Written report of the Management Board on agenda item 5 pursuant to Sections 203 para. 2 sentence 2, 186 para. 4 sentence 2 AktG on the reasons for the authorization of the Management Board to exclude subscription rights

1. Current Authorized Capital 2022/I, reason for the amendment and report on the utilization of the Authorized Capital 2022/I:

   In accordance with Section 5 (5) of the company's Articles of Association in the version valid at the time of publication of the invitation, the Management Board is authorized, with the approval of the Supervisory Board, to increase the company's share capital on one or more occasions until 27 June 2027 (inclusive) by issuing new no-par value bearer shares against cash and/or non-cash contributions (Authorized Capital 2022/I). The Authorized Capital 2022/I was originally resolved at the Annual General Meeting on 28 June 2022 in the amount of EUR 20,992,228.00 and entered in the commercial register on 15 September 2022. At the time of the invitation to the Annual General Meeting on 20 June 2024, Authorized Capital 2022/I had not yet been used.

   The German Act on the Financing of Investments to Secure the Future (Zukunftsfinanzierungsgesetz - ZuFinG; BGBl. 2023 I No. 354 of 14 December 2023), which came into force at the beginning of 2024, and the corresponding amendment to Section 186 para. 3 sentence 4 AktG now make it possible to exclude subscription rights even if the capital increase against cash contributions does not exceed twenty percent of the share capital and the issue price is not significantly lower than the market price.

   In order to continue to give the management appropriate scope for action against the background of this possibility of the Future Financing Act, the existing Authorized Capital 2022/I is to be cancelled and a new Authorized Capital 2024/I is to be created, which authorizes the management of the company, with the approval of the Supervisory Board, to increase the share capital once or several times by up to a total of EUR 21,002,488.00 against cash and/or non-cash contributions by issuing up to 21,002,488 new no-par value bearer shares until 19 June 2029 (inclusive).

2. new Authorized Capital 2024/I and associated advantages for the company:

   A total of new Authorized Capital 2024/I up to an amount of EUR 21,002,488.00 is to be created. Authorized Capital 2024/I enables the Management Board, with the approval of the Supervisory Board, to increase the company's share capital once or several times by up to a total of EUR 21,002,488.00 against cash and/or non-cash contributions by issuing new no-par value bearer shares. The Executive Board is authorized to exclude shareholders' statutory subscription rights under special circumstances with the approval of the Supervisory Board (see 3. below). The authorization is to be granted until 19 June 2029 (inclusive).

   The proposed authorization to issue new shares from Authorized Capital 2024/I is intended to enable the Executive Board, with the approval of the Supervisory Board, to respond to short-term financing requirements in connection with the implementation of strategic decisions. Especially in the current economic situation, a fast and flexible financing instrument is necessary and in the interests of the company and all shareholders (e.g. to enable an acquisition and to obtain liquidity). With the approval of the Supervisory Board, the Management Board should continue to be able to procure new equity for the company at any time and to acquire companies, parts of companies, investments in companies, new technologies, additional products or product candidates in return for shares. Such an anticipatory resolution is common practice both nationally and internationally.

   With regard to the amount of the proposed Authorized Capital 2024/I (approx. 45% of the share capital entered in the commercial register; together with the Authorized Capital 2022/II pursuant to Section 5 (10) of the company's Articles of Association, approx. 50% of the share capital entered in the commercial register), it should be noted that the company has a capital requirement that is customary for the industry - including for financing the further development of its ADC technology platforms and for the further development of its own product candidates and could therefore also require a correspondingly high amount of authorized capital.

3. exclusion of subscription rights:

The proposed resolution provides for an authorization to exclude shareholders' subscription rights, which generally exist when using authorized capital, for certain purposes listed in detail in the proposed resolution:

a) The management is authorized to exclude subscription rights in the event of capital increases against cash contributions up to a maximum total of 20% of the company's share capital, whereby the issue price of the new shares may not be significantly lower than the stock market price of the company's share. The management will count towards the limit of 20% of the share capital those shares that are issued or are to be issued to service conversion or option rights, if and insofar as the convertible bonds or bonds with warrants from which these rights arise are issued during the term of the authorization in corresponding application of Section 186 para. 3 sentence 4 AktG with the exclusion of subscription rights.

   This possibility of excluding subscription rights enables the company to take advantage of favorable stock market situations at short notice and to achieve the highest possible issue price and thus the greatest possible strengthening of equity by setting the price close to the market. Experience has shown that such a capital increase leads to a higher inflow of funds than a comparable capital increase with subscription rights for shareholders due to the faster possibility of action. It is therefore in the best interests of the company and its shareholders. This does lead to a reduction in the relative participation quota and the relative share of voting rights of the existing shareholders. However, shareholders who wish to maintain their relative participation quota and their relative share of voting rights have the option of acquiring the required number of shares via the stock exchange

b) The Management Board should also be authorized under Authorized Capital 2024/I, with the approval of the Supervisory Board, to exclude fractional amounts from shareholders' subscription rights. The authorization to exclude subscription rights for the utilization of fractional shares is necessary to ensure a practicable subscription ratio in the event of a capital increase and therefore only serves to enable the utilization of the authorized capital with round amounts. Fractions arise if, as a result of the subscription ratio or the amount of the capital increase, not all new shares can be distributed equally among the shareholders. Without this authorization, the technical implementation of the capital increase would be made more difficult, particularly in the case of a capital increase by a round amount. The costs of trading in subscription rights for the fractional shares are disproportionate to the benefit for the shareholders. The new shares without subscription rights resulting from the exclusion of shareholders' subscription rights for the fractional shares will either be sold on the stock exchange (if possible) or otherwise disposed of in the best possible way for the company. The potential dilution effect is low due to the restriction to fractional shares.

c) With the approval of the Supervisory Board, subscription rights may also be excluded in the case of capital increases against contributions in kind. The management should be able to acquire companies, parts of companies, interests in companies, new technologies, additional products or product candidates at any time in return for shares. For example, the company wants to be able to acquire companies, parts of companies, equity interests, new technologies, additional products or product candidates in order to strengthen its competitiveness, improve its financial position and increase its earning power. In times when the company's own financial resources are scarce and it is more difficult to raise external funds, the use of shares from authorized capital is often the only sensible consideration. The possibility of using shares in the company from authorized capital as an acquisition currency gives the company the necessary leeway to take advantage of acquisition opportunities quickly and flexibly. As such an acquisition usually takes place at short notice, it cannot usually be resolved by the Annual General Meeting, which only takes place once a year; there is also usually not enough time to convene an Extraordinary General Meeting in these cases due to the statutory deadlines. Instead, this requires authorized capital, which the Management Board can access quickly - but only with the approval of the Supervisory Board.

d) The possibility of excluding subscription rights is intended to enable the further issue of shares in the company on foreign stock exchanges, insofar as this is permitted by market conditions and serves the further growth of the company. The exclusion of subscription rights is therefore intended to create the possibility of a further listing on a foreign stock exchange. The exclusion of subscription rights ensures a reasonable placement volume and optimal utilization of the new shares. In contrast, maintaining shareholders' subscription rights would lead to considerable technical difficulties in the placement of the new shares and prevent the best possible issue price from being achieved. As a result of an internationally more broadly diversified financing base, the company could be better protected against capital market fluctuations and local changes in the cost of capital could be neutralized as effectively as possible. Such an international investor structure 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 company investments through share swaps.

After weighing up all the above circumstances, the Management Board and Supervisory Board consider the exclusion of subscription rights in the above cases to be objectively justified and appropriate for the reasons stated, also taking into account the dilutive effect to the detriment of shareholders.

4. report on the utilization of Authorized Capital 2024/I

   The Executive Board will report to the Annual General Meeting on each utilization of Authorized Capital 2024/I.

Ladenburg, May 2024

Heidelberg Pharma AG

The Executive Management Board