

## Report of the Supervisory Board of Probiodrug AG

### Cooperation of Supervisory Board and Management Board

During the 2018 financial year, the Supervisory Board comprehensively performed the duties assigned to it by law, the Articles of Association, Rules of Procedure and the recommendations of the German Corporate Governance Code (hereinafter referred to as the “Code”). We regularly advised and continually oversaw the Management Board in its management of the Company and dealt extensively with the operational and strategic development of the Group. The Management Board fulfilled its duty to inform and furnish us with periodic written and verbal reports containing timely and detailed information on all business transactions and events of significant relevance to the Company.

In our Committee meetings and plenary sessions, we had the opportunity to fully discuss the Management Board’s reports and the proposed resolutions. The Management Board answered our questions on strategic topics affecting the Company with a great level of detail and submitted the relevant documents in a timely manner. Any deviations from the business plan were thoroughly explained to us, and we were directly involved at an early stage in all decisions relevant to the Company.

All relevant topics and strategic decisions, including those where consent was needed, were intensely discussed and mutually agreed.

### Supervisory Board Meetings and Key Items of Discussion

In 2018, 8 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 and next steps, relevant events in the industry, the budget for 2018, the financial need and the financing strategy. We also deliberated on the achievement of goals for the Management Board members for 2017, set goals for the Management Board members for 2018 and kept ourselves informed regarding the risk management and internal controls system. 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.

### Activities and Meetings of Supervisory Board Committee

To ensure that its duties are performed efficiently, the Supervisory Board has established the Audit Committee to prepare the issues that fall within the Supervisory Board’s respective areas of responsibility for the Supervisory Board plenum. In each Supervisory Board meeting, the chair of the Committee report to the Supervisory Board on the Committees’ work. The minutes of the Committee meetings are made available to all Supervisory Board members.

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 two times in 2018 by telephone. The primary discussion points in these meetings were the audit of the 2018 financial statements pursuant to HGB and IFRS as well as the 2019 half-year financial statements.

The committee reported their activities to the general Supervisory Board.

## **Audit of the Annual Financial Statements**

For the 2018 financial year, the Company commissioned KPMG AG Wirtschaftsprüfungsgesellschaft („KPMG“) as its auditor. The audit contract was awarded by the Supervisory Board in accordance with the resolution of the Annual General Meeting on June 21, 2018. In accordance of the Code, the Supervisory Board obtained a declaration of independence from the auditor in advance.

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 March 15, 2019 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 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 April 5, 2019, the Supervisory Board approved the annual financial statements of Probiodrug AG prepared by the Management Board. The annual financial statements are thus adopted.

## **Corporate Governance and Declaration of Conformity**

Also within the reporting year 2018, the Supervisory Board discussed with the Management Board the Company's compliance with the Code's recommendations and justified exceptions to the Code's recommendations. Based on this consultation, 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. The Supervisory Board further devoted its attention to Probiodrug's corporate governance. 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 2018.

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

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There were no changes in the composition of the Supervisory board in the reporting period. The terms of the Supervisory Board members Charlotte Lohmann Dr. Johannes von der Osten, Dr. Erich Platzer and Dr. Jörg Neermann expired in conjunction with the shareholders' meeting held on 21 June 2018. 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 2020.

The following changes in the composition of the Management Board took place during the reporting period. With effect from May 1, 2018, Dr. Ulrich Dauer was newly appointed as a member of the Management Board and Chief Executive Officer. The former Chief Executive Officer, Dr. Konrad Glund, retired from his position on the Company's Management Board effective April 30, 2018. Dr. Hendrik Liebers, the former Chief Finance Officer, resigned from his position on the Company's Management Board effective April 30, 2018. Dr. Ulrich Dauer was also appointed as Chief Finance Officer as of May 1, 2018.

Dr. Inge Lues retired from her position on the Management Board and Chief Development Officer effective October 31, 2018. She is succeeded by Dr. Michael Schaeffer, who was newly appointed as a member of the Management Board and Chief Business Officer, effective October 1, 2018.

Halle (Saale), in April 2019  
for the Supervisory Board:

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Dr. Erich Platzer  
Chairman of the Supervisory Board