

CONVENIENCE TRANSLATION

(The text decisive is the one written in German language.)

REMUNERATION REPORT OF HEIDELBERG PHARMA AG

for the fiscal year from 1 December 2021 to 30 November 2022 (2022 fiscal year) compared with the fiscal year from 1 December 2020 to 30 November 2021 (2021 fiscal year)

This remuneration report details the remuneration granted and owed to individual members of the Executive Management Board and Supervisory Board of Heidelberg Pharma AG in the 2022 fiscal year. The remuneration report meets the regulatory requirements of Section 162 of the German Stock Corporation Act (AktG).

The remuneration report below summarizes the principles used to determine the total remuneration of the Executive Management Board of Heidelberg Pharma AG and explains the structure as well as the remuneration received by the Executive Management Board members. The principles and the amount of remuneration received by the members of the Supervisory Board are also described.

There were no changes to the composition of the Executive Management Board in the 2022 fiscal year. On 28 June 2022, Dr. Dongzhou Jeffery Liu and Dr. Brady Xumin Zhao were appointed to the Supervisory Board by the Annual General Meeting (initially subject to the completion of the capital increase by Huadong).

1 REMUNERATION FOR MEMBERS OF THE EXECUTIVE MANAGEMENT BOARD

1.1 Overview of the remuneration system for members of the Executive Management Board

Setting the remuneration of the members of the Heidelberg Pharma AG Executive Management Board falls under the purview of a plenary meeting of the Supervisory Board and is reviewed on a regular basis in compliance with the stipulations in Section 87 and 87a of the Stock Corporation Act as well as the recommendations of the German Corporate Governance Code. At the Annual General Meeting held on 28 June 2022, the Executive Management Board and the Supervisory Board presented in item no. 12 of the agenda the current remuneration system of the members of the Executive Management Board, which was approved in accordance with Section 120a (1) of the German Stock Corporation Act.

The remuneration system for the Executive Management Board is taken into account by the Company when concluding and extending directors' contracts. The Supervisory Board takes into account the following principles when designing the remuneration system and the amount and structure of the remuneration of the Executive Management Board:

- On the whole, the remuneration of the members of the Executive Management Board contributes significantly to achieving long-term corporate development and to furthering the Company's business strategy.

- The remuneration of the members of the Executive Management Board ensures that special accomplishments are rewarded appropriately, and that failure to meet targets results in a noticeable reduction in remuneration.
- Both the amount and the structure of the remuneration of the members of the Executive Management Board conform to industry standards and take into account the size, complexity and financial position of the Company.
- The remuneration takes into consideration the respective sphere of responsibility of each Executive Management Board member, the personal accomplishments of the individual members, and the achievements of the Executive Management Board as a whole.

1.2 Components of remuneration for members of the Executive Management Board

Remuneration for members of the Executive Management Board consists of non-performance-related and performance-related components. The non-performance-related components include the annual fixed salary as well as benefits such as company cars and a pension. The performance-related remuneration components comprise short-term variable remuneration (variable annual bonus) and long-term variable remuneration (stock options).

By combining non-performance-related and performance-related components of remuneration, the Company creates an attractive incentive for existing and potential Executive Management Board members to contribute to sustained and long-term corporate development. Variable remuneration components are the essential material incentive to pursue the Company's business policy objectives. They function as motivator and reward for specific actions, for operational achievements, for a strategic direction that promotes the long-term development of the Company, and for conduct rooted in a sense of responsibility.

Overview of the remuneration components:

Remuneration component	Assessment basis
Non-performance-related remuneration	
Fixed annual salary (fixed salary)	Fixed annual salary is paid in monthly installments
Fringe benefits	e.g. company car, pension
Performance-related remuneration	
Short-term variable remuneration	Variable annual bonus
Long-term variable remuneration	Stock options

1.3 Non-performance-related remuneration

Every Executive Management Board member receives non-performance-related, fixed remuneration. The fixed annual salary is determined for the term of the director's contract and paid in equal amounts over twelve months.

The amount of the fixed remuneration is determined based on the principles set out above. Remuneration takes into account the financial position of Heidelberg Pharma AG and the level of remuneration paid by competitors.

In addition to the base salary, members of the Executive Management Board are granted the following fringe benefits:

- Provision of a company car or BahnCard 100 for 1st class travel, up to a maximum amount (for the company car lease installment) of EUR 1,000/month
- Purchase of an accident insurance policy (death benefit EUR 100,000, disability benefit EUR 500,000, and payment of the insurance premiums in this regard)
- Contribution to health insurance and long-term care insurance: The amount of the individual contributions equates to half of the premiums paid by the Executive Management Board member, however no higher than that maximum amount legally owed for the employer's portion of the health and long-term care insurance taking into consideration the applicable thresholds and caps for contribution calculations
- Purchase of a D&O insurance policy with a deductible corresponding to the minimum stipulated by law
- Payment of an amount of no more than EUR 14,000 per year as retirement benefits
- Reimbursement of business travel expenses

In addition to his fixed remuneration of €285 thousand, Dr. Schmidt-Brand receives the following non-cash benefits: Under the director's contract, Heidelberg Pharma Research GmbH makes payments into a defined-contribution, reinsured pension plan. In 2022, this payment amounted to €11 thousand (previous year: €11 thousand). As in the previous year, €3 thousand were paid into a pension fund.

No non-cash benefits within the context of a pension were granted to Professor Pahl in the fiscal year ended in addition to his fixed remuneration of €240 thousand.

In addition, company cars were made available to both members of the Executive Management Board for the entire fiscal year. The value of this non-cash benefit in 2022 was €8 thousand for Dr. Schmidt-Brand (previous year: €8 thousand) and €13 thousand (previous year: €13 thousand) for Professor Pahl.

No further benefit obligations exist towards the members of the Executive Management Board.

1.4 Performance-related remuneration

In addition to non-performance-related remuneration, the members of the Executive Management Board are entitled to performance-related remuneration. This remuneration is contingent upon the achievement of personal targets and Heidelberg Pharma's performance targets. The performance-related remuneration of the members of the Company's Executive Management Board is primarily tied to long-term, sustainable and financial corporate goals of Heidelberg Pharma and refers to the achievement of milestones that are defined at the beginning of each fiscal year. The relationship between the achievement of targets and the variable remuneration is set in advance and may not be changed at a later date. The degree of target achievement and the associated amount of variable remuneration are assessed and determined by the Supervisory Board.

Short-term variable remuneration for the 2021 and 2022 fiscal years

The Supervisory Board sets both annual as well as uniform short-term targets for all Executive Management Board members, and also sets individual short-term targets for each Executive Management Board member. The short-term targets are weighted against one another by the Supervisory Board. As a rule, short-term targets can be achieved on a scale from 0-100%. The achievement of targets is calculated arithmetically, as applicable with a corresponding weighting of the targets (e.g., 4 out of 5 targets reached in their entirety = 80% target achievement). The level of the annual performance-based remuneration is calculated based

on the degree to which targets are achieved relevant to the individual targets while taking into account the weighting assigned to this target.

Individual performance criteria and their weighting for members of the Executive Management Board were defined for the 2021 fiscal year from the following target areas: ATAC product development (weighting: 30%), licensing (weighting: 40%) and financing (weighting: 30%). The initiation of the strategic partnership with Huadong Medicine in autumn 2021, which was finalized in February 2022 and has a value of almost USD 1 billion, was expected to have a knock-on effect on achieving our overall goals for 2021 and was taken into account accordingly when determining the achievement of these targets. As a result, Heidelberg Pharma fully achieved the targets set for it by the Supervisory Board.

2021 fiscal year

Performance criteria	Criteria relevant for assessment	Weighting	Performance corridor	Target achievement*
ATAC product development	Driving forward the HDP-101, HDP-102 and HDP-103 development projects	30%	0% - 100%	100%
Licensing	Signing new ATAC license option agreements or product license agreements as well as research partnership agreements	40%	0% - 100%	100%
Financing	Achieving a financing round with external investors	30%	0% - 100%	100%

* Determined by the Supervisory Board in the 2022 fiscal year

Total target achievement: 100%

Dr. Schmidt Brand received a maximum annual bonus of €103 thousand for 2021, when his bonus was adjusted during the year as part of the extension of his director's contract. Prof. Pahl's maximum bonus amounted to €100 thousand. Dr. Schmidt Brand and Prof. Pahl were also paid their respective maximum bonuses for the 2021 fiscal year of €103 thousand and €100 thousand in 2022.

Executive Management Board member	Bonus cap, 2021	Total target achievement, 2021	Bonus for fiscal year 2021 paid in 2022
Dr. Schmidt-Brand	€103 thsd.*	100%	€103 thsd.
Professor Pahl	€100 thsd.	100%	€100 thsd.

* pro rated due to adjustment of the maximum bonus amount from €100 thousand to €110 thousand during the year.

Individual performance criteria and their weighting for members of the Executive Management Board were defined for the 2022 fiscal year from the following target areas: ATAC product development (weighting: 40%), licensing (weighting: 30%) and financing (weighting: 30%). At the time this remuneration report was prepared, the Supervisory Board had not yet made any decision on the achievement of the defined targets.

2022 fiscal year

Performance criteria	Criteria relevant for assessment	Weighting	Performance corridor	Target achievement*
ATAC product development	Driving forward the HDP-101, HDP-102, HDP-103 and HDP-104 development projects	40%	0% - 100%	n/a
Licensing	Signing new ATAC license option agreements or product license	30%	0% - 100%	n/a

	agreements as well as research partnership agreements			
Financing	Signing the license agreement and concluding the capital increase with Huadong	30%	0% - 100%	n/a

** To be determined by the Supervisory Board in the 2023 fiscal year*

Total target achievement:

n/a

For 2022, Dr. Schmidt-Brand's maximum annual bonus is €110 thousand. As a result, his maximum annual remuneration comprising fixed and variable remuneration amounts to €395 thousand.

Professor Pahl's annual bonus is capped at €100 thousand, as in the previous year. As a result, his maximum annual remuneration comprising fixed and variable remuneration amounts to €340 thousand.

Long-term variable remuneration

Additionally, the Executive Management Board members may receive long-term variable remuneration by way of stock options on the basis of the Company's stock option plan in place at the time they are granted. This does not require any consideration such as a cash payment from the beneficiaries. The objective is to incentivize performance that focuses on achieving stable and long-lasting success for the Company. In this case, the Executive Management Board members receive stock options that are granted either in one tranche or in multiple tranches.

The exercise price is equivalent to the average closing market price over the last 10 trading days prior to the granting of the stock options (grant date). The earliest that the Executive Management Board members can exercise the options is after the end of the vesting period of four years, which starts on the grant date of the respective subscription right. There are two other prerequisites: The average closing market price over the 10 trading days prior to the respective exercise must be 120% of the exercise price (absolute performance target). The reference price must exceed the exercise price by at least the same ratio by which the TecDAX (market index) on the last market trading day prior to the respective exercise period exceeds the TecDAX (market index) on the grant date.

This remuneration component is based on the 2011, 2017 and 2018 Stock Option Plans which were adopted by the respective Annual General Meetings and can be exercised after four years at the earliest.

This holding period and the underlying performance targets provide a long-term incentive to increase the Company's value. No further requirements beyond the holding period need to be met.

The Supervisory Board grants stock options based on the tasks of the respective member of the Management Board, his/her personal performance, the economic situation, the performance and outlook of the enterprise as well as the common level of the remuneration taking into account the peer companies and the remuneration structure.

The Supervisory Board determines both the members of the Executive Management Board to whom stock options are granted as well as the number of stock options to be granted in each case. Existing contractual obligations to members of the Executive Management Board must be taken into consideration where applicable; otherwise, the recipients of stock options are selected and the number of stock options are defined based on legal requirements, the resolution adopted by the Annual General Meeting and at the discretion of the Supervisory Board, taking into account the individual situation of each member of the Executive

Management Board. Individual members of the Executive Management Board have no entitlement to receive stock options. There are currently no specific requirements or defined dates when stock options might be issued.

No new stock options were issued in the 2022 fiscal year.

As of the 30 November 2022 reporting date, the active members of the Executive Management Board held the following options:

Stock option plan	Maximum issuance to Executive Management Board members	Stock options issued		
		Dr. Schmidt-Brand	Professor Pahl	Total
2011	346,924	222,000	90,000	312,000
2017	201,200	100,600	100,600	201,200
2018	298,100	111,525	111,525	223,050
Total	846,224	434,125	302,125	736,250

Overall, the following fixed and variable remuneration components as well as non-cash remuneration and the grant date fair value of pre-emption rights (or the issue of stock options) for Executive Management Board members were recognized as an expense in the 2022 fiscal year: This presentation also includes each remuneration component's relative share of total remuneration, as stipulated by Section 162 (1) sentence 2 no. 1 AktG.

Executive Management Board member	Year	Fixed remuneration		Variable remuneration ¹⁾		Other remuneration (non-cash benefits)		Issue of stock options		Total remuneration ^{1) 2)}
		in €	in % of total	in €	in % of total	in €	in % of total	in €	in % of total	in €
Dr. Jan Schmidt-Brand ²⁾	2022	285,000	73.3%	82,500	21.2%	21,395	5.5%	0	0.0%	388,895
	2021	262,500	55.3%	76,875	16.2%	21,395	4.5%	113,590	23.9%	474,360
Professor Andreas Pahl	2022	240,000	73.1%	75,000	22.8%	13,276	4.1%	0	0.0%	328,276
	2021	240,000	54.3%	75,000	17.0%	13,276	3.0%	113,590	25.7%	441,866

¹⁾ The exact variable remuneration is usually determined and paid in the following fiscal year. The figures shown here for the 2022 fiscal year are based on provisions that were determined on the basis of assumptions and historical data.

²⁾ The remuneration of Dr. Schmidt-Brand refers to his work as Chief Executive Officer and Chief Financial Officer of Heidelberg Pharma AG and as Managing Director of Heidelberg Pharma Research GmbH. A portion of €285 thousand (previous year: €371 thousand) of the total remuneration is attributable to his work as a member of the Executive Management Board of Heidelberg Pharma AG.

The following overview shows the stock options held by members of the Executive Management Board during the year under review and changes in these holdings, as well as the portion of staff costs per beneficiary attributable to these stock options:

Executive Management Board member	30 Nov. 2021	Additions	Expiry / Return	Exercise	30 Nov. 2022
	Number	Number	Number	Number	Number
Dr. Jan Schmidt-Brand	434,125	0	60,000	0	374,125
Professor Andreas Pahl	302,125	0	0	0	302,125
Total	736,250	0	60,000	0	676,250

Executive Management Board member	Expense in the 2022 IFRS statement of comprehensive income in €	Fair value of the options held ¹ in €
Dr. Jan Schmidt-Brand	67,241	606,248
Professor Andreas Pahl	66,074	488,787
Total	133,316	1,095,035

¹ As of the respective issue date.

Since tranche 1 of the 2011 SOP expired without replacement after a ten-year term during the year, no option rights were held by former Executive Board members at the reporting date of November 30, 2022, nor was any expense recognized for them.

The following figures applied to the previous period:

Executive Management Board member	30 Nov. 2020	Additions	Expiry / Return	Exercise	30 Nov. 2021
	Number	Number	Number	Number	Number
Dr. Jan Schmidt-Brand	397,125	37,000	0	0	434,125
Professor Andreas Pahl	265,125	37,000	0	0	302,125
Total	662,250	74,000	0	0	736,250

Executive Management Board member	Expense in the 2021 IFRS statement of comprehensive income in €	Fair value of the options held ¹ in €
Dr. Jan Schmidt-Brand	87,007	734,191
Professor Andreas Pahl	84,788	488,787
Total	171,795	1,222,978

¹ As of the respective issue date.

1.5 Other remuneration arrangements

Penalty and clawback regulations

There is no option to reclaim variable remuneration components (known as penalty and clawback regulations arrangements). As a result, no such reclaims were made.

Maximum remuneration

The remuneration for members of the Executive Management Board is capped. This defined maximum remuneration amount was not exceeded by any members of the Executive Management Board during the period under review.

The maximum remuneration can be achieved if, in addition to payment of the fixed remuneration (fixed annual salary and retirement benefit commitments), the following conditions in relation to the variable remuneration components (short-term bonus and stock options) are met for the fiscal year:

- The Executive Management Board concerned has achieved 100% of their target in terms of short-term variable remuneration.
- The remaining stock options from the 2018 Stock Option Plan are issued to the members of the Executive Management Board.
- One Executive Management Board member receives 100% of the remaining stock options from the 2018 Stock Option Plan, i.e. 75,050 shares).
- The issue price of the stock options roughly corresponds to the current stock market price of the Company's shares, i.e. approximately €4.80.
- The stock market price of the Company's shares increases by 100% during the four-year waiting period.
- All of the various performance targets of the Stock Option Plan have been met and remuneration is not capped under the provisions of the Stock Option Plan.

If the requirements listed above are met, the maximum remuneration for the Executive Board member in question is €781,240 per annum.

Contract termination benefits

In the event of the termination of an Executive Management Board member's service for the Company, there is no contractual entitlement to a settlement.

The Executive Management Board's director's contracts do not contain any special termination rights or any severance benefit entitlements in the event of a change of control.

2 REMUNERATION FOR MEMBERS OF THE SUPERVISORY BOARD

In accordance with the Company's Articles of Association, the members of the Supervisory Board receive a fixed remuneration of €15,000 for each full fiscal year of service on the Supervisory Board. The Chairman of the Supervisory Board receives a fixed remuneration of €35,000 and the Vice Chairmen receive €25,000. Supervisory Board remuneration is paid in four equal installments on the last day of February and on 31 May, 31 August and 30 November of each fiscal year.

Members of a Supervisory Board committee are paid a flat fee of €3,000, while chairpersons of such committees are paid €7,000 per fiscal year and committee. In each case, remuneration is limited to activities on a maximum of two committees. Over and above this individual limit, the maximum amount paid by Heidelberg Pharma AG for committee activities of all Supervisory Board members combined is capped at €54,600 per fiscal year. If this cap is not sufficient to cover all memberships and chairmanships of Supervisory Board committees, it is distributed proportionally among all committee members and chairpersons in line with the above provisions, unless the Supervisory Board unanimously resolves a different regulation.

An additional allowance is paid for attendance at a maximum of six Supervisory Board meetings in each fiscal year. Meeting chairpersons are paid a flat fee of €3,000 and all other members €1,500 each per meeting. Supervisory Board members who attend meetings by telephone or virtually receive only half of the allowance. This allowance must be paid with the Supervisory Board member's fixed remuneration. Members of Supervisory Board committees do not receive an attendance allowance for committee meetings.

The remuneration paid to Supervisory Board members who were not in service for a full fiscal year is pro rated in accordance with the duration of their membership on the Supervisory Board.

The Supervisory Board members do not receive variable remuneration, nor are they granted options or similar rights. Supervisory Board members are not entitled to a settlement if their membership ends.

In the 2022 fiscal year, the members of the Supervisory Board were paid remuneration of €190,175 (previous year: €180,833) plus reimbursement of travel expenses.

The table below shows the individual remuneration.

Supervisory member	Board	Year	Fixed remuneration		Attendance allowance		Committee fee		Total remuneration in €
			in €	in % of total	in €	in % of total	in €	in % of total	
Professor Christof Hettich		2022	35,000	66.7%	10,500	20.0%	7,000	13.3%	52,500
		2021	35,000	64.8%	12,000	22.2%	7,000	13.0%	54,000
Dr. Georg F. Baur		2022	25,000	62.1%	5,250	13.0%	10,000	24.8%	40,250
		2021	25,000	63.3%	4,500	11.4%	10,000	25.3%	39,500
Dr. Mathias Hothum		2022	25,000	70.4%	7,500	21.1%	3,000	8.4%	35,500
		2021	19,583	63.5%	8,250	26.8%	3,000	9.7%	30,833
Dr. Friedrich von Bohlen und Halbach		2022	15,000	60.6%	3,750	15.1%	6,017	24.3%	24,767
		2021	15,000	52.2%	6,750	23.5%	7,000	24.3%	28,750
Dr. Birgit Kudlek		2022	15,000	54.9%	6,750	24.7%	5,579	20.4%	27,329
		2021	15,000	54.1%	6,750	24.3%	6,000	21.6%	27,750
Dr. Dongzhou Jeffery Liu		2022	2,500	49.2%	2,250	44.3%	329	6.5%	5,079
		2021	0	0.0%	0	0.0%	0	0.0%	0
Dr. Brady Xumin Zhao		2022	2,500	52.6%	2,250	47.4%	0	0.0%	4,750
		2021	0	0.0%	0	0.0%	0	0.0%	0

3 COMPARISON OF ANNUAL CHANGES IN REMUNERATION AND THE COMPANY'S EARNINGS PERFORMANCE

In accordance with Section 162 (1) sentence 2 no. 2 AktG, the following table compares the annual change in remuneration for members of the Executive Management Board and the Supervisory Board, the earnings performance of Heidelberg Pharma AG and the average remuneration paid to employees on a full-time equivalent basis for the last five fiscal years.

Remuneration for members of the Executive Management Board and the Supervisory Board corresponds to total remuneration in accordance with Section 162 (1) sentence 1 AktG.

The sales revenue and net profit/loss for the year of Heidelberg Pharma AG and the Heidelberg Pharma Group are used to determine earnings performance.

The average remuneration paid to employees on a full-time equivalent (FTE) basis relates to employees of the Heidelberg Pharma Group, not including the Executive Management Board. On average, there were 94 such employees for the 2022 fiscal year. This average remuneration includes staff costs for wages and salaries, employer contributions to social security, and short-term variable remuneration components relating to the fiscal year.

Fiscal year	2018	2019	Relative change in %	2020	Relative change in %	2021	Relative change in %	2022	Relative change in %
€'000 (or as indicated)									
Earnings performance									
Sales revenue, HDP AG	214	644	200.9%	219	-66.0%	0	n/a	9,867	n/a
Sales revenue, HDP Group	3,668	7,309	99.3%	8,488	16.1%	1,750	-79.4%	19,904	1,037%
Profit/loss for the year, HDP AG	-156	507	425.0%	-18,214	-3,693%	-25,160	-38.1%	-20,122	20.0%
Profit/loss for the year, HDP Group	-11,672	-10,148	13.1%	-18,369	-81.0%	-26,139	-42.3%	-18,312	29.9%
Employee remuneration									
Total wages and salaries	3,953	4,628	17.1%	5,568	20.3%	6,489	16.5%	7,800	20.2%
Number of employees excl. EMB (FTEs)	54	63	16.7%	72	14.3%	82	13.2%	94	14.7%
Average remuneration, employees	73	73	0.4%	77	5.3%	80	3.0%	83	4.8%
Executive Management Board remuneration									
Dr. Jan Schmidt-Brand	313	353	12.8%	351	-0.6%	474	35.0%	389	-17.9%
Professor Andreas Pahl	286	288	0.7%	295	2.4%	442	49.8%	328	-25.8%
Supervisory Board remuneration									
Professor Christof Hettich	53	54	1.9%	53	-1.9%	54	1.9%	53	-1.9%
Dr. Georg F. Baur	42	43	2.4%	39	-9.3%	40	2.6%	40	0.0%
Dr. Mathias Hothum	25	24	-4.0%	25	4.2%	31	24.0%	36	16.1%
Dr. Friedrich von Bohlen und Halbach	27	27	0.0%	25	-7.4%	29	16.0%	25	-13.8%
Dr. Birgit Kudlek	26	29	11.5%	26	-10.3%	28	7.7%	27	-3.6%
Dr. Dongzhou Jeffery Liu	--	--		--		--		5	
Dr. Brady Xumin Zhao	--	--		--		--		5	

Ladenburg, 22 March 2023

Heidelberg Pharma AG

For the Executive Management Board:

Dr. Jan Schmidt-Brand
Chief Executive Officer and Chief Financial Officer

Professor Andreas Pahl
Chief Scientific Officer

For the Supervisory Board:

Professor Christof Hettich
Chairman of the Supervisory Board