

Written report by the Executive Management Board on agenda item 8 in accordance with Section 203 (1) sentence 1 AktG in conjunction with Section 186 (4) sentence 2 AktG

Under agenda item 8, a proposal will be submitted to the Annual General Meeting to authorize the Executive Management Board, with the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 2,300,000.00 by issuing new no par value bearer shares in return for cash contributions on one or several occasions (Authorized Capital 2022/II). The new Authorized Capital 2022/II shall only be registered for entry in the Commercial Register and then become effective once the rights issue from Authorized Capital 2020/I currently underway has been entered in the Commercial Register and has thus become effective. The authorization is to be granted for the legally permissible length of time of five years, i.e., up until the end of 27 June 2027.

Authorized Capital 2022/II shall serve exclusively to facilitate participation in the Company's share capital ("participation shares") for employees of the Company and its affiliated companies, members of the Company's Executive Management Board, and advisors of the Company who are largely equivalent to members of the Executive Management Board (collectively "beneficiaries"). Along with direct subscription of the participation shares by the beneficiaries, it is also possible to issue the participation shares through banks. The participation shares shall be issued against cash contributions. The issue price shall be determined on the basis of the market price of the shares. In this context, a benefit customary for participation shares can be granted immediately or later through loan structures. Here, due in particular to legal requirements, a distinction can also be made between employees, members of the Executive Management Board and advisors with equivalent status.

The issuance of participation shares is in the interest of both the Company and its shareholders because it fosters identification of the beneficiaries with the Company and the assumption of shared responsibility. Thus, the beneficiaries can participate in the Company's development. It also aligns the Company's interests with those of the beneficiaries.

Through appropriate lock-up or holding periods over several years, the participation shares also allow for arrangements with a long-term incentive effect, in which both positive and negative developments can be taken into account. The participation shares are thus intended to provide an incentive to pay attention to achieving a permanent increase in the enterprise value. In addition, this can strengthen the beneficiaries' loyalty to the Company, which given the shortage of skilled workers is also in the Company's interest.

In view of the positive effects for companies, the issuance of participation shares to employees in particular is also viewed favorably by lawmakers and facilitated by the law in different ways. Under the provisions of the German Stock Corporation Act, for instance, the required participation shares can be furnished from authorized capital. For this to happen, shareholders' pre-emption rights need to be disapplied. Due to the positive effects described above, the exclusion of pre-emption rights when issuing participation shares is in the interest of the Company and its shareholders and therefore also objectively justified.

Apart from this, the volume of the authorization to issue participation shares in relation to the Company's share capital is kept within narrow limits (approx. 5%), which means that disapplication of pre-emption rights has only a minor effect on shareholders' participation rights. The scope of the authorization to issue participation shares is thus significantly below the statutory maximum of 50% of the share capital existing at the time of the authorization.

The Executive Management Board and the Supervisory Board will carefully examine on a case-by-case basis whether utilization of Authorized Capital 2022/II and the disapplication of shareholders' pre-emption rights are in the interests of the Company and its shareholders. If necessary, the issuance of the participation shares can be tied to further conditions, for example achievement of corporate or individual targets. The Executive Management Board shall report on any utilization of the Authorized Capital 2022/II to the Annual General Meeting.

Ladenburg, May 2022

Heidelberg Pharma AG

The Executive Management Board