

CORPORATE GOVERNANCE REPORT

(with disclosures pursuant to Secs. 289f and 315d of the German Commercial Code)

The Management Board and Supervisory Board of Expedeon AG are committed to responsible corporate management and control of the Company that is geared towards a sustained increase in shareholder value. The key factors that will enable us to achieve this goal are the long-term corporate strategy, a sound financial policy, compliance with legal and ethical principles as well as transparency in corporate communications.

Corporate Governance covers the entire system of management and monitoring of a company, including its organisation, its commercial principles and guidelines as well as the system of internal and external control and supervisory mechanisms. The German Corporate Governance Code ("Code" or "GCGC") was introduced to increase confidence in the corporate management of German listed companies. The aim of the Code is to make the rules applying to corporate management and governance in Germany more transparent for both national and international investors.

IMPLEMENTATION OF THE RECOMMENDATIONS OF THE GERMAN CORPORATE GOVERNANCE CODE AND DECLARATION OF COMPLIANCE

The sustained increase in shareholder value and the vast majority of the provisions, recommendations and suggestions for responsible corporate governance included in the Code have been an active element of our day-to-day business for years.

On 12 April 2019, the Management Board and Supervisory Board of Expedeon AG issued the following declaration of compliance with the German Corporate Governance Code in accordance with Sec. 161 AktG ["Aktengesetz": German Stock Corporation Act] which is also published on the Company's website.

"The Executive Board and the Supervisory Board of Expedeon AG hereby declare that, Expedeon AG has complied and continues to comply with the recommendations set forth by the German Government Commission in the German Corporate Governance Code (hereinafter also "GCGC") in the version of 7 February 2017 since the submittal of the last declaration of compliance on 23 April 2018, in each case with the exceptions set forth below.

- Item 5.4.1 (2) Sentence 1 GCGC: The Supervisory Board has specified concrete objectives regarding its composition, however, neither an age limit nor a regular limit of length of membership. The Supervisory Board is convinced that such limits are not adequate in times of prolonged working lives and shortage of skilled and experienced candidates for such positions and would thus unduly limit the selection of eligible Supervisory Board members. The Supervisory Board will discuss the introduction of an age limit and a regular limit of length of membership in due course.

- Item 7.1.2 Sentence 3 GCGC: The Consolidated Financial Statements for the fiscal year 2017 have been published on 30 April 2018. The Consolidated Financial Statements for the fiscal year 2018 are planned to be published on 30 April 2019. Thus, for the fiscal year 2017, the Company has not complied and will not comply for the fiscal year 2018 with the recommendation of Item 7.1.2 Sentence 3 to publish the Consolidated Financial Statements within 90 days of the end of the financial year. In both cases, the exceeding of the period is owed to challenges in ensuring timely year end reporting and auditing for newly acquired entities. The Company aims to meet such deadline from 2020 onwards.

Heidelberg, 12 April 2019

The Management Board

The Supervisory Board

Expedeon provides detailed information on Corporate Governance on the Company's website at <https://investors.expedeon.com/> under *Corporate Governance*. This is also, where the current declaration of compliance and earlier versions of the declaration of compliance in accordance with Item 3.10 of the Code and the Expedeon Code of Ethics can be viewed and are available for download.

COMPLIANCE

An integral element of the Expedeon corporate culture is its adherence to national and international legal and ethical principles in business transactions. These include principles of professional conduct, honesty and integrity in its dealings with our customers, suppliers, partners, competent authorities, employees, shareholders and the general public. With the Code of Ethics, which was introduced throughout the Company in 2003, we ensure that our employees are aware of and observe the relevant national and international rules of conduct within the Company and in their relationships with external partners and the general public. The Code of Ethics implemented by the Management Board is also the reason for having a group-wide reporting system in place for the centralised collection of possible violations of the provisions contained in the Code of Ethics. Each employee is called upon to ensure, by observing the laws and also the principles and rules of the Code of Ethics, that Expedeon is perceived as a reliable partner of integrity. The Code of Ethics is also published on the Company's website under *Investor Relations/Corporate Governance*.

As a matter of principle, compliance at Expedeon is regarded as the task of the management at all decision-making levels. In addition to monitoring the observance of the applicable legal regulations and requirements of the Expedeon compliance rules, the Company's Compliance Officer examines facts for their ad-hoc relevance in order to ensure that any potential inside information is handled in accordance with the law. All relevant persons who are employed or engaged by the Company and have authorised

access to inside information are also included in an insider register and informed of the duties arising from the laws governing inside information. In addition, the Company's Compliance Officer supports the development and implementation of procedures designed to ensure that our ethical standards are met and any applicable international and national legal regulations are observed.

ANNUAL GENERAL MEETING

The shareholders exercise their rights in the Annual General Meeting, where they also exercise their voting rights. Each ordinary Expedeon AG bearer share carries one vote.

Our Annual General Meeting was held on 5 July 2018, where around 38.16% of the Company's voting share capital was represented. The shareholders have approved all agenda items proposed by the Management. All shareholders who were unable to attend our Annual General Meeting had the opportunity to download the presentation of the CEO and all documents and information relating to the Annual General Meeting from our website at <https://investors.expedeon.com/> under *Events/Annual General Meeting*. Expedeon also provided assistance to its shareholders in issuing powers of representation and supported them, in accordance with the recommendation in the German Corporate Governance Code, in appointing a proxy to exercise their voting rights in accordance with the shareholder's instructions. This opportunity was also available during the Annual General Meeting itself. It was possible to issue instructions to these proxies on the exercise of voting rights before and during the Annual General Meeting until the end of the voting.

WORKINGS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD - DUAL MANAGEMENT AND CONTROL SYSTEM

The strict segregation of the Company's management and control structure prescribed and defined by the AktG, the Company's memorandum and articles of association and its rules of procedure is reflected in the clearly defined separation of Management Board and Supervisory Board responsibilities. The two boards work closely for the benefit of the Company; their common aim is to secure long-term and sustainable growth prospects for the shareholders. As well as coordinating with each other to define the Company's strategic alignment, this also involves making joint decisions on material transactions. In addition, there is the Annual General Meeting as the decision-making body of the shareholders.

Management Board

From 1 January 2018 until 31 December 2018, the Management Board consisted of two persons, Dr Heikki Lanckriet as CEO/CSO and Mr David Roth as CFO. The Management Board is responsible for managing the Company and conducting its business. The Management Board develops the strategic alignment, which it subsequently coordinates with the Supervisory Board and ensures its implementation. Its actions and decisions are taken in the Company's best interests.

In addition to the applicable legal provisions, the Management Board rules of procedure approved by the Company's Supervisory Board and the plan for the allocation of duties (for the case that at least two members of the Management Board exist) determine the areas of responsibility of the Management Board members, the detailed work carried out by the Management Board and matters reserved for the Management Board as a whole. For important business transactions, the memorandum and articles of association and the Management Board bylaws assign rights of veto to the Supervisory Board. The Management Board members also act as managing directors for other group companies. They are not engaged in activities for any other supervisory boards or comparable control bodies of other companies.

Supervisory Board

From 1 January 2018 until 31 December 2018, the Supervisory Board of Expedeon AG consisted of six persons as stipulated by the articles of association. The Supervisory Board appoints, monitors and advises the Management Board on the management of the Company and is immediately involved in any decisions of fundamental significance for the Company. All members of the Supervisory Board were elected by the Annual General Meeting on 7 July 2017.

In the interest of the Company, proposals for the election of Supervisory Board members are prepared with a focus on the knowledge, abilities and technical experience required to perform the duties. In addition, efforts are also made to consider diversity in the composition of the Company's Supervisory Board.

The term of office of the members of the Supervisory Board ends at the close of the Company's Annual General Meeting which resolves on the exoneration in respect of the fourth financial year following the beginning of the term of office, not counting the financial year in which the term of office begins. The Supervisory Board believes that it has a sufficient number of independent members. Details of the election, constitution and term of office of the Supervisory Board, of its meetings and resolutions, in addition to its rights and obligations are laid down in the memorandum and articles of association of Expedeon AG, which are available for download on our website at <https://investors.expedeon.com/> under *Corporate Governance*.

In accordance with Item 5.1.3. of the German Corporate Governance Code, the Supervisory Board established separate rules of procedure for itself and the Audit Committee. The Chairwoman of the Supervisory Board is responsible for coordinating its activities, convening and chairing its meetings, and representing its interests externally. In the event of the absence of the chairperson, the duties will be exercised by the deputy, and, in the absence of the deputy, by the oldest (by age) member of the Supervisory Board elected by the Annual General Meeting. The Supervisory Board is required to meet once every calendar quarter and must hold two meetings every calendar half-year. The Supervisory Board passes resolutions with a majority of the votes cast, unless otherwise provided for by the law or in the Company's memorandum and articles of association. In the event of a tied vote, each member of the Supervisory Board has the right to demand that a fresh vote be taken on the same matter. In the event of a tied vote again, the chairperson has the casting vote.

Regular dialogue with the Management Board ensures that the Supervisory Board is informed about the development of business, financial situation, corporate planning and strategy at all times. It also deals in particular with the annual financial statements of the Company and the Group, taking into consideration the reports of the external auditors. The report of the Supervisory Board, which is included in this annual report, provides information on the key activities of the Supervisory Board and its committees in the financial year 2018.

Supervisory Board committees

Another integral part of the Supervisory Board's activities is the work performed in the committees, which are set up in accordance with the provisions of the AktG, the recommendations of the Code and the Company's needs. The Supervisory Board of Expeleon AG has set up two permanent committees from among its members: The Audit Committee and the Nomination and Remuneration Committee, each composed of three members.

The members of the committees are elected with a majority of the votes cast by the Supervisory Board members. The committees hold meetings as required. The meetings are convened by the relevant committee chair, who forwards the minutes of the meetings to the members of the Supervisory Board and reports on the work of the committee in the next plenary meeting.

Composition of Supervisory Board committees:

	Term of office ends	Audit Committee	Nomination and remuneration
Dr. Cristina Garmendia, Chairwoman	4 April 2019 ¹		
Dr. Joseph M. Fernández deputy Chairman	AGM 2022		X (Chair)
Trevor Jarman	AGM 2022		X
Tim McCarthy	AGM 2022	X	
Peter Llewellyn-Davies	AGM 2022	X (Chair)	X
Pilar de la Huerta	AGM 2022	X	

The tasks of the Audit Committee include preparing decisions to be taken by the Supervisory Board on the approval of the annual financial statements and consolidated financial statements and the Supervisory Board's proposal to the Annual General Meeting for the election of the external auditors. It is also required to discuss and examine the quarterly and half-year reports with the Management Board prior to their publication and to specify the individual areas of audit focus with the external auditors after awarding the audit engagement (including the fee agreement) and agreeing on the auditors' reporting duties to the Supervisory Board. Furthermore, it deals in particular with the examination of the risk management and control systems, compliance issues and the required independence of the external auditor. The Audit Committee's Chairman Mr. Peter

¹ Dr. Cristina Garmendia has resigned as member of the Supervisory Board with effect as of 4 April 2019.

Llewellyn-Davies possesses the qualifications required under the AktG and complies with the provisions of Item 5.3.2 of the German Corporate Governance Code. During 2018 the Nomination and Remuneration Committee had 2 meetings.

Efficiency review of the Supervisory Board

In accordance with Item 5.6 GCGC, the Supervisory Board of Expedeon AG regularly reviews the efficiency of its activities in the form of an open discussion in the plenary sessions. Individual aspects of these reviews include the sequence and structure of the meetings and resolutions, the scope of proposals and the supply of information by the Management Board, in addition to the work performed by the committees in preparation for any decisions to be taken by the Supervisory Board. The reviews revealed that the Supervisory Board is efficiently organised, including in its new composition, and that cooperation between the Supervisory Board and the Management Board is effective.

AVOIDANCE OF CONFLICTS OF INTERESTS

The Management Board and Supervisory Board of Expedeon AG are committed to the interests of the Company. In performing their duties, they pursue neither personal interests nor do they grant other persons unjustified advantages. Secondary activities or business relations of members of the two boards with the Company are to be disclosed to the Supervisory Board immediately and require the Supervisory Board's approval. The Supervisory Board reports to the Annual General Meeting on any conflict of interests and how they have been treated.

No conflict of interests involving members of the Management Board or the Supervisory Board arose in the reporting period that required immediate disclosure to the Supervisory Board. Possible conflicts of interests involving the Management Board and Supervisory Board members were discussed in depth by the Supervisory Board and appropriate action was taken to prevent them from arising.

Since 25 February 2015 Science & Innovation Link Office, S.L. (SILO), Madrid, Spain, provided consulting services for project support to Expedeon, S.L.U., Madrid, Spain. The member of the Supervisory Board of Expedeon Mrs. Dr. Cristina Garmendia is principal shareholder of Science & Innovation Link Office, S.L. (SILO), Madrid, Spain. For these consulting services, Expedeon, S.L.U., Madrid, Spain, paid in 2018 the amount of €27.510 to Science & Innovation Link Office, S.L. (SILO), Madrid, Spain.

Due to a public soft loans Expedeon S.L.U. receives from Spanish institutions for its R&D activities in Spain, Dr. Heikki Lanckriet pledged 400,000 shares of his interest in EXPDEPEON AG to secure this loan. According to the agreement on the payment of a share pledge fee between Expedeon and Dr Heikki Lanckriet, it was agreed that Expedeon has to compensate Dr Heikki Lanckriet, for creating this pledge as a security for Expedeon's fulfilment of its obligation arising from the public loan received from the Spanish institution by paying a so called share pledge fee. This fee is €10,000 annually. The pledged shares shall be released from the pledge once a corporate transaction takes place (e.g. share or asset deal of Expedeon AG to a third party) or if Expedeon Group is

deemed to be cash positive under the conditions according to the agreement on the payment of a share pledge fee to Dr Heikki Lanckriet, and Expedeon.

The mandates of the Supervisory Board members on supervisory boards or comparable supervisory bodies of other companies are indicated in the notes to the consolidated financial statements included in this annual report.

OPEN AND TRANSPARENT CORPORATE COMMUNICATION

Expedeon meets all recommendations applicable to the Company that are included in Item 6 of the German Corporate Governance Code. In the interest of ensuring the greatest possible degree of transparency, our corporate communications strategy is designed to keep the general public informed and up to date on the Company's activities and thus confirm and strengthen confidence in us. The Company rigorously applies the principle that no shareholder may receive privileged information. To ensure that all market participants are provided with the same information at the same time, we make all press releases, ad-hoc messages and key documents available on our website <https://investors.expedeon.com/> under *News*.

In addition, all shareholders and interested parties can subscribe to our electronic mailing list to receive notification of the Company's press releases. In addition, when important corporate news has been released, the Company's investor relations department is immediately available to provide further information and answer any questions. Furthermore, our financial calendar contains the publication dates of regular financial reports and the date of the next Annual General Meeting.

RISK MANAGEMENT

Dealing with all risks responsibly and appropriately is a key element of good corporate governance in our opinion. Expedeon has a risk management system in place which is structured to ensure periodic monitoring, enabling the Management Board to identify and assess risks and the trends associated with them at an early stage and to respond immediately to relevant changes in the risk profile in an appropriate manner. The Management Board keeps the Supervisory Board up to date on existing risks and their development. The risk management system is developed on a rolling basis to reflect changing circumstances and conditions and is discussed by the Audit Committee in connection with the quarterly reports and the audit of the annual financial statements. The group management report contains further details in the opportunities and risks report.

ACCOUNTING AND AUDITING OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the Expedeon Group for the financial year 2018 were prepared in accordance with the International Financial Reporting Standards (IFRSs), applying Sec. 315a HGB. The annual financial statements of Expedeon AG were prepared in accordance with the provisions of the HGB.

The Audit Committee awarded the audit engagement to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, in accordance with the resolution of the Annual General Meeting on 5 July 2018. The external auditors issued a declaration of independence to the Audit Committee before the engagement was awarded.

DETERMINATIONS PURSUANT TO SECS. 76 AND 111 AKTG

Pursuant to Sec.76 para. 4 and Sec. 111 para. 5 AktG, the Supervisory Board and the Management Board of Expedeon AG have passed resolutions stipulating the targets for the proportion of females in management positions and the end dates for the fulfilment of these targets.

Target for Management Board

In 2015, the Supervisory Board of Expedeon AG adopted the target of 100 % for the proportion of female members of the Management Board to be achieved by the end of 2017. Throughout the financial year 2018 the proportion of female members of the Management Board was 0%. Thus, the target has not been fulfilled throughout the reporting period due to management changes effected in 2017.

In April 2019, the Supervisory Board of Expedeon AG adopted a new target of 30% for the proportion of female members of the Management Board to be achieved by 31 March 2024.

Target for Supervisory Board

In 2015, the Supervisory Board of Expedeon AG further adopted the target of 33 % for the proportion of female members of the Supervisory Board to be achieved by the end of 2017. Throughout the financial year 2018 the proportion of female members of the Management Board was 33%. Thus, the target has been met throughout the reporting period.

In April 2019, the Supervisory Board of Expedeon AG reconfirmed the target of 33% for the proportion of female members of the Supervisory Board for the period until 31 March 2024.

Target for First and Second Management Level below Management Board

In 1.1.2019, the Management Board of Expedeon AG adopted the target of 40% for the proportion of female executives on the first management level below the Management Board and the target of 40% for the proportion of female executives on the 2nd level below the Management Board to be achieved by 01.01.2019.

REMUNERATION REPORT

According to Item 4.2.5 of the German Corporate Governance Code, the remuneration report should be included in the corporate governance report. However, Sec. 315 (2) No. 4

HGB requires a section on remuneration in the management report. In order to meet both requirements, a separate section entitled "Remuneration report" is included in the management report, providing details of Management Board members' remuneration broken down by fixed and variable components as well as other benefits. Some details of Supervisory Board remuneration are also given. This dedicated section on remuneration in the management report is also a component of this corporate governance report.