MOLOGEN AG

THE POWER OF IMMUNOTHERAPIES

THE POWER OF IMMUNO-THERAPIES

ANNUAL REPORT 2015

HIGHLIGHTS

END IN SIGHT

We have reached important milestones for clinical studies with lefitolimod (MGN1703):

Significant progress in patient recruitment for the pivotal study

Successful completion of patient enrollment for the lung cancer study and HIV study (first phase)

INVESTING IN PROGRESS

The positive progress of our studies resulted in a considerable increase in R&D expenses

EBIT accordingly below previous year level

IMPROVED LIQUIDITY

Successful capital increase generated gross proceeds of €28.3 million with a corresponding increase of liquid funds

NEW TALENT

Changes in Executive Board

Our new CEO took up post

KEY DATA

(IFRS)

In million €

		2015	2014	Change %
Revenues		0	0	0
Profit (loss) from operations (EBIT)		–20.5	–17.1	20
Expense structure				
Personnel expenses		5.1	5.1	0
Research & Development expenses		16.8	13.3	26
Earnings per share in € (basic)		–0.99	–1.02	–3
Cash flows from operating activities		–15.1	–15.6	–3
Cash and cash equivalents	as of 31 December	24.6	13.6	81
Shareholders' equity	as of 31 December	19.5	13.3	47
Equity ratio	as of 31 December	74 %	88 %	–16
Total assets	as of 31 December	26.4	15.1	75
Number of employees	as of 31 December	66	60	10

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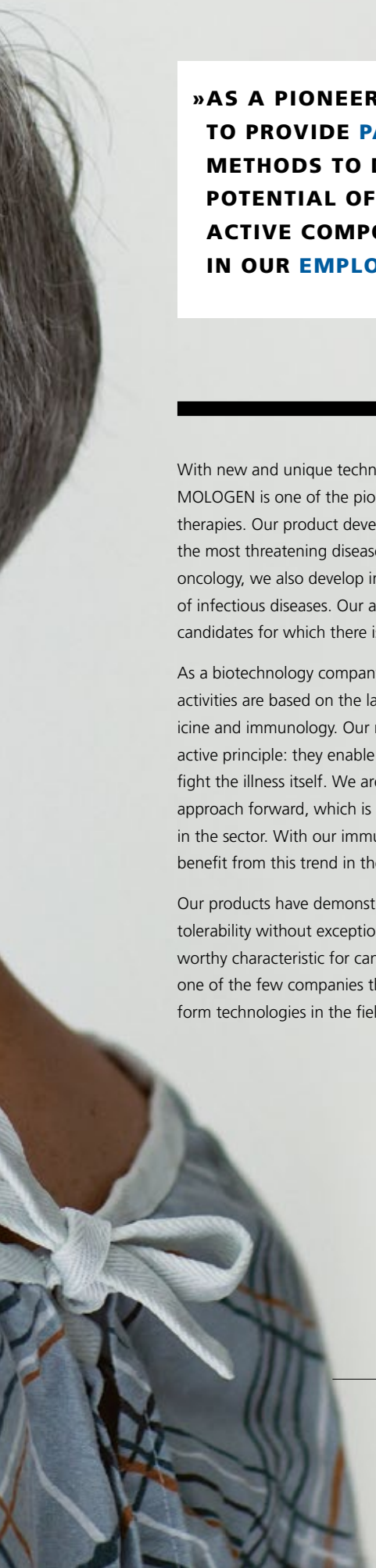


»AS A PIONEER IN THE FIELD OF IMMUNOTHERAPY, WE INTEND TO PROVIDE PATIENTS WITH NEW HOPE, OFFER EFFECTIVE TREATMENT METHODS TO DOCTORS, ATTRACT INVESTORS WHO RECOGNIZE THE POTENTIAL OF THE COMPANY AND ITS PRODUCTS, MAKE INNOVATIVE ACTIVE COMPOUNDS AVAILABLE TO OUR PARTNERS AND INSPIRE PRIDE IN OUR EMPLOYEES FOR WHAT THEY HAVE ACHIEVED.«

With new and unique technologies and active substances, MOLOGEN is one of the pioneers in the field of immunotherapies. Our product development helps combat some of the most threatening diseases. Apart from the main focus on oncology, we also develop immunotherapies for the treatment of infectious diseases. Our approach concentrates on drug candidates for which there is a high medical need.

As a biotechnology company, our research and development activities are based on the latest findings in molecular medicine and immunology. Our main products apply the same active principle: they enable the human immune system to fight the illness itself. We are highly committed to driving this approach forward, which is regarded as a new mega trend in the sector. With our immunotherapies, we will particularly benefit from this trend in the medium and long term.

Our products have demonstrated good efficacy and good tolerability without exception, which is a particularly noteworthy characteristic for cancer therapies. MOLOGEN is also one of the few companies that owns three proprietary platform technologies in the field of immunotherapies.

The focus of our development activities is on the cancer immunotherapy lefitolimod (MGN1703), which has been in the pivotal study phase for colorectal cancer since the summer of 2014. Patient recruitment is expected to be completed by the end of 2016.

Furthermore, lefitolimod (MGN1703) is being tested in a randomized study in small cell lung cancer (SCLC) and in a phase I study in HIV. Moreover, a combination study with lefitolimod (MGN1703) and ipilimumab (Yervoy®) in patients with advanced tumors is expected to start in the first half 2016 with the enrollment of the first patient.

Further technologies include the non-viral vector system MIDGE® (MGN1404, MGN1331 and MGN1333) as well as a specific cell-line used as a vaccination (MGN1601). This unique cell-line has been genetically modified using MIDGE® technology and combined with low-dose lefitolimod as an adjuvant.

DEAR SHAREHOLDERS,

The financial year of 2015 was very eventful. In addition to the considerable progress in our clinical trials, there were also some changes on MOLOGEN's Executive Board. I, Mariola Söhngen, am proud to have joined MOLOGEN AG as the new Chief Executive Officer (CEO) on November 1, 2015. On behalf of MOLOGEN, Dr. Alfredo Zurlo (CMO) and I would like to thank my predecessor Dr. Matthias Schroff and our former Chief Financial Officer (CFO), Jörg Petraß, who both left the company on December 31, 2015. Dr. Schroff was instrumental in developing core technologies for MOLOGEN and proved to be a dedicated CEO for many years, fundamentally shaping and representing the company. During the smooth transition process, we ensured a comprehensive transfer of expertise from the two departing Executive Board members. We are grateful for their years of valuable work and commitment, which were essential to the ongoing advancement of MOLOGEN. They have handed over an effective and efficient company with an appealing pipeline.

In 2015, we reached key targets and milestones, especially for our lead product lefitolimod (MGN1703). Patient recruitment was successfully completed for the IMPULSE study in lung cancer (SCLC) with the enrollment of just over 100 patients. We made significant progress in enrollment for the IMPALA pivotal study in colorectal cancer. We also completed patient enrollment for the first phase of a study with lefitolimod (MGN1703) in HIV, our first for an indication other than cancer. These developments were made possible by the capital increase that was carried out in April, which raised gross proceeds of around € 28 million.

Research and development expenses increased considerably, which is above all attributable to the study progress. As a result, the net loss for the year rose to € 20.5 million, after € 17.1 million in 2014. This development was in line with the outlook we published at the start of 2015. As at December 31, 2015, cash and cash equivalents amounted to € 24.6 million and were therefore higher than the previous year's value of € 13.6 million.

Our activities continue to be focused on our lead product, lefitolimod (MGN1703), and its clinical trials. We will be reviewing the portfolio over the coming months in order to identify potentials and set out value-adding developments for the pipeline. In this regard, particular attention will be placed on carrying out further drug combination studies. We are proud to be partnering with the renowned MD Anderson Hospital in Texas, U.S., to conduct a combination trial with lefitolimod (MGN1703) and the checkpoint inhibitor ipilimumab (Yervoy®). The study is expected to start in the first half of 2016 with the recruitment of the first patients.

Our targets for 2016 include initiating further combination studies and also continuing discussions with potential license partners. With our proprietary platform technologies, we have an attractive product portfolio that could be of great interest to partners in the pharmaceutical industry.

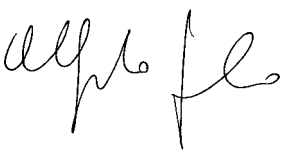
"The power of immunotherapies" – The expectations for the efficacy of immunotherapies remain high, especially now that there have been initial promising results. Internationally, many new studies in immunotherapy were launched in 2015. The combination of immunotherapies continues to be one of the most promising strategies against cancer. Consequently, we continue to see blockbuster potential for our lead product lefitolimod (MGN1703), in particular, as it delivers high activation of the immune system and good tolerability. In addition, there is a wide range of application possibilities for this mode of action. One of our top priorities is to bring lefitolimod (MGN1703) to market maturity and to leverage its commercial potential for all shareholders in this company.

We would also like to take this opportunity to thank our employees for their dedication and great commitment to delivering such high-quality work. They are what defines our company. In particular I, Alfredo Zurlo, want to especially thank our employees as this is the last annual report I will contribute to. When leaving the company in the near future, I can rely on the high-quality of the team who will further develop the clinical program and pipeline from the already installed solid basis.

MOLOGEN can ultimately only continue to exist with the support of our shareholders and your ongoing trust in us, which has in some cases accompanied us for many years. We thank you and look forward to together working on the challenges and exciting tasks that lie ahead in 2016.

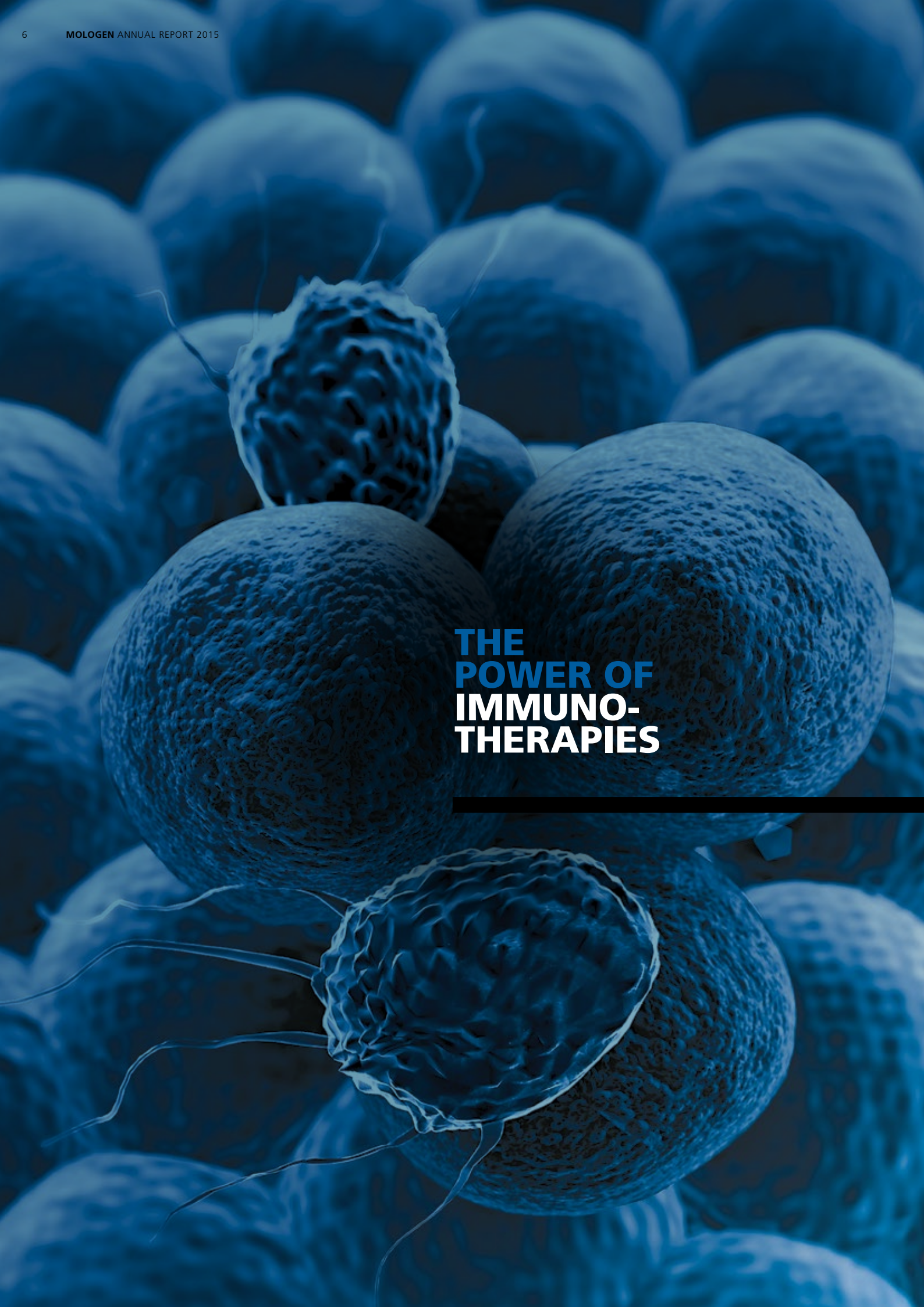
Best wishes,

Dr. Mariola Söhngen
Chief Executive Officer (CEO)



Dr. Alfredo Zurlo
Chief Medical Officer (CMO)

»**IN 2015** WE HAVE ONCE AGAIN **REACHED SIGNIFICANT MILESTONES –** ESPECIALLY CONCERNING **OUR LEAD PRODUCT LEFITOLIMOD** (MGN1703)«



THE POWER OF IMMUNO-THERAPIES

01 I THE COMPANY

EIGHT QUESTIONS FOR DR. MARIOLA SÖHNGEN

DR. MARIOLA SÖHNGEN HAS MANAGED THE COMPANY SINCE 1 NOVEMBER 2015. PREVIOUSLY SHE HAS BEEN IN THE MANAGEMENT BOARD OF PAION AG. IN THE FOLLOWING INTERVIEW YOU LEARN MORE ABOUT WHAT DROVE HER TO THE CHANGE AND HOW SHE IMAGINES THE FUTURE OF MOLOGEN.

»WITH MY NETWORK AND MANY YEARS OF EXPERIENCE I WANT TO GIVE THE COMPANY A NEW IMPULSE«

DR. MARIOLA SÖHNGEN

EIGHT QUESTIONS FOR DR. MARIOLA SÖHNGEN

1 CAN YOU REMEMBER WHEN YOU FIRST BECAME AWARE OF MOLOGEN AG?

DR. MARIOLA SÖHNGEN »Of course. Before joining MOLOGEN I worked at Paion AG. Together with my husband, I founded the company as a biotech start-up and went public with it on the Frankfurt Stock Exchange. The two companies are very similar and MOLOGEN was in the same peer group as we were so naturally we would take a closer look at what the other company was doing. I'm sure they did the same. When I started looking for new opportunities for myself a while ago, MOLOGEN AG was the obvious choice, especially because the company is active in the field of immunotherapy. This field is incredibly dynamic, not just within Germany, but also on an international level. That is part of the reason why I was so interested and thought about all that could be achieved with this special dynamic in this area. So we ended up coming together – and I'm so glad that it worked out the way it did.«

2 SO YOU HAVE LONG-STANDING EXPERIENCE IN THE BUSINESS?

DR. MARIOLA SÖHNGEN »Yes, I would say that in my 15 years at Paion, first as managing director and later on as member of the Excecutive Board, I gathered extensive business experience in a similarly challenging field, albeit for different indications. In terms of my remit, the two are comparable«

3 IS THERE ANY SPECIFIC EXPERIENCE OR ARE THERE ANY PARTICULAR QUALIFICATIONS YOU SEE AS PREREQUISITE FOR THE POSITION OF CHIEF EXECUTIVE OFFICER OF MOLOGEN AG?

DR. MARIOLA SÖHNGEN »In all, I have 27 years' experience in the pharmaceutical industry. Prior to Paion, I was already employed within the pharmaceutical industry. I had founded my own company before as well. I think this entrepreneurial mentality could benefit MOLOGEN greatly and is something that I find particularly enjoyable. In addition, Paion has now been listed on the Frankfurt Stock Exchange's Prime Standard for ten years. Therefore, I have a great deal of capital market experience to bring to the table. Moreover, in my pre-MOLOGEN years, I worked around the world, particularly in the U.S. and Asia. Over the years I have been able to build up my own international network of investors in these locations. At Paion, we were very active in the area of licensing and this is exactly what's on the agenda at MOLOGEN now. There is the expectation on the market that we will be licensing products in the field of immunotherapy. As far as this is concerned, my good experience will no doubt come in handy. I could also mention my good communication and coaching skills. I am pleased that while the changeover of CEO has caused some upheaval, I was able to reassure employees about their worries and misgivings. We have made it through the transitional period and are all pursuing the same goals.«

4 WHAT GOALS HAVE YOU SET, ON A PERSONAL LEVEL AND FOR THE COMPANY? WHERE ARE THERE PARTICULAR CHALLENGES OR GREAT OPPORTUNITIES?

DR. MARIOLA SÖHNGEN »The primary objective was organizing the handover between my predecessor and myself by the end of 2015, which we managed to do successfully. I learned how the company operates. By answering this question "how is the company structured beyond pipeline, products and funding?", I was able to deduce a lot to help me to establish mid- and long-term goals. As I see it, MOLOGEN is in a very strong position and has a strong basis for being a proactive player on the market. This doesn't just come down to fantastic employees, but also an outstanding pipeline. Above all though, it is about having an incredibly advanced product that is already in the final stages of clinical development. Not many companies in this field can say the same. Nevertheless, we do have an ongoing need for refinancing. We still lack any stable income. That is not a problem unique to us as a company – it affects our competitors equally. In order to increase the value of our products we need to build a stable financial basis, whether this is via the aforementioned licensing business, developing partnerships or capital market activity.«

5 WHAT MAKES MOLOGEN AG STAND OUT AGAINST OTHER BIOTECH COMPANIES?

DR. MARIOLA SÖHNGEN »As I stated earlier, I've been keeping my eye on MOLOGEN for quite a while, not least because immunotherapy and oncology are of particular interest. In capital market communications, especially in English language literature, we talk of a 'white hot field'. This is a bold claim, but describes the current situation perfectly. Over the last twelve months, we have seen the term change from hot, to

red hot, and finally to a white hot field. I think we might finally be approaching melting point [laughs]. This effectively demonstrates that we are operating in an incredibly attractive, active and highly dynamic market. We are one of the few international biotech companies to carry out a Phase III study in immuno-oncology. In colorectal cancer especially, our lead product lefitolimod (MGN1703) is far ahead in terms of development. That in itself is unique. We are getting ready for the market. In addition, the product demonstrates good results, as is shown in the data we have produced so far in the preclinical and clinical phases, with part of the clinical data collected in cancer treatment. This is all very encouraging and we are now testing it further in a major study. Only after the last large-scale study is completed we will be able to evaluate the final efficacy data. The studies we are currently carrying out show that lefitolimod (MGN1703) is well tolerated, as is supported by previous studies. In addition, we know that the immune system is strongly activated by the product. All of this puts us in an excellent position to continue moving forward.«

6 OVERALL, HOW DO YOU RATE THE PROSPECTS FOR IMMUNOTHERAPIES ON THE MARKET?

DR. MARIOLA SÖHNGEN »I now see their chances as very good. The specialist media also remains very enthusiastic about the concept. It is beginning to shift, as is always the case when a new therapy class such as immunotherapies begins to establish. The earliest regulatory approvals just a few years ago were still sought by large corporations. Now ever more new indications are being developed and approvals obtained. The goal is to identify which patients will respond particularly well. The next stage is to further increase the number of patients who will respond positively, for example by developing combination treatments. We intend to be instrumental in this area. Immunotherapies themselves are effective for some patients, but certainly not all. The chances of success increase when the combination partner acts in a different area of the immune system. That is the strength of our product lefitolimod (MGN1703). It targets a very potent location in our innate immune system, one which is currently inaccessible to other molecules or immunotherapies.«

7 WHERE DO YOU SEE MOLOGEN IN THE RACE TO BE THE FIRST TO BRING A PRODUCT TO MARKET?

DR. MARIOLA SÖHNGEN »Compared with other companies, way ahead. Of course we must allow the studies in the field of cancer treatment to run over an extended period of time because the internationally recognized primary endpoint is through recording survival rates. We hope that patients who undergo this type of therapy have as many more years to live as possible. For obvious reasons, this has an effect on the duration of the study. So for the moment, we are only in a position to estimate when the final data will be available. We anticipate that the recruitment of patients for our pivotal IMPALA study, which began in September 2014, will be completed in the second half of 2016. Then it will take approximately two more years until the survival rate data is available. We are in quite a good position when compared with other projects that are still stuck in phase I or II of the clinical studies with many more years ahead of them. There is still a fair way to go, but we are on the home straight.«

8 WHAT ARE YOUR PRIORITIES FOR THE NEXT YEARS, IN PARTICULAR WITH REGARD TO POSSIBLE COOPERATION AND LICENSING?

DR. MARIOLA SÖHNGEN »As I stated earlier in the interview, it is important for a company like MOLOGEN to pursue new collaborations and to agree on licensing deals. Lefitolimod (MGN1703) to stay with this example is a product with excellent potential. This compound can be marketed worldwide. As a company, we are far too small to completely unlock this potential. Furthermore, we are in phase III of the clinical development – which is also the most expensive. Our study in colorectal cancer alone has more than 500 patients. These two factors make it necessary for us to continue to seek cooperation partners. For a while now we have been in discussion with relevant companies in this field. We are currently intensifying our efforts in this area. The fact that we are rapidly moving forward with the development of our product helps greatly. If anybody signals their interest in it, they are getting a product that is now in the advanced development stages. I think this provides us with a good basis for securing a license agreement in the end.«

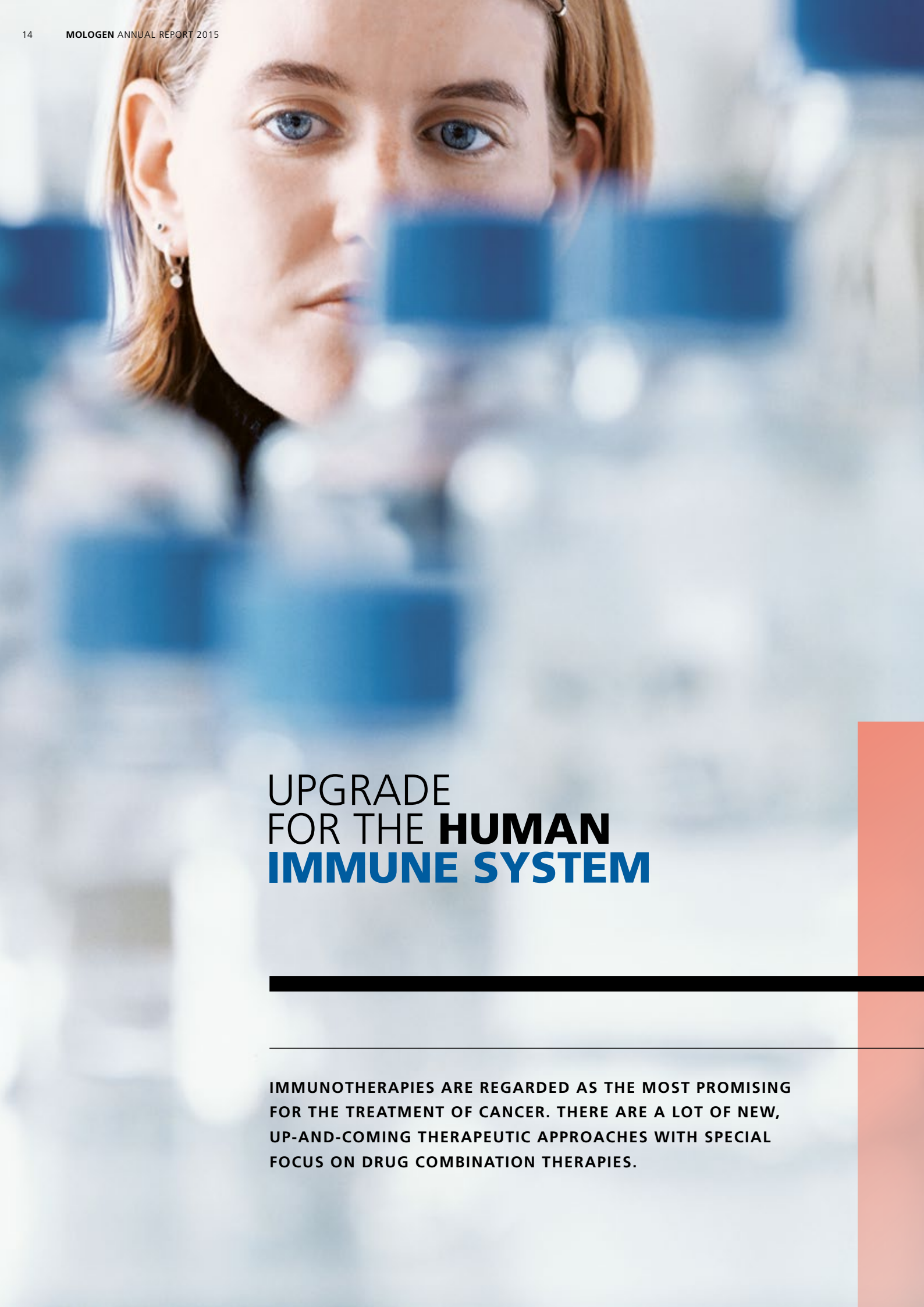
»WITH OUR PIPELINE WE ARE OPERATING IN AN INCREDIBLY ATTRACTIVE, ACTIVE AND HIGHLY DYNAMIC MARKET«

DR. MARIOLA SÖHNGEN

8 1/2 LET US END THE INTERVIEW 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 DEMANDING DAY AT WORK? DO YOU HAVE ANY HOBBIES?

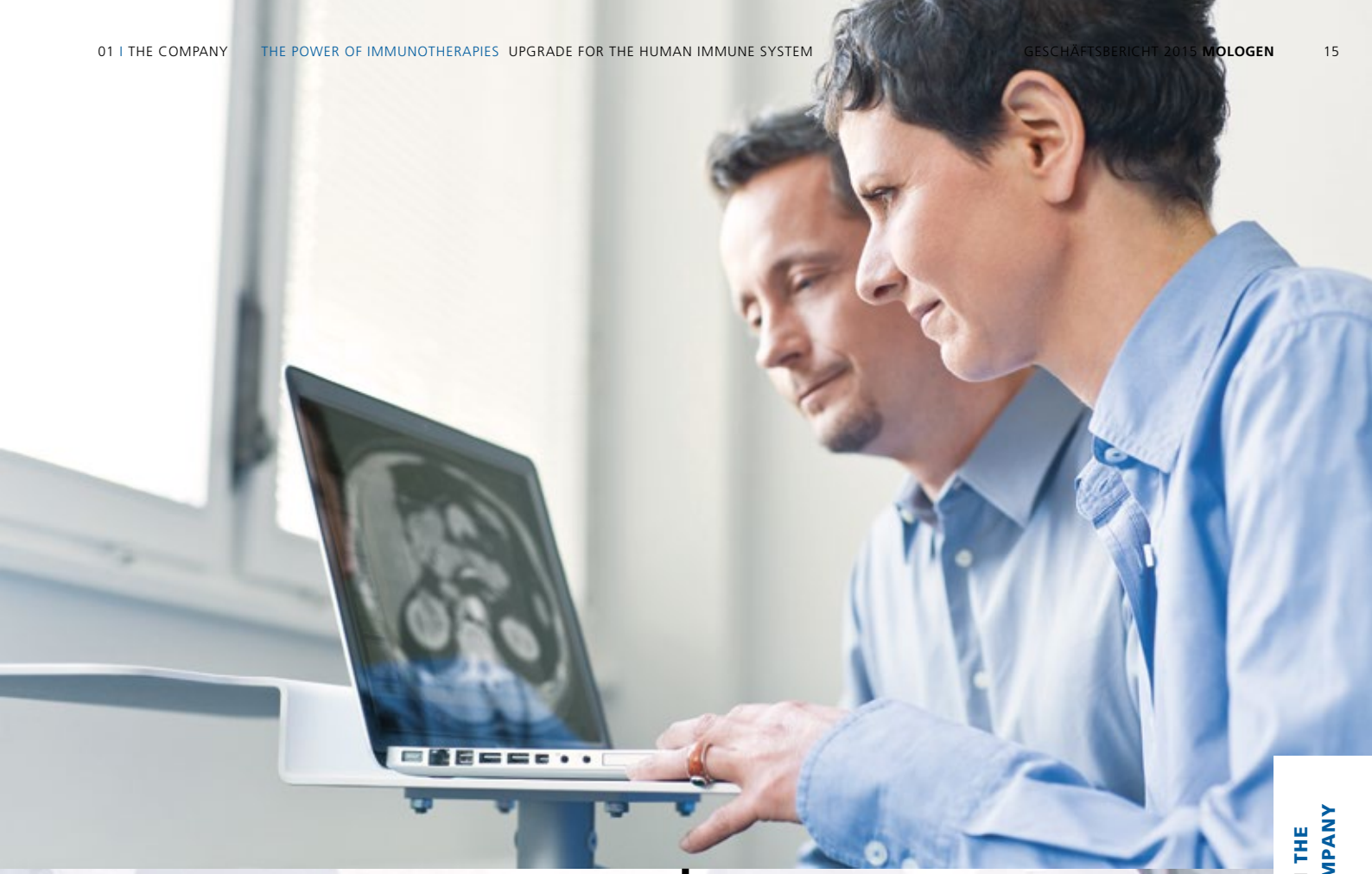
DR. MARIOLA SÖHNGEN [Clearly amused] »Yes, relaxation... That is a very important point! As you quite rightly say, my day-to-day work is very demanding as I have to manage changes and upheaval. Not to mention the fact that our team is also not exactly small these days [smiles]. We have many projects lined up, enough for us to work 24 hours a day. It is important to achieve a balance for the body and mind. For my entire working life I have been of the belief that it is crucial to do something else in your free time which you don't spend the rest of the day with. Because the job requires for a lot of sitting and talking, I try and do exactly the opposite when I have time. I do as much sport as I can, for example I love jogging. That way I can let my thoughts run free. By letting off steam in this way, I sometimes find solutions will come to me that I would otherwise never have come up with.«

DR. SÖHNGEN,
THANK YOU VERY MUCH FOR THIS INTERVIEW!



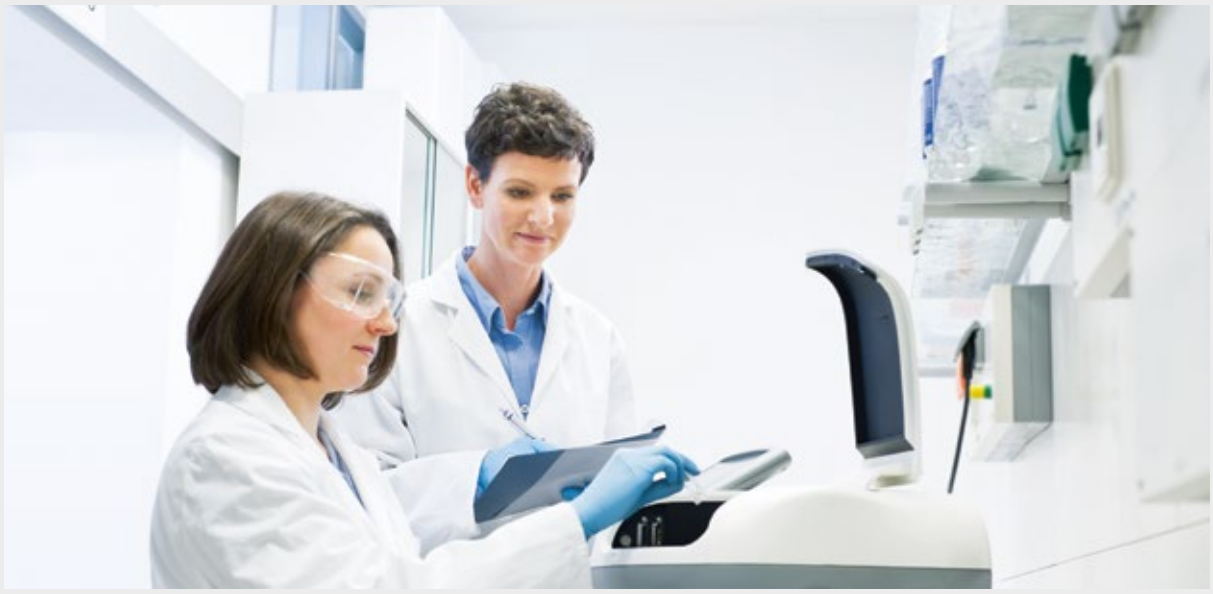
UPGRADE FOR THE **HUMAN IMMUNE SYSTEM**

IMMUNOTHERAPIES ARE REGARDED AS THE MOST PROMISING FOR THE TREATMENT OF CANCER. THERE ARE A LOT OF NEW, UP-AND-COMING THERAPEUTIC APPROACHES WITH SPECIAL FOCUS ON DRUG COMBINATION THERAPIES.



OVER MILLIONS OF YEARS, THE IMMUNE SYSTEM HAS EVOLVED INTO A WEAPON AGAINST ATTACKS ON THE BODY. IT HELPS TO WARD OFF ANYTHING WHICH MAY BE DANGEROUS, PRIMARILY MICROORGANISMS SUCH AS BACTERIA AND VIRUSES WHICH POSE AN EVER-PRESENT THREAT TO THE BODY.

WITHOUT THE IMMUNE SYSTEM AND ITS INTELLIGENT DEFENSE STRATEGIES, WE WOULD BE EXPOSED AND DEFENSELESS TO ANY MICROBIAL ATTACK. ADDITIONALLY, IT ALSO PROTECTS THE ORGANISM AGAINST THE EMERGENCE OF DANGEROUS MUTATED CELLULAR CLONES THAT COULD DEVELOP INTO A CANCER. OVER 100 YEARS AGO, SCIENTISTS THEREFORE CAME UP WITH THE LOGICAL IDEA OF INVOLVING THE BODY'S OWN DEFENSE MECHANISM IN THE FIGHT AGAINST THIS DEADLY DISEASE.



IMMUNE SYSTEM 2.0 IN THE FIGHT AGAINST CANCER

Cancer cells create a major problem for the immune system as they always arise from the body's own cells and manage to evade the body's immune response. Cancer cells often remain unnoticed by the immune system as they are effectively the body's own cells. However, recent scientific findings uncovered strategies that help immune cells recognize these cells as malignant and destroy them.

Among other strategies to evade the immune system, cancer cells are able to produce "molecular switches" that neutralize the attacking immune cells. In an effort to persuade the immune system to attack cancer cells just as ruthlessly as it attacks transplants, molecules have been developed that interfere with these "switches". However, treatment with these molecules may elicit immune-related side effects – a consequence of the immune system also turning against healthy cells. Therefore, it is crucial to continue developing new approaches against cancer that fine-tune the immune system's response exclusively against cancer cells.

WHAT IS CANCER?

Cancer occurs when cells in the body undergo multiple genetic mutations, inactivating 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 evade (metastasize) into other areas of the body. In principle, any tissue or organ of the body can develop cancer. In total more than 230 different types of cancer are known to medicine, of which the most frequent include colon, prostate, breast and lung cancer.

CONVENTIONAL PILLARS OF ONCOLOGY

The treatment of cancer is based on three pillars: surgery, radiotherapy and drugs. Classical cancer drugs include cytostatics and cytotoxics, and mostly consist of active agents that target and kill cells that rapidly divide in the body (chemotherapy). In addition, new drugs have become available through advances in genetics and molecular biology that specifically target the characteristic structures of tumor cells.

TARGETED AT CANCER

The targeted forms of cancer treatment also include immunotherapy. One example is the administration of antibodies, the "tracker dogs" of the immune system. Since the 1970s, scientists have been able to manufacture antibodies in large quantities using biotechnology. Antibodies are often used in medicine to block specific cellular activity or to kill malignant cells by recognizing molecules expressed on their surface.

Whether surgery, radiotherapy, chemotherapy or targeted drugs – a single approach alone is often insufficient. Mostly, doctors try to combine all available treatment methods in the best possible manner. Due to this, they have made significant advances: two thirds of cancer patients now survive the first five years after diagnosis; in the 1980s, the figure was just under half.

However, there is still a substantial need for further treatment options. Experts expect immunotherapy to trigger a paradigm shift in cancer treatment. Cancer cells will not only be bombarded with surgery, radiotherapy or drugs; rather, immunotherapy will empower the body's own defense systems to strike an all-out attack against mutated cells.

TARGETED IMMUNOTHERAPIES

There are several types of immunotherapeutic agents available today such as checkpoint inhibitors, messenger substances of the immune system (cytokines), immunomodulators and therapeutic cancer vaccines.

CHECKPOINT INHIBITORS are currently the most well-known immunotherapy approach. The natural role of these check-points is to shut down immune reactions before they become excessive and create damage to normal tissues. However, cancer cells may exploit this regulatory mechanism, producing large quantities of these checkpoint molecules to escape the aggression from the immune cells. Checkpoint inhibitors block this regulatory mechanism and thus "take the breaks off", inducing a strong anti-tumor immune response. Nonetheless, this approach may also cause toxicity if normal cells and organs are also attacked by the immune system.

CYTOKINES are substances, such as interferon, interleukin, and growth factors that are secreted by immune cells and have an effect on other cells. They aid 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 ongoing immune reaction.

IMMUNOMODULATORS are compounds that influence the immune system. In cancer immunotherapy, they are used to activate the defense system of the body so that it autonomously recognizes and fights cancer cells. This type of immunomodulator includes toll-like receptors (TLR). They identify pathogens such as viruses, bacteria and fungi. This leads, in the first instance, to an activation of the innate immune system to fight the pathogens.

THERAPEUTIC CANCER VACCINES are also an important treatment approach in the field of cancer immunotherapy. They stimulate the patient's immune system to identify existing cancer cells and subsequently attack these cells. The patient is injected with foreign cells, cells of their own or antigens, all of which teach the immune system to recognize typical cancer cells. The immune system can then search for its own tumor cells and fight the cancer.

WITH ITS UNIQUE, PATENTED TECHNOLOGIES AND INNOVATIVE PRODUCTS, MOLOGEN IS AMONG THE PIONEERS IN THE FIELD OF IMMUNOTHERAPY FOR THE TREATMENT OF CANCER.

It is one of the few companies to have three proprietary platform technologies: the TLR9 agonists (lefitolimod (MGN1703), EnanDIM), the non-viral vector system MIDGE® (MGN1404, MGN1331, MGN1333) and a cell-based therapeutic vaccine (MGN1601). All products apply the same active principle: activating the human immune system to fight the illness by itself.

DRUG COMBINATION THERAPIES ARE THE FUTURE

There is still a substantial need for further treatment options. Experts predict that immunotherapy will trigger a paradigm shift in cancer treatment. Cancer cells will no longer be treated through surgery, with radiotherapy or drugs; instead, the body's own defense systems will be empowered to go on an all-out attack against mutated cells. A combination of cancer immunotherapies will be tested in order to arm the body's immune system against cancer. This may enable the full exploitation of different modes of action. The market research company Institute for "Healthcare Informatics" (IMS) expects more than 60 combination therapy launches in oncology until 2020. Combination studies mainly target solid tumors, especially lung cancer and melanoma.

MOLOGEN's lead product candidate lefitolimod (MGN1703) is also being investigated in a combination study for the first time. This will be carried out with the checkpoint inhibitor Yervoy® (ipilimumab). The company also plans to conduct further combination studies with other checkpoint inhibitors. Yervoy® was approved in 2011 as a very successful immunotherapy for the treatment of patients with metastatic melanoma, representing a breakthrough in the area of cancer immunotherapy. This confirms that the aim of scientists to involve the body's own defenses in the fight against tumors can translate into very effective drugs.

SINCE JANUARY 2016 MGN1703 IS CALLED LEFITOLIMOD. LEFITOLIMOD IS THE INN (INTERNATIONAL NONPROPRIETARY NAME), WHICH CAN BE USED FOR MGN1703 AT LEAST UNTIL REGISTRATION.

BROAD APPLICATION POTENTIAL

In addition to fighting cancer, activation of the body's own immune system can be used to treat other diseases. Thus, MOLOGEN is researching and developing its product candidates for the treatment of infectious diseases for which there is a great medical demand, like HIV. A phase I/IIa study was started in this indication in 2015 with lefitolimod (MGN1703). If the lead product candidate also demonstrates good efficacy and tolerability in this area, this would expand the application spectrum for the active agent and further increase its market potential.

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 around 1.4 million new cases of colorectal cancer worldwide every year. Experts believe that 10% to 20% of patients have the metastatic form of colorectal cancer by the time they are diagnosed. In the case of lung cancer, estimates put the number of new cases at around 1.8 million each year. Small cell lung cancer (SCLC) accounts for around 15% to 20% of all new cases of lung cancer.

The market potential for new cancer drugs is high in regard to the rise in cancer cases projected by the WHO. In the case of colorectal cancer alone, sales revenue is expected to increase from an estimated US$ 5 billion at present to over US$ 8 billion in 2023.

Accordingly, we expect substantial market potential for lefitolimod (MGN1703). In the colorectal and lung cancer indications alone, sales in the blockbuster range are possible.

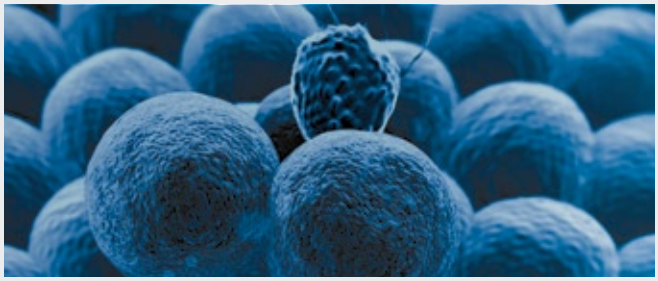
In September 2015, lefitolimod (MGN1703) was granted an U.S. patent for the combined application of the lead product with chemotherapeutic agents, which has further improved market potential. The patent is expected to last several years longer than the initial patent for lefitolimod (MGN1703) (substance patent).

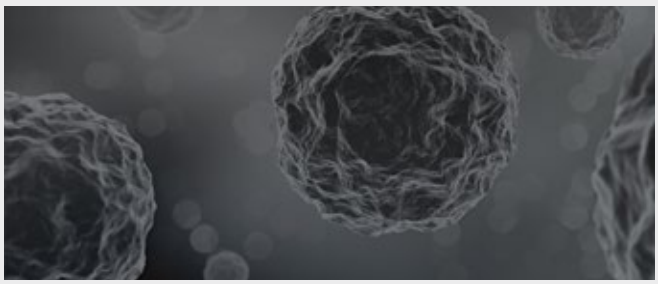
A **VARIED** **PORTFOLIO** OF **ACTIVE** **COMPOUNDS**

OUR PRODUCT CANDIDATES ARE AVAILABLE FOR USE AS NEW FORMS OF IMMUNOTHERAPY AGAINST DISEASES FOR WHICH THERE IS A HIGH UNMET MEDICAL NEED. THE MAIN EMPHASIS IS ON THE TREATMENT OF CANCER AND THE FIGHT AGAINST SERIOUS INFECTIOUS DISEASES.

ADVANCED PRODUCT PIPELINE WITH STRONG FOCUS ON CANCER IMMUNOTHERAPIES

Preclinical	Phase I	Phase II	Phase III
EnanDIM[1] Oncology & Anti-infectives	**Lefitolimod (MGN1703)**[1] Other solid tumors	**Lefitolimod (MGN1703)**[1] Small cell lung cancer	**Lefitolimod (MGN1703)**[1] Colorectal cancer
MGN1331[2] Leishmaniasis[5]	**Lefitolimod (MGN1703)**[1,6] HIV		
MGN1333[2] Hepatitis B	**Lefitolimod (MGN1703)**[1] **and Yervoy® (ipilimumab)**[7] Advanced solid malignancies		
	MGN1601[3] Renal cancer		
	MGN1404[2,4] Malignant melanoma		





Oncology · Infectious diseases · Oncology and infectious diseases · Oncology combination trials

1 TLR9 agonist
2 MIDGE® vector system
3 Cell line modified using MIDGE technology with adjuvant low-dose lefitolimod
4 Collaboration with Max-Delbrueck-Center for Molecular Medicine and Charité Universitaetsmedizin, Berlin
5 Various diseases caused by parasites; mainly present in subtropical and tropical regions (major neglected disease)
6 Collaboration with University Hospital Aarhus, Denmark
7 Collaboration with MD Anderson Cancer Center, Texas, US; study is expected to start in H1 2016

THREE UNIQUE, SELF-DEVELOPED PLATFORM TECHNOLOGIES

Our product candidates are focusing on the treatment of diseases for which there is a high unmet medical need. We are one of the few companies to have three proprietary platform technologies in the area of immunotherapies and beyond. Together, they create MOLOGEN's successful pipeline:

1 DNA based TLR9 agonists (lefitolimod (MGN1703), EnanDIM). These molecules bind to TLR9 receptors inducing a broad activation of the immune system.

2 A non-viral MIDGE® vector system (MGN1404, MGN1331, MGN1333). The vectors take on the function of "gene ferries" that can be customized with various pieces of genetic information.

3 A cell-based, therapeutic vaccine (MGN1601). This unique cell-line has been genetically modified using MIDGE® technology and combined with low-dose lefitolimod as an adjuvant.

Based on study data available so far, MOLOGEN's drug candidates have demonstrated good tolerability and safety.

DNA-BASED TLR9 AGONISTS

FOCUS ON IMMUNOTHERAPY LEFITOLIMOD (MGN1703)

The focus of our development activities is the immunomodulator lefitolimod (MGN1703), which is being tested for the treatment of colorectal cancer in a pivotal study. A randomized study is also currently being carried out to test the use of this drug against an aggressive form of lung cancer. In addition, a study (phase I/II) for an indication other than cancer, HIV, was initiated for the first time in the last financial year.

Patient recruitment will soon start for a first combination study with lefitolimod (MGN1703) and the checkpoint inhibitor ipilimumab (Yervoy®) in patients with advanced tumors.

The wide-ranging applications of lefitolimod (MGN1703) have blockbuster potential – especially in view of the variety of possible combinations.

LEFITOLIMOD (MGN1703) – A DUMBBELL-SHAPED MOLECULE TRAINING THE IMMUNE SYSTEM

Lefitolimod (MGN1703) is a toll-like receptor 9 (TLR9) agonist shaped like a dumbbell and consisting only of DNA. Like other immunotherapy treatments, lefitolimod (MGN1703) does not directly attack cancer cells; instead, it uses the immune system as a weapon against cancer. Lefitolimod (MGN1703) is recognized by sentinel immune cells (plasmacytoid dendritic cells, or pDCs) that patrol the body. Once lefitolimod (MGN1703) sets these immune cells on red alert, they set in motion a broad immune response to combat cancer cells.

The immune system is reactivated to attack and destroy cancer cells it was previously unable to recognize or did not attack systemically. Application could not be simpler. The drug is administered twice weekly through subcutaneous injections. The way in which the drug is injected is straightforward, as it is similar to the way in which insulin is administered to diabetes patients, for example.

The efficacy of lefitolimod (MGN1703) in the treatment of cancer, together with a high degree of safety and tolerance, has been demonstrated by comprehensive pre-clinical and clinical data. The most common side effects were minor, such as a slight fever or redness around the injection site.

LEFITOLIMOD (MGN1703) – ON THE HOME STRAIGHT

After successful completion of phase I and phase II studies, the international IMPALA pivotal study began to recruit the first patient in September 2014. The phase III study aims to enroll around 540 patients from eight European countries, including the five most important European pharmaceutical markets. The study will recruit patients suffering from metastatic colorectal cancer who have responded to the standard, first-line therapy. Lefitolimod (MGN1703) will then be administered as a "switch maintenance therapy". The study`s primary endpoint is overall survival.

The findings from previous trials were taken into account when setting out the IMPALA study design, such as the evidence from exploratory analyses of the phase II study on biomarkers. These may enable us to identify patients who are likely to experience the greatest benefit from treatment with the immunotherapy lefitolimod (MGN1703). Based on these findings, the phase III IMPALA study aims to prove that a "switch maintenance therapy" with an active immunotherapy could increase the overall survival of patients who respond to prior first-line therapy.

In 2015, significant progress was made in patient enrollment and we expect it to be concluded by the end of 2016. The study's evaluation can only begin once sufficient data on overall survival become available.

LEFITOLIMOD (MGN1703) IS ALSO BEING TESTED IN LUNG CANCER

Apart from the pivotal study in colorectal cancer, we are currently conducting a clinical study in small cell lung cancer (SCLC). This is also looking at the overall survival of patients, and involves comparing the maintenance therapy with lefitolimod (MGN1703) against the best standard of care. Recruitment of 100 patients in 4 different European countries started in 2014 and was completed in October 2015. Analysis of the study is planned to start at the end of 2016 so that the results will be presented in the first half of 2017.

OPPORTUNITIES THROUGH COMBINATION STUDIES – LEFITOLIMOD (MGN1703) WITH CHECKPOINT INHIBITOR YERVOY®

As part of the collaboration with the MD Anderson Cancer Center at the University of Texas, lefitolimod (MGN1703) is being investigated in a combination study for the first time. The cooperation relates to a phase I study with MOLOGEN's immunomodulator lefitolimod (MGN1703) in combination with the immunotherapy ipilimumab (Yervoy®) in patients with advanced solid tumors. Yervoy®, manufactured by Bristol-Myers Squibb Co., is a recombinant, human monoclonal anti-

»LEFITOLIMOD – **GOOD SAFETY** AND **TOLERABILITY** HAVE BEEN **DEMONSTRATED** IN INITIAL STUDIES«

body acting as immune checkpoint inhibitor and was approved to treat patients with unresectable or metastatic melanoma. Lefitolimod (MGN1703) will therefore be evaluated in combination with a checkpoint inhibitor for the first time. Should lefitolimod (MGN1703) succeed in augmenting the efficacy of immune checkpoint inhibitors, the potential applications of the compound could be broadened. This study has been initiated based on the idea that the combination of these two immunotherapies could have synergistic effects by a broader activation of the immune system.

Initially, the aim of the study is to ascertain the best tolerable dosage for administering lefitolimod (MGN1703) in combination with Yervoy®. The safety of this combination therapy will also be investigated. Furthermore, an expansion phase is planned that will focus on evaluating the efficacy of this potential combination therapy.

MD Anderson is to conduct the study with around 50 to 60 patients in its cancer center in Texas, U.S. MOLOGEN will provide the immunomodulator lefitolimod (MGN1703) for the study and is funding the study. Commercially available ipilimumab (Yervoy®) will be administered in the study. Patient recruitment will commence within the next few weeks.

TLR9-AGONIST

The mechanism that leads to a broad activation of the immune system is based on the TLR9 agonist binding to the TLR9 receptor.

"TLR9 agonists" are biochemical substances that bind to suitable TLR9 receptors within specific immune cells mainly in so called plasmacytoid dendritic cells. These immune cells are components of the innate immune system that serve in the non-specific recognition of pathogens, specifically, they recognize certain DNA sequences of invaders. When an invader has been recognized, they send out signals that lead to a broad activation of the innate immune system and also, potentially activate the adaptive immune system. Lefitolimod (MGN1703) makes use of this mechanism by stimulating an invasion of pathogens due to its special DNA patterns.

FIRST TIME FOR AN INDICATION OTHER THAN CANCER – INVESTIGATING LEFITOLIMOD (MGN1703) IN HIV

In addition to the studies in the area of oncology, investigations with lefitolimod (MGN1703) for the treatment of HIV (Human Immunodeficiency Virus) started in 2015. The aim of the phase I/II study TEACH is to investigate whether MGN1703 can activate the immune system in HIV patients to enhance destruction of the HIV infected cells. This could expand the potential range of applications for the product.

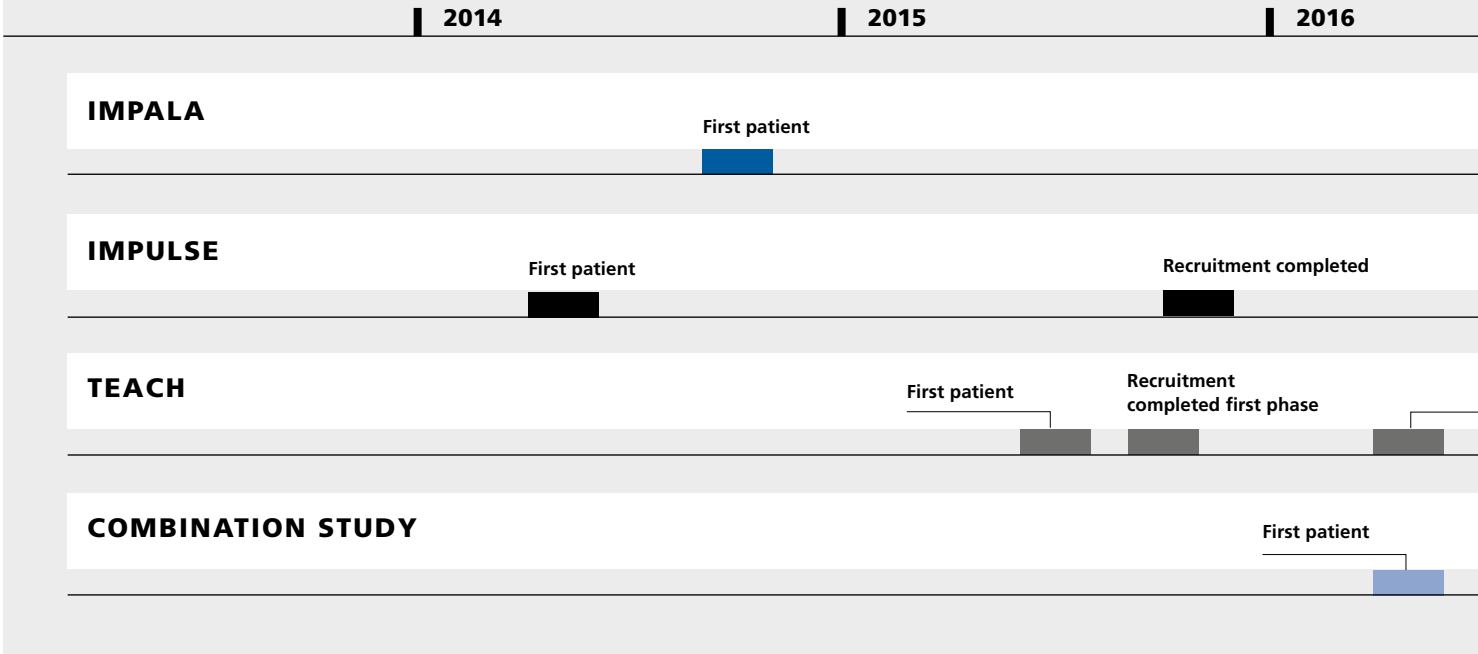
The early phase study is being carried out in collaboration with Aarhus University Hospital in two hospital centers in Denmark and the study has already received funding from the American Foundation for AIDS research (amfAR). MOLOGEN will provide the immunomodulator lefitolimod (MGN1703).

Patient recruitment for the study commenced in June 2015 and was completed in September with the enrollment of 16 patients.

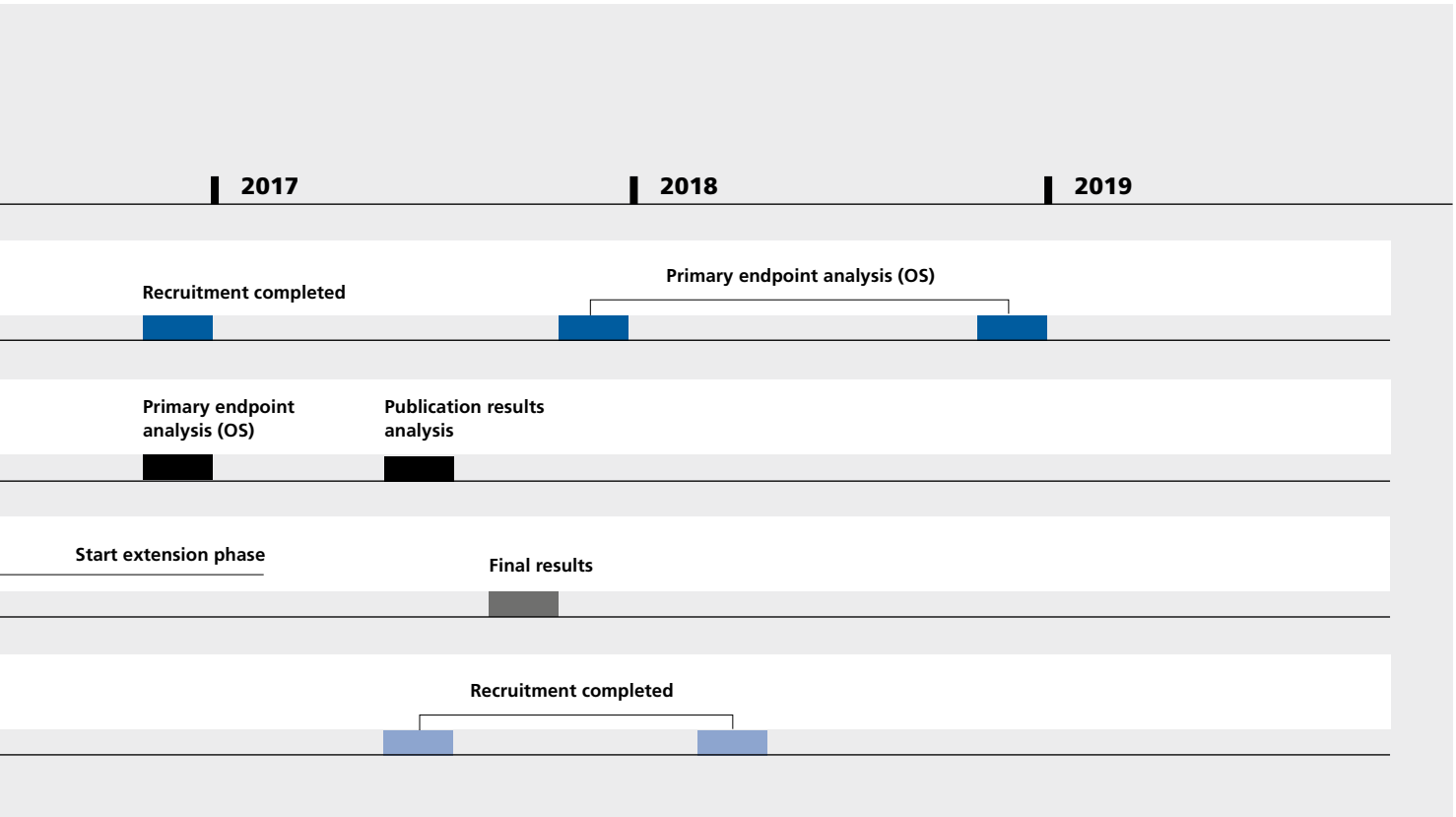
The primary endpoint of the study is the change in proportions of activated natural killer cells in the patients. Secondary study endpoints include, among others, a collection of virological, immunological and pharmacodynamic data in addition to analysis of safety data. First results of this study will be presented at the Keystone HIV Symposia (Keystone Symposia on molecular and cellular biology conference) from 20 – 24 March 2016 in Olympic Valley, U.S.

The study has been amended to allow the recruitment of more patients who will receive a longer treatment with lefitolimod (MGN1703). Final results are expected in 2017.

LEFITOLIMOD (MGN1703) **MILESTONES** FOR VARIOUS CLINICAL TRIALS



»LEFITOLIMOD – BROAD APPLICATION WITH BLOCKBUSTER POTENTIAL«



»EnanDIM – **PROMISING NEW GENERATION** OF **IMMUNOMODULATORS«**

ENANDIM – A NEW GENERATION OF TLR9 AGONISTS

EnanDIM represents our new generation of immunomodulators. Like lefitolimod (MGN1703), it belongs to the class of TLR9 agonists and promises to deliver broad immunoactivation. EnanDIM was presented for the first time at various scientific congresses in 2014.

EnanDIM molecules consist entirely of DNA, as is also the case in lefitolimod (MGN1703). The main difference in relation to MGN1703 molecules is their structure. Whilst lefitolimod (MGN1703) is dumb-bell-shaped, EnanDIM has a linear structure. Nevertheless, as with lefitolimod (MGN1703), no chemical modification is necessary in order to protect the molecules against degradation by enzymes. Data so far are highly promising. In addition, we expect an advantageous safety and tolerability profile for the future pre-clinical and clinical development.

The mechanism of action of EnanDIM has the potential for application in a series of cancer indications. In addition, it may be possible to use it both in monotherapy and in combination with other forms of treatment. EnanDIM may also be used in the area of infectious diseases as well.

THREE ACTIVE SUBSTANCES – ONE TECHNOLOGY: THE NON-VIRAL VECTOR SYSTEM MIDGE®

The three active substances MGN1404, MGN1331 and MGN1333 are based on the non-viral vector system MIDGE®: DNA vectors are used to transfer specific information in the form of DNA.

The active ingredient MGN1404 is a further oncology product candidate in clinical development and is targeted at malignant melanoma. It is a proprietary DNA vector for the expression of tumor necrosis factor (TNF) alpha. TNF alpha is a cell signaling protein (cytokine) of the immune system that can induce cell death, among other effects.

As part of the development of the product candidate MGN1404, we are working together with the Charité Universitaetsmedizin Berlin and Max-Delbrück Center for Molecular Medicine (MDC) in Berlin. The Charité is leading a clinical phase I study looking at the safety and tolerability of MGN1404 for the treatment of malignant melanoma. In addition, data on the mechanism of action is also being collated as part of the study that began in 2013.

The leishmaniasis vaccine MGN1331 consists of a combination of DNA vectors we have developed. The vaccine showed highly promising results for prophylactic and therapeutic application in animal models along with very good tolerability. Pre-clinical development is in a late stage.

In 2014, highly regarded data from the LEISDNAVAX consortium, consisting of international partners and specialists working on leishmaniasis research, were published in an frequently cited specialist article. In 2015 further results on the pre-clinical development of the vaccine candidate MGN1331 against leishmaniasis in humans were published in two eminent scientific journals. Moreover, the pre-clinical results were presented to experts at scientific lectures in Kolkata, India, and Washington, U.S. Various different funding options were being explored for carrying out the first clinical studies.

Leishmaniasis is a "neglected" tropical disease that affects a large part of the world population. Until now, treatment and prophylactic measures have been poor, too expensive or their effect is short-lived. A vaccine to prevent, control and eliminate infections from leishmaniasis pathogens is therefore urgently needed.

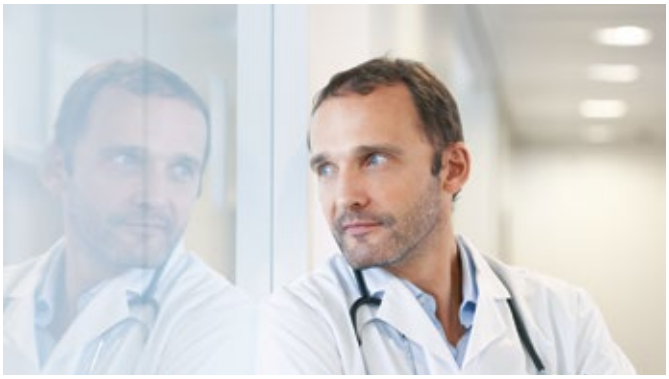
MGN1333 is targeted at the widespread viral infection hepatitis B. The DNA vaccine can be used for both prophylaxis and treatment. Although there are already hepatitis B vaccines on the market, they are mostly only effective after three applications. In pre-clinical studies, we have already shown a strong immune response after just one injection, suggesting MGN1333 has a very good prophylactic efficacy.

As part of pre-clinical development, we have teamed up with a partner company from the Netherlands. MGN1333 was developed with the support of a Federal Ministry for Education and Research development program that ended in 2013.

Additionally, MIDGE®-technology can be potentially used in the treatment of monogenetic orphan diseases.

MIDGE® VECTOR SYSTEM (MINIMALISTIC IMMUNOLOGENETICALLY DEFINED GENE EXPRESSION):

With the development of our MIDGE® vector system, we have created the basis for a broad spectrum of modern DNA-based applications. The minimalistic vectors can be customized with various pieces of genetic information. They only contain the information needed to have an effect and are free from all undesirable information. They are therefore exceptionally well suited to both cancer immunotherapy such as MGN1601 and MGN1404, and to DNA-based vaccinations against infectious diseases, as in the case of our product candidates MGN1331 and MGN1333. The vectors can be used for both prophylactic and therapeutic vaccination.



THE THIRD PLATFORM: MGN1601 – TUMOR CELLS AGAINST CANCER

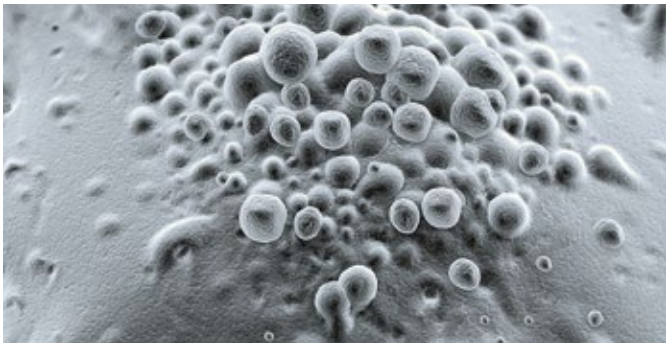
The therapeutic vaccine candidate MGN1601 is a cell-based therapeutic vaccination.

This unique cell-line, made of human cancer cells, has been genetically modified using MIDGE® technology. In other words, vectors take on the function of "gene ferries" and inject specific additional genetic information into the renal cancer cells from our cell bank. In addition, the genetically modified cancer cells are combined with our lefitolimod immunomodulator in order to enhance efficacy (i.e. as an adjuvant).

Forms of therapy that are only geared to the specific properties of one type of mutation (for example to a single tumor associated antigen, TAA), often only show short-lived results. The tumor cells are often able to adapt to the effect from outside through corresponding changes (mutations). Consequently, tumor cells can constantly multiply further and make the treatment concept in question ineffective.

In contrast, the mechanism of action of MOLOGEN's proprietary MGN1601, which is based on allogeneic tumor cells, is very effective in its complexity.

After an injection of MGN1601, the human immune system recognizes the genetically modified, foreign (allogeneic) renal cancer cells, triggering a strong immune reaction. Through this reaction, the immune system learns what cancer cells typically "look like", since the characteristics,



i.e. TAAs, of allogeneic renal cancer cells overlap with the patient's own renal cancer cells. The injection therefore triggers a cross activation of the immune system, after which it can now also recognize and fight against its own renal cancer cells. MGN1601 is enhanced by lefitolimod as an adjuvant in order to strengthen this effect even further.

Since the allogeneic tumor cells have a whole range of TAAs we expect that there will also be many overlaps with the TAAs of the patient's own tumor cells. This will offer the immune system a chance to attack the tumor in many different ways. MGN1601's therapy concept is aimed at making it much more difficult for cancer cells to evade attack.

CONVINCING RESULTS FROM PHASE I/II STUDY

The ASET study, our phase I/II clinical study with MGN1601, was completed in September 2013 and the final results were subsequently presented at prominent international congresses.

The study looked at the safety and tolerability of MGN1601 in 19 heavily pretreated patients with advanced renal cancer, for whom there were no other treatment options available. The monotherapy with MGN1601 proved safe and was well tolerated. In addition, treatment with MGN1601 in a subgroup of patients led to promising overall survival data.

Additionally, in view of the analysis of patient characteristics before the beginning of the treatment, potential predictive biomarkers were identified which may be connected to a longer overall survival period. These could in turn enable a more precise selection of patients who would be more likely to benefit from this innovative vaccination concept with MGN1601 in future studies.

In light of these positive study results, we are planning to take the clinical development of MGN1601 to the next phase, which is expected to involve a drug combination study.

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 within the European Union by the European Medicines Agency (EMA).

The diagnosis often comes as a surprise because renal cancer patients are mostly symptom free during the early stages of the disease. A quarter to a third of all patients already have metastases when the cancer is first diagnosed, which considerably reduces the success of any treatment. The number of new cases being diagnosed every year is estimated at over 300,000 worldwide. In Germany, 15,000 patients are affected according to the Robert Koch Institute.

THE MOLOGEN SHARE

- GERMANY'S LEADING INDEX, THE DAX, GAINED AROUND 10% IN 2015
- SIGNIFICANT DECLINE IN MOLOGEN'S SHARE PRICE DURING REPORTING YEAR
- CONTINUATION OF INTENSIVE DIALOG WITH SHAREHOLDERS AND CAPITAL MARKET
- SUCCESSFUL CAPITAL INCREASE

SLIGHT GAIN FOR DAX ON HIGH VOLATILITY

The stock markets were once again volatile in 2015, but ultimately it was a successful trading year. Following great fluctuation and a very strong start to the year, the leading German index DAX was up by around 10% over the year as a whole to 10,743 points. When compared with the rather moderate growth in the previous year of 2.65 %, 2015 was therefore a better stock market year. With this annual financial statement the DAX closed up the year for the fourth consecutive year. This increase is to a large extent attributable to the monetary policies of central banks, which once again stimulated the markets through economic programs aimed at preventing deflation. However, the DAX fell again slightly in the middle of the year on account of economic concerns. In particular, these included the share price drop in China and the declining oil price. Based on the closing price, the price fell to its lowest of the year in September, at 9,427 points, while the record high of 12,374 points was reached in April.

The relevant German pharmaceutical and biotechnology industry indices, "DAXsubsector Biotechnology" and "DAXsector Pharma & Healthcare", recorded respective gains of almost 44% and 36% in the 2015 financial year.

POSITIVE BUSINESS DEVELOPMENT NOT YET REFLECTED IN SHARE PRICE

MOLOGEN shares started the year in XETRA trading at a price of € 5.90, reaching the highest daily closing price in 2015 of € 7.68 on March 24. However, this price was not maintained beyond that trading day. On 6 November 2015 MOLOGEN shares fell to their lowest daily closing price of € 3.45. After slight recovery, the year-end share price was € 4.80 on December 30, 2015, which represents an overall share price decline of approximately 19% for the year. The average trading volume of the shares on XETRA fell by around 8%, from 20,257 units to 18,686 shares per day. Overall, the MOLOGEN share price did not reflect the positive company news during the course of the year.

2015 CAPITAL INCREASE

As a result of the capital increase carried out in April 2015, the issuance of 5,657,875 new shares raised MOLOGEN AG's share capital to € 22,631,501. The gross proceeds from the issue of € 28.3 million will above all be used for funding IMPALA and IMPULSE clinical trials with the lead product candidate lefitolimod (MGN1703). This has helped attract new, in part international, investors. Since the capital increase, Deutsche Balaton Aktiengesellschaft holds a stake of around 5% in MOLOGEN. The free float remains in the region of 54%.

INVESTOR RELATIONS

The foremost priority in Investor Relations is a continual, transparent and comprehensive dialog with investors and the capital market. As done previously, extensive information about the company's current performance was issued on a regular basis during the reporting year, especially regarding current research and development activities and the latest scientific data on our products. MOLOGEN reported – also within the framework of the leading international scientific conferences – further positive clinical data concerning the main product candidate lefitolimod (MGN1703) and the progress of the new clinical studies.

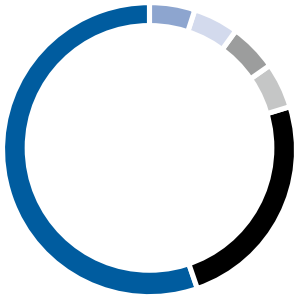
Quarterly conference calls were held with analysts and institutional investors in order to explain the respective financial reports soon after publication and answer any questions. In addition, the Executive Board and Investor Relations team conducted regular roadshows in major financial centers throughout Europe and the U.S., including Frankfurt, London and New York, enabling them to maintain dialog with potential and existing institutional investors.

Key share data (ISIN DE0006637200, Prime Standard)

XETRA (closing price)	**2015**	2014
Number of shares issued as at December 31	22,631,501	16,973,626
Market capitalization as at December 31 (€ million)	108.63	100.31
First trading day (€)	5.90	11.47
Last trading day (€)	4.80	5.91
High (€)	7.68	12.80
Low (€)	3.45	4.77
Average daily trading volume	18,686	20,257

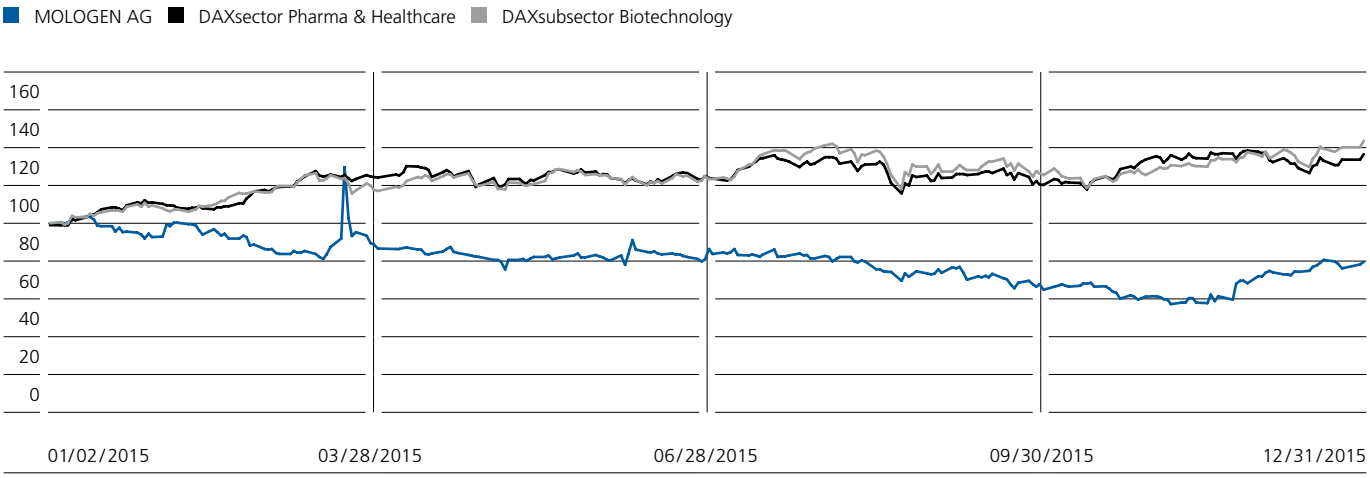
»POSITIVE COMPANY NEWS NOT YET REFLECTED IN SHARE PRICE«

Shareholder structure as at December 31, 2015 (estimates)



5 %	SALVATOR Vermögensverwaltungs GmbH, Germany
5 %	Deutsche Balaton Aktiengesellschaft, Germany
6 %	Bâloise Holding, Switzerland
6 %	Deutscher Ring Krankenversicherungsverein a.G., Deutschland
24 %	Global Derivative Trading GmbH, Germany
54 %	Free float

Performance of MOLOGEN shares in 2015



REPORT OF THE SUPERVISORY BOARD 2015

In fiscal year 2015, the Supervisory Board of MOLOGEN AG took great care to comply with the obligations incumbent upon it under the law, the company's Articles of Association and its internal rules of procedure. The Executive Board was continuously monitored and advised by the Supervisory Board in the management of the company.

The Executive Board provided the Supervisory Board with information in meetings of the Supervisory Board and outside through written and oral reports on individual business transactions, business development, the company's situation including its risk position, risk management and compliance as well as the strategic direction of the company, including financial and liquidity planning. Deviations from the planning in terms of business performance were also the subject of reporting. The Chairman of the Supervisory Board was regularly informed about the current business situation and significant events in face-to-face meetings and by telephone. The Supervisory Board reviewed the reports of the Executive Board in detail and discussed them with the Executive Board. In addition, the Supervisory Board carried out a compliance review of individual measures taken by the Executive Board. The compliance review is still ongoing at present in order to look more closely at potential infringements of duties by individual members of the Executive Board and where applicable to rule them out.

Where specific measures by the Executive Board, which are subject to Supervisory Board approval by law or under the company's Articles of Association, required decisions of the Supervisory Board, the Supervisory Board discussed these and took the relevant decision during Supervisory Board meetings. Where justified, decisions made outside of the meetings were made in writing, electronically or in the form of circular resolutions.

MEETINGS OF THE SUPERVISORY BOARD AND TOPICS OF DISCUSSION

In fiscal year 2015, the Supervisory Board held a total of 15 meetings and 23 conference calls, with full attendance/participation of the Supervisory Board. There were no committee meetings since the Supervisory Board has not formed any committees in view of its size.

The main drivers behind the higher meeting frequency during the reporting year were:

- The analyses and tasks of the Supervisory Board relating to various personnel issues in respect of the CEO, CFO and CMO, such as: target-actual comparisons of management profiles, evaluation of whether company targets for 2014 were met and setting out individual target agreements for 2015, selection of personnel consultants, systematic search for managers along with preparing for and conducting many candidate interviews for each executive post, adopting resolutions regarding board changes, holding lengthy negotiations over and the signing of service and cancellation agreements, adjustments to business allocation plans, and deliberations on interim solutions.
- Review by a law firm of the compliance audit initiated by the Supervisory Board on selected business transactions, especially with shareholders, some of which led to contract improvements in relation to agreements with consultants and with the MOLOGEN Foundation Institute for Molecular Biology and Bioinformatics. Discussion and resolutions regarding improvements in the internal control and monitoring systems and cost-cutting measures.
- Changes in the rules of procedure and review, amendments and realization of transactions requiring the approval of the Supervisory Board. Efficiency reviews of the Supervisory Board's activities and of corporate governance during the financial year.
- In-depth discussion by the Supervisory Board of the legal challenges to Annual General Meeting resolutions: the legal challenge of 2014 (including election process, German Corporate Governance Code/ nomination and voting right approvals) was dismissed in full on September 3, 2015 by the Regional Court of Berlin which ruled in favor of the company. Thereafter, the Supervisory Board looked at the appeal mounted by the plaintiffs and at the fresh legal challenge of 2015 (including restriction of time allowed to speak, nomination process/voting outcome, calling of the General Meeting; the way in which the meeting was chaired, discharge resolutions).

Dipl. Kfm. Oliver Krautscheid
Chairman and member of the Supervisory Board

Dr. med. Stefan M. Manth
Deputy Chairman and member of the Supervisory Board

Susanne Klimek
Member of the Supervisory Board

The latter challenge was dismissed in full by the Regional Court of Berlin on March 4, 2016 when it ruled in favor of the company. The topics of deliberations within the Supervisory Board were: negative effects and risks for the company, potential courses of action open to the company, response to accusations as well as appropriateness of legal defense costs and of costs for legal advice for preparing and holding the Annual General Meeting.

The Supervisory Board's deliberations and resolutions also focused on the following topics:

- Discussions on, and approvals pertaining to a capital increase from authorized capital, as part of which 5,657,875 new shares were issued in the context of a capital increase with subscription rights. Resolution approving the issuance of employee stock options as part of the 2014 stock option program.
- Monthly in-depth discussion of progress in patient recruitment, discussion of counter measures and approval of budgets to speed up clinical programs.
- Analysis of business processes and interfaces with service providers in the big clinical development programs through the auditors and subsequent discussion and systematic analysis of potential areas of improvement in relation to organization in order to reduce risks in clinical development.
- Discussions on the company's strategic direction and key competencies, options to extend patents and to prioritize the development pipeline, and on investment in pre-clinical development candidates.
- Discussions on communication processes within the company and on the efficiency and effectiveness of the Investor/Public Relations function with input from the second management tier.
- Discussion and approval of new, risk-adequate, (model) contract arrangements for research collaborations which require Supervisory Board approval, which are applicable in a new indication (HIV) and in a combination trial in cooperation with the MD Anderson Cancer Center in Texas.
- Regular discussions on partnering activities of the Executive Board and its advisers requiring approval, including discussion of contract concepts for out-licensing and agreement of key data regarding content, scope and commercial conditions.
- Discussion and approval of the joint Declaration of Compliance with the German Corporate Governance Code for 2015 by the Executive Board and Supervisory Board and of the flexible quota, i.e. setting a target for the appointment of women to the Supervisory Board and Executive Board.
- Adoption of resolutions in connection with the agenda and organization for the 2015 Annual General Meeting.
- Discussions on the effectiveness of the risk management system in key functions of the company. Discussions on risk management considerations based on the risk matrix drawn up by the Executive Board and discussion of necessary adjustments and recommendations of measures in respect of new business transactions, contracts and developments in the sector.

In addition, the Supervisory Board regularly reviewed the company's financial reports. The Supervisory Board approved the annual financial statements in accordance with the German Commercial Code (HGB) and the individual annual financial statements under IFRS for the fiscal year 2015.

CORPORATE GOVERNANCE AND DECLARATION OF COMPLIANCE

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

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.

In the year under review, Prof. Dr. Burghardt Wittig, the company's founder and former Chief Executive Officer, again provided consulting services, for which the company has established a new contractual basis. Furthermore, in his capacity as Chairman of the MOLOGEN Foundation, Prof. Dr. Wittig continued to manage research funds provided by the company in the reporting year.

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 2015 is accessible on the company's website.

MEMBERS OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

During the reporting year, the long-serving Chief Executive Officer, Dr. Matthias Schroff, stepped down early by mutual consent as member of the company's Executive Board, with effect from December 31, 2015. He had already resigned from his post as Chief Executive Officer on November 1, 2015. He was replaced from November 1, 2015 by Dr. med. Mariola Söhngen, an experienced businesswoman and manager, who took over as the new Chief Executive Officer. In addition, Chief Financial Officer Jörg Petrass also left the company with effect from December 31, 2015 after his contract was not extended by mutual agreement. Instead, he will be replaced by Walter Miller who will take up his post as new CFO on April 1, 2016. The third member of the Executive Board, Dr. Alfredo Zurlo, remained as a member of the Executive Board but he will be leaving the company with effect from March 31, 2016. The plan is that Dr. Zurlo will be available to the company in a consultancy role until the vacant CMO position on the Executive Board has been filled.

The members of the Supervisory Board were unchanged in the reporting year. In view of the risks to the company arising from the legal challenge of the Supervisory Board election in 2014, the Chairman of the Supervisory Board, Oliver Krautscheid, resigned from his post on June 17, 2015 to take effect at the end of the 2015 Annual General Meeting, where he presented himself again for election by the shareholders. On July 29, 2015, the Annual General Meeting duly re-elected Oliver Krautscheid as member of the Supervisory Board. In its constituent assembly on July 29, 2015, Oliver Krautscheid was duly re-elected unanimously by the Supervisory Board, while Dr. Stefan Manth was elected as Deputy Chairman. Mr. Krautscheid meets the requirements of a "financial expert" in accordance with Section 100 (5) of the German Stock Corporation Act (AktG).

ANNUAL FINANCIAL STATEMENTS AND INDIVIDUAL FINANCIAL STATEMENTS, AUDIT

At the Annual General Meeting held on 29 July 2015, Baker Tilly Roelfs AG Wirtschaftsprüfungsgesellschaft was re-elected as auditor for the fiscal year ending on December 31, 2015. On behalf of the Supervisory Board, the annual financial statements as of December 31, 2015, prepared by the Executive Board in accordance with the provisions of the German Commercial Code (HGB) and the management report for fiscal year 2015, prepared by the Executive Board, were audited by Baker Tilly Roelfs AG Wirtschaftsprüfungsgesellschaft. The Executive Board also prepared individual annual financial statements as of December 31, 2015 under IFRS, as applicable in the EU, in accordance with Section 325 (2a) of the German Commercial Code (HGB). The management report prepared by the Executive Board additionally makes reference to the individual annual 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 Roelfs AG Wirtschaftsprüfungsgesellschaft.

The Supervisory Board supplemented the usual aspects of the audit of the annual financial statements to include a further topic to be included in the audit, namely "The accounting process for settling with the clinics carrying out the trials" and "Completeness of trade accounts payable". The company's auditors included the recommendations in their audit program for 2015 and reported extensively on their findings in the balance sheet meeting.

The audit by Baker Tilly Roelfs AG Wirtschaftsprüfungsgesellschaft did not lead to any objections. The auditors found that the individual annual financial statements as of December 31, 2015 under IFRS, as applicable in the EU in accordance with Section 325 (2a) of the German Commercial Code (HGB) give a true and fair picture of the assets and liabilities, financial position and earnings situation of the company. An unqualified auditors' opinion was also issued for the annual financial statements as of December 31, 2015 in accordance with the German Commercial Code (HGB).

Furthermore, the auditors stated that the management report, which is consistent with the individual financial statements in accordance with Section 325 (2a) of the German Commercial Code (HGB) and the annual financial statements in accordance with the German Commercial Code

(HGB), on the whole provides a true picture of the company's situation and accurately presents the risks and opportunities of future development. Without qualification of this assessment, the auditors pointed out the financial risks which are explained in the management report.

The annual financial statements in accordance with the German Commercial Code (HGB), the individual annual financial statements under IFRS, as applicable in the EU, and the management report, which also refers to the individual financial statements, as well as the draft audit reports were made available to members of the Supervisory Board on time, were examined by the Supervisory Board in line with the legal provisions and then discussed in detail at the Supervisory Board meeting held on March 9, 2016 in the presence of the Executive Board and of the auditors. The auditors reported on the key findings of their audit to the Supervisory Board and were available to answer questions and provide further information.

Following subsequent discussion on March 14, 2016, the Supervisory Board approved the findings of the audits of the financial statements and the auditors' reports of March 14, 2016. The in-house audit and discussion resulted in no objections to the annual financial statements or to the individual financial statements. In addition, the Supervisory Board approved the management report, which also refers to the individual financial statements, and the statements contained therein concerning the company's development. The financial statements were then approved by the Supervisory Board without restriction or supplements. The annual financial statements as of December 31, 2015 are therefore adopted in accordance with the German Commercial Code (HGB) pursuant to Section 172 of the German Stock Corporation Act (AktG).

The Supervisory Board thanks all the employees of MOLOGEN AG for their hard work and commitment to the company over the past year. We would also like to thank our shareholders for their confidence in the company.

Berlin, March 14, 2016

Oliver Krautscheid
Chairman of the Supervisory Board

»WE HAVE AN EYE ON THE **MARKET OPPORTUNITIES** OF **IMMUNOTHERAPIES**«

02 | FINANCIAL INFORMATION

MANAGEMENT REPORT

MANAGEMENT REPORT

- CONSIDERABLE PROGRESS MADE IN PATIENT RECRUITMENT FOR LEFITOLIMOD (MGN1703) PIVOTAL STUDY
- PATIENT RECRUITMENT FOR LUNG CANCER AND HIV STUDIES SUCCESSFULLY COMPLETED
- SIGNIFICANT INCREASE IN R&D EXPENSES TO € 16.8 MILLION (2014: € 13.3 MILLION)
- LIQUID FUNDS AMOUNTING TO € 24.6 MILLION (2014: € 13.6 MILLION)

In fiscal year 2015, the principal focus of operational business was on clinical trials with the lead product lefitolimod (MGN1703), for which all planned milestones were reached. While substantial progress has been made in the patient recruitment for the IMPALA study (phase III for colorectal cancer), enrollment was completed for the TEACH study (phase I for HIV) in September 2015 and for the IMPULSE study (randomized study for lung cancer) in October 2015.

The lead product MGN1703 has an international nonproprietary name (INN) status 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. Accordingly, manufacturers can submit applications that must meet certain criteria for obtaining INN status through the WHO. For MGN1703, the name "lefitolimod" was chosen and is now officially listed at the WHO since January 2016.

At € 16.8 million, research and development (R&D) expenses were considerably higher than in the same period of the previous year (2014: € 13.3 million). Accordingly, EBIT was € –20.5 million and therefore also significantly below the previous year's figure of € –17.1 million.

As at December 31, 2015, cash and cash equivalents amounted to € 24.6 million and thus were considerably higher than the previous year's value as a result of the capital increase carried out in April 2015 (December 31, 2014: € 13.6 million).

COMPANY OVERVIEW

MOLOGEN AG (hereinafter: MOLOGEN) is an internationally operating biotechnology company. Apart from the core focus on oncology, the research and development activities also concentrate on infectious diseases. MOLOGEN researches and develops various drug candidates in these fields, primarily addressing diseases with substantial unmet medical needs.

These are based on proprietary technologies enabling, or decisively facilitating, the use of DNA (deoxyribonucleic acid, carrier of genetic information for all living beings) to treat previously untreatable or only insufficiently treatable diseases or to improve the quality of life. The technologies are patented and conducted under the MIDGE®, dSLIM® and EnanDIM® brands. In addition, MOLOGEN has a unique tumor cell bank categorized according to pharmaceutical regulatory requirements, which is also used for proprietary cell-based cancer treatments.

MOLOGEN investigates the proprietary product candidates and develops them within the framework of pre-clinical tests 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 company's registered office 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 HGB in accordance with IFRS, as adopted by the EU pursuant to the provisions of the 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 HBG are marked accordingly.

SEGMENTS

MOLOGEN does not prepare segment reporting as the technologies and product candidates are still in the 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 and licensed technologies are used for different product candidates. In this context, segment reporting would not provide any additional information compared to the information contained in the other components of the financial statements or the management report.

GENERAL CONDITIONS

MACROECONOMIC DEVELOPMENT

- MODERATE GLOBAL GROWTH IN 2015
- FRAGILE EMERGING MARKETS HAMPERING GLOBAL ECONOMIC GROWTH
- IMF LOWERS GROWTH FORECAST FOR 2015 TO 3.1 %

In 2015, the global economy remained on a moderate growth course. In its latest forecast, the International Monetary Fund (IMF) is predicting that global economic growth will be 3.1 % in 2015. It has therefore cut its forecast for 2015 published in July by 0.2 %. However, the IMF still anticipates a slight improvement in growth for 2016, to 3.4 %. The projections from autumn 2015 were therefore trimmed by 0.2 %.

This moderate global growth in 2015 is attributable to factors including the volatility in financial markets, which especially affected emerging markets. There has been a marked rise in concern about China's economy, in particular, but it is also affecting commodity exporting Emerging Markets such as Brazil and Russia. The drop in oil prices also continues to dampen growth prospects. Consequently, the IMF predicts growth of 4 % for these countries in 2015, compared with 4.6 % in the previous year.

Lower commodity prices provided a boost to the global economy in general, with the USA reporting a considerable increase in its gross domestic product (GDP). Moderate economic growth has also been maintained in Europe.

Likewise, economic development in Germany was modest. At present, the IMF is predicting growth of 1.5 % for 2015. The latest forecast for 2016 is slightly more optimistic, at 1.7 %.

DEVELOPMENT OF THE PHARMACEUTICAL AND BIOTECHNOLOGY INDUSTRIES

- SALES FOR DRUGS EXPECTED TO INCREASE TO UP TO US$ 1.3 TRILLION WORLDWIDE IN THE NEXT DECADE
- GLOBAL MARKET VOLUME FOR CANCER TREATMENTS PREDICTED TO RISE TO US$ 153 BILLION BY 2020
- CANCER IMMUNOTHERAPIES ARE REVOLUTIONIZING THE TREATMENT OF TUMOR DISEASES

For the biotechnology industry 2014 was a record year, with transactions worldwide amounting to more than US$ 220 billion.

Market research company, Institute for Healthcare Informatics (IMS) predicts that the drugs market will continue to record robust growth. IMS forecasts that total global expenditure on drugs will rise to around US$ 1.3 trillion by 2018, which is around 30 % higher than had been estimated in 2013. According to the "World Preview 2015, Outlook to 2020" study conducted by EvaluatePharma, prescription-only drug sales can be expected to rise by almost 5 % each year until 2020.

PHARMACEUTICAL INDUSTRY: DEVELOPING COUNTRIES AND CANCER TREATMENTS BECOMING MORE IMPORTANT

According to Pharma-Data 2015, published by the German Pharmaceutical Industry Association (BPI), more than 70 % of total sales in the global pharmaceuticals market in 2014 were attributable to North America, Europe and Japan, but this looks set to increase further. Drug sales have

also recorded continuous growth in the five emerging markets of Brazil, Russia, India, China and South Africa (BRICS), with sales up nearly 12 % between 2013 and 2014 to US$ 97 billion overall. The significance of these markets for the pharmaceutical industry will continue to increase in the next few years.

In the area of prescription pharmaceutical drugs, the share of biotechnologically produced drugs is expected to rise to 27 % by 2020. In 2014, the share was 23 %. Cancer treatments will account for by the far the greatest share of sales. UBS anticipates that annual growth rates will rise significantly for cancer drugs, from 6 % at present to 15 % by 2029.

SHARP RISE IN CANCER DISEASE EXPECTED

In its most recent World Cancer Report, the World Health Organization (WHO) assumes that incidences of cancer will increase by 40 % over the next 10 years. According to UBS, this means that by 2030, 22 million people could develop cancer each year across the globe. The growth rates in the oncology market are correspondingly high. EvaluatePharma predicts that the global market volume will amount to more than US$ 153 billion by 2020. This equates to average annual sales growth of around 12 %. Oncology is therefore the therapeutic area with the highest growth rates and, according to the market research company's projections, it will remain the indication with the strongest sales worldwide in the long term, with an expected sales share of around 15 % by 2020.

The pharmaceutical sector continues to invest extensively in the research and development of innovative cancer treatments. According to IMS, it accounts for more than 30 % of all product development.

MARKET POTENTIAL OF CANCER IMMUNOTHERAPIES IS US$ 35 BILLION

The highly promising area of cancer immunotherapies has the potential to revolutionize the treatment of tumors. The first studies in melanoma and lung cancer have already delivered positive results in terms of efficacy of cancer immunotherapies: prolongation of life for patients as well as improved safety and quality of life as well as reduced side effects when compared with conventional cancer therapies. Citigroup analysts estimate that the market potential of cancer immunotherapies is now more than US$ 35 billion.

Although the overall trend is towards growth, the biotech 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 successful rounds of funding, with the follow-up funding after the foundation phase often being the most difficult for many biotech companies.

A further problem is also the broadening of market shares for generics, as well as stricter laws and approval regulations. Conditions for market approvals and subsequent market penetration are also becoming complicated in many countries due to health care 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, also at international level.

New opportunities are likewise arising for the biotechnology sector due to increased demand for innovative drugs and treatment methods, above all in the area of oncology.

In this context, the business prospects for MOLOGEN can be assessed as very positive in the long term.

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 in the EU and U.S. are especially relevant, and in this context, the continuing cost pressure in health care systems, in particular.

COURSE OF BUSINESS

- CONTINUATION OF CLINICAL TRIALS WITH FOCUS ON LEFITOLIMOD (MGN1703)
- SIGNIFICANT PROGRESS IN PATIENT ENROLLMENT FOR THE IMPALA PIVOTAL STUDY FOR COLORECTAL CANCER
- PATIENT RECRUITMENT FOR LUNG CANCER AND HIV STUDIES WITH LEFITOLIMOD (MGN1703) SUCCESSFULLY COMPLETED
- LATEST RESEARCH AND DEVELOPMENT RESULTS PRESENTED AT SCIENTIFIC CONFERENCES
- CAPITAL INCREASE CARRIED OUT, WITH GROSS PROCEEDS OF € 28.3 MILLION

RESEARCH AND DEVELOPMENT (R&D)

In financial year 2015, MOLOGEN's R&D above all advanced the two clinical studies for its lead product, the immunotherapy lefitolimod (MGN1703): a randomized IMPULSE clinical study for lung cancer and a phase III IMPALA pivotal study in the indication colorectal cancer. The 100th patient was enrolled in the IMPULSE study in October 2015, marking the successful conclusion of patient recruitment for this trial.

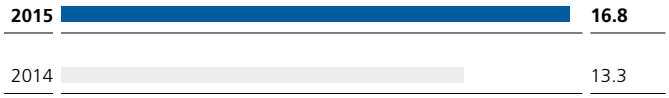
Furthermore, the Danish Aarhus University Hospital initiated a phase I/IIa clinical study to treat HIV patients with lefitolimod (MGN1703) at the start of June 2015. Patient enrollment was also completed for this study in September 2015.

In the reporting period, new research and development results were presented at major international scientific conferences. This included further data on lefitolimod (MGN1703) from a safety study conducted in the USA in 2013 and findings on individual patients from the IMPACT clinical study.

R&D EXPENSES

In fiscal year 2015, MOLOGEN carried out research and development activities requiring expenditures and investments in the amount of € 16.8 million (2014: €13.3 million). The main focus of activities were the two clinical studies with MGN1703, IMPALA and IMPULSE.

R&D Expenses in € million



Advanced product pipeline with strong focus on cancer immunotherapies

Preclinical	Phase I	Phase II	Phase III
EnanDIM[1] Oncology & Anti-infectives	**Lefitolimod (MGN1703)**[1] Other solid tumors	**Lefitolimod (MGN1703)**[1] Small cell lung cancer	**Lefitolimod (MGN1703)**[1] Colorectal cancer
MGN1331[2] Leishmaniasis[5]	**Lefitolimod (MGN1703)**[1,6] HIV		
MGN1333[2] Hepatitis B	**Lefitolimod (MGN1703)**[1] **and Yervoy® (ipilimumab)**[7] Advanced solid malignancies		
	MGN1601[3] Renal cancer		
	MGN1404[2,4] Malignant melanoma		

Oncology · Infectious diseases · Oncology and infectious diseases · Oncology combination trials

1 TLR9 agonist
2 MIDGE® vector system
3 Cell line modified using MIDGE technology with adjuvant low-dose lefitolimod
4 Collaboration with Max-Delbrueck-Center for Molecular Medicine and Charité Universitaetsmedizin, Berlin
5 Various diseases caused by parasites; mainly present in subtropical and tropical regions (major neglected disease)
6 Collaboration with University Hospital Aarhus, Denmark
7 Collaboration with MD Anderson Cancer Center, Texas, US; study is expected to start in H1 2016

CANCER IMMUNOTHERAPY LEFITOLIMOD (MGN1703)

Lefitolimod (MGN1703) is a cancer immunotherapy and MOLOGEN's most advanced product candidate. The immunomodulator and TLR9 agonist is currently being investigated in three IMPALA, IMPULSE and TEACH clinical studies. In addition, a combination study with the immunotherapy and checkpoint inhibitor ipilimumab (Yervoy®) is expected to start within the first half 2016 in collaboration with the MD Anderson Cancer Center.

PIVOTAL STUDY ON COLORECTAL CANCER (IMPALA)

Patient enrollment for the IMPALA study started in September 2014 and continued over the course of the 2015 financial year.

The IMPALA study is an international phase III multicentric, randomized, open-label, two-arm clinical trial. Based on the findings of the subgroup analyses of the phase II IMPACT study, the IMPALA study includes patients with metastatic colorectal cancer in whom a response to radiological treatment has been confirmed following standard first-line induction chemotherapy with or without biological agents (biologics).

The aim of the study is to show that a "switch maintenance" therapy with the cancer immunotherapy lefitolimod (MGN1703) leads to a prolongation of overall survival in patients with metastatic colorectal cancer. The primary endpoint is therefore overall survival. The secondary endpoints include progression-free survival, tolerability, safety, and quality of life (QoL).

In November 2015, MOLOGEN presented exploratory immunological data from a preliminary analysis of the IMPALA pivotal study at the 2015 Annual Meeting of the Society for Immunotherapy of Cancer (SITC) in National Harbor, Maryland, USA. In the data, the identified activation profile of immune cells like monocytes, natural killer T-cells (NKT), natural killer cells and T-cells confirmed the mode of action of TLR9 agonist lefitolimod (MGN1703). The activation of the immune system had previously been seen in the IMPACT trial.

Around 540 patients from more than 100 centers in eight European countries, including the five largest European pharmaceutical markets, will participate in the study. Patient recruitment progressed significantly in the reporting year and is expected to be completed in the second half of 2016. The study will be evaluated once a certain number of specified events have occurred.

The coordinating investigator is Prof. David Cunningham, MD, Department of Medicine and Director of Clinical Research, Royal Marsden Hospital in London, UK. In addition, the trial is successfully working together 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.

LUNG CANCER STUDY (IMPULSE)

The enrollment of patients for the IMPULSE study which started in March 2014 carried on in the reporting period and was successfully concluded with the enrollment of the 100th patient in October 2015.

The primary endpoint being investigated by this IMPULSE study is overall survival. The trial will compare lefitolimod (MGN1703) against the best standard of care. The study will include patients who are suffering from an extensive disease stage of small-cell lung cancer (SCLC) and whose tumors have responded to the standard first-line therapy with chemotherapeutics. Analysis of the study is planned to start at the end of 2016 so that the results can be presented at the 2017 Annual Meeting of the American Society of Clinical Oncology (ASCO) in the first half of 2017.

The principal investigator is Prof. Dr. med. Michael Thomas, Senior Consultant of the Department of Oncology and Internal Medicine of the Thorax Clinic at Heidelberg University Hospital. In Germany, the study will be conducted in collaboration with the Aktion Bronchialkarzinom e.V. (ABC Group), which is a renowned oncology study group comprising lung cancer specialists.

With the IMPULSE study, MOLOGEN is expanding the scope of the cancer immunotherapy MGN1703 by a further indication for which there is a high unmet medical need.

HIV STUDY (TEACH STUDY)

In the second quarter of 2015, MOLOGEN began a collaboration with the Danish Aarhus University Hospital to conduct an early-phase study with lefitolimod (MGN1703) to treat HIV (Human Immunodeficiency Virus) patients. This is the first time that lefitolimod (MGN1703) is being evaluated in patients with diseases other than cancer. The potential range of applications of the product could be expanded as a result.

The aim of the TEACH study is to determine whether the immunotherapy with lefitolimod (MGN1703) can activate the immune system in HIV patients to enhance killing of the HIV infected cells. Aarhus University Hospital is conducting the trial in two hospital centers in Denmark and has received funding from the American Foundation for AIDS research (amfAR). MOLOGEN will provide the immunotherapy lefitolimod (MGN1703).

The study commenced in June 2015 with the enrollment of the first patients. Patient recruitment was completed in September 2015, with the enrollment of 16 patients.

TEACH (Toll-like receptor 9 enhancement of antiviral immunity in chronic HIV infection) is a non-randomized interventional phase I/IIa study of lefitolimod (MGN1703) in HIV-infected patients. Participants will receive four weeks of lefitolimod (MGN1703) therapy (60 mg s.c. twice weekly). During these four weeks, each participant will be closely monitored for the safety and therapeutic effects of the drug.

The primary endpoint of the study is the change in proportions of activated natural killer cells in the patients. Secondary study endpoints include, among others, a collection of virological, immunological, pharmacodynamic results in addition to safety data. The first results of this study will be presented in the course of the Keystone HIV Symposia (Keystone Symposia on molecular and cellular biology conference) from 20-24 March 2016 in Olympic Valley, U.S.

The trial has been amended to allow the recruitment of more patients who will receive a longer treatment with lefitolimod (MGN1703). Final results are expected in 2017.

COMBINATION STUDY LEFITOLIMOD (MGN1703) WITH THE CHECKPOINT INHIBITOR YERVOY® IN COLLABORATION WITH MD ANDERSON CANCER CENTER

Negotiations to finalize a collaboration with MD Anderson Cancer Center were conducted in 2015. This involved a collaboration for a phase I study with lefitolimod (MGN1703) in combination with the immunotherapy Yervoy® (ipilimumab) in patients with advanced solid tumors.

PHASE I SAFETY AND TOLERABILITY STUDY IN THE U.S.

In fiscal year 2013, MOLOGEN submitted an application for lefitolimod (MGN1703) for a clinical phase I safety study in healthy volunteers in the U.S. The final results were submitted to the U.S. Food and Drug Administration (FDA) in the second quarter of 2014.

In March 2015, MOLOGEN presented detailed pharmacokinetic and pharmacodynamic data from this study of lefitolimod (MGN1703) in healthy volunteers for the first time within a poster presentation at the 2nd Immunotherapy of Cancer Conference (ITOC-2) in Munich, Germany. The data from this phase I study was shown in comparison to data from two clinical trials with cancer patients. The findings show an activation of the immune system as well as a short half-life of the active agent and support the dosing regimen of the ongoing studies IMPULSE in small cell lung cancer and IMPALA in colorectal cancer.

Pharmacokinetic and pharmacodynamic data are important parameters for the administration of drugs as they lead to conclusions on the optimum dosing for the best effect of a drug.

The presented data revealed that healthy volunteers and cancer patients showed similar immune activation on treatment with lefitolimod (MGN1703). In addition, the data supports the twice-weekly dosing regimen which is used in the current studies IMPALA, IMPULSE and TEACH. In these studies, patients are treated subcutaneously with 60mg lefitolimod (MGN1703) twice each week.

Furthermore, lefitolimod (MGN1703) has an Investigational New Drug (IND) designation from the FDA since 2013. In principle, it is therefore possible to expand the future lefitolimod (MGN1703) trial program into the U.S.

PHASE II STUDY FOR COLORECTAL CANCER (IMPACT)

IMPACT was a randomized, placebo-controlled, clinical phase II study assessing the efficacy of lefitolimod (MGN1703) as a "switch maintenance" therapy after first-line treatment of patients with metastatic colorectal cancer. The study was completed in 2013.

MOLOGEN presented preliminary data on overall survival of patient subgroups from the IMPACT study at the Gastrointestinal Cancers Symposium (ASCO GI) in San Francisco, U.S., in January 2015.

The results showed that patients who responded to induction therapy may benefit the most from a switch maintenance treatment with lefitolimod (MGN1703). These results are reflected in the IMPALA and IMPULSE studies, where "response to induction therapy" is one of the main inclusion criteria.

In May 2015, updated data on a subgroup of patients treated with lefitolimod (MGN1703) exhibiting long-term progression-free survival (PFS) from the IMPACT trial was presented at the 51st Annual Meeting of the American Society of Clinical Oncology (ASCO) in Chicago, U.S. The data (as at: April 2015) revealed a PFS ranging from 44 months to 51 months for these patients. These patients continued to be treated with lefitolimod (MGN1703) within the framework of "compassionate use" programs after the end of the study.

Updated data on this patient subgroup was again presented at the European Cancer Congress (ECC 2015) in Vienna, Austria, in September 2015. At the time of the evaluation (as at: August 2015), the PFS of the group receiving treatment with lefitolimod (MGN1703) was between 47 and 55 months.

It has so far not been possible to draw conclusions on the final result of the IMPACT study on overall survival as some events are still missing. Given the small number of patients and the fact that some patients have rejected prolonged monitoring, the company does not anticipate that a meaningful number of new events will be added. For this reason, MOLOGEN is regarding the current results as being final.

CANCER IMMUNOTHERAPY MGN1601

The active principle of cancer immunotherapy MGN1601 corresponds to a therapeutic vaccination and is based on a specific cell-line as a vaccination. This cell-line has been genetically modified by a vector system using MIDGE® technology and combined with low-dose lefitolimod (MGN1703) as adjuvant.

The clinical ASET study for phase I/II with MGN1601 for renal cancer was successfully concluded in 2013. The primary endpoints for safety and tolerability have been reached. Furthermore, treatment with MGN1601 resulted in promising median overall survival data in a subgroup of patients. One patient achieved a long-term partial response and for another patient, the cancer was brought under control for 60 weeks.

In addition, potential biomarkers were identified which were associated with a significant improvement of the cellular immune function during the course of treatment with MGN1601. Opportunities for further development are currently being explored.

CANCER IMMUNOTHERAPY MGN1404

The cancer immunotherapy MGN1404 for the treatment of malignant melanoma is based on the MIDGE technology platform developed by MOLOGEN AG, which is a non-viral vector system.

MOLOGEN is cooperating with facilities of the Charité-Universitätsmedizin Berlin and the Max Delbrück Center for Molecular Medicine (MDC) Berlin-Buch. As part of the cooperation, Charité is conducting a phase I clinical study to test the safety and tolerability of MGN1404. The study, which started in 2013 and continues to recruit patients, will also gather data on the mechanism of action.

PATENTS

In September 2015, MOLOGEN received notification from the United States Patent and Trademark Office (PTO) that it would be granting the patent (Notice of Allowance) for the combination of lefitolimod (MGN1703) with a chemotherapeutic agent. In the current ongoing IMPALA study, lefitolimod (MGN1703) will initially be administered as a monotherapy and subsequently in combination with a chemotherapeutic agent, as described in the patent.

The patent is expected to last longer than the initial patent for lefitolimod (MGN1703) (substance patent) and would therefore offer longer exclusive commercialization than the initial patent.

RESEARCH

In October 2014, MOLOGEN presented pre-clinical data on its EnanDIM (Enantiomeric, DNA-based, ImmunoModulator) technology for the first time at the OTS Annual Meeting 2014, which is organized by the Oligonucleotide Therapeutics Society (OTS) in San Diego, U.S.

The mode of action of EnanDIM should enable it to be used in various cancer indications either as a monotherapy or in combination with other targeted therapies and immunomodulators, which are known as checkpoint inhibitors, and with other immunotherapeutic approaches. In addition, EnanDIM could be used in the field of infectious diseases.

EnanDIM represents a new generation in immunoactivating TLR9 agonists and is therefore a follow-up compound to MOLOGEN TLR9 technology with a longer period of patent protection. EnanDIM is expected to trigger a broad immune activation while being well tolerated. It combines the immunoactivating properties of molecules containing only natural DNA components with the advantages of linear molecules. Research to date has shown that the specific structure protects the EnanDIM molecules against degradation, which means that no chemical modifications are needed despite its linear structure.

In addition to the much respected data from the LEISHDNAVAX consortium often cited in previously published specialist articles in 2014, further results on the pre-clinical development of the vaccine candidate MGN1331 against leishmaniasis in humans were published in two eminent scientific journals in 2015. Moreover, the pre-clinical results were presented to experts at scientific lectures in Kolkata, India, and Washington, U.S. The data is on the prophylactic and immuno-chemotherapeutic efficacy as well as the pre-clinical safety of MGN1331. The results reveal an excellent protective function for the vaccine in an animal model and that a reduction in the chemotherapeutic dosage contributes to the control of infection. At the same time, the vaccine also has a very good toxicological profile in the pre-clinical evaluation. Various different funding options are being explored for carrying out the first clinical trials. Vaccine candidate MGN1333 is based on the MIDGE technology platform developed by MOLOGEN AG, which is a non-viral vector system.

COLLABORATIONS AND PARTNERSHIPS

Apart from the previously described cooperation with institutions of the Charité Universitätsmedizin Berlin and the Max-Delbrück-Center for Molecular Medicine (MDC) Berlin-Buch for product candidate MGN1404, MOLOGEN has been cooperating with the Free University of Berlin (FU Berlin) in the field of basic research for many years. The aim is to continue to discover and further develop promising technologies. Within the framework of cooperation, the parties have established the "MOLOGEN Foundation Institute for Molecular Biology and Bioinformatics" at the FU Berlin. MOLOGEN supports the Foundation Institute both financially and through the provision of personnel and materials.

ACHIEVEMENT OF OBJECTIVES 2015

In the last financial year, MOLOGEN reached a number of important and forecast targets with its lead product the immunotherapy lefitolimod (MGN1703). Significant progress was made in patient recruitment for the IMPALA pivotal study in the indication colorectal cancer. The aim of completing patient enrollment for IMPULSE lung cancer study was successfully achieved with the enrollment of the 100th patient in October 2015.

There is potential for follow-on studies for the product candidate MGN1601 in the indication of renal cancer. Currently, plans are being made to carry out combination studies. MOLOGEN has already been holding initial discussions with suitable partner companies.

Out-licensing activities for lefitolimod (MGN1703) continued with various partners in the pharmaceutical industry during the last financial year.

As expected, overall expenses for research and development were significantly higher than in the fiscal year 2014. This growth was essentially attributable to the increased net loss for the year and the predicted a significant rise in the balance sheet loss.

The necessary additional financial resources required for the scheduled implementation of research and development programs in 2015 were raised through the cash capital increase resolved in April 2015.

The number of employees increased slightly as planned in fiscal year 2015.

FINANCIAL PERFORMANCE AND FINANCIAL POSITION

- R&D EXPENDITURE OF € 16.8 MILLION (2014: € 13.3 MILLION).
- EBIT OF € –20.5 MILLION (2014: € –17.1 MILLION).
- AVERAGE CASH SPENDING PER MONTH OF € 1.4 MILLION (2014: € 1.4 MILLION PER MONTH)
- LIQUID FUNDS OF € 24.6 MILLION (2014: € 13.6 MILLION).

Overall, the company's financial performance and financial position developed according to plan. The cash and cash equivalents available on the reporting date cover the short-term financial needs of the company.

RESULTS OF OPERATIONS

In fiscal year 2015, the revenues of MOLOGEN totaling € 0.04 million were considerably up on the prior year and remained at a low level (2014: € 0.01 million). They result from the sale of goods and services in the area of research.

Other operating income amounted to € 0.01 million and was therefore at the same level as in the prior year.

The costs of materials in the amount of € 11.0 million were significantly higher than the previous year's value (2014: € 8.7 million) and primarily incurred in connection with the conduction of clinical studies. In particular, this included costs for external services of € 9.2 million (2014: € 7.6 million).

Other operating expenses increased to € 4.4 million (2014: € 3.2 million), which is among other things due to the increased use of consulting services, personnel recruitment, additional necessary travel expenses for the clinical studies and increased expenses arising from the company's patent portfolio.

Personnel expenses are with € 5.1 million (2014: € 5.1 million) on par with the previous year. When compared with the 2014 financial year, the higher costs of wages and salaries – correlating with the increase of the workforce – was offset by lower expenses from employee share options being granted.

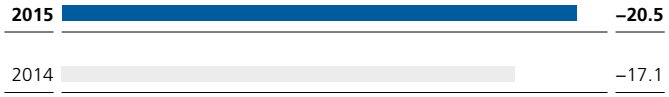
Scheduled depreciation and amortization of assets amounted to € 0.1 million (2014: € 0.1 million).

At € 0.003 million, finance income is on a par with the previous year as a result of the low interest rates (2014: € 0.02 million).

Of the total expenses, € 16.8 million was used for research and development projects (2014: € 13.3 million). These expenses were primarily incurred in connection with the carrying out of IMPALA and IMPULSE clinical studies.

EBIT amounted to € –20.5 million (2014: € –17.1 million).

EBIT in € million



NET ASSETS AND FINANCIAL POSITION

The financial management of MOLOGEN is orientated to provide sufficient funding to enable the implementation of the business strategy. Equity capital made available by the issue of new shares is largely used for the necessary research and development as well as other activities and investments. As long as the company is unable 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. In parallel, the feasibility of raising debt capital is regularly examined as an alternative source of funding.

On March 24, 2015, the Executive Board of MOLOGEN resolved, with the approval of the Supervisory Board, to make partial use of the authorized share capital in accordance with Section 4 Para. 3 of the Articles of Association and to carry out a capital increase with subscription rights for the shareholders. With the Supervisory Board's consent, the Executive Board set the subscription price for new shares at € 5.00 per share on March 30, 2015.

The company's share capital was increased from € 16,973,626 to € 22,631,501 by issuing a total of 5,657,875 new bearer shares. The gross proceeds totaled approximately € 28.3 million. The capital increase was registred on April 27, 2015 in the relevant commercial register. The new shares carry full dividend rights from January 1, 2014. The funds raised through the capital increase has considerably strengthened the share capital base and will fund the company's research and development programs, especially in relation to the IMPALA and IMPULSE clinical studies, as well as the ongoing business operations needed for this purpose.

The balance sheet total has increased to € 26.4 million (December 31, 2014: € 15.1 million). The capital increase and concomitant strengthening of both cash and cash equivalents and the equity capital had a notably more positive effect on the balance sheet total than the cash consumption and accumulated deficit, which increased as a result of the net loss for the period.

As at December 31, 2015, the assets included sizable liquid funds in the amount of € 24.6 million (December 31, 2014: € 13.6 million). In the past financial year, MOLOGEN was always in a position to comply with all its financial obligations.

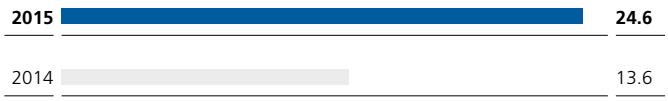
The volume of the capital expenditures made in 2015 was a little lower than the scheduled depreciation and amortization. At € 0.4 million, non-current assets as at December 31, 2015 were on a par with the previous year's reporting date (December 31, 2014: € 0.4 million).

Equity and liabilities are strongly influenced by the reported equity capital in the amount of € 19.5 million (December 31, 2014: € 13.3 million). The equity ratio dropped to 74 % compared to the previous year value (December 31, 2014: 88 %). This decrease partly results from the increased accumulated deficit due to the net loss for the year coupled with increased current liabilities. Conversely, the issue of new shares in the course of the capital increase caused share capital to rise from € 17.0 million to € 22.6 million and the capital reserve increased by € 22.6 million. Furthermore, within the capital reserves expenses of € 2.1 million for equity capital procurement were balanced and personnel expenses of € 0.5 million for issued stock options were included.

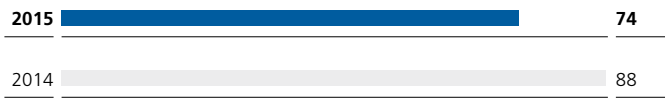
The current liabilities as at December 31, 2015 were € 6.9 million; above the figure on the previous year's reporting date (December 31, 2014: € 1.7 million). This increase was attributable to trade payables and accruals, especially in relation to clinical trials (due to invoicing practices of service providers).

Other financial liabilities amounted to € 21.7 million in total as at December 31, 2015 (December 31, 2014: € 21.8 million). These liabilities result essentially from the conclusion of service contracts, terminated at short notice for the IMPALA and IMPULSE clinical studies that commenced in fiscal year 2014. The calculation of other financial liabilities was based on the assumed scheduled development of the company's business activities.

Liquid funds as of December 31 in € million



Equity ratio as of December 31 in %



LIQUIDITY DEVELOPMENT

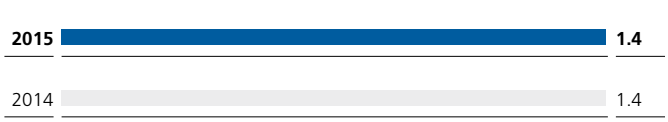
Cash and cash equivalents used for operating activities in the amount of € 15.1 million were on a similar level to the previous year's value (2014: € 15.6 million) and were mostly committed to research and development.

Cash and cash equivalents resulting from investment activities were below the previous year value with € –0.1 million (2014: € 5.9 million). This difference was as a result of a fixed-term deposit of € 6.0 million reaching maturity in the 2014 financial year.

At € 26.2 million, cash flows from financing activities were considerably higher than in the same period of the prior year and were influenced by the fund inflows from the cash capital increase carried out in April 2015.

Cash consumption (taking into account incoming payments from sales and subsidies as well as costs of equity capital procurement) amounted to an average of € 1.4 million per month and thus was – despite the lower period result and the increased expenses of the equity capital procurement – on the same level as the value of € 1.4 million in the same period of the prior year. This results mainly from the build-up of current liabilities.

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 for the annual financial statements as at December 31, 2015 in accordance with 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:

- In the ascertainment of personnel expenses and capital reserves, the allocated fair value of granted employee share options should be considered in accordance with IFRS as adopted by the EU.
- In the individual annual financial statements in accordance with IFRS as adopted by the EU, deviating economic life is to some extent used for fixed assets. This results in a different depreciation and amortization.
- Costs directly attributable to the issuance of new shares or to employee share options are recorded in shareholders' equity as a deduction from the issue proceeds.

The result of operating activities 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 amounts to € –22.1 million in accordance with the HGB for fiscal year 2015 (2014: € –17.5 million). Deviations in the HGB annual financial statements in comparison to the IFRS individual annual financial statements mainly arise in personnel expenses, other operating expenses, depreciation and amortization as well as 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 € 0.5 million lower (2014: € 0.9 million).

However, in comparison with the IFRS individual annual financial statements, costs in connection with equity capital procurement were thereby recorded as expenditure in personnel expenses and other operating expenses of a total of € 2.1 million (2014: € 1.3 million). In addition, other operating income in accordance with the HGB totals € 0.03 million and therefore deviates from the IFRS individual annual financial statements in the amount of € 0.01 million. This results from possible or necessary balancing with corresponding expenses in accordance with international accounting rules. As in the prior year, in 2015, the different economic life of fixed assets only resulted in minor differences in the respective depreciation and amortization of both sets of annual financial statements.

As in the IFRS individual annual financial statements, the expenses for research and development recorded in the annual financial statements were € 16.5 million and therefore clearly exceeded the prior year's value (2014: € 12.7 million).

The balance sheet total and the equity of the annual financial statements in accordance with the HGB are also at the level of the IFRS individual annual financial statements. The discriminative handling of granted share options and different consideration of equity procurement costs of the accounting guidelines in accordance with IFRS, as adopted by the EU and in accordance with the HGB, compensate each other in shareholders' equity.

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.

FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

FINANCIAL PERFORMANCE INDICATORS

The focus of activities is the research and development of proprietary technologies and product candidates with the aim to license them to partners from the pharmaceutical industry. It is therefore essential to ensure sufficient liquidity in order to carry out the research and development programs to the planned extent and timeframe and support the licensing activities with the generated data.

Given that MOLOGEN does not yet dispose of significant regular revenues from license agreements, the volume of cash and cash equivalents is the key financial performance indicator. Cash and cash equivalents amounted to € 24.6 million as at December 31, 2015 (December 31, 2014: € 13.6 million).

NON-FINANCIAL PERFORMANCE INDICATORS

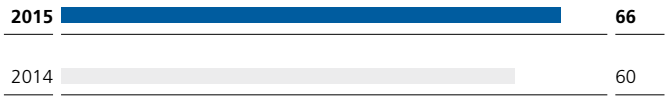
In addition to the financial performance indicators, the non-financial performance indicators play a decisive part in the success of MOLOGEN.

One of the key non-financial performance indicators is the composition and the development status of the MOLOGEN product pipeline. In the reporting period, important progress was made in this area and the targets for 2015 were achieved: For product candidate MGN1703, patient enrollment for the IMPALA pivotal study in the indication colorectal cancer significantly moved forward and was successfully concluded in October for the randomized IMPULSE study in the indication small cell lung cancer. In addition, a phase I/IIa cooperative study with MGN1703 for the treatment of HIV (Human Immunodeficiency Virus) started in June 2015. As a result, the product pipeline now includes a first study for an indication other than cancer with the lead product MGN1703. Consequently, important foundations were laid for the future development of the product pipeline.

Furthermore, the employees of MOLOGEN are also key non-financial performance indicators. Competent employees and a staff level geared to the scope of the company's tasks are essential to the target-oriented and scientifically established further development of innovative product candidates.

The number of employees in the research and development area has therefore increased year-on-year. On average, 49 employees worked in research and development (2014: 47 employees). As at December 31, 2015, MOLOGEN had a total of 66 employees including the Executive Board, temporary staff and staff on parental leave (December 31, 2014: 60 employees).

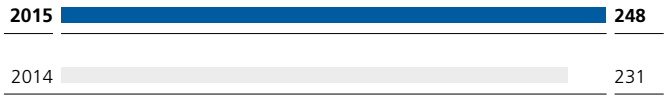
Number of employees as at December 31



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 business strategy of MOLOGEN. A successful out-licensing of proprietary drug candidates will essentially depend on the quality of underlying patent protection. MOLOGEN is therefore making efforts to safeguard new technologies, products and processes through patents and to continuously expand its patent portfolio.

The patent portfolio as at December 31, 2015 is divided into 24 patent families and includes 248 individual patents issued or intended for issue as well as more than 90 patent applications.

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



SUPPLEMENTARY REPORT

Details of a collaboration agreement with the MD Anderson Cancer Center at the University of Texas (MD Anderson) were announced in January 2016. The agreement relates to a phase I study with lefitolimod (MGN1703) in combination with the commercially available immunotherapy ipilimumab (Yervoy®) in patients with advanced solid tumors. This is the first time that lefitolimod (MGN1703) will be evaluated in combination with a checkpoint inhibitor. Should MGN1703 succeed in augmenting the efficacy of immune checkpoint blockades, the potential applications of the compound could be broadened. This study has been initiated based on the idea that the combination of these two immunotherapies could have synergistic effects by a broader activation of the immune system. The combination of various cancer immunotherapies has shown promising results in other studies. This assessment is also shared by MOLOGEN; the intention is to carry out further combination studies.

The aim of the study titled "A Phase I Trial of Ipilimumab (Immunotherapy) and MGN1703 (TLR Agonist) in Patients with Advanced Solid Malignancies" is to initially find the highest tolerable dose of lefitolimod (MGN1703) that can be given in combination with Yervoy® (ipilimumab) to patients with advanced tumors. The safety of this drug combination will also be studied. Furthermore, this trial aims to evaluate the efficacy of the combination of these two therapies in an expansion phase. The combination of a TLR9 agonist and a checkpoint inhibitor is of particular interest: lefitolimod (MGN1703) broadly activates the immune system and enables it to fight cancer. Yervoy®, manufactured by Bristol-Myers Squibb Co., is a recombinant, human monoclonal antibody and immune checkpoint inhibitor approved to treat patients with unresectable or metastatic melanoma.

MD Anderson will conduct the trial at its Cancer Center in Texas, U.S. In the first half 2016, the first patients are expected to be enrolled in the study, which should include around 50 to 60 patients overall. MOLOGEN will provide the immunomodulator lefitolimod (MGN1703) and funding for the study.

The TEACH study protocol has been amended based on first positive study results. The first results from 15 patients, initially treated with lefitolimod (MGN1703) for one month, showed a positive activation of the immune system. According to the amended study protocol, a longer treatment with lefitolimod (MGN1703) of six months is intended for ca. ten patients. Final results are expected for 2017.

Dr. Alfredo Zurlo (Chief Medical Officer; CMO) of MOLOGEN will not extend his contract, which is due to expire on March 31, 2016, and will be leaving company.

OVERALL STATEMENT ON BUSINESS PERFORMANCE AND THE POSITION OF MOLOGEN

MOLOGEN has made very good progress in the further development of the product pipeline in fiscal year 2015. In particular, important milestones were reached for the two clinical studies with product candidate MGN1703, IMPALA for colorectal cancer and IMPULSE for lung cancer, in the previous fiscal year. The start of the TEACH study for the indication HIV and the combination study for MGN1703 with Yervoy® (ipilimumab) demonstrate the broad potential of the pipeline.

The progress made in fiscal year 2015 in the field of research and development has mainly been facilitated by the slight increase in the number of employees and the consistently adequate funding of the company over the past financial year.

The business performance and position of the company in fiscal year 2015 are therefore to be regarded favorably.

FORECAST, OPPORTUNITIES AND RISK REPORT

FORECAST REPORT

The company's strategy is generally aligned to achieve medium and long-term high returns through the research and development of its innovative product pipeline by means of licensing partnerships for the proprietary product candidates. MOLOGEN will therefore continue to pursue the development of the product pipeline in fiscal year 2016 and commit a significant proportion of the available resources to this objective.

The company's strategy remains the same after the change of CEO. Activities continue to be focused on the lead product, lefitolimod (MGN1703), and its clinical studies. In addition, a portfolio review will be carried out in the first half of 2016. The aim is to identify potential and set out value-adding developments for the pipeline.

RESEARCH AND DEVELOPMENT

In its research and development activities, MOLOGEN plans to continue the clinical studies for product candidate lefitolimod (MGN1703). While patient enrollment for the IMPALA colorectal cancer study is continuing, the aim for the IMPULSE study is to start evaluating the study at the end of 2016 and to present the results in the first half 2017.

The product candidate MGN1601 in the indication of renal cancer has the potential for follow-on studies, which can be started once the necessary resources are available. Moreover, initial discussions are taking place with potential partners for carrying out combination studies.

COLLABORATIONS AND PARTNERSHIPS

In the field of cooperation and partnerships, MOLOGEN continues to seek license and cooperation agreements with partners from the pharmaceutical and biotechnology industries as well as academic partners and will therefore further continue these necessary activities in fiscal year 2016.

DEVELOPMENT OF RESULT AND LIQUIDITY

The development of the financial performance and financial position of MOLOGEN in fiscal year 2016 depends, in particular, on the progress of the clinical development programs for product candidate lefitolimod (MGN1703). Assuming that the above objectives are achieved, the necessary expenses in the field of research and development – especially for the clinical study IMPALA – are once again higher than in the last financial year. The average monthly cash consumption will increase in 2016 compared to the fiscal year 2015. This results also from the build-up of current liabilities on the December 31, 2015.

Against this background, MOLOGEN once again anticipates a negative annual result at a level significantly increased in comparison to the last financial year and a considerable rise in the balance sheet loss. Furthermore, it is currently not predictable, when positive full year results can be generated.

As of the reporting date, the Executive Board is assuming that the necessary additional financial resources required for the scheduled implementation of research and development programs can be raised through cash capital increases yet to be resolved in the financial year 2016. In relation to this, please refer to the risks of the company presented within the risk report, in particular the financial risks.

A dividend distribution to shareholders is currently not possible due to the balance sheet loss as of December 31, 2015. The company does not assume that it will 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 product pipeline and in the operational business activities, so that the value of the product pipeline and consequently the company as welll, continues to increase.

PERSONNEL

To achieve the above objectives and to continue the scheduled development of the company, a slight increase in the number of employees may become necessary in fiscal year 2016.

Discussions on finding a replacement for the CFO who left the company on December 31, 2015 were started in the last financial year and continue to take place. In addition, there are also discussions about the successor to the Chief Medical Officer (CMO), who will be leaving MOLOGEN on March 31, 2016.

OVERALL STATEMENT ON FUTURE DEVELOPMENT

The successful further development of the product pipeline in 2015 and the existing financial conditions form the foundation for the continued positive development of MOLOGEN. The advances in the clinical development programs planned for 2016 should further increase the value of the product pipeline.

The scheduled further development of the company is contingent on the successful conclusion of the conditional capital increase to be resolved and carried out in the fiscal year 2016. MOLOGEN therefore enters the new financial year with good prospects.

RISK REPORT

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. For MOLOGEN, risk management is part of a corporate strategy which subjects the company to a specially defined opportunity-risk-profile. The company's success and the achievement of corporate objectives are considerably influenced by management and by the spread 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, and the complexity of business processes and the business model lead to complex control systems. This requires risk management to be a continuous process of strategic management. The basis for this risk management process is the strategy that clearly defines what risks should be determined and managed in due time.

The identified risks are evaluated. Countermeasures are decided on and responsibilities assigned in order to control and mitigate the calculated risk potential. Since 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. In this respect, developments may arise which deviate from the plans made by the Executive Board.

The MOLOGEN risk management system is continuously adapted to new requirements. The system identifies the effects of adverse developments caused by a lack or failure of processes, people, systems or hazards caused by external events 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 by the MOLOGEN 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.

Underlying objectives of the risk management system in the area of accounting processes are mainly the identification and assessment of risks which could conflict with the aim of regulation conformity of the financial statements, the restriction and review of recognized risks with regard to their impact on the financial statements and the corresponding presentation of these risks. The objective of the ICS of the accounting process is to ensure adequate security through the implementation of controls so that regulation-compliant financial statements can be prepared, despite identified risks.

To achieve these objectives, key risks are identified, documented and monitored. Binding instructions and checklists, which accommodate the identified risks, regulate the essential workflows that will be developed further if required. In turn, the binding instructions and checklists are regularly assessed by the ICS. This includes the verification of compliance with accounting regulations, the status of cash and cash equivalents, and the regularity of business operations by means of regular and random inspections.

In particular, the following points are verified: incoming and outgoing invoices, bank statements and bank balances, all incoming payments, outgoing payments, payrolls, reports to the Supervisory Board, quarterly reports and contracts. The second important element of the ICS is the dual control principle, which is documented primarily through the signing powers for payments and the absence of exclusive representative authority of the Executive Board.

In regard to the use of financial instruments (receivables, liquid funds and liabilities), MOLOGEN is currently exposed to market price, default, liquidity and interest rate fluctuation risks to only a very limited extent. As planned, the service contracts on which other financial obligations are based were essentially concluded in euros. Consequently, the resulting currency exchange rate fluctuation risk is only low.

The functioning of the internal control and risk management systems with regard to the financial reporting process is checked regularly internally, mainly by the Executive Board, as well as externally by the auditor in the context of the annual audit.

At MOLOGEN, risk management is subject to continuous further development. Management and employees are thereby enabled to recognize new challenges at an early stage and to adapt to them accordingly.

RISKS OF THE COMPANY

The extraordinary revenue prospects of the MOLOGEN business model are set against a number of risks, including technological, financial, regulatory, 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 biotechnology company, MOLOGEN is above all exposed to 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. At MOLOGEN, unpredictable problems may particularly occur during the current pre-clinical and clinical development of a drug candidate.

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 pre-clinical tests or clinical studies fail to show the expected results or unacceptable toxicity appears, 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 sub-

stances and investigational medicinal products. Delay, loss, expiration or refusal to grant such approvals 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. Also 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 the proprietary technologies and product candidates but also on the development of the market for these product candidates. In relation to this, it cannot be excluded that historical R&D expenses will not be equalized by future incoming payments.

MOLOGEN has focused on the research and development of new cancer therapies, for which there continues to be 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 is therefore growing. However, the future development of the market depends on various factors, including the cost pressure of health care systems, potential new regulations in the health market and the 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 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 a partner from the pharmaceutical industry. The number of such potential licensees is limited and relatively small 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. This could negatively affect the financial scope of a license agreement and consequently have negative effects on the company's situation.

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, this could have a significant negative effect on the prospects of success for the lucrative out-licensing of MOLOGEN product candidates.

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, pre-clinical 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 are classified as reliable and market 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

In addition, the effective protection of the underlying (patented 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 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. 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 affected technologies in the relevant countries where such rights have

been granted. However, there is no guarantee that in future MOLOGEN will receive the licenses necessary for the success of its business to the required extent and on reasonable terms. All of this 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 pre-clinical 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.

In connection with the manufacturing of drug candidates, there is a risk of not receiving the required volume or quality for clinical development. MOLOGEN is reliant on suppliers in this regard.

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 the previous investments would be permanently lost.

The activities of MOLOGEN in non-European countries involve country-specific risks. As far as possible, MOLOGEN will try to take appropriate measures to protect itself against these risks. These risks could have negative effects on the financial performance and financial position of the company.

Financial risks

As part of the implementation of its business strategy, MOLOGEN has already been able to conclude various agreements in past financial years with pharmaceutical, sales and/or marketing partners, the annual revenues from which are so far not yet sufficient for the financing and profitability of MOLOGEN. The company will therefore continue to be dependent on concluding further contracts in the 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 intended business transactions are delayed or funding from other sources is not or insufficiently possible, this would have negative effects on the financial performance and financial position of MOLOGEN and could pose a threat to the continued existence of the company.

The liquid funds available to the company as of the reporting date of December 31, 2015 are not sufficient to cover the anticipated expenditure and investments in connection with the further development of the product pipeline and, in particular, for carrying out ongoing clinical studies, especially beyond the next 12 months. However, even in difficult conditions, the company has usually been able to raise the necessary funding in recent years. At the current time, the Executive Board is confident that additional funds can be provided in good time. This could be achieved through capital measures, for which the necessary funding instruments (authorized and conditional capital) are sufficiently available, or through partnerships in the pharmaceutical of biotechnology sector.

In particular, a cash capital increase is to be decided and carried out in the financial year 2016. If the company does not successfully raise funding at favorable conditions or even at all, it may be forced to reduce expenditure on research and development activities by postponing, limiting or discontinuing the development of one or more product candidates. This could damage the development of the company in the short term. In the medium term continued financing difficulties could even pose a potential threat for the continued existence of the company.

Given that MOLOGEN incurred losses in previous financial years due to extensive research and development expenses, these losses have meanwhile added up to a relatively high accumulated deficit. It cannot be excluded that further losses – due to the business model of MOLOGEN – may result in a notifiable loss of half of the share capital.

Such an event could negatively affect the share price of MOLOGEN and the statutorily required immediate convening of an extraordinary Annual General Meeting would also lead to additional financial expenditure. In addition, there is a risk that the current tax loss carried forward could be partially or fully derecognized due to changes in the ownership structure of MOLOGEN in accordance with Section 8c German Corporate Income Tax Act (Körperschaftsteuergesetz; KStG).

MOLOGEN receives or has received subsidies 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 subsidies 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.

The loss of the services of members of the Executive Board, other executives or employees in key functions can have a negative impact on the financial performance and financial position of MOLOGEN. This can be caused by loss of expertise, by costs for recruitment of new employees or higher salary demands of qualified candidates.

In addition, financial risks can arise from disputes with current or former business partners. Depending on the outcome of such disputes, negative effects on the financial performance and financial position of MOLOGEN may arise. Currently, financial risks could 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 MOLOGEN's claim proceedings ended in 2010 at first instance due to lack of jurisdiction of the court, MOLOGEN is currently unable to estimate whether this alleged counterclaim actually exists 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

On the whole, the described risks are manageable and do not endanger the continued existence of MOLOGEN up to the time of report publication. The overall risk situation resulting from the individual risks presented has not significantly changed compared with the prior year. No fundamental change to the risk situation is currently expected.

OPPORTUNITIES FOR THE COMPANY

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 intends 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 would result in significant licensing payments for MOLOGEN. Such a contract should also result in an increase in value of the company, according to the assessment of MOLOGEN.

Major pharmaceutical or biotechnology companies are not only interested in acquiring licenses for promising drug candidates. There are regularly cases where companies with attractive technologies or product candidates have been acquired. 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.

COMPENSATION REPORT

Executive Board members' compensation consists of fixed (non-performance-related) as well as variable (performance-related and long-term share-based) components.

FIXED (NON-PERFORMANCE-RELATED) COMPENSATION COMPONENTS

BASIC COMPENSATION

Each Executive Board member receives a fixed basic compensation, which is paid in twelve equal installments net of the statutory deductions at the end of each calendar month.

FRINGE BENEFITS

The fringe benefits comprise the costs for the financial benefits of compensation in kind and other fringe benefits such as a flat rate compensation for official use of member's personal car, subsidies towards or payment in full of (medical, life and accident) insurance and removal costs and – if applicable – the monthly contributions to health care as well as the reimbursement of expenses which Executive Board members incurred in connection with their work.

If required, the company will also conclude an occupational disability insurance policy and a financial loss and legal expenses insurance policy for Executive Board members and a criminal law protection insurance policy for the Chief Executive officer (CEO) Dr. Mariola Söhngen.

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 COMPENSATION COMPONENTS

BONUSES (PERFORMANCE-RELATED COMPENSATION)

The Executive Board members receive an annual bonus in the form of a management bonus or special compensation, 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 research and development activities. Before the beginning of the relevant year, the Supervisory Board defines the research and development-oriented performance targets and the objectives for the implementation of the company's commercialization strategy. By contrast, the performance targets for the CEO's management bonus is defined by means of a target agreement between the CEO and the Supervisory Board. If the targets cannot be agreed, the Supervisory Board will only set the performance targets unilaterally.

The CEO Dr. med. Mariola Söhngen also receives variable performance-related compensation to be aspired to over a three-year period ("management bonus 2"), the amount of which is dependent on the recruitment of sufficient trial participants, the company's development and securing sufficient liquidity to finance the research and development activities.

The sum total of the variable components of remuneration, bonuses and special payments is capped.

LONG-TERM SHARE-BASED COMPENSATION

Following the resolution of the Annual General Meeting, in the past MOLOGEN has initiated various employee participation programs and issued relevant stock options to members of the Executive Board. The statutory waiting periods have been agreed for the share options.

OPTION OF REDUCING THE 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.

For extraordinary developments, the Supervisory Board is further entitled at its sole discretion to cap variable remuneration elements; this cap may not be unreasonable. This does not apply for Dr. Mariola Söhngen. Her claim to variable performance-related compensation may be withdrawn partly or completely by the Supervisory Board at their reasonable discretion in case of absence, e.g., 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 stipulate that in case of a temporary incapacity to 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 six or twelve months but no longer than until the end of the agreed term of the service contract of the respective Executive Board member. In the case of the CEO Dr. Mariola Söhngen, her contract will lapse at the end of the period in which remuneration continues to be paid unless it has already ended at this date.

In the event of permanent incapacity for work, the contract of employment of the Executive Board member in question shall end at the end of the quarter in which the permanent incapacity for work is declared or three months after the end of the month in which the permanent incapacity for work is 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 three or six months would be paid, but no longer than until the end of the agreed term of the respective service contract. In addition, the due variable remuneration components of the relevant year until the death of the respective Executive Board member are to be paid.

COMMITMENTS IN CONNECTION WITH THE TERMINATION OF MEMBERSHIP OF THE EXECUTIVE BOARD

EXECUTIVE BOARD MEMBERS DR. MATTHIAS SCHROFF (UNTIL DECEMBER 31, 2015), JÖRG PETRASS (UNTIL DECEMBER 31, 2015) AND DR. ALFREDO ZURLO

In the event of the contract of employment being terminated prematurely by the Supervisory Board by mutual agreement, the Executive Board member in question will receive a severance payment which equates to the amount of 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 1.5 times the fixed annual remuneration in addition to all variable compensation components achieved at this date. The prerequisite is that the agreement, if it was prematurely terminated by the Supervisory Board, was not terminated due to intentional or grossly negligent breach of duty or for dismissal of the body for other important reasons.

In case of premature termination of the employment contract after announcing a change-of-control (assumption of control by a third party pursuant to Section 29 of the WpÜG), the employment contracts of the Executive Board include a provision for severance pay in the amount of twice the fixed annual remuneration in addition to all variable compensation components attained up to this point plus the sum of the annual maximum variable remuneration components attainable during the original maturity of the contract discounted by 5 %. It is irrelevant whether the contract was terminated by the company or by mutual agreement.

CHIEF EXECUTIVE OFFICER (CEO) DR. MARIOLA SÖHNGEN

In the event of the appointment ending for a reason that is not at the same time an important reason as defined in Section 626 of the German Civil Code (BGB), the CEO shall receive a severance payment which equates to the amount of the fixed compensation 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 compensation.

Should the appointment be terminated for an important reason as defined in Section 626 of the BGB or because the CEO resigns or hands in notice, all rights to management bonuses shall lapse entirely. Should the appointment end for another reason, the management bonus granted annually shall be reduced pro rata temporis for the respective calendar year and the management bonus 2 shall, in the event of targets being achieved, be paid in full in the month in which the Supervisory Board decides on the 2017 annual financial statements.

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 CEO shall be entitled to terminate contracts extraordinarily. Should this right be exercised, the Executive Board contract provides for a severance payment, the amount of which depends on the date on which the appointment ends. Should the CEO resign before November 1, 2017, she will receive a severance payment, which equates to two years' worth of compensation (all compensation components including management bonuses). In the event of her resigning on or after November 1, 2017, 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.

REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD

The remuneration of Supervisory Board members is decided by the Annual General Meeting. The Supervisory Board members receive an annual fixed remuneration amounting to € 20,000, as well as an attendance fee of € 1,000 for each meeting which they personally attend. In addition, they receive reimbursement for expenses incurred in connection with their activities. The members of the Supervisory Board also receive a performance-based variable remuneration starting from a positive result of € 0.05 per share according to IFRS as adopted by the EU; the maximum amount of which is limited to € 20,000 per annum and member. In each case, the chairman receives twice this amount. The performance target increases by € 0.01 for each financial year after 2010.

FURTHER INFORMATION ON THE REMUNERATION OF MEMBERS OF EXECUTIVE BODIES

Further information on remuneration (including the stock option program) can be found in the notes to the annual financial statements.

INFORMATION ACCORDING TO SECTION 289 PARA. 4 OF THE HGB

As at December 31, 2015, the subscribed capital of the company exists in the amount of € 22,631,501.00, split into 22,631,501 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 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.

The following direct or indirect investments in its share capital exceeding 10 % of the voting rights have been reported to the company in accordance with Section 21 of the German Securities Trading Act (Wertpapierhandelsgesetz; WpHG):

Thorsten Wagner, Germany: 24.21 % (according to the notification of February 12, 2014). The voting rights are to be fully attributable to Thorsten Wagner in accordance with Section 22 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 February 12, 2014, Global Derivative Trading GmbH, Lehrte, Germany, reported an investment of 24.12 % of the voting rights in MOLOGEN.

Beyond this, no further direct or indirect investments in its share capital exceeding 10 % of the voting rights have been reported to the company in accordance with Section 21 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 ff. of the AktG. Amendments to the Articles of Association are made in accordance with the provisions of Sections 179 ff. 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.

The shareholders have given the Executive Board the following powers to issue new shares or conversion rights or to buy back shares:

(1) According to Article 4 Para. 3 of the Articles of Association, the Executive Board is authorized to increase the share capital of the company up to July 28, 2020, with the consent of the Supervisory Board, by issuing new no-par value bearer shares for cash and/or contributions in kind on one or more occasions, but to a maximum of € 11,315,750.00 (authorized capital 2015) and to determine in accordance with Article 23 Para. 2 of the Articles of Association a start date for profit participation deviating from the law. The shareholders are, in principle, to be granted subscription rights. The new shares may also be acquired by a financial institution or consortium of financial institutions specified by the Executive Board with the obligation that they are then offered to shareholders for subscription (indirect subscription right). The Executive Board determines the further details of the capital increase, as well as the terms and conditions for the issue of new shares with the consent of the Supervisory Board. In addition, the Executive Board is authorized in certain cases and with the approval of the Supervisory Board in each case to exclude the subscription right of the shareholders one or more times

a) as far as this is necessary to eliminate fractional amounts;
b) as far as it is necessary to grant the holders of option or conversion rights or conversion obligations arising from bonds or participatory rights with conversion and/or option rights or a conversion obligation a subscription right to new shares, in the amount they would have had upon exercising the option and/or conversion right or in fulfillment of the conversion obligation as shareholder;
c) as far as the new shares will be issued against contributions in cash and the issued share capital total theoretically attributable to the shares exceeds 10 % of the share capital neither at the date of effect nor at the time of exercise of this authorization ("maximum amount") and the issue price of the newly issued shares is not significantly below the stock market price of the listed shares of the company with equal rights at the time of the final determination of the issue price; or
d) as far as the new shares are issued against contributions in kind, particularly in the form of companies, company divisions, investments in companies, claims or other assets that are beneficial or useful for the company's business operations (such as, for example, patents, licenses, copyright terms of use and exploitation rights and other intellectual property rights).

Shares should be included in the maximum amount according to Article 4 Para. 3 c) of the Articles of Association which (i) are sold or issued by the company during the term of this authorization under exclusion of subscription rights on the basis of other authorizations in direct or corresponding application of Section 186 Para. 3 Sentence 4 of the AktG or (ii) are issued or are to be issued for the servicing of bonds or participatory rights with conversion and/or option rights and/or a conversion obligation, if the bonds are issued during the term of this authorization under exclusion of the subscription right in corresponding application of Section 186 Para. 3 Sentence 4 of the AktG. Inclusion of shares due to authorizations being exercised as specified in the preceding sentence (i) to issue new shares in accordance with Section 203 Para. 1 Sentence 1, Para. 2 Sentence 1 and Section 186 Para. 3 Sentence 4 of the AktG and/or (ii) for the sale of proprietary shares in accordance with Section 71 Para. 1 No. 8 and Section 186 Para. 3 Sentence 4 of the AktG and/or (iii) to issue convertible bonds and/or option bonds in accordance with Section 221 Para. 4 Sentence 2 and Section 186 Para. 3 Sentence 4 of the AktG will not take place with effect for the future if and insofar as the respective authorization(s), exercise of which resulted in the shares being included, is/are once again granted by the Annual General Meeting in accordance with the legal regulations.

(2) On the basis of the conditional capital 2014-1 existing in accordance with Article 4 Paragraph 8 of the Articles of Association, the Executive Board may issue up to 6,789,451 new no-par bearer shares to the holders or creditors of convertible bonds or bonds with warrants attached, 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 of the Annual General Meeting on August 13, 2014 under agenda item 7 b), and which give option or conversion rights to new no-par bearer shares of the company and/or determine a conversion obligation or preemptive tender right. So far, no bonds with conversion and/or option rights or obligations have been issued on the basis of the authorization granted by the Annual General Meeting on August 13, 2014 under agenda item 7b), which will remain in force until August 12, 2019. According to the authorization, in the event of such bonds being issued, shareholders will in principle be entitled to subscribe to them albeit under certain preconditions described in more detail in the authorization, however, the Executive Board may, subject to the consent of the Supervisory Board, also exclude shareholders' subscription rights to bonds, which are to be issued with conversion and/or option rights or conversion obligations.

(3) In addition, there is a conditional capital 2010 of up to € 610,151 in accordance with Article 4 Para. 4 of the Articles of Association, a conditional capital 2011 of up to € 238,393 in accordance with Article 4 Para. 5 of the Articles of Association, a conditional capital 2012 of up to € 209,234 in accordance with Article 4 Para. 6 of the Articles of Association, a conditional capital 2013-1 of up to € 328,672 in accordance with Article 4 Para. 7 of the Articles of Association, conditional capital 2014-2 of up to € 176,051 in accordance with Article 4 Para. 9 of the Articles of Association and conditional capital 2015 of up to € 700,649.00 in accordance with Article 4 Para. 10 of the Articles of Association. This conditional capital is 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 2010, 2011, 2013, 2014 and 2015 respectively.

(4) The Executive Board may only buy back shares under the preconditions stated in Section 71 of the AktG. The Annual General Meeting has not granted the Executive Board an authorization to acquire treasury shares in accordance with Section 71 Paragraph 1 No. 8 of the AktG.

There are no material agreements by the company which are subject to the condition of a change-of-control resulting from a takeover offer.

Information on compensation agreements which have been reached with members of the Executive Board in the event of a takeover offer can be found in the Compensation report.

There are no agreements of this kind with the company's employees.

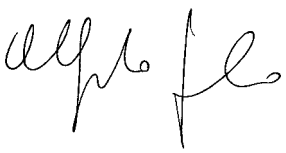
CORPORATE GOVERNANCE REPORT AND DECLARATION ON CORPORATE MANAGEMENT PURSUANT TO SECTION 289A OF THE HGB

The Corporate Governance Report (Declaration of Compliance) and the Declaration on Corporate Management pursuant to Section 289a of the HGB are available on the company website at: http://www.mologen.com/en/investor-relations/corporate-governance.

As a listed company, which is not, however, subject to co-determination legislation, the company 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 % in the Supervisory Board and 30 % in the Executive Board. The Executive Board has set the proportion of women in the two management levels below the Executive Board at 30 %. The deadline for meeting these targets is June 30, 2017.

Berlin, March 14, 2016
Executive Board of MOLOGEN AG

Dr. Mariola Söhngen
Chief Executive Officer



Dr. Alfredo Zurlo
Chief Medical Officer

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

02 | FINANCIAL INFORMATION

STATEMENT OF FINANCIAL POSITION

According to IRFS as of December 31, 2015

€ '000

	Notes	30 Dec 2015	31 Dec 2014
ASSETS			
Non-current assets		**414**	**440**
Property, plant and equipment	1	239	234
Intangible assets	2	175	206
Other non-current assets	3	0	0
Current assets		**25,981**	**14,613**
Cash and cash equivalents	4	24,592	13,563
Trade receivables	5	0	0
Inventories	6	28	30
Other current assets	7	1,360	1,007
Income tax receivables	7	1	13
Total		**26,395**	**15,053**
EQUITY AND LIABILITIES			
Non-current liabilities		**6**	**8**
Deferred income	8	6	8
Current liabilities	9	**6,886**	**1,747**
Trade payables		6,390	1,315
Other current liabilities and deferred income		488	422
Liabilities to banks		8	10
Shareholders' equity		**19,503**	**13,298**
Issued capital	10	22,632	16,974
Capital reserves	11	101,642	80,559
Accumulated deficit	12	–104,771	–84,235
Total		**26,395**	**15,053**

STATEMENT OF COMPREHENSIVE INCOME

According to IRFS for the period from January 1 to December 31, 2015

€ '000

	Notes	**2015**	2014
Revenues	13	39	12
Other operating income	14	6	12
Cost of materials	15	–11,011	–8,687
Personnel expenses	16	–5,074	–5,113
Depreciation and amortization	17	–121	–110
Other operating expenses	18	–4,378	–3,211
Profit (loss) from operations		**–20,539**	**–17,097**
Finance costs	19	0	0
Finance income	19	3	19
Profit (loss) before taxes		**–20,536**	**–17,078**
Tax result	20	0	0
Profit (loss) for the year / Comprehensive income		**–20,536**	**–17,078**
Loss carried forward		–84,235	–67,157
Accumulated deficit		**–104,771**	**–84,235**
Basic earnings per share (in €)	21	–0.99	–1.02
Diluted earnings per share (in €)	21	—	—

STATEMENT OF CASH FLOWS

According to IRFS for the period from January 1 to December 31, 2015

€ '000

	Notes 22	2015	2014
Cash flows from operating activities			
Loss for the period before taxes		–20,536	–17,078
Depreciation and amortization of intangible assets and property, plant and equipment		121	110
Profit from disposal of intangible assets and property, plant and equipment		0	0
Other non-cash expenses and income		534	894
Change in trade receivables, inventories and other assets		–352	–332
Change in trade payables and other liabilities		5,138	804
Interest expenses/interest income		–3	–19
Income tax expenses/-income		0	0
Income tax payments		12	–6
Net cash used in operating activities		**–15,086**	**–15,627**
Cash flows from investing activities			
Proceeds from the disposal of property, plant and equipment		0	0
Cash payments to acquire property, plant and equipment		–87	–86
Cash payments to acquire intangible assets		–8	–7
Proceeds from financial investments within the cash management and forecast (fixed-term deposits with a term of more than three months)		0	6,000
Interest received		3	22
Net cash used in investing activities		**–92**	**5,929**
Cash flows from financing activities			
Cash proceeds from issuing shares		26,207	14,495
Interest paid		0	0
Net cash used in financing activities		**26,207**	**14,495**
Effect of exchange rate changes on cash		**0**	**1**
Total changes in cash and cash equivalents		**11,029**	**4,798**
Cash and cash equivalents at the beginning of the period		**13,563**	**8,765**
Deposits with a term of more than three months at the beginning of the period		0	6,000
Cash and cash equivalents at the end of the period		**24,592**	**13,563**
Deposits with a term of more than three months at the end of the period		0	0
Liquid funds at the end of the reporting period		**24,592**	**13,563**

STATEMENT OF CHANGES IN EQUITY

According to IRFS for the period from January 1 to December 31, 2015

€ '000 except share data		Issued Capital	Capital Reserves	Accumulated Deficit	Shareholder`s Equity
	Number of ordinary shares	Share Capital			
As of 31 Dec 2013	**15,419,512**	**15,420**	**66,721**	**–67,157**	**14,984**
Capital increase in exchange for cash contributions	1,541,244	1,541	12,862		14.403
Share options exercised	12,870	13	80		93
Value of services rendered by employees (according to IFRS 2)			896		896
Loss for the year				–17,078	–17,078
As of 31 Dec 2014	**16,973,626**	**16,974**	**80,559**	**–84,235**	**13,298**
Capital increase in exchange for cash contributions	5,657,875	5,658	20,549		26,207
Share options exercised					0
Value of services rendered by employees (according to IFRS 2)			534		534
Loss for the year				–20,536	–20,536
As of 31 Dec 2015	**22,631,501**	**22,632**	**101,642**	**–104,771**	**19,503**

STATEMENT OF CHANGES IN FIXED ASSETS

According to IRFS for the period from January 1 to December 31, 2015

€ '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 2014	818	328	1,146	4,237	4,237	5,383
Additions	57	29	86	7	7	93
Disposals	3	17	20	0	0	20
As of 31 Dec 2014	872	340	1,212	4,244	4,244	5,456
Additions	44	43	87	8	8	95
Disposals	23	30	53	111	111	164
As of 31 Dec 2015	**893**	**353**	**1,246**	**4,141**	**4,141**	**5,387**
Depreciation and amortization						
As of 1 Jan 2014	647	279	926	4,000	4,000	4,926
Additions	35	37	72	38	38	110
Disposals	3	17	20	0	0	20
As of 31 Dec 2014	679	299	978	4,038	4,038	5,016
Additions	35	46	81	40	40	121
Disposals	23	29	52	112	112	164
As of 31 Dec 2015	**691**	**316**	**1,007**	**3,966**	**3,966**	**4,973**
Book value						
As of 1 Jan 2014	171	49	220	237	237	457
As of 31 Dec 2014	193	41	234	206	206	440
As of 31 Dec 2015	**202**	**37**	**239**	**175**	**175**	**414**

NOTES IN ACCORDANCE WITH IFRS FOR FINANCIAL YEAR 2015

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 January 14, 1998 and is registered in the Commercial Register of Berlin-Charlottenburg under HRB 65633 B. The shares of the company are listed on the Regulated Market (Prime Standard) at the Frankfurt Stock Exchange under ISIN DE0006637200.

The objective of the company is the research, development and marketing of products in the area of molecular medicine. In particular, these include molecular biological vaccines, the application of clinical research for molecular-biological tumor therapies and somatic gene therapy. The main focus of research are the MIDGE® and dSLIM® and EnamDIM® technologies patented by MOLOGEN. These facilitate the use of DNA as a drug for diseases that were untreatable or for which no adequate treatment has been available up till now.

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 315a Para. 1 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 January 1, 2015 to December 31, 2015. The reference period for the present financial statements is the period from January 1, 2014 to December 31, 2014.

The "going concern principle" is applied in the valuation of assets and liabilities.

The functional and reporting currency of the financial statements is the euro (€). To improve clarity, numbers are rounded to the nearest thousand and stated in thousands of euros (€ '000), unless otherwise specified.

The statement of comprehensive income has been prepared using the total cost method.

An application of IFRS 8, Operating Segments, was not applied, because the technologies and product candidates of MOLOGEN are still at research or development stage. Cash flows and corresponding expenses cannot be clearly attributed to individual product candidates or technologies as 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.

APPLICATION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS

The following new and revised standards and interpretations are to be applied to financial years beginning on or after January 1, 2015. They have been applied for the first time by MOLOGEN. The application has resulted in no significant impact on the financial performance and the financial position of MOLOGEN.

Applicable to financial years starting on or after January 1, 2015:

AIP 2011–2013	Annual improvements	Amendments to and clarifications of various IFRS

Applicable to financial years beginning on or after February 1, 2015:

AIP 2010–2012	Annual improvements	Amendments to and clarifications of various IFRS

The following new and amended standards and interpretations are applicable to financial years beginning on or after January 1, 2015. Application of them would have been mandatory for MOLOGEN if they were of relevance for MOLOGEN.

Applicable to financial years starting on or after February 1, 2015:

IAS 19	Employee benefits	Clarification of the accounting for contributions from employees or third parties associated with years of service. The objective is to simplify accounting for contributions that are unrelated to the number of years of employee service.

The following new and amended standards and interpretations were adopted but have not yet come into effect, in some cases adoption by the EU is still pending. MOLOGEN has not applied them prematurely.

Applicable to financial years starting on or after January 1, 2016:

IFRS 11	Joint arrangements	The acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11.
IFRS 14	Regulatory deferral accounts	Enables first-time adopters of IFRS to continue recognizing regulatory deferral accounts in their annual financial statements in accordance with most of their existing accounting principles, with some limited restrictions.
IAS 16/IAS 38	Property, plant and equipment/intangible assets	Clarification of acceptable methods of depreciation and amortization of property, plant and equipment/intangible assets.
IAS 16/IAS 41	Property, plant and equipment/agriculture	Bearer plants for which the biological transformation is no longer significant can now be included within the scope of IAS 16 as bearer biological assets.
IAS 27	Separate financial statements	Amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in the financial statements of the investor.
IFRS 10/IAS 28	Consolidated financial statements/investments in associates and joint ventures	Clarification that the extent of gains or losses for transactions with an associate or joint venture depends on whether the gain or loss results from the sale or contribution of assets that constitute a business.
AIP 2012–2014	Annual improvements	Amendments and clarifications to various IFRS.
IAS 1	Presentation of financial statements	Rectification of difficulties, which people preparing financial statements perceive in relation to exercising discretion when presenting the financial statements.
IFRS 10/ IFRS 12/IAS 28	Consolidated financial statements/disclosures of interests in other entities/investments in associates and joint ventures	Amendments to consolidation exceptions for investment entities.

Applicable to financial years starting on or after January 1, 2018:

IFRS 15	Revenue from contracts with customers	The new standard sets out when to recognize revenue and how much revenue to recognize. It replaces the previous IAS 18, Revenue, and IAS 11, Construction contracts, as well as the related Interpretations on revenue recognition. It applies to all contracts with customers, with the notable exceptions of leases, insurance contracts and financial instruments.
IFRS 9	Recognition, classification and measurement of financial instruments	The standard replaces IAS 39.

C. ACCOUNTING AND VALUATION METHODS

The significant accounting and valuation methods that have been applied in the preparation of the present financial statements are presented below. They have been substantially retained in the financial year under review.

The financial statements were compiled according to the cost principle. Assets and liabilities are recorded in the financial position at amortized cost.

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is valued at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount using the effective interest method and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility (IAS 39).

The preparation of financial statements in accordance with IFRS requires assumptions or estimates to be made regarding some items that affect the amounts reported in the company's statement of financial position or statement of comprehensive income. All estimates are reevaluated on an ongoing basis and are based on an empirical basis and other factors, including expectations concerning future events that appear reasonable under the given circumstances.

Estimate uncertainties may arise from determining economic life and the intrinsic values of intangible assets and property, plant and equipment as well as from the estimation of the extent to which future tax benefits can be realized when recording deferred tax assets.

The company reviews the book value of assets and liabilities as at the reporting date for any indication that an impairment has arisen. In this case, the recoverable amount of a particular asset or repayment amount of a liability is determined to ascertain the scope of the value adjustment that may need to be recorded.

Property, plant and equipment and **intangible assets** are reported at their acquisition cost less scheduled depreciation and amortization based on use according to the cost model (IAS 16.30). Depreciation and amortization are recorded on a straight-line, pro rata temporaris basis and start in the month in which the asset was acquired or placed into service. The average economic 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; operating 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 economic life and 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 economic life or depreciation and amortization methods and no unscheduled impairments have been recorded.

Government grants are recorded if it can be reasonably assumed that the grant will be paid out and that the company fulfills the necessary conditions for receiving the grant.

Government grants are posted as income over the period in which the costs to be compensated by the respective grants are incurred.

Government grants for investments are reported as deferred income within non-current liabilities. They are depreciated through the income statement on a straight-line basis over the expected economic life of the relevant asset.

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 a cost in the period in which it is incurred (IAS 38.54). Research costs are expenses which are necessary 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 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.

Acquisition and manufacturing costs as well as accumulated depreciation and amortization are recognized as asset disposals. Results from **asset disposals** (disposal proceeds minus net book value) are reported in the statement of comprehensive income under other operating income or other operating expenses.

Liquid funds include cash reserves and bank balances reported at nominal value. The conversion of a bank deposit existing in foreign currency is carried out according to the daily exchange rate in the case of an incoming or outgoing payment. The evaluation takes place at the current exchange rate as at the reporting date. The differences arising from the valuation are recognized in the statement of comprehensive income. In principle, liquid funds are divided into cash and cash equivalents and fixed term deposits with a term of more than three months on both the statement of financial position and the statement of cash flows.

Trade receivables are reported at their amortized cost.

MOLOGEN's assets recognized as **inventories** are goods that are reported at amortized cost and calculated according to the first in, first out (FIFO) method. There are no stocks of raw materials, supplies and goods raw materials, work in progress, finished goods or services.

Other non-current and current assets are reported at amortized cost.

A **financial instrument** is a contract that simultaneously creates a financial asset at one company and a financial liability or an equity instrument at another.

In principle, these include both original and derivative financial instruments. In fiscal year 2015 and the reference period, MOLOGEN held no derivative financial instruments, either with or without an accounting hedging relationship.

The original financial instruments are reported under other non-current financial assets, trade receivables, other current assets/liabilities, liquid funds, as well as non-current and current liabilities, and explained accordingly. More comprehensive explanations of the financial instruments can be found in Section H "Notes on the type and management of financial risks".

In principle, financial instruments are recorded on the settlement date for the first time. Financial instruments are measured at fair value when first reported. This takes into account the transaction costs attributable to the acquisition of all financial assets and liabilities that are not recorded at fair value through the income statement in subsequent periods.

The financial assets held by MOLOGEN in fiscal year 2015 and the reference period consist of liquid funds, trade receivables and other receivables with fixed or definable payments which are not listed in an active market.

The financial assets are reviewed on each reporting date for indications of impairment. Financial assets are impaired if, as a result of one or more events that occurred after the initial recognition of assets, there is an substantive indication that the expected future cash flows of the assets have negatively changed.

Financial assets are derecognized if the contractual rights to payment have expired or have been transferred.

No reclassifications were carried out between the valuation categories in fiscal year 2015 or the reference period.

Financial liabilities are categorized either as financial liabilities measured at fair value through the income statement or as other financial liabilities.

The financial liabilities held by MOLOGEN in fiscal year 2015 and in the reference period consist of liabilities to banks, trade payables and other liabilities and are assigned to the category of other financial liabilities.

For the subsequent valuation, other financial liabilities are valued in accordance with the effective interest rate method at amortized cost, whereby interest incurred is recorded at the effective interest rate, if applicable.

No reclassifications were carried out between the valuation categories in fiscal year 2015 or the reference period.

Financial liabilities are derecognized if they are liquidated, i.e. if the obligations have been settled, revoked or have expired.

In principle, foreign currency liabilities are converted at the prevailing exchange rate as of the reporting date and any differences posted under income.

Provisions (IAS 37) are liabilities which are uncertain, either in terms of their due date or their amount. They accrue from an event in the past for which a present liability exists. This liability is likely and their amounts can be estimated reliably.

TAXES

CURRENT TAX ASSETS AND LIABILITIES

Current tax assets and liabilities for fiscal year 2015 and the reference period are assessed on the basis of the amount that is expected to be reimbursed by or paid to the tax authority. The amount is calculated on the basis of the applicable tax rates and the tax laws in force at the time of the legal accrual.

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 most probable 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 2015 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.

Ordinary shares are classified as **shareholders' equity.** Costs that are directly attributable to the issue of new shares or options are recorded in shareholders' equity (net of taxes) as a deduction from issue proceeds.

As remuneration for work performed, employees of the company (including management) receive **share-based payments** in the form of equity instruments (transaction with compensation through equity instruments). In contrast to prior years, the stock option programs newly established in fiscal year 2013 include a settlement option for MOLOGEN. To satisfy employee 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 stock options granted under the 2013 stock option programs 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, meaning the date on which the relevant employee has an irrevocable subscription right. The accumulated costs of granting the equity instruments reported on each reporting date up to the time of the first exercise opportunity reflect the already expired part of the vesting period and the number of equity instruments that will be able to be actually exercised according to the best-possible estimate of the company on expiry of the vesting period. The amount that is recorded in the statement of comprehensive income reflects the development of the accumulated costs recorded at the beginning and end of the financial year.

Expenses and income for the financial year are recognized, regardless of the time of payment, if they are realized. Proceeds from the sale of goods and services, technologies, licensing and distribution rights as well as consulting services are realized if the due delivery or service is provided, the risk is transferred, the amount of the expected consideration can be reliably estimated and it is probable that the economic benefit from the transaction will accrue to the company. When services for which fees have been paid or received in advance are only performed in subsequent periods, the payments are recorded as deferred or accrued income that is accreted over the period in which the service are performed.

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 FINANCIAL POSITION AS OF DECEMBER 31, 2015

ASSETS

NON-CURRENT ASSETS

(1) PROPERTY, PLANT AND EQUIPMENT

In the fiscal year, net value of property, plant and equipment increased by € 5 thousand from € 234 thousand in the prior year to € 239 thousand. Ordinary depreciation and amortization was counterbalanced by investments amounting to € 87 thousand (previous year: € 86 thousand).

The development of property, plant and equipment is part of the statement of changes in fixed assets presentedon page 66.

(2) INTANGIBLE ASSETS

In the fiscal year, the value of intangible assets in the statement of financial position decreased by € 31 thousand to € 175 thousand (previous year: € 206 thousand). Intangible assets comprised other rights (book value: € 148 thousand; previous year: € 172 thousand) and software (book value: € 27 thousand; previous year: € 34 thousand).

In fiscal year 2015, there was no unscheduled depreciation and amortization of intangible assets (previous year: € 0 thousand).

Ordinary depreciation and amortization was counterbalanced by investments amounting to € 8 thousand (previous year: € 7 thousand).

The development of intangible assets is part of the statement of changes in fixed assets presented on page 66.

RESEARCH AND DEVELOPMENT

The resources available to the company are primarily used directly on research and development projects. In fiscal year 2015, expenses for this area amounted to € 16.8 million (previous year: € 13.3 million). As in the prior year, no development costs subject to mandatory capitalization as defined in IAS 38 were incurred.

(3) OTHER NON-CURRENT ASSETS

Other non-current assets amounted to € 0 thousand (previous year: € 0 thousand). In fiscal year 2015, no value adjustments were carried out on other non-current assets (previous year: € 0 thousand).

CURRENT ASSETS

(4) CASH AND CASH EQUIVALENTS

In principle, liquid funds comprise cash holdings and bank deposits with a remaining term of less than three months. Current bank balances yield variable rates of interest. As of December 31, 2015, there were no fixed-term deposits with a maturity of more than three months (previous year: € 0 thousand). As of the reporting date, liquid funds amounted to € 24,592 thousand (previous year: € 13,563 thousand). This is calculated on the nominal value of the holdings in euros as well as the value of a foreign currency account converted based on the average spot exchange rate on December 31, 2015.

(5) 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 costs.

As of December 31, 2015, there are no trade receivables (previous year: € 0 thousand).

€ '000			Past due, but not impaired (parts of) receivables			
	Total	Neither past due nor impaired	< 30 days	30–90 days	90–365 days	> 365 days
December 31, 2015	0	0	0	0	0	0
December 31, 2014	0	0	0	0	0	0

As of December 31, 2015, no value adjustments on trade receivables were reported (previous year: € 60 thousand).

In fiscal year 2015, no value adjustments were made on trade receivables (previous year: € 0).

Reversals of value adjustments made on trade receivables last year (€ 60 thousand) were finally derecognized with no further impact on earnings in 2015.

The development of impairments on trade receivables is part of the table entitled "Development of impairments on financial instruments" under Section H.

(6) INVENTORIES

Inventories consist of goods totaling € 28 thousand (previous year: € 30 thousand). Inventories are not subject to any disposition or pledging restrictions.

(7) OTHER CURRENT ASSETS AND INCOME TAX RECEIVABLES

€ '000	**December 31, 2015**	December 31, 2014
Income tax receivables	1	13
Tax reimbursements from VAT	540	116
Other receivables and assets	820	891
	1,361	**1,020**

Income tax receivables include corporation tax reimbursements (including solidarity surcharge) for 2015.

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 comprise advance payments of € 574 thousand for services in connection with the conducting of clinical trials (previous year: € 498 thousand). This item also includes a prepayment of € 25 thousand (previous year: € 116 thousand), which has been made to the MOLOGEN Foundation Institute Molecular Biology and Bioinformatics as part of the cooperation the Free University of Berlin.

No value adjustments were reported under other current assets (previous year: € 0 thousand).

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

The development of impairments on other current assets is shown under Section H.

EQUITY AND LIABILITIES

LIABILITIES

(8) DEFERRED INCOME

The reported deferred income of € 6 thousand relates to government grants for assets (previous year: € 8 thousand).

(9) 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	**December 31, 2015**	December 31, 2014
Trade payables	6,390	1,315
Liabilities from income and church tax	150	161
Liabilities to banks	8	10
Other liabilities	338	261
	6,886	**1,747**

SHAREHOLDERS' EQUITY

The composition of shareholders' equity and the development of its components are recorded in the statement of changes in equity.

(10) ISSUED CAPITAL

MOLOGEN's share capital of € 22,631,501 which is divided into 22,631,501 no-par bearer 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 2015:

On April 27, 2015, a capital increase against cash contributions was recorded in the relevant Commercial Register. From the authorized capital, a total of 5,657,875 new shares at a price of € 5.00 per new share were placed with existing shareholders by way of indirect subscription rights with qualified investors as part of an international private placement. Gross proceeds from the issue totaled approximately € 28.3 million. Mologen's share capital increased by € 5,657,875 from € 16,973,626 to € 22,631,501.

AUTHORIZED AND CONDITIONAL CAPITAL

The resolutions of the Annual General Meeting of July 29, 2015 were registered in the relevant Commercial Register on September 28, 2015. This resulted in subsequent changes to the authorized and conditional capital.

The Annual General Meeting of July 29, 2015 authorized the Executive Board to cancel the existing authorized capital 2014, which existed after partial utilization in the amount of € 2,828,938, and to create a new authorized capital 2015. With the Supervisory Board's consent, the Executive Board is authorized to increase the share capital of the company in the period up to July 28, 2020 by issuing new no-par value bearer shares for cash and/or contributions in kind on one or more occasions, but to a maximum of € 11,315,750 (authorized capital 2015) and, in doing so, to define an earnings participation start date that differs from law in accordance with Section 23 Para 2 of the Articles of Association. The shareholders are, in principle, to be granted subscription rights. The new shares may also be acquired by a financial institution or consortium of financial institutions specified by the Executive Board with the obligation that they are then offered to shareholders for subscription (indirect subscription right).

The Executive Board is further authorized in certain cases and with the approval of the Supervisory Board in each case to exclude the subscription right of the shareholders one or more times

a) as far as this is required to eliminate fractions;
b) as far as this is necessary to grant a subscription right to new shares to the holders of option or conversion rights and/or conversion obligations arising from bonds or participatory rights with conversion and/or option rights or a conversion obligation, in the amount they would have had upon exercising the option and/or conversion right or in fulfillment of the conversion commitment as a shareholder;
c) as far as the new shares will be issued against contributions in cash and the issued share capital total theoretically attributable to the shares exceeds 10 % of the share capital neither at the date of effect nor at the time of exercise of this authorization ("maximum amount") and the issue price of the newly issued shares is not significantly below the stock market price of the listed shares of the company with equal rights at the time of the final determination of the issue price; or
d) as far as the new shares are issued against contributions in kind, particularly in the form of companies, company divisions, investments in companies, claims or other assets that are beneficial or useful for the company's business operations (for example, patents, licenses, copyright terms of use and exploitation rights and other intellectual property rights).

Shares should be included in the maximum amount according to Section 4 Para. 3 c) of the Articles of Association which (i) are sold or issued by the company during the term of this authorization under exclusion of subscription rights on the basis of other appropriations in direct or corresponding application of Section 186 Para. 3 Sentence 4 of the AktG or (ii) are issued or are to be issued for the servicing of bonds or participatory rights with conversion and/or option rights and/or a conversion obligation, if the bonds are issued during the term of such authorization under exclusion of the subscription rights in corresponding application of Section 186 Para. 3 Sentence 4 of the AktG. Inclusion of shares due to authorizations being exercised as specified in the preceding sentence (i) to issue new shares in accordance with Section 203 Para. 1 Sentence 1, Para. 2 Sentence 1 and Section 186 Para. 3 Sentence 4 of the AktG and/or (ii) for the sale of proprietary shares in accordance with Section 71 Para. 1 No. 8 and Section 186 Para. 3 Sentence 4 of the AktG and/or (iii) to issue convertible bonds and/or option bonds in accordance with Section 221 Para. 4 Sentence 2 and Section 186 Para. 3 Sentence 4 of the AktG will not take place with effect for the future if and insofar as the respective authorization(s), exercise of which resulted in the shares being included, is/are once again granted by the Annual General Meeting in accordance with the legal regulations.

The Executive Board is authorized to determine the further details of the capital increase, as well as the terms and conditions for the issue of new shares with the consent of the Supervisory Board.

The Annual General Meeting of July 29, 2015 resolved to cancel in full the existing conditional capital for the amount of up to € 134,861 (conditional capital 2009) pursuant to Article 4 Para. 4 of the Articles of Association. Conditional capital 2015 was created in the amount of € 700,649, divided into 700,649 no-par shares. With the Supervisory Board's consent, the Executive Board was authorized to issue option rights on shares with a maturity of a maximum of seven years up to July 28, 2017. The Conditional Capital 2015 is to be used for granting stock options to members of the Executive Board of the company, members of the management of any affiliated companies and employees of the company and any associated companies.

The complete wording of the resolutions has been replicated in the invitation to the Annual General Meeting, which was published in the Federal Gazette (Bundesanzeiger) on June 22, 2015.

The company has the following **authorized and conditional capital** as of December 31, 2015:

€ '000

	December 31, 2015	December 31, 2014	Change
Authorized capital	11,315,750	8,486,813	2,828,937
Conditional capital 2009	0	134,861	–134,861
Conditional capital 2010	610,151	610,151	0
Conditional capital 2011	238,393	238,393	0
Conditional capital 2012	209,234	209,234	0
Conditional capital 2013	328,672	328,672	0
Conditional capital 2014-1	6,789,451	6,789,451	0
Conditional capital 2014-2	176,051	176,051	0
Conditional capital 2015	700,649	0	700,649

Conditional capitals 2010, 2011 and 2012 are used to grant convertible bonds and/or subscription rights without issue of bonds to Executive Board members and company employees based on the resolutions by the Annual General Meetings of June 7, 2010, June 7, 2011 and July 19, 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 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.

The **Conditional Capital 2014-1** is to be used for granting no-par bearer shares to the holders or creditors of convertible bonds or bonds with warrants attached, 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 of the Annual General Meeting on August 13, 2014 under agenda item 7b), and which give option or conversion rights to new no-par 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, or 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 previous 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 stock options (Executive Board members and company employees) based on the resolution by the Annual General Meetings of July 16, 2013, August 13, 2014 and July 29, 2015. The conditional capital increase will only be carried out insofar as the holders of the stock rights and the company exercise their subscription rights and the company does not fulfill the stock options by supplying proprietary shares or by 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 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.

(11) CAPITAL RESERVES

In the capital reserves, equity components are reported that are received from external sources via the subscribed capital, as well as a withdrawal in the amount of € 6,668 thousand carried out in fiscal year 2002, which was offset with the accumulated deficit.

In fiscal year 2015, capital reserves increased by € 22,631 thousand as a result of the capital increases from authorized capital. In accordance with IAS 32.37, the costs accruing for equity procurement in the amount of € 2,082 thousand (previous year: € 1,318 thousand) were recorded in capital reserves, which thereby increased by a total of € 20,549 thousand.

The application of IFRS 2, share-based payment, resulted in the transfer of € 534 thousand to capital reserves (previous year: € 896 thousand). Please refer to Section 16 of the present Notes.

€ '000

	December 31, 2015	December 31, 2014
Capital reserves	103,010	80,379
Employee remuneration through equity instruments	6,907	6,373
Costs of equity procurement	–8,257	–6,193
	101,642	**80,559**

(12) ACCUMULATED DEFICIT

The accumulated deficit includes a loss carried forward of € 84,235 thousand (previous year: € 67,157 thousand).

E. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2015

(13) REVENUES

Revenues from goods and services in the amount of € 39 thousand (previous year: € 12 thousand) resulting from domestic business. These are in part due to one-off effects and are therefore subject to fluctuations.

(14) OTHER OPERATING INCOME

€ '000

	2015	2014
Income from other accounting periods	0	0
Remaining other operating income	6	12
	6	**12**

(15) COST OF MATERIALS

€ '000

	2015	2014
Costs of raw materials, supplies and goods	1,827	1,086
Costs of purchased services	9,184	7,601
	11,011	**8,687**

The cost of materials increased in fiscal year 2015 compared to the prior financial year. Raw material, supplies and goods as well as external services were obtained for the implementation of IMPULSE and IMPALA studies, which were not incurred to such an extent in fiscal year 2014.

Changes in inventory amounting to € 2 thousand (previous year: € 3 thousand) are included under expenses for raw material, supplies and goods.

(16) PERSONNEL EXPENSES

€ '000

	2015	2014
Wages and salaries	4,023	3,730
Social insurance contributions	517	487
Stock options granted (according to IFRS 2)	534	896
	5,074	**5,113**

The increase in wages and salaries compared to the prior year is primarily due to the recruitment of additional employees. This increase is offset by a reduction in the expense resulting from the granting of employee stock options.

The social insurance contributions include expenses for defined contributions plans amounting to € 35 thousand (previous year: € 27 thousand). Expenses of € 8 thousand are attributable to two members of the Executive Board (previous year: € 5 thousand).

The average number of people employed at MOLOGEN over the year was 58 (excluding the Executive Board or employees on parental leave) (previous year: 54). Of this figure, 49 employees worked in research and development and 9 employees worked in administration

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

€ '000	**December 31, 2015**	December 31, 2014
Executive Board	4	3
Research and development department (R&D)	51	48
Administration	11	9
	66	**60**

(17) DEPRECIATION AND AMORTIZATION

Scheduled depreciation and amortization are reported under depreciation and amortization of intangible assets and property, plant and equipment. In fiscal year 2015, no unscheduled depreciation and amortization was carried out (previous year: € 0 thousand).

€ '000	**2015**	2014
Intangible assets	40	38
Property, plant and equipment	81	72
	121	**110**

(18) OTHER OPERATING EXPENSES

€ '000	**2015**	2014
Legal and consulting costs	1,047	749
Travel costs	824	591
Ancillary personnel costs	506	80
Administration costs	501	439
Patent costs	402	262
Marketing/investor relations	401	335
Cost of premises	209	208
Maintenance costs	90	125
Remaining other operating expenses	398	422
	4,378	**3,211**

Other operating expenses increased by € 1,167 thousand compared with the previous year.

The increase in other operating expenses is attributable to increased expenses for legal and consultancy services, personnel recruitment, travel expenses, most notably in connection with clinical studies, and expenses for the company's patent portfolio.

Remaining other operating expenses include research costs, which are accrued within the cooperation with the Free University of Berlin in the amount of € 350 thousand (previous year: € 378 thousand).

In fiscal year 2015, auditors' fees for the audit of the financial statements amounting to € 52 thousand (of which € 14 thousand is attributable to the previous year), other assurance services by the auditor totaling € 142 thousand and other services by the auditor of € 40 thousand were incurred.

(19) FINANCE EXPENSES AND FINANCE INCOME

€ '000	**2015**	2014
Financial expenses		
Other interest expenses	**0**	**0**
Financial income		
Interest on financial assets	**3**	**19**

(20) TAX RESULT

Current tax assets and tax liabilities

No income tax was reported in fiscal year 2015 and the reference period.

Deferred taxes

Under German law, MOLOGEN can offset its corporate tax losses carried forward of € 112.9 million (previous year: € 91.0 million) and trade tax losses carried forward of € 111.2 million (previous year: € 89.2 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.

Composition of deferred taxes and their respective value adjustments:

€ '000

Balance sheet item/loss carried forward	Difference	Deferred tax before value adjustment	Value adjustment	Deferred tax after value adjustment
12/31/2014				
Temporary difference	0	0	0	0
Total deferred tax liabilities		**0**	**0**	**0**
Temporary difference	0	0	0	0
Tax loss carried forward		27,190	–27,190	0
Total deferred tax assets		**27,190**	**–27,190**	**0**
Deferred tax balance as of Dec. 31, 2014		**27,190**	**–27,190**	**0**
12/31/2015				
Temporary difference	0	0	0	0
Total deferred tax liabilities		**0**	**0**	**0**
Temporary difference	0	0	0	0
Tax loss carried forward		33,822	–33,822	0
Total deferred tax assets		**33,822**	**–33,822**	**0**
Deferred tax balance as of Dec. 31, 2015		**33,822**	**–33,822**	**0**

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

Offsetting and reconciliation statement of expected and actual tax result:

€ '000

	2015	2014
Profit (loss) before tax	–20,536	–17,078
Expected tax expenses (+)/income (–)	–6,198	–5,154
Tax effects of expenses that are not tax deductible and income with no tax effect	–434	–143
Change of value adjustment on deferred taxes	**6,632**	**5,297**
Actual tax expenses (+)/income (–)	**0**	**0**

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

(21) EARNINGS PER SHARE (EPS)

Basic earnings per share are calculated by dividing the total comprehensive income attributable to holders of ordinary shares by the weighted average number of ordinary shares in circulation during the financial year.

Diluted earnings per share are calculated by dividing the total comprehensive income attributable to holders of ordinary shares by the weighted average number of ordinary shares in circulation 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.

€ '000

	2015	2014
Earnings attributable to holders of ordinary shares in the company (€ '000)	–20,536	–17,078
Weighted average number of ordinary shares for calculating basic earnings per share (thousands)	20,818	16,795
Dilution effect from the issuance of stock options (thousands)	0	0
Weighted average number of ordinary shares including dilution effect (thousands)	20,818	16,795
Basic EPS in €	–0.99	–1.02
Diluted EPS in €	—	—

There was no dilution effect within the meaning of IAS 33.41 ff. for stock options granted in prior years or fiscal year 2015.

(22) 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 separately reported interest affecting payments in the cash flow statement compared with the prior year, in line with reporting in the financial statements under commercial law. Separate reporting is consistent with IAS 7. Prior year amounts were adjusted.

Please refer to comments in Sections C and D (liquid funds) of the present Notes for details on the division of liquid funds into cash and cash equivalents and cash deposits with a term of more than three months.

Income tax amounting to € 1 thousand was paid in fiscal year 2015 (previous year: € 6 thousand). MOLOGEN received an income tax repayment of € 13 thousand in fiscal year 2015 (previous year: € 0 thousand).

In financial year 2015, interest income totaling € 3 thousand (previous year: € 22 thousand) was recorded. Interest was paid in the amount of € 0.5 thousand (previous year: € 0.5 thousand).

F. NOTES ON THE EMPLOYEE PARTICIPATION PROGRAMS

The company has set up several share-based employee participation programs. Employees have received stock options, which entitle them to buy MOLOGEN shares at a predetermined price subject to certain conditions. MOLOGEN will issue the required shares by means of capital increases and has various conditional capital items available for this purpose. To date, no stock options have been issued to employees or the Executive Board from conditional capital 2015.

CONTRACTUAL TERMS AND CONDITIONS OF THE STOCK OPTION PROGRAMS (SOP)

The following provides a summary of the contractual terms and conditions on the basis of which beneficiaries may exercise the stock options granted.

STOCK OPTION

Each stock 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 2010, SOP 2011, SOP 2012, SOP 2013 and SOP 2014) from the date of allocation.

VESTING PERIOD

Four years from the time of issue or granting to the beneficiary (SOP 2010, SOP 2011, SOP 2012, SOP 2013 and SOP 2014).

EXERCISE PERIODS

On expiry of the vesting periods, stock 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.

STRIKE PRICE

Corresponds to the average stock market price for shares (arithmetic mean of the closing prices (i) in the regulated market (SOP 2010) or (ii) XETRA trading or a comparable successor system (SOP 2011, SOP 2012, SOP 2013 and SOP 2014) 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 and SOP 2014: 30 trading days) prior to the resolution of the Executive Board (in the case of stock options issued to the Executive Board: the Supervisory Board) concerning the respective allocation.

EXERCISE PRICE

Corresponds to the strike price.

PERFORMANCE TARGET (SOP 2010)

The exercise of stock options is only possible if the average share price (arithmetic mean of the closing prices in the regulated market 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 10 trading days before the date of the exercise has increased compared with the strike price as follows:

Exercise in the fifth year after issue/allocation is only possible if the share price (arithmetic mean of the closing prices in the regulated market 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 10 trading days before the date of exercise has increased by at least 16 % compared with the strike price (performance target). The performance target is 19 % above the strike price for the sixth year and 22 % for the seventh year.

PERFORMANCE TARGET (SOP 2011)

The exercise of stock 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 10 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 stock 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 10 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 AND SOP 2014)

The stock options may only be exercised if and insofar as the following performance targets have been achieved:

The first performance target (absolute share 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 10 trading days before the date of exercise of the employee stock options exceeds the exercise price.

The second performance target (relative share 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 employee 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 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 stock options with reference values adjusted accordingly.

If the DAXsubsector Biotechnology (Performance) of the Frankfurt Stock Exchange is terminated or significantly altered in terms of 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 is 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 stock options granted is determined as at the date of granting. The conditions under which the options were granted are taken into account. The fair values of stock option programs 2010a, 2010b, 2011, 2012a and 2012b were calculated using a Monte Carlo simulation model. The fair values of stock option programs 2013 and 2014 were determined using binomial distribution. Within a stock option program, the total available stock 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, stock options were issued under the stock option program for 2014.

The company analyzed past staff turnover in connection with a review of service conditions for employees in 2015.

This established a discount for staff turnover of 11 %. The same analytical process was carried out in the past but did not require application of a discount.

In contrast to stock options issued in the past, the discount for staff turnover of 11 % since issue was taken into account in the calculation of personnel expenses resulting from the employee stock options issued under the stock option program for 2014 in 2015.

The reported cumulative personnel expenses resulting from stock options issued in the past were reviewed accordingly (SOP 2011, SOP 2012 and SOP 2013). No adjustments were required, since actual fluctuation was taken into account accordingly up to the reporting date.

The following table shows the underlying parameters of the valuation:

	Stock option programs				
Parameter	**2010a**	**2010b**	**2011**	**2012a**	**2012b**
Dividend yield (%)	0.00	0.00	0.00	0.00	0.00
Expected volatility (%)	51.07	47.67	44.00	41.41	40.70
Risk-free interest rate (%)	1.70	2.48	1.44	0.74	0.53
Anticipated option life (years)	5.50	5.50	5.50	5.50	5.50
Share price on date of issuance (€)	8.55	8.49	7.13	12.95	14.15

	Stock option programs			
Parameter	**2013a**	**2013b**	**2013c**	**2014**
Dividend yield (%)	0.00	0.00	0.00	0.00
Expected volatility (%)	39.91	40.75	42.09	43.98
Risk-free interest rate (%)	0.86	0.82	0.82	0.20
Anticipated option life (years)	5.50	5.50	5.50	5.50
Share price on date of issuance (€)	12.57	10.80	7.75	4.95
Expected volatility of the DAXsubsector Biotechnology index (%)	20.07	18.58	18.45	19.84

The respective expected term of the stock 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 historical volatility of a period corresponding to the anticipated term of the stock 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 has been assumed during the term of the stock options. This does not necessarily correspond to later actual dividend payments.

DEVELOPMENT DURING THE FINANCIAL YEAR

The issue of stock options to MOLOGEN employees is carried out by the Executive Board of MOLOGEN. The issue of stock options to members of the Executive Board of MOLOGEN is carried out by the Supervisory Board. In the current financial year, 105,608 stock options have been issued to beneficiaries (previous year: 18,100). The stock options were issued under stock option program 2014. As of December 31, 2015, a total of 914,139 stock options (previous year: 319,098) had not yet been allocated.

The following table shows the number and weighted average exercise price (WAEP) as well as the development of the stock options during the reporting period.

	2015		2014	
	WAEP per stock option €	Stock options Units	WAEP per stock option	Stock options Units
As of January 1	9.45	1,137,408	9.20	1,291,888
Granted[a]	4.99	105,608	10.93	18,100
Forfeited	9.97	40,820	9.88	34,600
Exercised[b]	0	0	7.23	12,870
Expired	0	0	7.22	125,110
As of December 31	9.04	1,202,196	9.45	1,137,408
Exercisable as of December 31[c]	8.50	760,514	8.93	498,994

(a) The weighted average fair value of stock options granted in the financial year amounted to € 1.67 per option (previous year: € 3.79).
(b) It was not possible to determine the weighted average share price at the time of exercising stock options in the financial year under review.
(c) This only takes into account whether the vesting period of the stock 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 stock options outstanding as at Thursday, December 31, 2015 was 3.08 years (December 31, 2014: 3.79 years). The exercise prices for the options outstanding at the end of the reporting period ranged between € 4.99 and € 13.91 (previous year: € 7.49 and € 13.91).

G. OTHER FINANCIAL LIABILITIES AND CONTINGENT LIABILITIES

For financial year 2016, other financial liabilities resulting from lease agreements total € 99 thousand. MOLOGEN has other financial liabilities requiring disclosure in the amount of € 9,076 thousand for 2016 and of € 12,503 thousand beyond 2016.

There were no contingent liabilities as defined in IAS 37 as of Thursday, December 31, 2015.

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 arise from the cash inflows and outflows made and scheduled, 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 include trade receivables, trade payables 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, 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 taken into account by setting up specific provisions (cf. D (5)). No general charges 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 cancelled at short notice for the IMPALA and IMPULSE clinical trials which started in financial year 2014.

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 exist to the extent that the company has no current or non-current financial assets and liabilities which are subject to variable interest rates.

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.

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

	12/31/2015	12/31/2014
Financial assets		
Loans and receivables valued at amortized cost		
Trade receivables	0	0
Liquid funds	24,592	13,563
Other financial assets	820	891
Financial liabilities		
Valued at amortized cost		
Liabilities to banks	8	10
Trade payables	6,390	1,315
Other financial liabilities	488	422

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.

In financial year 2015, gains resulting from foreign currency conversion of € 2 thousand were reported (previous year: losses of € 2 thousand).

Developments of impairments of financial instruments:

€ '000

	Impairment of			
	Financial assets	Trade receivables	Other financial assets	Total
As of January 1, 2014	**0**	**60**	**3**	**63**
Increase/decrease of impairments recognized in the income statement	0	0	0	0
Use of reported impairments	0	0	0	0
As of December 31, 2014	**0**	**60**	**3**	**63**
Increase/decrease of impairments recognized in the income statement	0	0	0	0
Use of reported impairments	0	60	3	63
As of December 31, 2015	**0**	**0**	**0**	**0**

I. INFORMATION ON AFFILIATED PERSONS AND COMPANIES

EXECUTIVE BOARD

1. EXECUTIVE BOARD MEMBERS OF MOLOGEN IN FINANCIAL YEAR 2015:

Dr. Mariola Söhngen, Chief Executive Officer since November 1, 2015, Berlin, Germany (since November 1, 2015; appointed until October 31, 2018). Member of the following other statutorily mandated supervisory boards and comparable domestic and foreign supervisory committees of business enterprises: Vita 34 AG, Leipzig (Supervisory Board member since January 1, 2016)

Dr. Matthias Schroff, Chief Executive Office until October 31, 2015, Executive Board member from November 1, 2015 until December 31, 2015, Berlin, Germany (Chief Executive Officer since January 1, 2008; stepped down on December 31, 2015),

Dr. Alfredo Zurlo, Chief Medical Officer, Berlin, Germany (since April 1, 2013; appointed until March 31, 2016)

Jörg Petraß, Chief Financial Officer, Berlin, Germany (since February 1, 2007; stepped down on December 31, 2015).

2. REMUNERATION STRUCTURE FOR THE EXECUTIVE BOARD:

Fixed and performance-based remuneration components

Executive Board members receive a fixed remuneration component, which is paid out in monthly installments, and a performance-based remuneration component, which is only paid out when defined performance targets are met.

The following fixed and performance-based remuneration has been granted to members of the Executive Board:

€ '000

		Dr. M. Söhngen	Dr. M. Schroff	Dr. A. Zurlo	J. Petraß	Gesamt
Fixed remuneration	**2015**	**47**	**255**	**230**	**250**	**782**
	2014	0	255	230	250	735
Performance-based remuneration	**2015**	**50**	**281**	**36**	**191**	**558**
	2014	0	279	228	279	786
Other remuneration	**2015**	**0**	**129**	**0**	**0**	**129**
	2014	0	2	0	0	2
Total directly paid remuneration	**2015**	**97**	**665**	**266**	**441**	**1,469**
	2014	0	536	458	529	1,523

Granted inventor's compensation (€ 4 thousand) and severance payments (€ 125 thousand) are reported under other remuneration.

Remuneration components with a long-term incentive effect

In previous years, members of the Executive Board were allocated stock options as remuneration components with a long-term incentive effect. The stock 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

€ '000		Dr. M. Söhngen	Dr. M. Schroff	Dr. A. Zurlo	J. Petraß	Gesamt
Subscription rights issued (units)	**2015**	**0**	**0**	**0**	**0**	**0**
	2014	0	0	0	0	0
Fair value of subscription rights issued upon issuance (€ '000)	**2015**	**0**	**0**	**0**	**0**	**0**
	2014	0	0	0	0	0
Total personnel expenses from stock options in each financial year (€ '000)	**2015**	**0**	**79**	**43**	**44**	**166**
	2014	0	117	43	117	277

No stock options were exercised in financial year 2015 and the previous year.

Payments in the event of early termination of the employment relationship

Executive Board members Dr. Matthias Schroff (until December 31, 2015), Jörg Petraß (until December 31, 2015) and Dr. Alfredo Zurlo

In the event of early termination of the service contract by the Supervisory Board or early termination of the contract by mutual agreement, the relevant Executive Board member receives a payment in the amount of 1.5 times the fixed annual remuneration (Dr. Matthias Schroff and Jörg Petraß € 250 thousand each, Dr. Alfredo Zurlo € 230 thousand) along with all variable remuneration components attained at this time (Dr. Matthias Schroff and Jörg Petraß max. € 360 thousand each, Dr. Alfredo Zurlo max. € 120 thousand p.a.). The prerequisite is that the agreement, if it was prematurely terminated by the Supervisory Board, was not terminated due to intentional or grossly negligent breach of duty or for dismissal of the body for other important reasons.

In case of premature termination of the employment contract after announcing a change-of-control (assumption of control by a third party pursuant to Section 29 of the WpÜG), the employment contracts of the Executive Board include a provision for severance pay in the amount of twice the fixed annual remuneration in addition to all variable compensation components attained up to this point plus the sum of the annual maximum variable remuneration components attainable during the original maturity of the contract discounted by 5 %. It is irrelevant whether the contract was terminated by the company or by mutual agreement.

Chief Executive Officer Dr. Mariola Söhngen:
In the event of the appointment ending for a reason that is not at the same time an important reason as defined in Section 626 of the German Civil Code (BGB), the CEO shall receive a severance payment which equates to the amount of the fixed compensation 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 compensation (currently € 250 thousand).

Should the appointment be terminated for an important reason as defined in Section 626 of the BGB or because the CEO resigns or hands in her notice, all rights to management bonuses shall lapse in their entirety. If the appointment is terminated for any other reason, the annual bonus granted (€ 300 thousand) is reduced pro rata temporis for the relevant calendar year while bonus 2 (max. € 180 thousand) 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 CEO shall be entitled to terminate contracts extraordinarily. Should this right be exercised, the Executive Board contract provides for a severance payment, the amount of which depends on the date on which the appointment ends. Should the CEO resign before November 1, 2017, she will receive a severance payment, which equates to two years' worth of compensation (all compensation components including management bonuses (max. € 480 thousand p. a.)). In the event of her resigning on or after November 1, 2017, 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 stock options already granted will be vested immediately.

In addition, a post-contractual non-competition agreement was concluded with Dr. Söhngen for a period of 12 months. The company undertakes to pay a waiting allowance for the duration of the post-contractual non-competition period. This waiting allowance amounts to one twelfth of the total basic pay p.a. last received and the last paid annual bonus for each month of the non-competition period.

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 stipulate that in case of a temporary incapacity to 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 six or twelve months but no longer than until the end of the agreed term of the service contract of the respective Executive Board member. In the case of the CEO, Dr. Mariola Söhngen, her contract will rest from the end of the period in which remuneration continues to be paid, unless it has already ended at this date.

In the event of permanent incapacity for work, the contract of employment of the Executive Board member in question shall be concluded at the end of the quarter in which the permanent incapacity for work is declared, or three months after the end of the month in which the permanent incapacity for work is 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 three or six 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 up to the death of the Executive Board member concerned are payable.

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 STOCK OPTIONS OF EXECUTIVE BOARD MEMBERS

The following tables provide an overview of shares and stock options held by Executive Board members as of December 31, 2015.

In units

	Shares		Stock options	
	12/31/2015	12/31/2014	**12/31/2015**	12/31/2014
Dr. M. Söhngen	0	0	0	0
Dr. Matthias Schroff	13,130	7,730	152,281	152,281
Dr. Alfredo Zurlo	7,200	3,200	33,694	33,694
Jörg Petraß	18,900	13,500	146,031	152,281

INFORMATION ON THE SUPERVISORY BOARD

1. SUPERVISORY BOARD MEMBERS OF MOLOGEN IN FINANCIAL YEAR 2015:

Oliver Krautscheid, Dipl.-Kfm., independent corporate consultant, Frankfurt/Main, Germany (Chairman and member of the Supervisory Board)
Oliver Krautscheid is a 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 (formerly DESIGN Bau AG, Kiel, 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)
Heliocentris Energy Solutions AG, Berlin, Germany
(member of the Supervisory Board until June 16, 2015)

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 and comparable domestic and foreign supervisory committees of business enterprises

Susanne Klimek, business woman, Managing Director of SALVATOR Vermögensverwaltungs GmbH, Munich, Germany
Not a member of any other statutorily mandated supervisory boards and 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 14of 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.

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 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 financial year 2010 amounted to € 0.05 and increased 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 December 31, 2015, no performance-based remuneration is paid for fiscal year 2015.

In each case, the chairman receives twice 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 2015, Supervisory Board remuneration amounted to € 80 thousand (previous year: € 80 thousand). Furthermore, attendance fees totaled € 104 thousand (previous year: € 47 thousand).

The following remuneration was granted to each member of the Supervisory Board in financial year 2015:

€ '000

	Remuneration	Attendance fees	Total
Oliver Krautscheid	40	52	92
Dr. med. Stefan M. Manth	20	26	46
Susanne Klimek	20	26	46
Total	**80**	**104**	**184**

3. SHAREHOLDINGS OF SUPERVISORY BOARD MEMBERS:

The following table provides an overview of the shares held by Supervisory Board members as of December 31, 2015. The Supervisory Board does not hold any stock options.

In units

	Shares	
	Dec. 31, 2015	Dec. 31, 2014
Oliver Krautscheid	0	0
Dr. Stefan M. Manth	3,240	2,430
Susanne Klimek	2,000	1,000

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

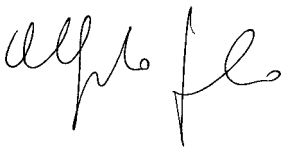
The Corporate Governance Report and the Declaration on Corporate Management pursuant to Section 289a of the HGB are available on the company website at http://www.mologen.com/de/investoren-presse/corporate-governance.

K. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Executive Board and released for publication on Monday, March 14, 2016.

Berlin, March 14, 2016
Executive Board of MOLOGEN AG

Dr. Mariola Söhngen
Chief Executive Officer



Dr. Alfredo Zurlo
Chief Medical Officer

AUDITOR'S REPORT

We have audited the individual annual financial statements prepared in accordance with article 325 (2a) HGB (Handelsgesetzbuch = German Commercial Code) – comprising the balance sheet, statement of comprehensive income, cash flow statement, statement of changes in equity and the notes to the financial statements – together with the bookkeeping system, and the management report of Mologen AG for the business year from January 1, 2015 to December 31, 2015. The maintenance of the books and records, the preparation of the individual annual financial statements in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to article 325 (2a) HGB as well as the preparation of the management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the individual annual financial statements prepared in accordance with Article 325 (2a) HGB, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with article 324a HGB in conjunction with article 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW).

Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the individual annual financial statements prepared in accordance with article 325 (2a) HGB taking into account applicable accounting regulations and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the individual annual financial statements prepared in accordance with article 325 (2a) HGB and the management report are examined primarily on a test basis within the framework of the audit.

The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the individual annual financial statements prepared in accordance with article 325 (2a) HGB and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the individual annual financial statements comply with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to article 325 (2a) HGB and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with these regulations.

The management report is consistent with the individual annual financial statements prepared in accordance with article 325 (2a) HGB and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Without qualifying this opinion, we refer to the information included in the management report. The chapter "financial risks" states that the Company's existence is threatened, if the Company does not succeed in raising sufficient cash flow from financing activities in the future.

Leipzig, March 14, 2016
Baker Tilly Roelfs AG Wirtschaftsprüfungsgesellschaft

Stefan Schmidt	Kai Mrosek
German Public Auditor	German Public Auditor

Mologen AG, Berlin

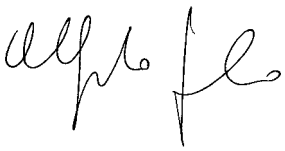
Individual Annual Financial Statements prepared in accordance with article 325 (2a) HGB for the year ended December 31, 2015 – in accordance with IFRS as adopted by the EU – and Management Report for the financial year 2015

RESPONSIBILITY STATEMENT BY THE MANAGEMENT BOARD

To the best of our knowledge, and in accordance with the applicable reporting principles, the individual financial statements pursuant to § 325 Para. 2a of the German Commercial Code according to IFRS as applied in the EU, give a true and fair view of the assets, liabilities, financial and profit or loss situation 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, March 14, 2016
MOLOGEN AG – Management Board

Dr. Mariola Söhngen
Chief Executive Officer



Dr. Alfredo Zurlo
Chief Medical Officer

»KNOWLEDGE IS **TO KNOW, WHERE IT IS WRITTEN«** **ALBERT EINSTEIN**

03 I FURTHER INFORMATION

GLOSSARY

ADJUVANT
A substance that enhances antigen-specific immune responses when injected with antigens.

ANALYSIS, EXPLORATIVE
Analysis of data for the purposes of defining a hypothesis.

ANTIBODIES
Proteins produced by the immune system to identify and destroy foreign matter and pathogens.

ANTIGENS
Specific structures to which antibodies bind; their purpose is to stimulate the production of antibodies.

ANTIGENS, TUMOR-ASSOCIATED (TAA)
Antigens in tumor cells or on their surface.

ASET
(Clinical trial to **A**ssess **S**afety and **E**fficacy of a **T**umor Vaccine) is a clinical phase I/II study with therapeutic vaccine MGN1601, open, two-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 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.

CYTOKINES
Signal generating molecules that influence other cells during inflammation or infections.

EMA
Abbreviation for European Medicines Agency.

ENANDIM TECHNOLOGY
EnanDIM® (**E**nantiomeric, **D**NA-based, Immuno**M**odulator) is an innovative DNA-based TLR9 agonist developed by MOLOGEN that powerfully and comprehensively activates the immune system.

EVENT
An occurrence of relevance in patients or test subjects in the context of a clinical study investigating a particular drug. For instance a death in a study with an overall survival 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.

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.

IMPACT
IMPACT (**I**mmunomodulatory **M**GN1703 in **P**atients with **A**dvanced **C**olorectal Carcinoma with Disease Control after Initial First-line **T**herapy) 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 (**I**mmunomodulatory **M**GN1703 in **P**atients with **A**dvanced Co**l**orectal C**a**rcinoma 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 **I**mmunomodulator **M**GN1703 in **P**atients with Extensive Disease Small Cell L**u**ng Cancer after P**l**atinum-Ba**se**d First-Line Therapy" (**IMPULSE** study) has overall survival as the primary endpoint and compares lefitolimod (MGN1703) versus best standard of care.

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.

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.

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.

MONOTHERAPY
Treatment of a disease with one therapy concept.

MOLECULAR MEDICINE
Interface between medicine and biochemistry relating to cellular and genetic research.

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
The length of time that patients entered in a clinical study remain alive.

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.

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.

STANDARD THERAPY
A recognized treatment method that is most commonly applied; its efficacy has been proven through prior therapy studies and clinical experience (see clinical study).

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 (**T**oll-like Receptor 9 **E**nhancement of **A**ntiviral Immunity in **C**hronic **H**IV 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.

TNF ALPHA
Tumor Necrosis Factor Alpha is a cell signaling substance of the immune system which, among other effects, can induce cell death.

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.

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 2016

MARCH 22, 2016
ANNUAL FINANCIAL STATEMENT
AND ANNUAL REPORT 2015

MAY 12, 2016
QUARTERLY STATEMENT
AS OF MARCH 3, 2016

MAY 31, 2016
ANNUAL GENERAL MEETING

AUGUST 11, 2016
HALF-YEAR REPORT
AS OF JUNE 30, 2016

NOVEMBER 07, 2016
QUARTERLY STATEMENT
AS OF SEPTEMBER 30, 2016

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Plainpicture, Thinkstock

This annual report is available on www.mologen.com

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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