

Report of the Supervisory Board

of Probiodrug AG, Halle (Saale) for the Financial Year 2016

Cooperation of Supervisory Board and Management Board

Also in the past financial year 2016, the Supervisory Board closely attended to the strategic development of the company and important individual measures and supervised and consulted the Management Board on a regular basis. The work of the Supervisory Board, the principles of adopting resolutions and the work of its committees were governed, inter alia, by the rules of procedure of the Supervisory Board as adopted on 30 September 2014. The Supervisory Board could always satisfy itself of the lawful, expedite and proper activities of the Management Board. Within the reporting period, the Management Board informed the Supervisory Board in detail and comprehensively in the meetings on the business development, the financial situation of the company, the progress of the research and development programs as well as the financial and investment planning. In addition, the Management Board submitted on a regular basis financial reports and reported in detail on events of particular importance, particularly on the financial situation of the company, the details of the capital increase completed in 2016 and the status of the development programs. Moreover, the chairman of the Supervisory Board coordinated with the Management Board on substantial facts on a regular basis. Thus, the Supervisory Board was always and in due time involved in all material and relevant topics. In 2016, the cooperation with the Management Board was again as in the past open and constructive. All relevant topics and strategic decisions, including those, where consent was needed, were intensely discussed and mutually agreed.

Supervisory Board Meetings

In 2016, six meetings of the Supervisory Board took place. In those meetings, the main issues were the status of the development programs, the financing and the planning and the execution of the capital increase.

Also outside of the Supervisory Board meetings, the chairman of the Supervisory Board was informed by the Management Board of the current development of the business situation, significant business events and relevant events in the strategic environment of the company.

Committees

The Supervisory Board formed three committees: the Audit Committee, the Compensation Committee and the Nomination Committee.

Dr. von der Osten, C. Lohmann and Dr. Neermann have been members of the Audit Committee; chairperson is Dr. von der Osten. All members have the required expertise and independence. The Audit Committee convened three times in 2016. The members of the Audit Committee discussed and reviewed the audit of the financial statements 2015 according to German GAAP (HGB) and IFRS, the half year financial statements 2016 and potential financing options for the company.

Dr. Platzer, C. Lohmann and K. Been have been members of the Compensation Committee; chairperson is Dr. Platzer. The Compensation Committee convened two times in 2016. The main topics were the discussion of the variable compensation for the Management Board for 2015 and as well as a cash compensation in conjunction with the Stock Option Program 2010.

Dr. Platzer, Dr. Neermann and K. Been have been members of the Nomination Committee; chairperson is Dr. Platzer. The Nomination Committee did not convene in 2016.

The committees reported their activities to the entire Supervisory Board.

Audit of the Annual Financial Statements

The Supervisory Board reviewed the annual financial statements and the management report of the company for the financial year 2016. The auditor elected by the general shareholders' meeting on 19 May 2016 for the financial year 2016, KPMG AG Wirtschaftsprüfungsgesellschaft, audited the annual financial statements including the accounting as well as the management report and issued an unqualified audit opinion.

The documents that had been audited and the audit reports of the auditor were delivered to each member of the Supervisory Board. The auditor attended the meeting of the Supervisory Board on 10 March, 2017 where the annual financial statements were determined and reported on the material findings of his audit. Here the auditor also performed an audit of the risk monitoring system. The conclusion of the audit was, that the Management Board has taken all suitable measures according to Section 91 (2) of the AktG, and that the risk monitoring system is capable of recognized in due course developments that may impair the ability of the company to continue as a going concern.

The Supervisory Board took note of, and gave its consent to, the report of KPMG as auditor of the company. The result of the review of the annual financial statements by the Supervisory Board fully corresponds with the result of the audit by the auditor. The Audit Committee has discussed the annual financial statements in a detailed manner and proposed, that the Supervisory Board shall approve the annual financial statements of Probiodrug AG prepared by the Management Board. The Supervisory Board does not see any reason for raising any objections against the Management Board and the submitted annual financial statements.

In the meeting on 10 March, 2017, the Supervisory Board approved the annual financial statements of Probiodrug AG prepared by the Management Board. The annual financial statements are thus determined.

Corporate Governance and Declaration of Conformity

Also within the reporting year 2016, the members of the Supervisory Board devoted themselves again to the German Corporate Governance Code . The Management Board and the Supervisory Board issued a declaration of conformity pursuant to section 161 AktG (Aktengesetz - German Stock Corporation Act) which is available on the website of Probiodrug AG. In addition, in its corporate governance report, the Management Board concurrently reports on the corporate governance of Probiodrug also on behalf of the Supervisory Board.

Changes in the Composition of the Supervisory Board and the Management Board

During the reporting period, there has been one change on the Supervisory Board and the Management Board, respectively.

The terms of Supervisory Board members Dr. Johannes von der Osten, Dr. Erich Platzer, Dr. Jörg Neermann and Dr. Olivier Litzka expired in conjunction with the shareholders' meeting held on 19 May 2016, which resolved upon the exoneration of the members of the Supervisory Board for the year 2015. All of the forenamed Supervisory Board members again stood for election and were re-elected for a term through the general meeting of the shareholders' which resolves upon the exoneration of the Supervisory Board for the year 2016. The Supervisory Board members Charlotte Lohmann and Kees Been were elected by the 2015 general shareholders' meeting as Supervisory Board members with a term which concludes in conjunction with the shareholders' meeting which resolves upon the exoneration of the Supervisory Board for the year 2017. As such, they were not up for election.

By way of resolution of 19 May 2016, the Supervisory Board re-elected Dr. Platzer as chairperson und Dr. von der Osten as deputy chairperson.

Dr. Olivier Litzka stepped down from his position in August 2016 with effect as of 12 September 2016.

On 1 April 2016, Mark D. Booth was appointed as a member of the Executive Board. He left the Company on 15 August 2016 due to personal reasons.

The Supervisory Board thanks the Management Board, all employees, consultants, advisors and partners of Probiodrug AG for their commitment and their performance.

Halle (Saale), in April 2016
for the Supervisory Board:

Dr. Erich Platzer

Chairperson of the Supervisory Board