscription rights issued upon issuance (€ '000)	**2018**	**—**	**—**	**—**	**—**	**—**
	2017	—	71	61	56	188
Total personnel expenses from share options in each financial year (€ '000)	**2018**	**—**	**–7**	**14**	**20**	**27**
	2017	—	27	7	19	53

No share options were exercised by members of the Executive Board in fiscal year 2018 or the previous year.

Payments in the event of early termination of the employment relationship

In the event that an appointment or contract of employment is prematurely terminated for a reason that is not at the same time a compelling 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 Matthias Baumann: €230 thousand; Walter Miller: €200 thousand). The claim to be granted annual management bonus 1 (Dr Matthias Baumann: €100 thousand; Walter Miller: €100 thousand) is reduced pro rata temporis for the relevant calendar year, while management bonus 2 (Dr Matthias Baumann: maximum of €60 thousand; Walter Miller: maximum of €60 thousand, for a three-year period in each case) is granted in full if the relevant targets are achieved.

For Dr Ignacio Faus, the severance payment will equate to a maximum of twice the fixed annual remuneration including management bonus 1

and fringe benefits (fixed salary: €250 thousand, management bonus 1 €240 thousand). In deviation from the preceding sentence, in the event that the termination of the employment agreement takes effect after 31 July 2020, Dr Ignacio Faus will receive a severance payment that also includes a claim to management bonus 2 (up to €330 thousand for a three-year period). The severance claim of Dr Ignacio Faus to annual management bonus 1 is reduced pro rata temporis for the relevant calendar year, while management bonus 2 is granted in full if the relevant targets are achieved.

Should the appointment be terminated for a compelling reason as defined in Section 626 of the BGB, all rights to severance payments shall lapse.

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 Walter Miller and Dr Matthias Baumann shall have the right to terminate their contracts extraordinarily. If this is exercised, the service contracts of Executive Board members include a provision for a severance payment. In the event of a respective resignation on or after 1 April 2017 (Walter Miller) and on or after 1 July 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. The service contract of Executive Board member Dr Ignacio Faus contains no change-of-control provision.

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 (Walter Miller) and for a period of up to six months (Dr Matthias Baumann) or for a period of three months (Dr Ignacio Faus) 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 (Dr Matthias Baumann, Walter Miller) shall expire three months after the end of the month in which the permanent incapacity for work is declared. If incapacity for work following illness lasts for longer than six months (Dr Ignacio Faus), the company has the right to terminate the employment relationship in accordance with the notice periods specified in Section 622 of the BGB, unless a doctor has predicted that full fitness for work will be restored within two months before notice of termination.

In the event of death of the respective Executive Board member, the base salary for the month of death as well as for the next six months (Dr Matthias Baumann, Walter Miller) or three months (Dr Ignacio Faus) months would be paid, but no longer than until the end of the agreed term of the respective service contract. In addition, there is a right to profit and performance-related remuneration pro rata temporis for the period up to the end of the month of death (Dr Matthias Baumann, Walter Miller).

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 2018	31 Dec 2017	**31 Dec 2018**	31 Dec 2017
Dr Ignacio Faus	5,320	—	—	—
Dr Matthias Baumann	—	—	6,000	30,000
Walter Miller	5,320	—	14,000	70,000

The number of share options as of 31 December 2018 was adjusted at a ratio of 5:1 on account of the reverse stock split. No share options were exercised in the reporting year.

INFORMATION ON THE SUPERVISORY BOARD

1. SUPERVISORY BOARD MEMBERS OF MOLOGEN IN FISCAL YEAR 2018

Oliver Krautscheid, Dipl.-Kfm., CEO Change Capital GmbH, Zug, Switzerland (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 or comparable domestic and foreign supervisory committees of business enterprises

Susanne Klimek, businesswoman, Managing Director of SALVATOR Vermögensverwaltungs GmbH, Munich, Germany (member of the Supervisory Board until 30 April 2018).
Not a member of any other statutorily mandated supervisory boards or comparable domestic and foreign supervisory committees of business enterprises

Dr rer. nat. Michael Schultz, independent expert and consultant for the pharmaceutical and biotechnology industries, Berlin, (member of the Supervisory Board since 4 June 2018).
Not a member of any other statutorily mandated supervisory boards or 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.

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 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 increases 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 2018, no performance-based remuneration is paid for fiscal year 2018.

In each case, the chairman receives twice this amount. The deputy chairman receives one and a half times 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 2018, Supervisory Board remuneration amounted to €88 thousand (previous year: €87 thousand). Furthermore, attendance fees totaled €84 thousand (previous year: €65 thousand).

The following remuneration was granted to each member of the Supervisory Board in fiscal year 2018:

€ '000	Remuneration	Attendance fees	Total
Oliver Krautscheid	40	38	78
Dr med. Stefan M. Manth	30	29	59
Susanne Klimek	7	5	12
Dr rer. nat. Michael Schultz	11	12	23
Total	**88**	**84**	**172**

3. SHAREHOLDINGS OF SUPERVISORY BOARD MEMBERS

The following table provides an overview of the shares held by Supervisory Board members as of 31 December 2018. The Supervisory Board does not hold any share options.

In units	Shares	
	31 Dec 2018	31 Dec 2017
Oliver Krautscheid	5,253	9,510
Dr med. Stefan M. Manth	2,000	4,860
Dr rer. nat. Michael Schultz	-	-

J. INFORMATION ON SIGNIFICANT EVENTS AFTER THE REPORTING DATE OF 31 DECEMBER 2018

After the reporting date, MOLOGEN raised funds of €6.9 million through the placement of a convertible bond and a capital increase from the authorized capital. This extended the cash reach until at least the end of 2019.

In the context of the creditors' meeting in February 2019, a proposed amendment to the bond terms and conditions of convertible bond 2017/2025 was adopted. The conversion price was amended to €2.46 and the conversion ratio to 4.065. Furthermore, an amendment of the provisions on termination rights was resolved.

With effect from 31 March 2019, Dr Ignacio Faus departed from his post as CEO and member of the Executive Board of MOLOGEN prematurely by mutual agreement with the Supervisory Board.

Dr med. Stefan M. Manth was appointed as the new CEO of MOLOGEN with effect after the completion of the capital increase, which was still ongoing at the time of his appointment on 27 March 2019. Between 2011 and 2013, Dr Manth was member of MOLOGEN's Scientific Advisory Board before being elected to the Supervisory Board in August of 2014, where he has since served as Deputy Chairman.

At the time of the submission of this report, a member of the Supervisory Board of MOLOGEN as successor to Dr Manth has yet to be determined.

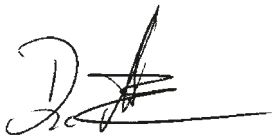
K. EXECUTIVE BOARD DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

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 https://www.mologen.com/en/investors/corporate-governance/compliance-statement.

L. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Executive Board and released for publication.

Berlin, 26 April 2019
Executive Board of MOLOGEN AG



Dr Matthias Baumann
Chief Medical Officer (CMO)

AUDIT CERTIFICATE FROM THE INDEPENDENT AUDITOR

To 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 2018 and the statement of comprehensive income, cash flow statement and statement of changes in equity for the fiscal year from 1 January 2018 to 31 December 2018 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 2018 to 31 December 2018.

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 2018 as well as the company's results of operations for the fiscal year from 1 January 2018 to 31 December 2018 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 2018 to 31 December 2018 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 2018, trade payables amounting to €2.6 million are entered on the liabilities side of the balance sheet. Of these, accruals for clinical service providers account for €1.7 million. Furthermore, other financial obligations of 5.6 million are reported in the notes to the financial statements, with €5.3 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 2018 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.

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 are presented in section C of the notes to the financial statements, Accounting and valuation methods and in section E of the notes to the financial statements, Notes to the statement of financial position as of 31 December 2018.

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 2018 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 8 June 2018. We were instructed by the Supervisory Board on 15 February 2019. 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 Lars Schmidt.

München, 26 April 2019

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
(Düsseldorf)

Andreas Weissinger
Auditor

Lars Schmidt
Auditor

MOLOGEN AG, Berlin

Annual financial statements prepared in accordance with Section 325 Para. 2a HGB as of 31 December 2018 under IFRS – as applicable in the EU – and management report for fiscal year 2018

»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.

INVESTIGATOR-INITIATED TRIAL (IIT)
Clinical trials conducted by third party researchers independent from companies, such as universities or study centres. The researchers are solely responsible for conducting the study and complying with all legal regulations.

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.

MONOCLONAL ANTIBODIES
Identical antibodies cloned from a single mother cell. In contrast to naturally occurring, so-called polyclonal antibodies, monoclonal antibodies always bind the same antigens and can therefore be used more specifically.

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 spring 2019.

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 2019

30 APRIL, 2019
FULL YEAR REPORT 2018

9 MAY, 2019
QUARTERLY STATEMENT
AS OF MARCH 31, 2019

14 AUGUST, 2019
HALF-YEARLY FINANCIAL REPORT
AS OF JUNE 30, 2019

22 AUGUST, 2019
ANNUAL GENERAL MEETING 2019

7 NOVEMBER, 2019
QUARTERLY STATEMENT
AS OF SEPTEMBER 30, 2019

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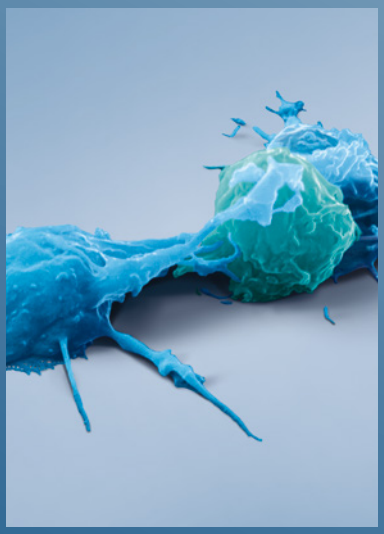
This annual report is available on www.mologen.com.
Please note: Only the German version is valid and applicable.

DISCLAIMER

This document contains forward-looking statements which are based on the current estimates and assumptions by the corporate management of MOLOGEN AG. Forward-looking statements are characterized by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate and similar formulations. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and the results actually achieved by MOLOGEN AG depend on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are outside MOLOGEN's control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and other involved in the marketplace. MOLOGEN neither plans nor undertakes to update any forward-looking statements.

MOLOGEN AG
THE POWER OF IMMUNOTHERAPIES



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