Medigene AG

Planegg/Martinsried

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Pursuant to Section 186 (4) Sentence 2 and Section 221 (4) of the German Stock Corporation Act (AktG), the Executive Management Board hereby reports to the Annual General Meeting on Item 7 of the Agenda as follows:

With the mandate proposed under item 7 of the Agenda, the Executive Management Board and Supervisory Board intend to make use of the legal possibility of creating equity by means of issuing bonds linked with conversion or option rights on shares of Medigene AG (CBW bonds). An adequate equity position is an important foundation for the Company's future development. By issuing CBW bonds, the Company will obtain external capital at what is currently a favorable rate of interest. The existing 2018 authorization resolved by the Annual General Meeting of 15 May 2018 under Item 9 b) of the Agenda has not been used to date. However, it only amounts to €150,000,000.00 and no longer provides the Executive Management Board with sufficiently comprehensive scope for action.

In principle, the Company's shareholders have subscription rights to any new CBW bonds to be issued in an amount equivalent on a pro rata basis to their existing stake in the Company's share capital.

The CBW bonds shall, in principle, be taken up by one or more financial institutions or one or more companies trading under Section 53 (1) Sentence 1 or Section 53b (1) Sentence 1 or (7) of the German Banking Act (KWG) with the obligation of offering them to the shareholders for subscription. This facilitates processing and does not constitute an exclusion of subscription rights, as shareholders are thereby granted an indirect subscription right to the bonds.

The resolution as proposed provides the mandate authorizing the exclusion of shareholder subscription rights that exist in principle when issuing CBW bonds for certain purposes, which the resolution as proposed lists individually, in accordance with the relevant legal provisions. The Executive Management Board and the Supervisory Board believe that this authorization to exclude shareholders' subscription rights is objectively justified and reasonable as far as the shareholders are concerned, weighing up all the circumstances, for the reasons below.

The proposed authorization to exclude subscription rights for the utilization of share fractions facilitates the presentation of a practicable subscription ratio. Without this authorization, it would be more difficult to implement a capital measure, in particular, when issuing CBW bonds for a round figure. Fractions arise if holding ratios or the amount of an issue mean that not all of the new CBW bonds can be distributed equally amongst the shareholders. The costs of trading subscription rights for fractional amounts bear no proportion to the benefits to the shareholders. The new subscription-right free CBW bonds created for fractional amounts will be realized either by selling them on the stock market (if possible) or otherwise as is best for the Company. Any potential dilution effect is minor, given that this is limited to fractional amounts.

The mandate to exclude subscription rights in favor of holders of conversion or option rights is intended to avoid having to reduce the option premium or conversion price or to make cash top-up payments for the option and conversion rights already issued. Instead, it shall be possible to grant subscription rights to holders of such rights to the new bonds in the scope to which they would be entitled on exercising their rights in order to guarantee their protection against dilution.

Furthermore, the Executive Management Board and Supervisory Board shall be authorized to issue CBW bonds excluding the subscription rights of shareholders to the extent that the new shares to be issued on the basis of the conversion or option rights do not exceed a total of 10% of the Company's share capital, neither on the date of this authorization coming into effect nor on the date on which it is exercised. This enables the Company to exploit transient favorable stock market situations and achieve the best possible terms for the bond features by specifying market related terms.

This is not possible where subscription rights are granted, since the length of the period during which purchases can be made limits the possibility of reacting swiftly to market conditions. The uncertainty concerning the exercise of subscription rights may also compromise the success of placing CBW bonds with third parties. In addition, the exclusion of subscription rights affords the Company the opportunity of further extending its shareholder base to include international investors.

The statutory basis for excluding subscription rights is enshrined in Section 221 (4) Sentence 2 and Section 186 (3) Sentence 4 of the German Stock Corporation Act (AktG). The purpose of these standard provisions is to afford the shareholder protection from dilution of ownership in terms of shares held. Whether or not such a dilution effect arises can be calculated. Based on the Black/Scholes model or other suitable actuarial methods, the hypothetical stock exchange price for the bond can be calculated and any dilution effects derived by comparing this with the issuing price. In accordance with the authorization, the issuing price may not be significantly below the theoretical market value ascertained by recognized actuarial methods. Nothing else therefore applies as far as a capital increase under exclusion of subscription rights in line with Section 186 (3) Sentence 4 AktG is concerned.

In every case, the Executive Management and Supervisory Boards shall verify whether shareholders are protected from the effects of dilution. An investment bank or auditor may be instructed to provide a report on this aspect.

The Executive Management Board and Supervisory Board shall add the shares below to the limit of 10% of the registered share capital provided for by the mandate:

- Shares that, during the term of this authorization in line with or in appropriate application of Section 186 (3) Sentence 4 AktG, are issued under exclusion of shareholders' subscription rights, and

- Shares that are or are to be issued for the purposes of servicing bonds with conversion or option rights pursuant to other mandates, providing and to the extent that such bonds are issued during the term of validity of these mandates in appropriate application of Section 186 (3) Sentence 4 AktG under exclusion of shareholders' subscription rights.

The contingent capital is required to service the conversion and option rights linked to the CBW bonds.

The conversion price or option premium for a new share shall be determined by the Executive Management Board, with the consent of the Supervisory Board, taking into account the prevailing market conditions at the time of issue of the CBW bonds. This price shall not be below 80% of the reference price defined in the mandate (see above, Item 9 b) ee) of the Agenda).

Finally, the Executive Management Board of Medigene AG shall not make use of the Contingent Capital 2020/I or of the authorization pursuant to Item 9 b) of the Agenda (2020 Authorization) to the extent that the total shares issued pursuant to the 2020 Authorization – assuming the convertible bonds/options are issued excluding shareholder subscription rights – do not exceed 20% of the share capital, calculated from the time that the 2020 Authorization becomes effective or is exercised, depending on which amount is smaller. The aforementioned 20% limit shall factor in shares issued pursuant to the authorized capital items in place at the time when these authorizations come into effect or that are resolved by the same Annual General Meeting which resolved this authorization, during the period of validity of these authorizations, under exclusion of shareholders' subscription rights. This restriction is aimed at limiting potential dilution for shareholders resulting from the exclusion of subscription rights.

Planegg/Martinsried, November 2020

The Executive Management Board