

## Written report of the Executive Management Board on Agenda Item 7 pursuant to Section 203 (2) sentence 2 and Section 186 (4) sentence 2 of the German Stock Corporation Act on the reasons for authorizing the Executive Management Board to disapply shareholders' pre-emption rights:

1. Existing Authorized Capital 2020/I, reasons for the amendment and report on the utilization of Authorized Capital 2020/I:

Pursuant to Article 5 (5) of the Articles of Association as amended as of the date of publication of this invitation, the Executive Management Board is authorized to increase the Company's share capital, with the approval of the Supervisory Board, by issuing new no par value bearer shares in return for contributions in cash and/or contributions in kind on one or several occasions up to (and including) 21 July 2025 (Authorized Capital 2020/I). Authorized Capital 2020/I was originally resolved by the Annual General Meeting on 22 July 2020 in an amount of EUR 15,515,286.00 and recorded in the Commercial Register on 11 August 2020. At the time of the invitation to the Annual General Meeting to be held on 28 June 2022, Authorized Capital 2020/I has been used once on the basis of a resolution adopted by the Executive Management Board on 15 June 2021 and with the approval of the Supervisory Board given on the same day ("**2021 capital increase**"). The implementation of the 2021 capital increase was recorded in the Commercial Register of the Mannheim Local Court on 17 June 2021. In addition, it is intended that Authorized Capital 2020/I will once again be utilized in full.

As part of the 2021 capital increase, a resolution was adopted to increase the Company's share capital from EUR 31,066,372.00 at that time by EUR 3,106,637.00 to EUR 34,173,009.00 by utilizing Authorized Capital 2020/I in accordance with Article 5 (5) of the Articles of Association by issuing 3,106,637 new ordinary bearer shares with voting rights and having a notional value of EUR 1.00 per share (no par value shares) in return for cash contributions. The pre-emption rights of shareholders were disappplied. New institutional investors specializing in biotechnology were allowed to subscribe, including Polar Capital Biotech Investment Fund and Invus, as well as DH-LT-Investments GmbH, St. Leon-Rot, an investment company owned by Mr. Dietmar Hopp. The subscription price was EUR 6.44. This corporate action generated gross issue proceeds of around EUR 20.0 million. After the implementation of capital increase 2021 was entered in the Commercial Register, only EUR 12,408,649.00 of Authorized Capital 2020/I is now available.

The Company disclosed in an ad hoc announcement on 27 February 2022 that it had entered into an investment agreement with Huadong Medicine Co., Ltd., Hangzhou, China, (SZ 000963; Huadong) ("**Huadong**"). In this agreement, the Company committed to implementing a rights issue from Authorized Capital 2020/I ("**rights issue**") in which specific existing shareholders will waive their pre-emption right and Huadong will acquire new shares in the Company.

Authorized Capital 2020/I is to be utilized in full in connection with the rights issue. Up to 12,408,648 shares will therefore be issued at a price of EUR 6.44 per share as part of the rights issue, generating gross proceeds of EUR 80 million.

To continue to give the Executive Management Board suitable latitude, also in case the rights issue cannot be implemented, the existing Authorized Capital 2020/I shall be revoked if the Authorized Capital is not exercised by 27 October 2022 and new Authorized Capital 2022/I shall be created that authorizes the Company's Executive Management Board to increase the Company's share capital, with the approval of the Supervisory Board, by up to a total of EUR 20,992,228.00 by issuing up to 20,992,228 new no par value bearer shares in return for contributions in cash or in kind on one or several occasions up to (and including) 27 June 2027.

2. New Authorized Capital 2022/I and the attendant benefits for the Company:

The intention is to create new Authorized Capital 2022/I up to an amount of EUR 20,992,228.00. Authorized Capital 2022/I enables the Executive Management Board to increase the Company's share capital, with the approval of the Supervisory Board, by up to EUR [20,992,229.00] by issuing new no par value bearer shares in return for contributions in cash and/or in kind on one or several occasions. The Executive Management Board is authorized to disapply shareholders' statutory pre-emption rights under special circumstances with the approval of the Supervisory Board (see below, item 3). This authorization shall be in effect up to (and including) 27 June 2027.

The proposed authorization regarding the issuing of new shares from Authorized Capital 2022/I is designed to enable the Executive Management Board to react to short-term funding requirements in connection with the implementation of strategic decisions with the Supervisory Board's approval. A prompt and flexible funding tool is not only necessary, given the current economic situation, it is also in the interest of both the Company and all of its shareholders (e.g. for the purpose of enabling an acquisition and procuring liquidity). The aim is also that the Executive Management Board, with the approval of the Supervisory Board, will continue to be able to procure new capital for the Company at all times and acquire companies, business units, stakes in companies, new technologies, additional products or product candidates in return for shares. Such an anticipatory resolution is customary, both nationally and internationally.

With regard to the amount of the proposed Authorized Capital 2022/I (approx. 45% of the share capital recorded in the Commercial Register), it should be noted that the Company has the usual capital requirements for a company in its sector and therefore might require substantial authorized capital, among others to finance the further development of the ATAC technology, in particular the clinical development work on the proprietary ATAC candidate HDP-101.

3. Disapplication of shareholders' pre-emption rights:

The proposed resolution provides for an authorization to disapply shareholders' pre-emption rights, which exist in principle when authorized capital is utilized, for certain purposes individually listed in the proposed resolution:

- a) In the case of a capital increase against cash contributions, shareholders' pre-emption rights must be disappplied to avoid fractional amounts. The authorization to disapply shareholders' pre-emption rights for the purpose of using fractional shares is necessary to bring about a viable subscription ratio in a capital increase and thus only serves to use

authorized capital in rounded amounts. Fractional shares arise whenever it is impossible to distribute all new shares equally among the shareholders due to either the subscription ratio or the amount of the capital increase. Absent this authorization, carrying out the capital increase would be substantially more difficult in these cases. The cost of trading pre-emption rights related to the fractional shares is disproportionate to the advantages for the shareholders. The new shares created by disapplying shareholders' pre-emption rights for fractional shares are not subject to pre-emption rights and may be disposed of in the Company's best interest on the stock market (if possible) or by other means. A dilutive effect, if any, will be minor given the limitation to fractional amounts.

- b) In the case of a capital increase against contributions in kind, shareholders' pre-emption rights must be disappplied to achieve the objectives being pursued with this corporate action. For example, the Company is to be enabled to grow further and strengthen its competitiveness by acquiring companies, stakes in companies, or assets (especially patents and other industrial property rights as well as licenses).

A key element of the Company's corporate strategy is to push ahead with its own development programs and add innovative technologies and new development programs to round out the existing corporate portfolio. This may necessitate forging partnerships, purchasing licenses or acquiring companies. The conclusion of such partnerships, the acquisition of licensing rights and the acquisition of companies that are particularly important for the corporate purpose help to expand the Company's pipeline and technology portfolio, increasing its enterprise value. In the past, this helped to boost the stock exchange price of the Company's shares, benefiting shareholders and compensating for the disapplication of their pre-emption rights. To be able to pursue this corporate strategy in the future, it makes sense to cancel Authorized Capital 2020/I and create Authorized Capital 2022/I, which extends the time of the former, as proposed (at the same time, however, the option to disapply pre-emption rights in the case of capital increases against contributions in cash and/or in kind in connection with Authorized Capital 2022/I is to be reduced to a total of 10% of the share capital). This will allow stakes in companies and industrial property rights in particular to be acquired in a manner that does not adversely affect the Company's liquidity so that the Company's market position can be further expanded. Financing such an acquisition solely or – if the authorized capital does not suffice – in part with cash is neither possible nor expedient in the case of certain transactions, especially since the sellers or licensors also frequently insist on acquiring shares as consideration, as this can provide economic benefits for them.

The ability to use its shares as acquisition currency gives the Company the leeway it needs to take advantage of any acquisition opportunities that arise, rapidly and flexibly. Disapplying pre-emption rights is necessary in these cases because such acquisitions must be made on short notice and normally cannot be resolved by the Annual General Meeting which convenes just once a year, not to mention that there is no time to convene an extraordinary General Meeting in such situations owing to statutory deadlines. This calls for authorized capital so the Executive Management Board can act quickly with the Supervisory Board's approval.

- a) The ability to disapply pre-emption rights is also intended to facilitate a further issuance of the Company's shares on foreign stock exchanges as market conditions permit and serves the Company's growth. The disapplication of pre-emption rights therefore creates the opportunity for a further listing on a foreign stock exchange. Disapplying pre-emption rights ensures a reasonable placement volume and the best possible utilization of the new shares. In contrast, granting shareholders' pre-emption rights would lead to considerable technical difficulties in placing the new shares and prevent the most advantageous issue price from being achieved. A broader international financing base could better shield the Company against capital market fluctuations and would be more effective in neutralizing local changes in the cost of capital. An international investor structure like this would create greater market liquidity and reduce the Company's dependence on individual investors. In the international biotechnology environment, an additional listing on a foreign stock exchange would also facilitate the acquisition of stakes in other companies through share swaps.

The total number of shares issued on the basis of the above authorizations, under disapplication of pre-emption rights in the case of capital increases against contributions both in cash and in kind, must not exceed 10% of the share capital – calculated on the date on which the authorizations take effect or the date on which the authorizations are exercised, whichever amount is lower. Shares sold or issued or to be issued under disapplication of pre-emption rights in accordance with other authorizations expressly mentioned shall count towards this 10% limit. The above-mentioned 10% limit shall include (i) treasury shares sold after the effective period of these authorizations under disapplication of shareholders' pre-emption rights, (ii) shares issued on the basis of other authorized capital under disapplication of pre-emption rights during the effective period of these authorizations, and (iii) shares to be issued to service convertible bonds and/or bonds with warrants, insofar as the convertible bonds and/or bonds with warrants have been issued during the effective period of these authorizations under disapplication of shareholders' pre-emption rights, but in respect of (i), (ii) and/or (iii) only insofar as the shares are not used to fulfill claims of members of corporate bodies and/or employees of the Company and/or its affiliated companies under employee stock option plans. The maximum level reduced in accordance with the above sentences of this paragraph shall be increased again up to the maximum amount of the new authorization when a new authorization to disapply shareholders' pre-emption rights resolved by the Annual General Meeting after the reduction takes effect, but by no more than 10% of the share capital in accordance with the requirements of sentence 1 of this paragraph.

This capital limit restricts the overall scope of an issue of shares from authorized and contingent capital while disapplying pre-emption rights and also the overall scope of a sale of treasury shares while disapplying pre-emption rights. In this way, shareholders are additionally protected against dilution of their shareholding. However, shares intended for fulfillment of claims of members of the corporate bodies and/or employees of the Company and/or its affiliated companies from employee stock option plans and which are issued while disapplying pre-emption rights are not counted because the dilutive effect for shareholders is low.

The maximum disapplication of pre-emption rights based on Authorized Capital 2022/I comprises 10% of the Company's share capital.

Having weighed all aforementioned circumstances, the Executive Management Board and the Supervisory Board believe that the option to disapply shareholders' pre-emption rights in the aforementioned cases is justified and appropriate, even if it has a dilutive effect for shareholders.

4. Report on the utilization of Authorized Capital 2022/I

The Executive Management Board shall report any utilization of the Authorized Capital 2022/I to the Annual General Meeting.

Ladenburg, May 2022

Heidelberg Pharma AG

The Executive Management Board