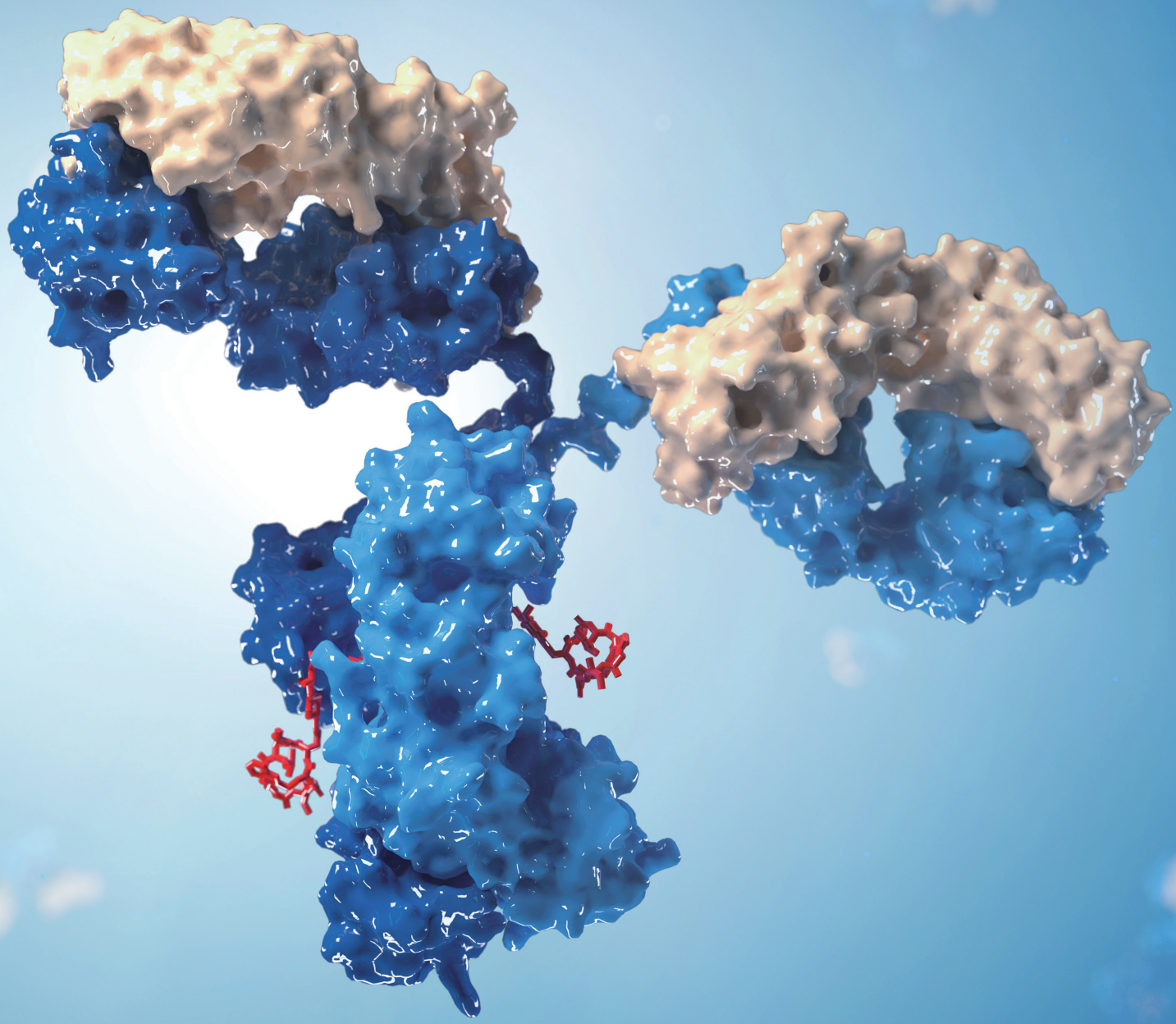
Heidelberg PHARMA

Focused Cancer Therapies



ANNUAL REPORT 2020

KEY FIGURES

	2020[1] € '000	2019[1] € '000
Earnings		
Sales revenue	8,488	7,309
Other income	1,088	655
Operating expenses	(27,861)	(18,107)
of which research and development costs	(18,287)	(10,942)
Operating result	(18,285)	(10,143)
Earnings before tax	(18,369)	(10,143)
Net loss for the period	(18,369)	(10,148)
Earnings per share in € (basic)	(0,61)	(0,36)
Balance sheet at end of period		
Total assets	19,609	22,990
Cash and cash equivalents	4,982	9,884
Equity	12,879	16,293
Equity ratio[2] in %	65.7	70.9
Cash flow statement		
Cash flow from operating activities	(18,136)	(8,557)
Cash flow from investing activities	(1,043)	(976)
Cash flow from financing activities	14,288	0
Employees (number)		
Employees as of the end of the period (headcount)[3]	84	75
Employees as of the end of the period (full-time equivalents)[3]	78	70

[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 specializing in oncology and Antibody Targeted Amanitin Conjugates (ATACs).

We are working towards developing a novel approach to cancer treatment. This approach focuses on the unique biological mode of action of Amanitin, a mushroom toxin. The toxin is coupled to antibodies that target and deliver the drug to cancer cells to be uptaken. 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.

We apply our proprietary and innovative ATAC technology to produce the Antibody Targeted Amanitin Conjugates which we use for our own development activities, enhance by way of research collaborations and market to license partners under our hybrid business model. We develop our proprietary ATACs until the early clinical development phases with the aim of demonstrating their applicability and efficacy in patients. We collaborate with different biopharmaceutical companies to research different ATAC candidates which are also tested for other indications such as autoimmune diseases or gene therapies. Our partners provide specific antibodies that are combined with Amanitin and they handle the entire preclinical and clinical development of these ATACs.

Our own, most advanced product candidate HDP-101 is a BCMA-ATAC that was first used to fight multiple myeloma. The first clinical trial with HDP-101 is expected to start in the second quarter of 2021 in the US and later in Germany.

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
Proprietary ATAC pipeline								
HDP-101	BCMA	Multiple myeloma (DLBCL/CLL)						Proprietary
HDP-102	CD37	NHL						Proprietary
HDP-103	PSMA	Prostate cancer						Proprietary
CDXX-ATACs	n/a	Solid/hematological tumors						Proprietary
ATAC collaborations								
MGTA-ATACs	CD117, CD45	HSCs, conditioning programs for blood cancers and genetic diseases						Magenta
TAK-ATACs	n/a	Oncology						Takeda/ Millennium
EMR-ATAC	Nectin-4	Solid tumors						Emergence
Licensed legacy assets (non-ATACs)								
TLX250-CDx	CA-IX	Renal cancer						Telix
TLX250	CA-IX	Renal cancer						Telix
RHB-107		Oncology/GI						RedHill
RHB-107		COVID-19						RedHill
LH011		Breast cancer, pancreatic cancer						Link Health

HIGHLIGHTS OF FISCAL YEAR 2020

2020

January

Heidelberg Pharma obtains €15 million financing commitment from its main shareholder dievini

March

Heidelberg Pharma receives US patent rights granted for diagnosing and treating patients with hemizygous T53 deletion with Amanitin-based drugs

European Patent Office grants Heidelberg Pharma a patent for amatoxin conjugates for tumor therapy

Antibody production launched for development candidate HDP-102 under GMP (Good Manufacturing Practice) conditions for preclinical development

April

Capital increase implemented by way of a private placement with €14.4 million raised

May

GMP production of antibody for preclinical development candidate HDP-103 started

July

Additional financing commitment of € 15 million made by major shareholder dievini to enable expansion of the proprietary pipeline to include HDP-102 and HDP-103

Virtual Annual General Meeting held with the election of a new Supervisory Board

GLP toxicity study with HDP-101 completed

Production of HDP-101 under GMP conditions for clinical trial completed

September

Heidelberg Pharma receives milestone payment from Partner Magenta for progress achieved with MGTA-117

Guidance updated due to increasing R&D expenditures

October

Meeting with the US Food and Drug Administration (FDA) to discuss the study design for the clinical trial with HDP-101

Announcement of various research findings on ATAC technology from partners Magenta and MD Anderson for presentation at the 2020 ASH Annual Meeting

December

Presentation of the study design for the clinical trial with HDP-101 at the ASH Annual Meeting

Financing commitment from dievini implemented as shareholder loan

Completion of HDP-101 data package for submission to the FDA

LETTER TO THE SHAREHOLDERS

Dear Shareholders,

The year 2020, with the pervasive coronavirus pandemic, posed incredible challenges for all of us, including Heidelberg Pharma and its employees. However, we are pleased to report that the impact on our company has been fairly limited. Anyone who could work from home was asked to do so. For employees who needed to be on site, we established a system of rolling teams to mitigate the risk of contagion. Thanks to the discipline and prudence of the entire team, these measures were a success, and the Company did not register a single case of COVID-19 infection. To date, there have been few disruptions or delays in research and development activities or with our supply chains.

2020 was dominated by preparations for the first clinical trial for the lead product candidate HDP-101 for the treatment of multiple myeloma. The enormous commitment of our staff was rewarded in early 2021 when the US Food and Drug Administration (FDA) gave us the green light to initiate a Phase I/IIa trial. This was an important milestone for Heidelberg Pharma! We would like to extend heartfelt thanks to all of our staff for their hard work, dedication and willingness to tackle challenges, especially in this unusual year.

Proprietary development candidate HDP-101

The main focus was on completing tolerability studies under GLP conditions, producing GMP-grade trial drug, developing the clinical trial plan, selecting the clinical centers, and working out the clinical trial logistics with the Clinical Research Organization. We submitted an IND application to the FDA at the beginning of 2021. Following constructive dialog with the Agency, we received the go-ahead to conduct a Phase I/IIa trial with HDP-101 in the United States. HDP-101 will be tested in people suffering from multiple myeloma. We are expecting patients to be enrolled and dosed in the coming weeks. We are excited to again be a company with a clinical development program, and we very much hope that our promising preclinical data will be confirmed in clinical testing.

Addition of new ATAC candidates to the project pipeline

Based on good data with other target molecules, we decided to move forward with the expansion of our portfolio during 2020. This led to two more ATAC candidates being identified and named for further development – HDP-102 for non-Hodgkin lymphoma (NHL) and HDP-103 for the treatment of metastatic castration-resistant prostate cancer (mCRPC), an advanced form of prostate cancer that is very challenging to treat. One of our contract manufacturers has already produced antibody material for the two candidates, and we intend to continue preclinical development in the current year with a view to enhancing the company's value through a broader portfolio.

GMP supply with Amanitin linkers

During 2020, we reinforced our role as a supplier of Amanitin linkers in collaboration with Carbogen, ensuring timely delivery of several GMP batches of various Amanitin derivatives not only for our own projects, but also for those of our partners. With our growing experience, we were able to improve the manufacturing processes, which became more robust with higher yields.

Biomarker concept for 17p deletion and activation of the immune system

Our diverse scientific collaborations in Germany and the United States, among others with Heidelberg University Hospital, the MD Anderson Cancer Center at the University of Texas and the School of Medicine at Indiana University, have led to high-profile publications that have shown the exciting potential of the ATAC technology. For example, data have been published showing that aggressive tumors with a 17p deletion are particularly susceptible to treatment with ATACs and that ATACs also have immunostimulatory properties that makes them suitable for combination with other therapies, such as checkpoint inhibitors.

Advances with out-licensed clinical portfolio

Good progress was also made in 2020 at our partners for the out-licensed portfolio of clinical projects beyond ATAC technology. RedHill Biopharma initiated a Phase II/III clinical trial with RHB-107 (upamostat) for the treatment of COVID-19 patients with symptomatic disease who do not require hospitalization based on promising preclinical models. The first patient was enrolled in early February 2021. RHB-107 is also planned to be evaluated in a cancer indication.

In spite of disruption caused by the coronavirus pandemic, Telix Pharmaceuticals Limited, our licensing partner for the radiolabeled antibody girentuximab, obtained approval in the course of 2020 to conduct its pivotal Phase III ZIRCON trial in the USA (IND). Telix is investigating imaging diagnostics of kidney cancer with its TLX250-CDx product using positron emission tomography (PET) and has now also enrolled the trial's first US patients. Recruitment for the trial, which is ongoing across 36 sites in Europe, Turkey, Australia, Canada and the US, is expected to complete enrollment around mid-2021.

Financial position of Heidelberg Pharma

Based on its most recent guidance updated in September 2020, Heidelberg Pharma achieved its financial targets. Sales revenue was up slightly year over year. This increase can be attributed to services for the ATAC collaborations, reaching milestones and the supply of materials from partners. Expanding the proprietary development portfolio pushed up research and development costs. As an R&D company, we are investing in the future of our technology and as such, expect to incur increased operating losses as we advance our programs through development.

Our main shareholder, dievini, has supported our strategy for many years now through its continuous financial backing. Last year, for example, two financing commitments of €15 million each were incrementally implemented. We are delighted that dievini is continuing to show its confidence in Heidelberg Pharma in 2021 with a further financing commitment of €30 million, which will secure our funding until mid-2022. Going forward, our financing needs will not be insignificant, and we are working together to expand our investor base and inform investors about the potential of the ATAC technology.

First ATAC enters clinical development

We are about to start clinical development of HDP-101 for the treatment of patients with multiple myeloma. We hope that this trial will contribute to the development of more efficacious therapies for patients with this form of cancer. It will also provide valuable data for the use of our innovative ATAC technology for the treatment of cancer in general. Amanitin's novel mode of action for medicine, its efficacy against aggressive tumor cells, and our preclinical data results give us reason to be optimistic about the potential of this innovative technology. We are working on a number of other promising product candidates and are in close dialog with scientists and the biopharmaceutical industry. We remain true to our mission of developing targeted, highly effective therapies with a manageable side effect profile to treat cancer. We are very pleased that Dr. András Strassz and Dr. Mathias Locher are joining our management team as we gain valuable know-how and necessary expertise to achieve our goals.

We would like to sincerely thank our shareholders, business partners and employees for their long-standing support.

Ladenburg, 23 March 2021
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, most of which were held virtually due to the coronavirus pandemic, 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 2020 fiscal year

In the 2020 fiscal year (1 December 2019 to 30 November 2020), the Supervisory Board met for five regular meetings. Four meetings were held in a virtual format, and one was held via conference call. In addition, conference calls were conducted as a regular part of monitoring and advising the Executive Management Board.

Date	Hettich	Baur	Von Bohlen und Halbach	Kudlek	Hothum
16 March 2020	X (in person)	X	–	x	X (in person)
19 May 2020, virtual	X	X	X	X	X
22 July 2020, virtual	X (in person)	X	–	X	X (in person)
22 Sep. 2020, virtual	X	X	X (in person)	X	X (in person)
26 Nov. 2020, virtual	X	X	X	X (in person)	X (in person)

Main topics at the meetings of the Supervisory Board in the 2020 fiscal year

In the 2020 fiscal year, the Supervisory Board discussed and approved the following items requiring its approval:

- Evaluation of corporate objectives for the 2020 fiscal year and definition of corporate objectives for the 2021 fiscal year
- Budget for the 2021 fiscal year
- Approval of the 2019 annual and consolidated financial statements
- Agenda and proposed resolutions for the 2020 Annual General Meeting; in particular, proposals for Supervisory Board candidates for re-election at the 2020 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 M&A activities
- Negotiation mandates for potential contractual partnerships
- Implementation of a capital increase in April 2020
- Review of additional potential financing options
- Change of the stock exchange symbol of Heidelberg Pharma AG
- Reappointment of Executive Management Board member Professor Andreas Pahl and conclusion of the director's contract.

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

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 licensees for TLX250-CDx 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 refining and marketing its technology platform for therapeutic antibody drug conjugates.

Virtual 2020 Annual General Meeting

The Annual General Meeting of Heidelberg Pharma AG was held on 22 July 2020 in a virtual format due to the coronavirus pandemic. All proposed resolutions were adopted by majorities of more than 99 %.

Corporate governance

www.heidelberg-pharma.com

The Supervisory Board together with the Executive Management Board decided on 29 January 2021 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

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 2020. The reappointment of Prof. Pahl's contract was decided in the plenary session.

For efficiency, a joint Compensation and Nomination Committee was established, which covers both areas separately in its meetings. The Compensation Committee met once in fiscal year 2020. The reappointment of Prof. Pahl'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 2020 fiscal year. Based on a proposal by the Supervisory Board, Deloitte was elected by the Annual General Meeting on 22 July 2020 and subsequently commissioned by the Supervisory Board to audit the Company's annual financial statements for the 2020 fiscal year. The Supervisory Board obtained in advance a declaration of the auditor's independence in accordance with the GCGC. The Audit Committee also discussed the annual report for 2020 with the auditor, Deloitte. The Audit Committee discussed the half-yearly report for 2020 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 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 auditors, 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 2020, 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 2021 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 approves 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 auditors issued the following unqualified auditor's report on 22 March 2021:

"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 auditors 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 2020 fiscal year.

Ladenburg, 23 March 2021

For the Supervisory Board

Professor Christof Hettich
Chairman of the Supervisory Board

INVESTOR RELATIONS

Market development

Events such as the coronavirus pandemic, the US presidential election, and the Brexit negotiations weighed heavily on the stock markets in 2020, causing upheaval and considerable volatility. After recording historic losses in the first quarter, the equity markets embarked on a recovery path in the second half of the year. Toward the end of the year, share prices rose again and the major indexes closed in positive territory. Germany's benchmark index, the DAX, finished the year trading up 3.5 %, while the TecDAX technology index posted gains of 6.6 %.

Initial success in combating the pandemic was reflected in the biotechnology segment of the markets. The NASDAQ Biotechnology Index rallied sharply towards year-end, trading 27 % higher at the close of the year. The German DAXsubsector Biotechnology Index even ended the year with a remarkable 48 % gain. The biopharma sector is making an important contribution to fighting the COVID-19 pandemic, which means that it, too, has exhibited outstanding performance during this period.

The successful performance of the biotechnology sector is also reflected in the financing activities. Around the world, capital of USD 33.9 billion was raised in 2020 by means of 148 IPOs (2019: USD 11.9 billion, 100 IPOs).[1] Through capital increases, 285 companies amassed a further USD 47.2 billion. German companies raised funds of more than € 3.0 billion overall (2019: € 860 million), with € 2.1 billion obtained over the stock exchange.[2] Half of this record total went to COVID-19 vaccine developers BioNTech and CureVac.

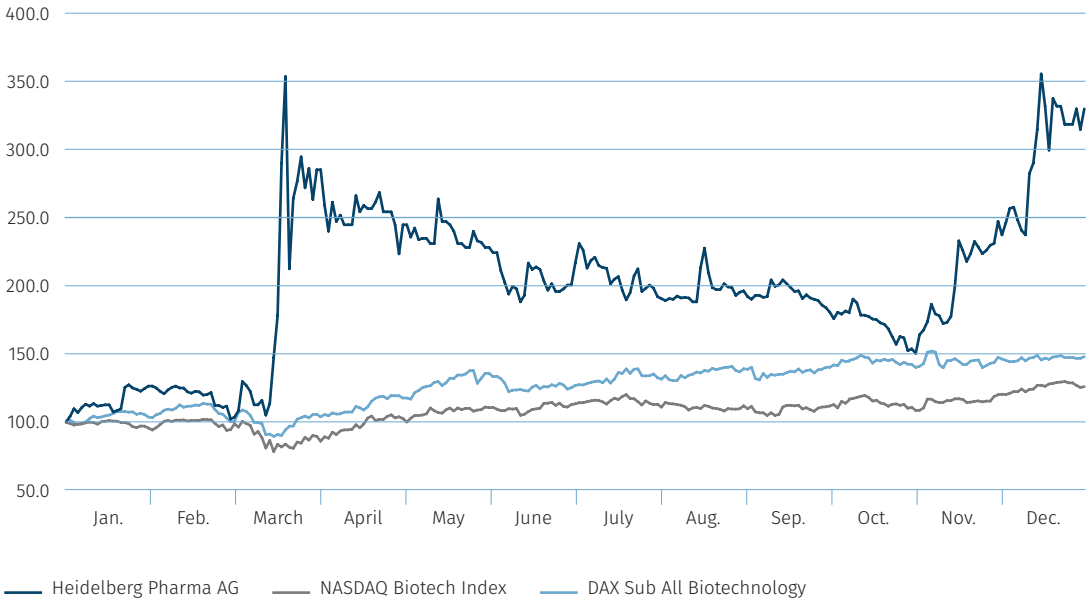
Share price performance of the Heidelberg Pharma share in 2020

The Heidelberg Pharma share delivered a very encouraging performance in 2020, starting the year at € 2.11 before gaining ground in the weeks that followed and then soaring in March to reach a high for the year of € 9.30. During the summer months, the share was trading at between € 4 and € 5. After dipping slightly in October to a level of between € 3 and € 4, the share continually rose in the last two months of the year. Heidelberg Pharma's shares closed the year trading at € 6.94 (Xetra), an increase of 229 % on the opening price for 2020.

1 BioCentury, A maturing mid-cap sector could keep funds flowing into biotech, 18 January 2021 https://www.biotechgate.com/app/upload/vcdeals/free_version/biotech_financing_summary_January_2021_free_90794e3b.pdf

2 Bio Deutschland, 14 January 2021: Deutsche Biotechnologiebranche während der Pandemie – Rekordfinanzierung und hohe Erwartungen an die Politik. https://www.biodeutschland.org/de/pressemitteilungen/deutsche-biotechnologiebranche-waehrend-der-pandemie-rekordfinanzierung-und-hohe-erwartungen-an-die-politik.html?year=2021

Heidelberg Pharma's share price performance, indexed as of 1 January 2020



Trading and liquidity

The average daily trading volume of Heidelberg Pharma's shares across all German stock exchanges in 2020 (1 January to 31 December 2020) quadrupled year-over-year, from 9,441 to 38,558 shares. The Company's market capitalization at the end of December 2020 was € 215.57 million (2019: € 59.52 million).

Key share figures Period under review: 1 January to 31 December2020[1]	FY 2020	FY 2019
Market capitalization in € million	215.57	59.52
Number of shares issued	31,061,872	28,209,611
Closing price (XETRA) in €	6.94	2.11
High[2] in €	9.30 (on 16 Mar. 2020)	3.39 (on 17 Apr. 2019)
Low[2] in €	2.06 (on 2 Jan. 2020)	1.98 (on 31 Oct. 2019)
Volatility (260 days; XETRA) in %	115.58	36.84
Average daily trading volume[2] in shares	38,558	9,441
Average daily trading volume[2] in €	198,755	24,953

[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 April by issuing 2,820,961 new shares from authorized capital, which corresponded to just under 10 % of share capital at that time. This generated gross issue proceeds of around € 14.4 million.

This measure and the exercise of stock options during the year lifted share capital to 31,061,872 shares.

Annual General Meeting

The Annual General Meeting of Heidelberg Pharma AG was held on 22 July 2020 in a virtual format due to the COVID-19 pandemic. Of the Company's share capital at that time (31,030,572 no par value bearer shares), 25,283,596 shares, or 81 %, 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 elected a new Supervisory Board. The following persons were re-elected to the Supervisory Board: Professor Christof Hettich, Dr. Georg F. Baur, Dr. Friedrich von Bohlen and Halbach, Dr. Birgit Kudlek and Dr. Mathias Hothum.

Other items on the agenda included:

- Resolution to revoke the existing Authorized Capital 2018/I and create new Authorized Capital 2020/I as well as to amend the Articles of Association accordingly
- Resolution on the authorization of the Executive Management Board to issue convertible bonds or bonds with warrants, to raise contingent capital for this purpose (Contingent Capital 2020/I) and to amend the Articles of Association accordingly
- Resolution to approve the signing of a profit and loss transfer agreement with Heidelberg Pharma Research GmbH

- Resolution on amendments to the Articles of Association regarding the rules for attending the Annual General Meeting, the Supervisory Board's quorum and the position of Chairman of the Annual General Meeting

All proposed resolutions were adopted by majorities of more than 99 %.

Change of stock exchange symbol and expansion of IR activities

The stock exchange symbol of Heidelberg Pharma AG was changed from WL6 to HPHA and has been applicable since 19 June 2020. In the second quarter, Stifel Europe Bank expanded its coverage by acting as designated sponsor for Heidelberg Pharma in addition to providing analyst research. Heidelberg Pharma and New York-based Solebury Trout also signed an agreement at the end of June to step up the Group's IR activities in the US. The goal is to bring Heidelberg Pharma's share and equity story more into the focus of institutional investors in the United States based on its upcoming clinical program.

Shareholder structure of Heidelberg Pharma AG[1]	
Dietmar Hopp, parties related to him and companies controlled by them[2]	76.61 %
UCB	3.64 %
Corporate bodies (held directly)	0.72 %
Free float	19.03 %

[1] As of 30 November 2020

[2] Comprises dievini Hopp BioTech holding GmbH & Co. KG and DH-Holding Verwaltungs GmbH. All figures are assumptions by Heidelberg Pharma AG based on the most recent notifications in accordance with the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) 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:	€ 31,061,872
Admitted capital:	31,061,872 bearer shares of common stock
Designated sponsors:	Pareto Securities AS, Stifel Europe Bank AG

[1] As of 30 November 2020

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Please see page 150 for the 2021 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 2019 to 30 November 2020

1 Company overview

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

Pages 18–34 and 65

Chapters 1 through 5 and chapter 10 of this management report provide an overview of business activities in the past fiscal year, while chapters 7 through 10 outline the current situation and predict future developments. Reference is made particularly to chapter 7, "Risk report."

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"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 (formerly: Heidelberg Pharma 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 held an equity interest in the newly founded 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 (Handelsgesetzbuch – 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 2020 fiscal year (01 December 2019 to 30 November 2020).

1.2 Business activities

Glossary

The purpose of Heidelberg Pharma AG as a holding company in fiscal year 2020 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.

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 (Antibody Targeted Amanitin Conjugates) 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 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 2020."

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1.3 Business model, corporate strategy and goals

The research and development work of Heidelberg Pharma is aimed at developing new and targeted cancer therapies for patients based on biopharmaceutical, highly potent compounds.

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 disease-specific types of antibodies. The strategy is to validate the technology platform in clinical trials, broaden its application based on its unique mode of action, and use it to develop new therapeutic options for patients. The goal is to create value for the Company and its shareholders. Heidelberg Pharma wants to achieve this goal by utilizing a hybrid business model, which comprises both developing a proprietary product pipeline and licensing the technology to other companies.

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 important of the Company's pipeline projects is HDP-101, a drug conjugate that consists of an antibody targeting the protein BCMA and is connected to the Amanitin toxin via a linker. Following extensive preclinical development, the Company completed the preclinical data set in 2020 and in early January 2021 submitted the application to conduct a clinical trial with the US Food and Drug Administration (FDA). The FDA approved the clinical trial (IND, Investigational New Drug) in February 2021. After the IND was granted, the Company went ahead as planned and submitted the application to the German authority, the Paul Ehrlich Institute, in mid-March 2021. Alongside developing HDP-101, Heidelberg Pharma continuously examines additional ATAC candidates in preclinical tests for efficacy and tolerability to identify further potential development candidates. In the course of the 2020 financial year, Heidelberg Pharma selected two additional ATAC candidates, HDP-102 and HDP-103, for further development.

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 and the preclinical service business to continually generate sales revenue and license payments.

Glossary

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 would be 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, are reviewed at least monthly and are the key control variables of Heidelberg Pharma. Research and development expenses are a particularly important measure of performance. These expenses 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 how long sufficient cash will be available to fund operations. Section 5.9 entitled, "Overall assessment of the fiscal year 2020 by the Executive Management Board of Heidelberg Pharma" in 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 US and Europe. Heidelberg Pharma Research GmbH has systematically improved the technology and expanded its patent portfolio with several new filings. In the meantime, applications for 16 more international patents have been filed, some of which have already been nationalized and regionalized in many countries. A total of three patent applications for the development candidate HDP-101 have been submitted to the European Patent Office. Patents 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 is the patent granted in Europe and the US for the chemical synthetic building block dihydroxyisoleucine for the production of Amanitin, since this synthetic building block has no natural source. These intellectual property rights are key for producing Amanitin in good manufacturing practice (GMP) quality in clinical applications. New priority applications that protect certain synthesis processes and derivatives of Amanitin were filed in the

fiscal year ended again. The Company's patent strategy currently expects the patents to cover a period up to 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 2020 fiscal year, Heidelberg Pharma AG held licensed intellectual property rights and owned more than 100 patents and patents pending 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 2020

2.1 Macroeconomic environment

The International Monetary Fund (IMF) estimates that the global economy contracted by 3.5 % in 2020 (2019: growth of 2.9 %). The eurozone in particular felt the impact of the global pandemic and subsequent restrictions, with GDP declining by 7.2 %. Negative GDP growth of –5.4 % is forecast for Germany in 2020, down from +1.2 % in the previous year.[3]

2.2 Impact of the COVID-19 pandemic

The COVID-19 pandemic affected day-to-day business processes at Heidelberg Pharma only to a minor extent. To protect staff, the Company took early steps such as having many of its employees work from home and implementing a rolling system for employees working on site, in order to comply with the safety protocols. There were few disruptions or delays in research and development activities and necessary supply chains.

Maintaining a dialog with the scientific community and potential investors became more difficult due to COVID-19. The cancellation or postponement of many conferences and conventions significantly reduced opportunities for informal and casual meetings. However, as the year went on, the conditions for virtual dialog improved and the frequency of contact returned to the level seen at the beginning of the year.

Reduced manpower and temporary laboratory closures at collaboration partners with early-stage projects led to delays in some cases, which could affect expected milestone payments and the duration of research activities. Our partner Telix Pharmaceuticals Limited (ASX: TLX), Melbourne, Australia, (Telix) stopped recruiting patients for the pivotal Phase III ZIRCON trial in March 2020 owing to the restrictions resulting from the pandemic, but recommenced recruitment activities in June.

Glossary

2.3 Development of the pharmaceutical and biotechnology industry

The FDA approved more drugs in 2020 than in the preceding year (2020: 53; 2019: 48), though not as many as in 2018 (59). The Center for Biologics Evaluation and Research (CBER) also approved eight new biologics in 2020.[4] In Germany, the number of approvals also exceeded the prior-year figure, at 32 (2019: 25).[5] After being

3 https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update

4 https://www.fda.gov/drugs/new-drugs-fda-cders-new-molecular-entities-and-new-therapeutic-biological-products/novel-drug-approvals-2020

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

authorized for emergency use in May, only months after the onset of the global COVID-19 pandemic, Veklury (remdesivir) was approved in the United States in October as the first drug for the treatment of COVID-19.[6] The pandemic massively increased the workload of the regulatory authorities, in terms of both reviewing applications for trials and approving vaccines and drugs.

The World Health Organization (WHO) has estimated that cancer was responsible for 9.6 million deaths in 2018.[7] According to forecasts, more than 27 million new cancer cases will be diagnosed every year until 2040.[8] The high demand for effective cancer therapies is also reflected in the approvals of new drugs: In 2020, 18 new cancer drugs were approved in the US.[9] The corresponding figure for Germany was ten.[10] Sales of oncology therapeutics totaled USD 143 billion in 2019, representing 20 % of global pharmaceutical sales. Further growth to USD 250 billion is forecast for 2024.[11]

Therapies with antibody drug conjugates (ADCs)

ADCs are 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.[12] Most ADCs are developed as cancer therapies, 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 breast cancer, but also other solid tumors.[13]

The number of ADC programs has gone up overall. At the end of 2020, ten (2019: ten) oncological ADCs were in clinical Phase III trials, of which three have already received approval; others are still being tested. A further 28 (2019: 38) ADCs were in Phase II trials and 101 (2019: 70) in Phase I trials. A total of 79 ADC candidates (2019: 54) are currently in preclinical studies.[14]

Glossary

In 2020, two new ADCs were approved in the US, both for oncology indications, lifting the number of FDA-approved ADCs to ten.

In April, Immunomedics received FDA approval for sacitzumab govitecan-hziy (Trodelvy™) for the treatment of patients with metastatic triple negative breast cancer (mTNBC) who have received at least two other treatments.[15] In August, GlaxoSmithKline obtained approval for belantamab mafodotin (Blenrep) for treating patients with relapsed or refractory multiple myeloma who have already received at least four prior therapies.[16]

6 https://www.deutsche-apotheker-zeitung.de/news/artikel/2020/10/23/fda-laesst-remdesivir-zu

7 WHO, January 2020: World Cancer Report Cancer research for cancer prevention. http://publications.iarc.fr/586

8 WHO, January 2020: World Cancer Report Cancer research for cancer prevention. http://publications.iarc.fr/586

9 https://www.fiercebiotech.com/special-report/2020-s-new-drug-approvals

10 https://www.vfa.de/embed/2020-in-deutschland-neu-eingefuehrte-medikamente-mit-neuem-wirkstoff.pdf

11 https://www.mckinsey.com/~/media/McKinsey/Industries/Pharmaceuticals%20and%20Medical%20Products/Our%20Insights/Delivering%20innovation%202020%20oncology%20market%20outlook/Delivering-innovation-2020-oncology-market-outlook-v4.pdf

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

13 BioCentury data base BCIQ, as of 11 January 2021

14 BioCentury data base BCIQ, as of 11 January 2021

15 Immunomedics press release; 22 April 2020: https://www.immunomedics.com/our-company/news-and-events/fda-grants-accelerated-approval-for-immunomedics-trodelvy-in-previously-treated-metastatic-triple-negative-breast-cancer/

16 https://www.fda.gov/drugs/drug-approvals-and-databases/fda-granted-accelerated-approval-belantamab-mafodotin-blmf-multiple-myeloma

In addition, the indications of a number of approved ADCs were extended, clinical development of many ADCs was continued and advances were made in regulatory matters. Roche's ADC Polivy™ (polatuzumab vedotin-piiq), which uses ADC technology from Seagen (formerly: Seattle Genetics), received approval in the EU for the treatment of patients with relapsed or refractory diffuse large B-cell lymphoma (DLBCL).[17] Seagen received European approval for brentuximab vedotin (ADCETRIS®) in combination with CHP chemotherapy for the treatment of adult patients with previously untreated systemic anaplastic large cell lymphoma (sALCL).[18] Seagen also began a Phase I trial with the ADC SGN-B6A in various solid tumors.[19] In December, the EMA also recommended conditional marketing authorization for Daiichi Sankyo's ADC [fam]-trastuzumab deruxtecan (Enhertu) approved in the United States for treatment of metastatic HER2 positive breast cancer.[20] Also in December, Daiichi Sankyo and AstraZeneca announced the initiation of a Phase III trial of the ADC datopotamab deruxtecan (DS-1062) in patients with advanced or metastatic non-small cell lung cancer.[21]

Glossary

ADC Therapeutics reported positive data from a Phase II study of loncastuximab tesirine (ADCT-402) in patients with relapsed or refractory diffuse large B-cell lymphoma (R/R DLBCL).[22] In September, ADC Therapeutics then announced that it had submitted a Biologics License Application (BLA) to the FDA based on this data.[23] The application was granted priority review status and a PDUFA date of 21 May 2021 was set.[24] ImmunoGen also reported positive results for the ADC mirvetuximab soravtansine in combination with Avastin® (bevacizumab) for the treatment of recurrent ovarian cancer.[25] RemeGen received FDA clearance to conduct a Phase II trial with RC48 (disitamab vedotin) in the urothelial cancer indication.[26] In October, VelosBio began a Phase II trial of VLS-101 in patients with solid tumors.[27] NBE Therapeutics announced the commencement of a Phase I/II clinical trial of NBE-002 for treating triple-negative breast cancer and other tumors.[28]

Interest in ADCs and transaction volumes grew significantly in 2020, with important financing and new partnerships being announced in the ADC sector. In May, ADC Therapeutics completed a successful IPO on the

17 Roche press release; 21 January 2020: https://www.roche.com/media/releases/med-cor-2020-01-21.htm

18 Seattle Genetics press release; 14 May 2020: https://investor.seattlegenetics.com/press-releases/news-details/2020/Seattle-Genetics-Announces-ADCETRIS-Brentuximab-Vedotin-Receives-European-Commission-Approval-for-Treatment-of-Adult-Patients-with-Previously-Untreated-Systemic-Anaplastic-Large-Cell-Lymphoma/default.aspx

19 Seattle Genetics press release; 18 June 2020: https://investor.seattlegenetics.com/press-releases/news-details/2020/Seattle-Genetics-Announces-Initiation-of-Phase-1-Clinical-Trials-for-Two-Novel-Antibody-Based-Drug-Candidates/default.aspx

20 https://www.univadis.de/viewarticle/ema-lasst-neue-therapie-fur-das-metastasierte-her2-positive-mammakarzinom-zu-735903

21 https://www.daiichisankyo.com/media/press_release/detail/index_4104.html

22 ADC Therapeutics press release; 9 January 2020: https://ir.adctherapeutics.com/press-releases/press-release-details/2020/ADC-Therapeutics-Announces-Positive-Results-from-Pivotal-Phase-2-Clinical-Trial-of-Single-Agent-Loncastuximab-Tesirine-ADCT-402-in-Patients-with-Relapsed-or-Refractory-Diffuse-Large-B-Cell-Lymphoma/default.aspx

23 https://ir.adctherapeutics.com/press-releases/press-release-details/2020/ADC-Therapeutics-Submits-Biologics-License-Application-to-the-U.S.-Food-and-Drug-Administration-for-Loncastuximab-Tesirine-for-Treatment-of-Relapsed-or-Refractory-Diffuse-Large-B-cell-Lymphoma/default.aspx

24 https://ir.adctherapeutics.com/press-releases/press-release-details/2020/ADC-Therapeutics-Announces-FDA-Accepts-Biologics-License-Application-and-Grants-Priority-Review-for-Loncastuximab-Tesirine-for-Treatment-of-Relapsed-or-Refractory-Diffuse-Large-B-cell-Lymphoma/default.aspx

25 ImmunoGen press release; 29 May 2020: https://www.gilead.com/news-and-press/press-room/press-releases/2020/12/gilead-advances-oncology-portfolio-with-new-data-from-phase-3-ascent-trial-of-trodelvy-in-metastatic-triple-negative-breast-cancer

26 https://www.prnewswire.com/news-releases/remegen-announces-us-fda-clearance-of-ind-application-to-initiate-phase-ii-clinical-trial-in-urothelial-cancer-301048851.html

27 https://www.businesswire.com/news/home/20201019005216/en/VelosBio-Announces-First-Patient-Dosed-in-Phase-2-Trial-of-VLS-101-in-Solid-Tumors

28 https://www.nbe-therapeutics.com/newsroom/news-press-releases/2020/2020-10-26

New York Stock Exchange (NYSE) at the second attempt, generating proceeds of USD 267 million.[29] The company had already placed a USD 115 million convertible bond with Deerfield prior to the listing.[30] A second ADC company, Mersana Therapeutics, completed its listing on the Nasdaq with proceeds of USD 174.8 million.[31] Silverback Therapeutics received USD 78.5 million in a round of Series B financing for the development of its immunostimulatory ADCs.[32] NBE Therapeutics also raised USD 22 million for immunostimulatory ADCs in a round of Series C financing.[33] Seagen secured exclusive rights from Five Prime Therapeutics to a family of antibodies for developing ADCs.[34] Trio Pharmaceuticals and Ajinomoto Bio-Pharma Services also entered into a collaboration to develop novel ADCs.[35] In July, AstraZeneca secured 50 % of the rights to DS-1602, an ADC developed by Daiichi Sankyo, comprising an upfront payment of USD 1 billion and further payments of up to USD 5 billion in total.[36] Gilead acquired Immunomedics in September and, with it, the drug Trodelvy in a USD 21 billion deal. In the same month, Merck acquired 50 % of the licensing rights to Seagen's ADC ladiratuzum ad vedotin for up to USD 4.2 billion. Merck took over ADC developer VelosBio for USD 2.75 billion. Boehringer Ingelheim bought NBE Therapeutics in December for € 1.18 billion.[37]

No major setbacks in ADC development were reported in 2020. However, the COVID-19 pandemic has led to delays in many clinical trials in oncology.[38] The number of ongoing clinical trials in oncology decreased from 498 in January to 323 in April and rose again to 608 in July.

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]

The ATAC candidate HDP-101 will initially be developed with the MM indication. Around 39 companies are currently working on the BCMA antigen in this indication. The majority of the 50 development projects are in the preclinical stage or Phase I; 32 use immune cell therapies, primarily CAR-T cell therapies, one of which might receive FDA approval in March 2021 (idecabtagene vicleucel from Bristol Myers Squibb and bluebird

29 ADC Therapeutics press release; 19 May 2020: https://ir.adctherapeutics.com/press-releases/press-release-details/2020/ADC-Therapeutics-Announces-Closing-of-Upsized-267-Million-Initial-Public-Offering-and-Receipt-of-the-65-Million-First-Tranche-under-Its-115-Million-Convertible-Credit-Facility-with-Deerfield/default.aspx

30 ADC Therapeutics press release; 1 May 2020: https://ir.adctherapeutics.com/press-releases/press-release-details/2020/ADC-Therapeutics-Announces-a-115-Million-Convertible-Credit-Facility-with-Deerfield/default.aspx

31 Mersana Therapeutics press release; 2 June 2020: https://ir.mersana.com/news-releases/news-release-details/mersana-therapeutics-announces-closing-public-offering-common-0

32 Endpoints News; 13 March 2020: Silverback Therapeutics gets $78M boost to ‚reconceptualize' antibody-drug conjugates; https://endpts.com/silverback-therapeutics-gets-78m-boost-to-reconceptualize-antibody-drug-conjugates/

33 NBE Therapeutics press release; 10 January 2020: https://www.nbe-therapeutics.com/newsroom/news-press-releases/2020/2020-01-10

34 Five Prime Therapeutics press release; 19 February 2020: http://investor.fiveprime.com/news-releases/news-release-details/five-prime-therapeutics-licenses-antibodies-seattle-genetics-use

35 Trio Pharmaceuticals press release; 30 April 2020: https://www.prnewswire.com/news-releases/trio-pharmaceuticals-inc-and-ajinomoto-bio-pharma-services-enter-into-a-development-collaboration-for-a-novel-antibody-therapeutic-301049693.html

36 Bryan, Garnier & Co Research Report: Antibody Drug Conjugates: the new revolution (December 2020)

37 Bryan, Garnier & Co Research Report: Antibody Drug Conjugates: the new revolution (December 2020)

38 Nature Reviews Drug Discovery 19, 376-377 (2020), Impact of COVID-19 on oncology clinical trials; https://www.nature.com/articles/d41573-020-00093-1

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

bio). Four companies are working on ADCs in this field: along with Heidelberg Pharma, Sutro Biopharma and AstraZeneca are developing BCMA ADCs, both of which are in Phase I clinical development. GlaxoSmith-Kline (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. Blenrep has estimated peak sales potential of between USD 1.2 and USD 1.6 billion.[40]

Chemotherapy is still being used as standard therapies for MM, including in combination with autologous hematopoietic stem cell transplantation or radiotherapy.[41] At present, the most commercially successful therapy in this indication is the immunomodulator REVLIMID® from Celgene (acquired by Bristol-Myers Squibb in November 2019). With global revenue of USD 11.1 billion in 2019, it was the most commercially successful anti-MM drug and the third most successful drug worldwide after Humira® from AbbVie and Keytruda® from Merck & Co.[42]

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 drugs to treat Non-Hodgkin's lymphoma (NHL).[43]

Glossary

Apart from Heidelberg Pharma, three companies are currently working on five development candidates for treating NHL with CD37 as the target molecule.[44] Of these, the most advanced is an ADC from Debiopharm Group, naratuximab emtansine (Debio 1562, IMGN529), which has successfully completed Phase I for the treatment of NHL and is in Phase II for the treatment of R/R DLBCL.[45] Moreover, a radioactive conjugated antibody from Nordic Nanovector is in Phase I/II and an antibody developed by Boehringer Ingelheim is in Phase I for the treatment of NHL.[46] The two other development candidates, both from Nordic Nanovector, are in preclinical development.[47]

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.[48]

Besides Heidelberg Pharma, 19 other companies are working on developing a total of 25 different therapies for prostate cancer targeting PSMA. Most of these are antibody-based therapies, but a number are cell-based vaccines targeting cancer. Two other companies are developing ADCs, Lantheus Holdings Inc. and Ambrx Inc., whose candidates are in Phase II and Phase I, respectively. Two companies are developing

40 https://www.fiercebiotech.com/special-report/30-blenrep

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

42 https://www.fiercepharma.com/special-report/top-20-drugs-by-global-sales-2019-revlimid

43 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

44 BioCentury data base BCIQ, as of 11 January 2021

45 https://www.debiopharm.com/drug-development/pipeline/debio-1562/

46 BioCentury data base BCIQ, as of 11 January 2021

47 BioCentury data base BCIQ, as of 11 January 2021

48 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

radioactive conjugated antibodies that are already in Phase III of clinical development for the treatment of prostate cancer: ABX GmbH (^{177}Lu-PSMA-617) and Point Biopharma Inc. (^{177}Lu-PNT2002).[49] Along with these, Telix Pharmaceuticals is currently preparing a Phase III study (PROSTACT) with TLX591 (^{177}Lu-DOTA-Rosopatamab) as second-line therapy combined with standard therapy versus standard therapy alone in patients with metastatic prostate cancer.

3 Course of business in 2020

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.

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 without affecting healthy tissue. Called Antibody Targeted Amanitin Conjugates (ATACs), Amanitin-based ADCs are third generation ADCs that have shown improved efficacy in preclinical models, including in quiescent and therapy-resistant tumor cells.

Glossary

Amanitin's mechanism of action 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. These kinds of change are found in most cancers, and especially in those that are very aggressive. Tumors with 17p deletion could be a particularly effective target for treatment with ATACs.

Immunological effects of ATAC conjugates

Heidelberg Pharma's earlier work with PDX models (heterogeneous tumor cells derived from patients) 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 laboratory animals against renewed growth of cancer cells.[50]

49 BioCentury data base BCIQ, as of 11 January 2021

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

Proprietary ATAC pipeline

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 such 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.

The following milestones were reached for this project in 2020:

- Implementation and completion of preclinical tolerability testing required for clinical trial approval;
- Drafting of the detailed clinical trial plan, selection of the clinical centers and preparation of the clinical trial logistics;
- Preparation of a briefing book for the US Food and Drug Administration (FDA) for a preliminary inquiry to carry out the clinical trials within the framework of a pre-IND meeting;
- Production of the clinical drugs from the precursors. Carbogen AMCIS AG, Bubendorf, Switzerland, (Carbogen), a contract drug manufacturing company was contracted to chemically bind antibodies supplied by Heidelberg Pharma with previously manufactured Amanitin linker molecules. The material was then lyophilized (freeze-dried) and bottled in suitable quantities for clinical doses;
- Development and documentation of analytical methods for compound and clinical testing;
- Completion of all reports on efficacy, tolerability manufacturing reports, and preparation of the application for a clinical trial in the United States;
- Other logistical preparations for the supply of clinical centers.

Heidelberg Pharma presented the design of the planned clinical trial at the ASH Annual Meeting and finalized all of the documents required for submission of the trial application by the end of December 2020, enabling the application for the trial to be submitted to the FDA in early January 2021. The Company was granted approval to conduct the trial on 4 February 2021.

The next step was to submit the study protocol to the Paul Ehrlich Institute in Germany as well. Heidelberg Pharma will initiate the trial centers as soon as possible and plans to recruit the first patient in the second quarter of 2021.

During the fiscal year, further studies were carried out to optimize two additional ATACs, and these were nominated as development projects.

HDP-102 (CD37 ATAC) 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).

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

Glossary

Heidelberg Pharma signed a Master Service Agreement with ProBioGen AG, Berlin, Germany, (ProBioGen) for the production of the two antibodies that are part of HDP-102 and HDP-103. Under the agreement, ProBioGen is responsible for end-to-end production of the antibody, from cell line development to process development up to GMP manufacturing of the monoclonal antibody component of both ATACs. The production of material for toxicological testing of HDP-102 was completed on time, with high yields and very good product quality.

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

In the previous year, Heidelberg Pharma had created the organizational and contractual requirements for GMP supply with Amanitin linkers. Further batches were successfully produced, approved in the second half of 2020 and delivered to the licensing partners.

Other ATAC research projects

In recent months, Heidelberg Pharma has identified 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.

Glossary

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). Genetic changes often result in TP53 being less effective in tumor cells to weaken the cells' natural defenses. Since RNA polymerase II is also routinely suppressed, this change makes the tumor cells particularly sensitive to Amanitin.

Heidelberg Pharma's scientific partner MD Anderson already demonstrated these effects for preclinical bowel cancer models in a joint essay for Nature back in 2015.[51] In a clinical setting, selecting patients based on their TP53 or POLR2A gene status could broaden the therapeutic window of ATACs and ensure high efficacy while minimizing side effects.

As early as December 2018, MD Anderson's research team in collaboration with Heidelberg Pharma demonstrated that the Amanitin conjugate HDP-101 was especially efficient at attacking tumor cells from multiple myeloma patients with 17p deletion.

In March 2020, the US patent office granted the patent titled "Methods Of Treating Cancer Harboring Hemizygous Loss Of TP53", which protects the diagnosis and treatment of selected patient groups with Amanitin-based medication with the described TP53/RNA polymerase II deletion. Heidelberg Pharma Research holds an exclusive license to these patent rights.

Heidelberg Pharma investigated diagnostic procedures for 17p-deletion in patients over a number of preliminary studies and will identify patients on the basis of these diagnostic procedures. The relevance of POLR2A-deletion will also be clinically validated in the study with HDP-101.

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. Such agreements provide for upfront payments, assumption of development costs, milestone payments and royalties.

51 https://www.nature.com/articles/nature14418

Heidelberg Pharma Research has signed exclusive multi-target research agreements with partners that include Magenta Therapeutics, Cambridge, MA, USA, (Magenta) in March 2018, and Takeda Oncology, Cambridge, MA, USA, (Takeda) in June 2017. 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. Takeda has this option for up to three targets, Magenta for up to four. Magenta exercised the option for further developing the target molecule CD117 in 2018 and for the target molecule CD45 in November 2019 to develop Antibody Targeted Amanitin Conjugates based on these under an exclusive license agreement. In the event of all four options being exercised together with successful development, Heidelberg Pharma Research would be eligible to receive performance-based payments linked to clinical, regulatory and sales-related milestones of up to USD 334 million from Magenta.

In January 2020, Magenta announced MGTA-117 as the first clinical ATAC candidate for the targeted preparation of patients (conditioning) for stem cell transplants or gene therapies. MGTA-117 is an ATAC that consists of a CD117 antibody conjugated to the compound Amanitin. The ATAC was developed in partnership with Heidelberg Pharma Research. Last year, Magenta presented preclinical data at several scientific meetings, conducted additional preclinical studies, and made preparations for a MGTA-117 Phase I clinical trial, which is expected to start in mid-2021, following the successful acceptance of an Investigational New Drug (IND) application to the US FDA. Initial safety and pharmacokinetics data from the first dose cohort to be assessed internally in the fourth quarter of 2021.[52]

Glossary

In May and June 2020, Magenta announced collaborations with two US companies, Avrobio, Inc. and Beam Therapeutics. Both companies will test MGTA-117 for conditioning in patients receiving the relevant gene therapy treatment. This expansion of the therapeutic scope of application marks an important step towards the clinical validation of Heidelberg Pharma's ATAC technology.

Magenta is also working on the preclinical validation of the second product candidate, a CD45-ATAC, in various transplant and autoimmune diseases (AID) models. In the case of AID, the hypothesis is that conditioning with CD45-ATAC will deplete the immune system, including the autoreactive lymphocytes. Restoration of a complete immune system via hematopoietic stem cell transplant would 'reset' the immune system and drive patients into sustained remission. Further development of these successful approaches could open doors for innovative applications beyond oncology for diseases of the immune system.

Takeda is also testing new options for targets, which led it to extend its collaboration with Heidelberg Pharma into 2021.

Product partnerships: In this model, Heidelberg Pharma Research will contribute the toxin linker technology to the cooperative partnership as a contribution in kind, while other biotechnology companies will contribute their antibodies or innovative target molecules. Together, novel ATACs will be developed up to the preclinical stage, in which their efficacy and tolerability can be meaningfully assessed.

Participation in the Franco-German company Emergence Therapeutics

Since November 2019, Heidelberg Pharma has held an equity interest in the newly founded company Emergence Therapeutics AG together with French and German investors.

Emergence Therapeutics conducted another financing round in the fall of 2020, in which Heidelberg Pharma participated as part of the previously agreed basic plan.

52 https://investor.magentatx.com/node/8231/pdf

Technology partnerships: Heidelberg Pharma Research collaborates with a number of companies and academic institutions with the aim of researching innovative technologies for site-specific conjugation, linker strategies and protein variants in the context of ATAC technology.

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. In September 2019 it was announced that MAGICBULLET 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 candidates that stimulate the immune response to tumors and can overcome resistance to immunotherapies. Heidelberg Pharma is also planning to expand its Amanitin conjugate research to include peptide-Amanitin conjugates and will not only identify and validate tumor-specific drug conjugates during the new funding period, but will also investigate their biological activity in *in vitro* and *in vivo* tests.

Glossary

Together with several European universities, research institutions and companies, Heidelberg Pharma Research is 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 therapy for cancer. 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 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 additional HORIZON 2020 research project TACT was also subsequently approved. This project 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.

A total of four doctoral students from three different countries are working on scientific HORIZON 2020 projects at Heidelberg Pharma.

3.2 Customer-specific preclinical services business

In addition to its core technology business and independent of the ATAC technology, Heidelberg Pharma Research GmbH has the technical expertise and required infrastructure for *in vivo* pharmacology, cell biology, bioanalytics, molecular biology and chemistry and offers preclinical research services in the field of cancer as well as inflammatory and autoimmune diseases.

The customer-specific preclinical service business will be continued with existing customers but has significantly less strategic importance than the ATAC technology.

3.3 Clinical portfolio of Heidelberg Pharma AG – partnering

TLX250-CDx (formerly REDECTANE®) – 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. Accumulation of this antibody in tumor tissue can be visualized by

positron emission tomography (PET) scans. This could fundamentally change 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

Under the name REDECTANE®, the project was developed up to an initial phase III trial (REDECT) at Heidelberg Pharma AG and licensed in 2017 to the Australian company Telix Pharmaceuticals Limited (ASX: TLX), Melbourne, Australia (Telix). The license agreement also covers the development of a therapeutic radioimmunoconjugate program.

Telix modernized the production process for the girentuximab antibody and due to more favorable properties in terms of processing and diagnostics decided to use zirconium-89 instead of iodine-124 for radiolabeling. This resulted in the product candidate ^{89}Zr-DFO-girentuximab (TLX250-CDx). To ensure comparability with the earlier REDECT Phase III trial, the ZIR-DOSE study was carried out and completed successfully.

Telix has been conducting a Phase III study (ZIRCON) with TLX250-CDx for diagnosing renal cancer using positron emission tomography (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 US. The study will determine the sensitivity and specificity of TLX250-CDx PET imaging to detect clear cell renal cell cancer (ccRCC) in comparison with histologic ground truth determined from surgical resection specimens. Patient recruitment had to be suspended due to the COVID-19 lockdown but was resumed in Europe in mid-June 2020. The first patient in the US was enrolled in the study in early 2021. The ZIRCON study is expected to complete recruitment in mid-2021.[53]

On 1 July 2020, Telix received a *Breakthrough Therapy (BT) Designation* from the FDA for TLX250-CDx. BT designation offers a number of significant benefits to Telix, including eligibility for fast track designation, more frequent and intensive interactions with the FDA, and the opportunity to submit a "rolling" Biological License Application (BLA) for TLX250-CDx, where the application can be submitted in separate modules to streamline the FDA review process for approval. The criteria for BT designation require preliminary clinical evidence that demonstrates the product may offer substantial improvement on at least one clinically significant endpoint over available care.

In early November 2020, Telix entered into a strategic license and commercial partnership with China Grand Pharmaceutical and Healthcare Holdings Limited (CGP) for several Telix product candidates, including TLX250-CDx, for Greater China (Mainland China, Hong Kong SAR, Macau SAR, Taiwan). Under the terms of the agreement, CGP will be the exclusive distribution partner for TLX250-CDx in the Greater China market. Furthermore, CGP will develop the ^{177}Lutetium-labeled antibody girentuximab (TLX250) for the treatment of renal cancer patients in Greater China to align with Telix's global clinical development programs. CGP has committed to program-related investments for the clinical development of TLX250 among other additional investments in Telix. Heidelberg Pharma's licensing agreement with Telix is not directly affected by this agreement, but Heidelberg Pharma is entitled to future royalties on sales of TLX250-CDx and TLX250 in Greater China.

At the end of 2020, Telix also announced its collaboration with Eczacıbaşı-Monrol Nuclear Products Co. for the manufacturing of TLX250-CDx in Turkey. The first Turkish patients in the Phase III ZIRCON trial have been dosed.

53 http://telixpharma.com/wp-content/uploads/20210226_Telix-Full-Year-Update-Feb2021-FINAL.pdf

Additionally, Telix has completed Phase I enrollment for its Phase I/II ZIRDAC-JP study in Japan evaluating TLX250-CDx for imaging renal cancer.[54] The goal of this study is to confirm dosing and pharmacology in Japanese patients.

TLX250 (previously RENCAREX®) – 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. TLX250 will be tested in two Phase II combination studies (STARLITE 1 and 2) with immunotherapies. The applications for these trials are to be submitted in the US in the first half of 2021.[55]

Other ongoing activities to support the commercialization of TLX250 products include the adaptation of the girentuximab cell line to cell culture media based on non-animal-derived raw materials (ADRM), which meets the regulatory requirements of approval authorities worldwide.

Upamostat (previously MESUPRON®) – oral serine protease inhibitor

Glossary

Developed by Heidelberg Pharma AG up to Phase II, 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 Link Health Co., Guangzhou, China, (Link Health), and RedHill Biopharma Ltd. (NASDAQ: RDHL), Tel Aviv, Israel, (RedHill).

At the end of 2018, the Chinese National Medical Products Administration (NMPA) approved the Investigational New Drug (IND) application submitted by Link Health to conduct a Phase I/II trial with the product candidate upamostat. Details of the planned trials are not yet available as the Chinese regulatory authorities have changed the trial regulations, as a result of which Link Health will have to revise the clinical development plan for upamostat. However, there is now a chance that a Phase II trial can begin immediately based on earlier data from the US and Europe.

Heidelberg Pharma's partner RedHill is developing RHB-107 in COVID-19 and initiated a Phase II/III trial with outpatients in the United States in early 2021. This is underpinned by recent results showing that RHB-107 effectively inhibits SARS-CoV-2 replication in an *in vitro* model of human bronchial tissue. The first patient was dosed in mid February 2021.[56]

Furthermore, RedHill announced in March 2020 its plans to trial upamostat (RHB-107) in combination with another development candidate, opaganib, as a third arm in a Phase IIa study in advanced cholangiocarcinoma, subject to talks with the FDA. RedHill is developing opaganib, among other indications, for the treatment of bile duct cancer (cholangiocarcinoma). Based on preclinical results showing a strong anti-tumor effect of combining RHB-107 with opaganib, RedHill plans to enroll a third cohort in its ongoing Phase IIa study of cholangiocarcinoma to evaluate the combination therapy of RHB-107 with opaganib, subject to FDA approval. RedHill also announced in 2020 that it had received a Notice of US Patent Allowance for the combination of opaganib and RHB-107 for the oral treatment of solid tumors.

54 https://telixpharma.com/news-media/completion-of-phase-i-enrolment-of-japanese-renal-cancer-study/

55 http://telixpharma.com/wp-content/uploads/20210226_Telix-Full-Year-Update-Feb2021-FINAL.pdf

56 https://www.redhillbio.com/RedHill/Templates/showpage.asp?DBID=1&LNGID=1&TMID=178&FID=4457&PID=0&IID=19330

3.4 Other key events in fiscal year 2020

Successful implementation of a corporate action

Heidelberg Pharma AG implemented a corporate action in April by issuing 2,820,961 new shares from authorized capital, which corresponded to just under 10 % of share capital at that time.

A total of 2,679,961 of these new shares were placed with the main shareholder dievini Hopp Biotech holding GmbH & Co KG, Walldorf, (dievini) and 141,000 shares with institutional investors at a price of € 5.10 per share.

The gross issue proceeds of approximately € 14.4 million were earmarked for securing the further development and marketing of the ATAC technology, in particular clinical development work on the proprietary ATAC candidate HDP-101.

Heidelberg Pharma is granted a European patent for amatoxin conjugates for tumor therapy

In late March, the European Patent Office granted Heidelberg Pharma an important patent for its proprietary ATAC technology for the production of Antibody Targeted Amanitin Conjugates. The patent is based on a 2009 patent application entitled “Amatoxin armed therapeutic cell surface binding components designed for tumor therapy” that was submitted by Professor Heinz Faulstich and employees of the German Cancer Research Centre (DKFZ). Heidelberg Pharma exclusively in-licensed the patent in December 2009.

4 Non-financial key performance indicators

Employees and remuneration system

The Heidelberg Pharma Group employed 84 (30 November 2019: 75) people (including members of the Management Board) at the end of the fiscal year. Heidelberg Pharma Research GmbH employed 74 people at the end of the fiscal year, while Heidelberg Pharma AG employed a team of ten people (including the two members of the Executive Management Board). A total of 56 women work at the Group, which corresponds to a share of 66 %. The proportion of part-time employees is 25 % (21 employees).

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

Employees	30 Nov. 2020	30 Nov. 2019
Administration	24	18
Research and development	43	40
Manufacturing, service and distribution	17	17
Employees, total	**84**	**75**

Heidelberg Pharma has developed a performance-related remuneration system for its employees. Every employee is paid variable remuneration based on defined goals in addition to an annual fixed salary. Stock option plans give employees a stake in the Company’s performance.

Independent of this, employee inventions that lead to patent applications are compensated under the Patent Incentive Program.

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

The 2020 fiscal year concerns the period from 01 December 2019 to 30 November 2020. 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 (HGB) of Heidelberg Pharma AG as an independent company are explained separately in chapter 10.

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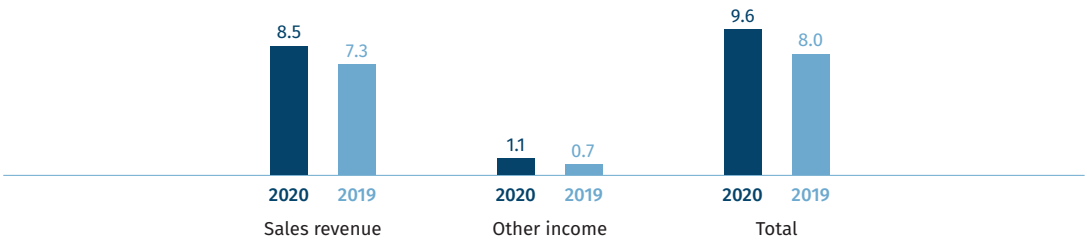
The basis of consolidation comprises Heidelberg Pharma AG and Heidelberg Pharma Research GmbH.

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

In the 2020 fiscal year, the Heidelberg Pharma Group generated sales revenue and other income totaling € 9.6 million, thus surpassing the prior-year figure of € 8.0 million by 20 %. This is attributable in particular to the increase in sales revenue to € 8.5 million (previous year: € 7.3 million), which mainly stems from the research collaborations for the ATAC technology of Heidelberg Pharma Research (€ 7.8 million). As well as its service business (€ 0.5 million), the parent company also contributed revenue of € 0.2 million, which was realized through the out-licensing of the TLX250-CDx product candidate. In the previous year, Heidelberg Pharma Research reported sales revenue of € 6.7 million, of which € 6.1 million was from the ATAC technology and € 0.6 million from the service business. The parent company also generated sales revenue of € 0.6 million through out-licensing.

Income in € million[1]



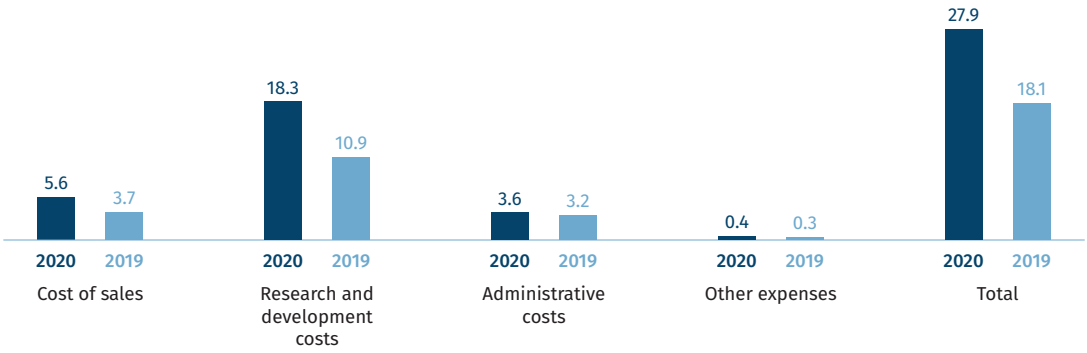
[1] rounded

Other income of € 1.1 million (previous year: € 0.7 million) mainly comprises income of € 0.6 million from the reversal of unused accrued liabilities (previous year: € 0.2 million). This figure also includes government grants supporting Heidelberg Pharma Research projects in the amount of € 0.2 million (previous year: € 0.2 million) and income of € 0.1 million from passing on patent costs in the context of out-licensing (previous year: € 0.1 million). Other items amounted to income of € 0.2 million (previous year: € 0.2 million).

5.2 Operating expenses

Operating expenses including depreciation and amortization rose to € 27.9 million in 2020 (previous year: € 18.1 million).

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. They amounted to € 5.6 million (previous year: € 3.7 million), representing 20 % of operating expenses.

Research and development costs rose year-over-year to € 18.3 million (previous year: € 10.9 million) as planned due to the expansion of cost-intensive external good manufacturing practice (GMP) production and preclinical and regulatory preparations for the clinical trial with HDP-101. The production of antibodies for HDP-102 and HDP-103 also was a factor. At 66 % of operating expenses, R&D remained the largest cost item.

Administrative costs were € 3.6 million, an increase on the prior year (€ 3.2 million), and accounted for 13 % of operating expenses. These include staff costs of € 2.1 million (previous year: € 1.8 million), of which € 0.2 million concerned expenses for issuing stock options (previous year: € 0.3 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 € 0.6 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: € 0.5 million). Other items amounted to € 0.3 million.

Other expenses for business development, marketing and commercial market supply activities, which mainly comprise staff and travel costs, were € 0.4 million. They were higher than in the previous year (€ 0.3 million) and represented 1 % of operating expenses.

5.3 Earnings

The Heidelberg Pharma Group recognized comprehensive income € –18.4 million (previous year: € –10.1 million) in the 2020 fiscal year. Earnings per share fell from € –0.36 in the previous year to € –0.61.

5.4 Financing and liquidity

The Group had cash and cash equivalents of € 5.0 million at the close of the fiscal year (30 November 2019: € 9.9 million). The decrease resulted from the liquidity outflow triggered by the expanded operating business and could only be partially offset by the capital increase implemented in the second quarter of the fiscal year.

On 19 March 2021, the Group's main shareholder dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, (dievini) confirmed a new financing commitment in the amount of € 30 million. A loan commitment of € 15 million had already been made in 2020, with the loan to be drawn down in several tranches in 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 2020 reporting date would be sufficient to finance the business activities of Heidelberg Pharma AG and its subsidiary until mid-2022, 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 € 14 thousand. This gives a financial result of € –14 thousand (previous year: € 0 thousand).

5.5 Cash flow statement

Net cash outflow from operating activities during the reporting period was € 17.9 million (previous year: € 8.6 million). The significant increase is mainly due to higher expenses incurred in preparation for clinical development.

Total cash outflow from investing activities was € 1.3 million (previous year: € 1.0 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 (€ 14.3 million) stems basically from a capital increase implemented in the second quarter of fiscal year 2020. There was no such cash flow in the previous year.

In addition, a currency loss of € 9 thousand (previous year: € 24 thousand) was recognized.

Total cash outflow in fiscal year 2020 was € 4.9 million (previous year: € 9.6 million). This corresponds to an average capital requirement of € 0.4 million per month (previous year: € 0.8 million per month). Adjusted for the effect of the capital increase, the average cash outflow in fiscal year 2020 was € 1.6 million per month.

Cash flow	2020 € million	2019 € million
Cash as of 01 December	9.9	19.4
Net change in cash from operating activities	(17.9)	(8.6)
Net change in cash from investing activities	(1.3)	(1.0)
Net change in cash from financing activities	14.3	0
Exchange rate effect	(0.01)	(0.02)
Cash as of 30 November	**5.0**	**9.9**

5.6 Assets

The financing commitment of € 30 million from the Group's main shareholder dievini that was secured on 19 March 2021 and the loan commitment for € 15 million made in 2020 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 € 12.1 million as of 30 November 2020 (previous year: € 11.4 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

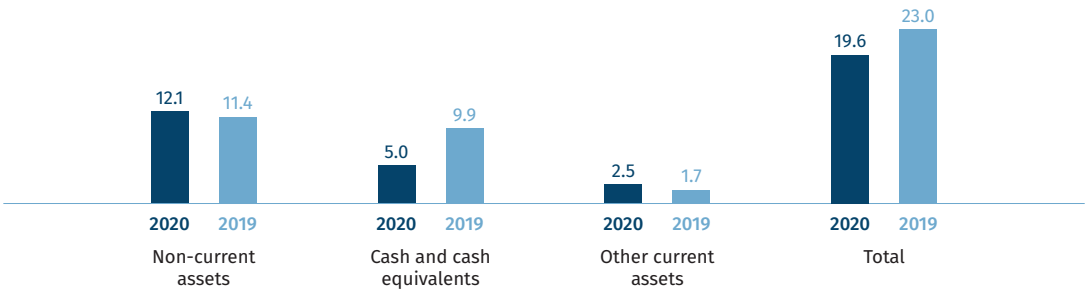
As of 30 November 2020, property, plant and equipment increased to € 3.1 million (previous year: € 2.4 million), particularly as a result of investments in laboratory equipment, whereas intangible assets excluding goodwill and IP R&D remained steady at € 0.3 million.

At € 45 thousand, other non-current assets are exactly as in the previous year and consist mainly of security for leased equipment.

Heidelberg Pharma Research's equity investment in Emergence decreased from € 13 thousand in the previous year to € 0 thousand as a result of the pro rata result.

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 decreased from € 11.6 million in the previous year to € 7.5 million. Cash and cash equivalents included in this item amounted to € 5.0 million and were down on the prior-year figure of € 9.9 million due to outflows triggered by the business.

Other current assets increased to € 2.5 million (previous year: € 1.7 million). While both inventories at € 0.2 million and trade receivables at € 1.2 million included in this figure remained unchanged compared with 2019, prepayments made increased to € 0.8 thousand (previous year: € 0.1 thousand) and other receivables to € 0.3 thousand (previous year: € 0.2 thousand).

At the end of the fiscal year, total assets amounted to € 19.6 million, down € 3.4 million from the previous year (€ 23.0 million), due mainly to the expense-related decrease in cash funds and the corresponding decrease in equity.

5.7 Liabilities

Non-current lease liabilities, which due to the first-time application of IFRS 16 'Leases' for the first time have to be disclosed separately as non-current or current lease liabilities (> 12 or < 12 months), total € 0.1 million and concern leases in connection with office and building rent as well as cars. There were no more non-current contract liabilities in 2020 (previous year: € 0.2 million).

Non-current liabilities therefore totaled € 0.1 million (previous year: € 0.2 million).

Current liabilities rose to € 6.6 million at the close of the reporting period (previous year: € 6.5 million).

Current lease liabilities totaled € 0.1 million. Current contract liabilities amounted to € 0.3 million (previous year: € 1.9 million) and are comprised of current contract liabilities from government support programs (€ 0.1 million; previous year: € 0.1 million) and from research collaborations (€ 0.1 million; previous year: € 1.8 million).

While trade payables (€ 2.8 million; previous year: € 1.0 million) rose due to the expansion of the Company's business activities, other current liabilities remained unchanged compared with 2019 at € 3.5 million.

Other current liabilities included the following:

Other current liabilities	30 Nov. 2020 € million	30 Nov. 2019 € million
Provisions for holidays not taken	0.3	0.2
Social security and other taxes	0.2	0.3
Other accrued liabilities	3.0	3.0
Total	**3.5**	**3.5**

Heidelberg Pharma recognized other accrued liabilities (as in the previous year: € 3.0 million) for goods and services (€ 2.6 million; previous year: € 2.7 million) as well as for employee bonuses (€ 0.2 million; previous year: € 0.2 million) and for the auditing of the financial statements (€ 0.2 million; previous year: € 0.1 million).

5.8 Equity

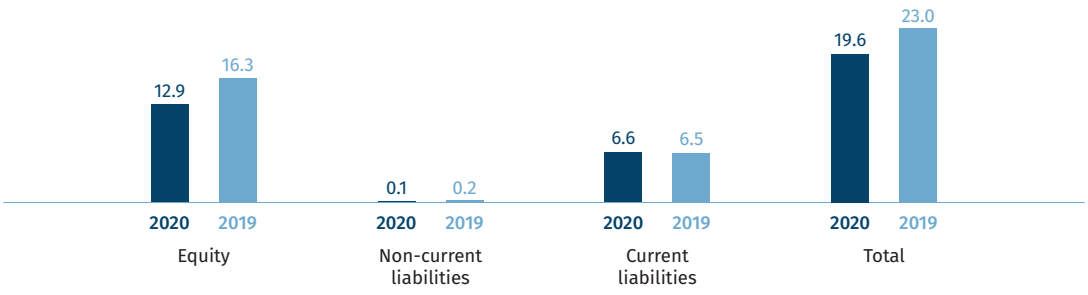
Equity of the Heidelberg Pharma Group at the end of the reporting period was € 12.9 million (30 November 2019: € 16.3 million).

As a result of a capital increase and the issuance of 2,820,961 shares, and the conversion of 31,300 stock options, the total number of Heidelberg Pharma shares issued as of the reporting date increased from 28,209,611 by 2,852,261 new shares to 31,061,872.

Taking into account the effect from the conversion of stock options during the year, the capital reserve increased by a net € 12.1 million to € 227.4 million as of 30 November 2020 (30 November 2019: € 215.3 million).

The losses accumulated since the foundation of the Heidelberg Pharma Group totaled € 245.6 million (30 November 2019: € 227.2 million). The equity ratio was 65.7 % (30 November 2019: 70.9 %).

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



[1] rounded

5.9 Overall assessment of the 2020 fiscal year by the Executive Management Board

In spite of all restrictions resulting from the COVID-19 pandemic, Heidelberg Pharma achieved most of its objectives.

One important objective in 2020 was preparing the application to conduct the first clinical trial for HDP-101. This primarily entailed completion of GLP toxicology studies and production and packaging of the trial drug. By year-end, project management staff and the specialist departments had compiled the extensive production and preclinical data and converted it into the format required by the authorities. The application for this trial was submitted to the US authority FDA in early 2021.

Glossary

Heidelberg Pharma maintains continuous dialog with the planned clinical centers in the United States and Germany to prepare patient recruitment as quickly as possible.

Manufacturing capacities of the compound linker material have been secured both for own use and for use by partners. Several GMP batches with good yields have already been produced, approved and delivered.

Following extensive research, two additional candidates were nominated for the proprietary ATAC portfolio: HDP-102 for hematological indications and HDP-103 to fight prostate cancer. GMP production of the antibodies has begun and interim targets have already been achieved.

Licensing partner Magenta made considerable progress with MGTA-117, its first ATAC candidate for the targeted preparation of patients for stem cell transplants or gene therapy and presented preclinical data at several conferences. Clinical development for MGTA-117 is scheduled to start in mid-2021. Encouraging results were also shown with the second candidate, a CD45-ATAC, in various models of autoimmune diseases.

Progress was also made in the out-licensed portfolio of clinical projects beyond ATAC technology. Telix continued its Phase III clinical trial despite pandemic-induced delays and incorporated additional centers. Around mid-year, the FDA granted breakthrough therapy designation to Telix's kidney cancer imaging product TLX250-CDx. The US regulator's breakthrough status potentially allows for a significantly expedited review process. If successful, Heidelberg Pharma will receive milestone payments and royalties.

RedHill also reported encouraging developments. The outlicensed serine protease inhibitor upamostat (RHB-107) is planned to be studied in combination with another development candidate, opaganib, as a third arm in a Phase IIa study in advanced cholangiocarcinoma. In addition, the development was preclinically validated in the inhibition of SARS-CoV-2, the virus that causes COVID-19 disease, and a Phase II/III study of upamostat initiated in symptomatic, non-hospitalized patients with COVID-19. Heidelberg Pharma will receive royalties if this product is approved and marketed.

Taking the last guidance adjustment into account, Heidelberg Pharma achieved its financial targets. Sales revenue is up slightly on the prior-year level. This can be attributed to the ATAC collaboration, reaching milestones and the supply of materials from partners. The addition of HDP-102 and HDP-103 to the proprietary development portfolio increased the budgets for research and development costs incurred for the validation and production of the necessary antibodies.

This led to the guidance issued in March 2020 for the current fiscal year and for sales revenue and earnings as a whole being adjusted in September 2020 due to greater predictability.

Finanzen	Guidance 03/2020 € million	Guidance 09/2020 € million	Actual 2020 € million
Sales revenue and other income	8.0 – 10.0	9.0 – 10.0	9.6
Operating expenses	20.0 – 24.0	26.0 – 28.0	27.9
Operating result	(11.0) – (15.0)	(16.0) – (19.0)	(18.3)
Total funding requirement	11.0 – 15.0[1]	18.0 – 20.0	19.2
Funds required per month	0.9 – 1.3[1]	1.5 – 1.7	1.6

[1] Not including any corporate actions

Total assets and equity fell year-on-year because of the excess of expense over income in 2020 in spite of a capital increase, which led to a cash inflow of € 14.4 million.

Based on the current financial planning and a shareholder loan of up to € 15 million as well as a further financing commitment of € 30 million secured from main shareholder dievini, the Group and the companies included in the consolidated financial statements have sufficient financing up to mid-2022 if business proceeds as planned and the financing commitment is successfully implemented. Additional financing options are constantly being reviewed. For more information, please see the report on post-balance sheet date events.

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6 Corporate governance

6.1 Statement on Corporate Governance pursuant to Sections 289f, 315d German Commercial Code for the 2020 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 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 29 January 2021. 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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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 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 € 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 2020, 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 € 207 thousand. Effective October 2020, his director's contract was extended during the year until the end of December 2023.

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 2020 was € 8 thousand for Dr. Schmidt-Brand (previous year: € 9 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 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.

Dr. Schmidt-Brand receives a maximum annual bonus of € 100 thousand. As a result, his maximum annual remuneration comprising fixed and variable remuneration amounts to € 355 thousand. In the fiscal year now ended, Dr. Schmidt-Brand was paid a bonus of € 38 thousand for the 2019 fiscal year.

Professor Pahl's annual bonus is also 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 paid a bonus of € 38 thousand for the 2019 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 four years at the earliest in each case.

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.

No stock options were issued in the 2020 fiscal year. As of the 30 November 2020 reporting date, the active members of the Executive Management Board held the following options:

Stock option plan	Max. 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	74,525	74,525	149,050
Total	**846,224**	**397,125**	**265,125**	**662,250**

At the reporting date of 30 November 2020, 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 2020 fiscal year:

Executive Management Board member	Fixed remuneration €		Variable remuneration[1] €		Other remuneration (non-cash benefits) €		Total remuneration[1,2] €	
	2020	2019	2020	2019	2020	2019	2020	2019
Dr. Jan Schmidt-Brand[2]	255,000	255,000	75,000	75,000	21,395	22,672	351,395	352,672
Professor Andreas Pahl	206,667	200,000	75,000	75,000	13,276	13,452	294,942	288,452
Total	**461,667**	**455,000**	**150,000**	**150,000**	**36,124**	**36,124**	**646,337**	**641,124**

[1] The exact variable remuneration is usually determined and paid in the following fiscal year. The figures shown here for the 2020 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 €248 thousand (previous year: €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. 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 on 30 Nov. 2020[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

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. 2018 Number	Additions Number	Expiry/ return Number	Exercise Number	30 Nov. 2019 Number
Dr. Jan Schmidt-Brand	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	**258,897**	**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 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 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 2020 fiscal year, the members of the Supervisory Board were paid remuneration of € 166,500 (previous year: € 175,500) plus reimbursement of travel expenses.

The table below shows the individual remuneration:

	Fixed remuneration €		Attendance allowance €		Committee fee €		Total remuneration €	
Supervisory Board member	2020	2019	2020	2019	2020	2019	2020	2019
Professor Christof Hettich	35,000	35,000	10,500	12,000	7,000	7,000	52,500	54,000
Dr. Georg F. Baur	25,000	25,000	3,750	7,500	10,000	10,000	38,750	42,500
Dr. Friedrich von Bohlen und Halbach	15,000	15,000	3,000	4,500	7,000	7,000	25,000	26,500
Dr. Birgit Kudlek	15,000	15,000	4,500	7,500	6,000	6,000	25,500	28,500
Dr. Mathias Hothum	15,000	15,000	6,750	6,000	3,000	3,000	24,750	24,000
Total	**105,000**	**105,000**	**28,500**	**37,500**	**33,000**	**33,000**	**166,500**	**175,500**

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 corporate action implemented in April 2020 and and the exercise of stock options during the reporting period, the Company's subscribed capital increased from € 28,209,611 to € 31,061,872 compared with the end of the previous year.

The share capital is composed of 31,061,872 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 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 2020.

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. 76.61 %

[1] Shares of dievini Hopp BioTech holding GmbH & Co. KG and DH-Holding Verwaltungs GmbH, Walldorf, Germany, (based on voting rights notifications received as of November 2020)

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:

On 22 July 2020, the Annual General Meeting approved new authorized capital of € 15,515,286, denominated in 15,515,286 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 € 15,515,286 by issuing up to 15,515,286 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 € 15,483,986 (previous year: € 3,040,212) as of the 30 November 2020 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. 2019 €	Stock options exercised €	New issue €	Reduction €	As of 30 Nov. 2020 €	Purpose of use: to satisfy
2005/II	59,994	0	0	0	59,994	2005 Stock Option Plan
2011/I	598,437	31,300	0	0	567,137	2011 Stock Option Plan
2017/I	661,200	0	0	0	661,200	2017 Stock Option Plan
2017/II	229,959	0	0	229,959	0	Convertible bonds
2018/I	1,490,622	0	0	0	1,490,622	2018 Stock Option Plan
2020/I	0	0	12,705,033	0	12,705,033	Convertible bonds
Total	**3,040,212**	**31,300**	**12,705,033**	**229,959**	**15,483,986**	

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 respective capital increase from 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.

6.4 Closing statement from the dependent company report

In fiscal year 2020, 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 them 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:

"Pursuant to Section 312 (3) of the German Stock Corporation Act, the Executive Management Board of Heidelberg Pharma AG declares that there were no reportable events during the fiscal year."

7 Risk report

7.1 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.

7.2 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 variance analysis 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. Internal reviews have not uncovered any material weaknesses, and minor defects were remedied immediately. In particular, regular reports on this system are submitted to the Audit Committee of the Supervisory Board, which discusses the audit activities.

To ensure reliable financial reporting, Heidelberg Pharma AG observes the International Financial Reporting Standards (IFRSs) and the provisions of the German Commercial Code (HGB). 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 automatically and manually. Preventive and downstream risk 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.

7.3 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 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 of Heidelberg Pharma AG and the Heidelberg Pharma Group and therefore jeopardize the ability of Heidelberg Pharma AG and the Heidelberg Pharma Group to continue as a going concern.

7.4 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 2020 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 binding financing commitments of € 15 million each in January and July 2020. The first financing commitment was implemented in April by way of a corporate action. The second commitment was implemented as a shareholder loan after the end of the reporting period, in December 2020. A first tranche of this was paid out in January 2021. In March 2021, dievini made a further financing commitment in the amount of € 30 million. Based on the updated budget, the agreed shareholder loan of December 2020, the financing commitment of March 2021 and the cash and cash equivalents available as of the 30 November 2020 reporting date are sufficient to finance Heidelberg Pharma's planned business activities until mid-2022, provided that no exceptional developments change the situation.

In this respect, the assumption that the financing pledged and the subsequent inflow of cash will be successfully implemented in the first half of 2021 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-2022 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 therefore prepared on a going-concern basis in accordance with IAS 1.25 and Section 252 (1) No. 2 German Commercial Code (HGB), as the executive directors expect the Group's operations to continue beyond mid-2022.

7.5 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 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 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 or the results of the trial do not satisfy regulatory requirements.

Heidelberg Pharma Research GmbH is currently preparing to start the clinical program of the development candidate HDP-101. There is a risk that new therapeutic approaches in this indication in ADC, bispecific antibodies and above all CAR-T 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 Good Manufacturing Practice (GMP) certificate. Antibodies, the toxin and the conjugates for the planned trials are manufactured by service providers (CDMO). 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 (CDMO) 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.

Glossary

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 partnership.

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 nonetheless, 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.

7.6 Financial risks

Financing risks

The Company has been successful so far in raising funds through corporate actions. Cash inflows from sales revenue or royalties are not yet sufficient to sustain the Company's operations. According to the planning, the establishment of a proprietary ATAC pipeline will result in an increase in research and development expenses in the future, the financing of which will require sufficient inflows of funds based on the successful implementation of the corporate strategy focused on ADC technology and/or the raising of additional capital probably from mid-2022 if business develops as planned. Funding requirements have increased significantly due to the portfolio being expanded to include HDP-102 and HDP-103.

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There is a risk therefore (see section 7.4 "Going-concern risks" in the combined management report) that the cash flow to be generated at Heidelberg Pharma will not be sufficient to ensure financing of the planned business activities beyond mid-2022 or fulfill its payment obligations thereunder.

In addition to granting a loan of € 15 million as agreed in December 2020, main shareholder dievini confirmed a binding financing commitment of € 30 million to Heidelberg Pharma on 19 March 2021. Based on current planning and provided that the funding commitment is implemented successfully, the volume of funds pledged 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-2022.

Other financing measures along with the expansion of the revenue base must continue to be considered or prepared in the short and medium term. To ensure that the Company is able to meet its financial obligations beyond mid-2022, sales revenue will need to be increased or further financing measures will need to be implemented. 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, resulting in falling share prices.

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 collaboration 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 collaboration 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 single-entity 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 2020 were mainly attributable to Heidelberg Pharma AG (loss carryforward of € 193.2 million for corporation tax; € 190.2 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 € 67.1 million for corporation tax and € 66.1 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 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.

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.

7.7 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 contravention of the contractual agreements. However, patent litigation is usually very 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.

7.8 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.

7.9 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. 76.61%) 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.

7.10 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 2022. 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 our partners will significantly reduce the risks to which the Company is exposed.

8 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:

- Heidelberg Pharma AG concludes in December 2020 an agreement on a shareholder loan in the amount of € 15 million with the main shareholder dievini based on an existing financing commitment.
- Study approval for HDP-101 obtained from the FDA.
- Heidelberg Pharma AG secures a financing commitment of up to € 30 million from its main shareholder dievini in March 2021.

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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9 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.

9.1 Economic environment

The International Monetary Fund (IMF) expects the global economy to grow by 5.5 % in 2021 after contracting by 3.5 % in 2020[57]. At 5.1 %, the forecast for economic growth in the United States is almost one percent higher than the 4.2 % projected for the eurozone (eurozone 2020: –7.2 %; US 2020: –3.4 %). While recent vaccine developments and approvals would give reason to hope that the economic trend will reverse, renewed waves of infection and new mutations of COVID-19 have generated uncertainty.[58]

The Kiel Economic Reports of the Kiel Institute for the World Economy (IfW) forecast that the German economy will grow by 3.1 % in 2021.[59]

The IMF has commended the German authorities for effectively handling the COVID-19 crisis and containing its economic impact, the short-time work program in particular being a crucial tool. However, to prevent widening inequality and deeper labor market scarring, the experts have stressed the importance of additional measures targeted at groups hard hit by the pandemic. The authorities have also been encouraged to stand ready to deploy additional measures to support companies should the recovery falter.[60]

9.2 Market opportunities in the biotechnology industry

The COVID-19 pandemic put the biotechnology industry front and center in the world's spotlight. This industry demonstrated its high level of innovation in 2020, not only by responding quickly to the pandemic and by developing several vaccines at record speed, but also through the large number of newly approved drugs not related to COVID-19.

According to an industry report published by the global market research institute IQVIA, global drug spending is expected to rise to more than USD 1.5 trillion annually by 2023, representing an average annual increase of 3 % to 6 %.[61] North America continues to be the largest pharmaceutical market, followed by China.[62]

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[63]. In higher-income countries, cancer is actually the most frequent cause of premature deaths.[64] It is predicted that the number will increase to around

57 https://de.statista.com/infografik/17818/iwf-prognose-zur-weltwirtschaft/

58 https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update

59 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2020/KKB_74_2020-Q4_Deutschland_DE.pdf

60 https://www.imf.org/en/News/Articles/2021/01/15/pr2113-germany-imf-executive-board-concludes-2020-article-iv-consultation-with-germany

61 IQVIA, The Global Use of Medicine in 2019 and Outlook to 2023, January 2019

62 IQVIA, The Global Use of Medicine in 2019 and Outlook to 2023, January 2019

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

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

30.2 million new cases in the year 2040.[65] This in turn will create considerable demand for effective cancer therapies with few side effects.

Precision medicine is becoming increasingly important. The number of clinical trials stratifying patients by means of biomarkers has doubled since 2010. In 2019, biomarkers were used in 42 % of all oncology studies.[66] The global cost of oncology therapeutics and drugs for supportive treatments totaled approximately USD 150 billion in 2018.[67] IQVIA expects oncology costs to rise by between 11 % and 14 % annually until 2023.[68]

Experts expect that, in addition to new developments to combat the pandemic, targeted treatments in oncology will remain a primary focus of attention in 2021. Over the last three years, 40 % of deals in the field of oncology concerned targeted therapies.[69] Industry experts believe that the encouraging trend in biotechnology will continue, though possibly at a slower pace than in 2020.[70] In contrast to many other sectors, which were severely impacted by COVID-19, the pharmaceutical and biotechnology industries posted record figures in 2020. It was a record year for IPOs, with 148 biotech companies (2019: 100) raising an average of USD 228.9 million each, i. e. capital totaling USD 33.9 billion (2019: USD 11.9 billion).[71] Follow-on financing also climbed sharply to USD 47.2 billion from the all-time high of USD 29.6 billion in 2015.[72] Venture capital financing also saw a record year, with a volume of USD 33.9 billion.[73]

9.3 Opportunities

ADC technology

ADC technology has gained considerable importance and momentum for the pharmaceutical and biotechnology industry. According to a report by Grand View Research, Inc., the global market for ADC is expected to reach USD 9.93 billion by 2025. A CAGR of 25.9 % is expected during this forecast period, driven by rising cancer rates combined with a growing geriatric population. According to the WHO, people aged over 65 are expected to make up 16 % of the global population by 2050 (2000: 7 %).[74]

The number of clinical development candidates rose to 139 ADCs in 2020, up from 118 a year earlier. Another 79 candidates are in preclinical development (2019: 54).[75]

Several new products based on ADC technologies developed by different companies have been approved since December 2019. Heidelberg Pharma's ATACs occupy a special position due to the Amanitin toxin used and its unique mode of action. The initial focus of the clinical trial with HDP-101 planned for 2021 is finding a

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

66 https://www.iqvia.com/-/media/iqvia/pdfs/institute-reports/iqvia-institute-supporting-precision-oncology-report.pdf?_=1608112258496

67 https://www.iqvia.com/-/media/iqvia/pdfs/institute-reports/iqvia-institute-supporting-precision-oncology-report.pdf?_=1608112258496

68 https://www.iqvia.com/-/media/iqvia/pdfs/institute-reports/iqvia-institute-supporting-precision-oncology-report.pdf?_=1608112258496

69 Biocentury, 9 January 2021: Targeted oncology is having a moment, again

70 BioCentury, 15 January 2021: A maturing mid-cap sector could keep funds flowing into biotech

71 BioCentury, 15 January 2021: A maturing mid-cap sector could keep funds flowing into biotech

72 BioCentury, 15 January 2021: A maturing mid-cap sector could keep funds flowing into biotech

73 BioCentury, 15 January 2021: A maturing mid-cap sector could keep funds flowing into biotech

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

75 BioCentury data base BCIQ, as of 11 January 2021

tolerable dose for patients. At the same time, the trial will involve looking for initial indications of HDP-101's therapeutic effect. This will allow both HDP-101 and the ATAC technology as a whole to be validated for clinical use, thus unlocking new therapeutic alternatives for cancer patients. Such a validation would also further enhance the economic assessment of the technology and the Company and provide greater opportunities for collaboration with larger pharmaceutical and biotechnology companies.

Broadening the Company's own project portfolio is expected to yield additional product candidates and provide options for the treatment of other types of cancer, which in turn will create further opportunities for Heidelberg Pharma. The ATAC technology is being continuously refined.

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 side effects such as infertility, cancer, organ damage and death. Magenta is developing targeted disease-modifying ADCs to quickly and accurately remove the disease-causing cells in the body and safely reset the immune and blood system without chemotherapy or radiation.

Glossary

The Executive Management Board of Heidelberg Pharma AG anticipates the conclusion of further partnership agreements whereby the granting of exclusive license rights for the testing, development and marketing of each individual Heidelberg Pharma Research ATAC is intended to secure increasingly significant and growing revenues as projects mature, in the form of customary upfront payments, co-funding of development, 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

Australian-headquartered 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 with zirconium in Phase III) and a therapeutic project (TLX250 with lutetium in preparation for a Phase II trial).

Telix has been conducting the Phase III trial with TLX250-CDx (ZIRCON) in the United States, Europe, Turkey and Australia since August 2019. Slower recruitment of patients as a consequence of the COVID-19 pandemic caused the Phase III study with TLX250-CDx to be delayed. Telix is planning to complete recruitment in mid-2021, after which the documents for approval will be submitted. The FDA has granted Telix Breakthrough Therapy designation for TLX250-CDx, which may make it eligible for fast track designation and give the company the opportunity to submit a "rolling" Biological License Application. Heidelberg Pharma AG will be eligible to receive milestone payments and royalties reaching double digit percentages, should the product receive marketing authorization.

The lead candidate is also expected to be validated as a companion diagnostic for therapy review with academic partners in the US and Europe and evaluated for a potential role in other types of cancer such as bladder, breast or colon cancer.

In the therapeutic project, the Lutetium-177-labeled antibody girentuximab (^{177}Lu-TLX250) is to be evaluated for disease-stabilizing effects in patients with advanced metastatic renal cancer. Telix intends to submit proposals for two US studies with TLX250 in combination with immunotherapy. The STARLITE 1 study will examine if progressive patients who have already received therapy can be resensitized for further treatment. STARLITE 2 will evaluate if immunotherapy in combination with TLX250 will lead to an improved response rate in patients with progressive kidney cancer. The companion diagnostic TLX250-CDx is expected to be used for patient selection and therapy review. Telix plans to commence these studies in 2021.[76] Heidelberg Pharma AG is eligible to receive royalties in the single-digit percentage range in the long term if these trials are successful.

upamostat

Heidelberg Pharma's partner RedHill plans to study upamostat (RHB-107) in combination with another development candidate, opaganib, as a third arm in a Phase IIa study in advanced cholangiocarcinoma, subject to talks with the FDA. RedHill is developing opaganib for the treatment of bile duct cancer (cholangiocarcinoma), in addition to other indications such as severe COVID-19 disease.

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. This is underpinned by promising new results showing that RHB-107 effectively inhibits SARS-CoV-2 replication in an *in vitro* model of human bronchial tissue.

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

9.4 Strategy and forecast 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 will be tested in patients with multiple myeloma. The IND application for the study was submitted to the FDA at the beginning of 2021 and approved in early February. Three clinical centers in the United States have been selected and are currently preparing to include the first patients. The trial design provides initially for a dose-finding study which will examine, starting from a low dosage, how high a dose patients could subsequently tolerate. Then safety and tolerability will be tested by administering the achieved dose to approximately 30 patients, who will be stratified by the proportion of myeloma cells harboring the 17p deletion biomarker. This will serve to examine whether 17p status correlates with HDP-101 efficacy and whether these patients could especially benefit from therapy with HDP-101. Patients will be stratified using the diagnostics established by Heidelberg Pharma, which will be tested for their clinical applicability at the same time.

The application to conduct the clinical trial in Germany was submitted to the Paul Ehrlich Institute shortly after the IND has been granted in the United States.

76 http://telixpharma.com/wp-content/uploads/20210226_Telix-Full-Year-Update-Feb2021-FINAL.pdf

Heidelberg Pharma is planning to start recruiting patients in the second quarter of 2021. Meaningful patient data is expected to become available in 2022.

Formal preclinical development for the other ATAC candidates, HDP-102 and HDP-103, is slated to begin in 2021. This will initially include a preclinical toxicology study with candidates manufactured under GMP conditions.

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 partnership with existing partners is expected to be continued and expanded as planned, ideally culminating in one or more therapeutic candidates.

Magenta is planning to begin clinical development for its first ATAC project, MGTA-117, in 2021.

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.

Takeda is also testing new options for targets, which led it to extend its collaboration with Heidelberg Pharma into 2021.

The Franco-German company Emergence is focusing on evaluating Nectin-4 as a potential target for a project development.

The Company believes that the current financing plan ensures that clinical development of the portfolio candidates can commence. Revenue from the services business and payments from Heidelberg Pharma Research GmbH's technology partnerships are expected to help finance in-house development work.

9.5 Financial forecast and non-financial forecast

Expected results of operations

The Executive Management Board expects the Heidelberg Pharma Group to generate between €5.5 million and €7.5 million in revenue and other income (2020: €9.6 million) in the 2021 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.

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 €36.0 million to €40.0 million, higher than in the reporting year (€27.9 million).

Earnings before interest and taxes (EBIT) in the 2021 fiscal year are expected to be between € –30.0 million and € –34.0 million (2020: € –18.3 million).

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 partnerships 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 2021 fiscal year for the Heidelberg Pharma Group's business operations are expected to increase compared to 2020 (€19.4 million excluding the capital increase implemented during the year). Funds used will be in the range of €30.0 million to €34.0 million. This corresponds to an average monthly use of cash of €2.5 million to €2.8 million.

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-2022 based on current planning.

Consolidated equity (30 November 2020: €12.9 million) would decline despite any corporate actions given the anticipated loss for the 2021 fiscal year.

In general, the specifics of the €30 million financing to which dievini committed in March 2021 could have an impact on the financial position, net assets and results of operations of the Company.

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All measures being discussed to improve the Company's financial situation are described in detail in sections 7.4 "Going-concern risks" and 7.6 "Financial risks", sub-section "Financing risks" of chapter 7 "Risk report."

Financial outlook	Actual 2020 € million	Plan 2021 € million
Sales revenue and other income	9.6	5.5 – 7.5
Operating expenses	27.9	36.0 – 40.0
Operating result	(18.3)	(30.0) – (34.0)
Total funding requirement	19.2	30.0 – 34.0[1]
Funds required per month	1.6	2.5 – 2.8[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.

10 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 2020 fiscal year have been combined in accordance with Section 315 (5) in conjunction with Section 298 (2) of the German Commercial Code (HGB). 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.

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

Heidelberg Pharma AG reported an operating result of € –14.0 million (previous year: € –1.6 million) in the 2020 fiscal year (01 December 2019 to 30 November 2020) according to German commercial law. The net loss for the year came to € 18.2 million (previous year: net income of € 0.5 million).

The significant difference can be attributed to the reorganization of internal functions within the Heidelberg Pharma Group, which took effect at the beginning of the fiscal year. In addition to finance, the parent company Heidelberg Pharma AG will now take over the assets and the development of proprietary ATAC projects. Heidelberg Pharma Research GmbH has been commissioned with operational development of the proprietary 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 € 6.9 million.

Sales revenue and operating income decreased year-on-year (combined € 0.5 million; previous year combined: € 0.8 million), while operating expenses rose significantly to € 14.5 million (2019: € 2.4 million).

Heidelberg Pharma was thus able to meet the expected target range for income (€ 0.5 million to € 1.5 million), but fell short of the target ranges for operating expenses (€ 11.0 million to € 13.5 million) and for the operating result (€ –10.0 million to € –12.5 million). This is attributable to the decision made during the year to significantly expand the further development and marketing of the ATAC technology.

Sales revenue and other operating income

Sales revenue decreased from € 0.7 million in the previous year to € 0.2 million in fiscal year 2020. These stem from the out-licensing of TLX250-CDx.

In contrast, other operating income of € 0.3 million was higher year-over-year (€ 0.1 million) and includes income from the passing on of patent costs under license agreements (as in the previous year: € 0.1 million). In addition, as in the previous year, there was also income of € 0.1 million attributable to other periods from the reversal of unutilized provisions. Other items amounted to € 0.1 million in 2020.

Operating expenses

Cost of materials resulting for the first time from the new development activities in connection with the preparation of clinical trials amounted to € 11.1 million. Of this figure, third-party services accounted for € 5.3 million, oncharged third-party services for € 2.1 million and intragroup cost allocations for € 3.7 million.

Personnel expenses increased from € 1.2 million in the previous year to € 1.3 million in 2020 as a result of new hires and general salary increases.

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

Other operating expenses amounting to € 2.1 million (previous year: € 1.2 million) were primarily incurred for legal and consulting costs (€ 1.0 million; previous year: € 0.3 million).

This expense item contains the cost of conventional legal representation as well as consulting costs related to business development and strategy, costs related to industrial property rights and patents and, since 2020, also consulting costs incurred in the context of clinical trials. Other costs related to the stock market listing in the broader sense (€ 0.5 million; previous year: € 0.3 million), costs to prepare and audit the annual financial statements (€ 0.1 million, as in the previous year) and Supervisory Board remuneration (€ 0.2 million; as in the previous year) were also incurred. As in 2019, other items totaled € 0.3 million.

Interest

Interest and similar income exclusively consist of interest income on the loan to affiliated company Heidelberg Pharma Research GmbH (€ 2.7 million; previous year: € 2.1 million). Conventional interest income on monetary assets is currently not achievable on the market.

Interest and similar expenses were incurred exclusively in 2020, but not to any significant extent.

Earnings

Heidelberg Pharma AG posted a net loss for the year of € 18.2 million in the reporting year (previous year: net income of € 0.5 million).

Financing and liquidity

Heidelberg Pharma AG had sufficient funds throughout fiscal year 2020 to ensure the financing of its business operations.

Heidelberg Pharma AG showed cash and cash equivalents of € 4.7 million at the close of the fiscal year (30 November 2019: € 9.8 million).

Together with the financing commitment of € 15 million made by dievini in July 2020, there are sufficient funds according to the Group's financial planning to ensure the financing of the companies included in the consolidated financial statements until mid- 2021.

After the Group's main shareholder dievini granted a loan in the amount of € 15 million in December and made an increased financing commitment of € 30 million in January 2021, 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-2022 (see section 7.4).

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Capital expenditures

Additions of € 6 thousand were made to both tangible and intangible assets. No such additions had been made in 2019.

Net assets and financial position

Total assets rose by around € 6.3 million to € 75.2 million compared to € 68.9 million in the previous year. The increase in total assets was attributable to higher receivables from affiliates, which more than offset the cash outflows. 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.

Fixed assets were mainly unchanged compared to the previous year at € 13.3 million at the end of 2020, 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 ADC business used for the impairment test comprises detailed planning over a four-year period from 2021 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 6.6 % (previous year: € 6.9 %). Furthermore, an effective tax rate of 28.43 % was 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 sustained positive cash flows in the market phase from 2028
- Maximum exploitation period for license income extended until 2045 through patents granted and new patent applications
- 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.

The receivables from affiliates include loan and interest receivables from Heidelberg Pharma Research GmbH under an interest-bearing, uncollateralized and indefinite loan (overdraft or credit line) granted to Heidelberg Pharma Research GmbH to secure its financing. Overall, this receivable (including interest) from Heidelberg Pharma Research GmbH increased from € 45.7 million to € 56.2 million in the fiscal year. 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 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.

Trade receivables in the amount of € 38 thousand were recognized in 2020 only.

Other assets rose from € 193 thousand in the previous year to € 390 thousand as of the current reporting date. As in 2019, the largest item is a VAT receivable from the tax authorities.

Cash and bank balances totaled € 4.7 million at the end of the fiscal year (previous year: € 9.8 million). For more information on the Company's strained financial position and a possible threat to its continuation as a going concern, refer to sections 7.4 "Going-concern risks" and 7.6 "Financing risks."

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Prepaid expenses of € 574 thousand (previous year: € 25 thousand) mainly related to advance payments to service providers and increased significantly in connection with the Company's new development activities.

Equity according to commercial law increased to € 75.2 million at the balance sheet date (previous year: € 67.9 million). The increase is mainly due to the capital increase implemented during the year.

Subscribed capital rose to € 31.1 million due to matter described above and stock options that were exercised for the first time (30 November 2019: € 28.2 million). The capital reserve also increased correspondingly from € 224.6 million in the previous year to € 236.2 million at the end of the fiscal year.

Accumulated losses rose from € 184.9 million to € 203.2 million due to the net loss of € 18.2 million.

Provisions increased from € 0.7 million in the previous year to € 1.0 million as of 30 November 2020. These mainly included provisions for the bonus program for the Executive Management Board and employees (€ 0.2 million, as in the previous year), for internal and external costs of preparing and auditing financial statements (€ 0.1 million each as well), and for outstanding invoices and other items (€ 0.7 million; previous year: € 0.4 million).

Trade payables rose significantly, from € 0.1 million in the previous year to € 1.7 million as of 30 November 2020, as a result of expanded development activities.

Liabilities to affiliated companies (€ 8.3 million) exist in connection with the utilization of intragroup resources for the development activities, as well as in connection with the consolidated VAT tax group that exists with the subsidiary. A liability from loss absorption in connection with the profit and loss transfer agreement concluded with the subsidiary in the amount of € 6.9 million is also recognized for the first time. In the previous year, only € 0.1 million was required to be recognized for this entire item.

Other liabilities remained largely unchanged year-on-year at € 81 thousand (€ 88 thousand) and concern unpaid tax.

Cash flow statement

Cash outflow from operating activities during the reporting period was € 19.4 million (previous year: € 9.1 million). 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 € 11 thousand in 2020. No such investments had been made in 2019.

The volume of € 14.4 million in 2020 included a significant increase in the cash flow from financing activities stemming from the capital increase implemented in the second business quarter. As there had not been a similar effect in 2019, there had been no change in this cash flow segment.

In addition, a negative effect from exchange rate movements of € 15 thousand was recognized (previous year: exchange rate gains of € 12 thousand). This is attributable to the fall of the US dollar against the euro.

Total net outflow of cash and cash equivalents was € 5.1 million in 2020 (previous year: inflow of € 9.1 million). This corresponded to an average outflow of cash of € 0.4 million per month (previous year: € 0.8 million). Excluding the effect of the capital increase, a cash outflow of € 1.6 million per month would have been recognized in 2020.

At the end of the period, the Company had cash and bank balances of € 4.7 million (previous year: € 9.8 million).

10.2 Other disclosures

In addition to the two Executive Management Board members, the Company had eight salaried employees at the reporting date, six of whom worked in administration, one in business development and one as a scientist in research and development. The Company had six salaried employees on average during the year, five of whom worked in administration and one in business development.

10.3 Financial outlook for the parent company, Heidelberg Pharma AG

Expected results of operations

At the beginning of the 2020 financial year, internal functions within the Heidelberg Pharma Group were reorganized. In addition to financing the proprietary ATAC projects, Heidelberg Pharma AG also took over the projects' assets and development. In addition, a profit and loss transfer agreement was concluded with the subsidiary during the year, in which the parent company undertakes to offset a loss and to absorb it as an expense. As a result of these two agreements, the results of operations of Heidelberg Pharma AG in 2020 differed significantly from previous years.

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 2021 fiscal year (2020: € 0.5 million). The earnings target for 2021 does not include potential sales revenue from a potential additional license agreement.

Total operating expenses in 2021 are expected to be in the range of € 22.0 million to € 26.0 million if business proceeds as planned, thus coming in clearly above the level seen in the 2020 reporting period (€ 14.5 million). The Company also assumes that expenses will continue to exceed income in the next few years.

The operating result in the 2021 financial year is expected to come in between € –21.0 million and € –25.0 million (2020: € –14.0 million).

Furthermore, positive interest income of € 1.5 million to € 2.5 million and expenses from loss compensation of € 8.5 million to € 11.5 million are expected in 2021.

Heidelberg Pharma AG therefore expects to post a net loss of between € 29.0 million and € 33.0 million for 2021.

Expected financial position and net assets

If income and expenses develop as anticipated, financing requirements in the 2021 fiscal year for Heidelberg Pharma AG's business operations are expected to increase compared to 2020 (€ 19.2 million excluding the capital increase implemented during the year). Funds used will be in the range of € 30.0 million to € 34.0 million. This corresponds to an average monthly use of cash of € 2.5 million to € 2.8 million.

Equity as defined by German commercial law (30 November 2020: € 64.1 million) would decrease regardless of any corporate actions given the anticipated loss for the 2021 fiscal year.

In general, the specifics of the € 30 million financing to which dievini committed in March 2021 could have an impact on the financial position, net assets and results of operations of the Company.

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All measures being discussed to improve the Company's financial situation are described in detail in sections 7.4 "Going-concern risks" and 7.6 "Financial risks", sub-section "Financing risks" of chapter 7 "Risk report."

Ladenburg, 22 March 2021

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 2019 to 30 November 2020

	Note	2020 €	2019 €
Sales revenue	21	8,487,938	7,309,379
Other income	22	1,087,926	654,543
Income		**9,575,864**	**7,963,922**
Cost of sales	23	(5,599,778)	(3,738,731)
Research and development costs	23	(18,286,980)	(10,941,832)
Administrative costs	23	(3,581,177)	(3,144,935)
Other expenses	23	(392,650)	(281,553)
Operating expenses	**23**	**(27,860,584)**	**(18,107,051)**
Operating result		**(18,284,720)**	**(10,143,129)**
Finance income	26	0	0
Finance costs	26	(13,564)	0
Financial result	**26**	**(13,564)**	**0**
Share of the profit/loss of associates	27	(70,754)	0
Earnings before tax		**(18,369,038)**	**(10,143,129)**
Income tax	28	0	(5,006)
Net loss for the year		**(18,369,038)**	**(10,148,135)**
Net currency gain/loss from consolidation		0	0
Other comprehensive income		**0**	**0**
Comprehensive income		**(18,369,038)**	**(10,148,135)**
Earnings per share			
Earnings per share (basic)	29	(0.61)	(0.36)
Average weighted number of shares issued		29,896,633	28,209,611

Rounding of exact figures may result in differences.

CONSOLIDATED BALANCE SHEET (IFRS)

for the fiscal year ended 30 November 2020

Assets	Note	30 Nov. 2020 €	30 Nov. 2019 €
Property, plant and equipment	9	3,113,628	2,426,848
Intangible assets	10	2,818,316	2,800,732
Goodwill	10	6,111,166	6,111,166
Equity investments accounted for using the equity method	11	0	12,599
Other non-current assets	12	44,900	44,900
Non-current assets		**12,088,010**	**11,396,244**
Inventories	13	229,820	237,702
Prepayments	14	798,948	63,888
Trade receivables	15	1,187,684	1,230,258
Other receivables	15	322,098	178,682
Cash and cash equivalents	16	4,982,232	9,883,592
Current assets		**7,520,782**	**11,594,122**
Total assets		**19,608,792**	**22,990,366**

Equity and liabilities	Anhang	30 Nov. 2020 €	30 Nov. 2019 €
Subscribed capital	17	31,061,872	28,209,611
Capital reserve	17	227,370,862	215,268,448
Accumulated losses	17	(245,553,676)	(227,184,639)
Equity	**17**	**12,879,058**	**16,293,420**
Lease liabilities (non-current)	18	102,030	0
Contract liabilities (non-current)	18	0	235,247
Non-current liabilities	18	**102,030**	**235,247**
Trade payables	19	2,811,832	1,011,708
Lease liabilities (current)	19	100,649	0
Contract liabilities (current)	19	252,112	1,938,064
Other current liabilities	19	3,463,112	3,511,926
Current liabilities	19	**6,627,704**	**6,461,699**
Total equity and liabilities		**19,608,792**	**22,990,366**

Rounding of exact figures may result in differences.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

for the fiscal year from 1 December 2019 to 30 November 2020

	Note	Shares	Subscribed capital €	Capital reserve: Corporate actions/ premium €	Capital reserve: Stock options €	Accumulated losses €	Total €
				210,440,763	4,202,495		
As of 1 December 2018		**28,133,308**	**28,133,308**	**214,643,257**		**(216,890,476)**	**25,886,089**
Effect of first-time application of IFRS 15						(146,028)	(146,028)
As of 1 December 2018 after IFRS 15 restatement		**28,133,308**	**28,133,308**	**214,643,257**		**(217,036,504)**	**25,740,061**
Measurement of stock options	24				701,493		701,493
Net loss for the year						(10,148,135)	(10,148,135)
Exercise of mandatory convertible bonds		76,303	76,303	(76,303)			0
Net change in equity							**(9,446,641)**
				210,364,460	4,903,988		
As of 30 November 2019	**17**	**28,209,611**	**28,209,611**	**215,268,448**		**(227,184,639)**	**16,293,420**
				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
Net loss for the year						(18,369,038)	(18,369,038)
Creation of shares for stock options exercised	17	31,300	31,300	27,857			59,157
Capital increase taking into account 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**

Rounding of exact figures may result in differences.

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

for the fiscal year from 1 December 2019 to 30 November 2020

	Note	2020 €	2019 €
Net loss for the year		**(18,369,038)**	**(10,148,135)**
Adjustment for items in the statement of comprehensive income			
Stock options	24	569,897	701,493
Depreciation, amortization and impairment losses	23	733,872	546,558
Gains (–) / losses (+) on disposal of non-current assets		90,402	0
Profit/loss from equity-accounted investment	11	70,754	0
Exchange rate effects	25	9,413	24,255
Finance costs	26	13,564	0
		1,487,901	**1,272,306**
Changes in balance sheet items			
Inventories	13	7,882	(60,143)
Prepayments	14	(735,060)	(7,856)
Trade receivables	15	42,574	(864,309)
Other receivables	15	(143,416)	70,052
Other non-current assets	12	0	(3,550)
Trade payables	19	1,800,124	606,210
Contract liabilities	18/19	(1,921,199)	544,486
Other liabilities	19	(48,814)	34,232
		(997,911)	**319,122**
Cash flow from operating activities		**(17,879,048)**	**(8,556,707)**
Finance costs paid	26	(13,564)	0
Net cash flow from operating activities		**(17,892,611)**	**(8,556,707)**
Cash flow from investing activities			
Proceeds from disposal of property, plant and equipment	9	198,309	0
Proceeds from disposal of intangible assets	10	4,179	0
Payments to acquire property, plant and equipment	9	(1,368,396)	(901,769)
Payments to acquire intangible assets	10	(65,730)	(61,430)
Acquisition of equity interests	11	(58,155)	(12,599)
Net cash flow from investing activities		**(1,289,794)**	**(975,797)**
Cash flow from financing activities			
Proceeds from the capital increase	17	14,386,901	0
Capital procurement costs for capital increases	17	(61,279)	0
Proceeds from creating shares for stock options exercised	17	59,157	0
Principal portion of lease payments	23	(94,321)	0
Net cash flow from financing activities		**14,290,458**	**0**
Exchange rate and other effects on cash	25	(9,413)	(24,255)
Net change in cash and cash equivalents		**(4,901,360)**	**(9,556,760)**
Cash and cash equivalents			
at beginning of period	16	9,883,592	19,440,352
at end of period	16	4,982,232	9,883,592

Rounding of exact figures may result in differences.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of Heidelberg Pharma AG, Ladenburg, in accordance with IFRSs

for fiscal year 2020
from 1 December 2019 to 30 November 2020

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. 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 2020 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 out-licensed clinical drug candidates.

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 (Antibody Targeted Amanitin Conjugates) 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.

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 ff.).

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 2020 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 16	Leases	1 Jan. 2019	Yes	Yes
IFRIC 23	Uncertainty over Income Tax Treatments	1 Jan. 2019	Yes	None
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 Jan. 2019	Yes	No material effects
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1 Jan. 2019	Yes	No material effects
IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 Jan. 2019	Yes	None
Annual Improvements to IFRS Standards 2015–2017 Cycles	Amendments to various IFRSs, particularly IFRS 3, IFRS 11, IAS 12, IAS 23	1 Jan. 2019	Yes	None

New standard IFRS 16:

IFRS 16 replaces the existing guidance on leases, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 was applied for the first time on 1 December 2019, on the basis of the modified retrospective approach. The prior-year figures have not therefore been restated.

For lessees, IFRS 16 prescribes an accounting model which eliminates the distinction between finance and operating leases. IFRS 16.5(a) and (b) grant the lessee an option for leases with a term of not more than 12 months and leases for low-value assets of up to USD 5 thousand. Heidelberg Pharma has made use of these practical expedients and is continuing to account for such leases analogously to the previous operating lease model. Any further leases must be recognized in the balance sheet. In accordance with IFRS 16.C10(a), a single discount rate has been applied, impairment review has not been performed as of initial application (IFRS 16.C10(b)) and initial direct costs of a right-of-use asset have been excluded (IFRS 16.C10(d)).

For lessors, the rules in IAS 17 "Leases" remain largely in effect and lessors will continue to distinguish between finance and operating leases with different accounting treatments for each.

However, due to the initial application of IFRS 16 this did not have any material effect on the Group's operating result and net profit/loss for the year in 2020, but did materially affect the presentation in the Group's balance sheet, statement of comprehensive income and cash flow statement.

Heidelberg Pharma rents office, laboratory and archive space as well as office equipment and vehicles. To date, these have been considered operating leases. Payments made to date 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. Specifically, as of initial application on 1 December 2019 the asset side of the balance sheet increased by € 297 thousand due to the new assets described above. At the same time, the liabilities side of the balance sheet increased by € 297 thousand due to the lease liabilities. A discount rate according to IFRS 16.26 was applied for discounting, on the basis of an incremental borrowing rate of interest of 6 %.

Effects of IFRS 16 upon initial application as of 1 December 2019	30 Nov. 2019 (as reported) € '000	Additional right-of-use assets or lease liabilities € '000	1 Dec. 2019 € '000
Assets			
Non-current assets			
Property, plant and equipment	2,427	297	2,724
of which right-of-use assets	–	297	297
Equity and liabilities			
Lease liabilities, non-current	0	95	95
Lease liabilities, current	0	202	202
Lease liabilities, total	**0**	**297**	**297**

Right-of-use assets of € 297 thousand comprise €62 thousand for vehicle leases and € 235 thousand for property leases.

In the statement of comprehensive income, to date the expense from operating leases has been listed under administrative costs or research and development costs, e. g. as "rent" or "vehicle leases." From 1 December 2019, the right-of-use assets will be depreciated and interest expense reported for the lease liabilities. An additional € 97 thousand of depreciation and an additional € 14 thousand of interest expense were recognized for this purpose in the past fiscal year. The operating result has thus improved by € 14 thousand. No expense relating to short-term leases pursuant to IFRS 16.53 (c) has been recognized. 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 were recognized in the net change in cash from operating activities. Starting with fiscal year 2020, such payments will be divided up into interest paid as well as the principal portion of the lease liabilities. While the interest paid (€ 14 thousand) will continue to be allocated to the net change in cash from operating activities, the principal portions will be included in financing activities (€ 94 thousand). 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). Total outflows of cash from leases amount to € 108 thousand.

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	Possible effects on Heidelberg Pharma
IFRS 3 (Amendments)	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
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	No	None
Annual Improvements to IFRS Standards 2018–2020 Cycles	Amendments to various IFRSs, particularly IFRS 3/IAS 16/IAS 37	1 Jan. 2022	No	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	No	No material effects
IFRS 17	Insurance Contracts	1 Jan. 2023	No	None
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 (HGB) were applied.

3.2 Basis for preparation of the consolidated financial statements

- The reporting period begins on 1 December 2019 and ends on 30 November 2020. It is referred to hereafter as the "2020 fiscal year" ("2019 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 a, 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 2021 and released for publication in accordance with IAS 10. The consolidated financial statements are to be approved by the Supervisory Board on 23 March 2021. 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 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.

3.4 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 2020, 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 2020: €1 = USD 1.1964 (previous year: €1 = USD 1.1009)
- Average exchange rate in fiscal year 2020: €1 = USD 1.1376 (previous year: €1 = USD 1.1214)

Swiss francs:
- Closing rate 30 November 2020: €1 = CHF 1.0806 (previous year: €1 = CHF 1.0995)
- Average exchange rate in fiscal year 2020: €1 = CHF 1.0719 (previous year: €1 = CHF 1.1152)

British pound:
- Closing rate 30 November 2020: €1 = GBP 0.8967 (previous year: €1 = GBP 0.8526)
- Average exchange rate in fiscal year 2020: €1 = GBP 0.8865 (previous year: €1 = GBP 0.8817)

Differences may result from commercial rounding of exact figures.

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

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 (see note 2.1), and is recognized at historical cost less accumulated depreciation and, if applicable, impairment losses.

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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 8 to 14 years
- Other office equipment 3 to 23 years
- Right-of-use assets 10 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.

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See note 2.1 and 3.6 for information on the accounting treatment of leases.

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 2020, however.

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

- Licenses und patents 12.5 to 20 years
- Software 3 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.

Glossary

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 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 87 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

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 as well as cash and cash equivalents.

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.

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.

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 and the Swiss franc 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 € 12.9 million (30 November 2019: € 16.3 million).

As a result of a capital increase implemented in the second 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 28,209,611 by 2,852,261 new shares to 31,061,872.

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 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. 2020 € '000	30 Nov. 2019 € '000
Liquidity	**4,982**	**9,884**
In % of total capital	25.4 %	43.0 %
In % of current liabilities (cash ratio)	70.2 %	153.0 %
Equity	**12,879**	**16,293**
In % of total capital	65.7 %	70.9 %
Liabilities	**6,730**	**6,697**
In % of total capital	34.3 %	29.1 %
Total capital	**19,609**	**22,990**

The liquidity ratios (ratio of available cash and cash equivalents to either total capital or current liabilities) decreased uniformly compared with the prior-year comparable figures due to the cash outflow from operating activities.

The ratio of liquidity to total capital fell from 43.0 % to 25.4 %. Analogously, the cash ratio, defined as cash and cash equivalents divided by current liabilities, decreased from 153.0 % to 70.2 %.

The equity ratio was 65.7 % as of 30 November 2020. This is lower than in the previous year (70.9 %) due to the loss posted for fiscal year 2020. In contrast, total liabilities increased as a percentage of total capital from 29.1 % in the previous year to 34.3 % as of 30 November 2020.

Preventing the share capital from being reduced by more than half by losses in the separate 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 diluted 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 the 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 pension plan at Heidelberg Pharma Research into which contributions are still being paid.

No contributions to a defined benefit pension plan for a former Executive Management Board member at Heidelberg Pharma AG were due in 2020 because of the nature of the commitment (a one-time payment in the amount of € 47 thousand made in 2019) and a reinsurance policy funded with a one-time payment of € 15 thousand in 2000 constituting the plan assets.

The payments into a defined contribution plan as 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 2020 fiscal year, Heidelberg Pharma paid € 382 thousand in employer contributions to the statutory pension insurance scheme; this expense is allocated to staff costs (previous year: € 324 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 ff. 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, which is applicable for the first time, 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, pursuant to IFRS 15.47 past customary business practices must be taken into consideration. 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 has a present right to 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. The 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, 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.

Since Heidelberg Pharma does not hold any floating-rate or fixed-rate financial instruments as of the reporting date, the Company is not exposed to any interest rate risks. Given this 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 € 1,188 thousand and corresponds to the trade receivables balance sheet item. The maximum default risk from other receivables is € 322 thousand, which mainly comprises receivables from the tax authorities.

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 2019 and 2020. This conservative investment approach ensures that there is no nonpayment risk (see note 3.15).

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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):

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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-2022 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 and Section 252 (1) No. 2 German Commercial Code.

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-2022 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 our company's ability to continue as a going concern, as well as on our plans and measures to deal with these events and conditions, please refer to our explanations in Sections 7.4 "Going-concern risks" and 7.6 "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 (€ 8.5 million; previous year: € 7.3 million) and other income (€ 1.1 million; previous year: € 0.7 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

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Heidelberg Pharma recognizes expenses in the amount of € 570 thousand (previous year: € 701 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.

7.2 Impairment testing pursuant to IAS 36

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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.

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 2021 (previous year: January 2020) 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 testing was modified in 2019 by comparison with the previous year. This was due to the Group's restructuring applicable from the fiscal year 2020 and the cash flows/cost burden which will be shared between the parent company and the subsidiary going forward.

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 2020 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 2021 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 € 1.2 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 2021 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 four-year period from 2021 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 extended 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 four-year period from 2021 to 2024, negative cash flows (discounted) are expected for 2021 and 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 2021 to 2024, the model projects cumulative discounted cash flows (adjusted for tax effects) of € 8.6 million in total, while for the phase starting in 2025 it assumes cumulative discounted cash flows (adjusted for tax effects) of € 43.9 million (including terminal value).

The carrying amount of the cash generating unit analyzed was € 11.0 million as of the reporting date (previous year: € 7.1 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 9.2 % (previous year: 10.2 %) before taxes and 6.6 % (previous year: 6.9 %) after taxes. If the discount rate were to increase by one percentage point, the value in use would decrease by € 6.6 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 2020.

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.

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.

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9 Property, plant and equipment

As of 30 November 2020 and 30 November 2019, property, plant and equipment comprised the following:

	Laboratory equipment € ‘000	Right-of-use assets € ‘000	Other office equipment € ‘000	Total € ‘000
2019 fiscal year				
Opening carrying amount	1,764	0	186	1,950
Additions	690	0	274	964
Disposals	(26)	0	(1)	(26)
Impairment	24	0	1	24
Depreciation	(359)	0	(126)	(485)
Net carrying amount as of 30 Nov. 2019	**2,093**	**0**	**333**	**2,427**
As of 30 Nov. 2019				
Cost	5,365	0	1,252	6,617
Accumulated depreciation and impairment	(3,272)	0	(919)	(4,190)
Net carrying amount as of 30 Nov. 2019	**2,093**	**0**	**333**	**2,427**

		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 and impairment	(3,689)	(72)	(25)	(1,094)	(4,880)
Net carrying amount as of 30 Nov. 2020	**2,381**	**163**	**36**	**533**	**3,114**

Unless allocable to cost of sales, the planned amount of depreciation totaling € 690 thousand (previous year: € 485 thousand) was recognized in profit or loss as R&D costs and as general and administrative expenses. Impairment losses (or write-downs) of € 320 thousand and € 24 thousand were recognized in fiscal years 2020 and 2019, 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".

10 Intangible assets

As of 30 November 2020 and 30 November 2019, 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
2019 fiscal year							
Opening carrying amount	10	0	275	23	2,493	6,111	8,912
Additions	34	0	27	0	0	0	62
Amortization and impairment	(15)	0	(29)	(18)	0	0	(62)
Net carrying amount as of 30 Nov. 2019	**30**	**0**	**273**	**5**	**2,493**	**6,111**	**8,912**
As of 30 Nov. 2019							
Cost	754	1	1,592	320	2,493	6,111	11,271
Accumulated amortization and impairment	(725)	(1)	(1,318)	(315)	0	0	(2,359)
Net carrying amount as of 30 Nov. 2019	**30**	**0**	**273**	**5**	**2,493**	**6,111**	**8,912**
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 and impairment	(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**

All of the additions stem from separate acquisitions. Unless allocable to cost of sales, € 44 thousand (previous year: € 62 thousand) in planned 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 € 2 thousand was recognized in fiscal year 2020 only. These were recognized in profit or loss as R&D costs.

In addition, the acquired customer base identified as an intangible asset in connection with a purchase price allocation was amortized and has now been amortized in full.

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 2020 during the impairment test carried out in January 2021. Heidelberg Pharma has not found any indication of impairment of this intangible asset.

10.3 Other intangible assets

In the previous year, 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. As of the 30 November 2019 reporting date, the acquired customer base was carried at € 5 thousand. 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. In addition, in the past fiscal year Emergence issued convertible bonds to Heidelberg Pharma with a value of € 51 thousand. 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 2020, Heidelberg Pharma Research GmbH held a 6.35 % interest in the share capital of Emergence according to German stock corporation law. For its 2019 fiscal year, ending on 31 December 2019, Emergence has reported an audited net loss of € 380 thousand for the year, calculated according to German commercial law. In unaudited interim financial statements for the period ended November 2020, the net loss of was € 1,551 thousand.

As of 30 November 2020, Heidelberg Pharma Research's share of Emergence's losses thus amounted to € 123 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 is 31 December 2020 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 € 71 thousand is to be recognized as an expense in the income statement.

12 Other non-current assets

The other non-current assets (as in the previous year: € 45 thousand) mainly comprise rent security in the amount of € 10 thousand (previous year: € 10 thousand) and security for leased equipment and property in the amount of € 30 thousand (previous year: € 30 thousand) – all of which is deposited in bank accounts. 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 (2020: € 230 thousand; previous year: € 238 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 no longer recognizes inventories. 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 € 2,230 thousand in fiscal year 2020 (previous year: € 1,086 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. 2020 € ‘000	30 Nov. 2019 € ‘000
Prepayments related to clinical development	491	0
Prepayments to insurance companies	5	4
Prepayments to other service providers	303	60
Prepayments	**799**	**64**

All prepayments made are of a current nature (< 12 months).

15 Trade and other receivables

The trade receivables of € 1,188 thousand (previous year: € 1,230 thousand) mainly result from collaborations including related material supplies and services invoiced by Heidelberg Pharma Research GmbH.

	30 Nov. 2020 € '000	30 Nov. 2019 € '000
Trade receivables	1,188	1,230
Total	**1,188**	**1,230**

The aging structure of trade receivables as of the reporting date was as follows:

	30 Nov. 2020 € '000	30 Nov. 2019 € '000
0–30 days	1,180	1,230
30–90 days	8	0
More than 90 days	0	0
Total	**1,188**	**1,230**

As of the balance sheet date, trade receivables of € 8 thousand were past due and remained unpaid more than 30 days after their due date.

Other receivables are comprised as follows:

	30 Nov. 2020 € '000	30 Nov. 2019 € '000
VAT claim	284	175
Other items	38	4
Other receivables	**322**	**179**

Heidelberg Pharma expects all trade receivables and other receivables to be realized within the next 12 months.

16 Cash and cash equivalents

	30 Nov. 2020 € '000	30 Nov. 2019 € '000
Cash and cash equivalents	4,982	9,884
Total	**4,982**	**9,884**

Cash and cash equivalents consist exclusively of bank balances and were down on the prior-year figure due to the cash outflows from operating activities. There were no cash equivalents as defined in IAS 7.6 as of the reporting date of 30 November 2020.

17 Equity

As of 30 November 2020, the share capital consisted of 31,061,872 (30 November 2019: 28,209,611) no par value bearer shares with a notional value of € 1.00 per share.

Heidelberg Pharma AG carried out a capital increase by way of a private placement in April 2020 during which the shareholders subscribed for 2,820,961 new no par value bearer shares at a subscription price of € 5.10 per share. The capital increase increased the Company's share capital by € 2,820,961.00, from € 28,209,611.00 to € 31,030,572.00, after it was entered in the Commercial Register on 29 April 2020.

In the second half of the fiscal year, stock options issued in 2016 were exercised for the first time within two periods defined in the stock option plan. A total of 31,300 options were exercised at a price of € 1.89 each. This increased the Company's share capital by € 31,300.00, from € 31,030,572.00 to € 31,061,872.00, after the matter was entered in the Commercial Register on 8 December 2020.

The following shares were issued or created by way of exercising stock options or converting the mandatory convertible bond in the reporting period or in the previous year:

Issue date	Entry in the commercial register	Number of shares	€
On 30 Nov. 2018		**28,133,308**	**28,133,308**
Continually, converted during the fiscal year	Two entries during the year, most recently on 14 Jan. 2020	76,303	76,303
On 30 Nov. 2019		**28,209,611**	**28,209,611**
27 April 2020	29 April 2020	2,820,961	2,820,961
Continuously upon exercising stock options in the second half of the fiscal year	8 December 2020	31,300	31,300
On 30 Nov. 2020		**31,061,872**	**31,061,872**

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 resulted in an increase in the capital reserve of € 11,533 thousand. The costs of € 61 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 € 570 thousand (previous year: € 701 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 2020, the capital reserves thus amounted to € 227,371 thousand (previous year: € 215,268 thousand).

Taking into account the cumulative losses of € 245,554 thousand accumulated from the date of the Company's establishment through to the reporting date (previous year: € 227,185 thousand), the equity of Heidelberg Pharma amounted to € 12,879 thousand (previous year: € 16,293 thousand).

18 Non-current liabilities

18.1 Lease liabilities (non-current)

Non-current lease liabilities – which must be reported separately due to initial application of IFRS 16 (see note 2.1) – total € 102 thousand and consist of liabilities for office, laboratory and archive space as well as vehicles.

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18.2 Contract liabilities (non-current)

There were no longer any non-current contract liabilities at the end of the 2020 reporting period (previous year: € 235 thousand).

19 Current liabilities

19.1 Trade payables

Current trade payables increased as of the reporting date from € 1,012 thousand in fiscal year 2019 to € 2,812 thousand in the fiscal year ended as a result of the expanded business activities.

19.2 Lease liabilities (current)

Current lease liabilities total € 101 thousand and consist of liabilities for office, laboratory and archive space as well as vehicles. Due to the initial application of IFRS 16 (see note 2.1), no comparative figures are available for the previous year.

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19.3 Contract liabilities (current)

Current contract liabilities total € 252 thousand (previous year: € 1,938 thousand) and consist of contract liabilities resulting from public funding schemes (€ 115 thousand; previous year: € 120 thousand) as well as cooperation agreements (€ 137 thousand; previous year: € 1,818 thousand).

19.4 Other current liabilities

Other current liabilities included the following:

	30 Nov. 2020 € '000	30 Nov. 2019 € '000
Obligation for holidays not taken	285	205
Social security and other taxes	227	270
Accrued liabilities	2,951	3,037
Other current liabilities	**3,463**	**3,512**

The accrued liabilities are composed as follows:

	30 Nov. 2020 € '000	30 Nov. 2019 € '000
Employee bonuses and profit-sharing bonuses	188	196
Costs of preparing the financial statements and tax advisory costs	194	144
Deliveries/services	2,569	2,697
Total	**2,951**	**3,037**

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):

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	30. November 2020			30. November 2019		
	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 assets at amortized cost	1,188	1,188	Financial assets at amortized cost	1,230	1,230
Cash and cash equivalents	Financial assets at amortized cost	4,982	4,982	Financial assets at amortized cost	9,884	9,884
Equity and liabilities						
Trade payables	Financial assets at amortized cost	(2,812)	(2,812)	Financial assets at amortized cost	(1,012)	(1,012)
Accrued liabilities	Financial assets at amortized cost	(2,763)	(2,763)	Financial assets at amortized cost	(2,841)	(2,841)
Unrealized gain/loss	–	0	0	–	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.

No expense or income arose from loans and receivables carried at amortized cost.

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.

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20.2 Fair value hierarchy levels

In accordance with IFRS 13.76 ff., Heidelberg Pharma uses hierarchy levels to determine and disclose the fair value of financial instruments (see note 5.2).

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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. For assets that the Group holds and liabilities that the Group reports, the quoted market price in each case is the bid price.

As of the balance sheet date, the Company held no underlying financial instruments measured at fair value. In 2020 and 2019, there were no reclassifications of items between fair value hierarchy levels.

20.3 Risks from financial instruments:

In respect of risks from financial instruments, see for example the section on the management of financial risks (see note 5).

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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 (€ 4,982 thousand; previous year: € 9,884 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 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 € '000
Trade payables	1,278	1,458	76	0	0	2,812
Other liabilities	0	2,763	0	0	0	2,763

30. November 2019	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 € '000
Trade payables	15	991	6	0	0	1,012
Other liabilities	0	2,841	0	0	0	2,841

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 (€ 1,188 thousand; previous year: 1,230 thousand) at the close of the fiscal year were attributable to business customers; they were mainly invoiced as of the 30 November 2020 reporting date or immediately preceding it. Trade receivables in the amount of € 8 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.

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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 2020, there were foreign currency risks concerning trade payables in the amount equivalent to € 25.6 thousand in USD, € 5.2 thousand in CHF and € 1.2 thousand in GBP. 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	25.6	2.3	(2.8)
Euro vs. Swiss franc (CHF)	5.2	0.5	(0.6)
Euro vs. British pound (GBP)	1.2	0.1	(0.1)

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In 2020 and 2019, 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 2020, the equivalent of € 1,008 thousand was generated in USD (previous year: € 2,005 thousand).

An increase of 10 % in the average USD exchange rate in fiscal year 2020 as part of a sensitivity analysis (i. e. the USD appreciates against the euro) would have lifted sales revenue by € 112 thousand (previous year: € 223 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 € 92 thousand (previous year: € 182 thousand). Sales revenue in other foreign currencies was not generated in 2020.

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 2020 reporting date were equivalent to € 235 thousand (30 November 2019: € 522 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 2020 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 € 8,488 thousand (previous year: € 7,309 thousand).

	2020 € '000	2019 € '000
ATAC technology sales revenue	7,789	6,093
Service business sales revenue	480	571
Out-licensing sales revenue	219	645
Sales revenue	**8,488**	**7,309**

Sales revenue mainly stems from the cooperation agreements for the ATAC technology of Heidelberg Pharma Research (€ 7.8 million; previous year: € 6.1 million). In addition to its service business (€ 0.5 million; previous year: € 0.6 million), the parent company also contributed € 0.2 million to revenue which was generated by out-licensing REDECTANE® to Telix and MESUPRON® to Link Health (previous year: € 0.6 million).

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 2019 was realized in the amount of € 1.6 million in fiscal year 2020. Heidelberg Pharma expects the remaining € 0.4 million to be realized in fiscal year 2021.

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 € 589 thousand.

Heidelberg Pharma estimates that € 589 thousand of the total transaction price of € 589 thousand allocated to contract liabilities will be realized in the 2021 fiscal year.

Regional distribution

The following table shows the regional distribution of 2020 sales revenue in terms of a customer's or collaboration partner's domicile:

	2020		2019	
Region	€ '000	%	€ '000	%
Germany	434	5 %	568	8 %
Europe	75	1 %	1,728	24 %
of which CH	75	–	1,728	–
USA	7,760	91 %	4,278	58 %
Rest of the world	219	3 %	735	10 %
Total	8,488	100 %	7,309	100 %

All sales revenue was generated in euros (€ 7.5 million) and US dollar (€ 1.0 million) in 2020. In this context, more than 10 % of sales revenue (€ 7.5 million) was generated with a US company under a research and license agreement In the previous fiscal year, two companies were responsible for more than 10 % of sales revenue each: a Swiss company under an MTA contract (€ 1.7 million) and the same US company as in 2020 with € 4.0 million.

Contract balances

	30 Nov. 2020 € '000	30 Nov. 2019 € '000
Trade receivables	1,188	1,230
Contract assets	0	0
Contract liabilities	252	2.173

Trade receivables are not interest-bearing and, as a rule, they are due within a period of between 30 and 90 days. While no impairment was recognized in fiscal year 2020, an impairment charge of € 41 thousand was recognized for expected credit losses on trade accounts receivable in fiscal year 2019. This reduces the closing balance of the impairment on trade receivables from € 41 thousand to € 0 thousand.

The contract liabilities usually comprise current and non-current prepayments for cooperation agreements and public funding schemes. With no new collaborations signed or grants obtained in 2020, the outstanding balances in these accounts decreased compared to 2019.

22 Other income

Other income (€ 1,088 thousand; previous year: € 655 thousand) comprises the following items:

Other income	2020 € '000	2019 € '000
Income from grants	179	186
Liabilities and provisions not utilized to date	630	248
Income from sales of fixed assets	9	11
Income from exchange rate gains	22	13
Income from passing on patent costs	106	107
Proceeds from non-monetary benefits	40	31
Other items	102	59
Total	**1,088**	**655**

Other income was up year-over-year. This figure includes German and European grants, which support Heidelberg Pharma Research GmbH projects in the amount of € 0.2 million (previous year: € 0.2 million). Furthermore, income of € 0.6 million (previous year: € 0.2 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. As in the previous year, other items amounted to income of € 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 rose to € 27.9 million in 2020 (previous year: € 18.1 million).

Operating expenses	2020 € million	2019 € million
Cost of sales	5.6	3.7
Research and development costs	18.3	10.9
Administrative costs	3.6	3.2
Other expenses	0.4	0.3
Total	**27.9**	**18.1**

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 € 5.6 million (previous year: € 3.7 million), representing 20 % of operating expenses.

Research and development costs rose year-over-year to € 18.3 million (previous year: € 10.9 million) as planned due to the expansion of cost-intensive external good manufacturing practice (GMP) production and preclinical and regulatory preparations for the clinical trial with HDP 101. The production of antibodies for HDP-102 and HDP-103 also was a factor. At 66 % of operating expenses, R&D remained the largest cost item.

Administrative costs were € 3.6 million, an increase on the prior year (€ 3.2 million), and accounted for 13 % of operating expenses.

These include staff costs of € 2.0 million (previous year: € 1.8 million), of which € 0.2 million concerned expenses for issuing stock options (previous year: € 0.3 million). The increase results from a growing number of employees due to the expansion of business activities. 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: € 0.5 million). Other items amounted to € 0.3 million.

Other expenses for business development, marketing and commercial market supply activities, which mainly comprise staff and travel costs, were € 0.4 million. They were higher than in the previous year (€ 0.3 million) and represented 1% of operating expenses.

The following expenses are recognized in the statement of comprehensive income:

	2020 € '000	2019 € '000
Staff costs	7,087	6,123
Travel costs (incl. conference fees)	128	248
Office costs (incl. utilities and maintenance)	469	605
Other internal costs	259	248
External research and development costs/laboratory	15,742	8,176
Legal and consulting costs (incl. patent costs)	2,269	1,388
Depreciation and amortization	734	547
Stock market listing	634	471
IT/licenses	198	231
Other expenses	341	70
Total	**27,861**	**18,107**

The increase in staff costs in the past fiscal year is attributable to the higher number of employees (ten FTEs as of the reporting date) and general salary increases. Expenses from the granting of stock options under IFRS 2 Share-based Payments (see note 24) decreased.

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Travel costs fell as a result significantly compared with 2019 due to the coronavirus pandemic.

Lower office costs reflect the significant costs incurred in 2019 to expand and maintain the technical systems at the Company's sites as well as the initial application of IFRS 16, as a result of which what was previous classified as lease expense is now classified as depreciation of the right-of-use asset. This has reduced the office costs and increased the volume of depreciation, in each case by € 97 thousand.

The expansion of business activities is reflected in higher expenses in other internal costs, listing costs, other expense items, 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. As planned, they rose year-over-year due to the expansion of research and development work at Heidelberg Pharma Research GmbH. Laboratory costs include expenses for inventories of € 4 thousand (previous year: € 37 thousand).

Depreciation and amortization continued to increase because of the investments made in the laboratory and buildings in the reporting periods and the initial application 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.

The expenses contained in the statement of comprehensive income include € 5,600 thousand in costs of sales (previous year: € 3,739 thousand).

24 Staff costs

In the comparative periods, Heidelberg Pharma employed the following number of staff on average (headcount):

	2020	2019
Administration	20	17
Manufacturing, service and distribution	17	17
Research and development	42	35
Average number of employees[1]	**79**	**69**

[1] Including the Executive Management Board

Staff costs for this purpose are comprised as follows:

	2020 € '000	2019 € '000
Wages and salaries	5,081	4,336
Social security costs	886	729
Expense from provisions for holidays	82	45
Bonuses	247	204
Expense from the measurement of stock options	570	701
Continuing professional development	45	9
Recruitment	60	28
Occupational safety and employer's liability insurance association	55	32
Other staff costs	61	38
Total staff costs	**7,087**	**6,123**

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 lower staff costs of € 570 thousand in 2020 (previous year: € 701 thousand), since no 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. The 2005 Stock Option Plan expired ten years after the last issue in 2010 (tranche 8 from September 2005) in the fiscal year ended, and the 59,994 stock options outstanding up to that date expired without replacement.

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). The payout amount per employee for the exercised stock options continues to be limited 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 (cap agreement).

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 incurred staff costs of € 122 thousand under the 2011 Stock Option Plan in 2020 (previous year: € 128 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). The payout amount per employee for the exercised stock options continues to be limited 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 (cap agreement).

Heidelberg Pharma incurred staff costs of € 130 thousand under the 2017 Stock Option Plan in 2020 (previous year: € 259 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). The payout amount per employee for the exercised stock options continues to be limited 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 (cap agreement).

Heidelberg Pharma incurred staff costs of € 318 thousand under the 2018 Stock Option Plan in 2020 (previous year: € 314 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
Measurement date	30 Mar. 2012	2 June 2016	23 Apr. 2018	19 June 2019
Measurement method	Monte Carlo model in each case			
Fair value per option	€ 2.13	€ 1.41	€ 1.07	€ 1.12
Exercise price (uniform and therefore also average) [1]	€ 14.12	€ 1.89	€ 3.41	€ 2.79
Price of the Heidelberg Pharma share as of the measurement date	€ 3.82	€ 1.83	€ 2.82	€ 2.83
Maximum term	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
Expected volatility of the Heidelberg Pharma share [2]	57.83 %	89.42 %	54.96 %	48.59 %
Expected dividend yield of the Heidelberg Pharma share	0.00 %	0.00 %	0.00 %	0.00 %
Risk-free interest rate	0.61 %	(0.47 %)	(0.19 %)	(0.70 %)
Remaining term as of 30 Nov. 2020	1.33 years	5.50 years	7.39 years	8.51 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	2005 plan	2011 plan	2017 plan	2018 plan	Total
Max. number of stock options to be issued acc. to plan terms	**1,289,157**	**1,156,412**	**661,200**	**1,490,622**	**4,597,391**
of which Executive Management Board	900,000	346,924	201,200	298,100	1,746,224
of which employees	389,157	809,488	460,000	1,192,522	2,851,167
Stock options actually issued	**1,161,431**	**685,726**	**653,430**	**654,590**	**3,155,177**
of which Executive Management Board[1]	894,515	364,000	201,200	149,050	1,608,765
of which employees	266,916	321,726	452,230	505,540	1,546,412
Max. number of stock options still available for issue	**0**	**0**	**7,770**	**836,032**	**843,802**
of which Executive Management Board	0	0	0	149,050	149,050
of which employees	0	0	7,770	686,982	694,752
Exercise of stock options by beneficiaries	**0**	**31,300**	**0**	**0**	**31,300**
of which Executive Management Board	0	0	0	0	0
of which employees	0	31,300	0	0	31,300
of which Executive Management Board in 2020	0	0	0	0	0
of which employees in 2020	0	31,300	0	0	31,300
Return of stock options by beneficiaries leaving the Company	**201,753**	**97,743**	**41,133**	**22,595**	**363,224**
of which Executive Management Board	165,180	26,500	0	0	191,680
of which employees	36,573	71,243	41,133	22,595	171,544
of which Executive Management Board in 2020	0	0	0	0	0
of which employees in 2020	0	0	1,133	10,867	12,000
Expiry of stock options without replacement after ten-year term	**959,678**	**0**	**0**	**0**	**959,678**
of which Executive Management Board	729,335	0	0	0	729,335
of which employees	230,343	0	0	0	230,343
of which Executive Management Board in 2020	0	0	0	0	0
of which employees in 2020	59,994	0	0	0	59,994
Stock options outstanding	**0**	**556,683**	**612,297**	**631,995**	**1,800,975**
of which Executive Management Board[2]	0	337,500	201,200	149,050	687,750
of which employees	0	219,183	411,097	482,945	1,113,225
Vested stock options (outstanding)	**0**	**556,683**	**424,947**	**240,133**	**1,221,763**
of which Executive Management Board	0	337,500	138,325	55,894	531,719
of which employees	0	219,183	286,622	184,239	690,044
of which have vested in 2020	0	48,968	150,204	159,091	358,263
of which Executive Management Board	0	31,500	50,300	37,263	119,063
of which employees	0	17,468	99,904	121,828	239,200
Non-vested stock options (outstanding)	**0**	**0**	**187,350**	**391,862**	**579,212**
of which Executive Management Board	0	0	62,875	93,156	156,031
of which employees	0	0	124,475	298,706	423,181
Exercisable stock options (outstanding)	**0**	**556,683**	**0**	**0**	**556,683**
of which Executive Management Board	0	337,500	0	0	337,500
of which employees	0	219,183	0	0	219,183

[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 Net currency gains/losses

Heidelberg Pharma posted a currency loss of € 9 thousand (previous year: € 24 thousand) in the 2020 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. There were also no finance costs as such. However, due to the initial application of IFRS 16, the interest portion of leases (€ 14 thousand) was added to finance costs.

This gives a financial result of € –14 thousand (previous year: € 0 thousand).

27 Share of the profit/loss of associates

As of 30 November 2020, Heidelberg Pharma Research GmbH held a 6.35 % interest in the share capital of Emergence according to German stock corporation law. For its 2019 fiscal year, ending on 31 December 2019, Emergence has reported an audited net loss of € 380 thousand for the year, calculated according to German commercial law. In unaudited interim financial statements for the period ended November 2020, the net loss of was € 1,551 thousand, and the net loss for December 2019 was € 352 thousand.

As of 30 November 2020, Heidelberg Pharma Research's share of Emergence's losses thus amounted to € 123 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.

This means that share of the profit/loss of associates amounting to € 71 thousand is to be recognized as an expense in the income statement.

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 2019 and 2020.

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:

	2020 € '000	2019 € '000
Earnings before tax	(18,369)	(10,143)
Tax rate	28,43 %	28,43 %
Expected tax income (earnings x tax rate)	**5,222**	**2,884**
Deferred taxes on losses for the period not qualifying for recognition	(4,596)	(2,071)
Change in non-recognized temporary differences	28	(24)
Non-deductible operating expenses/Other	(653)	(794)
Reported tax expense	**0**	**5**

The existing deferred tax assets and deferred tax liabilities as of 30 November are attributable as follows:

	2020 € '000	2019 € '000
Deferred tax assets		
Other current assets	25	40
Other non-current assets	270	260
Different carrying amount of the equity investment	94	94
Loss carryforwards taken into account	671	723
Other liabilities/provisions	29	1
	1,089	**1,118**
Deferred tax liabilities		
Intangible assets	709	710
Other liabilities/provisions	380	408
	1,089	**1,118**
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:

	2020 € '000	2019 € '000
Loss carryforwards		
for corporation tax	260,335	242,234
for trade tax	256,279	238,547
Deductible temporary differences	0	0
Loss carryforwards	2,360	2,543

The tax loss carryforwards shown in the table above based on current tax calculations are mainly attributable to Heidelberg Pharma AG (corporation tax loss carryforward of € 193,214 thousand; trade tax loss carryforward of € 190,176 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 shows € 67,141 thousand and € 66,103 thousand in losses carried forward for corporation tax and trade tax purposes, respectively. Deferred tax assets (amounting to € 671 thousand) were recognized in the fiscal year just ended for € 2,378 thousand in tax loss carryforwards and offset against correspondingly high deferred tax liabilities.

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 2020, deferred tax liabilities on these intangible assets amounted to €709 thousand (previous year: €710 thousand); 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 the second quarter of 2020 and the exercise of stock options during the second half of the year, the total number of Heidelberg Pharma shares issued as of the reporting date increased to 31,061,872.

		2020	2019
Net loss for the year attributable to equity providers	€ '000	(18,369)	(10,148)
Level of capital and corporate actions in the fiscal year			
Number of issued shares at the beginning of the fiscal year	**in thousand**	**28,210**	**28,210**
Number of shares newly issued during the fiscal year	in thousand	2,821	0
Number of new shares created by converting stock options	in thousand	31	0
Average number of shares issued during the fiscal year	**in thousand**	**29,897**	**28,210**
Basic earnings per share based on the weighted average number shares issued in the reporting period	**in € per share**	**(0.61)**	**(0.36)**

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).

Basic earnings per share in 2019

In fiscal year 2019, basic earnings per share amounted to € –0.36 based on the weighted average number of shares issued in the reporting period (28,209,611 shares and earnings attributable to equity providers of € –10,148 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 for the first time in fiscal year 2020.

However, the basic and diluted earnings per share of Heidelberg Pharma in the past was calculated based on the same number of shares in accordance with IAS 33.47 because the average market price of Heidelberg Pharma shares during the entire period fell below the exercise price of the exercisable stock options. However, in the 2020 fiscal year at € 3.95 the average market price of Heidelberg Pharma's shares exceeded the exercise price payable to the Company for the exercisable stock options (€ 1.89). Accordingly, diluted earnings per share are reportable for the first time. The following parameters are to be used for diluted earnings per share in 2020 (see note 24):

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- Number of stock options exercisable as of 30 November 2020: 556,683
- Average number of shares: 29,897 + 557 = 30,454 thousand shares
- Effect on earnings if fully exercised: 1.89 € x 556,683 options = € 1,052,131
- Attributable profit/loss for the year: € –18,446 thousand + € 1,052 thousand = € –17,394 thousand
- € –17,394 thousand/30,454 thousand shares = € –0.57

This gives diluted earnings per share of € –0.57 for 2020.

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
2020	110
of which from tenancy agreements (property)	81
of which from other leases (vehicles)	28
2019	114
of which from tenancy agreements	88
of which from other operating leases	26

Heidelberg Pharma has pledged € 10 thousand as deposit for the landlord. No other guarantees exist.

The future minimum annual payments under tenancy agreements and leases are comprised as follows:

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.

Below are previous year's figures:

Obligations as of 30 Nov. 2019	Up to 1 year € '000	1–5 years € '000	More than 5 years € '000	Total € '000
Rental obligations for laboratory and office premises[1]	78	0	0	78
Obligations under other leases (laboratory and other office equipment, vehicles)	27	40	0	67
	105	**40**	**0**	**145**

[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 2020 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 (appointed until 31 August 2021)

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 2020 were:

Professor Christof Hettich (Chairman of the Supervisory Board of Heidelberg Pharma AG),
- lawyer and partner at RITTERSHAUS Rechtsanwälte Partnerschaftsgesellschaft mbB, 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 shareholder of an agricultural business

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
- Global SVP (Ex-US) Technical Operations, Mundipharma International Limited, Cambridge, United Kingdom

Dr. Mathias Hothum
- Managing Director of dievini Verwaltungs GmbH, the general partner of dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany

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		V	
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
• InterComponentWare AG, Walldorf, Germany	Chairman of the Supervisory Board
• LTS Lohmann Therapie-Systeme AG, Andernach, Germany	Chairman of the Supervisory Board
• immatics biotechnologies NV, Tübingen, Germany	Vice 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
• AaviGen 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. 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
• CureVac AG, 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
• Atnahs Pharma Limited, London, United Kingdom	Member of the Advisory Committee

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

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 6, "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 € 646 thousand (previous year: € 641 thousand) in fiscal year 2020, € 461 thousand (previous year: € 455 thousand) of which was fixed remuneration, € 150 thousand (previous year: € 150 thousand) was variable remuneration and € 35 thousand (previous year: € 36 thousand) was paid in the form of other benefits or non-cash remuneration.

As of the reporting date, the two current members of the Executive Management Board held a total of 662,250 stock options from stock option plan with a long-term incentive and a risk element.

As in the previous year, the cumulative fair value of all stock options granted to the current Executive Management Board members was € 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 € 168 thousand (previous year: € 259 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 2020 fiscal year, the members of the Supervisory Board were paid remuneration of € 167 thousand (previous year: € 176 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 2020, members of the Executive Management Board held 132,981 shares of Heidelberg Pharma AG (representing 0.43 % of the Company's share capital of 31,061,872 shares).

Members of the Supervisory Board held 50,105 shares directly and 22,688,046 shares indirectly (representing 0.16 % and 73.04 %, 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 2020, executives of Heidelberg Pharma AG carried out one reportable transaction. Professor Pahl acquired 5,000 shares in Heidelberg Pharma AG at € 2.15 with a total volume of € 10,750 on 6 December 2019.

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 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.
- Under the 2011, 2017 and 2018 stock option plans, Heidelberg Pharma AG issued a total of 662,250 subscription rights to current members of the Executive Management Board, all of which are still outstanding. As of the end of the reporting period, 506,219 of these options are vested, of which 119,063 options vested in 2020. 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.
- The Rittershaus law firm invoiced legal consulting services for both Group companies in the total amount of approximately € 6 thousand in the reporting period (previous year: € 38 thousand). Rittershaus is a related party because the chairman of the Supervisory Board, Professor Christof Hettich, is a partner in this law firm.
- In fiscal year 2020, 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 participated in a capital increase in fiscal year 2020 and also subscribed to a convertible bond (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 22 July 2020. 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 2019/2020 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 April 2020 and factoring in the stock options exercised by 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 increased to approximately 76.61 % of Heidelberg Pharma shares.

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 over Heidelberg Pharma AG or can exert significant influence over the Company.

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 2021. It has been made permanently available to all shareholders and interested parties on the Company's website.

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34 Events after the reporting period

Heidelberg Pharma AG enters into an agreement on a shareholder loan in the amount of € 15 million with the main shareholder dievini in December 2020 under an existing financing commitment

In December 2020, Heidelberg Pharma entered into a subordinated shareholder loan for € 15 million with its main shareholder dievini. The amount of the loan corresponds to the financing commitment made on 21 July 2020. The loan does not have an expiration date, is unsecured and has an interest rate of 6 % per annum. Heidelberg Pharma AG may access the loan when needed.

Study approval for HDP-101 obtained from the FDA

On 4 February 2021, Heidelberg Pharma was notified by the US Food and Drug Administration (FDA) that it can begin the Phase I/IIa trial with HDP-101. The trial will evaluate HDP-101 for the treatment of multiple myeloma.

Heidelberg Pharma AG secures financing commitment from its main shareholder dievini

On 19 March 2021, the Group's main shareholder dievini confirmed a further financing commitment vis-à-vis Heidelberg Pharma AG. According to this commitment, dievini will provide the Company up to € 30 million in cash funds. The details of the financing will be decided by the Executive Management Board and the Supervisory Board of Heidelberg Pharma with dievini at a later date. The financing commitment enables Heidelberg Pharma to advance its business activities, in particular the implementation of the clinical Phase I/IIa of HDP-101 and the further development of the candidates HDP-102 and HDP-103. With this additional commitment and based on current planning, the Company's cash reach is secured until mid-2022.

Ladenburg, 22 March 2021

Heidelberg Pharma AG, the Executive Management Board

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

Professor Andreas Pahl
Chief Scientific Officer

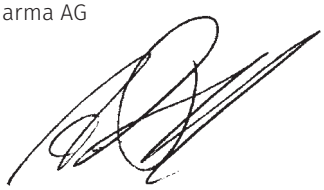
RESPONSIBILITY STATEMENT OF THE EXECUTIVE MANAGEMENT BOARD

"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 2021

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 AUDITORS' REPORT

The English translation of the auditors' 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 2020, 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 2019 to 30 November 2020, 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 2019 to 30 November 2020. 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 6.1 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 2020, and of its financial performance for the fiscal year from 1 December 2019 to 30 November 2020, 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

We refer to sections 7.4 "Going-concern risks" and 7.6 "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 2020 reporting date were not sufficient to guarantee the Company's ability to continue as a going concern for at least the next 12 months. Based on the assumption that the loan agreement for €15 million entered into with the main shareholder dievini in December 2020 and the financing commitment confirmed by dievini in March 2021 in the amount of €30 million will be implemented successfully in the first half of 2021, the executive directors assume that Heidelberg Pharma AG and/or its subsidiary Heidelberg Pharma Research GmbH, Ladenburg, Germany, will be unable from mid-2022 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).

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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 financial year from 1 December 2019 to 30 November 2020. 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 31% 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 and approved by the Supervisory Board, 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.

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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 6.1 of the combined management report,

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- the executive directors' responsibility statement regarding the consolidated financial statements and the combined management report pursuant to Section 297 (2) Sentence 4 and Sec-tion 315 (1) sentence 5 HGB respectively, and
- the remaining parts of the annual report,
- but not the audited 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 and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report 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

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on 22 July 2020. We were engaged by the Supervisory Board on 8 October 2020. 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).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Jörg Wegner.

Frankfurt am Main, 22 March 2021

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.

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.

Combination therapy: Therapy with two or more substances.

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.

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).

Monoclonal antibodies: Monoclonal antibodies are produced by cells created when an antibody producing cell (such as a B lymphocyte) fuses with an immortalized cancer cell. This procedure is carried out in the laboratory and produces a hybrid cell (hybridoma) possessing the properties of both cells. Since these cells originate from the same cell, they are all identical and are therefore described as „monoclonal". They produce large amounts of a specific anti-body, which binds to a specific antigen.

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.

Pharmacology: A scientific discipline investigating the characterization, effect and application of drugs and their interaction with the organism.

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.

POLR2A: A gene containing the information for RNA polymerase II. RNA polymerase II is a protein complex that enables the synthesis of mRNA and thus the reading of DNA. This is a fundamental process for protein synthesis in eukaryotic cells (in animals and humans).

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.

REDECT: **Re**nal Masses: Pivotal Trial To **De**te**ct** clear-cell RCC with pre-surgical PET/CT. REDECT is a Phase III registration trial, which will evaluate whether imaging with TLX250-CDx can improve the diagnosis in comparison to the current standard (CT).

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).

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.

FINANCIAL CALENDAR 2021

Date	Type of report/event
25 March 2021	Annual Report 2020, financial press conference and analysts' meeting
29 April 2021	Interim management statement on the first three months of 2021
18 May 2021	Annual General Meeting 2021
8 July 2021	Half-yearly Financial Report 2021
7 October 2021	Interim management statement on the first nine months of 2021

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Please see our website for the current list of conferences for 2021.

CONTACT

Heidelberg Pharma AG
Dr. Jan Schmidt-Brand
CEO/CFO
Tel. +49 62 03 10 09-0
E-mail: jan.schmidt-brand@hdpharma.com

Sylvia Wimmer
Senior Manager Corporate Communications
Tel. +49 89 41 31 38-29
E-mail: investors@hdpharma.com

IR/PR support
MC Services AG
Katja Arnold (CIRO)
Managing Director & Partner
Tel. +49 8921 02 28-40
E-mail: katja.arnold@mc-services.eu

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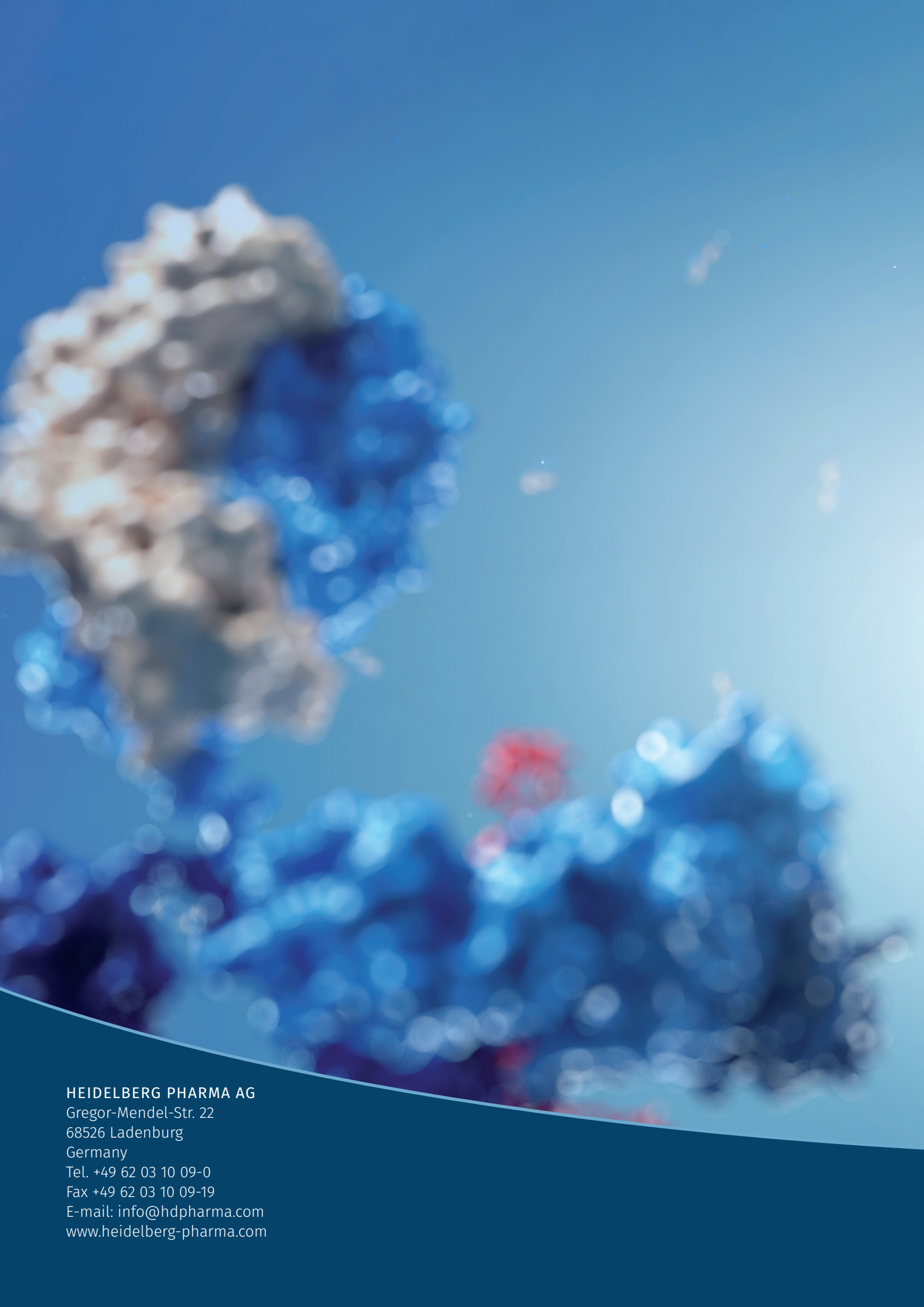
Responsible for the project: Sylvia Wimmer, Heidelberg Pharma AG, and Katja Arnold, MC Services AG

The Annual Report is also published in German and is available for download from our website at www.heidelberg-pharma.com.

The English translation of the Annual Report is provided for convenience only. The German original is definitive.

As of: 24 March 2021



HEIDELBERG PHARMA AG
Gregor-Mendel-Str. 22
68526 Ladenburg
Germany
Tel. +49 62 03 10 09-0
Fax +49 62 03 10 09-19
E-mail: info@hdpharma.com
www.heidelberg-pharma.com