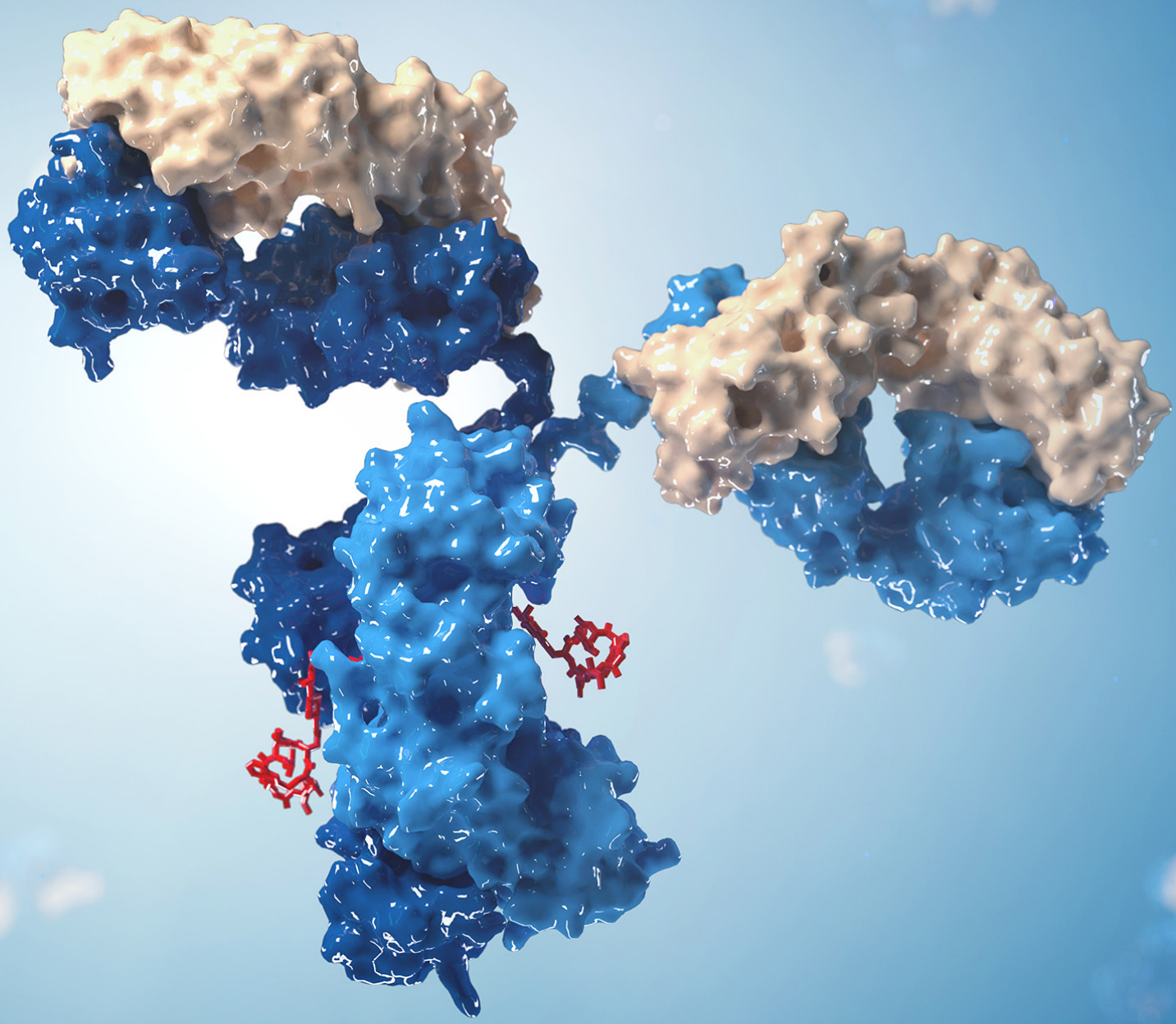
Heidelberg PHARMA

Focused Cancer Therapies



ANNUAL REPORT 2021

KEY FIGURES

	2021[1] € '000	2020[1] € '000
Earnings		
Sales revenue	1,750	8,488
Other income	564	1,088
Operating expenses	(27,945)	(27,861)
of which research and development costs	(18,750)	(18,287)
Operating result	(25,631)	(18,285)
Earnings before tax	(26,139)	(18,369)
Net loss for the period	(26,139)	(18,369)
Earnings per share in € (basic)	(0,80)	(0,61)
Balance sheet at end of period		
Total assets	21,732	19,609
Cash and cash equivalents	6,141	4,982
Equity	6,699	12,879
Equity ratio[2] in %	30.8	65.7
Cash flow statement		
Cash flow from operating activities	(26,613)	(17,893)
Cash flow from investing activities	(1,402)	(1,290)
Cash flow from financing activities	29,170	14,290
Employees (number)		
Employees as of the end of the period (headcount)[3]	96	84
Employees as of the end of the period (full-time equivalents)[3]	89	78

[1] The reporting period begins on 1 December and ends on 30 November.

[2] Equity/total assets

[3] Including members of the Executive Management Board

Rounding of exact figures may result in differences in all tables of this report.

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= *Glossary (term marked in blue) or cross reference*
@ = Internet reference

ABOUT US

Heidelberg Pharma is a biopharmaceutical company that is working on a novel therapeutic principle in oncology. It is the first company to use the compound Amanitin found in the death cap mushroom for cancer therapies by producing Antibody Targeted Amanitin Conjugates (ATACs) for clinical development. ATACs are Antibody Drug Conjugates (ADCs) that combine the high affinity and specificity of antibodies with the potency of cytotoxic small molecules for the treatment of cancer.

Heidelberg Pharma's ADCs are based on patented proprietary ATAC® technology whose unique feature is the ability to use the mushroom toxin Amanitin as an active ingredient. Amanitin is cross-linked to different antibodies designed to target the compound to the cancer cell, where it is absorbed. There, the Amanitin is released and inhibits RNA polymerase II, which results in programmed cell death, or apoptosis. RNA polymerase inhibition is a novel principle in cancer therapy and offers the possibility of breaking through drug resistance and destroying dormant tumor cells, which could produce major clinical advances.

Based on a hybrid business model, the ATAC® technology platform is being used to develop proprietary therapeutic candidates as well as in research collaborations with partners to create new product candidates. The partners use our ATAC® technology to pair the antibodies they develop with the new mode of action of Amanitin. Preclinical and clinical development of these ATACs is carried out at the partner.

We develop our proprietary ATAC® candidates until the early clinical development phases with the aim of demonstrating their applicability and efficacy in patients. HDP-101, our first and most advanced development candidate, is based on an antibody targeting the BCMA on myeloma cells. HDP-101 for treatment of patients with multiple myeloma is in clinical development. Further ATAC® candidates, HDP-102 to treat non-Hodgkin lymphoma, and HDP-103 to treat metastatic castration-resistant prostate cancer, are in preclinical testing.

Our mission is to research and develop therapies for cancer patients enabling them to receive a targeted and tailor-made course of treatment that is both highly effective and as well-tolerated as possible.

Strong partnerships with international pharmaceutical and biotech companies as well as important scientific research institutes and medical institutions support our mission and our long-term goal of developing a successful and profitable company.

PORTFOLIO

Product	Target	Indication	Research	Preclinic	Clinic I	Clinic II	Clinic III	Partners
ATAC® pipeline								
HDP-101	BCMA	Multiple myeloma (DLBCL/CLL)						Huadong (Asia)
HDP-102	CD37	Non-Hodgkin Lymphoma						Huadong (Asia)
HDP-103	PSMA	Prostate cancer						Huadong (Asia)
HDP-104	n/a	Undisclosed tumor indication						Huadong (Asia)
HDP-XX	n/a	Solid/ hematological tumors						
ATAC® collaborations								
MGTA-ATACs	CD117, CD45	HSCs, Conditioning programs for blood cancers/ genetic diseases						Magenta
TAK-ATACs	n/a	Oncology						Takeda/ Millennium
Licensed legacy assets (non-ATACs)								
TLX250-CDx	CA-IX	Renal cancer						Telix
TLX250	CA-IX	Renal cancer						Telix
TLX250-CDx	CA-IX	TNBC						Telix
TLX250-CDx	CA-IX	Urothelial carcinoma						Telix
RHB-107		Oncology/GI						RedHill
RHB-107		COVID-19						RedHill
LH011		Pancreatic cancer						Link Health

HIGHLIGHTS IN FISCAL YEAR 2021

2021

February

FDA greenlights the start of a Phase I/IIa clinical trial with ATAC® candidate HDP-101

Publication together with the University of Indiana on HER2-ATAC for targeted immunotherapy of triple-negative breast cancer in *Science Translational Medicine*

March

Expansion of management team to include Chief Medical Officer and Chief Development Officer

€ 30 million financing commitment obtained from main shareholder dievini

New data on ATAC® technology platform presented at the 2021 AACR Annual Meeting

May

Virtual Annual General Meeting

June

Capital increase with proceeds of € 20 million in a private placement

July

Paul-Ehrlich-Institut approves the start of a Phase I/IIa clinical trial with ATAC® candidate HDP-101

September

Required compatibility tests for closed infusion system with HDP-101 successfully completed for use in the United States

Partner Magenta receives clearance from the FDA to start a Phase I/IIa clinical trial with ATAC® candidate MGTA-117

October

Guidance updated due to lower R&D expenditures and sales revenue

Two US trial centers under contract, staff training and preparation of recruitment

November

First German trial center initiated

LETTER TO THE SHAREHOLDERS

Dear Shareholders,

Fiscal 2021 was a busy year for us, one in which we laid the all-important foundations for starting 2022 on a very strong footing. We were successful in this endeavor, despite the restrictions and challenges posed by the pandemic. This preparatory work paved the way for entering the clinic with our first development candidate HDP-101 for treatment of patients with multiple myeloma and enabled us to sign a landmark agreement which also paves the way for our licensing strategy for the Asian market. We also worked on advancing the partnerships for our ATAC® technology with Magenta and Takeda and saw progress made at our clinical licensing partners Telix Pharmaceuticals and RedHill Biopharma.

Clinical development of HDP-101

In early 2021, we got the green light from the FDA to start a Phase I/IIa trial with our lead product candidate, HDP-101, followed by approval from the Paul-Ehrlich-Institut later in the year. We also selected suitable trial centers, obtained the necessary permits from the ethics committees, and arranged for production of the trial drug. Unfortunately, repeated waves of the pandemic continued to strain hospital resources in the United States and Germany, so that trial centers that had initially committed to participating in our clinical trial had to reallocate capacity at short notice, which delayed the site selection process, training and contractual agreements. As reported, specific requirements at the US centers also made additional testing of the trial drug necessary.

At the end of September 2021, we were finally able to start onboarding the first trial centers, beginning in the US. The first patient was dosed with HDP-101 in February 2022. We are very pleased to have reached this important milestone, and the trial has so far been progressing on schedule.

Ongoing development projects and important research findings

The ATACs HDP-102 and HDP-103 are in preclinical development and production, as planned. HDP-102 is planned to be developed for the treatment of non-Hodgkin lymphoma (NHL) and HDP-103 for the treatment of metastatic castration-resistant prostate cancer (mCRPC). We are planning to submit applications to initiate clinical trials with the first of these two candidates in early 2023.

At the American Association for Cancer Research (AACR) Annual Meeting, we and a research group from the Indiana University School of Medicine jointly presented new preclinical results indicating that ATACs could be combined with immune checkpoint inhibitors. The findings were also published in the distinguished journal, Science Translational Medicine, and open up new potential development approaches.

Magenta – Partner for ATAC® technology

Our partner Magenta is developing MGTA-117 as its first clinical ATAC® technology-based candidate for the targeted preparation, i.e., conditioning, of patients for stem cell transplants or gene therapy. The first patient was dosed with MGTA-117 in March 2022. We are delighted that, following our own candidate HDP-101, a second ATAC® has now entered clinical development.

Advances with clinical license portfolio

Telix, one of our partners for our out-licensed clinical portfolio, reached the planned number of patients for its Phase III trial diagnosing renal cancer using positron emission tomography at the beginning of March 2022 but is continuing recruitment for up to an additional three months to generate further data in support of the Biologics License Application and to prepare for an Expanded Access Program. In addition, Telix initiated two additional trials with TLX250-CDx to extend the range of applications and plans development in up to five more indications.

Our partner RedHill has also made progress with RHB-107 for the treatment of COVID-19. The first part of their Phase II/III trial in an outpatient setting began in the US in 2021, and positive data from the first part of the trial was reported in March 2022. In the trial, RHB-107 showed good tolerability and promising efficacy results.

Collaboration with Huadong Medicine

We are delighted to have entered a strategic partnership with the Chinese pharmaceutical company Huadong Medicine at the end of February 2022. With a deal value of over USD 1 billion, this deal is transformational for Heidelberg Pharma. In Huadong we are gaining not only a licensing partner for our current ATAC® portfolio for select Asian countries, but also a new strategic investor that will become Heidelberg Pharma's second largest shareholder once their planned capital investment has been completed. This partnership will help us to accelerate product development, expand our pipeline, and evolve into a global ADC player. We believe that our new partner's strong development and commercialization expertise and knowledge of the Asian pharmaceutical market will both shorten the time to market and maximize the commercial opportunity for our products in this important territory.

Financial position of Heidelberg Pharma

Sales revenue from license agreements anticipated for 2021 will not be recognized until fiscal year 2022, as our partners Telix and Magenta will reach milestones later than projected, due in part to the pandemic and regulatory requirements. The delay in the start of our own clinical trial has also led to lower-than-expected development expenses. This is why we revised our guidance in September 2021.

The progress made in the first half of the year paved the way for a private placement of € 20 million with new institutional shareholders in June 2021 and payment of the remaining financing commitment by our main shareholder dievini. A fresh financing commitment from dievini in February 2022, if needed, or rather the licensing agreement plus agreed strategic investment by Huadong will secure Heidelberg Pharma's financing until at least mid-2023.

We are extremely grateful for the ongoing long-term support of dievini and are delighted to have another strategically focused investor with Huadong.

People are our motivation

Our mission is to develop focused, highly effective therapies with a manageable side effect profile for cancer patients. To achieve this, we need motivated employees who share this mission. We would like to warmly thank our staff for their enthusiasm and hard work. Our thanks also go to our business partners and shareholders for their longstanding support.

On the heels of a transformative deal, we are excited about what lies ahead for Heidelberg Pharma as we advance our programs, introduce new ones and work together with our partners.

Ladenburg, 22 March 2022

Yours sincerely,

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

Professor Andreas Pahl
Chief Scientific Officer

REPORT OF THE SUPERVISORY BOARD

During the reporting year, the Supervisory Board performed all its duties in accordance with the law, the Company's Articles of Association and its Internal Rules of Procedure.

The Supervisory Board worked closely with the Executive Management Board, regularly advising it on the management of the Company and monitoring the Executive Management Board's activities. The Executive Management Board presented all significant strategic and operational measures to the Supervisory Board and agreed their implementation in advance with the Supervisory Board. The Supervisory Board obtained regular reports on the situation and development of the Company, both at regular Supervisory Board meetings, which were held either virtually or in person, and in additional conference calls. It also received regular, comprehensive and timely information on all major business developments and basic issues relating to business policy, corporate management and planning (including financial, investment and personnel planning). Discussions included, in particular, the following topics: the development strategy for HDP-101, potential follow-up projects, licensing negotiations, technology partnerships, M&A matters and financing. Without exception, the Supervisory Board examined all documents submitted and prepared by the Executive Management Board and the related departments. The parties providing the information, in particular the members of the Executive Management Board, were consulted on significant matters.

The Supervisory Board also obtained information about all significant events that were particularly important for the assessment of the status, implementation of strategy and achievement of goals, as well as for the development and management of Heidelberg Pharma AG and its subsidiary Heidelberg Pharma Research GmbH. The Chairman of the Supervisory Board regularly discussed the strategy and reviewed the progress of the business with the Executive Management Board. The Chairman of the Supervisory Board was advised promptly of all important resolutions taken by the Executive Management Board and, when necessary, arranged for the discussion of important issues by the Supervisory Board or the appropriate Supervisory Board subcommittees.

Supervisory Board meetings in the 2021 fiscal year

In the 2021 fiscal year (1 December 2020 to 30 November 2021), the Supervisory Board met for six regular meetings. All meetings were held in either virtually or in person.

Attendance overview

Date	Hettich	Baur	Von Bohlen und Halbach	Kudlek	Hothum
23 March 2021	X	X	X (in person)	x	X (in person)
26 April 2021	X	X	X	X	X (in person)
18 May 2021	X (in person)	X	X	X	X
21 July 2021	X (in person)	X	X	X (in person)	X (in person)
7 Oct. 2021	X	X	X (in person)	X (in person)	X (in person)
24 Nov. 2021	X	X	X (in person)	X (in person)	X (in person)

Main topics at the meetings of the Supervisory Board in the 2021 fiscal year

In the 2021 fiscal year, the Supervisory Board discussed and approved the following items requiring its approval:

- Evaluation of corporate objectives for the 2021 fiscal year and definition of corporate objectives for the 2022 fiscal year
- Budget for the 2022 fiscal year
- Approval of the 2020 annual and consolidated financial statements
- Agenda and proposed resolutions for the 2021 Annual General Meeting
- Preparations for the clinical development of HDP-101
- Start of production of the successor candidates HDP-102 and HDP-103
- Renewal of the research agreement with Takeda
- Review of and support for the entry of investors; in particular, preparation of an investment by and cooperation with Huadong Medicine Co., Ltd., Hangzhou, China
- Negotiation mandates for potential contractual partnerships
- Implementation of a capital increase in June 2021
- Preparation of a capital measure based on a prospectus
- Reappointment of Executive Management Board member Dr. Jan Schmidt-Brand and conclusion of the corresponding director's contract
- Expansion of the management level through senior positions, as well as adoption of a virtual stock option program for consultants with executive function
- Compensation system for the Executive Board and Supervisory Board
- Evaluation of options for alternative premises.

The Supervisory Board approved all of the actions submitted for approval following in-depth review and discussion in Supervisory Board plenum.

The Supervisory Board was informed, regularly and comprehensively, about the Company's financial situation, its future funding requirements and the risk management system and discussed the Company's future strategy with the Executive Management Board. Establishing its own pipeline is becoming an increasingly important aspect of the Company's overall strategy. A particular focus in this context is on the development candidate HDP-101, an antibody drug conjugate targeting BCMA.

The Supervisory Board was regularly informed about activities at Heidelberg Pharma AG's between out-licensed girentuximab and upamostat.

The Executive Management Board also regularly briefed the Supervisory Board on the business activities of the Company's subsidiary Heidelberg Pharma Research, which is focused on further developing and marketing its technology platform for therapeutic antibody drug conjugates.

Virtual 2021 Annual General Meeting

The Annual General Meeting of Heidelberg Pharma AG was held on 18 May 2021 in a virtual format due to the coronavirus pandemic. All proposed resolutions were adopted by majorities ranging from 98,40 % and 99 %.

Corporate governance

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The Supervisory Board together with the Executive Management Board decided on 28 January 2022 to implement the recommendations and suggestions of the German Corporate Governance Code (GCGC) to a large extent. The new joint Declaration of Conformity by the Executive Management Board and the Supervisory Board was adopted on the same day and is available on the Company's website under "Press & Investors > Corporate Governance > Declaration of Conformity". More information on corporate governance at Heidelberg Pharma is available on the Company's website under "Press & Investors" > "Corporate Governance".

Conflicts of interest on the Supervisory Board

Any conflicts of interest affecting members of the Supervisory Board pursuant to recommendation E.1 of the GCGC were disclosed to the other members of the Supervisory Board, and the Supervisory Board members affected by the given conflict of interest acted as follows during the respective deliberations and resolutions of the Supervisory Board:

Professor Christof Hettich, Chairman of the Supervisory Board, is a partner at Rittershaus law firm, which provides legal consulting services to the Heidelberg Pharma Group. This relationship has been identified as a potential conflict of interest. To the extent that the services provided by the Rittershaus law firm were the subject of deliberations of the Supervisory Board, the Chairman of the Supervisory Board did not take part in these deliberations and abstained from any votes taken.

While all Supervisory Board members also hold positions on supervisory boards of other companies in the pharmaceutical and biotech sectors, none of these companies can be considered major competitors of Heidelberg Pharma, which complies with GCGC requirements.

Activities of the committees

The Supervisory Board established three committees to efficiently fulfill its responsibilities; each committee is responsible for preparing issues within its purview for the Supervisory Board. At the regular Supervisory Board meetings, each committee chairman reported to the Supervisory Board plenum on the work of his committee.

For efficiency, a joint Compensation and Nomination Committee was established, which covers both areas separately in its meetings. The Compensation Committee did not meet in fiscal year 2021. The reappointment of Dr. Schmid-Brand's contract was decided in the plenary session.

The Audit Committee met three times in the year under review. Among other actions, the committee recommended to the Supervisory Board that the board propose to the Annual General Meeting to reappoint Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt, Germany (Deloitte) as auditor for the 2021 fiscal year. Based on a proposal by the Supervisory Board, Deloitte was elected by the Annual General Meeting on 18 May 2021 and subsequently commissioned by the Supervisory Board to audit the Company's annual financial statements for the 2021 fiscal year. The Supervisory Board obtained in advance a declaration of the auditor's independence. Furthermore, the Audit Committee, following an invitation to tender, recommended that the Supervisory Board propose to the Annual General Meeting that Deloitte be appointed as auditor for the financial years 2022 and 2023. The Audit Committee also discussed the annual report for 2020 with the auditor, Deloitte. The Audit Committee discussed the half-yearly report for 2021 with the Executive Management Board prior to publication. The Supervisory Board also discussed in depth the Company's risk management system.

The Research and Development Committee (R&D Committee) held no meeting during the reporting period. As a rule, the full Supervisory Board discusses at its meetings the status of in-house research activities at Heidelberg Pharma. The R&D Committee deals with those R&D topics that require a more intensive discussion of scientific details and therefore a higher level of professional expertise.

There are no other committees.

Adoption of the annual financial statements

The auditor, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, audited the combined management report, the annual financial statements of Heidelberg Pharma AG and the consolidated financial statements as of 30 November 2021, including the underlying accounting, and issued an unqualified auditor's report. The lead auditor of these consolidated financial statements was Mr. Jörg Wegner, who has held this position since the 2018 consolidated financial statements. The auditors conducted their audit in compliance with the generally accepted German standards for the audit of financial statements of the German Institute of Public Auditors (IDW). The combined management report, the annual financial statements of Heidelberg Pharma AG and the consolidated financial statements were each prepared pursuant to the principles of the German Commercial Code and in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU, taking into account Section 315a (1) of the German Commercial Code.

The aforementioned documents as well as the dependent company report and the audit reports of Deloitte GmbH Wirtschaftsprüfungsgesellschaft were made available to all members of the Supervisory Board in a timely manner and discussed in detail with the auditors both at the meeting of the Audit Committee held on 16 March 2022 and today's accounts meeting of the Supervisory Board. The auditors reported to the Supervisory Board on the material findings of their audit, that the combined management report presents a true and fair view of the risks and opportunities and that the measures taken by the Executive Management Board in accordance with Section 91 (2) of the German Stock Corporation Act were suitable for identifying at an early stage any developments which could jeopardize the Company's existence. The auditors also discussed the audit's scope, focal points and costs.

The Audit Committee discussed the audit result in detail and proposed to the Supervisory Board that it approve the financial statements as prepared by the Executive Management Board. The Supervisory Board also reviewed the audit result and examined both sets of annual financial statements and the combined management report, as well as the proposed appropriation of accumulated loss (under the German Commercial Code) in accordance with legal provisions and concurred with the results of the audit. Based on the conclusive findings of its examination, the Supervisory Board has no objections and at today's meeting approved the financial statements as prepared by the Executive Management Board; they are hereby adopted.

The Report by Heidelberg Pharma AG on Relationships with Affiliated Companies in Accordance with Section 312 (1) of the German Stock Corporation Act (dependent company report) prepared by the Executive Management Board was also reviewed by Deloitte in accordance with Section 313 (3) of the German Stock Corporation Act.

The auditor issued the following unqualified auditor's report on 22 March 2022:

"On completion of our review and assessment in accordance with professional standards, we confirm that

1. the actual disclosures contained in the report are accurate, and
2. that the consideration paid by the Company for the transactions listed in the report was not inappropriately high."

The dependent company report prepared by the Executive Management Board and the audit report prepared by the auditor for this dependent company report were examined and discussed in detail by the members of the Supervisory Board. The representative of the auditors reported in detail on the main findings of the audit. He also addressed questions from the Supervisory Board and was available to provide additional information. At the meeting to discuss the financial statements, the Supervisory Board concurred with the findings of the audit of the dependent company report and raised no objections. Following its own examination, the Supervisory Board raised no objections to the dependent company report.

Following the examination by the Supervisory Board, there were no objections to the statement by the Executive Management Board at the end of the dependent company report.

Recognition of commitment

The Supervisory Board would like to take this opportunity to thank the Executive Management Board and all employees of Heidelberg Pharma AG and its subsidiary Heidelberg Pharma Research GmbH for the impressive commitment they showed in the 2021 fiscal year.

Ladenburg, 22 March 2022

For the Supervisory Board

Professor Christof Hettich
Chairman of the Supervisory Board

INVESTOR RELATIONS

Market development

In light of the ongoing rise in coronavirus cases, restrictive measures introduced to limit the spread of the pandemic, and supply bottlenecks, 2021 was a turbulent yet generally successful year on the stock markets. The most important indices reached record highs[1], with Germany's benchmark DAX index ending the year up 15 % and the TecDAX technology index surging by 22 %.

Biotechnology indices presented a mixed picture. While the German DAXsubsector Biotechnology Index closed out the year up 34 %, this was driven by a few extremely successful individual stocks such as Evotec, Sartorius or Qiagen. The American NASDAQ Biotechnology Index was unable to build on the success of previous years with a slight decline of 0.7 %, significantly underperforming other indices. The index recorded considerable losses in the second half of the year as investors devoted their attention to other sectors likely to benefit more from an economic recovery than a life sciences industry that had already made strong gains.

2021 was also a record year for financing activities, with more than USD 34.5 billion raised via 208 IPOs in 2021 (2020: USD 34.6 billion from 148 IPOs).[2] However, more than two thirds of debutant stocks were trading below their IPO price at the end of the year. While capital increases did not remain at the same extraordinary level as in 2020, with 205 companies raising USD 26.5 billion in funds (2020: 285 companies raising USD 47.2 billion), these figures were still well above the levels recorded between 2017 and 2019.[3] German biotech companies collected € 2.3 billion from investors (previous year: € 3.0 billion).[4] Of this total, € 694 million was raised from IPOs, € 748 million from capital increases and € 851 million from venture capital.[5]

1 https://www.tagesschau.de/wirtschaft/finanzen/boersenrueckblick-2021-101.html

2 BioCentury, Valuations could get investors, acquirers hunting for opportunities, 15 January 2022 https://www.biotechgate.com/app/upload/vcdeals/free_version/biotech_financing_summary_January_2021_free_90794e3b.pdf

3 BioCentury, BeiGene's $3.5B deal not enough to help top 2020's follow-ons, 23 December 2021 https://www.biotechgate.com/app/upload/vcdeals/free_version/biotech_financing_summary_January_2021_free_90794e3b.pdf

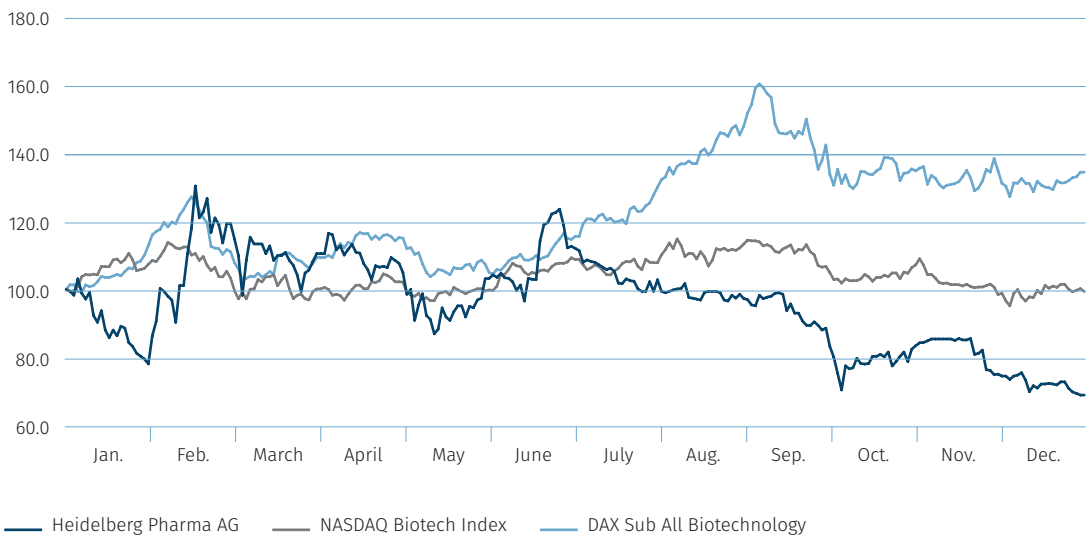
4 https://www.biodeutschland.org/de/pressemitteilungen/biotech-branche-viele-investitionen-wenig-schub-durch-regierungswechsel.html?year=2022

5 https://www.handelsblatt.com/unternehmen/industrie/pharma-2-3-milliarden-euro-frisches-kapital-deutsche-biotechs-erleben-finanzierungsboom/27984398.html?ticket=ST-152494-4F1PmzCNCAezxKD1EW5X-ap3

Share price performance of the Heidelberg Pharma share in 2021

2021 was a highly volatile year on the stock markets for the Heidelberg Pharma share, which began the year at € 6.90 and reached its annual low of € 4.59 on 1 February. However, the share then skyrocketed to its annual high of € 9.70 on 18 February before fluctuating between € 7 and € 8.60 for the rest of the first half of the year. The share then steadily lost ground during the second half of the year in a weaker market environment for biotech stocks to finish the year with a share price of € 4.76 (Xetra), down 31 % from its opening price for the year.

Heidelberg Pharma's share price performance, indexed as of 1 January 2021



Trading and liquidity

The average daily trading volume of Heidelberg Pharma's shares across all German stock exchanges in 2021 (1 January to 31 December) was 17,735 shares (previous year: 38,558 shares). The Company's market capitalization at the end of December 2021 was € 162.51 million (2020: € 215.57 million).

Key share figures Period under review: 1 January to 31 December 2021[1]	FY 2021	FY 2020
Market capitalization in € million	162.51	215.57
Number of shares issued	34,175,809	31,061,872
Closing price (XETRA) in €	4.76	6.94
High[2] in €	9.70 (on 18 Feb. 2021)	9.30 (on 16 Mar. 2020)
Low[2] in €	4.59 (on 1 Feb. 2021)	2.06 (on 2 Jan. 2020)
Volatility (260 days; XETRA) in %	69.22	115.58
Average daily trading volume[2] in shares	17,735	38,558
Average daily trading volume[2] in €	124,226	198,755

[1] As of the end of the reporting period

[2] All stock exchanges

Source: Bloomberg

Corporate actions and financing

Heidelberg Pharma AG implemented a capital increase in June with gross issue proceeds of around €20 million by issuing 3,106,637 new shares from authorized capital, which corresponded to just under 10 % of share capital at that time.

This measure and the exercise of stock options during the year lifted share capital to 34,175,809 shares.

Annual General Meeting

The Annual General Meeting of Heidelberg Pharma AG was held on 18 May 2021 in a virtual format due to the COVID-19 pandemic. Of the Company's share capital at that time (31,066,372 no-par value bearer shares), 25,341,751 shares, or 81.57 %, were represented with the same number of votes.

In addition to dealing with standard agenda items such as the approval of the annual financial statements, the formal approval of the actions of the members of the Executive Management Board and Supervisory Board and the election of the auditor, the Annual General Meeting adopted a resolution to amend the Articles of Association to reflect a change in the law as well as a resolution concerning the remuneration system of the members of the Executive Management and Supervisory Boards as stipulated by law.

All proposed resolutions were adopted by a significant majority of between 98.40 % and 99 %.

Shareholder structure of Heidelberg Pharma AG[1]	
Dietmar Hopp, parties related to him and companies controlled by them[2]	75.31 %
UCB	3.31 %
Corporate bodies (held directly)	0.65 %
Free float	20.72 %

[1] As of 30 November 2021

[2] Includes dievini Hopp BioTech holding GmbH & Co. KG, DH-Holding Verwaltungs GmbH and DH-LT-Investments GmbH. All figures are assumptions by Heidelberg Pharma AG based on the most recent notifications in accordance with the German Securities Trading Act and/or the voting rights reported at the most recent General Meeting.

General information[1]	
Listed:	Regulated Market (Prime Standard)
Stock exchange symbol:	HPHA
WKN/ISIN:	A11QVV/DE000A11QVV0
Share capital:	€ 34,175,809
Admitted capital:	34,175,809 bearer shares of common stock
Designated sponsors:	Pareto Securities AS, Stifel Europe Bank AG

[1] As of 30 November 2021

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Please see page 160 for the 2022 financial calendar. The current conference calendar is available on the website.

COMBINED MANAGEMENT REPORT

COMBINED MANAGEMENT REPORT

for the Heidelberg Pharma Group and Heidelberg Pharma AG, Ladenburg

for the fiscal year from 1 December 2020 to 30 November 2021

1 Company overview

Reporting is based on a combined management report for the Heidelberg Pharma Group (IFRS) and Heidelberg Pharma AG (HGB).

Chapters 1 through 6 and chapter 11 of this management report provide an overview of business activities in the past fiscal year, while chapters 8 through 11 outline the current situation and predict future developments. Reference is made particularly to chapter 8, "Risk report."

Pages 18 – 43, 69, 53 – 69 and 53

"Heidelberg Pharma" will be used as a synonym for the Group hereinafter. The entity's specific corporate name is stated whenever facts specific to Heidelberg Pharma AG as the parent company are reported. If information specifically concerns the subsidiary Heidelberg Pharma Research GmbH, its full corporate name or "Heidelberg Pharma Research" are used.

1.1 Corporate structure, locations and reporting

The Company is domiciled in Ladenburg near Heidelberg, Germany. Since October 2017, the Company has been doing business as Heidelberg Pharma AG and has been registered in the Commercial Register of Mannheim Local Court under HRB 728735. The Company's Executive Management Board consists of Dr. Jan Schmidt-Brand and Professor Andreas Pahl. Heidelberg Pharma (formerly Wilex AG) has been listed on the Regulated Market (Prime Standard, stock exchange symbol HPHA, ISIN DE000A11QVV0) of the Frankfurt Stock Exchange since November 2006.

The only subsidiary Heidelberg Pharma Research GmbH has been part of the Heidelberg Pharma Group since March 2011. The subsidiary's Managing Director is Dr. Jan Schmidt-Brand. Heidelberg Pharma Research is also domiciled in Ladenburg, Germany. Since November 2019, the subsidiary has also been a licensing partner and shareholder of Emergence Therapeutics AG, Duisburg, Germany, (Emergence), which is included in the consolidated financial statements as an associate under investments accounted for using the equity method.

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), London, United Kingdom, as applicable in the European Union (EU), taking into account the recommendations of the International Financial Reporting Standards Interpretation Committee (IFRS IC). The provisions applicable in accordance with Section 315e German Commercial Code (HGB) were also taken into account. The IFRS consolidated financial statements include Heidelberg Pharma AG as the parent company as well as the subsidiary Heidelberg Pharma Research GmbH for the full 2021 fiscal year (1 December 2020 to 30 November 2021).

1.2 Business activities

The tasks of Heidelberg Pharma AG team mainly comprise functions relating to Group and research strategy, finance, investor relations, business development, development and project management, regulatory matters, legal affairs and contract management. Other areas covered are alliance and data management, as well as patents. Since the 2020 fiscal year, Heidelberg Pharma AG has also been responsible for the development phase of the Group's internal projects, which the Company takes over on completion of the research phase performed by the subsidiary under a license agreement to prepare for clinical development and production of the clinical material. Furthermore, the Company manages the out-licensing of the existing portfolio of diagnostic and therapeutic product candidates in the field of oncology as well as the underlying intellectual property rights.

Glossary

The subsidiary Heidelberg Pharma Research GmbH conducts research in the field of therapeutic antibody drug conjugates (ADCs). To the best of the Company's knowledge, Heidelberg Pharma Research is the first company to develop the compound Amanitin, which is known from the death cap mushroom, for cancer therapies. It uses the mushroom toxin's specific biological mode of action as a new therapeutic principle, employing its proprietary ATAC® technology platform for the purpose of producing, researching and developing selected proprietary Antibody Targeted Amanitin Conjugates as well as new ATAC® candidates in collaborations with biopharmaceutical companies. Heidelberg Pharma Research also collaborates with production partners to supply its licensing partners with good manufacturing practice (GMP) quality Amanitin linker material for their development projects as required.

For detailed information regarding the projects and the current status of development, please see chapter 3, "Course of business in 2021."

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1.3 Business model, corporate strategy and goals

In developing the toxin Amanitin, Heidelberg Pharma is working on a novel treatment approach for cancer therapy. This toxin, which has not yet been used with approved therapeutics, will be combined with tumor-specific antibodies designed to target the highly potent compound to the cancer cell. The goal is to make the treatment more effective and reduce its side effects.

In recent years, Heidelberg Pharma through its subsidiary Heidelberg Pharma Research GmbH has developed extensive expertise and an extensive patent portfolio around the compound Amanitin, which can be linked with different tumor-specific types of antibodies. The strategy is to validate the technology platform in clinical trials, broaden its application based on its mode of action and use it to develop new therapeutic options for patients. A hybrid business model that comprises both developing a proprietary product pipeline and licensing the technology to other companies provides the commercial basis for this.

Glossary

The first pillar of the business model involves producing proprietary ATAC® molecules based on licensed or internally generated antibodies, testing these as R&D candidates and further refining them in the Company's own pipeline. At present, the most advanced of the Company's pipeline projects is HDP-101, a drug conjugate based on an antibody targeting the protein BCMA that is connected to the Amanitin toxin via a linker. Following extensive preclinical development, the Company obtained clearance from the FDA in February 2021 to begin a clinical trial evaluating HDP-101 (IND, Investigational New Drug) for multiple myeloma. The German authorities, the Paul-Ehrlich-Institut, approved the trial in July 2021. The first patient received the first dose of HDP-101 in February 2022. Alongside developing HDP-101, Heidelberg Pharma continuously examines additional ATAC® candidates in preclinical tests for efficacy and tolerability to identify further potential development candidates. The successor candidates HDP-102 and HDP-103 are in preclinical testing.

The business model's second pillar involves working with partners in early-stage research collaborations to produce ATACs using the partners' antibodies. The goal is to enter into license agreements based on which the partners would make payments for technology support, granting licenses and supplying GMP material. Heidelberg Pharma expects such ATAC® alliances to continually generate sales revenue and license payments.

Heidelberg Pharma's own development activities and envisaged out-licensing take place exclusively for a specific antigen (biological target protein) in each case. Given that numerous tumor-specific antigens exist, this enables the development of the Company's own ATAC® candidates as well as parallel collaboration with various pharmaceutical and biotech companies for their candidates. The development candidates resulting from these activities can be developed as different products and for different indications.

Outside of ATAC® technology, there are already out-licensed clinical product candidates that are developed solely by licensing partners. In addition to milestone payments during development, Heidelberg Pharma is entitled to royalties following successful market approval.

Since the total income generated to date has not been sufficient to finance Heidelberg Pharma's ongoing research and development activities, the Company will require external financing in the next years as well.

1.4 Internal management system

Cash funds, cash reach, sales revenue and other income, as well as operating expenses and the operating result, are reviewed at least monthly and are the key control variables of Heidelberg Pharma. Research and development expenses are a particularly important indicator. These expenses still exceed income and will continue to do so in the next few years. Hence the average change in cash funds – i.e. the cash flow in a given period – is a key financial indicator. The ratio of liquid funds to cash usage shows the period for which cash and cash equivalents are sufficient. Chapter 5, "Results of operations, financial position and net assets of the Group", contains a qualitative and quantitative assessment of the Company's internal control system.

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1.5 Patents

A strong patent position is essential for Heidelberg Pharma for the successful marketing and licensing of research projects or clinical product candidates, which is why building and securing the patent portfolio is one of its key tasks.

Patents for the ATAC® technology held by Heidelberg Pharma Research GmbH

Heidelberg Pharma Research GmbH holds technology patents protecting its ATAC® technology. The technology patents and patent applications on which this technology is based have been filed by Professor Heinz Faulstich and the German Cancer Research Centre (DKFZ), Heidelberg, and Heidelberg Pharma Research GmbH has been granted an exclusive license to use them in an ATAC® technology context. Some of these patents have already been granted, especially in the USA and Europe. Heidelberg Pharma Research GmbH has systematically improved the technology and expanded its patent portfolio with several new filings. In the meantime, 19 more international patent applications have been filed, some of which have already been nationalized or regionalized in many countries. To date, three international patent applications for the development candidate HDP-101 have been submitted. Patent applications that protect specific methods for the modification and manufacture of antibodies have also been filed. Patent protection for the improved toxin linker technology has been strengthened in recent years through the granting of intellectual property rights in Europe and the United States. Of particular relevance here are the intellectual property rights granted in Europe and the USA for the chemical synthetic building block dihydroxyisoleucine for the production of Amanitin, since this synthetic building block has no natural source, as well as property right applications in the USA and Europe, among others, covering the synthesis of (S)-hydroxytryptophan, which is also a synthetic building block for Amanitin. These intellectual property rights and applications for intellectual property rights are key for producing Amanitin in GMP quality in clinical applications. New priority applications that cover certain synthesis processes and derivatives of Amanitin were also filed in the past fiscal year. The Company's patent strategy currently provides for exclusivity until 2045.

Patents held by Heidelberg Pharma AG

These patents refer to the clinical portfolio beyond the ATAC® technology and were submitted by and granted to the Company under its former name Wilex AG. At the end of the 2021 fiscal year, Heidelberg Pharma AG held licensed intellectual property rights and owned more than 100 patents and patent applications worldwide. While most of these patents were developed by the Company itself, Heidelberg Pharma AG has expanded its intellectual property rights in targeted ways through strategic acquisitions of patent portfolios.

2 Economic environment 2021

2.1 Macroeconomic environment

The International Monetary Fund (IMF) expects global growth of 5.9 % in 2021 (2020: – 3.1 %)[1]. Eurozone growth is projected to be slightly below this figure, at 5.2 %, while growth in Germany at 2.7 % will significantly lag behind the global trend.

At present, the effects of the war in Ukraine on the global economy are not foreseeable. The Heidelberg Pharma Group is currently not restricted in its activities and has no problems in its supply chains, for example.

2.2 Impact of the COVID-19 pandemic

The COVID-19 pandemic has had only a minor impact on Heidelberg Pharma's internal research operations. Moving the activities of many employees to the home office has been seamless, as has the rolling deployment schedule for on-site staff.

Our partners have experienced difficulties as has been the case since the beginning of the pandemic. There have been supply bottlenecks for certain raw materials or fewer staff available to work at the clinical centers. Communication with the trial centers during the clinical trials is also becoming more difficult. Overall, project planning is subject to greater timing risks.

In order to maintain personal interaction with the scientific community as well as with potential investors, a hybrid format was established for conventions and conferences. The frequency and intensity of the meetings is the same as in prior years.

Heidelberg Pharma's financial figures have been indirectly affected by the pandemic because anticipated sales revenue from license agreements will not be recognized until the next fiscal year as some of our partners will reach milestones later than projected. However, expenses have not risen to the same degree as forecast due to the delay in clinical testing and manufacturing orders.

2.3 Development of the pharmaceutical and biotechnology industry

Although the total number of drugs approved by the FDA was slightly lower in 2021 at 50 (2020: 53), the number of new biological products approved by the Center for Biologics Evaluation and Research (CBER) rose to ten (2020: eight).[2, 3]

In Germany, the number of approvals significantly exceeded the prior-year figure at 46 (2020: 32).[4] One focus of development apart from oncology was on compounds for the prevention and treatment of infectious diseases, a field whose importance was augmented by the pandemic.

1 https://www.imf.org/en/Publications/WEO/Issues/2022/01/25/world-economic-outlook-update-january-2022

2 https://www.fda.gov/drugs/new-drugs-fda-cders-new-molecular-entities-and-new-therapeutic-biological-products/novel-drug-approvals-2021

3 https://www.fda.gov/vaccines-blood-biologics/development-approval-process-cber/2021-biological-license-application-approvals

4 https://www.vfa.de/de/arzneimittel-forschung/neueinfuehrungen/neueinfuehrungen-und-zulassungserweiterungen-seit-2003.html

In spite of everything, cancer has become an even bigger burden, with the World Health Organization (WHO) estimating that cancer was the cause of 9.9 million deaths in 2020.[5] Over 19 million people were diagnosed with cancer that year.[6] According to recent estimates, this figure will rise to over 30 million per year by 2040.[7]

The high demand for effective cancer therapies is also reflected in the approvals of new drugs: In 2021, 16 new cancer drugs were approved in the USA.[8] The corresponding figure for Germany was 14.[9] Sales of oncology therapeutics totaled USD 177 billion in 2020, representing more than 15 % of global pharmaceutical sales.[10,11] Sales are forecast to grow to around USD 314 billion in 2026, at a compound annual growth rate of 12.1 %.[12]

Therapies with antibody drug conjugates (ADCs)

Heidelberg Pharma is active in the field of antibody drug conjugates consisting of a specific antibody, a chemical linker and a toxin. According to estimates, the market for ADCs will grow to just under USD 10 billion in 2025.[13] Most ADCs are developed as cancer therapeutics, with antibodies in particular used against antigens (targets) that are typically highly expressed on the surface of cancer cells. The two most common indications are lymphomas and hematologic cancers, followed by breast and lung cancer.[14]

The overall number of ADC programs is similar to the previous year, with a slight increase in the number of Phase III trials. At the end of 2021, 12 (2020: ten) oncological ADCs were in 14 clinical Phase III trials, of which four have already received first approval and others are being tested in additional indications. A further 25 (2019: 28) ADCs were in Phase II trials and 100 (2020: 101) in Phase I trials. A total of 75 ADC candidates (2019: 79) were in preclinical studies.[15]

Glossary

As in the previous year, two new ADCs were approved in the USA in 2021, both for oncology indications, lifting the number of FDA-approved ADCs to 12. In April, ADC Therapeutics SA, Lausanne, Switzerland, (ADC Therapeutics) obtained approval for ZYNLONTA™ as a single-agent treatment for adult patients with relapsed or

5 https://gco.iarc.fr/today/data/factsheets/cancers/39-All-cancers-fact-sheet.pdf

6 https://gco.iarc.fr/today/data/factsheets/cancers/39-All-cancers-fact-sheet.pdf

7 https://gco.iarc.fr/tomorrow/en/dataviz/isotype

8 https://www.beckershospitalreview.com/pharmacy/16-cancer-drugs-approved-in-2021.html

9 https://www.deutsche-apotheker-zeitung.de/news/artikel/2021/12/30/2021-pharmaunternehmen-bringen-46-arzneien-mit-neuen-wirkstoffen-auf-den-markt/chapter:1

10 https://www.prnewswire.com/news-releases/global-oncology-pharmaceuticals-market-2021-to-2026---featuring-abbvie-bayer-and-novartis-among-others-301394329.html

11 https://finance.yahoo.com/news/global-pharmaceuticals-industry-report-2021-113300612.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce_referrer_sig=AQAAAEG5JNh6WMQQXMZQ7dE5LmHWKiw3EcakyQMl6RvqXW562ol5L1TTB7XYKDyruhWBibaqVaFgU0Z7YWvctkmDtHpXChyAnL_QYHzTLytrRb-0BWrz_NWJcM_rxQ0_iS91nAmduB1pDGrQgmJ8GTSQZrXg7iZP42W6qNWKK7VSf3wS

12 https://www.prnewswire.com/news-releases/global-oncology-pharmaceuticals-market-2021-to-2026---featuring-abbvie-bayer-and-novartis-among-others-301394329.html

13 Grand View Research, Januar 2019: Antibody Drug Conjugate Market Size Worth USD 9.93 Billion By 2025. https://www.grandviewresearch.com/press-release/global-antibody-drug-conjugates-market

14 BioCentury data base BCIQ, as of 7 January 2022

15 BioCentury data base BCIQ, as of 7 January 2022

refractory (r/r) diffuse large B-cell lymphoma (DLBCL) as the first and only CD19-targeted ADC.[16] Genmab A/S, Copenhagen, Denmark, (Genmab) and Seagen Inc., Bothell, WA, USA, (Seagen) announced in September FDA approval of TIVDAK™ in pretreated recurrent or metastatic cervical cancer.[17]

Selected events in the research and development of ADCs are presented in the following table:

Company	Product or candidate	Event	Description
AstraZeneca PLC, Cambridge, UK	Enhertu	Expansion of indication	Enhertu was approved in the USA for the treatment of patients with pretreated advanced HER2-positive gastric cancer[18] and HER2-positive metastatic breast cancer.[19]
Immunomedics/Gilead Sciences Inc., Morris Plains, NJ, USA	Trodelvy (sacituzumab govitecan)	Approval	FDA grants Trodelvy regular approval for treatment of triple-negative breast cancer.[20]
Astellas Pharma Inc., Tokyo, Japan/Seagen	PADCEV® (enfortumab vedotin)	Expansion of indication	Astellas and Seagen receive full approval for PADCEV® and expansion of indication to additional patient population.[21]
Genmab/Seagen	TIVDAK™ (tisotumab vedotin-tftv)	Approval	Genmab and Seagen announce FDA accelerated approval for TIVDAK™ (tisotumab vedotin-tftv) in pretreated recurrent or metastatic cervical cancer.[22]
Daiichi Sankyo K.K., Tokyo, Japan	DS-6157	Termination	No clear responses in Phase I trial in gastrointestinal tumors.[23]

16 ADC press release, 23 April 2021: https://ir.adctherapeutics.com/press-releases/press-release-details/2021/ADC-Therapeutics-Announces-FDA-Approval-of-ZYNLONTA-loncastuximab-tesirine-lpyl-in-Relapsed-or-Refractory-Diffuse-Large-B-Cell-Lymphoma/default.aspx

17 Genmab press release, 20 September 2021: https://ir.genmab.com/news-releases/news-release-details/genmab-and-seagen-announce-fda-accelerated-approval-tivdaktm/

18 AstraZeneca press release, 18 January 2021: https://www.astrazeneca.com/content/astraz/media-centre/press-releases/2021/enhertu-approved-in-the-us-for-gastric-cancer.html

19 AstraZeneca press release, 20 January 2021: https://www.astrazeneca.com/content/astraz/media-centre/press-releases/2021/enhertu-approved-in-the-eu-for-breast-cancer.html

20 FDA press release, 7 April 2021: https://www.fda.gov/drugs/resources-information-approved-drugs/fda-grants-regular-approval-sacituzumab-govitecan-triple-negative-breast-cancer

21 FDA press release, 9 July 2021: https://www.fda.gov/drugs/resources-information-approved-drugs/fda-grants-regular-approval-enfortumab-vedotin-ejfv-locally-advanced-or-metastatic-urothelial-cancer

22 Genmab press release, 20 September 2021: https://ir.genmab.com/news-releases/news-release-details/genmab-and-seagen-announce-fda-accelerated-approval-tivdaktm/

23 https://www.fiercebiotech.com/biotech/daiichi-jettisons-adc-after-flunking-early-solid-tumor-test

Interest in ADCs and transaction volumes remained high in 2021. Pyxis Oncology, Cambridge, MA, USA, (Pyxis Oncology) raised USD 168 million in a successful IPO on the New York Stock Exchange.[24] The company had previously raised USD 152 million in Series B financing in March for the development of preclinical ADC candidates.

Further selected transactions in the ADC domain are shown in the following table:

Company	Partner	Event	Description
Adcentrx Therapeutics Inc., San Diego, CA, USA		Financing	Adcentrx raised USD 50 million in Series A financing to power the development of its preclinical ADCs for solid tumors.[25]
Adcendo ApS, Copenhagen, Denmark		Financing	Adcendo secured USD 62 million in Series A financing in what was the biggest Series A for a Danish biotech company to date.[26]
Duality Biologics, Shanghai, China		Financing	Duality Biologics in China secured USD 90 million in Series B financing to expand its pipeline of ADCs and bispecific antibodies.[27]
Iksuda Therapeutics, Newcastle Upon Tyne, UK	LegoChem	Financing; license	Iksuda Therapeutics completed a USD 47 million Series A financing round and expanded its licensing agreement with LegoChem from three to six targets.[28,29]
Bristol-Myers Squibb/BMS Corp., New York, NY, USA	Eisai	License	In a USD 650 million collaboration with Elsai, BMC acquired an anti-FOLR1 ADC targeting solid tumors for its pipeline.[30]
Orum Therapeutics, Cambridge, MA, USA		Financing	Orum adds USD 54 million to 2019 Series B to advance ADCs into clinical trials.[31]
Pyxis Oncology		Financing	Pyxis Oncology raised USD 168 million in its IPO on the New York Stock Exchange.[32]

24 https://www.bizjournals.com/boston/news/2021/10/08/longwood-fund-pyxis-oncology-ipo.html

25 Adcentrx Therapeutics press release, 28 April 2021: https://adcentrx.com/2021/04/04-28-2021/

26 Adcendo press release, 29 April 2021: https://adcendo.com/wp-content/uploads/2021/04/Adcendo-Press-Release-FINAL.pdf

27 Duality Biologics press release, 19 May 2021: https://www.prnewswire.com/news-releases/duality-biologics-completed-90-million-series-b-financing-301294736.html

28 Iksuda Therapeutics press release, 7 June 2021: https://iksuda.com/2021/06/iksuda-therapeutics-closes-47-million-financing-round/

29 Iksuda Therapeutics press release, 22 June 2021: https://iksuda.com/2021/06/legochem-biosciences-and-iksuda-therapeutics-expand-license-agreement-for-development-of-antibody-drug-conjugates/

30 Bristol Myers Squibb press release, 17 June 2021: https://news.bms.com/news/corporate-financial/2021/Eisai-and-Bristol-Myers-Squibb-Enter-Into-Global-Strategic-Collaboration-for-Eisais-MORAb-202-Antibody-Drug-Conjugate/default.aspx

31 Orum Therapeutics press release, 23 June 2021: https://www.businesswire.com/news/home/20210623005067/en/Orum-Therapeutics-Closes-84-Million-Series-B-Financing-to-Advance-Novel-Targeted-Protein-Degrader-Payloads-into-Clinical-Trials-for-Cancer

32 https://www.bizjournals.com/boston/news/2021/10/08/longwood-fund-pyxis-oncology-ipo.html

Company	Partner	Event	Description
Seagen	RemeGen	License	Seagen signs agreement with RemeGen for up to USD 2.6 billion for HER2-ADC.[33]
Mythic Therapeutics Inc., Waltham, MA, USA		Financing	Mythic raises USD 103 million in Series B financing.[34]
Emergence Therapeutics		Financing	Emergence Therapeutics raises € 87 million in Series A financing[35]
Genmab	Synaffix	License	Genmab signs deal worth up to USD 415 million with Synaffix for antibody-drug conjugate technologies.[36]

Last year, the COVID-19 pandemic continued to impact on clinical development in oncology. The pandemic slowed the recruitment of new patients. Limited resources and the considerable strain on healthcare workers also continue to make it difficult to plan clinical trials.[37] Clinical trials themselves are increasingly using decentralized approaches supported by telemedicine, to the extent that this is possible in oncology. This trend is likely to continue post-pandemic, reducing the burden on trial participants.[38]

Competitive environment for HDP-101

The B-cell maturation antigen (BCMA), a cell surface protein generally expressed by malign plasma cells, has proven to be an extremely selective antigen and is thus a target of novel treatments for multiple myeloma (MM), the second most common type of blood cancer, chronic lymphatic lymphoma (CLL) and diffuse large B-cell lymphoma (DLBCL).[39]

Glossary

The ATAC® candidate HDP-101 will initially be developed with the MM indication. Around 46 companies are currently working on the BCMA antigen in this indication (2020: 39).[40] The number of development projects increased from 50 last year to 62.[41] Most of the these projects are in the preclinical stage or in Phase I of clinical development. A continuing focus is immune cell therapies (39 projects), followed by bispecific and multispecific antibodies (15).[42]

33 Seagen press release, 9 August 2021: https://investor.seagen.com/press-releases/news-details/2021/Seagen-and-RemeGen-Announce-Exclusive-Worldwide-License-and-Co-Development-Agreement-for-Disitamab-Vedotin/default.aspx

34 https://www.biocentury.com/article/641450/dec-15-quick-takes-mythic-raises-103m-series-b

35 Emergence Therapeutics press release, 7 December 2021: https://emergencetx.com/emergence-therapeutics-raises-e87-million-series-a-financing-to-advance-nectin-4-adc/

36 Genmab press release, 4 January 2022: https://www.prnewswire.com/news-releases/genmab-and-synaffix-enter-into-license-agreement-for-adc-technology-301453455.html

37 Sessa, C et al. "The impact of COVID-19 on cancer care and oncology clinical research: an experts' perspective." ESMO open, vol. 7,1 100339. 23 Nov. 2021, doi:10.1016/j.esmoop.2021.100339

38 Sessa, C et al. "The impact of COVID-19 on cancer care and oncology clinical research: an experts' perspective." ESMO open, vol. 7,1 100339. 23 Nov. 2021, doi:10.1016/j.esmoop.2021.100339

39 BioCentury, 14 December 2019: BCMA programs begin to find their niches

40 BioCentury data base BCIQ, as of 7 January 2022

41 BioCentury data base BCIQ, as of 7 January 2022

42 BioCentury data base BCIQ, as of 7 January 2022

Two BCMA-targeting therapies have now been approved. In 2020, GlaxoSmithKline plc, Brentford, UK, (GSK) became the first company with a BCMA-targeting therapy to obtain approval for its ADC Blenrep (belantamab mafodotin – GSK2857916) in the MM indication despite a number of restrictive side effects for patients. This was followed in March of last year by Idecabtagene vicleucel (Ide-cel; Abecma), a CAR T-cell therapy developed by 2seventybio Inc., Cambridge, MA, USA, a spin-out of bluebird bio Inc., Cambridge, MA, USA, and BMS.[43] Two further therapies, Ciltacabtagene autoleucel (Cilta-cel; CAR T-cell therapy) from Legend Biotech Corp., Somerset, NJ, USA, and Janssen/Johnson&Johnson and Teclistamab (JNJ-64007957, bispecific antibody) from Ligand Pharmaceuticals Inc., San Diego, CA, USA, and Janssen/Johnson&Johnson, have submitted applications for approval to the FDA.[44,45]

Apart from Heidelberg Pharma's HDP-101, another BCMA-targeting ADC, CC-99712 from Sutro Biopharma, is in Phase I of clinical development for the MM indication. However, AstraZeneca stopped development of MEDI2228, a BCMA-targeting pyrrolobenzodiazepine (PBD)-linked ADC, in April 2021, citing safety/efficacy as one of the reasons for its decision.[46] In the past, clinical development of a number of other PBD-based ADCs had been discontinued for different targets.

Chemotherapy is still being used as standard therapies for MM, including in combination with autologous hematopoietic stem cell transplantation or radiotherapy.[47] The immunomodulator REVLIMID® from Celgene (taken over by BMS in November 2019) is currently the most commercially successful drug against MM and the third most successful drug worldwide with global sales of USD 12.5 billion in 2020.[48]

Other BCMA-independent therapeutic approaches for multiple myeloma are also currently in clinical development.

Competitive environment for HDP-102 and HDP-103

HDP-102 is a novel ATAC® candidate that targets CD37, a surface molecule expressed on B cells but not found on normal stem cells or plasma cells. This makes it an excellent target for developing treatments for Non-Hodgkin lymphoma (NHL).[49]

Glossary

Apart from Heidelberg Pharma, four companies are currently working on development candidates for treating NHL with CD37 as the target molecule.[50] Of these, the most advanced is an ADC from Debiopharm Group, Lausanne, Switzerland, naratuximab emtansine (Debio 1562, IMGN529), which is in Phase II for the treatment

43 https://www.targetedonc.com/view/vitalize-to-validate-the-efficacy-safety-of-maveropepimut-s-plus-pembrolizumab-for-r-r-dlbcl

44 https://www.healio.com/news/hematology-oncology/20211102/fda-delays-decision-on-ciltacabtagene-autoleucel-cart-for-advanced-multiple-myeloma

45 https://www.jnj.com/janssen-submits-biologics-license-application-to-u-s-fda-seeking-approval-of-teclistamab-for-the-treatment-of-patients-with-relapsed-or-refractory-multiple-myeloma

46 https://www.fiercebiotech.com/biotech/astrazeneca-drops-bcma-drug-after-seeing-early-clinical-data

47 http://www.myelom-deutschland.de/das-multiple-myelom/therapie-des-multiplen-myeloms/

48 https://www.fiercepharma.com/special-report/top-20-drugs-by-2020-sales-revlimid

49 Witkowska M, Smolewski P, Robak T. Investigational therapies targeting CD37 for the treatment of B-cell lymphoid malignancies. Expert Opin Investig Drugs. 2018 Feb;27(2):171-177. doi: 10.1080/13543784.2018.1427730. Epub 2018 Jan 15. PMID: 29323537

50 BioCentury data base BCIQ, as of 7 January 2022

of R/R DLBCL. Initial positive results were presented in June at the European Hematology Association Conference.[51] Moreover, a radioactive conjugated antibody from Nordic Nanovector ASA, Oslo, Norway, is in Phase I/II and a bispecific antibody from Genmab is in Phase I for the treatment of NHL.[52,53]

Glossary

Heidelberg Pharma is developing HDP-103, an anti-PSMA ATAC® for the treatment of prostate cancer. Prostate specific membrane antigen (PSMA) is a surface protein that specifically appears on prostate cells and is overexpressed in prostate cancer, making it an attractive target for an ADC approach.[54]

Besides Heidelberg Pharma, 27 other companies (previous year: 19) are working on developing a total of 36 different therapies for prostate cancer targeting PSMA. While most of these are antibody-based therapies, there are also cell therapies, some cell-based vaccines targeting cancer and small-molecule compounds.[55] A total of three therapies are in Phase III of clinical development: two radioactive conjugated antibodies from Telix Pharmaceuticals Limited, Melbourne, Australia, (Telix) (TLX591, ^{177}Lu-DOTA-Rosopatamab) and Point Biopharma Inc., Toronto, CA, (^{177}Lu-PNT2002) and one cell-based vaccine developed by Northwest Biotherapeutics Inc., Bethesda, MD, USA, (DCVax-Prostate). Novartis AG, Basel, Switzerland, successfully completed a Phase III trial evaluating ^{177}Lu-PSMA-617 for treatment of prostate cancer last year[56] and submitted an application for approval to the FDA.[57] The antibody was originally developed at the German Cancer Research Centre (DKFZ) and the Heidelberg University Hospital and out-licensed to ABX advanced biochemical compounds GmbH, Radeberg, before this company was acquired by Novartis in 2018.[58] Two other companies are developing PSMA-ADCs, Lantheus Holdings Inc., N. Billerica, MA, USA, and Ambrx Inc, La Jolla, CA, USA, whose candidates are in Phase II and Phase I, respectively.[59]

51 https://www.debiopharm.com/pipeline/debio-1562/#diffuse-large-b-cell-lymphoma

52 BioCentury data base BCIQ, as of 7 January 2022

53 https://clinicaltrials.gov/ct2/show/NCT04358458

54 P. Bühler, P. Wolf, U. Elsässer-Beile: Targeting the prostate-specific membrane antigen for prostate cancer therapy. In: Immunotherapy. Volume 1, No. 3, May 2009, p. 471–481, ISSN 1750-7448. doi:10.2217/imt.09.17. PMID 20635963

55 BioCentury data base BCIQ, as of 7 January 2022

56 https://www.novartis.com/news/media-releases/novartis-177lu-psma-617-significantly-improves-overall-survival-and-radiographic-progression-free-survival-men-metastatic-castration-resistant-prostate-cancer-phase-iii-vision-study

57 https://www.novartis.com/news/fda-grants-priority-review-investigational-targeted-radioligand-therapy-177lu-psma-617-patients-metastatic-castration-resistant-prostate-cancer-mcrpc

58 https://www.dkfz.de/de/presse/pressemitteilungen/2018/dkfz-pm-18-57c-DKFZ-Erfindung-ist-Novartis-2-Milliarden-US-Dollar-wert.php

59 BioCentury data base BCIQ, as of 7 January 2022

3 Course of business in 2021

3.1 Research and development projects of Heidelberg Pharma Research GmbH

Amanitin as an innovative compound for cancer therapy

Heidelberg Pharma Research GmbH is developing the compound Amanitin for the first time as a new cancer therapy. Amanitin has a unique biological mode of action which could serve as the basis for developing highly effective, innovative drugs. Amanitin is a member of the amatoxin group of natural poisons, which occur in the death cap mushroom (Amanita phalloides), among others. It works by inhibiting RNA polymerase II, which results in programmed cell death, or apoptosis. This novel principle in cancer therapy offers the possibility of breaking through drug resistance and destroying dormant tumor cells, which could produce major clinical advances.

Glossary

To enable therapeutic use of this natural toxin, Heidelberg Pharma Research GmbH is utilizing already clinically proven ADC technology, which is being refined for use with Amanitin. The core of the ADC technology consists of using a chemical compound (linker) to crosslink a suitable antibody to a toxin. The role of the antibody is to transport the crosslinked toxin specifically to – and then into – the cancer cell. After binding to the tumor cell, the ADC is taken up by the cell and releases the toxin within the cell. The released toxin then destroys the tumor cell whereas healthy tissue should not be affected. Called Antibody Targeted Amanitin Conjugates, Amanitin-based ADCs are third generation ADCs that have shown improved efficacy in preclinical models, including in quiescent and therapy-resistant tumor cells.

The mode of action of Amanitin also has the potential to be particularly effective against tumors that have changed due to so-called 17p deletion to bypass a special mechanism of cell protection. This change is more or less common in almost all cancers, especially in very advanced cancers. Tumors with 17p deletion could be a particularly effective target for a therapy with ATACs.

Immunological effects of ATAC® molecules

Heidelberg Pharma's earlier work with PDX models (where tumor cells derived from patients are induced to grow in immunodeficient mice) indicated that treatment with ATAC® molecules induces immune response. The working group headed up by Bob Orlowski from the MD Anderson Cancer Center, Houston, USA, (MD Anderson) presented new preclinical data at the 62nd Annual Meeting of the American Society of Hematology (ASH) in December 2020, confirming previous findings and providing new insights into the induction of a specific immune response against multiple myeloma cells by HDP-101. Using certain markers, it was demonstrated that in addition to the direct effect of HDP-101 on tumor cells, the immune system was induced to destroy cancer cells (known as immunogenic cell death). Therapy with HDP-101 was also shown to immunize the treated animals against renewed growth of cancer cells.[60]

60 https://ash.confex.com/ash/2020/webprogram/Paper141615.html

Proprietary ATAC® pipeline

Project HDP-101 (BCMA-ATAC)

BCMA (B-cell maturation antigen) is a surface protein that is highly expressed in multiple myeloma cells and to which BCMA antibodies specifically bind. Taking an antibody optimized by Heidelberg Pharma and using the ATAC® technology resulted in the development candidate HDP-101, which consists of a BCMA antibody, a specific linker and the Amanitin compound.

A number of steps were necessary before the study could be approved by the FDA in the USA and by the Paul-Ehrlich-Institut in Germany: compatibility tests were carried out, the study protocol was drafted, clinical trial centers were selected, the logistics of the study were planned and the trial medication was manufactured, such that by January 2021 the data package for an IND application could be submitted with the FDA. The American regulatory authorities approved Heidelberg Pharma's application to proceed with a Phase I/IIa study with HDP-101 in February. This was followed by German authorities who approved the trial in July.

The first planned trial center which was to be initiated in the second quarter had to be changed due to the coronavirus pandemic. Stability tests had to be carried out for the new trial center to verify that the special closed system transfer device (CSTD) for the infusions was compatible with the trial center. Although these tests were completed successfully, they delayed the initiation of the first trial centers and the logistics of the trial medication by about three months. During the last quarter, two trial centers in the USA were opened: Winship Cancer Institute of Emory University in Atlanta, Georgia, and MD Anderson Cancer Center in Houston, Texas. The first German trial center in Heidelberg University Hospital was initiated soon after.

Inclusion and dosage of the first patients followed in February 2022. For more information, please see the report on post balance-sheet events.

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Project HDP-102 (CD37-ATAC)

Glossary

HDP-102 is an ATAC® targeting CD37 that is overexpressed on B-cell lymphoma cells. HDP-102 will be developed for specific indications of non-Hodgkin lymphoma (NHL).

The production of antibody material (non-GMP and GMP) to be used in HDP-102 was completed as planned. Production of toxin linker according to GMP standards for CD37 ATAC continued at the same time. This material is to be used for Good Laboratory Practice (GLP) studies and for the planned clinical Phase I study (1st half of 2023 at the earliest).

Apart from conjugate production, further preclinical and toxicology studies with the candidate were carried out in the past months.

After the reporting period was over, a scientific paper on CD37 ATAC was introduced at the American Society of Hematology (ASH) annual meeting in early December 2021. This paper was a product of an earlier research collaboration with the University of Turin, Italy, where the indication of Richter's syndrome was established. The data from several patient-derived xenograft models (PDX models) showed the high efficacy of CD37 ATAC on tumor cells, which lead to a highly significant regression of the tumor.[61] Richter's syndrome, a type of non-Hodgkin lymphoma, could be one of the indications of treatment with HDP-102.

61 https://ashpublications.org/blood/article/138/Supplement%201/791/480056

Project HDP-103 (PSMA-ATAC)

HDP-103 will be used to treat metastatic castration-resistant prostate cancer (mCRPC). The antibody used binds to PSMA, a surface antigen that is overexpressed on prostate cancer cells. This is a promising target for ATAC® technology because PSMA shows only very limited expression in normal tissue.

Preclinical studies on *in vitro* and *in vivo* efficacy, tolerability and pharmacokinetics have shown that HDP-103 has a promising therapeutic window. This is confirmed by the fact that at 60 % there is a very high prevalence of a 17p deletion in mCRPC. The increased sensitivity of prostate cancer cells with a 17p deletion has already been preclinically validated.[62] Since tumor cells with a 17p deletion are particularly sensitive to Amanitin, PSMA-ATACs might be particularly suitable for treating mCRPC.

Glossary

The antibody material of HDP-103 to be used for the toxicological tests and for the planned clinical trials as well as the non-GMP toxin linker material were both manufactured successfully. Production of the ATACs in non-GMP quality has already started and is expected to be completed by the third quarter of 2022. The production of toxin linker in GMP quality started at the same time.

Apart from work on conjugate production, further preclinical and toxicology studies with HDP-103 were carried out in the past months.

Amanitin production in accordance with Good Manufacturing Practice (GMP) – provision of material to partners (supply model)

Last year, Heidelberg Pharma created the prerequisites necessary for the supply of material for their own projects and those of its partners. The material requirements for 2021 were covered by good yields from the end of 2020. Heidelberg Pharma anticipates new demand in 2022.

Other ATAC® research projects

Heidelberg Pharma is continuously working to identify further potential targets which, in combination with the properties of Amanitin, could represent new treatment options for diseases that are difficult to treat. Antibodies and ATACs will be produced for this and research conducted.

Predictive biomarker p53/RNA polymerase II project: The available preclinical data show that Amanitin has the potential to be particularly effective against aggressive tumors in connection with a 17p deletion. The name '17p' refers to the short arm of chromosome 17, whose DNA includes both the gene for the tumor suppressor protein TP53 and the largest subunit for RNA polymerase II (POLR2A). 17p deletion in tumors results in TP53 being less effective in tumor cells, thus weakening the cells' natural defenses. Since RNA polymerase II is also routinely deleted, the tumor cell altered in this way is particularly sensitive to Amanitin. Results from the collaboration with different research groups regarding 17p deletion have already been published in previous years.[63] A publication together with the School of Medicine of the University of Indiana in 2021 was able to prove in preclinical studies that Amanitin has the potential to be especially effective against aggressive tumors associated with a 17p deletion.[64]

Heidelberg Pharma will examine the use of these results for clinical treatment and will evaluate the 17p status of the patients. Patients in the Phase II part of the clinical trial with HDP-101 will be stratified based on their 17p deletion status. Heidelberg Pharma holds an exclusive license to the patent rights for this diagnosis and treatment approach.

62 https://www.nature.com/articles/s41467-018-06811-z

63 https://ash.confex.com/ash/2020/webprogram/Paper141615.html

64 https://www.science.org/doi/10.1126/scitranslmed.abc6894

ATAC® partnerships

Licensing model for toxin linker technology: The second key pillar in the business model of Heidelberg Pharma Research involves the granting of ATAC® technology licenses and application on antibodies provided by customers. Integrated into license agreements, Amanitin linker variants are to be made available and cross-linked to antibodies developed by partners and tested biologically. These technology partnerships give licensees access to the ATAC® technology and rapidly generate initial sales revenue for providing support to partners and from licenses to access the technology. These partnerships are also intended to provide attractive potential for generating sales revenue and creating added value under these licensing agreements. Such agreements provide for upfront payments, assumption of development costs, milestone payments and royalties.

Heidelberg Pharma Research is involved in exclusive multi-target research agreements with partners that include Magenta Therapeutics, Cambridge, MA, USA, (Magenta), and Takeda Oncology, Cambridge, MA, USA, (Takeda). These partners are granted access to Heidelberg Pharma Research's ATAC® platform technology for use on their antibodies and have the option of obtaining an exclusive license for the global development and commercialization rights to each of the product candidates resulting from this collaboration. Magenta exercised the option for further developing the target molecule CD117 in 2018 and for the target molecule CD45 in 2019.

Glossary

MGTA-117, the development candidate, is an ATAC® consisting of a CD117 antibody and Amanitin as payload and is currently in the clinic.[65] MGTA-117 is to be the first clinical ATAC® candidate to be used for targeted preparation, or conditioning, of patients for stem cell transplants or gene therapy. MGTA-117 is currently tested in a dose escalation clinical trial to evaluate the safety, tolerability, pharmacokinetics and pharmacodynamics of MGTA-117 as a single dose in patients with relapsed/refractory acute myeloid leukemia (AML) and myelodysplastic syndrome with excess blasts (MDS-EB).

Magenta is also working on the preclinical validation of the second product candidate, a CD45-ATAC, in various transplant and autoimmune diseases models. Successful development of these approaches could open doors for innovative applications beyond oncology for diseases of the immune system.

The cooperation with Takeda was intensified in 2021 and advanced under a detailed research plan. No development option for a specific target molecule has yet been exercised.

Participation in Emergence Therapeutics AG

Since November 2019, Heidelberg Pharma has participated in Emergence Therapeutics AG as a licensing partner and shareholder together with French and German investors. In 2021, Emergence successfully raised € 87 million Series A financing with venture capital investors, in which Heidelberg Pharma was not involved. The share of Emergence remains unchanged at the end of the fiscal year. This will, however, decrease after the corporate actions have been completed.

Funded projects: Following the successful conclusion of the ETN MAGICBULLET project, Heidelberg Pharma Research and several other applicants were successful in receiving funding for further projects as part of the EU's HORIZON 2020 program. The MAGICBULLET RELOADED program will continue from 2019 to 2023 and involve total funding for all project partners amounting to up to € 3.9 million. The research field is being expanded from small molecule-drug conjugates to include peptide-drug conjugates and is focusing on

65 Magenta press release, 10 January 2022: https://investor.magentatx.com/news-releases/news-release-details/magenta-therapeutics-highlights-recent-pipeline-progress-and

candidates that stimulate the immune response to tumors and can overcome resistance to immunotherapies. Heidelberg Pharma is also working on peptide-Amanitin conjugates in this context.

Together with several European universities, research institutions and companies, Heidelberg Pharma Research is also taking part in two research projects – INTEGRATA and pHionic – and receives proportionate funding from the programs.

INTEGRATA funds research which assesses the potential of NAD enzymes as a novel therapeutic approach for cancer therapy. The project receives EU funding totaling € 3.7 million for all project partners and will run until the end of 2022.

The pHionic program focuses on research on pancreatic ductal adenocarcinoma. Heidelberg Pharma Research will use this opportunity to assess new target structures for pancreatic cancer and their suitability for therapy with ATACs. The European Union intends to issue a total of approximately € 4 million in funding for all the project partners. The program will run until the end of 2022.

The year 2020 saw the approval of TACT, which is another HORIZON 2020 research project. It will focus on developing a new, more effective generation of protein-drug conjugates using site-specific bioconjugation methods, environment-specific cleavable linkers, more efficient protein-based targeting systems, and new analytical tools for protein characterization. The European Union issues a total of approximately € 3 million in funding for the TACT program, which is set to run until early 2024.

3.2 Customer-specific preclinical services business

The customer-specific preclinical service business will be continued with existing customers but continues to decrease in strategic importance compared to ATAC® technology. This decrease in importance is due to the increasing internal demand on research resources.

3.3 Clinical portfolio of Heidelberg Pharma AG – partnering

TLX250-CDx (girentuximab) – diagnostic antibody

TLX250-CDx is a radiolabeled form of the antibody girentuximab, which binds to the tumor-specific antigen CAIX on clear cell renal cell carcinoma and possibly other tumors types. Accumulation of this antibody in tumor tissue can be visualized by positron emission tomography (PET) scans. This could fundamentally improve therapy planning for renal cancer patients and avoid potentially unnecessary surgery. The diagnostic agent may also prove suitable for monitoring response to treatment, detecting metastases and diagnosing other kinds of tumors.

Glossary

The antibody was developed up to an initial Phase III trial at Heidelberg Pharma AG and licensed in 2017 to the Australian firm Telix Pharmaceuticals Limited, Melbourne, Australia, (Telix). The license agreement also covers the development of a therapeutic radioimmunoconjugate program.

The TLX250-CDx (^{89}Zr-DFO-girentuximab) is radioactively labeled with zirconium-89 and has been tested in a Phase III study (ZIRCON) for imaging diagnostics of renal cancer using PET since August 2019. The study is being carried out as a global multicenter Phase III trial at sites in Europe, Turkey, Australia, Canada and the USA, enrolling around 250 renal cancer patients who are to undergo kidney surgery. It will determine the sensitivity and specificity of TLX250-CDx PET imaging to detect clear cell renal cell cancer (ccRCC) in

comparison with histology as standard of truth determined from surgical resection specimens. The target enrollment of 252 patients was reached in March 2022.[66]

Under Telix's guidance a number of investigator-led studies of TLX250-CDx have been initiated, supporting the goal of indication expansion. In mid-2021, a Phase I study (ZiP-UP) of TLX250-CDx was launched to evaluate the feasibility of using it in detecting urothelial carcinoma or bladder cancer. ZiP-UP is the first in a series of studies that will harness TLX250-CDx to evaluate CAIX expression in cancers other than renal cancer. In October, Telix announced that a first patient had been dosed in a Phase II study of TLX250-CDx in patients with triple-negative breast cancer (OPALESCENCE); further collaborative studies are in the pipeline for ovarian, colorectal, head and neck, lung and pancreatic cancers.

TLX250 (girentuximab) – therapeutic antibody

In addition to further developing the TLX250-CDx antibody, Telix is also planning the further development of a therapeutic radioimmunoconjugate (^{177}Lu-DOTA-girentuximab, TLX250) program based on the lutetium-177-labeled girentuximab antibody.

The IND application to conduct a Phase II (STARLITE 2) study was accepted by the FDA in September 2021. TLX250 is to be tested in the STARLITE 2 study as therapy for an estimated 29 patients with advanced clear cell renal cell carcinoma (ccRCC). The study will evaluate TLX250 in combination with the immunotherapy Opdivo® (nivolumab). The efficacy of combining immunotherapy with TLX250, as assessed by the number of tumors responding to the Telix therapy versus the current standard of care, will be tested.[67]

RHB-107 (upamostat) – oral serine protease inhibitor

Glossary

Developed by Heidelberg Pharma AG up to Phase II, RHB-107 (upamostat) is an oral serine protease inhibitor that is designed to block the activity of tumor-relevant serine proteases such as uPA, plasmin and thrombin to prevent tumor growth and metastasis.

Since 2014, license agreements have been in place for the development and potential commercialization of upamostat with the companies Link Health Co., Guangzhou, China, (Link Health), and RedHill Biopharma Ltd. (NASDAQ: RDHL), Tel Aviv, Israel, (RedHill).

Heidelberg Pharma's partner RedHill is also developing RHB-107 for treating COVID-19. RHB-107 has demonstrated both antiviral and potential tissue-protective effects, with RHB-107 strongly inhibiting SARS-CoV-2 replication in a preclinical human bronchial tissue study. The candidate targets human serine proteases that are involved the virus's entry into target cells. Because RHB-107 targets human cell factors and not the virus itself, RHB-107 is expected to be effective against emerging virus variants. RedHill started a Phase II/III trial with non-hospitalized patients in the USA in early 2021, dosing the first patient in February 2021. RedHill announced receipt in May 2021 of a Notice of Allowance from the US Patent and Trademark Office (USPTO) covering RHB-107 as a method for the treatment of COVID-19. Recruitment for Part A of the study has been completed and initial positive data from it were announced in March 2022.[68]

RHB-107 is also planned to be tested in combination with RedHill's other development candidate opaganib for the treatment of advanced cholangiocarcinoma, subject to approval from the FDA.

66 https://telixpharma.com/wp-content/uploads/TLX_ZIRCON_Phase_3_Imaging_Study_Completes_Targets_Enrolment.pdf

67 https://telixpharma.com/investors/#asx; press release: FDA Approves Phase II Kidney Cancer Therapy Study

68 https://www.prnewswire.com/news-releases/redhill-announces-positive-phase-2-study-results-with-oral-RHB-107-in-non-hospitalized-covid-19-301492827.html

3.4 Other key events in fiscal year 2021

Shareholder loan and financing commitment by main shareholder dievini

In late 2020, the Group's main shareholder dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, (dievini) committed to providing a loan in the amount of € 15 million to be drawn down in several tranches. The uncollateralized and indefinite loan bearing annual interest of 6 % implements the financing commitment made in July 2020. Heidelberg Pharma AG drew down two tranches of € 5 million each in the first half of 2021.

On 19 March 2021, dievini made a further financing commitment for up to € 30 million to the Company to secure its financing including the expanded development program until mid-2022. In June 2021, a capital increase was implemented in connection with a private placement, generating gross issue proceeds of approximately € 20 million. Heidelberg Pharma AG issued 3,106,637 new shares from authorized capital, which corresponded to just under 10 % of share capital. The new shares were allocated to new institutional investors specializing in biotechnology, including Polar Capital Biotech Investment Fund and Invus, and placed with DH-LT-Investments GmbH, St. Leon-Rot, an investment company owned by Mr. Dietmar Hopp. The price per share was € 6.44, a markdown of approximately 3.9 % on the day's closing price.

The corporate action increased the total number of registered shares from 31,066,372 to 34,173,009. The new shares were admitted to listing on the Frankfurt Stock Exchange following the entry of the capital increase in the Commercial Register.

Heidelberg Pharma sets up Executive Management Team

At the beginning of March 2021, Dr. András Strassz, who had held the post of Senior Medical Officer in the company since April 2020, was appointed Chief Medical Officer, while Dr. Mathias Locher was named Chief Development Officer. Dr. Strassz has many years of experience in clinical development with a focus on oncology and is building up this area at Heidelberg Pharma. Prior to this, Dr. Strassz served as Medical Director at Affimed and held roles in clinical development at companies like Sandoz and Amgen. Along with a doctorate in medicine, Dr. Strassz has an MBA from the University of Pécs, Hungary. Dr. Mathias Locher has nearly 30 years of experience in drug development. He joined from Janssen (Pharmaceutical Companies of Johnson & Johnson), where he worked as Senior Director – External Innovation for J&J Innovation Centre, London. Prior to this, he had held executive positions at Covagen, Merck Serono, Micromet (now part of Amgen) and ASTA Medica. Dr. Locher has a PhD in biochemistry from the University of Tübingen.

At the end of November, the previous Vice President Business Development, Dr. George Badescu, was appointed Chief Business Officer, thus complementing Heidelberg Pharma's five-member Executive Management Team.

Results on HER2-ATAC for targeted immunotherapy of triple-negative breast cancer published in Science Translational Medicine

In February 2021, Heidelberg Pharma published new preclinical study results on ATAC® technology in the renowned journal Science Translational Medicine in a joint report with a research group from the School of Medicine, Indiana University, Indianapolis, IN, USA.[69] Trastuzumab-ATAC, which consists of the antibody Trastuzumab targeting HER2 and the toxin Amanitin, demonstrated extraordinary efficacy in the treatment of certain triple-negative breast cancers (TNBC).

69 https://www.science.org/doi/10.1126/scitranslmed.abc6894

The preclinical data from this exploratory study shows that the ATAC® exhibits superior efficacy in treating aggressive tumors with a certain aggressive chromosomal change (so-called 17p deletion) and also has immunostimulatory potential. In the trial conducted, Trastuzumab-ATAC induced an immunogenic cell death of the tumor cells, a type of cell death that elicits an immune response. Consequently, the ATAC® could be effectively combined with checkpoint inhibitor therapy, as also demonstrated by preclinical data in this publication.

Glossary

New preclinical data of the ATAC® technology platform presented at the AACR annual meeting 2021

At the American Association for Cancer Research (AACR) Annual Meeting in April 2021, Heidelberg Pharma presented preclinical data on its novel ATAC® candidates HDP-102 and HDP-103 and, in another poster presentation, data on synergistic effects of ATACs with checkpoint indicators.

The data presented on HDP-102 showed that CD37 ATACs possess high antitumor activity and inhibit the growth of hematologic tumors even at low concentrations. The good tolerability of the different ATACs is further confirmation that CD37 ATACs may represent a promising therapeutic option against certain B-cell lymphoma.[70]

The data presented on HDP-103 showed that the ATACs targeting PSMA possess high antitumor activity and inhibit tumor growth in animal models even at low concentrations. The favorable safety profile due to the good tolerability of these ATACs confirms that they may represent a promising new therapeutic option against prostate cancer.[71]

Another presentation showed the use of ATACs together with immune checkpoint inhibitors. Treatment of cancer cells with ATACs triggers their immunogenic cell death, leading to activation of the immune system. Combining this immunostimulatory property of ATACs with immune checkpoint inhibitors may represent a promising approach for further oncological therapies.[72]

70 https://www.abstractsonline.com/pp8/#!/9325/presentation/1952

71 https://www.abstractsonline.com/pp8/#!/9325/presentation/1947

72 https://www.abstractsonline.com/pp8/#!/9325/presentation/1959

4 Non-financial performance indicators

Employees and remuneration system

The Heidelberg Pharma Group employed 96 (30 November 2020: 84) people (including members of the Management Board) at the end of the fiscal year. This represented an increase of more than 14 %. Heidelberg Pharma Research GmbH employed 82 people at the end of the fiscal year, while Heidelberg Pharma AG employed a team of 14 people (including the two members of the Executive Management Board).

The employees are distributed as follows among business areas as of the end of year:

Employees	30 Nov. 2021	30 Nov. 2020
Administration	25	24
Research and development	52	43
Manufacturing, service and distribution	19	17
Employees, total	**96**	**84**

5 Results of operations, financial position and net assets of the Group

The 2021 fiscal year concerns the period from 1 December 2020 to 30 November 2021. Due to rounding, it is possible that individual figures in this combined management report may not add up exactly to the totals and that percentages given may not precisely reflect the absolute figures to which they relate. The results of operations, financial position and net assets according to the German Commercial Code of Heidelberg Pharma AG as an independent company are explained separately in chapter 11.

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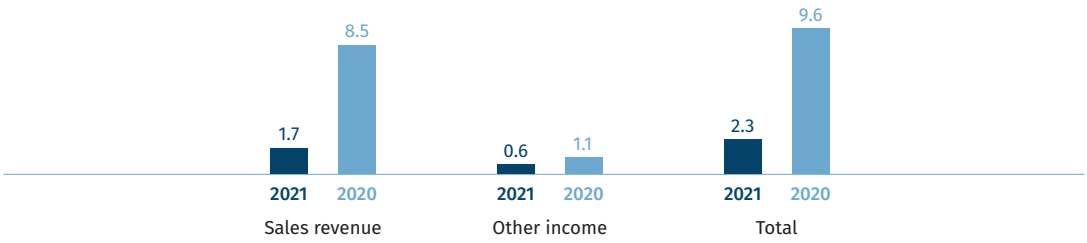
The group of consolidated companies comprises Heidelberg Pharma AG and Heidelberg Pharma Research GmbH.

Heidelberg Pharma does not have business units that differ materially in their risk/reward profiles and would therefore require segment reporting.

5.1 Sales revenue and other income

The Heidelberg Pharma Group generated sales revenue and other income totaling € 2.3 million in fiscal year 2021. The year-over-year decline (€ 9.6 million) is attributable in particular to lower sales revenue as a result of the deferral of planned milestone payments by various partners and smaller deliveries of Amanitin linkers, as ATAC® partners had sufficient supplies. Sales revenue of € 1.7 million (previous year: € 8.5 million) comprises revenue from collaboration agreements for the ATAC® technology (€ 1.2 million; previous year: € 7.8 million) and the service business (unchanged at € 0.5 million) of Heidelberg Pharma Research. In the 2020 comparative period, the parent company generated sales revenue of € 0.2 million through out-licensing.

Income in € million[1]



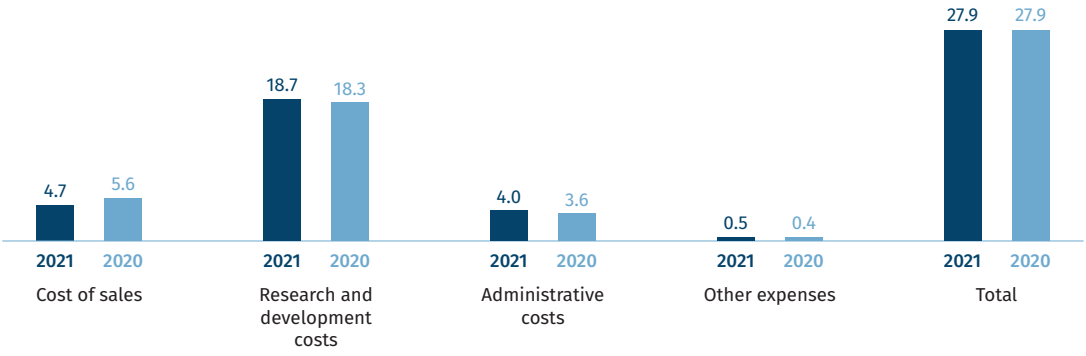
[1] rounded

Other income of € 0.6 million (previous year: € 1.1 million) consisted mainly of government grants to support Heidelberg Pharma Research projects (€ 0.3 million; previous year: € 0.2 million), income of € 0.1 million from the reversal of unused accrued liabilities (previous year: € 0.6 million) and income of € 0.1 million from charging on patent costs in the context of out-licensing (previous year: € 0.1 million). Other items amounted to income of € 0.1 million (previous year: € 0.2 million).

5.2 Operating expenses

Operating expenses including depreciation and amortization were virtually unchanged year-over-year at € 27.9 million in 2021.

Operating expenses in € million[1]



[1] rounded

The cost of sales concerns the Group's costs directly related to sales revenue. These costs mainly related to expenses for customer-specific research and for the supply of Amanitin linkers to licensing partners. These showed a disproportionate development in the period under review in relation to sales revenue in the period under review because they also serve as a basis for sales revenue generated at a later time. They amounted to € 4.7 million (previous year: € 5.6 million), representing 17 % of operating expenses.

Research and development costs rose year-over-year to € 18.7 million (previous year: € 18.3 million) due to the expansion of cost-intensive external manufacturing of all three ATAC® product candidates and preclinical and regulatory preparations for the clinical trial with HDP-101. At 67 % of operating expenses, R&D remained the largest cost item.

Administrative costs were € 4.0 million, an increase on the prior year (€ 3.6 million), and accounted for 14 % of operating expenses. These include staff costs of € 2.3 million (previous year: € 2.1 million), of which € 0.2 million concerned expenses for issuing stock options (previous year: € 0.2 million). The increase results from a growing number of employees due to the expansion of business activities and salary increases made in the fiscal year. This line item also includes legal and operating consulting costs in the amount of € 0.7 million (previous year: € 0.6 million) and expenses related to the Annual General Meeting, Supervisory Board remuneration and the stock market listing totaling € 0.6 million (previous year: € 0.6 million). Other items amounted to € 0.4 million (previous year: € 0.3 million).

Other expenses for business development, marketing and commercial market supply activities, which mainly comprise staff costs, were € 0.5 million. They were higher than in the previous year (€ 0.4 million) and represented 2 % of operating expenses.

5.3 Earnings

The Heidelberg Pharma Group recognized comprehensive income of € – 26.1 million (previous year: € – 18.4 million) in the 2021 fiscal year. Loss per share increased from € – 0.61 in the previous year to € – 0.80.

5.4 Financing and liquidity

The Group had cash and cash equivalents of € 6.1 million at the close of the fiscal year (30 November 2020: € 5.0 million). The addition resulted mainly from the shareholder loan of dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, (dievini) and from the capital increase implemented in the third quarter, which combined more than compensated for the outflow of liquidity due to the expanded operating activities.

On 17 February 2022, the Group's main shareholder dievini confirmed a new financing commitment in the amount of € 36 million. This commitment replaces the not yet fully used financing commitment from March 2021. According to the assessment of the Executive Management Board and based on the updated budget, the funding volume pledged and the cash funds available as of the 30 November 2021 reporting date would be sufficient to finance the business activities of Heidelberg Pharma AG and its subsidiary until mid-2023, provided that no exceptional developments change the situation.

As in the previous year, no finance income was generated in the fiscal year ended due to the current lack of interest accruing on credit balances. Heidelberg Pharma exclusively used short-term deposits for investing its liquid funds (e. g. overnight money); at no time were investments made in stock or share-based financial instruments. Finance costs amounted to € 494 thousand, comprising mainly interest expense for the dievini shareholder loan. This gives a financial result of € – 494 thousand (previous year: € – 13 thousand).

5.5 Cash flow statement

Net cash outflow from operating activities during the reporting period was € 26.6 million (previous year: € 17.9 million). The significant increase is mainly due to lower income.

Total cash outflow from investing activities was € 1.4 million (previous year: € 1.3 million) and was mainly due to the acquisition of property, plant and equipment, specifically laboratory equipment, by Heidelberg Pharma Research GmbH.

The net increase in funds from financing activities (€ 29.2 million; previous year: € 14.3 million) mainly stems from the dievini shareholder loan and a capital increase implemented in the third quarter of fiscal year 2021.

In addition, a currency gain of € 4 thousand (previous year: currency loss of € 9 thousand) was recognized.

Total cash inflow in fiscal year 2021 was € 1.2 million (previous year: outflow of € 4.9 million). This corresponded to an average inflow of cash of € 0.1 million per month (previous year: outflow of € 0.4 million). Adjusted for the effect of the dievini shareholder loan and the respective capital increase, the average cash outflow per month was € 2.3 million in fiscal year 2021 and € 1.6 million in fiscal year 2020.

Cash flow	2021 € million	2020 € million
Cash as of 1 December	5.0	9.9
Net change in cash from operating activities	(26.6)	(17.9)
Net change in cash from investing activities	(1.4)	(1.3)
Net change in cash from financing activities	29.1	14.3
Exchange rate effect	0.004	(0.01)
Cash as of 30 November	**6.1**	**5.0**

5.6 Assets

The financing commitment of € 36 million from the Group's main shareholder dievini that was secured on 17 February 2022 significantly extends the cash reach of Heidelberg Pharma if business proceeds as planned. This enabled the Company to prepare its financial statements on a going-concern basis.

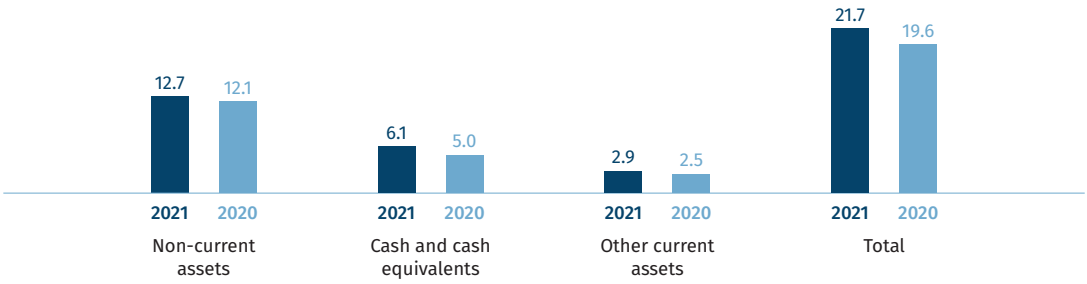
Non-current assets rose to € 12.7 million as of 30 November 2021 (previous year: € 12.1 million). As in the previous year, they mainly included the goodwill of Heidelberg Pharma Research (€ 6.1 million) as well as the recognition of the not yet ready for use intangible assets "In Process Research & Development" (IP R&D) (€ 2.5 million) identified in connection with the purchase price allocation.

Glossary

As of 30 November 2021, property, plant and equipment increased to € 3.7 million (previous year: € 3.1 million), particularly as a result of investments in laboratory equipment, and intangible assets excluding goodwill and IP R&D rose to € 0.4 million from € 0.3 million in the previous year.

Current development expenses for Heidelberg Pharma's product and development candidates were not capitalized because they were not deemed to fully meet the requirements of IAS 38 for capitalization. They were expensed in full as current research and development costs.

Balance sheet – assets in € million[1]



[1] rounded

Current assets increased from € 7.5 million in the previous year to € 9.0 million. Cash and cash equivalents included in this item amounted to € 6.1 million and as a result of the dievini shareholder loan and the capital increase were up on the prior-year figure of € 5.0 million in spite of the outflows triggered by the business.

Other current assets increased to € 2.9 million (previous year: € 2.5 million). While both inventories at € 0.7 million and other receivables at € 0.4 million included in this figure each rose compared with 2020 (€ 0.2 million and € 0.3 million, respectively), prepayments made at € 0.7 million and trade receivables at € 1.0 million decreased compared with the prior-year figures (€ 0.8 million and € 1.2 million, respectively).

At the end of the fiscal year, total assets amounted to € 21.7 million, up € 2.1 million from the previous year (€ 19.6 million), due to an increase in cash and property, plant and equipment.

5.7 Liabilities

Non-current lease liabilities, which due to the application of IFRS 16 'Leases' have to be disclosed separately as non-current or current lease liabilities (> 12 or < 12 months), total € 0.1 million, unchanged from the previous year, and resulted from leases in connection with office and building rent as well as company cars. Non-current contract liabilities were recognized in the amount of € 23 thousand (previous year: € 0).

As in the previous year, non-current liabilities therefore totaled € 0.1 million.

Current liabilities rose to € 14.9 million at the close of the reporting period (previous year: € 6.6 million).

Current lease liabilities totaled € 0.1 million, unchanged from the previous year.

Current contract liabilities amounted to € 0.5 million (previous year: € 0.3 million) and in 2021 were exclusively comprised of current contract liabilities from cooperation agreements (€ 0.5 million; previous year: € 0.2 million). In 2020, there were also contract liabilities of € 0.1 million to be recognized in connection with public funding schemes.

Both trade payables (€ 0.9 million; previous year: € 2.8 million) and other current liabilities at € 3.0 million were lower than at the 2020 reporting date (€ 3.5 million).

The latter are composed as follows:

Other current liabilities	30 Nov. 2021 € million	30 Nov. 2020 € million
Provisions for holidays not taken	0.3	0.3
Social security and other taxes	0.3	0.2
Other accrued liabilities	2.4	3.0
Total	**3.0**	**3.5**

Heidelberg Pharma recognized other accrued liabilities of € 2.4 million (previous year: € 3.0 million) for goods and services (€ 2.1 million; previous year: € 2.6 million) as well as for employee bonuses (unchanged at € 0.2 million) and for the auditing of the financial statements (€ 0.1 million; previous year: € 0.2 million).

Financial liabilities of € 10.5 million exist in connection with the shareholder loan extended by dievini to Heidelberg Pharma. They comprise the loan amount (€ 10.0 million) and accrued interest (€ 0.5 million).

5.8 Equity

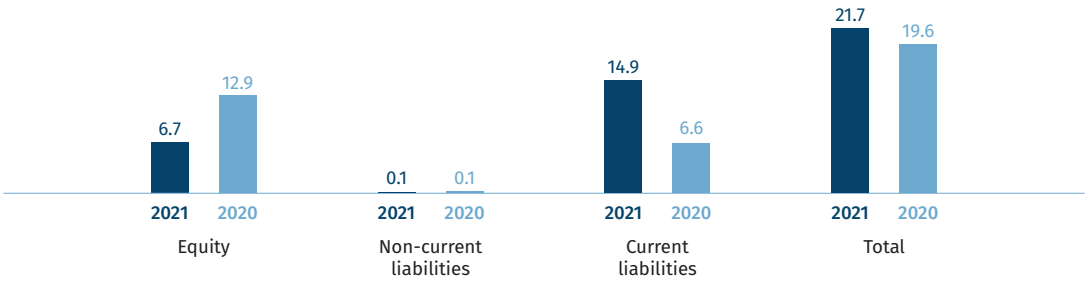
Equity of the Heidelberg Pharma Group at the end of the reporting period was € 6.7 million (30 November 2020: € 12.9 million).

As a result of a capital increase and the issuance of 3,106,637 shares, and the conversion of 7,300 stock options, the total number of Heidelberg Pharma shares issued as of the reporting date increased from 31,061,872 by 3,113,937 new shares to 34,175,809.

Taking into account the effect from the conversion of stock options during the year, the capital reserve increased by a net € 16.8 million to € 244.2 million as the 2021 reporting date (30 November 2020: € 227.4 million).

The losses accumulated since the foundation of the Heidelberg Pharma Group totaled € 271.7 million (30 November 2020: € 245.6 million). The equity ratio was 30.8 % (30 November 2020: 65.7 %).

Balance sheet – equity and liabilities in € million[1]



[1] rounded

6 Overall assessment of the course of business and position of the Group by the Executive Management Board

The Heidelberg Pharma Group reached key milestones in the fiscal year, but was unable to achieve its primary objective for 2021 of dosing the first patient with an ATAC® for various reasons.

One milestone for the lead project HDP-101 was achieved in February when the US Food and Drug Administration (FDA) approved the application to conduct the first clinical trial of HDP-101. In addition to the further preliminary work required to start patient recruitment, additional testing for the infusion system (CSTD) as described became necessary and led to considerable delays. The first trial centers were then initiated in the fourth quarter after in-depth training had taken place and all organizational issues had been resolved. Two trial centers are now operating in the United States and one in Germany.

Work on the other portfolio candidates, HDP-102 and HDP-103, progressed as planned. The individual stages of antibody production and Amanitin linker production were completed successfully and delivered high yields. Further preclinical and toxicological studies have already been conducted or are at the preparatory stage.

In mid-2021, our licensing partner Magenta submitted an application to the FDA to conduct a clinical trial with the ATAC® candidate MGTA-117, which was green-lighted in September. The first trial center was opened at the end of December and the first patient was dosed in March 2022.

Heidelberg Pharma's out-licensed portfolio made good progress. The Australian partner Telix reached the target number of patients for the Phase III ZIRCON trial with TLX250-CDx[73], after the end of the reporting period, which triggered a milestone payment to the Company. Furthermore, Telix started two additional trials with TLX250-CDx in three indications and is currently planning to investigate up to five more indications and enhance revenue potential.

73 https://telixpharma.com/wp-content/uploads/TLX_ZIRCON_Phase_3_Imaging_Study_Completes_Targets_Enrolment.pdf

The first part of the trial being conducted by Israeli partner RedHill with RHB-107 against COVID-19 also progressed according to plan and the trial was expanded to centers in South Africa. RedHill announced initial positive data after the reporting period.[74]

The guidance for the financial figures issued in March 2021 was adjusted in September 2021 to reflect lower sales revenue and expenses. Anticipated sales revenue from license agreements will not be recognized until the next fiscal year as some of our partners will reach milestones later than projected, due in part to the pandemic and regulatory requirements. The delay in the start of the clinical trial has also led to lower-than-expected development expenses.

Financials	Guidance 03/2021 € million	Guidance 10/2021 € million	Actual 2021 € million
Sales revenue and other income	5.5 – 7.5	2.0 – 2.5	2.3
Operating expenses	36.0 – 40.0	26.0 – 28.5	27.9
Operating result	(30.0) – (34.0)	(23.5) – (26.5)	(25.6)
Total funding requirement	30.0 – 34.0[1]	26.5 – 29.0	28.1
Funds required per month	2.5 – 2.8[1]	2.2 – 2.5	2.3

[1] Not including any corporate actions

Although total assets increased and in spite of a capital increase, which led to a cash inflow of € 20.0 million, equity fell year-on-year in 2021.

Based on the current financial planning and a financing commitment of € 36 million secured from main shareholder dievini, the Group and the companies included in the consolidated financial statements have sufficient financing up to mid-2023 if business proceeds as planned and the financing commitment is successfully implemented. The funds pledged will be made available if and to the extent that this is not done by way of potential alternative corporate actions. Reference is made at this point to the disclosures in the report on post-balance sheet date events on the licensing agreement and strategic partnership with Huadong Medicine signed in February 2022. Additional financing options are constantly being reviewed.

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74 https://www.prnewswire.com/news-releases/redhill-announces-positive-phase-2-study-results-with-oral-RHB-107-in-non-hospitalized-covid-19-301492827.html

7 Corporate governance

7.1 Statement on Corporate Governance pursuant to Sections 289f, 315d German Commercial Code for the 2021 fiscal year

The Statement on Corporate Governance pursuant to Sections 289f and 315d of the German Commercial Code contains the Declaration of Conformity of the Executive Management Board and the Supervisory Board with the German Corporate Governance Code (GCGC) pursuant to Section 161 of the German Stock Corporation Act. Both corporate bodies had an in-depth discussion regarding compliance with the requirements of the GCGC as amended on 16 December 2019.

In addition, the Statement addresses the principles of proper corporate governance and makes relevant disclosures about the Company's actual corporate governance practices above and beyond statutory requirements. It also describes the procedures of the Executive Management Board and the Supervisory Board as well as the composition and procedures of their committees.

The Statement on Corporate Governance was posted on the Company's website under "Press & Investors > Corporate Governance" on 28 January 2022. Pursuant to Section 317 (2) sentence 6 of the German Commercial Code, the content of the statement on corporate governance in accordance with Sections 289f and 315d of the German Commercial Code is not part of the audit of the financial statements. The audit of the disclosures pursuant to Section 289f (2) and (5) and Section 315d shall be limited to whether the disclosures have been made.

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7.2 Remuneration report

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 (1) and (2) and Section 87a of the Stock Corporation Act as well as the recommendations of the German Corporate Governance Code. At the Annual General Meeting held on 18 May 2021, the Executive Management Board and the Supervisory Board presented in item no. 7 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 report 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. The remuneration report follows the recommendations of the GCGC and satisfies the requirements in accordance with the applicable provisions of Section 314 (1) no. 6, Section 315a (2) and Section 289a (2) German Commercial Code including the German Act on Disclosure of Management Board Remuneration.

Remuneration of the Executive Management Board

The Supervisory Board is responsible for determining the remuneration of the Executive Management Board. Remuneration consists of a fixed remuneration, other benefits (non-cash remuneration), a variable remuneration component and a stock option plan with a long-term incentive effect and risk character.

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.

Fixed remuneration and benefits

The annual salary of members of the Executive Management Board is determined for the term of office and paid in equal amounts over twelve months. These salaries take into account the financial position of Heidelberg Pharma AG and the level of remuneration paid by competitors.

In addition to his fixed remuneration of € 263 thousand, Dr. Schmidt-Brand, whose director's contract was extended during the year until the end of August 2024 effective September 2021, 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 2021, 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 2021 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.

Variable remuneration

Variable remuneration is contingent upon the achievement of personal targets and Heidelberg Pharma's performance targets. The performance-based remuneration of the members of the Company's Executive Management Board is primarily tied to long-term, sustainable, strategical 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 degree of target achievement and the associated amount of variable remuneration are assessed and determined by the Supervisory Board.

After his director's contract was extended and his remuneration was adjusted during the year, Dr. Schmidt-Brand receives a maximum annual bonus of € 110 thousand (previously € 100 thousand). As a result, his maximum annual remuneration comprising fixed and variable remuneration amounts to € 373 thousand. In the fiscal year now ended, Dr. Schmidt-Brand was paid a bonus of € 71 thousand for the 2020 fiscal year.

Professor Pahl's annual bonus is capped at € 100 thousand. As a result, his maximum annual remuneration comprising fixed and variable remuneration amounts to € 340 thousand. In the fiscal year now ended, Professor Pahl was also paid a bonus of € 71 thousand for the 2020 fiscal year.

Remuneration component with incentive effect and risk character

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 provides 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.

In fiscal year 2021, new stock options were issued under the 2018 Stock Option Plan, with 37,000 stock options granted to each member of the Executive Management Board. An amount of € 227 thousand is recognized as a remuneration component representing the grant date fair value, of which € 114 thousand relates to Dr. Schmidt-Brand and € 114 thousand to Professor Pahl.

As of the 30 November 2021 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. Jan Schmidt-Brand	Professor Andreas 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**

At the reporting date of 30 November 2021, three former members of the Executive Management Board held a total of 25,500 options under the 2011 Stock Option Plan.

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 2021 fiscal year:

Executive Management Board member	Fixed remuneration €		Variable remuneration[1] €		Other remuneration (non-cash benefits) €		Issuance of stock options €		Total remuneration[1,2] €	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Dr. Jan Schmidt-Brand[2]	262,500	255,000	76,875	75,000	21,395	21,395	113,590	0	474,360	351,395
Professor Andreas Pahl	240,000	206,667	75,000	75,000	13,276	13,276	113,590	0	441,866	294,942
Total	**502,500**	**461,667**	**151,875**	**150,000**	**34,670**	**34,670**	**227,180**	**0**	**916,225**	**646,337**

[1] The exact variable remuneration is usually determined and paid in the following fiscal year. The figures shown here for the 2021 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 € 258 thousand (previous year: € 248 thousand) of the total remuneration is attributable to his work as a member of the Executive Management Board of Heidelberg Pharma AG.

The following overviews show 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. 2020 Number	Additions Number	Expiry/ return Number	Exercise Number	30 Nov. 2021 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 €	Fair value of the options held[1] €
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

As in the previous year, no expense was recognized for former members of the Executive Management Board.

The following figures applied to the previous period:

Executive Management Board member	30 Nov. 2019 Number	Additions Number	Expiry/ return Number	Exercise Number	30 Nov. 2020 Number
Dr. Jan Schmidt-Brand	397,125	0	0	0	397,125
Professor Andreas Pahl	265,125	0	0	0	265,125
Total	**662,250**	**0**	**0**	**0**	**662,250**

Executive Management Board member	Expense in the 2020 IFRS statement of comprehensive income €	Fair value of the options held[1] €
Dr. Jan Schmidt-Brand	91,400	620,601
Professor Andreas Pahl	76,620	375,197
Total	**168,020**	**995,798**

[1] As of the respective issue date

Remuneration 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 € 39,000 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 2021 fiscal year, the members of the Supervisory Board were paid remuneration of € 180,833 (previous year: € 166,500) plus reimbursement of travel expenses.

The table below shows the individual remuneration.

	Fixed remuneration €		Attendance allowance €		Committee fee €		Total remuneration €	
Supervisory Board member	2021	2020	2021	2020	2021	2020	2021	2020
Professor Christof Hettich	35,000	35,000	12,000	10,500	7,000	7,000	54,000	52,500
Dr. Georg F. Baur	25,000	25,000	4,500	3,750	10,000	10,000	39,500	38,750
Dr. Mathias Hothum	19,583	15,000	8,250	6,750	3,000	3,000	30,833	24,750
Dr. Friedrich von Bohlen und Halbach	15,000	15,000	6,750	3,000	7,000	7,000	28,750	25,000
Dr. Birgit Kudlek	15,000	15,000	6,750	4,500	6,000	6,000	27,750	25,500
Total	**109,583**	**105,000**	**47,250**	**28,500**	**33,000**	**33,000**	**180,833**	**166,500**

7.3 Disclosures under Section 289a (1) and 315a (1) of the German Commercial Code as well as explanatory report

Summary of subscribed capital

As a result of the corporate action implemented in June 2021 and the exercise of stock options during the reporting period, the Company's subscribed capital increased from € 31,061,872 to € 34,175,809 compared with the end of the previous year.

The share capital is composed of 34,175,809 no-par value bearer shares. The Company does not hold any treasury shares.

Restrictions on voting rights or on the transfer of shares

The rights and duties related to the shares arise, in particular, from Sections 12, 53a et seq., 118 et seq. and 186 of the German Stock Corporation Act and the Company's Articles of Association. There are no restrictions on voting rights or on the transfer of shares. No shareholder or shareholder group has special rights. Each share entitles the holder to one vote at the Annual General Meeting and is determinant for the proportion of the Company's profits the shareholder will receive.

No shareholder was prohibited from selling, pledging or otherwise disposing of the Company's securities (shares and options) as of 30 November 2021.

Equity interests exceeding 10 % of voting rights

Section 315a (1) number 3 of the German Commercial Code requires any interest in a Company's capital in excess of ten percent of the voting rights to be disclosed.

Entity with disclosure requirement	Voting interest as of the reporting date
Dietmar Hopp, Walldorf, parties related to him and companies controlled by them[1]	approx. 75.31 %

[1] Shares of dievini Hopp BioTech holding GmbH & Co. KG, DH-Holding Verwaltungs GmbH and DH-LT-Investments GmbH (as of 30 November 2021)

The shareholdings of Dietmar Hopp, Walldorf, and parties related to him, and the companies they control, exceed the 50 % threshold. They are majority shareholders and can exercise far-reaching control over Heidelberg Pharma AG or can exert significant influence over the Company.

Shares with special rights conferring powers of control

None of the shareholders have shares with special rights conferring powers of control. In particular, no individual may claim a right to be appointed to the Supervisory Board pursuant to Section 101 (2) of the German Stock Corporation Act.

Nature of voting control where employees have an equity interest and do not directly exercise their control rights

Any employees of Heidelberg Pharma AG who hold an equity interest in the Company exercise their voting rights directly.

Legal regulations and provisions of the Articles of Association on the appointment and dismissal of members of the Executive Management Board and on amendments to the Articles of Association

The members of the Executive Management Board are appointed for a maximum of five years by the Supervisory Board in accordance with Section 84 German Stock Corporation Act and Articles 7 to 9 of the Articles of Association. The appointment of members of the Executive Management Board may be renewed, or the term of office extended, provided that the term of each such renewal or extension does not exceed five years. The Supervisory Board may revoke appointments to the Executive Management Board for good cause as defined by Section 84 (3) of the German Stock Corporation Act.

If the Executive Management Board does not have the required number of members, a court shall make the necessary appointment in urgent cases in accordance with Section 85 of the German Stock Corporation Act.

Pursuant to Section 179 (1) of the German Stock Corporation Act, any amendment to the Articles of Association requires a resolution by the Annual General Meeting be passed with a majority of at least three-quarters of the share capital represented at the adoption of the resolution. This does not apply to changes which only affect the wording and which may be made by the Supervisory Board in accordance with the Articles of Association.

Authority of the Executive Management Board to issue and buy back shares

Authorized capital:

After partial utilization in the past fiscal year, the current authorized capital amounts to € 12,408,649, divided into 12,408,649 new no-par value bearer shares (Authorized Capital 2020/I). The Executive Management Board is thus authorized pursuant to Article 5 (5) of the Articles of Association to increase the Company's share capital, with the approval of the Supervisory Board, by up to € 12,408,649 by issuing up to 12,408,649 new no-par value bearer shares in return for cash contributions and/or contributions in kind on one or several occasions up to and including 21 July 2025 (Authorized Capital 2020/I).

Contingent capital:

The Company's share capital was contingently increased by a total of up to € 15,416,692 (previous year: € 15,483,986.00) as of the 30 November 2021 reporting date. The various underlying contingent capitals after stock options and convertible bonds are summarized in the following table:

Contingent capital	As of 30 Nov. 2020 €	Stock options exercised €	New issue €	Reduction €	As of 30 Nov. 2021 €	Purpose of use: to satisfy
2005/II	59,994	0	0	59,994	0	2005 Stock Option Plan
2011/I	567,137	7,300	0	0	559,837	2011 Stock Option Plan
2017/I	661,200	0	0	0	661,200	2017 Stock Option Plan
2018/I	1,490,622	0	0	0	1,490,622	2018 Stock Option Plan
2020/I	12,705,033	0	0	0	12,705,033	Convertible bonds
Total	**15,483,986**	**7,300**	**0**	**59,994**	**15,416,692**	

The Executive Management Board, with the approval of the Supervisory Board, and – to the extent that members of Executive Management Board are affected – the Supervisory Board are authorized to determine any other details concerning the contingent capital increase and its implementation in connection with all contingent capital. The Supervisory Board is authorized to change the wording of the Articles of Association to reflect the scope of the capital increase from the respective Contingent Capital.

Acquisition of own shares

The Company is not authorized at present to acquire own shares pursuant to Section 71 (1) No. 8 of the German Stock Corporation Act.

Remuneration agreements between the Company and members of the Executive Management Board or employees concluded in the event of a takeover bid

Heidelberg Pharma AG has not entered into any remuneration agreements that provide for remuneration to members of the Executive Management Board or employees in the event of a takeover bid.

Key agreements entered into by the parent company providing for a change of control following a takeover bid

There are no key agreements entered into by Heidelberg Pharma AG providing for a change of control following a takeover bid.

7.4 Closing statement from the dependent company report

In fiscal year 2021, Heidelberg Pharma AG was a dependent company within the meaning of Section 17 (1) of the German Stock Corporation Act because a majority of its shares are held by dievini Hopp BioTech holding GmbH & Co. KG. This entity is attributable to Mr. Dietmar Hopp, parties related to him and companies controlled by him because it represents the same general interests of the investor. Pursuant to Section 312 (1) of the German Stock Corporation Act, the Executive Management Board of Heidelberg Pharma AG therefore prepared a dependent company report that includes the following closing statement:

"In accordance with Section 312 (3) of the German Stock Corporation Act, the Executive Management Board of Heidelberg Pharma AG hereby declares that, with respect to the legal transactions listed in this dependent company report and measures that the Company took or failed to take in the 2021 fiscal year during the period from 1 December 2020 to 30 November 2021, and according to the circumstances that were known to the Executive Management Board when those legal transactions were performed or when the Company took or failed to take those measures, the Company received appropriate consideration for each legal transaction and was not placed at a disadvantage due to the Company taking or failing to take those measures."

8 Risk report

8.1 Risk management and control

Managing and controlling risk is important to the management of Heidelberg Pharma. Potential risks with significant ramifications and a reasonable probability of occurring are recorded, assessed and closely monitored on a regular basis.

Risk management is designed to detect risks as early as possible, use suitable measures to keep operating losses at a minimum and avert going-concern risks. Heidelberg Pharma uses an IT-based risk management system to identify risks early; the system complies with the requirements of the German Stock Corporation Act. Heidelberg Pharma uses this system to identify and assess risks as well as to monitor measures aimed at minimizing risk.

All material risks are addressed in a risk report that is made available to the Executive Management Board monthly. In addition, the risk report is discussed with the Supervisory Board on a regular basis. Comprehensive risk ratings are carried out on a quarterly basis as part of a systematic process designed to ensure that all material risks related to the different departments and the subsidiary are included.

The risk management system is described in detail in both a risk manual and a company guideline. These documents are regularly updated and made available to all employees. The risk early warning system is reviewed by the Company's auditor at least once per year in order to ensure that it meets the requirements of Section 91 (2) of the German Stock Corporation Act.

8.2 Internal control system for financial reporting

Pursuant to Section 91 and 93 of the German Stock Corporation Act, the Executive Management Board is responsible for ensuring compliance with an effective internal control system designed to ensure reliable financial reporting. Section 289 (4) and 315 (6) of the German Commercial Code requires the Executive Management to prepare a report on this. The Company's internal control system (ICS) is an integral part of its risk management system and serves primarily to ensure that its financial statements comply with all rules and regulations. It comprises all principles, methods and actions aimed at ensuring the effectiveness, economy and propriety of the Company's accounting system as well as ensuring compliance with material legal requirements.

Financial control in the Group is divided into planning, monitoring and reporting. Based on its strategic business plan, Heidelberg Pharma prepares annual budgets for internal management and control purposes that are applicable not only to the Group but also to the parent company and subsidiary. Based on these plans, a monthly as well as a more comprehensive quarterly comparison of planned/actual data is prepared for all financial and non-financial key performance indicators and reported to the Executive Management Board with the support of the relevant departments. This control tool enables the Finance Department and the Executive Management Board to identify opportunities and risks at an early stage.

The corporate bodies of Heidelberg Pharma AG periodically review the effectiveness of the internal control system to ensure reliable financial reporting. In particular, regular reports on this system are submitted to the Audit Committee of the Supervisory Board, which discusses the audit activities in general.

To ensure reliable financial reporting, Heidelberg Pharma AG observes the International Financial Reporting Standards (IFRSs) and the provisions of the German Commercial Code. The ICS follows the framework "Internal Control – Integrated Framework" of the Committee of Sponsoring Organizations of the Treadway Commission (COSO Framework). In keeping with the COSO Framework, the ICS has the following components:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring the internal control system

Using IT-based solutions, among others, the ICS is intended to ensure compliance with applicable accounting principles required for reliable financial reporting. The system comprises actions that are managed both automatically and manually. Preventive and downstream controls are carried out, and care is taken to maintain both the division of responsibilities in the Finance Department and compliance with corporate guidelines (e.g. dual-control principle when approving expenditures).

If necessary, the Company also includes external experts in the process, such as for questions related to the measurement of stock option grants, the preparation of securities prospectuses and purchase price allocations.

With Heidelberg Pharma's organizational, control and monitoring structures, the ICS makes it possible to record, process and measure all transactions pertaining to the Company and to present them appropriately through the accounting of the Group companies and the Group. However, personal discretion, defective controls, criminal acts or other circumstances cannot be precluded and, as a result, may limit the effectiveness and reliability of the ICS such that even group-wide application of the systems utilized cannot guarantee with absolute certainty complete, accurate and timely recording of transactions as part of the financial reporting process. The risk management system is adjusted, as necessary and in a timely manner, to account for changes in the risk environment.

8.3 General business risks

Heidelberg Pharma is exposed to the risks typical for a biotechnology company, namely those arising from the development and production of potential drug candidates for the treatment of cancer. The time between the commencement of drug development and marketing approval spans many years. There is a high risk that none of the out-licensed product candidates or ATAC® development candidates will receive regulatory approval. For Heidelberg Pharma, there is the risk that efficacy and safety data from animal models will not be confirmed in humans.

To date, neither Heidelberg Pharma nor a licensing partner has completed clinical development for any of the product candidates in the Heidelberg Pharma portfolio or applied for regulatory approval for them. Two projects (girentuximab and upamostat) have been completely transferred to a licensee for further development and marketing. The licensees are also exposed to the risks typical for the industry.

Heidelberg Pharma is currently unable to finance the Company solely through sales and license revenue and is dependent on funding from equity providers or licensees. Debt financing instruments such as bank loans are generally not applicable for biotechnology companies. While there is an increasing number of venture loans or royalty stream financing, these are usually supplemented with adequate equity financing.

Some of the individual risks set forth below are related and can affect each other in a positive or negative way. Should these risks occur, either individually or together with other risks or circumstances, this may severely compromise Heidelberg Pharma's business activities, its achievement of key corporate goals and/or its ability to fund its operations, as well as significantly adversely affect the results of operations, financial position and net assets and therefore jeopardize the ability of Heidelberg Pharma AG and the Heidelberg Pharma Group to continue as a going concern.

8.4 Going-concern risks

Based on the executive directors' budget available at the time, the cash and cash equivalents available to the Company as of the 30 November 2021 reporting date were not sufficient to ensure its ability to continue as a going concern beyond at least the next 12 months.

Main shareholder dievini made a binding financing commitment of € 36 million in February 2022. The funds pledged will be made available if and to the extent that this is not done by way of potential alternative corporate actions. Reference is made at this point to the disclosures in the report on post-balance sheet date events on the licensing agreement and strategic partnership with Huadong Medicine signed in February 2022. Based on the updated financial planning prepared by the executive directors, the volume of additional funds and the cash and cash equivalents available as of the 30 November 2021 reporting date are sufficient to finance Heidelberg Pharma's planned business activities until mid-2023, provided that no exceptional developments change the situation.

In this respect, the assumption that the financing pledged by dievini and the subsequent inflow of cash will be successfully implemented in the first half of 2022 is an essential prerequisite for preparing the IFRS consolidated financial statements and the HGB annual financial statements on a going-concern basis.

If the executive directors are unable to implement the corporate strategy focused on the ATAC® technology as planned and/or there is no option to obtain additional funding, this would jeopardize the ability of the Group and/or its consolidated companies to continue as a going concern. As a result, it cannot be ruled out that the companies of the Heidelberg Pharma Group could be unable to satisfy their payment obligations from mid-2023 and/or that they could become overindebted due to impairment charges resulting from a failure to meet targets, for example. This would jeopardize the Group's and/or consolidated entities' existence as a going concern and shareholders could lose some or all of their invested capital. This means that the Company may not be able to realize its assets and settle its liabilities in the regular course of business. As a result, there is currently significant uncertainty about the Group's and/or both Group companies' ability to continue as a going concern.

The IFRS consolidated financial statements and the HGB annual financial statements are prepared on a going-concern basis in accordance with IAS 1.25 and Section 252 (1) No. 2 German Commercial Code, as the executive directors expect the Group's operations to continue beyond mid-2023.

8.5 Operational risks

Risks of product development and of a lack of market maturity of the proprietary ATAC® technology

The subsidiary Heidelberg Pharma Research GmbH is currently involved in early-stage research and preclinical and early-stage clinical development and to date has not collected any clinical data. There is a risk that the ATAC® technology and the use of Amanitin for cancer therapy may not be suitable for patients due to severe side effects or is unable to demonstrate a sufficiently broad therapeutic window (ratio of efficacy to intolerable side effects) in patients in clinical trials.

Furthermore, no assurance can be given that contractual partners will not terminate technology partnerships. The possibility that the technology might be unusable or unsuitable for the market for certain antibodies cannot be ruled out.

Preclinical data collected so far show that undesirable side effects may occur with some of combinations used to date, or the efficacy is insufficient. In particular, there is no certainty that the data obtained to date in animal model testing of promising ATACs will be transferable to human patients. Therefore, no assurance may be given that the ATAC® technology will be feasible for therapeutic use in humans.

Should the risks described here materialize, it may be impossible to successfully implement the current business model of Heidelberg Pharma or portions thereof, thus jeopardizing the continued existence as a going concern of the Heidelberg Pharma Group and Heidelberg Pharma AG.

Risks arising from the performance of clinical trials

Drug development is subject to risks typical for the industry, including setbacks in clinical development and the associated discontinuation of clinical development of the respective product candidates. Licensing partners conducting development activities are also exposed to this risk, which thus indirectly affects Heidelberg Pharma as the licensor.

Clinical trials are expensive and time-consuming, and can only be carried out after approval is given by regulatory authorities in the country in question. The trials themselves may be delayed or not reach completion.

Successful preclinical and early clinical trials do not offer any certainty regarding a compound's safety and efficacy in later-stage trials. Heidelberg Pharma cannot eliminate the possibility that the approval of a drug candidate might be delayed or rejected even after a successful registration trial, for instance if the execution and the results of the trial do not satisfy regulatory requirements. After the end of the reporting period, the first patient was treated with HDP-101. No serious adverse events have occurred to date, but the safety and efficacy profile of HDP-101 can only be assessed by evaluating the first clinical data.

There is a risk that new therapeutic approaches using ADCs, bispecific antibodies and above all CAR-T in the multiple myeloma indication will further increase the number of trials and make patient recruitment more difficult than currently expected. This could have a significant impact on the cost and timing of the clinical trial. While recruitment difficulties due to the pandemic cannot be completely ruled out, they are considered unlikely by medical specialists, since patients with multiple myeloma must be treated in any case.

Should the risks described here materialize, the necessary clinical studies could be more elaborate than expected and require additional funds. Furthermore, expected sales revenue could fail to materialize or be lower if no approval is obtained.

Risks arising from production and collaboration with service providers

Heidelberg Pharma does not hold a manufacturing or import authorisation. Antibodies, the toxin and the conjugates for the planned trials are manufactured by service providers (contract development manufacturing organizations – CDMOs). Heidelberg Pharma Research has also been responsible for supplying licensees with GMP-quality Amanitin linkers since 2019. To do this, it uses third-party manufacturers as subcontractors. Heidelberg Pharma Research is exposed to the risk that service providers may not be able to supply the agreed products or could have quality or capacity problems for various reasons. This could also mean that trials have to be repeated or terminated. Heidelberg Pharma may be liable to its licensees for the manufacturing defects of the CDMO. Although recourse to the CDMO is contractually agreed, full coverage cannot always be guaranteed. As a sponsor, Heidelberg Pharma is also liable for damages to third parties, especially

patients participating in clinical trials, for losses that could arise from faulty production by subcontractors of clinical trial materials. This could result in claims against Heidelberg Pharma. For such cases, the Company will take out the corresponding insurance for its clinical trials. Corresponding insurance has already been taken out to cover liability for previous clinical trials. Delays caused by the pandemic cannot be ruled out, although no effects have been identified so far.

Should the risks described here materialize, clinical studies could become more expensive or be delayed. Liability risks could impair the available financial resources.

Risks from license collaborations

Heidelberg Pharma has entered into alliances and partnerships for the development, manufacture and/or commercialization of development or product candidates. Problems relating to development, production or marketing may arise in the course of the cooperation.

This may include but is not limited to insufficient allocation of capacity by the contracting party, financial difficulties experienced by the contracting party, a change in business strategy resulting in termination of an agreement, a change in the ownership structure of the contracting party or the partial or entire absence of agreed payments.

Should the risks described here materialize, the commercial prospects of these partnerships could be impaired or evaporate completely.

License agreement for use of ATAC® technology

Heidelberg Pharma Research GmbH has entered into license agreements with various licensors for the use of patents related to the ATAC® technology. These license agreements are a key condition for further development of the ATAC® technology. They can generally only be terminated by the licensor for good cause, and such cause is generally limited to breaches of duty for which the licensee is liable or insolvency of the licensee. Should material license agreements be terminated, there is a risk that further development and marketing of the ATAC® technology may not be possible. This would jeopardize the business model based on ATAC® technology and thus the continued existence as a going concern of the Heidelberg Pharma Group and Heidelberg Pharma AG.

Unsuccessful marketing of product candidates

Heidelberg Pharma is subject to the usual industry and market risks relating to the marketing of approved pharmaceutical products. Even in cases where regulatory approval is obtained, no assurance can be given that patients, physicians or other decision-makers in the healthcare system will accept the product candidates to the extent required for commercial success.

Should the risks described here materialize, the commercial prospects of these product candidates could be impaired or evaporate completely.

Risks arising from workforce reduction or employee turnover

The Group's success depends on its executives and research staff, especially their knowledge of the ATAC® technology and its successful development and commercialization. The loss of executives and research staff in key positions could delay the Company's research and development work. The ability of the Group to implement its business strategy will also depend on whether the Company continues to be able to recruit highly qualified staff and executives and retain them over the long term.

Impact on research and development activities through restrictions on or obstruction of animal experiments

In the course of its business and as a service provider when developing drugs for its clients, Heidelberg Pharma Research is legally required to test drug candidates on animals before clinical testing in humans can be initiated. Germany has an animal welfare law in place with very high standards which are reviewed regularly. These standards are the basis for work at Heidelberg Pharma and its service providers. Despite the careful selection and monitoring of service providers, potential violations of relevant regulations cannot be completely ruled out. This could delay Heidelberg Pharma's research and development work or significantly increase its cost. As animal testing is also the subject of heated debate and negative reporting in the media, impediments to animal testing cannot be ruled out, which could also cause a delay in Heidelberg Pharma's research and development activities.

8.6 Financial risks

Financing risks

Cash inflows from sales revenue or royalties are not yet sufficient to sustain the Company's operations.

Based on current planning and provided that the funding commitment is implemented successfully, the conclusion of the license agreement together with the agreed strategic investment by Huadong and a further financing commitment from dievini, together with cash and cash equivalents available at the reporting date will be sufficient to finance the planned business activities of Heidelberg Pharma Research GmbH and Heidelberg Pharma AG until mid-2023.

The planning provides for an increase in research and development expenses in the future as the Group builds a proprietary ATAC® pipeline, with spending to focus on the planned preclinical and clinical activities for HDP-102 and HDP-103 and the clinical trial of HDP-101. These growing financial requirements will need to be met through sufficient cash inflows as the corporate strategy continues to be successfully implemented and/or through additional borrowings if business develops according to plan, probably from mid-2023 onwards.

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Should this not be possible, there is a risk (see section 8.4 "Going-concern risks") that the cash flow to be generated at Heidelberg Pharma will not be sufficient to ensure financing of the planned business activities beyond mid-2023 or fulfill its payment obligations thereunder.

To ensure that the Company is able to meet its financial obligations beyond mid-2023, sales revenue will need to be increased both at the level of the subsidiary and the parent company, or further financing measures will need to be reviewed implemented in the short to medium term.

In the event of the subsidiary becoming insolvent, most of the investments in its business and the shareholder loan extended to it by Heidelberg Pharma AG would be lost.

Implementing corporate actions could turn out to be more difficult or less successful, as the capital market suffers from the effects of the coronavirus crisis and the war in Ukraine, resulting in falling share prices for the Company and/or less capital being made available for investments in biotechnology companies.

To date, in addition to sales revenue funds available to Heidelberg Pharma AG have been the main source for funding the expansion and profiling of the ATAC® technology. The ability of Heidelberg Pharma Research GmbH to increase its sales revenue from the ATAC® technology and the service business and find additional cooperation partners is a key pillar of the business model. The success of such partnerships depends not

only on upfront payments and milestone payments by licensing and cooperation partners, but also on the ability of these partners to achieve success in clinical development and to generate the projected sales revenue and any resulting license fees.

The executive directors assume that, despite the risks arising from product research and development described above, the ATAC® technology will prove to be marketable in the long term and licensees or buyers for the technology or the product candidates will be found to preserve the solvency of Heidelberg Pharma.

Risks arising from the impairment of assets

Assets, particularly equity investments, goodwill, not yet ready for use in process research and development (IP R&D) and trade receivables are subject to an inherent impairment risk. Such impairment risk might be triggered by a negative business development at Heidelberg Pharma AG or its subsidiary or by the insolvency of a creditor.

The equity investment in Heidelberg Pharma Research GmbH and the receivables from this entity reported in Heidelberg Pharma AG's HGB annual financial statements were tested for impairment as part of the annual impairment testing and were found to be fully recoverable.

The carrying amounts of the goodwill recognized in the IFRS consolidated balance sheet for the business of Heidelberg Pharma Research GmbH and the intangible asset "IP R&D" were also tested and confirmed as recognized.

Based on the annual impairment testing, these risks will continue to exist in the future and might lead to impairment losses. This would have a negative effect on the earnings and equity of Heidelberg Pharma AG, which in turn could impact the Group's share price as well as its net assets, financial position and results of operations. Furthermore, a potentially negative effect on the value of the intangible assets, as well as on the goodwill recognized in the IFRS consolidated balance sheet, cannot be excluded.

Risks related to the allowance of tax losses carried forward

According to the tax calculation, tax losses carried forward as of 30 November 2021 were mainly attributable to Heidelberg Pharma AG (loss carryforward of € 218.2 million for corporation tax; € 215.2 million for municipal trade tax) and may be carried forward indefinitely. According to the tax calculation, Heidelberg Pharma Research GmbH shows a loss carryforward of € 67.2 million for corporation tax and € 65.6 million for municipal trade tax.

Deferred tax assets of € 0.7 million were offset against deferred tax liabilities on loss carryforwards in the past fiscal year. Deferred tax assets were recognized only in the same amount as the deferred tax liabilities.

In fiscal year 2016, Heidelberg Pharma AG was subject to a tax audit for the period from 2011 to 2014. Since the audit did not result in any changes in the tax base, the final determination was made that the loss carryforwards accrued by 31 December 2014 amounted to € 169.2 million (corporation tax) and € 166.2 million (trade tax).

Because capital increases also may cause shifts in the shareholding structure and thus adverse acquisitions of equity as defined in Section 8c of the German corporation income tax law, the capital increases implemented after 2014 and the changed identity of the Company as a result of the restructuring measures might possibly have led to the elimination of the tax loss carryforwards.

Market risks

Given its business activities, Heidelberg Pharma is exposed to market risks, particularly currency risks (mainly in USD), interest rate and price risk, liquidity risk and default risk. Heidelberg Pharma's risk management focuses on the unpredictability of the financial markets and aims to minimize any potential adverse effects on the Company's ability to finance its business activities. Heidelberg Pharma does not use embedded derivatives or other derivative financial instruments to hedge against risks.

8.7 Strategic risks

Marketing risks

The Company and its licensees will have to cooperate with other entities to market future products. Through license agreements, Heidelberg Pharma generally receives upfront payments, milestone payments and, if regulatory approval has been achieved, royalties on product sales. Hence Heidelberg Pharma's future sales revenue will also depend on the performance of its licensees and their partners. The continued existence of the Group and/or the entities included in consolidation would be materially affected if Heidelberg Pharma AG or its subsidiary Heidelberg Pharma Research GmbH failed to conclude license agreements for development and product candidates on reasonable terms or if cooperation agreements entered into were not successful or were terminated.

Risks related to intellectual property rights

Heidelberg Pharma endeavors to protect its product candidates and technologies in all major markets through patents. Nevertheless, Heidelberg Pharma is unable to ensure that patents will be issued on the basis of pending or future patent applications. Even if patents are issued, there is no certainty that they will not be contested, circumvented or declared invalid. Partners of Heidelberg Pharma could also use the access they have gained to the ATAC® technology platform based on a license agreement to file their own patents, which could limit the Company's freedom of action. In such cases, Heidelberg Pharma can normally take legal action to stop the infringement of its own patents in question and demand compensation or payment of a license fee from the infringer, or to gain access to the patents of its partners that were filed in violation of the contractual agreements. However, patent litigation is usually very expensive and protracted. The litigation costs and time needed to confirm the validity and enforceability of Heidelberg Pharma's patents or to enforce payment claims for infringement of these patents or to transfer rights to unlawfully filed patents (possibly by way of compulsory licenses) could be substantial. Apart from that, justified claims for payment or claims by the Company for the transfer of rights against the opposing parties could remain unfulfilled or be unenforceable. A legal dispute of this nature would tie up staff and financial resources of Heidelberg Pharma. This could have an adverse effect on the Company's net assets, financial position and results of operations.

There is also a risk that Heidelberg Pharma or its licensing partners might infringe the intellectual property rights of third parties, including those of whom Heidelberg Pharma is unaware. This could lead to time-consuming and cost-intensive litigation or force Heidelberg Pharma to purchase licenses from third parties to develop and market the Company's products.

8.8 External risks

Risks resulting from competition and technological change

The business area of oncology, in which Heidelberg Pharma is active, is extremely competitive due to the high unmet medical need and enormous market potential. Various companies are active in areas similar to those in which Heidelberg Pharma is active. In addition, there is the risk that competitor products might produce better efficacy data, reach the market earlier or be more commercially successful than products developed by Heidelberg Pharma. Competitors also could be faster and more successful at out-licensing.

Risks and dependencies related to the provision of health care and spending by the pharmaceutical industry

Following regulatory approval of a drug, the framework within which public health authorities, research institutes, private health insurance providers and other organizations operate impacts the business activities of Heidelberg Pharma and its partners. Healthcare reforms and the persistent debate about prices in the key markets of the United States, Europe and Japan are putting increasing pressure on healthcare budgets and thus on the pharmaceuticals market. Overall, this situation could cause potential partners or investors to refrain from making new commitments in drug development and also pose a risk for Heidelberg Pharma.

8.9 Other risks

Legal risks

Heidelberg Pharma AG or its subsidiary could become party to a legal dispute, for example in a drug safety, patent, licensing, liability or labor law case, as the plaintiff, defendant or intervener. A court case or even an arbitration case could be time-consuming and expensive. There is also a general risk that even if the case is won, the corresponding titles cannot be enforced due to a possible insolvency of the opposing party. Even if litigation was successful or settlements were reached, these could adversely affect the Group's results of operations and shorten the currently expected cash reach.

Termination of the lease for business premises in Ladenburg

The lease for the business premises in Ladenburg can be terminated by both parties in writing with notice of twelve months. If the other party were to terminate the lease and if the Company were unable to lease new business premises during this time, the Company's business activities may be halted temporarily.

Risks related to a possible significant influence of main shareholders

Certain shareholders of Heidelberg Pharma AG (Dietmar Hopp, persons related to him and companies controlled by them) hold a material proportion of its shares (approx. 75.31%) and could exercise a significant influence on the Company in the General Meeting. They could block decisions by the Annual General Meeting or cause their own interests to prevail.

In addition, there is a risk that the majority interest of the main shareholder could affect the Company's financing activities. In the event of corporate actions, the influence and control of this shareholder could prevent other investors from participating in a financing of the Company. The low number of shares in freefloat implies a reduced liquidity or tradability of Heidelberg Pharma shares.

Compliance and security risks

Compliance risks can arise when quality standards are not upheld, or when business processes are not carried out flawlessly from a legal perspective. Heidelberg Pharma has taken organizational precautions to fulfill the requirements in question and control the internal processes. Specifically, risks can arise when legal requirements are not met, for instance.

In order to minimize this risk, the responsible internal departments and external attorneys are tasked with closely monitoring and reviewing the preparations for and operation of the Annual General Meeting along with all relevant documents and processes. Auditors handle these tasks with regard to the financial statements.

Risk could arise from the use of computer systems, networks, software and data storage devices despite precautions typical for the industry. Heidelberg Pharma has taken steps regarding both hardware and software to minimize these risks.

The introduction of the EU's General Data Protection Regulation (GDPR) in May 2018 harmonized data protection requirements across Europe. The implementation regulations, rights to protection and information of natural persons, control mechanisms, and sanctions have all been tightened up. Improving data protection can be expensive, and the amount of possible fines can be damaging to the financial situation of small companies in particular.

Other risks related to the protection of the environment and human health, purchasing as well as general safety requirements are not deemed significant.

8.10 Overall assessment of the risk situation

From the current perspective, there are no risks other than the aforementioned risks that would endanger the Company's position as a going concern. Management aims to further refine the business model to maximize the enterprise value in the long term by leveraging opportunities and minimizing risks.

On the one hand, financing risks will increase continually due to the planned utilization of funds until 2023 and beyond. However, in the view of the Executive Management Board, the increasing maturity of the technology will on the other hand produce better marketing opportunities for the ATAC® technology, and therefore enhance the revenue potential of Heidelberg Pharma. The Executive Management Board of Heidelberg Pharma AG believes that successful entry into the clinical phase, positive safety and efficacy data, and progress on projects by the partners will significantly reduce the risk profile.

9 Report on post-balance sheet date events

After the end of the fiscal year, the following significant events impacting the financial position, net assets and results of operations of Heidelberg Pharma occurred:

- First patient enrolled and dosed in HDP-101 trial in February 2022;
- Heidelberg Pharma AG secures a financing commitment of € 36 million from its main shareholder dievini in February 2022;
- Licensing agreement and strategic partnership with Huadong Medicine Co., Ltd., Hangzhou, China, signed in February 2022.

Detailed information on the event is provided in section 34 "Events after the reporting period" in the notes to the consolidated financial statements.

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10 Report on expected developments and on opportunities

The following paragraphs contain forecasts and expectations regarding future developments. These forward-looking statements are neither promises nor guarantees and are contingent on many factors and uncertainties, some of which are beyond management's control and could have a significant impact on the statements made herewith.

10.1 Economic environment

The global economy entered 2022 in a weaker position than previously expected due to rising COVID-19 caseloads and higher inflation.[75] In its World Economic Outlook issued in January 2022, the International Monetary Fund (IMF) projects global growth of 4.4 % in 2022 (2021: 5.9 %).[76] At 3.9 %, the forecast for economic growth in the eurozone is only just below the 4.0 % projected for the US (eurozone 2021: 5.2 %; USA 2021: 5.6 %). Growth in Germany is expected to reach 3.8 %.[77]

As in the preceding year, the COVID-19 pandemic will continue to weigh heavily on the global economy. Assuming that vaccines can bring the pandemic under control, supply bottlenecks and rising inflation will need to be overcome in 2022 to see an upswing in the second half of the year.

On 24 February 2022, Russian forces started an offensive against Ukraine. At present, the effects of this conflict on the global economy are not foreseeable. The IMF has already announced that it will be lowering its forecast because of the war in the next report to be published in April 2022. The Heidelberg Pharma Group is currently not restricted in its activities and does not see any risks with regard to its research and development activities and supply chains.

10.2 Market opportunities in the biotechnology industry

On account of the COVID-19 pandemic, the biotechnology industry continues to be a major focus of global public and political attention.

According to an industry report published by the global market research institute IQVIA, global drug spending is expected to rise to more than USD 1.8 trillion annually by 2026, representing an average annual increase of 3 % to 6 %.[78] Medicine spending in Europe is expected to increase by USD 51 billion through 2026, particularly in Germany, which is slated to become the third-largest market globally by 2026.[79] Spending in China is projected to exceed USD 205 billion in the same period, keeping it in second position globally after the USA.[80]

75 https://www.imf.org/en/Publications/WEO/Issues/2022/01/25/world-economic-outlook-update-january-2022

76 https://www.imf.org/en/Publications/WEO/Issues/2021/10/12/world-economic-outlook-october-2021

77 https://www.imf.org/en/Publications/WEO/Issues/2021/10/12/world-economic-outlook-october-2021

78 IQVIA, The Global Use of Medicine in 2022, Outlook to 2026, December 2021

79 IQVIA, The Global Use of Medicine in 2022, Outlook to 2026, December 2021

80 IQVIA, The Global Use of Medicine in 2022, Outlook to 2026, December 2021

According to the WHO, cancer is one of the leading causes of death worldwide, along with cardiovascular disease, with 19.3 million new cases and 10 million deaths in 2020.[81] In higher-income countries, cancer is actually the most frequent cause of premature deaths.[82] It is estimated that the number of new cases will increase to around 30.2 million new cases annually in the year 2040.[83] This in turn will create considerable demand for effective cancer therapies with few side effects.

Oncology will therefore remain the most cost-intensive therapy area worldwide. While the introduction of biosimilars for key therapies such as bevacizumab, trastuzumab, and rituximab slowed growth somewhat in 2020 and 2021, cost increases of 9–12% are still expected in the next five years. It is projected that around 100 new treatments will enter the market by 2026, contributing USD 120 billion of the expected USD 300 billion in sales in oncology in 2026.[84]

Biotechs completed 208 IPOs in 2021 (2020: 148), achieving a new record. On the financial front, however, these did not live up to the high watermark achieved in 2020: Despite the increase in IPOs, the collective USD 34.5 billion raised was of a similar magnitude to the previous year (2020: USD 34.6 billion). In the open market, the biotechnology industry underperformed the market as a whole apart from a few exceptions.[85] Around two-thirds of the newly listed companies were trading below their original listing price by year-end.[86] As many of the companies that went public in 2021 are early-stage companies or even preclinical companies, crucial decisions are expected to be made in the coming months. Experts nevertheless anticipate more activity in this area in 2022. New oncology therapies will continue to be an industry focus in 2022, but while targeted oncology remains a theme, the spotlight is expected to swing back to immuno-oncology.[87] Bispecific antibodies also look to become increasingly important.

10.3 Opportunities

ADC technology

The encouraging trend and importance of ADC technology in the pharmaceutical and biotechnology industry have continued to gain traction. According to a report by Grand View Research, Inc., the global ADC market will probably reach USD 23.9 billion by 2028, USD 14 billion more than the previous forecast for 2025. Increased R&D spend and advancements in linker technology are expected to boost the growth of the ADC market. Significant CAGR growth is anticipated during this forecast period, driven by rising cancer rates combined with a growing geriatric population. It is estimated that by 2035 almost 46% of all cancer cases will be among people in the age group of 75 years and above. Moreover, the rise in the prevalence of cancer in emerging countries will further boost growth.[88]

At 137 ADCs, the number of clinical development candidates in 2021 was slightly below the prior-year level (2020: 139). Another 75 candidates are in preclinical development (2020: 79).[89]

81 https://gco.iarc.fr/today/data/factsheets/cancers/39-All-cancers-fact-sheet.pdf

82 https://apps.who.int/iris/bitstream/handle/10665/332070/9789240005105-eng.pdf?sequence=1&isAllowed=y

83 https://gco.iarc.fr/tomorrow/en/dataviz/isotype

84 IQVIA, The Global Use of Medicine in 2022, Outlook to 2026, December 2021

85 BioCentury, 15 January 2022: Valuations could get investors, acquirers hunting for opportunities

86 BioCentury, 15 January 2022: Valuations could get investors, acquirers hunting for opportunities

87 BioCentury, 8 January 2022: Buysiders eye 2022 as the year of immune-oncology's next big act

88 Grand View Research, August 2021: Antibody Drug Conjugate Market Worth $23.9 Billion By 2028. https://www.grandviewresearch.com/press-release/global-antibody-drug-conjugates-market#

89 BioCentury data base BCIQ, as of 7 January 2022

Several new products based on ADC technologies developed by different companies have been approved since December 2020 (see section 2.3). Heidelberg Pharma's ATACs occupy a special position due to the Amanitin toxin used and its unique mode of action. Preclinical models demonstrated that ADCs based on ATAC® technology have shown improved efficacy in quiescent and therapy-resistant tumor cells. The toxin Amanitin also has the potential to be particularly effective against tumors that have changed due to so-called 17p deletion to bypass a special mechanism of cell protection. As 17p deletion mainly appears in very advanced cancers, these patient groups could be a particularly effective target for treatment with ATACs. Patients in the Phase I/IIa clinical trial of HDP-101 will be stratified based on their 17p deletion biomarker to obtain information on whether these patient groups could derive a particular benefit from therapy with HDP-101. If the assumption proves true, Amanitin-based therapies could be particularly suitable for the treatment of advanced cancers.

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Expansion of the product portfolio and further development of the ATAC® technology platform will be of fundamental importance. With regard to successor candidates HDP-102 and HDP-103, the focus is currently on production of non-GMP and GMP material. The two candidates are currently in preclinical and toxicological studies.

Heidelberg Pharma and Huadong Medicine Co., Ltd, Hangzhou, China, entered into a license agreement at the end of February 2022. Heidelberg Pharma grants Huadong exclusive license to develop and commercialize HDP-101 and HDP-103 in Asia[90] (excluding Japan), plus exclusive opt-in rights for two more pipeline candidates, with a total deal value of up to USD 930 million (€ 825 million). In addition to the license agreement, Huadong plans to acquire a strategic equity interest of up to 35 % in Heidelberg Pharma AG and intends to subscribe to a capital increase of up to € 80 million, subject to approval by the German Federal Ministry of Economic Affairs and Climate Protection.

By entering into this strategic collaboration, Heidelberg Pharma gains another valuable, long-term partner and investor to support its strategy of becoming a global ADC player. This partnership will strengthen the Company financially, thereby accelerating product development and broadening the product pipeline. Huadong's strong development and commercialization expertise and knowledge of the APAC region could both shorten time to market and maximize commercial opportunities for development projects in this important region.

The partnership with Magenta will expand the potential of ATAC® technology beyond oncology by adding possible applications in the pretreatment of patients for cell therapies and in the treatment of autoimmune diseases. These therapies all function on the premise that the diseased cells are first removed from the body (conditioning) before new, healthy cells are introduced. Current methods for conditioning patients prior to a transplant and gene therapy are dependent on toxic, non-specific chemotherapy or radiation. These procedures are associated with considerable side effects such as infertility, cancer, organ damage and death. Magenta is developing targeted disease-modifying ADCs that make it possible to quickly and accurately remove the disease-causing cells in the body and safely reset the immune and blood system without chemotherapy or radiation.

90 Asia (excluding Japan, India, Pakistan, Sri Lanka): People's Republic of China, Hong Kong, Macao, Taiwan, South Korea, Indonesia, Singapore, The Philippines, Thailand, Bangladesh, Bhutan, Brunei, Myanmar, Cambodia, Laos, Malaysia, Maldives, Mongolia, Nepal and Vietnam

Heidelberg Pharma anticipates the conclusion of further cooperation agreements whereby the granting of exclusive license rights for the testing, development and marketing of each individual ATAC® is intended to secure increasingly significant revenues as projects mature, in the form of customary upfront payments, assumption of costs, milestone payments and royalties. Early-stage research collaborations (material transfer agreements, MTAs) are still ongoing, as are negotiations with additional companies on continuing and expanding such collaborations under license agreements.

Opportunities provided by the partner programs beyond ATAC® technology

TLX250-CDx and TLX250 (girentuximab)

Australian partner Telix is performing the clinical development of the antibody girentuximab licensed by Heidelberg Pharma AG with different forms of radioactive labeling. This entails a diagnostic project (TLX250-CDx labeled with zirconium) in different indications and clinical trials and a therapeutic project (TLX250 labeled with lutetium in Phase II).

Telix is conducting a Phase III trial of TLX250-CDx (ZIRCON) in Europe, Turkey, Australia, Canada and the US with approximately 250 patients in 35 study sites. The study is now nearing completion with the planned enrolment target of 252 patients reached in March 2022. Recruitment into the study will continue for up to three additional months, with a data read out expected in the second half of 2022. The project has been classified as a "breakthrough" by the FDA and therefore has the chance of an accelerated submission in the so-called rolling procedure. Under this rolling submission process, Telix has commenced its consultation with the FDA for the BLA submission. Heidelberg Pharma AG is entitled to milestone payments and a double-digit percentage share of sales if the product receives marketing approval.

The diagnostic antibody will also be tested in three further studies in the indications of bladder cancer (Phase I), triple-negative breast cancer (Phase II) and non-muscle-invasive bladder cancer (Phase I). Heidelberg Pharma would be eligible to receive royalties in these indications as well if regulatory approval is obtained.

In the therapeutic project, the Lutetium-177-labeled antibody girentuximab (^{177}Lu-DOTA-girentuximab, TLX250) is to be evaluated for disease-stabilizing effects in patients with advanced metastatic renal cancer. Patient recruitment in the STARLITE 2 trial, which will evaluate the efficacy of an immunotherapy in combination with TLX250 in progressive kidney cancer, began in late 2021. A second Phase II study in combination with immunotherapy – STARLITE 1 – is expected to commence this year.

Heidelberg Pharma AG is eligible to receive royalties in the single-digit percentage range in the long term for this therapeutic agent if these trials are successful.

RHB-107 (upamostat)

Heidelberg Pharma's partner RedHill is also developing RHB-107 in COVID-19 and initiated a Phase II/III trial with outpatients in the United States in early 2021. Because RHB-107 targets human cell factors and not the virus itself, RHB-107 is expected to be effective against emerging virus variants. Recruitment for Part A of the study has been completed and initial positive data on Part A were announced in March 2022. RHB-107 delivered positive efficacy results demonstrating a 100 % reduction in hospitalizations due to COVID-19 and an 87.8 % reduction in reported new severe COVID-19 symptoms.[91]

91 https://www.prnewswire.com/news-releases/redhill-announces-positive-phase-2-study-results-with-oral-RHB-107-in-non-hospitalized-covid-19-301492827.html

RedHill also plans to trial RHB-107 in combination with another development candidate, opaganib, as a third arm in a Phase I/IIa study in advanced cholangiocarcinoma, subject to talks with the FDA. RedHill is developing opaganib for the treatment of bile duct cancer (cholangiocarcinoma) and severe cases of COVID-19.

Heidelberg Pharma AG is eligible to receive royalties in the double-digit percentage range if RHB-107 is approved.

10.4 Strategy and outlook for ATAC® technology

Heidelberg Pharma believes that Amanitin is an innovative toxin with attractive properties for the development of ATACs and will continue its strategy for the development and marketing of proprietary ATAC® technology.

The strategy's core elements are the expansion of the Company's own project pipeline, the development of the pipeline projects until clinical proof of concept, the initiation of research and option agreements and their extension to include long-term license agreements, as well as the broadening of the technology base.

Own pipeline

The proprietary ATAC® candidate HDP-101 is being tested in patients with multiple myeloma for the first time. A Phase I/IIb trial is being conducted for this purpose, and the first patient was dosed with HDP-101 in February. After dose-finding with currently 36 planned patients is completed, safety and tolerability will be tested by administering the achieved dose to approximately 30 patients in the second part of the trial. These 30 patients will be stratified by the proportion of myeloma cells harboring the 17p deletion biomarker. Patients will be stratified using the diagnostics established by Heidelberg Pharma, which will be tested for their clinical applicability at the same time.

The Company expects meaningful patient data to become available at the end of 2022.

With regard to successor candidates HDP-102 and HDP-103, the focus is on production of non-GMP and GMP material. The two candidates are currently in preclinical and toxicological studies. It is planned to submit another IND application to the authorities to conduct a clinical trial by early 2023.

The partnership with Huadong is intended to support and significantly strengthen the planned further development financially. There are no plans to change the Company's strategic direction.

Partner programs

In order to further expand the therapeutic potential beyond the antibodies available at Heidelberg Pharma Research, additional research and option agreements are to be signed with pharmaceutical partners. The cooperation with existing partners is expected to be continued and expanded as planned, ideally culminating in one or more therapeutic candidates.

Magenta presented the study design for the first ATAC® project, MGTA-117, at the JP Morgan conference in January 2022 and dosed the first patient in March 2022.

In addition, Magenta is working on the preclinical validation of a CD45 ATAC that could be used for the treatment of various autoimmune diseases such as multiple sclerosis.

The cooperation with Takeda is subject to confidentiality and is currently progressing within the framework of an intensive and detailed research plan.

Heidelberg Pharma is not yet in a position to fully finance its own R&D activities using its own funds in the short to medium term. Stable revenue from the services business and increased payments from Heidelberg Pharma Research's technology cooperations or from license agreements are expected to help finance in-house development work. Due to current financial planning including the financing commitment made by dievini, the Company's financing is secured until mid-2023.

10.5 Financial forecast and non-financial forecast

With regard to the financial forecast, it should be noted that the effects of the licensing agreement entered into well after the reporting date in connection with a strategic investment with Huadong cannot yet be taken into account in this context. However, the Company expects that this development will be reflected in the expected results of operations and in the expected financial position and net assets.

Expected results of operations

The Executive Management Board expects the Heidelberg Pharma Group to generate between € 7.5 million and € 9.5 million in revenue and other income (2021: € 2.3 million) in the 2022 fiscal year. These will primarily comprise the sales revenue generated by Heidelberg Pharma Research GmbH and, to a lesser extent, potential milestone payments to Heidelberg Pharma AG. Sales revenue from a potential license agreement from the proprietary ATAC® development projects was not included in this planning. Sales revenue should then increase noticeably given the licensing agreement with Huadong.

Other income will mainly comprise government grants and the passing on of patent costs in the context of out-licensing.

Based on current planning, operating expenses are expected to be in the range of € 41.0 million to € 45.0 million, significantly higher than in the reporting year (€ 27.9 million).

Earnings before interest and taxes (EBIT) in the 2022 fiscal year are expected to be between € – 32.5 million and € – 36.5 million (2021: € – 25.6 million). Preliminarily including the licensing agreement with Huadong, Heidelberg Pharma expects to post a significantly improved operating result.

The results of operations in the next few years will generally depend to a large extent on whether Heidelberg Pharma Research will be able to enter into additional agreements for ATAC® collaborations and license agreements with various pharmaceutical partners.

Heidelberg Pharma assumes that over the next few years expenses will exceed income.

Expected financial position and net assets

If income and expenses develop as anticipated, financing requirements in the 2022 fiscal year for Heidelberg Pharma AG's business operations are expected to increase compared to 2021 (€ 28.1 million excluding the capital increase and the dievini shareholder loan). Funds used will be in the range of € 33.0 million to € 37.0 million. This corresponds to an average monthly use of cash of € 2.8 million to € 3.1 million (2021: € 2.3 million). Given the licensing agreement with Huadong, it can be assumed that the funding requirement will also be noticeably reduced compared with the reporting period.

This planning takes into account additional potential cash inflows from new licensing activities in the context of the ATAC® technology at Heidelberg Pharma Research. The Group's financing is secured until mid-2023 based on current planning.

Consolidated equity (30 November 2021: € 6.7 million) would decline despite any corporate actions given the anticipated loss for the 2022 fiscal year.

All measures being discussed to improve the Company's financial situation are described in detail in sections 8.4 "Going-concern risks" and 8.6 "Financial risks", sub-section "Financing risks" of chapter 8 "Risk report." Pages 55, 58 and 53

Financial outlook	Actual 2021 € million	Plan 2022 € million
Sales revenue and other income	2.3	7.5 – 9.5
Operating expenses	27.9	41.0 – 45.0
Operating result	(25.6)	(32.5) – (36.5)
Total funding requirement[1]	28.1	33.0 – 37.0
Funds required per month[1]	2.3	2.8 – 3.1

[1] Not including any corporate actions

Non-financial forecast

Since Heidelberg Pharma plans to recruit additional employees in research and development, and administration in the upcoming fiscal year, a slight increase in the average number of employees is to be expected.

On 24 February 2022, Russian forces started an offensive against Ukraine. At present, the effects of this conflict on the global economy are not foreseeable. The Heidelberg Pharma Group is currently not restricted in its activities and does not see any risks with regard to its research and development activities and supply chains.

11 Disclosures on the annual financial statements of Heidelberg Pharma AG (HGB)

The management report of Heidelberg Pharma AG and the Group management report for the 2021 fiscal year have been combined in accordance with Section 315 (5) in conjunction with Section 298 (2) of the German Commercial Code. The annual financial statements of Heidelberg Pharma AG prepared in accordance with the German Commercial Code and the combined management report are published simultaneously in the Federal Gazette.

Domiciled in Ladenburg, Germany, Heidelberg Pharma AG is the parent company of the Heidelberg Pharma Group. Heidelberg Pharma AG wholly owns the company Heidelberg Pharma Research GmbH, Ladenburg, Germany (formerly: Heidelberg Pharma GmbH, Ladenburg, Germany).

The business activities, economic conditions, non-financial key performance indicators, including important contracts, and the risks and opportunities for Heidelberg Pharma AG have been described in detail in the relevant sections or do not differ materially from the situation of the Group.

11.1 Results of operations, financial position and net assets of Heidelberg Pharma AG

Heidelberg Pharma AG reported an operating result of € –17.4 million (previous year: € –14.0 million) in the 2021 fiscal year (1 December 2020 to 30 November 2021) according to German commercial law. The net loss for the year came to € 25.2 million (previous year: € 18.2 million).

In this context, the allocation of functions within the Heidelberg Pharma Group, which took effect at the beginning of fiscal year 2020, needs to be mentioned. The parent company Heidelberg Pharma AG takes over the development of Group-internal projects. Heidelberg Pharma Research GmbH has been commissioned with operational development of these projects and remains responsible for research on new projects, the availability of materials and marketing the technology. At the beginning of the 2020 fiscal year, Heidelberg Pharma AG and Heidelberg Pharma Research GmbH also signed a profit and loss transfer agreement with a minimum term of five years. Under this agreement, the subsidiary has an obligation to transfer any profit to the parent company after the close of the fiscal year. Conversely, the parent company has an obligation to absorb losses in accordance with Section 302 of the German Stock Corporation Act. This led to expenses from loss absorption in the amount of € 10.1 million in 2021 (previous year: € 6.9 million).

Sales revenue and operating income decreased year-on-year (combined € 0.1 million; previous year combined: € 0.5 million), while operating expenses rose to € 17.6 million (2020: € 14.5 million).

Heidelberg Pharma thus failed to meet the previous year's expected target range for income (€ 0.5 million to € 1.0 million), operating expenses (€ 22.0 million to € 26.0 million) and operating result (€ –21.0 million to € –25.0 million). This is due to a pandemic-related postponement of a milestone payment to the next fiscal year (2021/2022) and the delayed start of the clinical trial with HDP-101.

Sales revenue and other operating income

No sales revenue was generated in fiscal year 2021. In the previous year, € 219 thousand was posted from the out-licensing of TLX250-CDx.

Other operating income of € 139 thousand (previous year: € 276 thousand) comprises prior-period income from the reversal of other provisions, most of which were subject to limitation (€ 33 thousand; previous year: € 121 thousand). € 68 thousand (previous year: € 97 thousand) was generated by charging on patent costs in the context of out-licensing. Other items added up to income of € 28 thousand (previous year: € 38 thousand). Income from foreign currency measurement amounted to € 10 thousand (previous year: € 20 thousand).

Operating expenses

Cost of materials resulting from development activities totaled € 12,615 thousand (previous year: € 11,092 thousand). Expenses for raw materials, consumables and supplies and for purchased goods were incurred for the first time in 2021 in the amount of € 130 thousand. Expenses for purchased services disaggregate into third-party services (€ 6,822 thousand; previous year: € 5,326 thousand), third-party services charged on (€ 1,915 thousand; previous year: € 2,057 thousand) and intragroup cost allocations (€ 3,748 thousand, previous year: € 3,709 thousand).

Personnel expenses were up significantly on the 2020 figure (€1,295 thousand) to €1,838 thousand in the fiscal year ended. Besides the rise in headcount, salary increases also had an impact. Personnel expenses comprise salaries (€1,671 thousand; previous year: €1,208 thousand) and social security contributions (€167 thousand; previous year: €87 thousand). The latter include pension expenses of €5 thousand (previous year: €5 thousand).

Depreciation of fixed assets is recognized under amortization of intangible assets and depreciation of tangible assets (€14 thousand, previous year: €3 thousand). This item also includes the depreciation charge related to low-value assets. They comprise depreciation of tangible assets (€3 thousand; previous year: €2 thousand) and amortization of intangible assets (€11 thousand; previous year: €1 thousand).

Other operating expenses of €3,121 thousand (previous year: €2,071 thousand) consist primarily of legal and consulting costs (€1,292 thousand), which rose compared to 2020 (€976 thousand). This expense item contains both expenses for conventional legal advice and consulting costs for business development, business strategy and business financing as well as for industrial property rights and patents.

Expenses were also incurred for the stock market listing in the broader sense (€1,147 thousand; previous year: €495 thousand), the preparation and audit of the annual financial statements (€139 thousand; previous year: €146 thousand), travel costs (€27 thousand; previous year: €45 thousand), Supervisory Board remuneration (€181 thousand; previous year: €167 thousand), insurance and contributions (€37 thousand; previous year: €21 thousand), office costs (€28 thousand; previous year: €26 thousand) and other delayed costs attributable to earlier clinical trials (€19 thousand; previous year: €35 thousand).

Expenses for other operating costs make up €251 thousand (previous year: €160 thousand).

Costs for capital increases (2021: €749 thousand; previous year: €61 thousand) are integrated into the aforementioned items, as are foreign currency measurements. The latter amounted to a measurement expense of €9 thousand (previous year: €25 thousand).

All of the aforementioned items gave rise to an operating result of €–17,449 thousand (previous year: €–13,965 thousand).

The expense from loss absorption required to be reported as a result of the profit and loss transfer agreement with the subsidiary Heidelberg Pharma Research GmbH was €10,141 thousand (previous year: €6,926 thousand).

Interest

As in 2020, other interest and similar income of €2,916 thousand (previous year: €2,679 thousand) consists solely of interest income from the loan to affiliated company Heidelberg Pharma Research GmbH. Conventional interest income on monetary assets is currently not achievable on the market. Interest and similar expenses (€485 thousand; previous year: €44) were incurred for the first time for the shareholder loan extended by dievini (€465 thousand) and for custodian fees (€20 thousand). As a result, net interest income totaled €2,431 thousand (previous year: €2,679 thousand).

Taxes

There were no taxes on income in 2021 or 2020. The loss after taxes was therefore €25,159 thousand (previous year: €18,212 thousand). Other taxes (€1 thousand; previous year: €2 thousand) comprise vehicle taxes on leased company cars.

Earnings

All of the aforementioned items result in a net loss for the past fiscal year of € 25,160 thousand (previous year: € 18,214 thousand). Together with the accumulated losses brought forward from the previous fiscal year in the amount of € 203,159 thousand (previous year: € 184,946 thousand), net accumulated losses came to € 228,319 thousand (previous year: € 203,159 thousand).

Financing and liquidity

Heidelberg Pharma AG had sufficient funds throughout fiscal year 2021 to ensure the financing of its business operations.

Heidelberg Pharma AG showed cash and cash equivalents of € 6,009 thousand at the close of the fiscal year (30 November 2020: € 4,702 thousand).

After the increased financing commitment of € 36 million made by the Group's main shareholder dievini in February 2022, this volume – if the commitment is successfully implemented – in addition to cash and cash equivalents secures the Heidelberg Pharma Group's cash reach until mid-2023 (see section 8.4).

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Capital expenditures

Additions of € 1 thousand were made to tangible assets (€ 3 thousand) and of € 49 thousand to intangible assets (€ 42 thousand) in 2021. Additions in fiscal year 2020 amounted to € 6 thousand each.

Net assets and financial position

Total assets rose by around € 7.6 million to € 82.8 million compared to € 75.2 million in the previous year. The increase in total assets was attributable to higher receivables from affiliates and a higher level of cash. The corresponding increase in total equity and liabilities was mainly due to the rise in equity triggered by the capital increase and higher liabilities recognized in connection with development activities and the dievini loan.

Fixed assets were mainly unchanged compared to the previous year at € 13.3 million at the end of 2021, with the carrying amount of the equity investment in Heidelberg Pharma Research GmbH recognized under financial assets accounting for the main portion of non-current assets.

The impairment test for the carrying amount of the equity investment requires the determination of the value in use based on the expected future cash flows of Heidelberg Pharma Research GmbH and the appropriate discount rate.

Impairment testing, and therefore the calculation of the lower fair value of the equity investment, is based on a model that makes assumptions in respect of company planning and uses the present value of the cash flow calculated in this way to determine the enterprise value.

The mid-term planning for the ATAC® business used for the impairment test comprises detailed planning over a four-year period from 2022 to 2024 (clinical phases I and II). This is followed by a second, longer-term 21-year planning phase from 2025 to 2045 (clinical Phase III, approval and market launch) that is based on model assumptions and continues the first planning phase. Allowing for the risks and opportunities arising from the business activities, the weighted average cost of capital (after tax) used for the impairment test was 6.8 % (previous year: € 6.6 %). Furthermore, an effective tax rate of 28.43 % was again used for the calculation.

Further model parameters:

- Derivation of potential sales revenue based on comparison data of approved cancer drugs
- Significant license income from 2023 onwards with a milestone payment this year and with sustained positive cash flows in the market phase from 2028
- Maximum exploitation period for license income until 2045 through patents granted
- Discounts for the success rates of individual clinical phases based on scientific literature

The carrying amount of the equity investment in Heidelberg Pharma Research GmbH was € 13.3 million for the fiscal year ended, which was the same as the previous year. Despite losses incurred by Heidelberg Pharma Research GmbH, Heidelberg Pharma AG firmly believes that, based on future revenue potential and expected future cash flows, there is no need to write down the investment.

Within inventories, the toxin Amanitin is reported as raw materials, consumables and supplies in the amount of € 72 thousand. Prepayments of € 131 thousand were also posted. In the previous year, none of the aforementioned inventories were required to be recognized.

There were no trade receivables required to be shown at the end of the 2021 reporting period (previous year: € 38 thousand).

Receivables from affiliated companies include loan and interest receivables from Heidelberg Pharma Research GmbH under a fixed-rate, uncollateralized and indefinite loan (overdraft or credit line) granted to Heidelberg Pharma Research GmbH to secure its financing. Overall, the receivable (including interest) due from Heidelberg Pharma Research GmbH rose from € 56,210 thousand to € 62,350 thousand in the fiscal year despite the absorption during the reporting period of the company's loss of € 6,926 thousand from fiscal year 2020, where the subsidiary's receivable was offset against the loan. This loan will allow the subsidiary to finance most of its research and development expenses and will be continuously built up as the cash required is drawn down. The recoverability of the loan will depend on the scheduled progress of the research and development activities of Heidelberg Pharma Research GmbH and thus on its ability to repay the loan at a future date. Failure to meet targets would directly compromise recoverability. Based on the rise in the entity value of Heidelberg Pharma Research GmbH as research and development activities progress on schedule, Heidelberg Pharma AG firmly believes that the receivable is recoverable.

Other assets of € 417 thousand (previous year: € 390 thousand) comprise VAT receivables of € 391 thousand (previous year: € 371 thousand) and security deposits/other items amounting to € 26 thousand (previous year: € 19 thousand).

Bank balances increased to € 6,009 thousand as of the balance sheet date (previous year: € 4,702 thousand) as a result of the capital increase carried out during the year and despite cash outflows from operating activities and the financing of the subsidiary Heidelberg Pharma Research GmbH.

For more information on the Company's strained financial position and a possible threat to its continuation as a going concern, refer to sections 8.4 "Going-concern risks" and 8.6 "Financing risks." Pages 55 and 58

Prepaid expenses (€ 561 thousand; previous year: € 574 thousand) are attributable to advance payments to service providers (€ 93 thousand; previous year: € 83 thousand) and project services for clinical development (€ 468 thousand; previous year: € 491 thousand).

Equity according to commercial law fell to € 58,994 thousand as of the reporting date (previous year: € 64,133 thousand). The decline is attributable to the increase in the net loss for the fiscal year, despite the capital increase carried out during the year.

As of 30 November 2021 and after a capital increase implemented during the year and the conversion of stock options, subscribed capital consisted of 34,175,809 no-par value bearer shares with a notional value of € 1.00 per share (previous year: 31,061,872 no-par value shares). As of the reporting date, capital reserves amounted to € 253,137 thousand (previous year: € 236,230 thousand); € 16,907 thousand was appropriated to capital reserves in the fiscal year in the context of a capital increase and the conversion of stock options. The losses accumulated since the start of the Company's business activities in 1997 totaled € 228,319 thousand as of the end of the fiscal year, of which € 203,159 thousand was brought forward to new account from the previous fiscal year and € 25,160 thousand was attributable to the net loss for the year. The equity of Heidelberg Pharma AG therefore declined from € 64,133 thousand in the previous year to € 58,994 thousand as of 30 November 2021.

Other provisions (€ 981 thousand; previous year: € 963 thousand) were recognized for invoices outstanding (€ 124 thousand; previous year: € 167 thousand), project costs within the context of clinical development (€ 328 thousand; previous year: € 318 thousand), the Executive Management Board and employee bonus program (€ 197 thousand, previous year: € 189 thousand), vacation entitlements (€ 83 thousand; previous year: € 53 thousand), legal and consulting costs including patent costs (€ 49 thousand; previous year: € 3 thousand), internal financial statement costs (€ 111 thousand; previous year: € 102 thousand) and financial statement auditing and tax advisory costs (€ 84 thousand; previous year: € 126 thousand). As in the previous year, archiving costs totaled € 5 thousand).

Trade payables (€ 522 thousand; previous year: € 1,743 thousand) consist of compensation for services and suppliers. As in the previous year, all liabilities have a residual term of up to one year.

Liabilities to affiliated companies of € 1,696 thousand relate to the utilization of intragroup resources for development activities as well as to the consolidated VAT tax group that exists with the subsidiary. In the previous year, € 1,339 thousand was required to be recognized for these items. In addition, the profit and loss transfer agreement in place gave rise to a liability to the consolidated tax group of € 10,141 thousand (previous year: € 6,926 thousand).

The figure also includes the shareholder loan provided to Heidelberg Pharma AG by its main shareholder dievini under the loan agreement dated 21 December 2020, together with the interest payable (€ 10,465 thousand; previous year: € 0 thousand). The unsecured loan is not limited in time and carries annual interest of 6 % p.a. Any loan repayment claim of dievini is subordinate in rank to the receivables of any Heidelberg Pharma AG creditor.

Wage and church tax liabilities (€ 47 thousand; previous year: € 42 thousand) are shown under other liabilities (€ 48 thousand; previous year: € 81 thousand). The prior-year figure also included VAT liabilities of € 38 thousand. In addition, liabilities of € 1 thousand for a social insurance body were recognized in both periods. As in the previous year, all such liabilities are due for payment within one year.

Cash flow statement

Cash outflow from operating activities during the reporting period was € 27,880 thousand (previous year: € 19,415 thousand). The main factors affecting this item were cash operating expenses, which exceeded cash income, and the loan payment to Heidelberg Pharma Research GmbH.

Cash outflow from investing activities for the acquisition of tangible and intangible assets came to € 50 thousand in 2021 (2020: € 11 thousand).

In 2021, there was a significant increase of € 29,233 thousand in cash flows from financing activities due in particular to the capital increase carried out in the third quarter of the fiscal year. In addition, dievini provided Heidelberg Pharma with a shareholder loan in 2021, of which € 10,000 thousand had been drawn down as of the reporting date. In the previous year, cash flows from financing activities increased by € 14,350 thousand; in this case too, a capital increase was the main driver.

Furthermore, there was a positive effect from exchange rate changes of € 3 thousand (previous year: exchange rate loss of € 15 thousand).

Total net inflow of cash and cash equivalents was € 1,306 thousand in 2021 (previous year: net outflow of € 5,091 thousand).

This corresponded to an average inflow of € 109 thousand per month (previous year: outflow of € 408 thousand). Excluding the effects of the capital increase and the loan, a cash outflow of € 2,342 thousand per month would have been recognized in 2021.

At the end of the period, the Company had cash and bank balances of € 6,009 thousand (previous year: € 4,702 thousand).

11.2 Other disclosures

Heidelberg Pharma AG employed an average of eleven (previous year: six) people (salaried employees) during the year, seven of them in administration, one in business development and three in clinical development. The Company has also appointed two Executive Management Board members.

11.3 Financial outlook for the parent company, Heidelberg Pharma AG

Expected results of operations

With regard to this financial outlook, it should be noted that the effects of the licensing agreement entered into well after the reporting date in connection with a strategic investment with Huadong cannot yet be taken into account in this context. However, the Company expects that this development will be reflected in the expected results of operations and in the expected financial position and net assets.

The Executive Management Board expects the Company to generate between € 0.5 million and € 1.0 million in sales revenue and other operating income in the 2022 fiscal year (2021: € 0.1 million). The earnings target for 2022 does not include potential sales revenue from a potential additional license agreement. Sales revenue should then increase noticeably given the licensing agreement with Huadong.

Total operating expenses in 2022 are expected to be in the range of € 22.0 million to € 26.0 million if business proceeds as planned, thus coming in above the level seen in the 2021 reporting period (€ 17.6 million). The Company also assumes that expenses will continue to exceed income in the next few years.

The operating result in the 2022 financial year is expected to come in between € – 21.5 million and € – 25.5 million (2021: € – 17.3 million). Preliminarily including the licensing agreement with Huadong, Heidelberg Pharma expects to post a significantly improved operating result.

Furthermore, positive interest income of € 2.0 million to € 3.0 million (2021: € 2.4 million) and expenses from loss compensation of € 11.0 million to € 14.0 million (2021: € 10.1 million) are expected in 2022.

Heidelberg Pharma AG therefore expects to post a net loss of between € 31.0 million and € 35.0 million for 2022 (2021: € 25.2 million).

Expected financial position and net assets

If income and expenses develop as anticipated, financing requirements in the 2022 fiscal year for Heidelberg Pharma AG's business operations are expected to increase compared to 2021 (€ 28.1 million excluding the capital increase and the dievini shareholder loan). In this respect, funds used will be in the range of € 33.0 million to € 37.0 million. This corresponds to an average monthly use of cash of € 2.8 million to € 3.1 million (2021: € 2.3 million).

Given the licensing agreement with Huadong, it can be assumed that the funding requirement will also be noticeably reduced compared with the reporting period.

Equity as defined by German commercial law (30 November 2021: € 58,993 thousand) would decrease regardless of any corporate actions given the anticipated loss for the 2022 fiscal year.

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All measures being discussed to improve the Company's financial situation are described in detail in sections 8.4 "Going-concern risks" and 8.6 "Financial risks", sub-section "Financing risks" of chapter 8 "Risk report."

Ladenburg, 22 March 2022

The Executive Management Board of Heidelberg Pharma AG

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

Professor Andreas Pahl
Chief Scientific Officer

CONSOLIDATED FINANCIAL STATEMENTS

Notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

for the fiscal year from 1 December 2020 to 30 November 2021

	Note	2021 €	2020 €
Sales revenue	21	1,749,829	8,487,938
Other income	22	563,829	1,087,926
Income		**2,313,658**	**9,575,864**
Cost of sales	23	(4,712,122)	(5,599,778)
Research and development costs	23	(18,750,257)	(18,286,980)
Administrative costs	23	(3,986,130)	(3,581,177)
Other expenses	23	(496,213)	(392,650)
Operating expenses	**23**	**(27,944,722)**	**(27,860,584)**
Operating result		**(25,631,064)**	**(18,284,720)**
Finance income	26	0	0
Finance costs	26	(494,492)	(13,564)
Financial result	**26**	**(494,492)**	**(13,564)**
Share of the profit/loss of associates	27	(13,146)	(70,754)
Earnings before tax		**(26,138,702)**	**(18,369,038)**
Income taxes	28	0	0
Net loss for the year		**(26,138,702)**	**(18,369,038)**
Net currency gain/loss from consolidation		0	0
Other Comprehensive Income		**0**	**0**
Comprehensive income		**(26,138,702)**	**(18,369,038)**
Earnings per share			
Earnings per share (basic)		(0.80)	(0.61)
Average weighted number of shares issued		32,504,068	29,896,633

Rounding of exact figures may result in differences.

CONSOLIDATED BALANCE SHEET (IFRS)

for the fiscal year ended 30 November 2021

Assets	Note	30 Nov. 2021 €	30 Nov. 2020 €
Property, plant and equipment and right-of-use assets	9	3,672,832	3,113,628
Intangible assets	10	2,900,256	2,818,316
Goodwill	10	6,111,166	6,111,166
Investments		0	0
Equity investments accounted for using the equity method	11	0	0
Other non-current financial assets	12	34,900	44,900
Non-current assets		**12,719,154**	**12,088,010**
Inventories	13	745,920	229,820
Prepayments	14	676,284	798,948
Trade receivables	15	1,019,751	1,187,684
Other receivables	15	429,559	322,098
Cash and cash equivalents	16	6,141,451	4,982,232
Current assets		**9,012,965**	**7,520,782**
Total assets		**21,732,119**	**19,608,792**

Equity and liabilities	Note	30 Nov. 2021 €	30 Nov. 2020 €
Subscribed capital	17	34,175,809	31,061,872
Capital reserve	17	244,215,300	227,370,862
Accumulated losses	17	(271,692,378)	(245,553,676)
Equity	**17**	**6,698,731**	**12,879,058**
Lease liabilities (non-current)	18	75,568	102,030
Contract liabilities (non-current)	18	23,428	0
Non-current liabilities	18	**98,996**	**102,030**
Trade payables	19	903,013	2,811,832
Lease liabilities (current)	19	91,079	100,649
Contract liabilities (current)	19	490,886	252,112
Financial liabilities	19	10,465,000	0
Other current liabilities	19	2,984,414	3,463,112
Current liabilities	19	**14,934,392**	**6,627,704**
Total equity and liabilities		**21,732,119**	**19,608,792**

Rounding of exact figures may result in differences.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

for the fiscal year from 1 December 2020 to 30 November 2021

	Note	Shares	Subscribed capital €	Capital reserve: Corporate actions/ premium €	Capital reserve: Stock options €	Accumulated losses €	Total €
				210,364,460	4,903,988		
As of 1 December 2019		**28,209,611**	**28,209,611**	**215,268,448**		**(227,184,639)**	**16,293,420**
Measurement of stock options	24				569,897		569,897
Comprehensive income						(18,369,038)	(18,369,038)
Creation of shares for stock options exercised	17	31,300	31,300	27,857			59,157
Capital increase after accounting for capital procurement costs	17	2,820,961	2,820,961	11,504,661			14,325,622
Net change in equity							**(3,414,362)**
				221,896,978	5,473,884		
As of 30 November 2020	**17**	**31,061,872**	**31,061,872**	**227,370,862**		**(245,553,676)**	**12,879,058**
				221,896,978	5,473,884		
As of 1 December 2020		**31,061,872**	**31,061,872**	**227,370,862**		**(245,553,676)**	**12,879,058**
Measurement of stock options	24				686,489		686,489
Comprehensive income						(26,138,702)	(26,138,702)
Creation of shares for stock options exercised	17	7,300	7,300	6,497			13,797
Capital increase after accounting for capital procurement costs	17	3,106,637	3,106,637	16,151,452			19,258,089
Net change in equity							**(6,180,327)**
				238,054,927	6,160,373		
As of 30 November 2021	**17**	**34,175,809**	**34,175,809**	**244,215,300**		**(271,692,378)**	**6,698,731**

Rounding of exact figures may result in differences.

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

for the fiscal year from 1 December 2020 to 30 November 2021

	Note	2021 €	2020 €
Net loss for the year		**(26,138,702)**	**(18,369,038)**
Adjustment for items in the statement of comprehensive income			
Stock options	24	686,489	569,897
Depreciation and amortization	23	802,860	733,872
Gains (-) and losses (+) on disposal of non-current assets		10,159	90,402
Profit/loss from equity-accounted investment	11	13,146	70,754
Exchange rate effects	25	(2,119)	9,413
Finance income	26	0	0
Finance costs	26	494,492	13,564
		2,005,026	**1,487,901**
Changes in balance sheet items			
Inventories	13	(516,100)	7,882
Prepayments	14	122,664	(735,060)
Trade receivables	15	167,933	42,574
Other receivables	15	(107,461)	(143,416)
Other non-current assets	12	10,000	0
Trade payables	19	(1,908,818)	1,800,124
Contract liabilities	18/19	262,202	(1,921,199)
Other liabilities	19	(478,698)	(48,814)
		(2,448,279)	**(997,911)**
Cash flow from operating activities		**(26,581,955)**	**(17,879,048)**
Finance costs paid	26	(28,655)	(13,564)
Finance income received	26	0	0
Net cash flow from operating activities		**(26,612,520)**	**(17,892,611)**
Cash flow from investing activities			
Proceeds from disposal of property, plant and equipment	9	0	198,309
Proceeds from disposal of intangible assets	10	0	4,179
Payments to acquire property, plant and equipment	9	(1,242,138)	(1,368,396)
Payments to acquire intangible assets	10	(146,669)	(65,730)
Acquisition of equity interests	11	(13,146)	(58,155)
Net cash flow from investing activities		**(1,401,953)**	**(1,289,794)**
Cash flow from financing activities			
Change in shareholder loan		10,000,000	0
Proceeds from the capital increases	17	20,006,742	14,386,901
Capital procurement costs of capital increases	17	(748,653)	(61,279)
Income from creating shares for stock options exercised	17	13,797	59,157
Principal portion of lease payments	9/23	(102,224)	(94,321)
Net cash flow from financing activities		**29,169,662**	**14,290,458**
Exchange rate and other effects on cash	25	2,119	(9,413)
Net change in cash and cash equivalents		**1,159,218**	**(4,901,360)**
Cash and cash equivalents			
at beginning of period	16	4,982,232	9,883,592
at end of period	16	6,141,451	4,982,232

Rounding of exact figures may result in differences.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of Heidelberg Pharma AG, Ladenburg, in accordance with IFRSs for the 2021 fiscal year from 1 December 2020 to 30 November 2021

1 Business and the Company

Heidelberg Pharma AG was founded in 1997 as Wilex GmbH by a team of physicians and cancer research specialists from the Technische Universität München (TUM). The Company was converted into a stock corporation (Aktiengesellschaft) under German law in 2001 and Wilex AG was recorded in the Commercial Register in the same year. In November 2006, the Company was listed on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange, where it is listed under ISIN DE000A11QVV0/securities identification number A11QVV/symbol HPHA. On 29 September 2017, the Company moved its registered office to Gregor-Mendel-Straße 22, 68526 Ladenburg, near Heidelberg, Germany. Since its entry in the Mannheim Commercial Register on 18 October 2017 under registration number HRB 728735, the former Wilex AG has been doing business as Heidelberg Pharma AG. The Company's Executive Management Board consists of Dr. Jan Schmidt-Brand and Professor Andreas Pahl.

"Heidelberg Pharma" will be used as a synonym for the Group hereinafter. Each entity's full corporate name is stated whenever facts specific to Heidelberg Pharma AG as the parent company or Heidelberg Pharma Research GmbH as the subsidiary are reported.

The purpose of Heidelberg Pharma AG as a holding company in fiscal year 2021 was to act as the parent company of the Group and to out-license the portfolio of diagnostic and therapeutic oncology drug candidates with the related intellectual property rights. As a result of an internal reorganization of tasks, since 1 December 2019 the Company has also been tasked with taking over internal Group projects after completion of the research phase and implementing the development phase. The Heidelberg Pharma AG team mainly performs functions relating to Group and research strategy, finance, investor relations, business development, clinical development and project management, regulatory matters legal affairs and contract management. Other areas covered are alliance and data management, as well as patents. In addition, strong research & development (R&D) support is being provided to the partner to develop an out-licensed clinical drug candidate.

The subsidiary Heidelberg Pharma Research GmbH conducts research in the field of therapeutic antibody drug conjugates (ADCs). To the best of the Company's knowledge, Heidelberg Pharma Research is the first company to develop the compound Amanitin for cancer therapies. It uses the mushroom toxin's biological mode of action as a new therapeutic principle, employing its proprietary ATAC® technology platform for the purpose of producing, researching and developing selected proprietary Antibody Targeted Amanitin Conjugates as well as new ATAC® candidates in collaborations with external partners. Heidelberg Pharma Research also supplies its partners with GMP-quality compound linker material for their development projects as required.

1.1 Consolidated company

Heidelberg Pharma Research GmbH

The subsidiary Heidelberg Pharma Research GmbH (formerly Heidelberg Pharma GmbH until it was renamed) has been part of the Heidelberg Pharma Group since March 2011. The subsidiary's Managing Director is Dr. Jan Schmidt-Brand. The registered office of Heidelberg Pharma Research GmbH is also at Gregor-Mendel-Straße 22, 68526 Ladenburg, Germany.

Upon recording in the Commercial Register on 17 March 2011, the subsidiary became a wholly-owned subsidiary of what was then Wilex AG and is now Heidelberg Pharma AG. It has thus become part of the Heidelberg Pharma Group.

1.2 Associate

Emergence Therapeutics AG

In November 2019, Heidelberg Pharma AG acquired an equity interest in Emergence Therapeutics AG, Duisburg, (Emergence) through its subsidiary Heidelberg Pharma Research GmbH together with French and German investors. This long-term interest is measured according to the equity method pursuant to IAS 28.10 as an interest in an associate over which significant influence may be exercised (IAS 28.5 et seq.).

2 Application of new and revised standards

2.1 New and revised standards and interpretations

The following International Financial Reporting Standards (IFRSs) newly issued or amended by the International Accounting Standards Board (IASB) which must be applied to the consolidated financial statements as of 30 November 2021 had the following effects on Heidelberg Pharma GmbH's financial statements:

Standard/interpretation		Effective for fiscal years beginning on or after	Adopted by the European Union	Effects on Heidelberg Pharma
IFRS 3 (Amendment)	Definition of a Business	1 Jan. 2020	Yes	None
Conceptual Framework for Financial Reporting (Amendments)	Amendments to various IFRSs, particularly IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32	1 Jan. 2020	Yes	None
IAS 1 and IAS 8 (Amendments)	Definition of Material	1 Jan. 2020	Yes	None
IFRS 9/IAS 39/IFRS 7 (Amendments)	Interest Rate Benchmark Reform	1 Jan. 2020	Yes	None
IFRS 16 (Amendments)	COVID-19-Related Rent Concessions	1 June 2020	Yes	None

2.2 New and revised standards and interpretations whose application in the consolidated financial statements was voluntary or who were not yet applicable

The following new and amended standards issued by the IASB or interpretations by the International Financial Reporting Interpretations Committee (IFRIC) which were not yet required to be applied in the reporting period or have not yet been adopted by the European Union will not be applied prior to the effective date. Effects on the consolidated financial statements by standards marked "Yes" are considered likely and are currently being reviewed. Only material effects are described in greater detail below. Standards marked "None" or "No material effects" are expected to have the corresponding effects on the consolidated financial statements.

Standard/interpretation		Effective for fiscal years beginning on or after	Adopted by the European Union	Effects on Heidelberg Pharma
IFRS 4 (Amendments)	Deferral of IFRS 9	1 Jan. 2021	Yes	None
IFRS 9/IAS 39/ IFRS 7/IFRS 4/IFRS 16 (Amendments)	Interest Rate Benchmark Reform (Phase 2)	1 Jan. 2021	Yes	None
IFRS 16 (Amendments)	COVID-19-Related Rent Concessions beyond 30 June 2021	1 April 2021	Yes	None
Annual Improvements to IFRS Standards 2018–2020 Cycles and Amendments to IFRS 3/IAS 16/IAS 37	Amendments to various IFRSs	1 Jan. 2022	Yes	No material effects
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 Jan. 2023	No	No material effects
IAS 1 (Amendments)	Disclosure of Accounting Policies	1 Jan. 2023	No	No material effects
IAS 8 (Amendments)	Changes in Accounting Policies and Estimates	1 Jan. 2023	Yes	No material effects
IFRS 17	Insurance Contracts	1 Jan. 2023	Yes	None
IFRS 17 (Amendments)	First-time application of IFRS 17 and IFRS 9 – Comparative Information	1 Jan. 2023	No	None
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 Jan. 2023	No	No material effects
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Delayed for an indefinite period	No	None

3 Key accounting policies

The significant accounting policies applied are explained below.

3.1 Statement of conformity

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) and the Interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) as applicable in the European Union (EU). Moreover, the supplementary provisions of Section 315e German Commercial Code were applied.

3.2 Basis for preparation of the consolidated financial statements

- The reporting period begins on 1 December 2020 and ends on 30 November 2021. It is referred to hereafter as the "2021 fiscal year" ("2020 fiscal year" for the previous period).
- Based on Group-wide financial and liquidity planning, the cash and cash equivalents available in connection with the financing commitment of the Company's main investor (see note 34) trigger a cash reach until mid-2022 and therefore support the preparation of the IFRS consolidated financial statements on a going concern basis in accordance with IAS 1.25, as at the time the financial statements were being prepared, it could be assumed that the Company would continue to operate as a going concern beyond the next twelve months.
- In accordance with Section 325 (3) German Commercial Code, Heidelberg Pharma publishes these IFRS consolidated financial statements in the Federal Gazette (Bundesanzeiger). These consolidated financial statements exempt the Company from preparing consolidated financial statements in accordance with the German Commercial Code.
- These consolidated financial statements were prepared by the Executive Management Board on 22 March 2022 and released for publication in accordance with IAS 10. The consolidated financial statements are to be approved by the Supervisory Board on 22 March 2022. The Supervisory Board can decline to approve the consolidated financial statements and Group management report released by the Executive Management Board, in which case the Annual General Meeting would have to decide on the approval of the consolidated financial statements.
- Due to commercial rounding up or down of exact figures, it is possible that individual figures in these consolidated financial statements may not add up exactly to the totals and that percentages given may not precisely reflect the absolute figures to which they relate.

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3.3 Foreign currencies

The consolidated financial statements are prepared in euros (€), the Group's functional currency.

Transactions settled in currencies other than the respective local currency are recognized in the separate financial statements at the foreign exchange rate on the transaction date.

At the end of each reporting period the following steps are taken in accordance with IAS 21.23

- Monetary amounts in a foreign currency are translated at the closing rate;
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction;
- Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Heidelberg Pharma carries out business processes in US dollars (USD), Swiss francs (CHF), British pound (GBP) and, to a smaller extent, in other foreign currencies. In fiscal year 2021, a portion of both sales revenue and expenses were recognized in foreign currencies.

The translation of USD, CHF and GBP amounts within the Group was based on the following euro exchange rates: For reasons of materiality, no exchange rates of other currencies are shown.

US dollar:
- Closing rate 30 November 2021: € 1 = USD 1.1323 (previous year: € 1 = USD 1.1964)
- Average exchange rate in fiscal year 2021: € 1 = USD 1.1899 (previous year: € 1 = USD 1.1376)

Swiss francs:
- Closing rate 30 November 2021: € 1 = CHF 1.0426 (previous year: € 1 = CHF 1.0806)
- Average exchange rate in fiscal year 2021: € 1 = CHF 1.0848 (previous year: € 1 = CHF 1.0719)

British pound:
- Closing rate 30 November 2021: € 1 = GBP 0.8499 (previous year: € 1 = GBP 0.8967)
- Average exchange rate in fiscal year 2021: € 1 = GBP 0.8643 (previous year: € 1 = GBP 0.8865)

Differences may result from commercial rounding of exact figures.

3.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and the companies controlled by it, including structured companies (its subsidiaries). The Company has control where it:

- Has power over the investee;
- Is exposed to variable returns from its involvement with the investee; and
- Has the ability to affect those returns through its power over the investee.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and the Group's other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent company and to the non-controlling interests. This applies even where this results in the non-controlling interests having a deficit balance.

The annual financial statements of the subsidiaries are adjusted, if necessary, to bring their accounting policies in line with those used by the Group.

All intra-group assets, liabilities, equity, income, expenses and cash flows associated with transactions between Group companies are eliminated in full during consolidation.

In the past fiscal year, the voting interest held in the Group's existing subsidiary did not change, and nor was any new company acquired.

3.5 Equity investments accounted for using the equity method

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

According to IAS 28.6, in general one or more of the following indicators points to significant influence:

- Representation on the board of directors and/or governing body of the investee
- Participation in policy-making processes
- Material transactions between the entity and its investee
- Interchange of managerial personnel
- Provision of essential technical information

Under the equity method, the investment in an associate or joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share in the net assets of the associate or joint venture since the date of acquisition. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor subjected to a separate impairment test.

3.6 Property, plant and equipment and right-of-use assets

Heidelberg Pharma does not own plots of land or buildings. All office and laboratory premises used at present are rented. Property, plant and equipment consists of laboratory and office equipment and right-of-use assets.

In the past, payments made in connection with operating leases were recognized in the income statement over the term of the lease. From fiscal year 2020 onwards, however, the right-of-use assets and liabilities arising from these leases must be carried as assets and liabilities on the balance sheet.

Both property, plant and equipment and right-of-use assets are recognized at historical cost less accumulated depreciation and, if applicable, impairment losses. The cost less net carrying amount is depreciated on a straight-line basis over the useful life of the asset. The expected useful lives, net carrying amounts and depreciation methods are reviewed at every reporting date and all necessary changes to estimates are applied prospectively. In addition, impairment charges are recognized immediately if assets are impaired as defined by IAS 36.

Depreciation of property, plant and equipment is based on the following useful lives:

- Laboratory equipment 5 to 14 years
- Other office equipment 3 to 13 years
- Right-of-use assets 3 to 4 years

Expenses for the repair and maintenance and for the replacement of subordinate items are recognized in income at the time they arise. Extensive replacements and new fixtures and fittings are capitalized where they create a future economic benefit. Replacements are depreciated over their expected useful life. In the event of disposal, the cost and associated accumulated depreciation are derecognized. Any gains or losses resulting from such disposal are recognized in profit or loss in the fiscal year.

Impairment losses are recognized if the recoverable amount of property, plant and equipment is lower than the net carrying amount.

Heidelberg Pharma has not pledged any property, plant or equipment as collateral for liabilities including contingent liabilities.

3.7 Intangible assets

3.7.1 Separately acquired intangible assets

Intangible assets with a determinable useful life are carried at cost less accumulated amortization and impairment losses. Amortization is on a straight-line basis over the expected useful life of the asset and is recognized as an expense. The expected useful life and the amortization method are reviewed at every reporting date and all necessary changes to estimates are applied prospectively. Separately acquired intangible assets with an indefinite useful life are carried at cost less accumulated impairment losses.

In addition, impairment charges are recognized if assets are impaired as defined by IAS 38.111 in conjunction with IAS 36. This did not apply in 2021, however.

The following useful lives are assumed for intangible assets, which comprise capitalized licenses, patents and software:

- Licenses und patents 5 to 20 years
- Software 3 to 10 years

3.7.2 Intangible assets acquired from a business combination

Intangible assets acquired from a business combination, as well as the not yet ready for use intangible assets (In Process Research & Development, or IP R&D) and the acquired customer base resulting from the takeover of Heidelberg Pharma Research GmbH, are recognized separately from goodwill and measured at fair value, i. e. cost, as of the date of acquisition.

Up until the fiscal year ended, in subsequent periods intangible assets with a definite useful life that were acquired in a business combination were measured in the same way as separately acquired intangible assets: at cost less accumulated amortization and any accumulated impairment losses.

The following useful lives are assumed here:

- Acquired customer base 9 years

The intangible assets not yet ready for use (IP R&D) are not yet being amortized. The development of the ADC technology and other IP components is ongoing, and no antibody-specific product license agreement (PLA) that would specify the current use and marketability of this technology asset in the form of a therapeutic development candidate has been signed to date. Hence this asset has not yet been classified as ready for use in accordance with IFRSs. Amortization of this asset will begin once the development work has been completed.

Goodwill and IP & R&D are also not amortized. Instead, they are tested for impairment annually (compare notes 3.9 and 8).

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3.7.3 Research and development costs

Costs for research activities are recognized as expenses in the periods in which they are incurred.

Internally generated intangible assets resulting from development activities are recognized if and only if the following has been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The Group's intention to complete production of the intangible asset and use or sell it;
- The Group's ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output from the use of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- The Group's ability to measure reliably the expenditure attributable to the intangible asset during its development.

Since these requirements have not been met, no intangible assets could be recognized in the development phase.

At present, all research and development costs are therefore recognized in the income statement for the fiscal year in which they arise.

3.8 Impairment of property, plant and equipment, right-of-use assets and intangible assets with the exception of goodwill

The Company reviews the carrying amounts of property, plant and equipment and intangible assets at every reporting date to determine whether there is reason to believe that these assets are impaired. If there is indication of impairment, the recoverable amount of the asset is determined to identify the scope of a possible impairment loss. If the recoverable amount of the individual asset cannot be determined, then the recoverable amount of the cash generating unit to which the asset belongs is estimated. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets (IAS 36.6)

In the case of intangible assets with an indefinite useful life and those not yet available for use, an impairment test is performed at least once a year and in all cases where there is indication of impairment.

The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. The estimated future cash flows are discounted using a pre-tax rate when determining the value in use. On the one hand, this pre-tax rate takes into account the current market estimate of the present value of the funds. On the other hand, it reflects the risks inherent in the asset to the extent that these have not already been incorporated into the cash flow estimate.

If the estimated recoverable amount of an asset or a cash generating unit falls below the carrying amount, then the relevant carrying amount is decreased to the recoverable amount. The impairment is recognized immediately in profit or loss.

If there is a subsequent reversal of the impairment loss, the carrying amount of the asset or the cash generating unit is increased to the new estimate of the recoverable amount. The increase in carrying amount is limited to the amount that would have resulted if no impairment losses had been recognized in previous years. An impairment reversal is recognized immediately in profit or loss.

3.9 Goodwill

The goodwill resulting from a business combination is recognized at cost less impairment losses, as required, and is reported separately in the consolidated balance sheet. Goodwill is the difference between the purchase price of a company, and the difference between the assets and liabilities of that company, provided that this difference is positive.

For purposes of impairment testing, the goodwill must be allocated to the cash generating unit of the Group that is expected to derive benefit from the synergies generated by the business combination.

Cash generating units to which the goodwill is allocated must be tested for impairment at least annually. As soon as there is some indication of impairment, the cash generating unit must be tested for impairment immediately. If the recoverable amount of a cash generating unit is less than the carrying amount of the unit, then the impairment loss must be initially allocated to the carrying amount of the allocated goodwill and subsequently pro rata to the other assets based on the carrying amounts of each asset within the cash generating unit. Any impairment loss on goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized on goodwill may not be reversed in future periods.

3.10 Other non-current financial assets

When leases for buildings and laboratory equipment and motor vehicles are signed, rent security or security for leased equipment may have to be paid to the landlord or lessor. Depending on the duration of the lease, this item is allocated to non-current or current assets as of the reporting date.

3.11 Inventories

Inventories comprise raw materials, consumables and supplies and work in progress.

Inventories are measured at the lower of cost and net realizable value based on the FIFO method. The cost of sales for internally generated inventories contains all directly attributable costs as well as a reasonable percentage of the general overhead costs. Borrowing costs are not included in the cost of inventories because the performance period is shorter than 12 months.

3.12 Prepayments

The other assets and prepayments, e.g. to service providers or insurers, are either recognized in income in accordance with progress on the relevant order or offset against the final supplier invoice.

3.13 Trade receivables

Trade receivables belong to the category of financial instruments measured at amortized cost (see note 3.15). Page 91 They are therefore recognized at the initial invoice amount net of any adjustments for doubtful accounts. Such adjustments are based on an assessment by management of the recoverability and aging structure of specific receivables.

3.14 Other receivables

Receivables are initially recognized at fair value and subsequently at amortized cost, less any impairment losses. An impairment of other receivables is recognized if there is an objective, substantial indication that not all of the amounts due according to the original contractual terms and conditions are recoverable or discounting that is adequate for the maturity and risk-adjusted seems reasonable. The impairment is recognized in profit or loss.

3.15 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or an equity instrument of another entity (IAS 32.11).

Financial assets

As of their initial measurement, financial assets are classified for the purpose of their subsequent measurement as measured either at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss.

The classification of financial assets as of their initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model of Heidelberg Pharma for management of its financial assets. With the exception of trade receivables which do not include any significant financing component, the Group measures a financial asset at its fair value and, in case of a financial asset which is not measured at fair value through profit or loss, plus the transaction costs.

In order that a financial asset can be classified as measured at amortized cost or at fair value through other comprehensive income and measured accordingly, the cash flows may solely consist of payments of principal and interest (SPPI) on the outstanding capital amount. This assessment is known as the SPPI test and is implemented at the level of the individual financial instrument.

The Group's business model for management of its financial assets reflects how a company manages its financial assets in order to generate cash flows. Depending on the nature of the business model, the cash flows will arise either through the collection of contractual cash flows, the sale of financial assets or both.

Purchases or sales of financial assets which envisage the delivery of these assets within a period of time which is determined according to rules or conventions on the market in question (normal market purchases) will be recognized on the trade date, i.e. the date on which the Group entered into the obligation to purchase or sell the asset.

For the purpose of subsequent measurement, financial assets will be classified in terms of the following four categories:

1) Financial assets measured at amortized cost (debt instruments)
2) Financial assets measured at fair value through other comprehensive income with reclassification of cumulative profit and loss (debt instruments)
3) Financial assets measured at fair value through other comprehensive income without reclassification of cumulative profit and loss upon derecognition (equity instruments)
4) Financial assets measured at fair value through profit or loss

Re. 1) Financial assets measured at amortized cost (debt instruments)

This category is the most important one for the consolidated financial statements. The Group measures financial assets at amortized cost where the following two conditions are met:

a) The financial asset is held within the scope of a business model whose purpose is to hold financial assets in order to collect the contractual cash flows and
b) The contractual terms of the financial asset give rise on specified dates to cash flows which solely consist of payments of principal and interest on the outstanding capital amount.

Financial assets measured at amortized cost will be measured in subsequent periods using the effective interest method and must be tested for impairment. Gains and losses will be recognized through profit or loss upon derecognition, modification or impairment of the asset.

The Group's financial assets measured at amortized cost comprise trade receivables, other receivables as well as cash and cash equivalents.

Re. 2) Financial assets measured at fair value through other comprehensive income (debt instruments)

The Group measures debt instruments at fair value through other comprehensive income where the following two conditions are met:

a) The financial asset is held within the scope of a business model whose purpose is the collection of the contractual cash flows as well as the sale of financial assets and
b) The contractual terms of the financial asset give rise on specified dates to cash flows which solely consist of payments of principal and interest on the outstanding capital amount.

In case of debt instruments which are measured at fair value through other comprehensive income, interest income, remeasurements of currency translation gains and losses and well as impairment losses and impairment reversals are recognized in the income statement and calculated in the same way as financial assets measured at amortized cost. The remaining fair value changes are recognized through other comprehensive income. Upon derecognition, the cumulative gain or loss resulting from fair value changes which is recognized through other comprehensive income will be reclassified to the income statement.

No such assets were recognized in the period under review.

Re. 3) Financial assets measured at fair value through other comprehensive income (equity instruments)

As of initial measurement, the Group may irrevocably opt to classify its equity instruments as equity instruments measured at fair value through other comprehensive income if they fulfill the definition of equity according to IAS 32 "Financial Instruments: Presentation" and are not held for trading purposes.

The classification will be made individually for each instrument. Gains and losses from these financial assets will never be reclassified to the income statement. Dividends will be recognized in the income statement as other income in case of a legal right to payment, unless a portion of the cost of the financial asset is recovered through the dividends. In this case, the gains will be recognized through other comprehensive income. Equity instruments measured at fair value through other comprehensive income are not tested for impairment.

The Group does not hold any equity instruments; this category is therefore not applicable.

Re. 4) Financial assets measured at fair value through profit or loss

The group of financial assets measured at fair value through profit or loss consists of the financial assets held for trading purposes, which are classified as measured at fair value through profit or loss upon initial recognition and financial assets which must be measured at fair value. Financial assets will be classified as held for trading purposes if they are purchased in order to be sold or repurchased in the near future. Derivatives, including separately recognized embedded derivatives, will likewise be classified as held for trading purposes, with the exception of derivatives which have been designated as hedging instruments and are effective as such. Independently of the business model, financial assets with cash flows which are not solely payments of principal and interest are classified at fair value through profit of loss and measured accordingly. Irrespective of the criteria outlined above for classification of debt instruments in terms of the categories "measured at amortized cost" or "measured at fair value through other comprehensive income," upon initial recognition debt instruments may be classified as measured at fair value through profit or loss if this would eliminate or at least significantly reduce an accounting anomaly.

Financial assets measured at fair value through profit or loss are recognized at fair value in the balance sheet, while the fair value changes are recognized on a net basis in the income statement.

Impairment of financial assets

Heidelberg Pharma recognizes impairment for expected credit losses (ECL) on all debt instruments which are not measured at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows which are contractually payable and the total cash flows which the Group expects to receive, discounted by an approximation of the original effective interest rate. The expected cash flows include the cash flows from the sale of collateral held or other credit enhancements which are integral to the contractual terms.

In case of trade receivables and contract assets, the Company applies a simplified method for calculation of the expected credit losses. Instead of monitoring changes in the credit risk, it recognizes risk provisioning at each reporting date on the basis of the ECL for the overall term. Heidelberg Pharma has produced an analysis of its experience to date of credit losses, which it has adjusted in line with future factors which are specific to the borrowers and the economic outline conditions.

In case of a financial asset, the Company will assume a default if contractual payments are 90 days past due. Moreover, in certain cases the Group may assume a default in case of a financial asset if internal or external information indicates that it is unlikely that the Group will receive the outstanding contractual amounts in full before all of the credit enhancements which it holds have been taken into consideration. A financial asset will be written down where there is no legitimate expectation that the contractual cash flows will be realized.

Derecognition of financial assets

The Company derecognizes financial assets when either the payment claims arising from these instruments have expired or all of the material risks and opportunities associated with this instrument have been transferred.

Financial liabilities

All financial liabilities are initially measured at fair value, in case of loans and liabilities less the directly attributable transaction costs.

The subsequent measurement of financial liabilities will depend on their classification as follows:

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss consist of the financial liabilities held for trading purposes as well as other financial liabilities classified as measured at fair value through profit or loss upon initial recognition.

Financial liabilities will be classified as held for trading purposes if they have been entered into in order to be repurchased in the near future. Gains or losses from financial liabilities held for trading purposes are recognized through profit or loss. Financial liabilities are classified as measured at fair value through profit or loss as of the date of their initial recognition, subject to fulfillment of the criteria stipulated in IFRS 9. The Group has not classified any financial liabilities as measured at fair value through profit or loss.

Financial liabilities measured at amortized cost

Financial liabilities which do not represent any contingent consideration of an acquirer within the scope of a business combination, are not held for trading purposes and have not been designated as measured at fair value through profit or loss are measured at amortized cost in accordance with the effective interest method.

All financial liabilities of Heidelberg Pharma shall subsequently be measured at amortized cost using the effective interest method.

These financial assets and financial liabilities are classified on initial recognition. Heidelberg Pharma reviews the carrying amounts of these financial assets at regular intervals or at least at every reporting date as to whether there is an active market for the respective assets and whether there are indications of impairment (for example, because the debtor is having substantial financial difficulties).

The net profit always contains all other expenses and income associated with the financial instruments in the given measurement category. Besides interest income and dividends, in particular this includes the results of both the initial and the subsequent measurement.

Carrying amounts and fair values are identical in all cases due to their short maturities.

In addition, financial instruments are divided into current or non-current assets or liabilities as of the balance sheet date depending on their remaining life. Financial instruments with a remaining life of more than one year at the reporting date are recognized as non-current financial instruments while those with a remaining life of up to one year are recognized as current assets or liabilities.

A class of financial instruments encompasses financial instruments that are grouped in accordance with the disclosures required under IFRS 7 and the features of the financial instruments an entity uses.

The trade and settlement dates generally do not coincide in regular cash purchases or sales of financial assets. There is the option to use either trade date accounting or settlement date accounting in connection with such regular cash purchases or sales. The Heidelberg Pharma Group uses trade day accounting in connection with regular cash purchases and sales of financial assets at the time of both initial measurement and disposal.

Heidelberg Pharma does not utilize hedge accounting for hedging currency risks. Potential currency risks concern the US dollar, the Swiss franc and the British pound in particular. A portion of cash and cash equivalents is held in US dollars to minimize risk.

Derecognition

A financial liability will be derecognized if the underlying obligation has been fulfilled, has been cancelled or has expired. Where an existing financial liability is replaced by another financial liability of the same lender subject to substantially different contract terms or where the terms of an existing liability are subject to substantial change, this replacement or change will be treated as derecognition of the original liability and recognition of a new liability. The difference between the respective carrying amounts will be recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis.

3.16 Capital management

3.16.1 Composition of equity

The Group's equity consists of the subscribed capital, which is denominated in common bearer shares with a notional value of € 1.00 each. Additional costs directly attributable to the issue of new shares and a capital measure are recognized under equity as a deduction from equity (e.g. from capital reserves).

The Company's capital comprises its equity including subscribed capital, capital reserves and accumulated deficits. Equity as of the end of the reporting period was € 6.7 million (30 November 2020: € 12.9 million).

As a result of a capital increase implemented in the third quarter of the fiscal year and the exercise of stock options during the year, the total number of Heidelberg Pharma shares issued as of the reporting date increased from 31,061,872 by 3,113,937 new shares to 34,175,809 (30 November 2020: 31,061,872 shares).

3.16.2 Capital management

The capital management program of Heidelberg Pharma serves to safeguard the currently solid capital base in a sustainable manner so as to be able to continue to assume the going-concern premise and to operate under this premise.

Given the losses the Company has incurred since its founding, it focuses mainly on using cash to fund the ongoing development of its technology and product pipeline and, not least, to maintain the confidence and trust of investors and business partners alike in the Company. In the fiscal year ended, a capital increase was implemented and a shareholder loan from dievini utilized in this context, but no capital was borrowed from banks.

Management regularly monitors the liquidity and equity ratios and the sum of the items recognized in equity. There were no changes during the reporting year in the Company's strategy or objectives as they relate to its capital management program.

	30 Nov. 2021 € '000	30 Nov. 2020 € '000
Liquidity	**6,141**	**4,982**
In % of total capital	28.3	25.4
In % of current liabilities (cash ratio)	41.1	75.2
Equity	**6,699**	**12,879**
In % of total capital	30.8	65.7
Liabilities	**15,033**	**6,730**
In % of total capital	69.2	34.3
Total capital	**21,732**	**19,609**

The liquidity ratios (ratio of available cash and cash equivalents to either total capital or current liabilities) were impacted in particular by the cash outflows from operating activities and the capital increase, and did not change uniformly compared with the prior-year comparable figures.

While the ratio of liquidity to total capital rose from 25.4 % to 28.3 %, the cash ratio, defined as cash and cash equivalents divided by current liabilities, decreased from 75.2 % to 41.1 %.

The equity ratio was 30.8 % as of 30 November 2021. This is lower than in the previous year (65.7 %), mainly due to the loss posted for the fiscal year ended. In contrast, total liabilities increased as a result of the shareholder loan taken out and amounted to 69.2 % of total capital as of the 2021 reporting date, up from 34.3 % in the previous year.

Preventing the share capital from being reduced by more than half by losses in the annual financial statements prepared under German commercial law is the main quantitative control variable of equity management.

3.17 Liabilities and provisions

Liabilities are recognized if a legal or constructive obligation exists towards third parties. With the exception of any financial liabilities, liabilities are carried at their settlement amount. In contrast, any financial liabilities are initially measured at their fair value. They are subsequently measured at amortized cost. All liabilities that fall due within at least one year are recognized as non-current liabilities; they are discounted to their present value.

Provisions are recognized if the Group has a present obligation from a past event, it is probable that the Group will have to meet this obligation and its amount can be estimated reliably. The provision amount recognized is the best estimated amount as of the reporting date for the expenditure required to fulfill the present obligation, taking into account the risks and uncertainties inherent in the obligation. If it is expected that the amount required to settle the provision will be reimbursed by a third party in whole or in part, this claim is recognized accordingly under other receivables.

3.18 Income taxes

Income tax expense is composed of the current tax expense and deferred taxes. The significant loss carryforwards prevented material tax liabilities from occurring.

Deferred income taxes are recognized by applying the balance sheet liability method for temporary differences which arise between the tax base of the assets and liabilities and their carrying amounts in the financial statements according to IFRS. Deferred income taxes are to be measured in accordance with the tax rates (and tax regulations) that are applicable as of the reporting date or that have essentially been passed as law and are expected to be applicable during the period in which an asset is realized or a debt is settled. Deferred tax assets and deferred tax liabilities are not recognized when the temporary differences arise from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in transactions which are not business combinations and affect neither accounting profit nor taxable profit (tax loss).

Deferred tax assets are recognized to the extent it is probable that a taxable profit will be available against which the temporary differences can be applied. Deferred tax assets for tax loss carryforwards are recognized to the extent it is probable that the benefit arising will be realized in future.

If relevant, current or deferred taxes are recognized in profit or loss, unless they are related to items that are either recognized in other comprehensive income or directly in equity. In this case, the current or deferred tax must also be recognized in other comprehensive income or directly in equity.

3.19 Earnings per share

Undiluted earnings per share are calculated as that proportion of net profit or loss for the year available to common shareholders, divided by the weighted average number of common shares outstanding during the period under review. The Treasury Stock Method is usually applied to calculate the effect of subscription rights (stock options). It is assumed that the options are converted in full in the reporting period. The number of shares issued to the option holder as consideration for the proceeds generated, assuming exercise at the exercise price, is compared with the number of shares that would have been issued as consideration for the proceeds generated assuming the average market value of the shares. The difference is equal to the dilutive effect resulting from the potential shares and corresponds to the number of shares issued to the option holder compared to another market participant receiving no consideration. The proceeds assumed from the issue of potential common shares with dilutive effect must be calculated as if they had been used to repurchase common shares at fair value. The difference between the number of common shares issued

and the number of common shares which would have been issued at fair value must be treated as an issue of common shares for no consideration and is reflected in the denominator when calculating diluted earnings per share. The profit or loss is not adjusted for the effects of stock subscription rights. The conditional increase of the share capital to grant stock option rights to employees and members of the Executive Management Board (see note 3.20) could potentially dilute the earnings per share in future.

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3.20 Employee and Executive Management Board member benefits

3.20.1 Share-based payment

Equity-settled share-based payment provided to employees in the form of stock options is recognized at the fair value of the relevant option prevailing on the respective grant date. Additional information on calculation of the fair value of share-based payment is presented in note 24.

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The fair value calculated upon equity-settled share-based payment is recognized as an expense over the period until vesting with a corresponding increase in equity and is based on the Company's expectations with regard to the equity instruments which are likely to vest. At each reporting date, the Group must review its estimates regarding the number of equity instruments vesting. The effects of changes to the original estimates, if any, must be recognized as in profit or loss in such a way that the cumulative expense reflects the change in the estimate and results in a corresponding adjustment in the reserve for equity-settled share-based payments to employees.

3.20.2 Profit-sharing scheme

Heidelberg Pharma recognizes both a liability and an expense for bonus entitlements of both Executive Management Board members and employees. A liability is recognized if there is a contractual obligation or if an obligation is assumed to have arisen as a result of past business practice.

Bonus entitlements and variable remuneration are contingent on the achievement of personal targets and Heidelberg Pharma's performance targets. The performance-based remuneration of the members of the Executive Management Board and non-executive personnel is based for one on corporate goals and for another on performance targets that are fixed on an individual basis. These goals and targets comprise and essentially refer to the achievement of defined milestones in research and development, the securing of the Company's further funding and the future performance of Heidelberg Pharma's shares.

Since some of the profit-sharing payments are made subsequently as of the reporting date and there is uncertainty in terms of their amount as a result, the Company recognizes a corresponding provision that is measured using estimates and judgments based on previous payments.

3.20.3 Pension costs

Payments for defined-contribution pension plans for current and former Executive Management Board members and managing directors are recognized as expenses when the beneficiaries have performed the work that entitles them to the contributions. Currently there is a defined-contribution pension plan at Heidelberg Pharma Research into which contributions are still being paid.

The payments, which were pledged in exchange for the work performed by the beneficiaries, are expensed in the fiscal year in question. The income from the plan assets and the expenses from the defined benefit pension commitment at Heidelberg Pharma AG are recognized in the fiscal year they arise.

3.20.4 Employer's contributions to the statutory pension insurance scheme

In the 2021 fiscal year, Heidelberg Pharma paid € 454 thousand in employer contributions to the statutory pension insurance scheme; this expense is allocated to staff costs (previous year: € 382 thousand).

3.21 Recognition of revenue and earnings

3.21.1 Sales revenue from contracts with customers

Revenue from contracts with customers will be recognized where the power of disposal over these goods or services is transferred to the customer. Revenue is recognized in line with the value of the consideration which the entity is expected to receive in exchange for these goods or services. The payment terms typically require a payment within a period of 30 to 90 days of receipt of an invoice.

Heidelberg Pharma's business activities are aimed at generating revenue from cooperation agreements and/or license agreements (depending on the design of the given contract in the form of upfront payments, milestone payments, material supplies, cost reimbursements and royalties).

Up-front payments are usually due as prepayments at the start of a given agreement.

Milestone payments are contingent upon achievement of targets previously stipulated in the cooperation or license agreement. Earlier realization under IFRS 15 entails a high risk of revenue correction. This option has therefore not been exercised.

Thanks to the technology transfer of Amanitin production to an industrial scale, the Group is now able to ensure the supply of material not only for its own projects but also to provide its license partners with the necessary GMP-quality Amanitin linker material.

The cooperation agreements also normally generate sales revenues in the form of cost reimbursements for ongoing project development with the respective partner that are billed as the costs are incurred and reported as sales.

Revenue from royalties can become payable after the successful marketing of technologies or programs, for example when licensees generate sales revenue from these. This is recognized in the period in which the sales revenue report or the payment is received. Payment may occur together with the sales revenue report or subsequently. Royalties typically involve contract components with variable consideration which, in line with the above comments, is only recognized as revenue where it is highly probable that this will be received.

3.21.2 Sales revenue from granting licenses

Heidelberg Pharma provides research services and grants research licenses as defined in IFRS 15 B52 et seq. for a large number of customers and through various sets of agreements. A distinction must be made between a right of access to licenses, which represent performance obligations that are fulfilled over time, and a right to use licenses, which represent performance obligations that are fulfilled at a specific point in time.

Where these agreements relate to separate performance obligations which are distinct in the context of the agreement, the Group will allocate the transaction price to these individual service components on the basis of the stand-alone selling prices of the separate services. However, particularly in service agreements for research services which involve the provision of a large number of individual services which are remunerated by means of a fee which is paid in advance, either in whole or in part, and whose general purpose is to produce new research findings, Heidelberg Pharma has identified agreements where the services are in some cases strongly dependent on one another in the context of the agreement and has defined these as an individual performance obligation.

3.21.3 Evaluation of sales revenue

In accordance with IFRS 15 Revenue from Contracts with Customers license agreements are evaluated according to the five-step framework model. Moreover, according to IFRS 15.B34 for each specific, i. e. distinct service or provision of goods that has been promised to the customer an assessment must be made of whether the entity is acting as an agent or principal. The latter applies due to the power of control over the service and material, which also suggests itself in view of the licensor or rights holder status.

Step 1 – Identification of contracts with customers

A contract with a customer falls within the scope of IFRS 15 if the following conditions pursuant to IFRS 15.9 are met:

- The contract has been approved by the parties to the contract;
- Each party's rights in relation to the goods or services to be transferred can be identified;
- The payment terms for the goods or services to be transferred can be identified;
- The contract has commercial substance; and
- It is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected.

Step 2 – Identification of a separate performance obligation

At the start of the contract, Heidelberg Pharma is required to assess the goods or service that has been promised to the customer in accordance with IFRS 15.22 and must identify it as a performance obligation. A performance obligation is a promise to transfer distinct goods or services to the customer.

Step 3 – Identification of the transaction price

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for the transfer of the promised goods and services.

When making this determination, contract terms and customary business practices must be taken into consideration in accordance wirh IFRS 15.47. Where a contract contains elements of variable consideration, the amount of variable consideration to which Heidelberg Pharma expects to be entitled under the contract will be estimated (IFRS 15.50). Variable consideration is also present if the Group's right to consideration is contingent on the occurrence of a future event (IFRS 15.51). According to IFRS 15.B63, revenue arising from sales or usage-based royalty revenue arising from licenses of intellectual property will be recognized only when and after the underlying sales or usage occur.

If the consideration is to be paid upfront or afterwards, the entity shall consider whether the contract contains a significant financing arrangement. If this is the case, the transaction price must be adjusted for the time value of money (IFRS 15.60). A practical expedient exists for cases where the period between performance and payment by the customer is likely to be less than twelve months (IFRS 15.63). However, Heidelberg Pharma did not use this practical expedient.

Step 4 – Allocation of the transaction price

According to IFRS 15.73, the transaction price is to be allocated to the individual performance obligations. If a contract consists of multiple performance obligations, the transaction price is to be allocated to the performance obligations in the contract on the basis of the stand-alone selling prices (IFRS 15.74). If a stand-alone selling price is not directly observable, this must be estimated.

Step 5 – Revenue recognition

According to IFRS 15.31, revenue will be recognized as control is passed, i.e. the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. This may occur either over time or at a point in time.

IFRS 15.35 prescribes recognition of revenue over time if

- The customer continuously receives all of the benefits provided by the entity as the entity performs; or
- An asset that the customer controls as the asset is created or enhanced;
- The entity's performance creates an asset with no alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If an entity does not satisfy its performance obligation over time, it satisfies it at a point in time. Revenue will therefore be recognized when control is passed at a certain point in time. According to IFRS 15.38, factors that may indicate the point in time at which control passes include, but are not limited to:

- The entity is currently entitled to receive payment for the asset; or
- The customer has legal title to the asset; or
- The entity has transferred physical possession of the asset; or
- The customer has the significant risks and rewards related to the ownership of the asset; or
- The customer has accepted the asset.

Heidelberg Pharma also generates sales revenue from the provision of preclinical services as part of a customer specific service business.

Such sales revenue is recognized over time according to the percentage of completion. The percentage of completion is determined as follows: Income from the customer specific service business is calculated on a time-and-materials basis and recognized at the contractually agreed hourly rates and directly incurred costs to ensure a faithful depiction of the transactions.

Heidelberg Pharma measures progress in the discharge of performance obligations on the basis of output methods, such as access to intellectual property recognized on a linear basis over a defined research period, and input methods, such as the ratio of the number of hours worked on research projects to the total number of hours estimated to be necessary for provision of the service in full. Changes to the progress estimates may therefore result in a restatement of revenue in the current period or future periods.

3.21.4 Contract liabilities

Payments for performances not yet provided (e.g. as a prepayment) will be recognized as a contract liability. A contract liability corresponds to the liability of the company to transfer goods or services to a customer from whom it has received (or is yet to receive) consideration for these goods or services. If the customer pays consideration before the Group transfers goods or services to it, a contract liability will be recognized once the payment is made or falls due (whichever occurs first). Contract liabilities will be recognized as revenue once the Group meets its contractual liabilities.

3.21.5 Other income

In addition to the reversal of unused liabilities and provisions from prior periods through profit or loss, other income relates to government grants, such as those from the Federal Ministry of Education and Research (BMBF). These government grants are used to support certain projects by reimbursing (portions of) research expenses from public funds. Reimbursement is based on the project costs incurred and non-refundable.

Cash amounts received in advance are recognized over the underlying service period according to the research project's stage-of-completion. There was also income from exchange rate differences. In addition, income was generated from costs passed on to third parties to maintain patents in the context of out-licensing.

3.22 Cost of sales

All costs directly related to generating sales revenue are reported as cost of sales. Cost of sales thus comprise staff costs, material costs and other costs directly attributable to manufacturing in reference to the respective goods and services sold.

3.23 Research and development

Research and development activities comprise all associated costs not related to the generation of sales revenue, including staff costs, consulting costs, depreciation, amortization and impairment losses, material and cost of sales, third party services, laboratory costs and fees for legal advice. They are recognized as expenses in the period in which they are incurred.

3.24 Administrative expenses

This expense item essentially comprises staff costs, operating costs, consumables, depreciation and amortization, and costs for external services and the stock listing.

Under IFRSs, the costs of a capital increase are closely related conceptually to the inflow of funds. Costs necessarily incurred as a result of and directly attributable to the capital increase are therefore not recognized as an expense in profit or loss, but taken to the capital reserves and offset directly against the capital received (IAS 32.37).

Administrative expenses therefore do not include expenses for capital increases.

3.25 Other expenses

Other expenses are incurred for business development, marketing and commercial market supply activities.

3.26 Interest income

Any interest income is recognized in the statement of comprehensive income at the time it is generated, taking into account the effective yield on the asset.

3.27 Interest expense

Any interest expense generally comprises interest expense on non-current and current liabilities including the newly utilized shareholder loan, interest expense for pension provisions and, since the initial application of IFRS 16, interest expenses on lease liabilities. Since the Group does not own qualifying assets, borrowing costs are recognized as an expense in the period in which they are incurred.

4 Segment reporting in accordance with IFRS 8

According to IFRS 8, operating segments are to be defined on the basis of the internal segment reporting, which is regularly reviewed by the Company's chief operating decision maker with respect to decisions on the allocation of resources to these segments and the assessment of their profitability. For the purpose of monitoring segment performance and allocating resources to segments, the Group's chief operating decision maker monitors the tangible, intangible and financial assets attributable to the individual segments.

Applying IFRS 8 Operating Segments, Heidelberg Pharma reported on three segments in up to and including the 2014 fiscal year: Customer Specific Research (Cx), Diagnostics (Dx) and Therapeutics (Rx). However, no business activities are currently conducted within the Group that differ materially in their risk/reward profiles. Furthermore, internal reporting is not broken down by operating segment. This means that Heidelberg Pharma no longer has any reportable business segments for internal management purposes. The Executive Management Board is currently in charge of all control variables and decisions of the Group as a whole. R&D activities focus on ATAC® technology.

5 Financial risk management

5.1 Financial risk factors

Given its business activities, Heidelberg Pharma is exposed to certain risks, in particular market risk (including currency risks, interest and price risks), liquidity risk and default risk. Heidelberg Pharma's risk management focuses on the unpredictability of the financial markets and aims to minimize any potential adverse effects on the Group's ability to finance its business activities. However, Heidelberg Pharma does not use embedded derivatives or other derivative financial instruments to hedge against risks.

Responsibility for Groupwide risk management rests with the full Executive Management Board. It has implemented an effective Groupwide risk management system throughout the entire Heidelberg Pharma Group and monitors compliance with the risk management principles approved by the Supervisory Board with the help of the respective individuals responsible for the individual fields of risk identified as well as in cooperation with Controlling. The Executive Management Board specifies written principles for all risk management aspects. The Risk Officer identifies, assesses and communicates financial and corporate risks in close cooperation with the Executive Management Board. Moreover, all potential risks, particularly financial risks with substantial ramifications and a reasonable probability of occurring are closely monitored and discussed by the Company's Executive Management and Supervisory Boards at every quarterly reporting date.

The Groupwide risk management system serves to identify and analyze risks to which Heidelberg Pharma is exposed, making it possible to take appropriate countermeasures as necessary. The principles underlying the risk management system are reviewed and adjusted in a regular and ongoing process in order to ensure that any changes in and requirements of Heidelberg Pharma's business environment are covered. Internal guidelines and training ensure that every employee is aware of their tasks and duties in connection with the risk management system and duly carries them out.

5.1.1 Market risk

5.1.1.1 Currency risk

Currency risks arise when future business transactions, or recognized financial assets or liabilities are denominated in a currency other than the Group's functional currency. Heidelberg Pharma operates internationally and cooperates with different customers and service providers worldwide and is therefore exposed to currency risks in connection with currency positions, mainly in US dollars, Swiss francs, British pound and, to a lesser extent, in other foreign currencies. This risk includes the relative decrease or increase of the euro vis-à-vis the other currencies during the period until payment of the liability or receivable.

As the currency risk is limited overall, Heidelberg Pharma has not concluded any hedging transactions but is attempting to achieve financial hedging by matching cash inflows and outflows in the same currency.

5.1.1.2 Price risk

Heidelberg Pharma is not exposed to risks from share price fluctuations related to equity securities, nor to risks from changes in the price of commodities, as these are not purchased.

5.1.1.3 Interest rate risk

Fluctuations in market interest rates affect the cash flows of floating-rate assets or liabilities or their fair values.

The shareholder loan is a liability to dievini that bears a fixed interest rate of 6.00 % p. a. Since Heidelberg Pharma does not hold any floating-rate or fixed-rate financial instruments as assets as of the reporting date other than bank balances, the Company is not exposed to any interest rate risks in this context. However, as deposit fees on bank balances become more widespread, Heidelberg Pharma is exposed to a negative interest rate risk. Given a lack of materiality, no interest rate sensitivity analysis was carried out.

5.1.2 Liquidity risk

The financial instruments from which a liquidity risk can arise for Heidelberg Pharma are mainly cash, cash equivalents and receivables. Heidelberg Pharma has no obligations under long-term financial investments. The Group has a detailed cash planning system, which is updated regularly, at least once a month. It serves to ensure that Heidelberg Pharma is aware of the available cash and cash equivalents and the due dates of its liabilities at all times in order to be able to pay liabilities as they fall due. With regard to any long-term liquidity risks, please see note 6 "Going concern risks".

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5.1.3 Default risk

The default risk is the risk of a business partner failing to meet its obligations within the scope of a financial instrument or customer framework agreement and this resulting in a financial loss. Within the scope of its operating business, the Group is exposed to default risks (particularly in case of trade receivables) as well as risks associated with financing activities, including those resulting from deposits with banks and financial institutions, foreign exchange business and other financial instruments.

The maximum default risk in connection with trade receivables is € 1,020 thousand and corresponds to the trade receivables balance sheet item. The maximum default risk from other receivables is € 430 thousand.

5.1.4 Cash flow and fair value interest rate risk from financial instruments

Heidelberg Pharma invests cash and cash equivalents only in bank accounts or short-term fixed deposits. Market interest rate fluctuations may therefore affect the Company's ability to generate interest income from these financial instruments or avoid interest expenses in the form of deposit fees. Due to the current interest rate situation, the Company was unable to generate interest cash flow in 2020 and 2021. This conservative investment approach ensures that there is no nonpayment risk (see note 3.15). Page 91

Furthermore, Heidelberg Pharma maintains domestic credit balances only with major banks that belong to the German Deposit Insurance Fund and/or the German Savings Banks Organization's deposit assurance fund. The default risk in connection with these credit balances is therefore minimal.

5.2 Determination and measurement of fair value

The rules in IFRS 13 Fair Value Measurement must always be applied if fair value measurement is stipulated or permitted by another IAS or IFRS, or if disclosures about fair value measurement are required. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The fair value of a liability therefore reflects the default risk (i.e. own credit risk). Measurement at fair value assumes that the asset is being sold or the liability is being transferred in the principal market or — if such is unavailable — in the most favorable market. The principal market is the market with the largest volume and the greatest activity to which the entity has access.

Fair value is determined using the same assumptions and taking into account the same characteristics of an asset or a liability on which independent market participants would base their assessment. Fair value is a market-based, not entity-specific measurement. For non-financial assets, the fair value is determined based on the best possible use of the asset by a market participant.

Heidelberg Pharma uses the following hierarchy to determine and disclose the fair value of financial instruments (see note 20): Page 121

Level 1: Quoted (unadjusted) prices in an active market for identical assets and liabilities that the entity can access. The fair value of financial instruments traded on an active market is based on the quoted market price at the reporting date.

Level 2: Inputs, other than quoted prices in Level 1, that are observable for the asset or liability either directly (such as prices) or indirectly (derived from prices). The fair value of financial instruments not traded on an active market can be determined using a valuation technique. In this case, fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-specific inputs. If all of the inputs required to determine fair value are observable, the instrument is classified in Level 2.

Level 3: Inputs for the asset or liability that are not observable. If important inputs are not based on observable market data, the instrument is classified in Level 3.

The carrying amounts of financial assets and liabilities such as cash and cash equivalents, marketable securities as well as trade receivables and payables are equal to their fair value on account of the short maturities.

6 Going concern risk

As the Group's financing is expected to be ensured until mid-2023 based on the budget available from the executive directors, and the executive directors also expect the Group's operations to continue as planned beyond this date, the IFRS consolidated financial statements have also been prepared on a going-concern basis. A going-concern assumption was therefore made in accordance with IAS 1.25.

If the executive directors are unable to implement the corporate strategy focused on the ATAC® technology as planned and/or there is no option to obtain additional funding externally, this would jeopardize the ability of the Group and/or its consolidated companies to continue as a going concern. As a result, it cannot be ruled out that the companies of the Heidelberg Pharma Group could be unable to satisfy their payment obligations from mid-2023 and/or that they could become overindebted due to impairment charges resulting from a failure to meet targets, for example. This would jeopardize the Group's and/or consolidated entities' existence as a going concern and shareholders could lose some or all of their invested capital. This means that the Company may not be able to realize its assets and settle its liabilities in the regular course of business. As a result, there is currently significant uncertainty about the Group's and/or both Group companies' ability to continue as a going concern.

For information on the most important events and conditions that cast significant doubt on the company's ability to continue as a going concern, as well as on the plans and measures to deal with these events and conditions, please refer to the explanations in Sections 8.4 "Going-concern risks" and 8.6 "Financial risks" of the Group's combined management report.

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7 Critical estimates and discretionary decisions

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Application of the accounting policies described under note 3 requires management to assess facts, perform estimates and make assumptions with respect to the carrying amounts of assets and liabilities that cannot be readily determined from other sources.

Estimates and judgments are continually evaluated and are based on historical data and experience and other factors, including expectations of future events that are believed to be reasonable and realistic under the circumstances. The Company makes estimates and assumptions concerning the future. By their nature, the resulting estimates rarely reflect the exact subsequent circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

The assumptions underlying the estimates are regularly reviewed. Changes in the estimates that concern only a specific period are considered solely in that period; if the changes concerns both the current and subsequent reporting periods, then they are considered in all relevant periods.

Assumptions underlying the recognition of sales revenue (€ 1.7 million; previous year: € 8.5 million) and other income (€ 0.6 million; previous year: € 1.1 million) are in some cases based on estimates by the Executive Management Board.

Determining the expense in the reporting year from the measurement of stock options granted and the parameters underlying the impairment test for goodwill and IP R&D materially concern assumptions and judgments that are made by management and regularly reviewed.

It is generally possible that Heidelberg Pharma could deviate in the future from the assumptions made to date, which could necessitate a material adjustment of the carrying amounts of the assets or liabilities in question.

7.1 Expense from the granting of stock options

Heidelberg Pharma recognizes expenses in the amount of € 686 thousand (previous year: € 570 thousand) from the granting of stock options during the reporting year under staff costs (see note 24). For this purpose, future assumptions need to be made regarding the different calculation parameters, such as the expected volatility of the share price, the expected dividend payment, the risk-free interest rate during option terms and staff and Executive Management Board turnover. Should these assumptions change, Heidelberg Pharma would need to change the relevant parameters and adjust its calculations and staff costs accordingly.

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7.2 Impairment testing pursuant to IAS 36

The impairment tests of both goodwill (see note 8) in the amount of € 6,111 thousand (previous year: € 6,111 thousand) and the IP R&D technology asset – which is not yet ready for use – in the amount of € 2,493 thousand (previous year: € 2,493 thousand) require estimating either the fair value less costs to sell or, alternatively, the recoverable amount as the value in use, determined on the basis of the cash generating unit's expected future cash flows and a reasonable discount rate.

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Factors such as revenue that is lower than expected and the resulting decrease in net cash flows as well as changes in the WACC could have a material effect on the determination of the value in use and/or the fair value less costs to sell and, in the final analysis, on the impairment of the goodwill or the IP R&D technology asset acquired.

7.3 Revenue recognition according to IFRS 15

7.3.1 Identification of performance obligations, allocation of the transaction price and determination of progress in discharge of performance obligations in service agreements

Heidelberg Pharma provides research services for a large number of customers and through various sets of agreements. Where these agreements relate to separate performance obligations which are distinct in the context of the agreement, the Group will allocate the transaction price to these individual service components on the basis of the stand-alone selling prices of the separate services. However, particularly in service agreements for research services which involve the provision of a large number of individual services which are remunerated by means of a fee which is paid in advance, either in whole or in part, and whose general purpose is to produce new research findings, Heidelberg Pharma has identified agreements where the services are in some cases strongly dependent on one another in the context of the agreement and has defined these as an individual performance obligation. Where further distinct performance obligations are included in this type of agreement, Heidelberg Pharma likewise allocates the transaction price on the basis of the stand-along selling prices of the separate services. Heidelberg Pharma typically measures progress in the discharge of performance obligations on the basis of input methods, such as the ratio of the number of hours worked on research projects to the total number of hours estimated to be necessary for provision of the service in full. Changes to the progress estimates may therefore result in a restatement of revenue in the current period or future periods.

7.3.2 Determination of the method for the estimation of variable consideration and assessment of a limitation

Customer agreements frequently include additional remuneration which is associated with the achievement of research findings as well as other potential payments which are dependent on future events. Since this generally involves a small number of concrete events, which are partially dependent on research services, the Group estimates the variable consideration by determining the most probable amount which will be received on account of this. Heidelberg Pharma also reviews whether this variable consideration is subject to a limitation which would prevent recognition of revenue. Due to past experience and the inherent uncertainty associated with research activities, Heidelberg Pharma has concluded that potential remuneration as variable consideration will not be included in the determination of the transaction price at the start of the contract and that revenue can instead only be recognized upon fulfillment or when fulfillment is highly probable.

8 Impairment testing pursuant to IAS 36

The following is a description of impairment testing in January 2022 (previous year: January 2021) of the acquired goodwill and the intangible and not yet ready to use (and therefore not yet amortized) technology asset (IP R&D) acquired in the course of the 2011 business combination with Heidelberg Pharma Research GmbH. This impairment test was modified in 2021 to include HDP-103 in addition to the primary development program, HDP-101.

For purposes of annual impairment testing, goodwill and the IP R&D technology asset are assigned to Heidelberg Pharma's lowest and only identifiable cash generating unit (Heidelberg Pharma Research GmbH), which is monitored by the Executive Management Board as a cash generating unit based on the management approach.

Heidelberg Pharma AG acquired Heidelberg Pharma Research GmbH in March 2011. This acquisition generated goodwill of € 6,111 thousand. Furthermore, an IP R&D asset consisting of the ADC technology with a net carrying amount of € 2,493 thousand was identified as a not-yet-ready-for-use technology asset in the course of the purchase price allocation performed at the time. The carrying amounts as of 30 November 2021 correspond to the value at acquisition in each case. Despite the progress made in development, management believes that the general conditions under which Heidelberg Pharma Research GmbH operates have not changed significantly since 2011.

Impairment testing, and therefore the calculation of the recoverable amount as the value in use, is based on a model in which assumptions in respect of company planning are included and in which the present value of the cash flows forecast in this way are calculated to determine the value in use. The expected future cash flows from Heidelberg Pharma Research GmbH were discounted applying a company-specific risk-adjusted interest rate.

Planning as regards the service business of Heidelberg Pharma Research GmbH is based on annual sales revenue of € 0.5 million in the period from 2022 to 2024. Following planned out-licensing and the associated expansion of internal resources for this business unit, increasing sales revenue of € 0.6 to € 0.9 million is planned for the years 2025 to 2027. Continuous annual growth of 1.75 % is assumed from 2028 to 2045. For the period after 2045, a terminal value of € 1.3 million and a growth rate of 0 % was taken into account for the service business.

The ADC business was analyzed as to its future partnership and out-licensing potential, and these assumptions were used for sales revenue planning during the period from 2022 to 2045.

The ADC technology platform is a cornerstone of Heidelberg Pharma Research GmbH's business model. It is expected to be used to optimize antibodies for specific customers and manufacture corresponding antibody-drug conjugates to improve cancer treatments in the future. Heidelberg Pharma Research intends to market the ADC technology to third parties and plans to generate sales revenue in the form of milestone payments and royalties. Particularly in the final phase of an ADC agreement (product license agreement), these payments are essential to the business model. They come due as soon as the contractual partner pursues development of a drug candidate and completes the approval process. The development phase comprises the execution of several clinical trials and can therefore take several years, which necessitates a second long-term planning phase for purposes of the impairment test.

The mid-term planning for the ADC business used for the impairment test comprises detailed planning over a three-year period from 2022 to 2024 (clinical phases I and II). This is followed by a second, longer-term 21-year planning phase from 2025 to 2045 (clinical Phase III, approval and market launch) that is based on model assumptions and continues the first planning phase.

Medium-term planning is based on the following assumptions in the model:

- Derivation of potential sales revenue based on comparison data of approved cancer drugs;
- Significant license income from 2023 onwards with sustained positive cash flows starting in the market phase;
- Maximum exploitation period for license income until 2045 through patents granted and new patent applications;
- Discounts for the success rates of individual clinical phases based on scientific literature.

In the first phase of the three-year period from 2022 to 2024, negative cash flows (discounted) are expected for 2022 due in particular to the final budgeted preclinical expenses and clinical Phase I expenses for HDP-101. Provided all goes to plan, positive cash flows (discounted and adjusted for tax effects) are forecast as for 2023 due to the material royalties expected. Overall, a sustained positive cash flow is expected from 2028 onwards.

In the phase from 2022 to 2024, the model projects cumulative discounted cash flows (adjusted for tax effects) of € 14.9 million in total, while for the phase starting in 2025 it assumes cumulative discounted cash flows (adjusted for tax effects) of € 50.3 million (including terminal value).

The carrying amount of the cash generating unit analyzed was € 12.9 million as of the reporting date (previous year: € 11.0 million), which corresponds to the sum total of assets of Heidelberg Pharma Research GmbH. Allowing for the risks and opportunities arising from the business activities, the discount factor used for the impairment test was 10.0 % (previous year: 9.2 %) before taxes and 6.8 % after taxes (2020: 6.6 %). If the discount rate were to increase by one percentage point, the value in use would decrease by € 6.9 million.

The impairment test showed that there was no need to recognize impairment losses on goodwill or the IP R&D technology as of 30 November 2021.

The income tax rate underlying the cash flows in the model is 28.43 %, as in the previous year.

Indications necessitating impairment testing of goodwill and of the IP R&D technology in certain situations in accordance with IAS 36.12(g)/IAS 36.14(b) did not arise during the past fiscal year.

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The calculation of fair value is based on unobservable inputs (Level 3; see note 5.2). The cash flows included in the calculation are not influenced by internal transfer prices. There is an active market for the products and services of the cash-generating unit measured.

9 Property, plant and equipment

As of 30 November 2021 and 30 November 2020, property, plant and equipment comprised the following:

		Right-of-use assets			
	Laboratory equipment €'000	Buildings €'000	Office equip-ment €'000	Other office equipment €'000	Total €'000
2020 fiscal year					
Opening carrying amount	2,093	0	0	333	2,427
Additions	993	235	62	376	1,665
Disposals	(601)	0	0	(7)	(608)
Impairment	313	0	0	6	320
Depreciation	(417)	(72)	(25)	(176)	(690)
Net carrying amount as of 30 Nov. 2020	**2,381**	**163**	**36**	**533**	**3,114**
As of 30 Nov. 2020					
Cost	6,070	235	62	1,627	7,994
Accumulated depreciation	(3,689)	(72)	(25)	(1,094)	(4,880)
Net carrying amount as of 30 Nov. 2020	**2,381**	**163**	**36**	**533**	**3,114**

		Right-of-use assets			
	Laboratory equipment €'000	Buildings €'000	Office equip-ment €'000	Other office equipment €'000	Total €'000
2021 fiscal year					
Opening carrying amount	2,381	163	36	533	3,114
Additions	1,039	65	0	203	1,307
Disposals	(58)	0	(16)	(22)	(95)
Impairment	167	0	16	(91)	93
Reclassification	(101)	0	0	75	(26)
Depreciation	(411)	(77)	(25)	(207)	(719)
Net carrying amount as of 30 Nov. 2021	**3,019**	**151**	**11**	**492**	**3,673**
As of 30 Nov. 2021					
Cost	7,118	292	61	1,793	9,273
Accumulated depreciation	(4,099)	(141)	(51)	(1,301)	(5,600)
Net carrying amount as of 30 Nov. 2021	**3,019**	**151**	**11**	**492**	**3,673**

Unless allocable to cost of sales, depreciation totaling €719 thousand (previous year: €690 thousand) was recognized in profit or loss as R&D costs and as general and administrative expenses. Impairment losses (or write-downs) of €93 thousand and €320 thousand were recognized in fiscal years 2021 and 2020, respectively. Unless allocable to cost of sales, these were also recognized in profit or loss as R&D costs and as general and administrative expenses. Heidelberg Pharma has not pledged any property, plant or equipment as collateral for liabilities. There are no contractual obligations for the acquisition of property, plant and equipment.

The recognition of right-of-use assets within property, plant and equipment was made in the context of initial application in the 2020 fiscal year. In accordance with IFRS 16.53(a), Heidelberg Pharma distinguishes between the classes "Buildings" and "Office equipment".

An amount of €102 thousand in depreciation and €9 thousand in interest expense was recognized in the fiscal year ended (previous year: €97 thousand and €14 thousand, respectively).

As in 2020, no expense relating to short-term leases pursuant to IFRS 16.53(c) has been recognized. As in the previous year, the expense relating to leases of low-value assets according to IFRS 16.53(d) was €1 thousand.

In the cash flow statement, payments for operating leases (€111 thousand; previous year: €108 thousand) were split up into interest paid and a principal portion of lease liabilities. While the interest paid (€9 thousand) will continue to be allocated to the net change in cash from operating activities, the principal portions will be included in financing activities (€102 thousand) (previous year: €14 thousand and €94 thousand, respectively). Payments made within the scope of short-term and/or low-value leases are allocated to operating cash flow, in accordance with 16.50(c).

10 Intangible assets

As of 30 November 2021 and 30 November 2020, intangible assets comprised the following:

	Software €'000	Licenses €'000	Patents €'000	Other intangible assets €'000	Intangible assets not yet ready for use €'000	Goodwill €'000	Total €'000
2020 fiscal year							
Opening carrying amount	**30**	**0**	**273**	**5**	**2,493**	**6,111**	**8,912**
Additions	58	0	8	0	0	0	66
Disposals	0	0	(6)	0	0	0	(6)
Impairment	0	0	2	0	0	0	2
Reclassification	(19)	0	19	0	0	0	0
Amortization	(11)	0	(29)	(5)	0	0	(44)
Net carrying amount as of 30 Nov. 2020	**58**	**0**	**267**	**0**	**2,493**	**6,111**	**8,929**
As of 30 Nov. 2020							
Cost	793	1	1,618	320	2,493	6,111	11,337
Accumulated amortization	(735)	(1)	(1,351)	(320)	0	0	(2,408)
Net carrying amount as of 30 Nov. 2020	**58**	**0**	**267**	**0**	**2,493**	**6,111**	**8,929**

	Software €'000	Licenses €'000	Patents €'000	Other intangible assets €'000	Intangible assets not yet ready for use €'000	Goodwill €'000	Total €'000
2021 fiscal year							
Opening carrying amount	**58**	**0**	**267**	**0**	**2,493**	**6,111**	**8,929**
Additions	143	0	3	0	0	0	147
Disposals	0	0	0	0	0	0	0
Impairment	(33)	0	26	0	0	0	(7)
Reclassification	57	0	(31)	0	0	0	26
Amortization	(56)	0	(27)	0	0	0	(83)
Net carrying amount as of 30 Nov. 2021	**169**	**0**	**238**	**0**	**2,493**	**6,111**	**9,011**
As of 30 Nov. 2021							
Cost	961	1	1,590	320	2,493	6,111	11,476
Accumulated amortization	(791)	(1)	(1,352)	(320)	0	0	(2,465)
Net carrying amount as of 30 Nov. 2021	**169**	**0**	**238**	**0**	**2,493**	**6,111**	**9,011**

All of the additions stem from separate acquisitions. Unless allocable to cost of sales, € 83 thousand (previous year: € 44 thousand) in amortization were recognized in profit or loss as research and development costs and as general and administrative expenses. An impairment loss (or write-down) of € 7 thousand was recognized in fiscal year 2021 (previous year: reversal of impairment loss of € 2 thousand). These were recognized in profit or loss as R&D costs.

As a rule, software and patents and licenses as part of intangible assets have a finite useful life.

There were no currency effects from the translation of foreign currencies into the reporting currency for any group of intangible assets. Heidelberg Pharma has not pledged any intangible assets as collateral for liabilities. The Company has no contractual obligations for the acquisition of intangible assets.

10.1 Goodwill

The goodwill recognized arises from the 2011 business combination of Heidelberg Pharma AG with Heidelberg Pharma Research GmbH. The assets and liabilities acquired as well as the deferred tax assets and liabilities are recognized separately as of the acquisition date.

Using the acquisition method, goodwill of € 6,111 thousand was identified in connection with the acquisition of Heidelberg Pharma and the subsequent purchase price allocation; it will be tested for impairment annually in accordance with IAS 36 (see note 8).

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10.2 Intangible assets not yet ready for use

In the purchase price allocation carried out in 2011 in connection with the acquisition of Heidelberg Pharma Research GmbH, the novel ADC technology still under development and not yet ready for use was defined as IP R&D and identified as an intangible asset. The carrying amount is € 2,493 thousand.

The Company believes that the ADC technology has the potential to improve the efficacy of many antibody-based compounds, including those marketed.

This technology will not be amortized until its development has been successfully completed and the technology can thus be deemed ready for use, i. e. a therapeutic agent can be marketed. Subsequent costs are recognized through profit and loss as research and development expenses. They are not capitalized pursuant to IAS 38 in keeping with the treatment of other development costs and given Heidelberg Pharma's industry-related specificities. It is typical for the biotechnology industry that particularly the technical feasibility pursuant to IAS 38.57 (a) as well as any future economic benefits pursuant to IAS 38.57 (c) are uncertain, even in projects where the research has largely been completed. This IP R&D technology asset was tested for impairment as of 30 November 2021 during the impairment test carried out in January 2022. Heidelberg Pharma has not found any indication of impairment of this intangible asset.

10.3 Other intangible assets

Up until 2019, other intangible assets comprised a customer base (service business) acquired in the course of the business combination with Heidelberg Pharma Research GmbH in fiscal year 2011. This customer base was amortized in full in fiscal year 2020.

10.4 Patents and licenses

There was no need to write down the patents and licenses of the Heidelberg Pharma Group in the fiscal year.

10.5 Software

Software includes various capitalized office and laboratory software items written down over their useful lives.

11 Equity investments accounted for using the equity method

In November 2019, the Company acquired an equity interest in Emergence Therapeutics AG, Duisburg, (Emergence) through its subsidiary Heidelberg Pharma Research GmbH together with French and German investors. This equity interest was initially measured at cost, which amounted to the original capital contribution of € 13 thousand for 25 % of the ordinary shares of Emergence. No undisclosed reserves or liabilities were identified as of the date of acquisition. In addition, no goodwill arose. Continued recognition of undisclosed reserves and liabilities and impairment of goodwill are therefore not necessary. On grounds of materiality, the carrying amount as of last year's balance sheet date has not been restated. There is a one-month gap between Emergence Therapeutics AG's reporting date and the reporting date of Heidelberg Pharma Research. On grounds of materiality, even in subsequent periods no adjustment will be made for the reporting date.

The cost of acquisition increased by € 7 thousand to € 20 thousand via a capital increase in 2020. Emergence also issued convertible bonds to Heidelberg Pharma with a value of € 51 thousand in 2020 and further convertible bonds with a value of € 13 thousand in 2021. These are convertible into a fixed number of equity instruments of the issuer. No interest is paid on these bonds. These convertible bonds are measurable at fair value through profit or loss. However, on grounds of materiality they have not been subsequently measured at fair value.

As of 30 November 2021, Heidelberg Pharma Research GmbH held a 6.35 % interest in the share capital of Emergence according to German stock corporation law. For its 2020 fiscal year, ending on 31 December 2020, Emergence reported a net loss of € 1,160 thousand for the year in its annual financial statements prepared and audited according to German commercial law. In unaudited interim financial statements for the month of November 2021, the net loss shown was € 3,015 thousand.

As of 30 November 2021, Heidelberg Pharma Research's share of Emergence's losses thus amounted to € 265 thousand. The pro rata loss thus exceeds the equity value of the investment and the carrying amount of the convertible bonds, which are therefore reportable as € 0 thousand.

The reporting date of the financial statements of Emergence differs is December 31, 2021 and therefore differs by one month from that of Heidelberg Pharma AG. For reasons of materiality, no adjustment was made as there were no transactions between the two companies in this period.

This means that share of the profit/loss of associates amounting to € 13 thousand is to be recognized as an expense in the income statement.

12 Other non-current assets

The other non-current assets in the amount of € 35 thousand (previous year: € 45 thousand) include security for leased equipment and property in the amount of € 30 thousand (previous year: € 30 thousand) – all of which is deposited in bank accounts. As in 2020, other items accounted for € 5 thousand. In the previous year, there was also rent security of € 10 thousand.

Heidelberg Pharma expects no non-current financial assets to be realized within the next 12 months.

13 Inventories

The inventories and work in progress recognized at cost (2021: € 746 thousand; previous year: € 230 thousand) mainly concern work in progress, which increased in the course of the supply of Amanitin to the cooperation partners (supply model). The parent company has also returned to recognizing inventories in the course of supplying materials for development The inventories recognized as an expense in the cost of sales (expenses for raw materials, consumables and supplies, and purchased goods and services) amounted to € 1,367 thousand in fiscal year 2021 (previous year: € 2,230 thousand).

No inventories were pledged as collateral for liabilities. Heidelberg Pharma projects that all inventories will be used up within the next 12 months and work in progress/unfinished goods will be completed/realized.

14 Prepayments

Prepayments are comprised as follows:

	30 Nov. 2021 € '000	30 Nov. 2020 € '000
Prepayments related to clinical development	468	491
Prepayments to insurance companies	24	5
Prepayments to other service providers	184	303
Prepayments	**676**	**799**

All prepayments made are of a current nature (< 12 months).

15 Trade and other receivables

The trade receivables of € 1,020 thousand (previous year: € 1,188 thousand) mainly result from collaborations including related material supplies and services invoiced by Heidelberg Pharma Research GmbH.

	30 Nov. 2021 € '000	30 Nov. 2020 € '000
Trade receivables	1,020	1,188
Total	**1,020**	**1,188**

The aging structure of trade receivables as of the reporting date was as follows:

	30 Nov. 2021 € '000	30 Nov. 2020 € '000
0 – 30 days	760	1,180
30 – 90 days	177	8
More than 90 days	83	0
Total	**1,020**	**1,188**

As of the balance sheet date, trade receivables of € 260 thousand were past due and remained unpaid more than 30 days after their due date (previous year: € 8 thousand).

Other receivables are comprised as follows:

	30 Nov. 2021 € '000	30 Nov. 2020 € '000
VAT claim	394	284
Other items	36	38
Other receivables	**430**	**322**

Heidelberg Pharma expects all trade receivables and other receivables to be realized within the next 12 months.

16 Cash and cash equivalents

	30 Nov. 2021 € '000	30 Nov. 2020 € '000
Cash	6,141	4,982
Total	**6,141**	**4,982**

Cash consists exclusively of bank balances and in spite of the cash outflows from operating activities were up on the prior-year figure due to the capital increase implemented during the year. There were no cash equivalents as defined in IAS 7.6 as of the reporting dates of 30 November 2021 and 2020.

17 Equity

As of 30 November 2021, the share capital consisted of 34,175,809 (30 November 2020: 31,061,872) no-par value bearer shares with a notional value of € 1.00 per share.

Heidelberg Pharma AG carried out a capital increase in June 2021 during which the shareholders subscribed for 3,106,637 new no-par value bearer shares at a subscription price of € 6.44 per share. The capital increase increased the Company's share capital by € 3,106,637.00, from € 31,066,372.00 to € 34,173,009.00, after it was entered in the Commercial Register on 17 June 2021.

Prior to that and in the second half of the fiscal year, stock options issued in 2016 were exercised within two periods defined in the stock option plan. A total of 7,300 options were exercised at a price of € 1.89 each. This initially increased the Company's share capital by € 4,500.00, from € 31,061,872.00 to € 31,066,372.00, and then by € 2,800.00, from € 34,173,009.00 to € 34,175,809.00, after the matter was entered in the Commercial Register.

The following shares were issued or created by way of exercising stock options in the reporting period or in the previous year:

Issue date	Entry in the Commercial Register	Number of shares	€
On 30 Nov. 2019		**28,209,611**	**28,209,611**
27 April 2020	29 April 2020	2,820,961	2,820,961
Exercise of stock options in the second half of the fiscal year	8 Dec. 2020	31,300	31,300
On 30 Nov. 2020		**31,061,872**	**31,061,872**
Exercise of stock options in the first half of the fiscal year	10 June 2021	4,500	4,500
15 June 2021	17 June 2021	3,106,637	3,106,637
Exercise of stock options in the second half of the fiscal year	4 Jan. 2022	2,800	2,800
On 30 Nov. 2021		**34,175,809**	**34,175,809**

The arithmetical nominal amount and any premium on the issue of shares are reported under "subscribed capital" and "capital reserves" respectively. For the most part, the capital reserve includes the premiums exceeding the par value from the issue of new shares from capital increases as well as staff costs in connection with stock options granted.

The capital increase and the exercise of options result in an increase in the capital reserve of € 16,158 thousand. The costs of € 749 thousand directly attributable to the capital increase were not recognized as an expense, but charged to the capital reserve in accordance with IAS 32.37.

Since the mandatory application of IFRS 2 in respect of the accounting for stock options, the value of the capital reserves is adjusted every quarter in line with the additional expenses resulting from the share-based model. A total of € 686 thousand (previous year: € 570 thousand) was recognized in this context in the period under review (see note 24).

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As of the reporting date of 30 November 2021, the capital reserves thus amounted to € 244,215 thousand (previous year: € 227,371 thousand).

Taking into account the cumulative losses of € 271,692 thousand accumulated from the date of the Company's establishment through to the reporting date (previous year: € 245,554 thousand), the equity of Heidelberg Pharma amounted to € 6,699 thousand (previous year: € 12,879 thousand).

18 Non-current liabilities

18.1 Lease liabilities (non-current)

Non-current lease liabilities – which must be reported separately – total € 76 thousand (previous year: € 102 thousand) and consist of liabilities for office, laboratory and archive space as well as vehicles.

18.2 Contract liabilities (non-current)

There were non-current contract liabilities at the end of the 2021 reporting period amounting to € 23 thousand. There were no such liabilities the previous year.

19 Current liabilities

19.1 Trade payables

Current trade payables decreased as of the reporting date from € 2,812 thousand in fiscal year 2020 to € 903 thousand at the end of the 2021 reporting period.

19.2 Lease liabilities (current)

Current lease liabilities total € 91 thousand (previous year: € 101 thousand) and consist of liabilities for office, laboratory and archive space as well as vehicles.

19.3 Contract liabilities (current)

Current contract liabilities increased from € 252 thousand in the previous year to € 491 thousand and consist exclusively of collaboration agreements (previous year: € 137 thousand). In 2020, there were also contract liabilities of € 115 million to be recognized in connection with public funding schemes.

19.4 Financial liabilities

Financial liabilities in the amount of € 10,465 thousand are attributable to the shareholder loan carrying 6.00 % interest and include the loan disbursement from dievini (€ 10,000 thousand) and the resulting interest liability (€ 465 thousand) (see notes 3.2 and 6). No such items were recognized in the previous year.

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19.5 Other current liabilities

Other current liabilities included the following:

	30 Nov. 2021 € '000	30 Nov. 2020 € '000
Obligation for holidays not taken	311	285
Social security and other taxes	270	227
Accrued liabilities	2,403	2,951
Other current liabilities	**2,984**	**3,463**

The accrued liabilities are composed as follows:

	30 Nov. 2021 € '000	30 Nov. 2020 € '000
Employee bonuses and profit-sharing bonuses	197	188
Costs of preparing the financial statements and tax advisory costs	151	194
Deliveries/services	2,056	2,569
Total	**2,403**	**2,951**

Heidelberg Pharma recognizes accruals for goods and services where it has a present obligation arising from the supply of goods and services received. Accruals were recognized in the amount of the payment outflow required to fulfill the current obligation. Most obligations in this category relate to research and development costs of service providers.

Employee bonuses are granted depending on the performance of the Company and of individual employees or members of the Executive Management Board, and, once determined, are due for payment. The similar figure compared to the previous year is attributable to the assumption that the Company expects to pay almost the same amount of bonuses than in the fiscal year ended.

As in the previous year, the other current liabilities have a remaining life of less than one year.

20 Other disclosures on financial instruments

In summary, Heidelberg Pharma applied the following classification to financial assets:

20.1 Fair values

Carrying amounts and fair values follow from the table below. In addition, the financial instruments were broken down into categories pursuant IFRS 9 (see note 3.15): Page 91

	30 November 2021			30 November 2020		
	Measurement category according to IFRS 9 € '000	Carrying amount € '000	Fair value € '000	Measurement category according to IAS 39 € '000	Carrying amount € '000	Fair value € '000
Assets						
Trade receivables	Financial liabilities at amortized cost	1,020	1,020	Financial liabilities at amortized cost	1,188	1,188
Cash and cash equivalents	Financial liabilities at amortized cost	6,141	6,141	Financial liabilities at amortized cost	4,982	4,982
Equity and liabilities						
Trade payables	Financial liabilities at amortized cost	(903)	(903)	Financial liabilities at amortized cost	(2,812)	(2,812)
Lease liabilities (current/non-current)	Financial liabilities at amortized cost	(167)	–	Financial liabilities at amortized cost	(203)	–
Accrued liabilities	Financial liabilities at amortized cost	(2,206)	(2,206)	Financial liabilities at amortized cost	(2,763)	(2,763)
Financial liabilities	Financial liabilities at amortized cost	(10,465)	(10,465)	Financial liabilities at amortized cost	0	0

Trade receivables all have remaining maturities of less than one year. No default risks are discernible in connection with the assets.

The carrying amounts of other assets and liabilities such as cash and cash equivalents as well as trade payables correspond to their fair values on account of their current nature.

Interest expense of € 465 thousand arose from financial liabilities carried at amortized cost. No income was generated in this context.

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The convertible bonds issued by Emergence and subscribed for by Heidelberg Pharma (cf. note 11) are measurable at fair value through profit or loss. On grounds of materiality, they have not been subsequently measured at fair value. The pro rata losses resulting from the equity investment significantly exceed the carrying amounts of the equity investment and the convertible bonds.

20.2 Fair value hierarchy levels

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In accordance with IFRS 13.76 et seq., hierarchy levels are to be used to determine and disclose the fair value of financial instruments (see note 5.2).

Fair value is determined using the same assumptions and taking into account the same characteristics of an asset or a liability on which independent market participants would base their assessment.

As of the balance sheet date, the Company held no underlying financial instruments measured at fair value. In 2021 and 2020, there were no reclassifications of items between fair value hierarchy levels.

For assets that the Group holds and liabilities that the Group reports, the carrying amounts are generally used as approximate fair values. The fair value of financial liabilities was determined using cash flows discounted at the risk-adjusted market interest rate; it is a fair value of hierarchy level 2.

20.3 Risks from financial instruments:

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In respect of risks from financial instruments, see for example the section on the management of financial risks (see note 5).

Financial instruments with an inherent default and liquidity risk mainly comprise cash and cash equivalents, financial assets as well as other receivables. The carrying amounts of the financial assets generally reflect the maximum default risk.

Liquidity risk

Most of the cash and cash equivalents (€ 6,141 thousand; previous year: € 4,982 thousand) are denominated in euros, with a smaller amount denominated in US dollars, and have been invested essentially with banks belonging to the German Deposit Insurance Fund and/or the deposit assurance fund of the German Savings Banks Organization. But Heidelberg Pharma monitors the positions held and the respective bank's credit rating on an ongoing basis nonetheless. No such risks were identifiable at the reporting date.

Since the Company's cash and cash equivalents as of the reporting date were invested exclusively in demand deposits and current accounts, the Company believes there is no interest rate risk and cash and cash equivalents would not react sensitively to interest rate changes.

The Company is exposed to a liquidity risk given both its business model and the still insufficient cash flows from the marketing of its own products and services. Heidelberg Pharma employs a rolling, monthly cash flow planning and age analysis in order to be able to recognize liquidity risks in due time. Heidelberg Pharma was able to meet its payment obligations at all times in the fiscal year just ended.

The Group's financial liabilities have the following maturities. The disclosures are based on contractual, undiscounted payments.

30. November 2021	Due on demand €'000	Up to 3 months €'000	3 to 12 months €'000	1 to 5 years €'000	More than 5 years €'000	Total€
Trade payables	56	840	7	0	0	903
Other liabilities	732	1,416	58	0	0	2,206
Financial liabilities	0	10,465	0	0	0	10,465

30. November 2020	Due on demand €'000	Up to 3 months €'000	3 to 12 months €'000	1 to 5 years €'000	More than 5 years €'000	Total€
Trade payables	1,278	1,458	76	0	0	2,812
Other liabilities	0	2,763	0	0	0	2,763

With regard to the maturity analysis for lease liabilities we refer to section 30. Page 139

Default risk

The company in question controls the default risk arising from receivables due from customers in line with the Group's policies, procedures and controls for the management of the default risk for customers. However, the customer's credit quality is not checked.

The trade receivables (€ 1,020 thousand; previous year: € 1,188 thousand) at the close of the fiscal year were attributable to business customers; they were mainly invoiced as of the 30 November 2021 reporting date or immediately preceding it. Trade receivables in the amount of € 260 thousand were past due as of the reporting date (see note 15). No bad debt allowances are necessary in the Executive Management Board's view because Heidelberg Pharma does not expect any default risks to arise. Page 116

Market risk

Heidelberg Pharma is also exposed to a market risk, e. g. from changes in interest rates, and a currency risk from the euro's exchange rate vis-à-vis other currencies. This exchange rate risk includes the relative decrease or increase of the euro vis-à-vis the other currencies during the period until payment of the liability or receivable. Heidelberg Pharma reviews the need for foreign currency hedges on an ongoing basis during the year but does not engage in any hedging. Instead, the Company aims to pay liabilities in foreign currencies using existing bank balances in the respective currency in order to keep the risk of exchange rate fluctuations as low as possible.

As of 30 November 2021, there were foreign currency risks concerning trade payables in the amount equivalent to € 43.4 thousand in USD and € 14.6 thousand in CHF. Any increase or decrease in the euro by 10 % compared to the given foreign currency would have had the following effect on earnings and equity in the fiscal year ended:

	Liabilities in € ’000	10 % increase in € ’000	10 % decrease in € ’000
Euro vs. US dollar	43.4	3.9	(4.8)
Euro vs. Swiss franc (CHF)	14.6	1.3	(1.6)

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In 2021 and 2020, some of the sales revenue was affected by the respective USD/euro exchange rate (see note 21). These were one-off cash transactions that were translated at the transaction date exchange rate, and recognized as revenue or accrued. In fiscal year 2021, the equivalent of € 923 thousand was generated in USD (previous year: € 1,008 thousand).

An increase of 10 % in the average USD exchange rate in fiscal year 2021 as part of a sensitivity analysis (i. e. the USD appreciates against the euro) would have lifted sales revenue by € 103 thousand (previous year: € 112 thousand). A decrease of 10 % in the average USD exchange rate (i. e. the USD depreciates against the euro) would have depressed sales revenue by € 84 thousand (previous year: € 92 thousand). Sales revenue in other foreign currencies was not generated in 2020 or 2021.

Heidelberg Pharma’s only cash and cash equivalents held in foreign currencies (USD only) are therefore exposed to foreign currency risks. Heidelberg Pharma monitors the USD exchange rate throughout the year in order to intervene as necessary by selling or buying foreign currencies without however hedging such transactions by means of derivative financial instruments. Cash and cash equivalents in USD as of the 30 November 2021 reporting date were equivalent to € 69 thousand (30 November 2020: € 235 thousand).

Non-derivative financial liabilities in the form of trade payables must be classified as current. As a rule, trade payables are due within one month.

No significant net gains or losses from financial instruments were recognized in the 2021 fiscal year or in the previous year.

21 Sales revenue

Sales revenue (or revenue from contracts with customers) of the Heidelberg Pharma Group in the fiscal year just ended totaled € 1,750 thousand (previous year: € 8,488 thousand).

	2021 € ‘000	2020 € ‘000
ATAC® technology sales revenue	1,226	7,789
Service business sales revenue	524	480
Out-licensing sales revenue	0	219
Sales revenue	**1,750**	**8,488**

Sales revenue mainly stems from the cooperation agreements for the ATAC® technology of Heidelberg Pharma Research (€ 1.2 million; previous year: € 7.8 million). As in the previous year, another € 0.5 million was generated from the service business.

The sales revenue realized from ATAC® technology was recognized either at a point in time or over time, depending on the respective contractual arrangements. Sales revenue from out-licensing was recognized at a point in time, sales revenue from service business was recognized over time.

Sales revenue which was exclusively allocated to the current contract liabilities as of 1 December 2020 was fully realized in the amount of € 0.3 million in fiscal year 2021 (previos year: € 1.6 million).

The transaction price allocated to the (unfulfilled or partially unfulfilled) remaining performance obligations results from expected sales revenue from the ATAC® technology in the amount of € 514 thousand (previos year: € 589 thousand).

Heidelberg Pharma estimates that € 490 thousand of the total transaction price of € 514 thousand allocated to contract liabilities will be realized in the 2021 fiscal year.

Regional distribution

The following table shows the regional distribution of 2021 sales revenue in terms of a customer's or collaboration partner's domicile:

	2021		2020	
Region	€ '000	%	€ '000	%
Germany	477	27	434	5
Europe	38	2	75	1
of which CH	38	–	75	–
USA	1,122	64	7,760	91
Rest of the world	113	7	219	3
Total	1,750	100	8,488	100

All sales revenue was generated in euros (€ 0.8 million) and US dollar (€ 0.9 million) in 2021. More than 10 % of sales revenue (€ 0.9 million) was generated in each case with two US companies under a research and license agreement

In the previous fiscal year, one company was responsible for more than 10 % of sales revenue: In this context, more than 10 % of sales revenue (€ 7.5 million) was generated with a US company under a research and license agreement

Contract balances

	30 Nov. 2021 € '000	30 Nov. 2020 € '000
Trade receivables	1,020	1,188
Contract assets	0	0
Contract liabilities	514	252

Trade receivables are not interest-bearing and, as a rule, they are due within a period of between 30 and 90 days. No impairment was recognized in 2021 and 2020. As a result, the closing balance of the impairment on trade receivables remained at € 0 thousand.

The contract liabilities usually comprise current and non-current prepayments for cooperation agreements and public funding schemes. Although no new collaborations were entered into nor grants achieved in 2021, the outstanding balances of these accounts increased compared to 2020 due to payment from existing collaborations.

22 Other income

Other income (€ 564 thousand; previous year: € 1,088 thousand) comprises the following items:

Other income	2021 € '000	2020 € '000
Income from grants	284	179
Liabilities and provisions not utilized to date	118	630
Income from sales of fixed assets	0	9
Income from exchange rate gains	3	22
Income from passing on patent costs	68	106
Proceeds from non-monetary benefits	39	40
Other items	52	102
Total	**564**	**1,088**

Other income was down year-over-year. This figure includes German and European grants, which support Heidelberg Pharma Research GmbH projects in the amount of € 0.3 million (previous year: € 0.2 million). Furthermore, income of € 0.1 million (previous year: € 0.6 million) was generated from the reversal of unutilized accrued liabilities and provisions. As in the previous, the parent company generated € 0.1 million from passing on patent costs in the context of out-licensing. Other items amounted to income of € 0.1 million (previous year: € 0.2 million).

23 Types of expenses

The statement of comprehensive income breaks down operating expenses into the following categories:

- Production
- Research and development
- Administration
- Other

Operating expenses including depreciation and amortization were unchanged year-over-year at €27.9 million in 2021.

Operating expenses	2021 € million	2020 € million
Cost of sales	4.7	5.6
Research and development costs	18.7	18.3
Administrative costs	4.0	3.6
Other expenses	0.5	0.4
Total	**27.9**	**27.9**

The cost of sales concerns the Group's costs directly related to sales revenue. These costs mainly related to expenses for customer-specific research and for the supply of Amanitin linkers to licensing partners. They amounted to €4.7 million (previous year: €5.6 million), representing 17% of operating expenses.

Research and development costs rose year-over-year to €18.7 million (previous year: €18.3 million) due to the cost-intensive external manufacturing for all three ATAC® projects and preparations for the clinical trial with HDP-101. The production of antibodies for HDP-102 and HDP-103 also was a factor. At 67% of operating expenses, R&D remained the largest cost item.

Administrative costs were €4.0 million, an increase on the prior year (€3.6 million), and accounted for 14% of operating expenses.

These include staff costs of €2.3 million (previous year: €2.0 million), of which €0.2 million concerned expenses for issuing stock options, as in the previous year. The increase results from a growing number of employees due to the expansion of business activities. As in the previous year, this line item also includes legal and operating consulting costs in the amount of €0.7 million and expenses related to the Annual General Meeting, Supervisory Board remuneration and the stock market listing totaling €0.6 million. Other items amounted to €0.4 million (previous year: €0.3 million).

Other expenses for business development, marketing and commercial market supply activities, which mainly comprise staff and travel costs, were €0.5 million. They were higher than in the previous year (€0.4 million) and represented 2% of operating expenses.

The following expenses are recognized in the statement of comprehensive income:

	2021 € '000	2020 € '000
Staff costs	8,152	7,087
Travel costs (incl. conference fees)	98	128
Office costs (incl. utilities and maintenance)	462	469
Other internal costs	341	259
External research and development costs/laboratory	14,181	15,742
Legal and consulting costs (incl. patent costs)	2,752	2,269
Depreciation and amortization	803	734
Stock market listing	613	634
IT/licenses	200	198
Other expenses	343	341
Total	**27,945**	**27,861**

The increase in staff costs in the past fiscal year is attributable to the higher number of employees (11 FTEs as of the reporting date) and general salary increases. The were no longer any expenses from the granting of stock options under IFRS 2 Share-based Payments (see note 24).

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Travel costs again fell as a result compared with 2020 due to the coronavirus pandemic.

Following last year's first-time application of IFRS 16, according to which rental expense is classified as depreciation of the right-of-use asset, occupancy costs remained virtually unchanged. This has reduced the office costs and increased the volume of depreciation, in each case by € 72 thousand (previous year: € 97 thousand).

The expansion of business activities is reflected in higher expenses in other internal costs and legal and consulting costs. The latter result from numerous projects related to business development, funding, strategy as well as the considerable expansion of R&D activities including the patent portfolio. This expense item contains the cost of conventional legal representation as well as operating consulting costs.

External research, development and laboratory costs comprise the cost of purchased services. They decreased year-over-year due to the build-up of internal expertise, despite the general expansion of research and development work at Heidelberg Pharma Research GmbH. Research costs include expenses for inventories of € 74 thousand (previous year: € 4 thousand).

Depreciation and amortization continued to increase because of the investments made in the laboratory and buildings in the reporting periods and the effects of IFRS 16.

The costs of listing on the stock exchange include, among other things, expenses for the Annual General Meeting, the remuneration of the Supervisory Board and other investor relations expenses directly attributable to this matter.

IT and license expenses were virtually unchanged year-over-year.

The expenses contained in the statement of comprehensive income include € 4,712 thousand in costs of sales (previous year: € 5,600 thousand).

24 Staff costs

In the comparative periods, Heidelberg Pharma employed the following number of staff on average (headcount):

	2021	2020
Administration	25	20
Manufacturing, service and distribution	18	17
Research and development	48	42
Average number of employees[1]	**91**	**79**

[1] Including the Executive Management Board

Staff costs for this purpose are comprised as follows:

	2021 € '000	2020 € '000
Wages and salaries	5,827	5,081
Social security costs	1,084	886
Expense from provisions for holidays	26	82
Bonuses	267	247
Expense from the measurement of stock options	686	570
Continuing professional development	68	45
Recruitment	65	60
Occupational safety and employer's liability insurance association	68	55
Other staff costs	61	61
Total staff costs	**8,152**	**7,087**

The wages and salaries and social security costs items rose year-over-year due to the increased headcount and salary structure.

The granting of stock options in accordance with IFRS 2 "Share-based Payments" resulted in higher staff costs of € 686 thousand in 2021 (previous year: € 570 thousand), because new stock options were issued in the reporting period.

The following is a breakdown of the stock option plans that became effective during the reporting period, all of which were classified and measured as equity-settled share-based payments. There were no changes to or cancellations of plans in either the past fiscal year or the prior period.

2011 Stock Option Plan (2011 SOP)

The Annual General Meeting on 18 May 2011 voted to authorize Heidelberg Pharma AG to issue a total of 1,156,412 stock options as part of the 2011 Stock Option Plan to members of the Executive Management Board and employees of Heidelberg Pharma AG as well as beneficiaries of affiliates.

The first time the stock options can be exercised is after a lock-up period of four years from the respective issuing date. The stock options can only be exercised if Heidelberg Pharma AG's share price during the ten trading days preceding the start of the relevant exercise period ("reference price") exceeds the exercise price by at least 20 % (absolute performance target). Furthermore, it must be noted that the options can only be exercised as long as the reference price exceeds the exercise price at least by the ratio by which the TecDAX on the last trading day prior to the relevant exercise period exceeds the TecDAX on the issuing date (relative performance target).

If the Heidelberg Pharma share price increases by more than 50 % within the last three months prior to the respective exercise period and the percentage increase in the TecDAX (price index) in the same period is not equal to at least two thirds of the increase in the Heidelberg Pharma share price, the value of the new Heidelberg Pharma shares issued to a beneficiary in an exercise period is limited ("cap"). The cap corresponds to three times the annual gross remuneration (including all benefits subject to income tax, such as company cars, etc.) that the beneficiary received from the Company or its affiliates in the twelve months preceding the exercise date.

The authorization to grant stock options from the 2011 Stock Option Plan expired in 2016. No new options can therefore be granted under this plan. Heidelberg Pharma no longer incurred any staff costs in 2021 under the 2011 Stock Option Plan (previous year € 122 thousand).

2017 Stock Option Plan (2017 SOP)

The Annual General Meeting on 20 July 2017 voted to authorize Heidelberg Pharma AG to issue a total of 661,200 stock options as part of the 2017 Stock Option Plan to members of the Executive Management Board and employees of Heidelberg Pharma AG as well as beneficiaries of affiliates.

The first time the stock options can be exercised is after a lock-up period of four years from the respective issuing date. The stock options can only be exercised if Heidelberg Pharma AG's share price during the ten trading days preceding the start of the relevant exercise period ("reference price") exceeds the exercise price by at least 20 % (absolute performance target). Furthermore, it must be noted that the options can only be exercised as long as the reference price exceeds the exercise price at least by the ratio by which the TecDAX on the last trading day prior to the relevant exercise period exceeds the TecDAX on the issuing date (relative performance target). If the Heidelberg Pharma share price increases by more than 50 % within the last three months prior to the respective exercise period and the percentage increase in the TecDAX (price index) in the same period is not equal to at least two thirds of the increase in the Heidelberg Pharma share price, the value of the new Heidelberg Pharma shares issued to a beneficiary in an exercise period is limited ("cap"). The cap corresponds to twice the annual gross remuneration (including all benefits subject to income tax, such as company cars, etc.) that the beneficiary received from the Company or its affiliates in the twelve months preceding the exercise date.

Heidelberg Pharma incurred staff costs of € 51 thousand under the 2017 Stock Option Plan in 2021 (previous year: € 130 thousand).

2018 Stock Option Plan (2018 SOP)

The Annual General Meeting on 26 June 2018 voted to authorize Heidelberg Pharma AG to issue a total of 1,490,622 stock options as part of the 2018 Stock Option Plan to members of the Executive Management Board and employees of Heidelberg Pharma AG as well as beneficiaries of affiliates. The first time the stock options can be exercised is after a lock-up period of four years from the respective issuing date. The stock options can only be exercised if Heidelberg Pharma AG's share price during the ten trading days preceding the start of the relevant exercise period ("reference price") exceeds the exercise price by at least 20 % (absolute performance target). Furthermore, it must be noted that the options can only be exercised as long as the reference price exceeds the exercise price at least by the ratio by which the TecDAX on the last trading day prior to the relevant exercise period exceeds the TecDAX on the issuing date (relative performance target). If the Heidelberg Pharma share price increases by more than 50 % within the last three months prior to the respective exercise period and the percentage increase in the TecDAX (price index) in the same period is not equal to at least two thirds of the increase in the Heidelberg Pharma share price, the value of the new Heidelberg Pharma shares issued to a beneficiary in an exercise period is limited ("cap"). The cap corresponds to twice the annual gross remuneration (including all benefits subject to income tax, such as company cars, etc.) that the beneficiary received from the Company or its affiliates in the twelve months preceding the exercise date.

Following the issue of new stock options, Heidelberg Pharma incurred significantly higher staff costs of € 635 thousand under the 2018 Stock Option Plan in 2021 (previous year: € 318 thousand).

The following table shows a summary of the Company's stock option plans/stock options with respect to their measurement:

Stock option plan	2011		2017	2018	
Issue	Tranche 1	Tranche 2	Tranche 1	Tranche 1	Tranche 2
Measurement date	30 March 2012	2 June 2016	23.04.2018	19.06.2019	5 Aug. 2021
Measurement method	Monte Carlo model in each case				
Fair value per option	€ 2.13	€ 1.41	€ 1.07	€ 1.12	€ 3.07
Exercise price (uniform and therefore also average) [1]	€ 14.12	€ 1.89	€ 3.41	€ 2.79	€ 7.28
Price of the Heidelberg Pharma share as of the measurement date	€ 3.82	€ 1.83	€ 2.82	€ 2.83	€ 6.90
Maximum term	10 years	10 years	10 years	10 years	10 years
Expected vesting period until the measurement date	4.81 years	3.95 years	4.00 years	3.96 years	3.96 years
Expected volatility of the Heidelberg Pharma share [2]	57.83 %	89.42 %	54.96 %	48.59 %	60.33 %
Expected dividend yield of the Heidelberg Pharma share	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Risk-free interest rate	0.61 %	(0.47 %)	(0.19 %)	(0.70 %)	(0.82 %)
Remaining term as of 30 Nov. 2021	0.33 years	4.50 years	6.39 years	7.51 years	9.68 years

[1] For tranche 1 of the 2011 SOP taking into account the 4:1 capital reduction in 2014

[2] Determined on the basis of the historical volatility of Heidelberg Pharma shares

The following table shows a summary of the Company's stock option plans/stock options under the 2011, 2017 and 2018 plans with respect to their issue:

All information provided in no. of options	2011 Plan	2017 Plan	2018 Plan	Total
Max. number of stock options to be issued acc. to plan terms	**1,156,412**	**661,200**	**1,490,622**	**3,308,234**
of which Executive Management Board	346,924	201,200	298,100	846,224
of which employees	809,488	460,000	1,192,522	2,462,010
Stock options actually issued	**685,726**	**653,430**	**1,116,140**	**2,455,296**
of which Executive Management Board [1]	364,000	201,200	223,050	788,250
of which employees	321,726	452,230	893,090	1,667,046
Max. number of stock options still available for issue	**0**	**7,770**	**374,482**	**382,252**
of which Executive Management Board	0	0	75,050	75,050
of which employees	0	7,770	299,432	307,202
Exercise of stock options by beneficiaries	**38,600**	**0**	**0**	**38,600**
of which Executive Management Board	0	0	0	0
of which employees	38,600	0	0	38,600
of which Executive Management Board 2021	0	0	0	0
of which employees 2021	7,300	0	0	7,300
Return of stock options by beneficiaries leaving the Company	**97,743**	**45,243**	**35,791**	**178,777**
of which Executive Management Board	26,500	0	0	26,500
of which employees	71,243	45,243	35,791	152,277
of which Executive Management Board 2021	0	0	0	0
of which employees 2021	0	4,110	13,196	17,306
Expiry of stock options without replacement after ten-year term	**0**	**0**	**0**	**0**
of which Executive Management Board	0	0	0	0
of which employees	0	0	0	0
of which Executive Management Board 2021	0	0	0	0
of which employees 2021	0	0	0	0
Stock options outstanding	**549,383**	**608,187**	**1,080,349**	**2,237,919**
of which Executive Management Board [2]	337,500	201,200	223,050	761,750
of which employees	211,883	406,987	857,299	1,476,169
Vested stock options (outstanding)	**549,383**	**571,866**	**451,687**	**1,572,935**
of which Executive Management Board	337,500	188,625	102,406	628,531
of which employees	211,883	383,241	349,280	944,404
of which have vested in 2021	0	146,919	211,554	358,473
of which Executive Management Board	0	50,300	46,513	96,813
of which employees	0	96,619	165,042	261,660
Non-vested stock options (outstanding)	**0**	**36,321**	**628,662**	**664,984**
of which Executive Management Board	0	12,575	120,644	133,219
of which employees	0	23,746	508,019	531,765
Exercisable stock options (outstanding)	**549,383**	**0**	**0**	**549,383**
of which Executive Management Board	337,500	0	0	337,500
of which employees	211,883	0	0	211,883

[1] When options under the 2011 Stock Option Plan were issued, Dr. Schmidt-Brand had not yet been appointed as a member of the Executive Management Board of Heidelberg Pharma AG. The options granted to him were added to the portion attributable to the Executive Management Board after his appointment.

[2] Including 25,500 options granted to former members of the Executive Management Board.

25 Currency gains/losses

Heidelberg Pharma posted a currency gain of € 2 thousand (previous year: currency loss of € 9 thousand) in the 2021 fiscal year.

26 Financial result

As in the previous year, no finance income was generated in the fiscal year ended due to the current lack of interest accruing on credit balances. Heidelberg Pharma exclusively used short-term deposits for investing its liquid funds (e.g., overnight money); at no time were investments made in stock or share-based financial instruments.

Finance costs triggered by the dievini shareholder loan amounted to € 465 thousand. These will be paid out in the first fiscal quarter of the following year. Deposit fees (€ 20 thousand) and the interest portion of leases (€ 9 thousand) were also added to finance costs.

This gives a financial result of € – 494 thousand (previous year: € – 14 thousand).

	2021 € ‘000	2020 € ‘000
Interest income from bank accounts/Other	0	0
Finance income	**0**	**0**
Interest expense from shareholder loans	(465)	0
Interest expense from leasing agreements	(9)	(14)
Interest expense from other items	(20)	0
Finance costs	**(494)**	**(14)**
Financial result	**(494)**	**(14)**

27 Share of the profit/loss of associates

As of 30 November 2021, Heidelberg Pharma Research GmbH held a 6.35 % interest in the share capital of Emergence according to German stock corporation law. For its 2020 fiscal year, ending on 31 December 2020, Emergence reported a net loss of € 1,160 thousand for the year in its annual financial statements prepared and audited according to German commercial law. In unaudited interim financial statements for the month of November 2021, the net loss shown was € 3,015 thousand.

As of 30 November 2021, Heidelberg Pharma Research's share of Emergence's losses thus amounted to € 265 thousand. The pro rata loss thus exceeds the equity value of the investment and the carrying amount of the convertible bonds, which are therefore reportable as € 0 thousand.

28 Income taxes

Due to operating losses in the periods under review, no significant income tax was payable in the periods under review. Neither expenses nor income from deferred taxes were included in tax expenses in 2020 and 2021.

Deferred tax assets or liabilities were determined using the tax rates in effect in each case. A composite tax rate of 28.43 % (previous year: 28.43 %) is applied to Heidelberg Pharma AG, which is comprised of a corporation tax rate of 15 % (previous year: 15 %), solidarity surcharge of 5.5 % (previous year: 5.5 %) and trade tax of 12.60 % (previous year: 12.60 %).

A tax rate of 28.43 % (unchanged from the previous year) was also applied to the subsidiary Heidelberg Pharma Research GmbH.

The reported current tax expense deviates from the expected tax income. The nominal tax rate of 28.43 % (previous year:28.43 %) must be applied to income in accordance with IFRSs. Reconciliation of the differences is shown in the following table.

	2021 € '000	2020 € '000
Earnings before tax	(26,139)	(18,369)
Tax rate	28.43 %	28.43 %
Expected tax income (earnings x tax rate)	**7,430**	**5,222**
Deferred taxes on losses for the period not qualifying for recognition	(6,677)	(4,596)
Change in non-recognized temporary differences	24	28
Non-deductible operating expenses/Other	(777)	(653)
Reported tax expense	**0**	**0**

The existing deferred tax assets and deferred tax liabilities as of 30 November are attributable as follows:

	2021 € '000	2020 € '000
Deferred tax assets		
Other current assets	0	25
Other non-current assets	263	270
Different carrying amount of the equity investment	94	94
Loss carryforwards taken into account	647	671
Other liabilities/provisions	54	29
	1,058	1,089
Deferred tax liabilities		
Intangible assets	709	709
Other liabilities	349	380
	1,058	1,089
Deferred income taxes, net	0	0

As in the previous year, a portion of € 94 thousand of the deferred tax assets resulted from outside basis differences in respect of different measurements of the equity investment.

Applying IAS 12.74, deferred tax assets and liabilities have been offset, since they exist vis-à-vis the same taxation authority, arise in the same periods and entail corresponding rights. Deferred tax assets on loss carryforwards are recognized only in an amount that is equal to the existing deferred tax liabilities.

As further losses can be expected over the next years, no deferred tax assets were recognized regarding the following matters:

	2021 € '000	2020 € '000
Loss carryforwards		
for corporation tax	285,381	260,335
for trade tax	280,769	256,279
Deductible temporary differences	0	0

The tax loss carryforwards shown in the table above based on tax notices issued and current tax calculations are mainly attributable to Heidelberg Pharma AG (corporation tax loss carryforward of € 218,227 thousand; trade tax loss carryforward of € 215,189 thousand) and may be carried forward indefinitely. Further loss carryforwards concern the subsidiary Heidelberg Pharma Research GmbH, which based on the tax notices issued by the tax office and its current tax calculations shows € 67,155 thousand and € 65,580 thousand in losses carried forward for corporation tax and trade tax purposes, respectively. Deferred tax assets (amounting to € 647 thousand) were recognized in the fiscal year just ended for € 2,275 thousand in tax loss carryforwards and offset against correspondingly high deferred tax liabilities (€ 2,378 thousand and € 671 thousand, respectively).

Note the following in regards to the tax loss carryforwards available to Heidelberg Pharma AG and Heidelberg Pharma Research GmbH: The deduction of existing losses carried forward is excluded if the company carrying forward these losses loses its tax identity. In accordance with Section 8 (4) German Corporation Tax Act (version applicable until the end of 2007), a company is deemed to have lost its tax identity if the two following criteria are met cumulatively: (i) more than 50 % of the shares in the company have been transferred and (ii) the company continues or relaunches its operations mainly with new assets. The legal limit on deductibility of operating losses applies to corporation tax and trade tax.

In fiscal year 2016, Heidelberg Pharma AG was subject to a tax audit for the period from 2011 to 2014. Since the audit did not result in any changes in the tax base, the final determination was made that the loss carryforwards accrued by 31 December 2014 amounted to € 169.2 million (corporation tax) and € 166.2 million (trade tax).

According to the amendment of Section 8c German Corporation Tax Act pursuant to the 2018 Annual Tax Act (Jahressteuergesetz, JStG), the amended Section 8c now only provides for a single set of circumstances, i. e. the full extinguishment of loss carryforwards in the event of the transfer of more than 50 % of the shares in a corporation within five years. As a result, the loss carryforwards are no longer extinguished proportionately, if more than 25 % and up to 50 % of the shares are transferred within five years. The group clause and the hidden reserve clause in Section 8c of the KStG and the loss carryforward subject to continuation of the business ("fortführungsgebundener Verlustvortrag") in Section 8d of the KStG were preserved unchanged.

Because capital increases also cause shifts in shareholdings and thus adverse acquisitions of equity as defined in Section 8c of the KStG, the capital increases implemented after 2014 and the changed identity of the Company as a result of the restructuring measures might possibly have led to the elimination of the tax loss carryforwards.

In 2011, Heidelberg Pharma AG acquired 100 % of the shares in Heidelberg Pharma Research GmbH, which had recognized accumulated tax loss carryforwards of € 40,286 thousand up to the acquisition date. The only thing not in doubt was that the tax loss carryforwards corresponding to the undisclosed reserves transferred may be retained. The undisclosed reserves result from the difference between the transaction price under German tax law and the equity of Heidelberg Pharma Research under German tax law; they amounted to € 12,808 thousand. Pursuant to tax notices issued in the meantime, a portion of the accumulated loss carryforwards of Heidelberg Pharma Research were not recognized by the tax authorities.

A purchase price allocation carried out in connection with this transaction resulted in the identification of intangible assets and goodwill. The deferred tax liabilities determined in connection with the valuation amounted to € 800 thousand; they were offset at the time in the same amount by deferred tax assets from tax loss carryforwards taken over. As of 30 November 2021, deferred tax liabilities on these intangible assets amounted to € 709 thousand, as in the previous year. The Company continues to make use of the option to offset them against deferred tax assets in accordance with IAS 12.74.

29 Earnings per share

29.1 Basic

Basic earnings per share are calculated by dividing the net profit for the year available to shareholders by the weighted average number of shares issued during the fiscal year.

As a result of the capital increase implemented in June 2021 and the exercise of stock options the year, the total number of Heidelberg Pharma shares issued as of the reporting date increased to 34,175,809.

		2021	2020
Net loss for the year attributable to equity providers	€ '000	(26,139)	(18,369)
Level of capital and corporate actions in the fiscal year			
Number of issued shares at the beginning of the fiscal year	**in thousand**	**31,062**	**28,210**
Number of shares newly issued during the fiscal year	in thousand	3,107	2,821
Number of new shares created by converting stock options	in thousand	7	31
Average number of shares issued during the fiscal year	**in thousand**	**32,504**	**29,897**
Basic earnings per share based on the weighted average number shares issued in the reporting period	**in € per share**	**(0.80)**	**(0.61)**

Basic earnings per share in 2021

In fiscal year 2021, basic earnings per share amounted to € –0.80 based on the weighted average number of shares issued in the reporting period (32,504,068 shares and earnings attributable to equity providers of € –26,139 thousand).

Basic earnings per share in 2020

In fiscal year 2020, basic earnings per share amounted to € –0.61 based on the weighted average number of shares issued in the reporting period (29,896,633 shares and earnings attributable to equity providers of € –18,396 thousand).

29.2 Diluted

The Company's Annual General Meetings in 2011, 2017 and 2018 each adopted resolutions to contingently increase the share capital of the Company for the purpose of satisfying subscription rights. The associated granting or possibility of granting stock option rights to employees and members of the Executive Management Board could potentially dilute the basic earnings per share in the future beyond the stock options exercised in 2021.

Since in the fiscal year ended at € 6.77 the average market price of Heidelberg Pharma's shares exceeded the exercise price payable to the Company for the exercisable stock options (€ 1.89), diluted earnings per share need to be reported. The following parameters are to be used for diluted earnings per share in 2021 (see note 24):

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- Number of stock options exercisable as of 30 November 2021: 549,383
- Average number of shares: 32,504 thousand shares + 549 thousand shares = 33,053 thousand shares
- Effect on earnings if fully exercised: € 1.89 x 549,383 options = € 1,038,334
- Attributable profit/loss for the year: € –26,139 thousand + € 1,038 thousand = € –25,101 thousand
- € –25,101 thousand/33,053 thousand shares = € –0.76

This gives diluted earnings per share of € –0.76 for 2021.

30 Leases, guarantees and obligations

As of the reporting date, a total of € 30 thousand in security were made available for right-of-use assets (buildings and vehicles) (previous year: € 30 thousand).

Heidelberg Pharma has leased office equipment and vehicles under operating leases, which will expire at different times until 2022. All of the office premises used at present are rented under indefinite leases that can be terminated by giving three or twelve months notice as of the end of a month.

In accordance with IFRS 16, the cost of office and laboratory equipment as well as office and laboratory premises under the operating leases are reported as depreciation in the statement of comprehensive income, together with the obligations under lease agreements for company cars:

Expense/depreciation of right-of-use assets	€ ‘000
2021	111
of which from tenancy agreements (property)	83
of which from other leases (cars)	28
2020	110
of which from tenancy agreements	81
of which from other operating leases	28

Heidelberg Pharma has not provided a deposit for landlords, nor are there any other guarantees.

The future minimum annual payments under tenancy agreements and leases are comprised as follows:

Obligations as of 30 Nov. 2021	Up to 1 year € ‘000	1–5 years € ’000	More than 5 years € ’000	Total € ‘000
Rental obligations for laboratory and office premises[1]	86	0	0	86
Obligations under other leases (laboratory and other office equipment, vehicles)	12	0	0	12
	98	**0**	**0**	**98**

[1] Due to short notice periods (three, six and twelve months) assuming that the leases for the offices have been terminated effective at the end of 2022 at the latest.

Below are previous year’s figures:

Obligations as of 30 Nov. 2020	Up to 1 year € ‘000	1–5 years € ’000	More than 5 years € ’000	Total € ‘000
Rental obligations for laboratory and office premises[1]	82	0	0	82
Obligations under other leases (laboratory and other office equipment, vehicles)	28	17	0	45
	110	**17**	**0**	**127**

[1] Due to short notice periods (three and twelve months) assuming that the leases for the offices have been terminated effective at the end of 2021 at the latest.

These leases do not stipulate contingent lease payments, nor do they impose restrictions in respect of dividends, additional liabilities or other leases. No price adjustment clauses were stipulated, and there is no obligation to purchase the leased equipment once the given lease expires.

31 Corporate bodies and remuneration

31.1 Executive Management Board

The Executive Management Board members of Heidelberg Pharma AG in the reporting period were:

Dr. Jan Schmidt-Brand, Chief Financial Officer and Chief Executive Officer (appointment extended during the year to 31 August 2024)

Professor Andreas Pahl, Chief Scientific Officer (appointed until 31 December 2023)

In parallel to his work as a member of the Executive Management Board, Dr. Jan Schmidt-Brand acts as the Managing Director of Heidelberg Pharma Research GmbH, a position he has held since 2004. In the interests of transparency, the remuneration of Dr. Schmidt-Brand is presented in full, which means that the amounts that he has earned as Managing Director of the subsidiary are also listed below.

31.2 Supervisory Board

The Supervisory Board members of Heidelberg Pharma AG as of 30 November 2021 were:

Professor Christof Hettich (Chairman of the Supervisory Board of Heidelberg Pharma AG)
- Lawyer and partner at RITTERSHAUS Rechtsanwälte Steuerberater PartmbB, Mannheim/Frankfurt am Main/Munich, Germany
- Managing Director of dievini Verwaltungs GmbH, the general partner of dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany
- Chairman of the Management Board of SRH Holding SdbR, Heidelberg, Germany

Dr. Georg F. Baur (Deputy Chairman of the Supervisory Board of Heidelberg Pharma AG)
- Self-employed entrepreneur of an agricultural business

Dr. Mathias Hothum (Deputy Chairman of the Supervisory Board of Heidelberg Pharma AG since June 2021)
- Managing Director of dievini Verwaltungs GmbH, the general partner of dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany

Dr. Friedrich von Bohlen und Halbach
- Managing Director of dievini Verwaltungs GmbH, the general partner of dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany
- Managing Director of Molecular Health GmbH, Heidelberg, Germany

Dr. Birgit Kudlek
- Self-employed pharmaceutical manager

31.2.1 Supervisory Board committees

For reasons of efficiency, a joint Compensation and Nomination Committee was established, which covers both areas separately in its meetings. The Compensation Committee deals with employment issues and with the remuneration of the members of the Executive Management Board. The tasks of the Nomination Committee include proposing suitable candidates for the Supervisory Board to the Annual General Meeting and the appointment of new members of the Executive Management Board.

A Research and Development Committee tasked with issues related to Heidelberg Pharma's oncological product candidates also exists.

The Supervisory Board also established an Audit Committee, whose tasks include the discussion and preparatory examination of the IFRS consolidated financial statements, the HGB single-entity financial statements, the consolidated half-yearly report, the consolidated interim management statements, and the preselection of the auditor of the financial statements.

Below is an overview of the composition of the Supervisory Board applicable until the end of the Annual General Meeting in May 2025:

Supervisory Board member	First appointed	End of term	Audit Committee	Compensation and Nomination Committee	R&D Committee
Professor Christof Hettich	2010	2025		C	
Dr. Georg F. Baur (FE)	2000	2025	C	M	
Dr. Friedrich von Bohlen und Halbach	2005	2025			C
Dr. Birgit Kudlek	2012	2025	M		M
Dr. Mathias Hothum	2015	2025	M		

FE = Independent financial expert; C = Chair; M = Member

31.2.2 Other appointments of the Supervisory Board members

In addition to being a member of the Supervisory Board of Heidelberg Pharma AG, Professor Christof Hettich is also the Chairman or a member of the following bodies:

Company	Position
• LTS Lohmann Therapie-Systeme AG, Andernach, Germany	Chairman of the Supervisory Board
• Companies of the Vetter Group: Vetter Pharma-Fertigung GmbH & Co. KG, Vetter Pharma-Fertigung Verwaltungs-GmbH, Arzneimittelgesellschaft mbH Apotheker Vetter & Co., Vetter Injekt System GmbH & Co. KG, Vetter Injekt System Verwaltungs-GmbH, Ravensburg, Germany	Member of the Advisory Boards
• Molecular Health GmbH, Heidelberg, Germany	Chairman of the Supervisory Board
• SRH Kliniken GmbH, Heidelberg, Germany	Chairman of the Supervisory Board
• EPPLE Holding GmbH, Heidelberg, Germany	Member of the Advisory Board
• Cytonet GmbH & Co. KG, Weinheim, Germany, now Weinheim 216 GmbH & Co. KG i. L.	Member of the Advisory Board
• Novaliq GmbH, Heidelberg, Germany	Member of the Advisory Board

In addition to being a member of the Supervisory Board of Heidelberg Pharma AG, Dr. Georg F. Baur is also the Chairman or a member of the following bodies:

Company	Position
• J.F. Müller & Sohn AG, Hamburg, Germany	Chairman of the Supervisory Board

In addition to being a member of the Supervisory Board of Heidelberg Pharma AG, Dr. Mathias Hothum is also the Chairman or a member of the following bodies:

Company	Position
• Apogenix AG, Heidelberg, Germany	Member of the Advisory Board
• CureVac AG, Tübingen, Germany	Member of the Supervisory Board
• Cytonet GmbH & Co. KG, Weinheim, Germany, now Weinheim 216 GmbH & Co. KG i. L.	Member of the Advisory Board
• Joimax GmbH, Karlsruhe, Germany	Chairman of the Advisory Board
• Novaliq GmbH, Heidelberg, Germany	Member of the Advisory Board
• Molecular Health GmbH, Heidelberg, Germany	Member of the Supervisory Board

In addition to being a member of the Supervisory Board of Heidelberg Pharma AG, Dr. Friedrich von Bohlen und Halbach is also the Chairman or a member of the following bodies:

Company	Position
• Apogenix AG, Heidelberg, Germany	Chairman of the Supervisory Board
• Cytonet GmbH & Co. KG, Weinheim, Germany, now Weinheim 216 GmbH & Co. KG i. L.	Member of the Advisory Board
• CureVac AG, Tübingen, Germany	Member of the Supervisory Board
• Immatics N.V., Tübingen, Germany	Member of the Supervisory Board
• Novaliq GmbH, Heidelberg, Germany	Chairman of the Advisory Board
• Wyss Translational Center, Zurich, Switzerland	Vice Chairman of the Evaluation Board

In addition to being a member of the Supervisory Board of Heidelberg Pharma AG, Dr. Birgit Kudlek is also a member of the following bodies:

Company	Position
• Bormioli Pharma S.p.a., Milan, Italy	Member of the Supervisory Board
• Pharmanovia Pharma Limited, London, United Kingdom	Member of the Advisory Committee
• Cidron Atrium SE (Alloheim Group), Düsseldorf, Germany	Member of the Advisory Board

The members of the Company's Supervisory Board were not active in any other control bodies at the reporting date above and beyond the activities described in the foregoing.

31.3 Remuneration of corporate bodies

A detailed description of the remuneration model and the information on remuneration of each Executive Management Board and Supervisory Board member are included in the remuneration report, which is part of the combined management report. These disclosures were subject to the audit of the annual financial statements and consolidated financial statements. The remuneration report is included in section 7, "Corporate governance", of the combined management report.

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31.3.1 Executive Management Board

Remuneration consists of a salary (fixed remuneration), other benefits (non-cash remuneration), a variable remuneration component and a stock option plan with a long-term incentive and risk element.

The members of the Executive Management Board received total remuneration of € 916 thousand (previous year: € 646 thousand) in fiscal year 2021, € 502 thousand (previous year: € 461 thousand) of which was fixed remuneration, € 152 thousand (previous year: € 150 thousand) was variable remuneration and € 35 thousand (previous year: € 35 thousand) was paid in the form of other benefits or non-cash remuneration. From the stock options issued in 2021, € 227 thousand is to be recognized as fair value at the grant date. No such remuneration existed in the previous year.

As of the reporting date, the two current members of the Executive Management Board held a total of 736,250 stock options from stock option plan with a long-term incentive and a risk element, including the stock options issued during the year.

As a result of the issuance of stock options during 2021, the cumulative fair value of all stock options granted to the current Executive Management Board members increased to € 1,223 thousand (€ 996 thousand) as of the end of the reporting period. The expenses for the current members of the Executive Management Board incurred in connection with the share-based remuneration in the fiscal year just ended totaled € 172 thousand (previous year: € 168 thousand).

31.3.2 Supervisory Board

In accordance with the Company's Articles of Association, the members of the Supervisory Board receive a fixed remuneration for each full fiscal year of service on the Supervisory Board. Members of a Supervisory Board committee are paid a flat fee per fiscal year and committee. 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.

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.

In the 2021 fiscal year, the members of the Supervisory Board were paid remuneration of € 181 thousand (previous year: € 167 thousand) without taking into account reimbursement of travel expenses.

32 Related party transactions and disclosures on expenses for the auditors

Balances and transactions between the Company and its subsidiary which are related parties were eliminated in consolidation and are not outlined in this note. Details concerning transactions between the Group and other related parties are listed below.

32.1 Shares held by the Executive Management Board and the Supervisory Board

As of 30 November 2021, members of the Executive Management Board held 132,981 shares of Heidelberg Pharma AG (representing 0.39 % of the Company's share capital of 34,175,809 shares).

Members of the Supervisory Board held 50,105 shares directly and 22,688,046 shares indirectly (representing 0.15 % and 66.39 %, respectively, of the Company's share capital).

32.2 Directors' Dealings

The German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) requires that members of the Executive Management Board, the Supervisory Board and the inner circle of Heidelberg Pharma AG's executives and parties related to them must disclose any personal trading of Heidelberg Pharma shares to the extent that such trading surpasses the statutory de minimis limit of € 5,000 per calendar year.

In fiscal year 2021, executives of Heidelberg Pharma AG carried out two reportable transactions: Dr. Jan Schmidt-Brand and Professor Pahl were each granted 37,000 stock options during the year when new stock options were issued to employees and Executive Management Board members.

32.3 Other transactions

- Heidelberg Pharma Research GmbH granted Dr. Jan Schmidt-Brand a defined contribution pension commitment in 2012 in his capacity as Managing Director of the company for which matching reinsurance was arranged. A total of € 13 thousand was paid into Heidelberg Pharma Research GmbH's defined contribution pension plan in the reporting period (previous year: € 13 thousand) and included in the staff costs for the fiscal year. There is also a defined-contribution pension commitment in respect of an employee who has since retired and in respect of Dr. Jan Schmidt-Brand, in relation to which reinsurance was arranged for the respective commitment amounts.
- In December 2020, Heidelberg Pharma entered into a subordinated shareholder loan for € 15 million with dievini. The loan does not have an expiration date, is unsecured, includes a mutual right of termination and has an interest rate of 6 % per annum. Heidelberg Pharma AG is entitled to access the loan when needed. Two tranches of € 5 million each were drawn down in the fiscal year ended, and a further € 5 million tranche in February 2022.
- Under the 2011, 2017 and 2018 stock option plans, Heidelberg Pharma AG issued a total of 736,250 subscription rights to current members of the Executive Management Board, all of which are still outstanding. As of the end of the reporting period, 603,031 of these options are vested, of which 96,812 options vested in 2021. In addition, 25,500 options for former members of the Company's Executive Management Board are outstanding and vested. No options have yet been exercised by current or former members of the Executive Management Board.
- In fiscal year 2021, transactions took place between Heidelberg Pharma Research GmbH and entities controlled by dievini or its affiliated companies, namely Apogenix AG, Heidelberg. All transactions took place without any influence or action on the part of dievini or its affiliated companies and strictly at arm's length.
- In the course of its equity investment in Emergence Therapeutics AG, Heidelberg Pharma subscribed to a convertible bond in fiscal year 2021 (see notes 1.2, 3.5 and notes 11 and 27).

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No other relationships to related parties exist in addition to the relations and financing services listed. Furthermore, no transactions that were not at arm's length within the meaning of IAS 24.23 were entered into.

32.4 Expenses for the auditors

Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, Frankfurt am Main branch office (Deloitte) was appointed the auditor of the Company's annual and consolidated financial statements at its Annual General Meeting on 18 May 2021. The Supervisory Board commissioned Deloitte with the audit.

The fee for the auditor of the consolidated and annual financial statements of Heidelberg Pharma AG recognized as an expense in fiscal year 2020/2021 amounted to € 167 thousand (of which € 7 thousand for the previous year) and relates exclusively to audits of the financial statements.

32.5 Disclosures regarding the majority shareholder

The main shareholder in Heidelberg Pharma AG is dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, (dievini). Together with all entities attributable or affiliated to it at that time, such as DH-Holding Verwaltungs GmbH and Curacyte GmbH, and the shares in Heidelberg Pharma AG held personally by Mr. Dietmar Hopp, dievini held approximately 51.67 % of the 9,305,608 Heidelberg Pharma shares as of 13 April 2015 following the capital increase at Heidelberg Pharma that became effective upon its entry in the Commercial Register on 10 April 2015. An interest of over 50 % in Heidelberg Pharma was therefore attributable to dievini and its affiliated companies for the first time in the 2015 fiscal year.

After a capital increase implemented in June 2021 and factoring in the stock options exercised by Heidelberg Pharma employees in the reporting year, the interest held by dievini and its affiliated companies together with the shares in Heidelberg Pharma AG held personally by Mr. Dietmar Hopp most recently decreased to approximately 75.31 % of Heidelberg Pharma shares compared with the end of the previous year.

The shareholdings of Dietmar Hopp, parties related to him, and the companies they control, therefore exceed the 50 % threshold. This group of persons is the majority shareholder and can exercise far-reaching control of or has power over Heidelberg Pharma AG.

33 Declaration of Conformity with the German Corporate Governance Code in accordance with Section 161 German Stock Corporation Act

The Declaration of Conformity to be submitted annually in accordance with Section 161 of the German Stock Corporation Act was submitted by the Executive Management Board and the Supervisory Board in January 2022. It has been made permanently available to all shareholders and interested parties on the Company's website.

@ www.heidelberg-pharma.com

34 Events after the reporting period

Heidelberg Pharma announced on 15 February 2022 that the first patient has been dosed with HDP-101 in a Phase I/IIa study at the Winship Cancer Institute of Emory University, Atlanta, GA, USA. The open-label, multi-center Phase I/IIa study will evaluate HDP-101, a BCMA antibody-Amanitin conjugate, for the treatment of relapsed or refractory multiple myeloma, a bone marrow cancer with high unmet medical need. The first part of the trial is a Phase I dose escalation study to determine either the maximum tolerated dose (MTD) or recommend a biologically active dose of HDP-101 for the Phase II part of the study. It is planned to treat up to 36 patients who will receive HDP-101 intravenously once every 3 weeks until disease progression, discontinuation at Investigator's discretion or patient withdrawal. During this part of the trial, tolerability of different dose levels will be evaluated. During the Phase IIa dose expansion part, the recommended dose of HDP-101 will then be administered to 30 patients. The primary objective of the Phase IIa part of the trial is to assess the preliminary anti-tumor activity of HDP-101 along with further evaluation of the safety of the drug.

On 17 February 2022, the main shareholder dievini confirmed a financing commitment in the amount of € 36 million. The funds pledged will be made available if and to the extent that this is not achieved through potential alternative capital measures. This commitment replaces the not yet fully used financing commitment from March 2021. The detailed form of the financing will be decided by the management and supervisory boards of Heidelberg Pharma as well as dievini at a later date. According to the assessment of the Executive Management Board and based on the updated budget, the funding volume pledged and the cash funds available as of the 30 November 2021 reporting date would be sufficient to finance the business activities of Heidelberg Pharma AG until mid-2023, provided that no exceptional developments change the situation.

Heidelberg Pharma AG and Huadong Medicine Co., Ltd., Hangzhou, China, announced on 28 February 2022 that the companies have entered into a strategic partnership with the signing of an exclusive licensing agreement as well as an investment agreement. The partnership includes a licensing agreement for the ATAC® technology (exclusive development and commercialization rights for HDP-101 and HDP-103 in Asia) and the Company is eligible to receive an upfront payment of USD 20 million (€ 17.5 million) and milestone payments of up to USD 449 million (€ 400 million), as well as tiered royalties ranging from single to low double digit percentages for each candidate. In addition, Huadong intends to make an equity investment in Heidelberg Pharma totaling € 105 million, representing 35 % of total shares outstanding after the transaction.

Ladenburg, 22 March 2022

Heidelberg Pharma AG, the Executive Management Board

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

Professor Andreas Pahl
Chief Scientific Officer

RESPONSIBILITY STATEMENT OF THE EXECUTIVE MANAGEMENT BOARD

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Heidelberg Pharma Group, and the combined management report includes a fair review of the development and performance of the business and the position of the Heidelberg Pharma Group and of Heidelberg Pharma AG, together with a description of the material opportunities and risks associated with their expected development."

Ladenburg, 22 March 2022

The Executive Management Board of Heidelberg Pharma AG

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

Professor Andreas Pahl
Chief Scientific Officer

INDEPENDENT AUDITOR'S REPORT

The English translation of the auditor's report is provided for convenience only. The German original is definitive.

To Heidelberg Pharma AG, Ladenburg

Report on the audit of the consolidated financial statements and of the combined management report

Audit opinions

We have audited the consolidated financial statements of Heidelberg Pharma AG, Ladenburg, Germany, and its subsidiary (the Group), which comprise the balance sheet as of 30 November 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the fiscal year from 1 December 2020 to 30 November 2021, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Heidelberg Pharma, Ladenburg, Germany, which is combined with the company's management report, for the fiscal year from 1 December 2020 to 30 November 2021. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to Sections 289f, 315d German Commercial Code (HGB), which is referred to in Section 7.1 of the combined management report.

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In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of 30 November 2021, and of its financial performance for the fiscal year from 1 December 2020 to 30 November 2021; and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the statement on corporate governance mentioned above.

Pursuant to Section 322 (3) Sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to propriety of the consolidated financial statements and of the combined management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the combined management report" Section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial law and rules of professional conduct and we have fulfilled our other

ethical responsibilities applicable in Germany in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Material uncertainty in connection with the Company's ability to continue as a going concern

Pages 55, 58 and 106

We refer to sections 8.4 "Going-concern risks" and 8.6 "Financial risks" of the combined management report as well as to chapter 6 "Going-concern risk" of the notes to the consolidated financial statements. In these sections, the executive directors state that based on their planning at that time the cash and cash equivalents available to the Company as of the 30 November 2021 reporting date were not sufficient to guarantee the Company's ability to continue as a going concern for at least the next twelve months. Based on the assumption that the financing commitment confirmed by the main shareholder dievini Hopp BioTech Holding GmbH & Co. KG, Walldorf, Germany, in February 2022 in the amount of €36 million will be implemented successfully in the first half of 2022, the executive directors assume that Heidelberg Pharma AG and/or its subsidiary Heidelberg Pharma Research GmbH, Ladenburg, Germany, will be unable from mid-2023 to satisfy their payment obligations if the cash inflows resulting from the implementation according to plan of the corporate strategy focused on the ADC technology are not sufficient or if there is no possibility to raise additional funds. As outlined in the above-mentioned sections and chapters of the combined management report and the notes to the consolidated financial statements, this refers to the existence of a material uncertainty that may cast significant doubt on the ability of the group to continue as a going concern and constitute a risk that jeopardizes the existence of the group as a going concern within the meaning of Section 322 (2) Sentence 3 German Commercial Code (HGB).

In our audit, we examined whether the preparation of the consolidated financial statements on a going-concern basis and the presentation of the Company's going-concern risks in the notes to the consolidated financial statements and in the combined management report are appropriate. In this context, we focused on assessing the current liquidity planning by examining the reliability of the data on which it is based and whether the underlying assumptions of the executive directors are sufficiently justified.

Our audit opinions have not been modified with respect to this matter.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 December 2020 to 30 November 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In additional to the matter described in the Section "Material uncertainty in connection with the Company's ability to continue as a going concern", we present the recoverability of goodwill as the key audit matter we have determined in the course of our audit.

Our presentation of this key audit matter has been structured as follows:

a) Description (including reference to corresponding information in the consolidated financial statements)
b) Auditor's response

Recoverability of goodwill

a) Goodwill of €6,111 thousand (approximately 28% of total assets) is shown in the consolidated financial statements of Heidelberg Pharma AG. The goodwill results from the acquisition of Heidelberg Pharma Research GmbH in 2011. The Company therefore allocated the goodwill to the Heidelberg Pharma Research GmbH cash-generating unit. On this basis, the Company performs impairment testing once per year and whenever a triggering event occurs.

The basis for measurement is the present value of the future cash flows of the Heidelberg Pharma Research GmbH cash-generating unit to which the goodwill is allocated; this is determined using a discounted cash flow model. The expected future cash flows are derived from the current medium-term planning adopted by the executive directors, which is based on assumptions by the executive directors relating to the future development of the market and the Company. Discounting is based on the weighted average cost of capital of the cash-generating unit. The outcome of this valuation exercise is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows and the discount rate used, and is therefore fraught with considerable uncertainty. In the light of this, and owing to the underlying complexity of the valuation models, this issue was of particular importance within the framework of our audit.

Pages 90, 107, 108 and 113

The disclosures made by the executive directors about goodwill can be found in sections 3.9, 7.2, 8 and 10.1 of the notes to the consolidated financial statements.

b) As part of our audit, we first evaluated the method used to perform the impairment test and assessed the calculation of the weighted cost of capital. In addition to our analysis of the planning, we satisfied ourselves of the appropriateness of the future cash inflows used in the measurement by comparing this data with the current projections from the medium-term planning adopted by the executive directors and approved by the Supervisory Board and through reconciliation with general and sector-specific market expectations.

In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the goodwill calculated using this method, we focused on examining the parameters used to determine the discount rate applied including the average cost of capital, and analyzed the method of calculation.

Furthermore, due to the materiality of the goodwill for the Group's net assets, we also performed our own sensitivity analyses so as to be able to estimate a possible impairment risk in the event of a potential change in a key assumption for measurement. In addition, we examined the completeness and appropriateness of the disclosures in the notes to the consolidated financial statements required under IAS 36.

Other information

The executive directors and the Supervisory Board are responsible for the other information. The other information comprises

- the report of the Supervisory Board;
- the statement on corporate governance pursuant to Sections 289f, 315d HGB, which is referred to in Section 7.1 of the combined management report;
- the executive directors' responsibility statement pursuant to Section 297 (2) sentence 4 and Section 315 (1) sentence 5 HGB, respectively, regarding the consolidated financial statements and the combined management report; and

- all remaining parts of the annual report;
- but not the consolidated financial statements, not the audited content of the combined management report, and not our auditor's report thereon.

The Supervisory Board is responsible for the report of the Supervisory Board included in the annual report. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Section 161 German Stock Corporation Act (AktG) on the German Corporate Governance Code, which is part of the statement on corporate governance that is referenced in the combined management report. In all other respects, the executive directors are responsible for the other information.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, the disclosures in the combined management report audited with regard to their content or our knowledge obtained in the audit; or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the combined management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the combined management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems;

- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates and related disclosures made by the executive directors;

- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB);

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions;

- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides;

- perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Assurance report in accordance with Section 317 (3a) HGB on the electronic reproduction of the consolidated financial statements and the combined management report prepared for publication purposes

Conclusion

We have performed an assurance engagement in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file made available with the SHA-256 value 03881ACBF76FF302E82ABFDF9B24562CE2DC424A53E4249DC9A5E22454AF8707 and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned electronic file made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the fiscal year from 1 December 2020 to 30 November 2021 contained in the "Report on the audit of the consolidated financial statements and on the combined management report" above.

Basis for the opinion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned electronic file made available in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance in Accordance with Section 317 (3a) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW AuS 410 (10.2021)). Accordingly, our responsibilities are further described below in the "Group auditor's responsibilities for the assurance engagement on the ESEF documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in Audit Firms (IDW QS 1).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 no. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Group auditor's responsibilities for the assurance engagement on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion;

- obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls;

- evaluate the technical validity of the ESEF documents, i.e., whether the electronic file made available containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file;

- evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited combined management report;

- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version applicable at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 18 May 2021. We were engaged by the Supervisory Board on 6 September 2021. We have been the group auditor of Heidelberg Pharma AG. Ladenburg, Germany, without interruption since fiscal year 2011/2012.

We confirm that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other matter – use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the assured ESEF documents. The consolidated financial statements and the combined management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Jörg Wegner.

Frankfurt am Main, 22 March 2022

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Jörg Wegner)
Wirtschaftsprüfer
[German Public Auditor]

(Christian Clös)
Wirtschaftsprüfer
[German Public Auditor]

GLOSSARY

17p-Deletion: "17p deletion" refers to the partial loss of genetic material located on the short arm of chromosome 17, whose DNA includes both the gene for tumor suppressor protein TP53 and the gene encoding the largest subunit of RNA polymerase II (POLR2A).

Amanitin: toxin that is a member of the amatoxin group of natural poisons occurring in the death cap (Amanita phalloides), among others.

Antibody Drug Conjugate (ADC) technology: Antibody drug conjugates are monoclonal antibodies attached to biologically active drugs by chemical linkers. Combining the specific targeting of antibodies with cancer-killing cytotoxic drugs enables ADCs to discriminate between healthy and tumor tissue. This combination enhances the control of drug pharmacokinetics and significantly improves delivery to target tissue.

Antibody Targeted Amanitin Conjugate (ATAC): Antibody drug conjugate using the amanitin toxic. ATACs are second-generation ADCs characterized by improved efficacy, also as regards quiescent tumor cells. Quiescent tumor cells are scarcely reached with existing standard therapies and contribute to tumor recurrence and resistance formation. These ATACs will also be used to treat therapy-resistant tumors that no longer respond to standard chemotherapy or anti-tumor antibodies.

Antigen: Structure onto which an antibody specifically binds.

Antibodies: Proteins which are produced by the immune system with the aim of identifying and destroying foreign substances that cause disease, such as viruses and bacteria.

BCMA (B-cell maturation antigen): Surface protein that is highly expressed in multiple myeloma cells.

BLA: (Biologics License Application): Application for drug approval of a biological product to the US Food and Drug Administration (FDA), which drug manufacturers must submit in order to obtain marketing approval.

CAIX: Antigen that binds to the antibody girentuximab.

CDMO: Contract Development and Manufacturing Organization.

Chemotherapy: Use of cell toxins to destroy tumor cells in the body.

Diagnostic agent: A tool, gene or protein that aids in the diagnosis of an illness.

FDA: Food and Drug Administration – regulatory authority in the US.

girentuximab: International non-proprietary name (INN) for TLX250. TLX250 is the development name for the therapeutic antibody WX-G250, which is based on the chimeric antibody cG250. The radiolabeled antibody developed under the name TLX250-CDx has the INN Iodine (124I) girentuximab.

Good Laboratory Practice (GLP): International regulations governing the conduct of tests in laboratories.

Good Manufacturing Practice (GMP): International regulations governing the production of pharmaceutical products.

HPD-101: Development name for the proprietary ATAC candidate that is composed of a BCMA antibody, a linker and the Amanitin toxin.

HDP-102: Development name for the proprietary ATAC candidate, which consists of an antibody targeting the CD37 molecule, a linker and the toxin Amanitin.

HDP-103: Development name for the proprietary ATAC candidate HDP-103, which consists of an antibody targeting the prostate-specific membrane antigen (PSMA), a linker and the toxin Amanitin.

Immune checkpoint: Immune checkpoints are receptors on the surface of T-cells. They act as modulators of T-cell response, and act as intensifiers (proinflammatory) or inhibitors (anti-inflammatory; e.g. PD-1). Checkpoint inhibitors are drugs that occupy the immune checkpoints and thus inhibit them.

IND: To be granted official approval for trialing drugs on humans (clinical studies), the applicant must first submit an "investigational new drug" (IND) application to the respective national authority. This application is based on preclinical data.

Inhibitor: Substance which reduces or inhibits specific biological activities.

In Process Research & Development (IP R&D): Not yet ready for use intangible assets.

In vitro: Refers to a procedure or reaction that takes place in a test tube

In vivo: Refers to a procedure or reaction that takes place in the body.

Linker: Bridging molecule, used e.g. to connect a toxin to an antibody.

Lymphatic system: A part of the immune system of vertebrates that consists of the lymphatic organs and thin-walled lymphatic vessels. The lymphatic organs help differentiate and propagate lymphocytes. The lymphatic system plays a key role in transporting fluids from different parts of the body and is important for lymphocyte circulation.

Metastasis: Malignant spread of a tumor in an organism.

Metastases: The spread of malignant tumor cells in the body and the formation of secondary tumors.

MGTA-117: Development name for the ATAC candidate of our licensing partner, Magenta.

Molecule: A chemical structure composed of at least two particles (atoms).

Multiple myeloma (MM): MM is a cancer of the hematopoietic system. Its typical characteristic is the proliferation of antibody-producing cells, the plasma cells. Multiple myeloma is the most common malign neoplasm of the bone marrow.

Non-Hodgkin lymphoma (NHL): All malignant cancers of the lymphatic system (malignant lymphomas), which are not Hodgkin lymphomas.

Oncology: Research field which focuses on cancer studies.

Oral: Administration via the mouth.

PEI (Paul-Ehrlich-Institut): Institute for Vaccines and Biomedical Drugs. The Paul Ehrlich Institute is responsible for the approval and government batch release of medical devices, vaccines and biomedical drugs in Germany.

Phase I: Clinical trial of a substance carried out on a low number of healthy subjects or patients under strict supervision that serves to investigate toxicity, pharmacokinetics, form of administration and safe dosage of a substance.

Phase II: Clinical trial with a low number of patients with the aim of testing the efficacy of a substance for specific indications, identifying any side effects and safety risks and determining the tolerance and optimum dosage.

Phase III: Clinical trial with a large number of patients (several hundred to several thousand) to ascertain the safety, tolerance and efficacy as well as optimum dosage of a substance under real therapy condition.

Product license agreement (PLA): Agreement for the use of a product/technology based on a license that usually concerns a patent or protected, secret know-how.

Positron emission tomography (PET): A radio nuclide imaging procedure, which can visualize biochemical and physiological processes by means of radioactive materials.

Preclinical: The preclinical phase comprises all *in vitro* and *in vivo* test systems for examining the features of a substance prior to the start of the clinical phases.

Metastatic castration-resistant prostate cancer (mCRPC): Malignant tumor disease of the prostate gland developing metastatis, which progresses despite hormone therapy. In the case of mCRPC the prostate specific antigen (PSA) value rises despite hormone therapy and low testosterone levels.

PSMA: Prostate-specific membrane antigen. PSMA is overexpressed in prostate cancer specifically and is a promising target for an ADC approach, as it shows very low expression in normal tissues.

R&D: Research and development.

RHB-107: Development name for the orally-administered serine protease inhibitor, which treats different diseases (COVID-19, cancer, inflammatory lung diseases and diseases of the digestive tract (Partner RedHill).

RNA polymerase II: Enzyme complex that mainly catalyzes the synthesis of mRNA (messenger ribonucleic acids) in the transcription of DNA in eukaryotes.

Serine protease: A type of peptidase (i.e. enzymes which catalyze the split of proteins and peptides).

Therapeutic agent: Drug applied for the treatment of illnesses.

Thrombin: Enzyme that enables blood to coagulate.

TLX250-CDx: Development name for the zirconium-89 (^{89}Zr) radiolabeled antibody girentuximab for PET diagnosis of kidney tumors (partner Telix).

TLX250: Development name for the antibody-based platform with the antibody girentuximab for diagnosis (PET imaging with ^{89}Zr-girentuximab) and treatment (^{177}Lu-girentuximab) of different types of cancer. (Partner Telix).

Toxic: Poisonous to cells.

Tumor suppressor gene TP53: Part of the genetic sequence of chromosome 17, where the p53 protein is located. P53 regulates and activates among others DNA repair mechanisms and programmed cell death TP53 is the tumor gene that mutates the most frequently.

upamostat: International non-proprietary name for the oral serine protease inhibitor RHB-107.

Xenograft models (PDX models): Patient derived xenografts (PDX) are cancer models in which a patient's tumor tissue or cells are implanted into an immunodeficient or humanized mouse. PDX models are used to create an environment that allows for the natural growth of the cancer, its monitoring, and appropriate treatment assessments for the original patient.

FINANCIAL CALENDAR2022

Date	Type of report/event
24 March 2022	Annual Report 2021, financial press conference and analysts' meeting
28 April 2022	Interim management statement on the first three months of 2022
28 June 2022	Annual General Meeting 2022
14 July 2022	Half-yearly Financial Report 2022
13 October 2022	Interim management statement on the first nine months of 2022

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Please see our website for the current list of conferences 2022.

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The English translation of the Annual Report is provided for convenience only. The German original is definitive.

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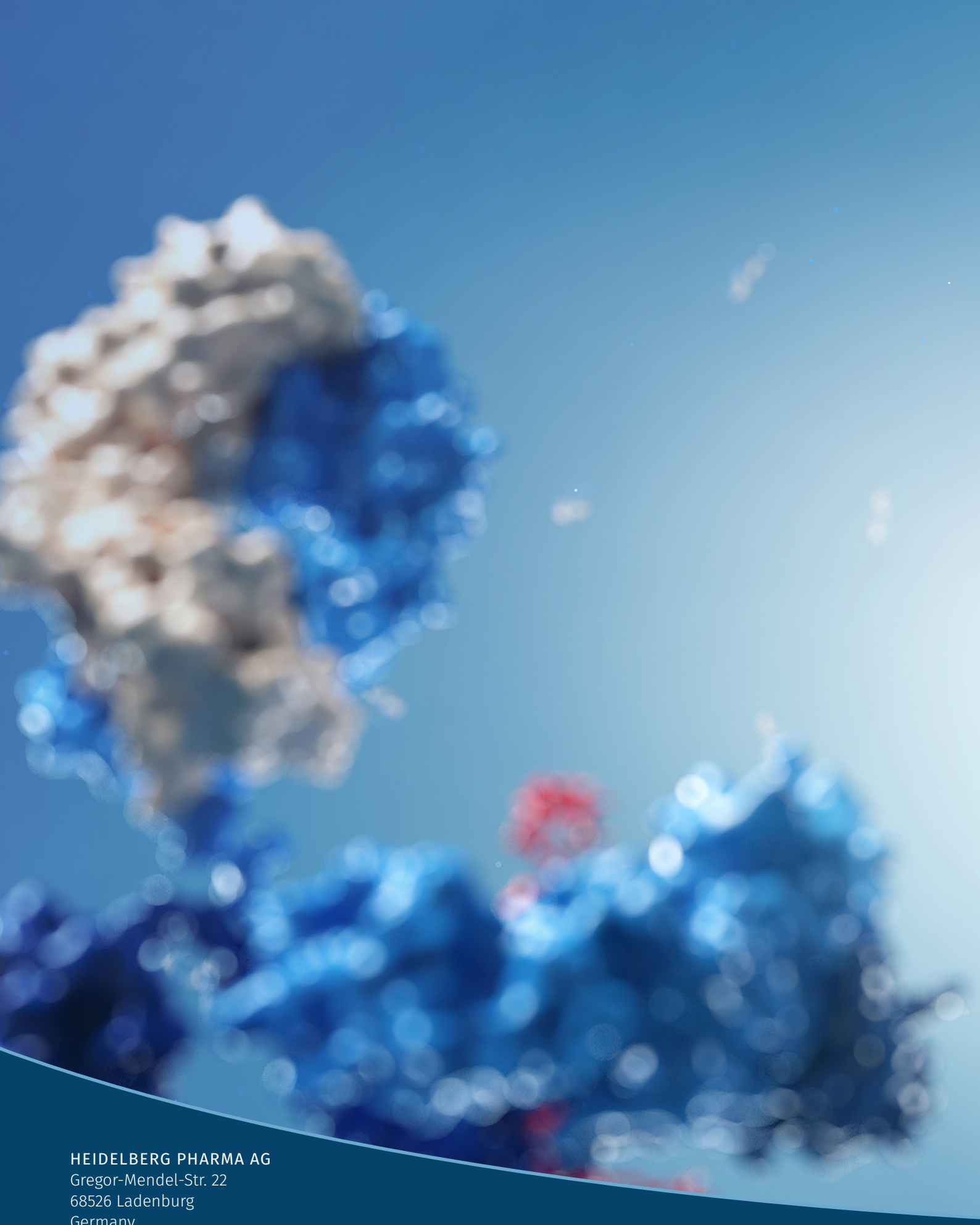

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