

B. Additional documents relating to the Annual General Meeting

1. **Written report of the Executive Board on agenda item 5 explaining the rationale for the exclusion of shareholder subscription rights in accordance with sec. 203 para. 2 sentence 2 and sec. 186 para. 4 sentence 2 of the Stock Corporation Act**

Because the existing Approved Capital 2019 has been utilized in its entirety, a resolution is being proposed to establish a new Approved Capital 2022, under which the authorization granted to the Executive Board would include the authority, subject to the approval of the Supervisory Board, to fully or partly exclude the general statutory subscription rights of shareholders in certain cases.

The Approved Capital 2019 was established by resolution of the Annual General Meeting on June 27, 2019. With the entry of this Approved Capital 2019 into force on July 9, 2019, the Executive Board was legally authorized, subject to the approval of the Supervisory Board, to increase the Company's registered capital one or more times at any time until June 26, 2024, and by no more than a total of € 5,000,000.00, through the issuance of up to 5,000,000 new no-par-value common bearer shares (the Approved Capital 2019). This authorization has now been fully utilized.

The purpose of the new Approved Capital 2022 is to ensure sufficient flexibility in the financing of the Company's future growth. The authorization is to be granted for the legally permissible maximum of five years, with the total amount corresponding to up to 50 percent of the Company's outstanding and additionally approved share capital in effect at the time the resolution is passed. To provide the greatest possible financial flexibility to the Company, it is proposed to fully exhaust the statutory maximum framework for shareholder authorization of approved capital. Adequacy of current and future equity capitalization is essential to the business development of Formycon AG and to its continued growth and

thus has a significant influence on the Company's future prospects and on its ability to execute its business strategy, in particular the continuing development of its product candidates.

The Company's existing shareholders should generally, as a matter of principle and of law, be granted subscription rights, which may be indirect subscription rights as provided by sec. 186 para. 5 of the Stock Corporation Act. Notwithstanding this general principle, it is proposed that the Executive Board be authorized, subject to the approval of the Supervisory Board, to fully or partly exclude the general statutory subscription rights of shareholders in the following specific cases:

(i) Exclusion of subscription rights for fractional shares

Even where shareholders generally enjoy subscription rights to new shares arising from a capital increase, the Executive Board should be authorized, subject to the approval of the Supervisory Board, to exclude such subscription rights for any fractional shares. The possibility of such exclusion for fractional amounts serves to facilitate a subscription ratio without excessive technical complication. Any shares excluded from shareholder subscription rights thereby are utilized to the best advantage of the Company, either through sale on the stock exchange or in some other way. Because of the limited fractional shares, any possible dilutive effect is small.

(ii) Exclusion of subscription rights in case of non-cash capital increases

The Executive Board should be authorized, subject to the approval of the Supervisory Board, to exclude shareholder subscription rights in the case of capital increases against non-cash contributions, in particular for the issuance and granting of new shares as consideration for the acquisition of companies, parts of companies, equity interests in companies, or other assets or rights. Where such opportunities arise, it is increasingly important to be able to offer shares in the acquiring company as consideration rather than cash. Particularly attractive acquisition targets may, in some cases, only be attainable by offering shares of the acquiring company. Moreover, the ability to offer shares for the acquisition of larger target companies enables the acquiring company to conserve liquidity. The proposed Approved Capital 2022 provides the Company with the flexibility it needs to take advantage of such

acquisition or investment opportunities as they may arise, in particular through merger with or acquisition of another company, or through the acquisition of a portion thereof or an investment participation therein, or for the acquisition of other kinds of non-cash contributions, including this same form of consideration. Such situations necessarily require the ability to exclude preemptive shareholder subscription rights, for which authorization is specifically proposed hereunder. Should subscription rights be granted in such cases, the contemplated acquisition of companies, parts of companies, equity interests in companies, or other assets or rights against the granting of new shares would in many cases not be possible, and the associated advantages to the Company might not be achievable. There are currently no concrete plans to exercise this authorization. Should specific opportunities arise to merge with another company, to acquire a company or portion thereof or an investment participation therein, or to acquire other kinds of assets or rights as non-cash contributions, the Executive Board shall carefully examine whether it should make use of the possibility of a non-cash capital increase under exclusion of subscription rights and shall only do so if it is convinced that the merger with or acquisition of another company, or acquisition of a portion thereof or investment participation therein, or acquisition of other kinds of assets or rights as non-cash contributions against the granting of new shares in the company is in the Company's well-understood interest. The Supervisory Board shall only grant the required approval if it is of the same opinion. The Executive Board shall report on the details of any use of this authorization to exclude subscription rights at the Annual General Meeting that follows any merger or acquisition effected through the granting of shares in the Company.

(iii) Exclusion of subscription rights in case of cash capital increases of up to 10%

The Executive Board should also be authorized, subject to the approval of the Supervisory Board, to exclude the preemptive subscription rights of shareholders provided, firstly, that the issuance price of the new shares is not significantly lower than the market price of the existing shares at the time the new issue price is conclusively determined and, secondly, that the total shares under exclusion of subscription rights pursuant to sec. 186 para. 3 sentence 4 of the Stock Corporation Act do not

exceed 10% of the Company's total share capital, neither at the time such authorization enters into effect nor at the time it is exercised. The calculation of this 10% limit must include (a) any shares which are issued or sold during the term of this authorization under an exclusion of subscription rights through the direct application of, and in accordance with, sec. 186 para. 3 sentence 4 of the Stock Corporation Act, and/or (b) any shares issued, or which may be issued, to fulfill the Company's obligations arising from the exercise of warrants and/or conversion rights, or other stock option rights or obligations, arising from bonds or profit participation rights, provided that these financial instruments have been issued subsequent to the entry into force of this authorization and under exclusion of subscription rights pursuant to sec. 186 para. 3 sentence 4 of the Stock Corporation Act. The legal basis for this exclusion of subscription rights is sec. 203 paragraphs 1 and 2 of the Stock Corporation Act in conjunction with sec. 186 para. 3 sentence 4 thereof. Any such discount to the relevant stock exchange price is, in fact, unlikely to exceed three percent but may not in any case exceed five percent. This possibility to exclude subscription rights serves the Company's interests by helping to achieve the best possible price when issuing new shares. This puts the Company in a position to quickly, flexibly and cost effectively take advantage of opportunities as they arise depending on prevailing equity market conditions. The issuance price that can thereby be achieved by setting a price close to the current market price generally leads to a significantly higher inflow of funds per new share than in the case of a share placement through subscription rights. By dispensing with the time-consuming and costly process of new share issuance through the subscription rights process, equity capital requirements can be quickly and efficiently met by taking advantage of short-term market opportunities. Sec. 186 para. 2 sentence 2 of the Stock Corporation Act permits the subscription price to be published no later than three days before the end of the subscription period. In view of the inherent volatility of equity markets, the subscription process thus entails market risk, namely the risk of a market price change over these several days, which generally necessitates a discount to market as a safety margin when determining the selling price and thus a subscription price which is below the market price. In addition, when issuing new shares under subscription rights, the Company cannot react quickly and flexibly to favorable market conditions due to the required

length of the subscription period. The clause for additional inclusions in the calculation of the 10% limit, which provides for a corresponding reduction in availability under the shareholder authorization to exclude subscription rights in the event of other measures taken under exclusion of subscription rights in direct, corresponding or analogous application of sec. 186 para. 3 sentence 4 of the Stock Corporation Act, is intended to ensure full compliance with the letter and spirit of sec. 186 para. 3 sentence 4 of the Stock Corporation Act by taking into account all other such authorizations under exclusion of subscription rights pursuant to sec. 186 para. 3 sentence 4 of the Stock Corporation Act. For the reasons stated above, the proposed authorization to exclude subscription rights is in the interests of the Company and its shareholders. Because the issuance price for the new shares must be closely aligned to the current market price, and because the scope of such exclusion of subscription rights under the authorization is strictly limited, the interests of shareholders are adequately protected. In any case, existing shareholder have the possibility of maintaining their percentage shareholdings through the purchase of additional shares on the stock exchange and thus are not put at any significant economic disadvantage.

(iv) Exclusion of subscription rights for capital increases to grant shares to holders of warrants and/or bond conversion rights

The Executive Board should be further authorized, subject to the approval of the Supervisory Board, to exclude shareholder subscription rights to the extent necessary to grant sufficient shares to holders of bonds or profit participation rights with warrants and/or conversion rights, or involving other stock option rights or obligations, and issued by the Company or by a direct or indirect subsidiary thereof, to the extent that they would be entitled as shareholders upon exercise of the relevant option or conversion right or fulfillment of option or conversion obligation, or following any right to offer substitute consideration through newly issued shares which the Company may have. Convertible bonds and bonds with attached warrants are generally provided with such protection against dilution to make them easier to place on the capital markets. Other common protections against dilution in such cases may include monetary compensation or alternatively a reduction in the option exercise price or conversion price (or similarly,

adjustment in the conversion ratio). It is, however, more usual for the terms and conditions of convertible bonds and of bonds with attached warrants to provide that, particularly in the case of a capital increase with the granting of subscription rights to shareholders, the holders of such instruments with conversion or option rights (or conversion or option obligations) be granted share subscription rights along with shareholders as protection against dilution rather than the aforementioned alternative mechanisms. If the Executive Board makes use of this option, the holders of such convertible bonds or bonds with attached warrants are treated as if they had already exercised their conversion or option rights or had already fulfilled their conversion or option obligations. This mechanism has the advantage that the Company – in contrast to protection against dilution through reduction of the conversion or option exercise price or through reduction of the exchange ratio – can achieve a higher effective issuance price for the shares to be issued upon conversion or upon exercise of warrants and, moreover, avoids the need to pay monetary compensation. In order to achieve these desirable effects, an exclusion of preemptive subscription rights is necessary.

(v) Exclusion of subscription rights for granting of scrip dividends

In the case of scrip dividends (dividends paid as shares in lieu of cash) whereby the shares thereunder are newly issued from the Approved Capital 2022, shareholders are offered the option of contributing their dividend entitlement (in whole or in part) to the Company as a contribution in kind against the granting of new shares from the Company's approved capital. Compared to the payment of scrip dividends using previously acquired treasury shares, the payment of scrip dividend through the issuance of new shares from approved capital conserves liquidity.

While it is generally possible to carry out a scrip dividend as an offer addressed to all shareholders under observance of statutory subscription rights, shareholders are, in practice, generally only offered whole shares for subscription, so that a cash dividend is necessarily paid on any remaining fractional amount. There is generally no offer of fractional rights, and no trading in such fractional entitlements, because the shareholder would in this case simply receive a *pro rata* cash dividend

rather than an offer of shares newly issued from approved capital or of treasury shares.

When offering a scrip dividend through the issuance of new shares from approved capital, it may, depending on the situation on the capital markets, be preferable to structure the scrip dividend in such a way that the Executive Board offers shares to all shareholders who are entitled to dividends under the general principle of equal treatment of shareholders (per sec. 53a of the Stock Corporation Act) as a subscription against the assignment of their dividend entitlement and thus economically granting shareholders a subscription right but legally excluding the preemptive subscription rights of shareholders to the new shares. Such an exclusion of preemptive subscription rights enables the scrip dividend to be implemented with more flexible conditions. Because all shareholders are offered such shares against their dividend entitlements, and because any remaining dividend amounts are in any case paid in cash, an exclusion of preemptive subscription rights appears in this case to be justified and appropriate.

As to the determination of the share issuance price, the Executive Board and the Supervisory Board will take into account the prevailing market conditions and the current market price of the shares and will act in the best interests of the Company. Having weighed all of the above considerations, the Executive Board and Supervisory Board consider the proposed authorization to exclude subscription rights, particularly in the cases described and for the reasons given, to be objectively justified and to be appropriate from the standpoint of Company shareholders, also taking into account any dilutive effect that could arise to the detriment of shareholders through exercise of such authorization. The Executive Board will report to the Annual General Meeting on every utilization of approved capital.

This report of the Executive Board on the rationale for its proposed exclusion of certain subscription rights is in accordance with sec. 203 para. 2 sentence 2 and sec. 186 para. 4 sentence 2 of the Stock Corporation Act. The Executive Board shall report on the details of any and every use of Approved Capital 2022 at the next Annual General Meeting.