

Report of the Supervisory Board of Probiodrug AG, Halle (Saale) for the Financial Year 2017

Cooperation of Supervisory Board and Management Board

The Supervisory Board closely attended the strategic development of the company and important individual measures in the financial year 2017 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, expedient 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 and the status of the development programs. Moreover, the chairman of the Supervisory Board coordinated with the Chief Executive Officer 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 2017, 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 2017, six meetings of the Supervisory Board took place; all members of the Supervisory Board, who were members at the respective point in time, did participate. In those meetings, the main topics were the status of the research and development programs, relevant events in the industry, the financial need and the financing strategy. Furthermore an efficiency audit of the work of the Supervisory Board was conducted.

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

Committees

To increase the Supervisory Board's efficiency, three committees were established in the past: the audit committee, the nomination committee and the compensation committee. In December 2017, the Supervisory Board resolved to eliminate the nomination committee as well as the compensation committee. Their tasks were taken over by the general Supervisory Board.

The audit committee comprises Dr. von der Osten, Charlotte Lohmann and Dr. Neermann; Dr. von der Osten is the Chairperson. All members have the corresponding expertise and independence. The audit committee met twice in 2017. The primary discussion points in these meetings were the audit of the 2016 financial statements pursuant to HGB and IFRS as well as the 2017 half-year financial statements. The nomination committee included Dr. Platzer, Dr. Neermann and until his resignation Kees Been; Chairperson was Dr. Platzer. This committee did not meet in 2017. The compensation committee comprised Dr. Platzer, Ms. Lohmann and until his resignation Mr Been; Dr. Platzer served as Chairperson. This committee met once in 2017 with all three members participating. The primary point of discussion was the variable remuneration of the Management Board for 2016.

The committees reported their activities to the general 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 2017. The auditor elected by the general shareholders' meeting on 13 June 2017 for the financial year 2017, 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 09 February 2018 where the annual financial statements were presented, 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 recognizing 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 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 05 April 2018, 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 2017, 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 (*Aktiengesetz* - 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.

Conflicts of Interest in the Supervisory Board

There were no conflicts of interest in the Supervisory Board within the reporting year 2017.

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.

The terms of the Supervisory Board members Dr. Johannes von der Osten, Dr. Erich Platzer and Dr. Jörg Neermann expired in conjunction with the shareholders' meeting held on 13 June 2017, which resolved upon the approval of the actions of the members of the Supervisory Board for the year 2016. All of the aforementioned Supervisory Board members stood for election again and were re-elected for a term through to the general meeting of shareholders, which resolves upon the approval of the actions of the Supervisory Board for the year 2017. The Supervisory Board members Charlotte Lohmann and Kees Been were elected by the 2015 general shareholders' meeting as Supervisory Board members with a term ending upon the shareholders' meeting which resolves upon the approval of the actions of the Supervisory Board for the year 2017. As such, they were not up for election.

By way of resolution of 13 June 2017, the Supervisory Board re-elected Dr. Platzer as chairperson und Dr. von der Osten as vice chairperson.

The Supervisory Board member Kees Been stepped down from his position in November 2017 for personal reasons.

The contracts concluded on 1 December 2014 for the Management Board members Dr. Konrad Glund and Dr. Hendrik Liebers had a term until 30 November 2017. The contract of the Management Board member Dr. Ingeborg Lues, concluded on 1 November 2014, had a term until 31 October 2017. The contracts for all three members of the Management Board were extended by one year each.

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 2017
for the Supervisory Board:

Dr. Erich Platzer
Chairperson of the Supervisory Board