

The guidance for the current fiscal year published in March 2019 was adjusted in October 2019. Whereas the forecast for sales revenue was raised and earnings before interest and taxes improved, the funding requirement decreased in parallel. In addition, operating expenses were reduced within the previously published range.

Financials	Guidance 03/2019 € million	Guidance 10/2019 € million	Actual 2019 € million
Sales revenue and other income	5.0–7.0	7.5–8.5	8.0
Operating expenses	14.0–18.0	15.5–17.5	18.1
Operating result	(8.0)–(12.0)	(7.5)–(9.5)	(10.1)
Total funding requirement	10.0–14.0	8.0–10.0	9.6
Funds required per month	0.9–1.2	0.7–0.9	0.8

Total assets and equity decreased year-over-year because in 2019 the Company saw an excess of expense over income as well as negative cash flow from operating activities and investing activities.

6 Corporate governance

6.1 Statement on Corporate Governance pursuant to Sections 289f, 315d German Commercial Code for the 2019 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 (Aktiengesetz, AktG). Both corporate bodies had an in-depth discussion regarding compliance with the requirements of the GCGC as amended on 07 February 2017.

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.

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The Statement on Corporate Governance was posted on the Company's website under "Press & Investors > Corporate Governance" on 31 January 2020. 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.

6.2 Remuneration report

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 (Vorstandsvergütungs-Offenlegungsgesetz).

Remuneration of the Executive Management Board

The Supervisory Board is responsible for determining the remuneration of the Executive Management Board in accordance with Section 107 (3) of the German Stock Corporation Act. 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.

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.

Salary 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 12 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 €255 thousand, Dr. Schmidt-Brand receives the following non-cash benefits: Under the director's contract, Heidelberg Pharma Research GmbH makes payments into a defined-contribution, reinsured pension plan. In 2019, 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 €200 thousand.

In addition, company cars were made available to Dr. Schmidt-Brand and Professor Pahl for the entire fiscal year. The value of this non-cash benefit in 2019 was €9 thousand for Dr. Schmidt-Brand (previous year: €9 thousand) and €13 thousand (previous year: €10 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 the corporate goals of Heidelberg Pharma and refers to the achievement of defined milestones.

Dr. Schmidt-Brand receives a maximum annual bonus of €100 thousand (2018: €85 thousand due to the contract adjustment made during the year). In the fiscal year now ended, Dr. Schmidt-Brand was paid a bonus of €60 thousand for the 2018 fiscal year.

Professor Pahl's annual bonus is also capped at €100 thousand. In the fiscal year now ended, Professor Pahl was paid a bonus of €70 thousand for the 2018 fiscal year.

Remuneration component with incentive and risk features

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 a lock-up period of four years at the earliest. 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.

As a result of a new issue in the 2019 fiscal year, the number of share options held by the two members of the Executive Management Board has increased. As of the 30 November 2019 reporting date, the active members of the Executive Management Board thus held 312,000 options under the 2011 Stock Option Plan (Dr. Schmidt Brandt 222,000 options, Professor Pahl 90,000), 201,200 options under the 2017 Stock Option Plan (each Executive Management Board member held 100,600 options) and 149,050 options under the 2018 Stock Option Plan (each Executive Management Board member held 74,525 options).

At the reporting date of 30 November 2019, 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 for Executive Management Board members were recognized as an expense in the 2019 fiscal year:

Executive Management Board member	Fixed remuneration €		Variable remuneration ¹ €		Other remuneration (non-cash benefits) €		Total remuneration ^{1,2} €	
	2019	2018	2019	2018	2019	2018	2019	2018
Dr. Jan Schmidt-Brandt ²	255,000	226,682	75,000	63,750	22,672	22,672	352,672	313,103
Professor Andreas Pahl	200,000	200,000	75,000	75,000	13,452	10,578	288,452	285,578
Total	455,000	426,682	150,000	138,750	36,124	33,250	641,124	598,681

¹ The exact variable remuneration is usually determined and paid in the following fiscal year. The figures shown here for the 2019 fiscal year are based on provisions that were determined on the basis of assumptions and historical data.

² The remuneration of Dr. Schmidt-Brandt 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 €249 thousand of the total remuneration is attributable to his work as a member of the Executive Management Board of Heidelberg Pharma AG.

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

Executive Management Board member	30 Nov. 2018 Number	Additions Number	Expiry/return Number	Exercise Number	30 Nov. 2019 Number
Dr. Jan Schmidt-Brandt	322,600	74,525	0	0	397,125
Professor Andreas Pahl	190,600	74,525	0	0	265,125
Total	513,200	149,050	0	0	662,250

Executive Management Board member	Expense in the 2019 IFRS statement of comprehensive income €	Fair value of the options held on 30 Nov. 2019 ¹ €
Dr. Jan Schmidt-Brand	144,820	620,601
Professor Andreas Pahl	114,077	375,197
Total	258,896	995,798

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. 2017 Number	Additions Number	Expiry/return Number	Exercise Number	30 Nov. 2018 Number
Dr. Jan Schmidt-Brand	222,000	100,600	0	0	322,600
Professor Andreas Pahl	90,000	100,600	0	0	190,600
Total	312,000	201,200	0	0	513,200

Executive Management Board member	Expense in the 2018 IFRS statement of comprehensive income €	Fair value of the options held on 30 Nov. 2018 ¹ €
Dr. Jan Schmidt-Brand	127,942	503,147
Professor Andreas Pahl	96,252	261,150
Gesamt	224,194	764,297

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 Deputy Chairman receives € 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 by video conference 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 2019 fiscal year, the members of the Supervisory Board were paid remuneration of €175,500 (previous year: €171,750) plus reimbursement of travel expenses.

The table below shows the individual remuneration:

Supervisory Board member	Fixed remuneration €		Attendance allowance €		Committee fee €		Total remuneration €	
	2019	2018	2019	2018	2019	2018	2019	2018
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	7,500	6,750	10,000	10,000	42,500	41,750
Dr. Friedrich von Bohlen und Halbach	15,000	15,000	4,500	4,500	7,000	7,000	26,500	26,500
Dr. Birgit Kudlek	15,000	15,000	7,500	5,250	6,000	6,000	28,500	26,250
Dr. Mathias Hothum	15,000	15,000	6,000	6,750	3,000	3,000	24,000	24,750
Total	105,000	105,000	37,500	33,750	33,000	33,000	175,500	171,750

6.3 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 mandatory convertible bonds converted during the reporting period, the Company's subscribed capital increased from €28,133,308 to €28,209,611 compared with the end of the previous year.

The share capital is composed of 28,209,611 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 ff, 118 ff and 186 of the German Stock Corporation Act and the Company's Articles of Association. There are no restrictions on voting